



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

North City Water District

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

Published April 8, 2024

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

April 8, 2024

Board of Commissioners
North City Water District
Shoreline, Washington

Report on Financial Statements

Please find attached our report on the North City Water District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Independent Auditor's Report on the Financial Statements.....	6
Financial Section.....	9
About the State Auditor's Office.....	38

INDEPENDENT AUDITOR'S REPORT

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

North City Water District January 1, 2022 through December 31, 2022

Board of Commissioners
North City Water District
Shoreline, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the North City Water District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 25, 2024.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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


REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy, State Auditor

Olympia, WA

March 25, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

North City Water District January 1, 2022 through December 31, 2022

Board of Commissioners
North City Water District
Shoreline, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the North City Water District, as of December 31, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

March 25, 2024

**North City Water District
January 1, 2022 through December 31, 2022**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Revenues, Expenses & Changes in Net Position – 2022

Statement of Cash Flows – 2022

Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022

Schedule of Changes in Total OPEB Liability and Related Ratios – 2022

North City Water District
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2022

Overview of the Financial Statements

The management discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of District-wide financial statements and notes to the financial statements. The District began implementing the Governmental Accounting Standards Board (GASB) Statement 34 model of financial reporting in 2003. This statement establishes standards for external financial reporting for all state and local government entities.

The District's financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on the District's assets, liabilities, deferred inflows and outflow, with the difference between the two reported as net position per GASB 34. Increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating. Assets are designated as either Unrestricted or Restricted based upon their purpose. Assets whose use is subject to constraints that are externally imposed, such as those imposed by creditors through debt covenants, are defined as Restricted Assets. Funds without a designated purpose are called Unrestricted.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the District's position changed during the most recent fiscal year. All changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. depreciation as well as earned but unused vacation leave).

The *Statement of Cash Flows* accounts for the net change in cash and cash equivalents by summarizing cash receipts and cash disbursements resulting from operating activities, capital and related financing activities and investment activities. This statement assists the user in determining the source of cash coming into the District, the items for which cash was expended, and the beginning and ending cash balance.

The notes provide additional information that is essential to the full understanding of the data provided in the District's financial statements.

Financial Analysis

Condensed Comparative Statement of Net Position

	2022	2021	2020	2022-2021 Change
Current and Other Assets	\$ 13,499,582	\$ 11,815,020	\$ 10,229,503	\$ 1,684,562
Capital Assets	<u>48,130,164</u>	<u>45,698,733</u>	<u>46,422,061</u>	<u>2,431,431</u>
Total Assets	61,629,746	57,513,753	56,651,564	4,115,993
Deferred Outflows of Resources	374,962	122,533	132,472	252,429
Long-term Liabilities	15,492,313	16,391,501	17,483,701	(899,188)
Other Liabilities	<u>2,941,105</u>	<u>2,859,579</u>	<u>2,976,280</u>	<u>81,526</u>
Total Liabilities	18,433,418	19,251,080	20,459,981	(817,662)
Deferred Inflows of Resources	465,248	1,107,228	153,064	(641,980)
Invested in Capital Assets	32,270,141	30,184,645	30,366,110	2,085,496
Restricted	176,408	116,953	404,394	59,455
Unrestricted	<u>10,659,493</u>	<u>6,976,380</u>	<u>5,400,487</u>	<u>3,683,113</u>
Total Net Position	<u>\$ 43,106,042</u>	<u>\$ 37,277,978</u>	<u>\$ 36,170,991</u>	<u>\$ 5,828,064</u>

The overall financial condition of the District remains strong with an increase in net position of \$5,828,064 in 2022. The increase is due to an increase of \$4,368,422 in Total Assets and Deferred Outflows, net of a decrease in Total Liabilities and Deferred Inflows of \$1,459,642. The increase in Total Assets is due to an excess of cash operating revenues over cash operating expenses, the sale of the old maintenance facility for over \$2 million, and cash from connections fees from several Water System Extension Agreements (WSEA). This excess was used to fund the capital costs related to purchasing or constructing District assets and for reducing debt principal. Total assets also include \$383,896 in Net Pension Assets. Deferred Outflows of Resources of \$374,962 increased by \$252,429 (see Note 7 for more information on GASB 68 and Note 10 for GASB 75). Total Liabilities decreased by \$817,662 primarily driven by a reduction in indebtedness with the payment of current year maturities (see Note 5), and a reduction in OPEB liabilities. Deferred Inflows decreased by \$641,980 (\$636,535 for Pensions offsetting the increase in Net Pension Assets, and \$5,445 for amounts deferred from refunding of debt). See NOTE 7 for more information on GASB 68 as it relates to Net Pension Assets and Deferred Inflows of Resources and NOTE 5 for Long-Term Debt.

The amount invested (or equity) in capital assets of \$32,270,141 is the net book value of all District capital assets of \$48,130,164 less the amount funded with outstanding debt and other capital related assets and liabilities of \$15,860,023. Please refer to Note 3 for more information regarding the composition of capital assets and Note 5 for more information about the District's debt. The restricted position of \$176,408 is the amount set aside to make bond payments and for the payment of retainage held under construction contracts. The unrestricted balance of \$10,659,493 represents the assets available for future use in providing utility service.

Condensed Comparative Statement of Revenues and Expenses and Changes in Net Position

	2022	2021	2020	2022-2021 Change
Water Service	\$ 7,669,021	\$ 7,344,430	\$ 7,223,801	\$ 324,591
Other Operating Revenue	513,997	452,369	482,685	61,628
Other Non-Operating Revenue	<u>1,985,500</u>	<u>16,322</u>	<u>170,234</u>	<u>1,969,178</u>
Total Revenues	10,168,518	7,813,121	7,876,720	2,355,397
Operating Expenses	6,817,821	6,419,433	6,690,736	398,388
Non-Operating Expenses	<u>409,911</u>	<u>527,639</u>	<u>199,007</u>	<u>(117,728)</u>
Total Expenses	<u>7,227,732</u>	<u>6,947,072</u>	<u>6,889,743</u>	<u>280,660</u>
Excess before Contributions	2,940,786	866,049	986,977	2,074,737
Capital Contributions	<u>2,887,278</u>	<u>240,938</u>	<u>953,155</u>	<u>2,646,340</u>
Change in Net Position	5,828,064	1,106,987	1,940,132	4,721,077
Beginning Net Position	37,277,978	36,170,991	34,230,859	1,106,987
Ending Net Position	<u>\$ 43,106,042</u>	<u>\$ 37,277,978</u>	<u>\$ 36,170,991</u>	<u>\$ 5,828,064</u>

Most of the District's revenues are derived from water service charges received from its ratepayers. The District also derives cash flow from connection charges, antenna rents, and interest. The increase in Water Service Revenue of \$324,591 in 2022 is higher than in 2021 due to a 4% rate increase implemented in 2022. Other Non-Operating Revenue increased by \$1,969,178 due to the gain on the sale of the old maintenance facility.

Operating Expenses for 2022 decreased by \$398,388 due to almost \$500,000 in adjustments for Pension and OPEB expenses. These adjustments were offset by higher operating costs for work orders related to field maintenance and less charges to capitalized labor. Administrative and operating costs were also up due to higher employee costs for salary and cost of living adjustments. Non-Operating expenses decreased by \$117,728 due to lower interest and bond issues costs for the refunding of debt that occurred in 2021. Capital contributions vary from year to year and were up significantly by \$4,721,077 in 2022 due to higher contributions from developers.

Capital Assets and Debt Administration

The majority of the District's net assets are invested in capital assets (e.g. buildings, land, lines, and equipment). The District uses these capital assets to provide water service to residential and commercial customers in the District.

As of December 31, 2022, the District's investment in capital assets shown on the Statement of Net Position and in Note 3: Capital Assets is \$48,130,164 net of depreciation. Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Please refer to Note 3.

Long-Term Debt

The District uses long-term debt to help fund its capital projects in the form of revenue bonds and, for qualifying projects, low interest loans administered through the Washington State Department of Health.

The District issued revenue bonds in November 2016 and again in November 2021 to refund the 2011 revenue bonds— see NOTE 5. Prior bond covenants required the District to fund reserves in its Bond Redemption Fund at a level at least equal to the average amount required in any calendar year. These covenants were changed with the 2016 bond issue to allow for the purchase of a surety bond instead. This allowed the District to use the existing reserve funds for capital costs and thus reduce the need for higher funding. The 2021 refunding bonds maintained all existing bond covenants.

In 2012, the District was approved to receive Drinking Water State Revolving Fund loan monies for two capital projects totaling approximately \$4.3 million. The District completed one project in 2013 and the second project in 2017. See NOTE 5.

North City Water District
STATEMENT OF NET POSITION – Page 1
As of December 31, 2022

ASSETS

Current Assets:

Cash and Cash Equivalents (Fair Value)	
Maintenance/Operating Account	\$ 993,048
Capital Account	7,760,801
Vehicle Replacement Account	714,432
Preservation Account	425,405
Developer Deposits Account	935,175
Accounts Receivable (Net)	1,550,598
Inventories	374,043
Prepayments	185,776
TOTAL CURRENT ASSETS	12,939,278

Non-Current Assets:

Restricted Assets (<i>Cash & Cash Equivalents</i>) (NOTE 1))	
Revenue Bond Fund	139,387
Retainage Payable Account	37,021
Total Restricted Assets	176,408

Capital Assets:

Capital Assets Not Being Depreciated or Amortized:	
Land - (NOTE 3)	3,849,718
Construction in Progress (NOTE 4)	1,266,972
Capital Assets Being Amortized: (NOTE 3)	
Intangibles Plant (<i>Net of Amortization</i>)	518,514
Capital Assets Being Depreciated: (NOTE 3)	
Buildings	17,714,981
Equipment	1,289,898
Infrastructure	42,114,316
Vehicles	1,064,719
Less Accumulated Depreciation	(19,688,954)
Total Capital Assets (Net)	48,130,164
Net Pension Assets (NOTE 7)	383,896
TOTAL NONCURRENT ASSETS	48,690,468
TOTAL NET ASSETS	61,629,746

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions (NOTE 7)	370,917
Deferred Outflows Related to OPEB (NOTE 10)	4,045
TOTAL DEFERRED OUTFLOWS OF RESOURCES	374,962

The notes to the financial statement are an integral part of this statement.

North City Water District
STATEMENT OF NET POSITION – Page 2
As of December 31, 2022

LIABILITIES

Current Liabilities:

Accounts Payable - Maint	616,842
Accounts Payable - Construction	170,136
Accrued Employee Costs	85,078
Compensated Absenses - Current Portion	17,201
Other Liabilities	1,280,356
Accrued Interest Payable	106,539
Current Portion of DWSRF Debt (NOTE 5)	201,863
Current Portion of Long-Term Debt (NOTE 5)	455,000
Current Portion of Total OPEB Liability (NOTE 10)	8,090
TOTAL CURRENT LIABILITIES	2,941,105

Non-Current Liabilities:

Compensated Absences	115,539
Drinking Water State Revolving Fund Loans - Net of Current Portion (NOTE 5)	2,570,361
Long-Term Debt - Net of Current Portion (NOTE 5)	11,590,000
Unamortized Bond Premium (Discount)	540,707
Net Pension Liability (NOTE 7)	220,967
Total OPEB Liability (NOTE 10)	454,739
TOTAL NONCURRENT LIABILITIES	15,492,313
TOTAL NET LIABILITIES	18,433,418

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions (NOTE 7)	416,239
Deferred Inflows Related to Amount Deferred from Refunding (NOTE 5)	49,009
TOTAL DEFERRED INFLOWS OF RESOURCES	465,248

NET POSITION

Net Investment in Capital Assets	32,270,141
Restricted for Debt Service and Retainage	176,408
Unrestricted	10,659,493
TOTAL NET POSITION	\$ 43,106,042

The notes to the financial statement are an integral part of this statement.

North City Water District
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
For the Year Ended December 31, 2022

OPERATING REVENUE	
Utility Sales and Service Fees	\$ 7,669,021
Other Operating Revenue	513,997
Total Operating Income	8,183,018
 OPERATING EXPENSES	
Operations:	
Water Purchased for Resale	1,526,569
General Operations	933,318
Maintenance	475,234
Customer Service and Billing	458,957
Administration:	
General Administration	99,479
Planning & Development	10,000
Public & Regional Involvement	143,369
Office & Records Management	631,304
Depreciation and Amortization	1,676,160
Franchise Fees	425,856
Property, Excise, and B&O Taxes	437,575
Total Operating Expenses	6,817,821
OPERATING INCOME	1,365,197
 NON-OPERATING REVENUES (EXPENSES)	
Investment Interest Income - Net FMV Adjustment	(171,310)
Bond and Loan Interest Expense	(409,911)
Other Non-Operating Revenue (Expense)	2,156,810
Total Non-Operating Revenues (Expenses)	1,575,589
Capital Contributions	2,887,278
CHANGE IN NET POSITION	5,828,064
TOTAL NET POSITION, January 1	37,277,978
TOTAL NET POSITION, December 31	\$ 43,106,042

The notes to the financial statement are an integral part of this statement.

North City Water District
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	8,086,712
Cash Payments to Suppliers for Goods & Services	(4,320,435)
Cash Payments for Payroll and Related Costs	(1,489,863)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,276,413</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Contributions from Connection Fees	1,025,089
Cash Changes in Non-Operating Expense/Income	19,068
Developer Deposits (Net of Costs)	55,204
Sale of Assets	2,141,366
Cash Payments for Capital Construction & Acquisition	(2,183,189)
Cash Payments for Debt Service (NOTE 5)	(1,128,363)
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(70,824)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Investments (Net of Fees)	105,763
Adjustment to FMV of Investments	(277,073)
CASH FLOWS FROM INVESTING ACTIVITIES	<u>(171,310)</u>
 NET INCREASE (DECREASE IN CASH AND CASH EQUIVALENTS)	 2,034,279
 CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	 8,970,990
 CASH AND CASH EQUIVALENTS - END OF PERIOD	 11,005,269
 NON-CASH INVESTING, CAPITAL OR FINANCING TRANSACTIONS	
Contributions of capital assets from developers	1,862,188
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME (LOSS)	1,365,197
 ADJUSTMENTS TO RECONCILE NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS:	
Depreciation & Amortization Expense	1,676,159
Decrease (Increase) in Inventory	(159,225)
Decrease (Increase) in Accounts Receivable	(96,307)
Decrease (Increase) in Prepaid Expense	(2,336)
Increase (Decrease) in Other Payables	(141,507)
Increase (Decrease) in Maintenance Accounts Payable	119,864
Increase (Decrease) by Pensions Adjustments	(485,433)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>2,276,413</u></u>

The accompanying notes are an integral part of these statements

North City Water District
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. This and consecutive statements are reflected in the accompanying financial statements (including notes to the financial statements). The following is a summary for the most significant policies (including identification of those policies, which result in material departures from GAAP):

a. Reporting Entity

The District is a municipal corporation governed by an elected three-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The District has no component units.

b. Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. An exception to full accrual is that interest on assessments is recorded when received. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the appropriate funds. Unbilled utility service receivables are recorded at year-end. Operating income includes gains and losses from the disposal of utility plant.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. All District deposits are mostly covered by Federal Depository Insurance Corporation (FDIC) and are selected through the contracting of treasurer services through King County.

d. Capital Assets – See Note 3

Capital assets are defined by the District as assets with initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Major expenses for capital assets such as major repairs that increase useful lives are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Capital assets donated by developers are recorded at market value.

e. Restricted Funds

In accordance with bond resolutions (and certain related agreements) separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including construction, debt service and other special reserve requirements. Restricted funds as of December 31, 2022` include the Revenue Bond funds totaling \$176,408.

Assets and liabilities shown as current in the accompanying statement of net assets exclude current maturities on revenue bonds and accrued interest thereon because debt service funds are provided for their payment.

f. Receivables

The District records receivables when billing takes place. The District takes advantage of its authority to lien properties with delinquent utility balances. Such liens are recorded with King County and are maintained until the balances are paid in full. Interest is assessed on these liens until paid. For this reason, there is not an allowance for bad debts.

g. Inventories

Inventory is valued at the First In/First Out (FIFO) cost, which approximates the market value. All items are physically counted quarterly.

h. Investments

District funds not required for immediate expenditure are invested via King County, the District's ex-officio treasurer, in the King County Investment Pool (Pool). Investments are stated at cost. For various risks related to the investments, see Deposits and Investments Note 2.

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when incurred. Vacation pay, which may be accumulated up to 312 or 468 hours for non-exempt or exempt employees respectively, is payable upon resignation, retirement or death. Sick leave may accumulate up to 960 hours as of December 31 of each calendar year.

j. Revenue and Expenses

OPERATING REVENUE is defined as those revenues generated from the sale of utility services and all associated administrative charges directly connected to those services. Non-operating revenues are defined as those revenues not meeting the definition of operating revenue.

OPERATING EXPENSES are those direct costs necessary for providing water services. Non-operating expenses are all other expenses not meeting the definition of an operating expense.

k. Construction Financing

The District has issued revenue bonds for long-term financing of capital improvements. The District also uses Drinking Water State Revolving Fund Loans made available through the Washington State Department of Health for public works projects. See Note 5 for additional information. Developers also build regular system extensions. Upon the completion of the project, the developer donates those main lines and other assets to the District.

l. Other Current Assets – Pre-paid items

Prepaid expenses are those costs which are paid up front for short term future use. One such prepaid item is insurance. As noted in Note 9, the District carries insurance through the Washington Governmental Entities Pool and pays for this coverage annually. Since the monies are paid in advance of the coverage, the amount allocated to future periods is noted as pre-paid expense. The District also includes applies funds toward its postage meter and postage permit.

m. Intangible Assets

The District defers costs for intangible assets for a period of time equal to its estimated useful life. As of December 31, 2022, the District's intangible assets are \$518,514. See Note 3.

n. 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.

o. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of losses on refunding of debt, contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. The deferred loss on refunding of debt results from a difference in the carrying value of refunded debt and its reacquisition price. Losses on refunding of debt are amortized by the interest method over the life of the refunded or refunding debt, whichever is shorter. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year.

Deferred outflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

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.

p. 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.

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

a. Deposits

The District's deposits are mostly covered by federal depository insurance (FDIC). The Public Deposit Protection Commission of the State of Washington (PDPC) also provides limited coverage of the District's funds held by King County. The PDPC is a statutory authority which constitutes a multiple financial institution collateral pool that can make pro rata assessments to all public depositories within the state of up to ten percent (10%) of all their public deposits.

b. Investments

In accordance with state investment laws, the District's governing body has entered into a formal interlocal agreement with King County, its *ex officio* treasurer, to have all funds not required for immediate expenditure invested in the King County Investment Pool (Pool). As of December 31, 2022, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
King County Investment Pool	\$8,805,761	.99 Years

Impaired Investments: As of December 31, 2022, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The District's share of the impaired investment pool principal is \$5,439 and the District's fair value of these investments is \$3,051.

Interest Rate Risk. As of December 31, 2022, the Pool's average duration .99 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit risk. As of December 2022, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two 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.

Investments in King County Investment Pool. The District is a participant in the King County Investment Pool, an external investment pool. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the Pool at the fair value amount, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County

Treasurer to invest the funds of participants. The King County investment policy is established by the Finance Committee. The county external investment pool does not have a credit rating and had a weighted average maturity of .99 years and value per share of \$0.9736 as of December 31, 2022.

c. The District's deposit and investment balances as of December 31, 2022, are as follows

Cash and Cash Equivalents	
Cash on Hand	\$ 750
Deposits with Private Financial Institutions	29,988
Deposits with King County Investment Pool at Fair Value	10,798,123
Total Cash and Cash Equivalents	\$ 10,828,861
Restricted Assets	
Deposits with King County Investment Pool	\$ 139,387
Retainage Payables Account	37,021
Total Cash and Cash Equivalents	\$ 176,408
Total Cash, Deposits and Investments	\$ 11,005,269

NOTE 3 – CAPITAL ASSETS

Capital assets are defined by the District as assets with initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Major expenses for capital assets such as major repairs that increase useful lives are capitalized. With the implementation of GASB 89 in 2021, interest during the construction period is no longer capitalized to assets. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Capital assets donated by developers are recorded at market value. Utility plants in service and other capital assets are recorded at cost. Capital assets for the year ended December 31, 2022 were as shown in the following table:

	2022 Beg Bal	2022 Activity Increase	Decrease / Adjustment	2022 End Bal
UTILITY PLANT NOT BEING DEPRECIATED OR AMORTIZED				
Land	\$ 3,849,718	\$ -	\$ -	3,849,718
Construction-in-Progress	844,124	1,025,431	(602,583)	\$ 1,266,972
TOTAL UTILITY PLANT NOT BEING DEPRECIATED	\$ 4,693,841	\$ 1,025,431	\$ (602,583)	\$ 5,116,690
UTILITY PLANT BEING AMORTIZED - NET OF AMORTIZATION				
Intangible Plant	\$ 31,635	\$ 497,425	\$ (10,545)	\$ 518,514
TOTAL UTILITY PLANT BEING AMORTIZED	\$ 31,635	\$ 497,425	\$ (10,545)	\$ 518,514
UTILITY PLANT BEING DEPRECIATED				
Building & Structures	\$ 17,112,398	\$ 602,583	\$ -	\$ 17,714,981
Machinery & Equipment	1,205,391	84,507	-	1,289,898
Vehicles	1,141,029	-	(76,310)	1,064,719
Infrastructure	39,792,782	2,500,227	(178,693)	42,114,316
TOTAL UTILITY PLANT BEING DEPRECIATED	\$ 59,251,601	\$ 3,187,317	\$ (255,003)	\$ 62,183,914
LESS ACCUMULATED DEPRECIATION FOR:				
Building & Structures	\$ (818,476)	\$ (444,373)	\$ -	\$ (1,262,848)
Machinery & Equipment	(1,121,387)	(21,405)	-	(1,142,792)
Vehicles	(635,196)	(79,315)	76,310	(638,202)
Infrastructure	(15,703,283)	(1,120,521)	178,693	(16,645,111)
TOTAL ACCUMULATED DEPRECIATION	\$ (18,278,343)	\$ (1,665,615)	\$ 255,003	\$ (19,688,954)
UTILITY PLANT BEING DEPRECIATED (NET)	\$ 40,973,258	\$ 1,521,702	\$ -	\$ 42,494,960
TOTAL UTILITY PLANT, NET	\$ 45,698,734	\$ 3,044,558	\$ (613,128)	\$ 48,130,164

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation related to the property sold is charged, and the net gain or loss on disposition is credited or charged to income.

Capital assets are depreciated using straight-line method of depreciation over the following estimated useful lives:

Buildings	20 to 30 years
Equipment	3 to 10 years
Infrastructure	10 to 50 years
Vehicles	3 to 10 years

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that relate to abandoned projects are expensed.

NOTE 4 – CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on capital projects. The construction in progress as of December 31, 2022 was as follows:

CONSTRUCTION IN PROGRESS	
<i>As of December 31, 2022</i>	
GIS Project	\$ 20,361
2021.01.2.0 MG Reservoir Impr	404,959
2021.02 Repl 8" WM on 25th Ave	362,488
2021.03 Upgrd Ser on 30th Ave	151,007
2021.04 Install 12" WM Beach D	59,491
2021.08 2021 Emerg Resp Plan	98,071
2022.02 18th Ave NE WM -Prj 1f	25,788
2022..03 5th Ave NE 155th & 168th WM	89,851
2022.04 Non Motorized Bridge/3rd Ave WM	47,195
Other Miscellaneous Projects	7,760
TOTAL	\$ 1,266,972

NOTE 5 - LONG-TERM DEBT

a. Revenue Bonds

The District operates as a propriety fund. Therefore, the principal and interest on revenue bonds are payable from and secured by a pledge of net operating revenues. No assets are pledged as collateral for debt. Nor are there any unused lines of credit.

The District refunded Water Revenue Bonds issued December 31, 2011 on November 17, 2021 in the amount of \$4,855,000. The interest is due semi-annually each April 1 and October 1. The bond principle is payable each October 1 beginning in the year 2022 through 2031. The refunding resulted in a Deferred Inflow for an amount deferred on the refunding, which will be amortized over the life of the loan. The outstanding balance as 12/31/2022 is: \$ 4,360,000

The District issued Water Revenue Bonds in November 3, 2016 in the amount of \$7,685,000. The interest is due semi-annually each April 1 and October 1. The bond principle is payable each October 1 beginning in the year 2032 through 2046. The outstanding balance as 12/31/2022 is: \$ 7,685,000

Total Bond Restricted Debt \$ 12,045,000

b. Junior Lien Loans

Drinking Water State Revolving Fund (DWSRF) Loan

The District entered into two loan agreements with the Department of Health in 2012. Both loans are for 24 years including 4 years from the contract execution date to the project completion date with a 1.5% interest rate. The first project allowed the District to accelerate the replacement of cast iron water mains. The second project allowed a new pump station to be constructed to utilize 1.9 million gallons of water in the reservoir that was previously, unusable.

The pump station project started construction in May 2015 and was completed in 2017. The outstanding balance for both projects as 12/31/2022 is \$2,772,225 as shown below.

c. Short-term Debt

The District has not obtained short-term debt in the past. It does not anticipate obtaining short-term debt in the future.

Combined Long Term Debt Service Schedule

	2021 Revenue Bond Principal	2021 Revenue Bond Interest	2016 Revenue Bond Principal	2016 Revenue Bond Interest	DWSRF Loan Principal	DWSRF Loan Interest	COMBINED ANNUAL DEBT SERVICE
2023	\$ 455,000	\$ 77,172		\$ 307,400	\$ 201,863	\$ 41,583	\$ 1,083,019
2024	460,000	69,119		307,400	201,863	38,555	1,076,937
2025	470,000	60,977		307,400	201,863	35,527	1,075,767
2026	470,000	52,658		307,400	201,863	32,500	1,064,420
2027	480,000	44,339		307,400	201,863	29,472	1,063,073
2027-2031	2,025,000	90,359	-	1,229,600	807,454	87,607	4,240,019
2032-2036			2,080,000	1,377,000	955,454	41,784	4,454,238
2037-2041			2,525,000	927,000	-	-	3,452,000
2042-2046			3,080,000	379,200	-	-	3,459,200
	\$ 4,360,000	\$ 394,622	\$ 7,685,000	\$ 5,449,800	\$ 2,772,225	\$ 307,028	\$ 20,968,674

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes occurred in long-term liabilities: The District’s compensated absence liability represents the amount owed to District employees upon separation from District employment. See Note 1i for more information regarding compensated absences.

	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Revenue Bonds Payable - 2016 ⁽¹⁾	7,685,000	-		7,685,000	-
Revenue Bonds Payable - 2021	4,855,000		(495,000)	4,360,000	455,000
Compensated Absences	147,893		(15,153)	132,740	17,201
DWSRF Loans	2,974,088		(201,863)	2,772,225	201,863
Pension Liability	94,584	126,383		220,967	
OBEB Liability	793,263		(330,434)	462,829	8,090
Total LT Liabilities	\$ 16,549,828	\$ 126,383	\$ (1,042,450)	\$ 15,633,761	\$ 682,154

(1) Principal payments do not start until 2032

NOTE 7 – PENSION PLAN

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(220,967)
Pension assets	\$ 383,896
Deferred outflows of resources	\$ 370,916
Deferred inflows of resources	\$(416,238)
Pension expense/expenditures	\$(30,579)

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 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
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 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee *
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.25%	6.00%
September – December 2022		
PERS Plan 1	10.07%	6.00%
PERS Plan 1 - UAAL	3.85	
Administrative Fees	0.18%	
Totals	10.39%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

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

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

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

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

Contributions

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

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

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

The District's actual PERS plan contributions were \$46,001 to PERS Plan 1 and \$77,854 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 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 Experience Study and the 2019 Economic Experience Study*.

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

- **Inflation:** 2.75 total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), 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 M P-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

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

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 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 7.0 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 7.0 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA’s) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2 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%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of Net Pension Liability / (Asset)

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 295,209	\$ 220,967	\$ 156,172
PERS 2/3	(\$ 452,088)	(\$ 383,896)	(\$1,070,709)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2022, the District reported a total pension liability of \$220,967 and assets of \$383,896 for its proportionate share of the net pension liabilities and assets as follows:

	Liability	Asset
PERS 1	\$220,967	
PERS 2/3	\$0	\$383,896
TOTAL	\$220,967	\$383,896

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.007745%	0.007936%	0.000191%
PERS 2/3	0.009953%	0.010351%	0.000398%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

Pension Expense

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

	Pension Expense
PERS 1	\$ 107,196
PERS 2/3	\$ (137,775)
TOTAL	\$ (30,579)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments	\$	\$(36,621)
Changes of assumptions	\$	\$
Contributions subsequent to the measurement date	\$22,438	\$
TOTAL	\$22,438	\$(36,621)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$95,120	(\$8,690)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$283,817)
Changes of assumptions	\$213,969	(\$56,025)
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	(\$31,085)
Contributions subsequent to the measurement date	\$39,389	\$0
TOTAL	\$348,479	(\$379,617)

Deferred outflows of resources of \$61,827 (\$22,436 for PERS 1 and \$39,438 for PERS 2/3) related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3
2023	(\$ 15,497)	(\$ 98,166)
2024	(\$ 14,075)	(\$ 85,573)
2025	(\$ 17,657)	(\$ 99,806)
2026	\$ 10,609	\$ 125,628
2027		\$ 43,200
Thereafter		\$ 44,188
TOTAL	(\$ 36,621)	(\$ 70,528)

NOTE 8 – JOINT VENTURES

The District has a long-term supply agreement with Seattle Public Utilities (SPU). SPU provides the District with all of its water. The supply quantity in the agreement is sufficient to supply the District for at least three decades. The District made direct water purchases from SPU in 2022 of \$1,526,568.

NOTE 9 – RISK MANAGEMENT

North City Water District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2022, there were 27 Enduris members representing a broad array of special purpose districts throughout the state.

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

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

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

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

Property ^{(2):}

Buildings and Contents	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$1 billion	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ^{(5):}				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5% of indemnity subject to a \$250,000 minimum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million/ Pool member \$200 million aggregate	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool member \$1.1 billion/APIP \$1.4 billion/APIP program aggregate	\$0
Automobile Physical Damage⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles \$250,000>\$750,000	\$1 billion	\$250 - \$1,000

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$40 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

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

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

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

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

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

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) INSURANCE

The following table represents the aggregate OPEB amounts for all plans subject to the requirement of GASB Statement 75 for the year ended December 31, 2022.

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$ 462,829
OPEB deferred outflows	\$ 4,045
OPEB expenses/expenditures	(\$ 320,579)

OPEB Plan Description

The District is a participating employer in the State of Washington’s Public Employees Benefits Board (PEBB) program, a single-employer defined benefit plan administered by the Washington State Health Care Authority (HCA) per RCW 41.05.065, under which requirements for employer and non-employer contribution entities to pay OPEB as the benefit comes due, are established, or may be amended. PEBB establishes eligibility criteria for both active employees and retirees. The plan provides medical, dental, and life insurance benefits for the public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides other post-employment benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Part A and B. PEBB determines the amount of the explicit subsidy annually. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The District payments were \$7,027 to the plan for the year ended December 31, 2022.

Employees Covered by Benefit Term

Membership in the PEBB plan for the District consisted of the following as of December 31, 2021.

Active employees	13
Retirees receiving benefits	2
Retirees not receiving benefits	3
Total	18

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

Assumptions and Other Inputs

As allowed by Government Account Standards Board Statement No. 75 for plans when fewer than 100 employees (active and inactive) provided with OPEB through the plan, the Office of the State Actuary prepared an Alternative Measurement Method (AMM) Online Tool in the form of a downloadable spreadsheet, which was used instead of the actuarial valuation method. This tool allows eligible employers to determine their Other Post-Employment Benefit (OPEB) liability under the Government Account Standards Board Statement No. 75. The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 6.8%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	(5.8%)	(6.8%)	(7.8%)
Total OPEB Liability	\$382,402	\$462,829	\$568,822

The following presents the total OPEB liability of the District calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate.

	1%Decrease	Current Discount Rate	1%Increase
	(2.50%)	(3.50%)	(4.50%)
Total OPEB Liability	\$551,493	\$462,829	\$392,603

Changes in the Total OPEB Liability

PEBB	
Total OPEB Liability at 1/1/2022	\$ 793,263
Service Cost	\$ 47,963
Interest	\$ 18,065
Changes of benefit terms	
Differences between expected and actual experience and assumptions	(\$ 386,607)
Benefit payment	(\$ 9,855)
Other changes	
Total OPEB Liability at 12/31/2022	\$ 462,829

The District recognized OPEB Expense for the years ended December 31, 2022 as follows:

Service Cost	\$ 47,963
Interest Cost	\$ 18,065
Change in Experience Data and Assumptions	(\$ 386,607)
	(\$ 320,579)

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

Methodology

Actuarial Valuation Date	6/30/2022
Actuarial Measurement Date	6/30/2022
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)
Assumptions	
Discount Rate ¹	
Beginning of Measurement Year	2.16%
End of Measurement Year	3.54%
Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates ²	Initial rate ranges from about 2-11%, reaching an ultimate rate of approximately 4.3% in 2075.
Mortality Rates	
Base Mortality Table	PubG H – 2010 (General)
Age Setback	0 year
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Inflation Rate	2.75%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

¹Source: *Bond Buyer General Obligation 20-Bond Municipal Index*

² Source: *Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, please see PEBB OPEB Healthcare Trend Assumptions Report*

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions	\$	\$
Payments subsequent to the measurement date	\$4,045	\$
TOTAL*	\$4,045	\$

Deferred outflows of resources of \$4,045 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

REQUIRED SUPPLEMENT INFORMATION (RSI)

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of June 30:

Plan PERS 1	2015		2016	2017	2018	2019	2020	2021	2022	20XX	20XX	20XX
	Employer's proportion of the net pension liability (asset)	0.009463%	0.009500%	0.008886%	0.008703%	0.008552%	0.008070%	0.007745%	0.007936%			
Employer's proportionate share of the net pension liability	\$ 495,003	\$ 510,195	\$ 421,648	\$ 388,679	\$ 328,855	\$ 284,915	\$ 94,585	\$ 220,967				
Employer's covered employee payroll	\$ 1,124,803	\$ 1,138,244	\$ 1,117,446	\$ 1,162,368	\$ 1,200,687	\$ 1,227,462	\$ 1,190,174	\$ 1,294,439				
Employer's proportionate share of the net pension liability as a percentage of covered payroll	44.01%	44.82%	37.73%	33.44%	27.39%	23.21%	7.95%	17.07%				
Plan fiduciary net position as percentage of the total pension liability	59.1%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%				

Plan PERS 2/3	2015		2016	2017	2018	2019	2020	2021	2022	20XX	20XX	20XX
	Employer's proportion of the net pension liability (asset)	0.012225%	0.012173%	0.011430%	0.011176%	0.011042%	0.010510%	0.009953%	0.010351%			
Employer's proportionate share of the net pension liability	\$ 436,806	\$ 612,901	\$ 397,138	\$ 190,820	\$ 107,255	\$ 134,417	\$ 991,479	\$ 383,896				
Employer's proportionate share of the net pension assets	\$ 1,088,204	\$ 1,138,244	\$ 1,117,446	\$ 1,162,368	\$ 1,200,687	\$ 1,227,462	\$ 1,190,174	\$ 1,294,439				
Employer's proportionate share of the net pension liability or assets as a percentage of covered payroll	40.14%	53.85%	35.54%	16.42%	8.93%	10.95%	83.31%	29.66%				
Plan fiduciary net position as percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%				

REQUIRED SUPPLEMENT INFORMATION (RSI)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
As of December 31:

Plan PERS 1	2015	2016	2017	2018	2019	2020	2021	2022	20XX	20XX	20XX
Statutory or contractually required contributions	\$ 49,305	\$ 54,942	\$ 56,168	\$ 60,064	\$ 60,369	\$ 60,369	\$ 58,945	\$ 52,513			
Contributions in relation to the statutory or contractually required contributions	\$ (49,305)	\$ (54,942)	\$ (56,168)	\$ (60,064)	\$ (60,369)	\$ (60,369)	\$ (58,945)	\$ (52,513)			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Covered employer payroll	\$ 1,123,885	\$ 1,143,374	\$ 1,111,928	\$ 1,186,291	\$ 1,221,325	\$ 1,228,799	\$ 1,260,970	\$1,224,116			
Contributions as a percentage of covered employee payroll	4.39%	4.81%	5.05%	5.06%	4.94%	4.91%	4.67%	4.29%			

Plan PERS 2/3	2015	2016	2017	2018	2019	2020	2021	2022	20XX	20XX	20XX
Statutory or contractually required contributions	\$ 65,333	\$ 71,758	\$ 78,634	\$ 88,971	\$ 94,314	\$ 94,314	\$ 97,321	\$ 87,574			
Contributions in relation to the statutory or contractually required contributions	\$ (65,333)	\$ (71,758)	\$ (78,634)	\$ (88,971)	\$ (94,314)	\$ (94,314)	\$ (97,321)	\$ (87,574)			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Covered employer payroll	\$ 1,123,885	\$ 1,143,374	\$ 1,111,928	\$ 1,186,291	\$ 1,221,325	\$ 1,228,799	\$ 1,260,970	\$1,224,116			
Contributions as a percentage of covered employee payroll	5.81%	6.28%	7.07%	7.50%	7.72%	7.68%	7.72%	7.15%			

NOTES TO SCHEDULES

Note 1

These schedules will be built prospectively until they contain ten years of data.

Note 2: Changes of Benefit Terms

There were no changes of benefits for the Pension Plans.

Note 3: Changes of Assumptions

There were no changes for the Pension Plans.

REQUIRED SUPPLEMENT INFORMATION (RSI)

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

For the year ended December 31:

	2018	2019	2020	2021	2022
Total OPEB Liability, beginning of year	\$ 604,116	\$ 624,998	\$ 669,705	\$ 852,907	\$ 793,263
Service Cost	35,783	27,831	30,710	43,275	47,963
Interest	22,858	25,040	24,394	19,731	18,065
Changes in Experience Date and Assumptions	(34,897)	3,531	135,056	(115,828)	(386,607)
Changes in Benefit Terms					
Benefit Payments	(2,862)	(11,695)	(6,958)	(6,822)	(9,855)
Other Changes					
Total OPEB Liability, end of year	\$ 624,998	\$ 669,705	\$ 852,907	\$ 793,263	\$ 462,829
Covered Employee Payroll	\$ 1,213,131	\$ 1,175,903	\$ 1,228,799	\$ 1,260,970	\$ 1,224,116
Total OPEB Liability as a Percentage of Covered Payroll	51.52%	56.95%	69.41%	62.91%	37.81%

Notes to Schedule

Note 1 - No assets are accumulated in a trust meets the criteria in paragraph 4 of GASB 75 to pay related benefits,

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