



ANNUAL REPORT

West Sound Utility District

2946

MCAG No.

Submitted pursuant to RCW 43.09.230 to the STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

Certified correct this 26th day of May, 2022, to the best of my knowledge and belief:

GOVERNMENT INFORMATION:

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Signature

A handwritten signature in black ink, appearing to read "Randy Screws".

Randy Screws – General Manager

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West Sound Utility District
Elected and Appointed Officials, 2021

WSUD Elected Officials

Commissioner, James J. Hart
Commissioner, Jerry Lundberg
Commissioner, Susan Way

WSUD Appointed Officials

General Manager, Randy Screws
Finance Manager, Joy Ramsdell
Operations Manager, John Tapia
SKWRF Facility Manager, Marty Grabill
District's Attorney, Kenneth W. Bagwell

West Sound Utility District
Management Discussion and Analysis
For the Year Ended December 31, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

As Management of the West Sound Utility District (District), we offer readers of the financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2021. The intent of this discussion and analysis is to review the District's financial performance as a whole. This MD&A provide an overview of the District's financial records. The data in this financial report also identifies any material deviation from the financial plan and adopted annual budgets.

We encourage readers of this document to consider the information presented here in conjunction with the financial statements and notes to the financial statements which immediately follow this discussion.

FINANCIAL INFORMATION

The District's Board of Commissioners adopted an annual budget as a measure of monitoring revenues and controlling expenses. The Commissioners also use the budget as a financial planning tool for the District's future needs. Additionally, in 2012 the Board of Commissioners approved Resolution 403-12, "Financial Management Policies" and Resolution 337-12, "Capital Assets Policy." These Financial Management Policies, which are reviewed and updated when necessary with the adoption of the District budget and direct the decision-making process of the District's Board of Commissioners and District Administration while operating to provide stability of changing services and financial conditions. These policies also provide guidelines for evaluating both current activities and proposals for future programs and direct the District's financial resources toward meeting the goals and programs identified in the District water and wastewater utility system's comprehensive plans. The implementation of wise fiscal policies enables the District officials to protect the public interest and ensure public trust and confidence in the District's management of water and wastewater operations. The Board approved the Capital Assets Policies since tracking and managing the District's capital assets is a critical accounting and financial management function. It is important for the District to have a comprehensive policy that provides proper control and accountability of capital assets and collects and maintains complete and accurate capital assets information required for the preparation of the District's financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

The District operates as a Special Purpose District organized under the laws of the State of Washington, Revised Code of Washington (RCW), Title 57, to provide potable water and sanitary sewer service to specific areas in Kitsap County, Washington. The District is not a segment of any other local government, nor is it a component unit thereof. The financial statements are presented in a manner similar to a private-sector business.

The District's Financial Statements were prepared on the full accrual basis of accounting in conformity with GAAP. The District uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities (i.e. potable water supply and sewer service). The District reports the activities of the water and sewer utilities as an

West Sound Utility District
Management Discussion and Analysis
For the Year Ended December 31, 2021

Enterprise fund, which is a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities.

Financial Highlights

- The net position of the District at the close of the most recent fiscal year 2021 was \$59,490,659. Of this amount, \$24,179,773 may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$6,242,798 in 2021. The increase was attributable to income from the operating income increase and non-operating revenue (Equity in income of Joint Venture and capital contributions) received during the year.
- The District's total long-term debt decreased by \$874,260 during the fiscal year. As of December 31, 2021, the total outstanding long-term debt was \$2,472,440.
- The District's total cash and cash equivalents increased by \$4,243,537 in 2021 due to increasing of operating activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements include two components: 1) the District's basic financial statements, and 2) the notes to the financial statements. This discussion and analysis are intended to serve as an introduction to the District's basic financial statements.

Condensed Financial Position Information

The statement of net position presents information concerning the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Net position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Increases or decreases in net position may indicate, over time, if either the financial position of the District is improving or deteriorating.

The following condensed financial information provides an overview of the District's financial position for the fiscal years ended December 31, 2021 and 2020.

West Sound Utility District
Management Discussion and Analysis
For the Year Ended December 31, 2021

December 31,	2021	2020
Current and Other Assets	28,251,611	23,568,867
Capital Assets, net	35,794,529	34,799,534
Pension Asset	1,185,431	
Total Assets	\$ 65,231,571	\$ 58,368,400
Deferred Outflows of Resources	157,693	135,537
Current Liabilities	752,826	1,229,477
Non-current Liabilities	3,887,838	3,851,618
Total Liabilities	\$ 4,640,664	\$ 5,081,095
Deferred Inflows of Resources	1,257,942	174,982
Net Position:		
Net Invested in capital assets,	33,322,090	31,452,834
Restricted assets	1,988,797	1,275,553
Unrestricted	24,179,773	20,519,474
Total Net Position	\$ 59,490,659	\$ 53,247,861

The 2021 total net position was \$59 million, which is an increase of 11.7% from 2020. At the end of 2021 and 2020, capital assets represent 54.9% and 59.6% , respectively, of total assets.

As of December 31, 2021 and 2020, the District had non-current liabilities of \$3.9 million, respectively. The District’s investment in capital assets, less any related debt, was \$33.3 million at December 31, 2021 and \$31.5 million at December 31, 2020. This has increased over last year due to the declining balance in debt service. Restricted cash for debt service represents debt service reserve, FCF reserve, customer lien satisfaction, sewer inspection deposit and developers’ deposits.

The overall financial position of the District has not significantly changed from the prior years. There are no other restrictions, commitments or limitations that will significantly affect the availability of fund resources. The District reports positive balances in all three categories of net positions.

Summary of Operations and Changes in Net Position

The statement of revenues, expenses and changes in fund net positions shows how the District’s net positions changed during the most recent fiscal year 2021. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will only affect future period cash flows (e.g., uncollected receivables).

The following is a condensed version of the Statement of Changes in Net Position for the District:

West Sound Utility District
Management Discussion and Analysis
For the Year Ended December 31, 2021

Revenues	2021	2020
Operating Revenue		
Charges for services	8,603,847	8,197,581
Other revenue - interlocal service fees	183,800	168,900
Non-Operating revenues		
Equity in Income of Joint Venture Subsidiaries	428,632	476,712
Interest and Dividend Income	38,887	90,120
Other Non-operating Revenues	14,998	15,590
Total Revenues	<u>\$ 9,270,164</u>	<u>\$ 8,948,902</u>
Expenses		
Operating expenses	7,863,990	6,805,351
Non-Operating expenses	31,515	54,632
Total Expenses	<u>\$ 7,895,506</u>	<u>\$ 6,859,982</u>
Income Before Contributions	1,374,658	2,088,920
Capital Contributions	4,868,140	2,660,406
Change in Net Position	<u>6,242,798</u>	<u>4,749,326</u>
Net Position, Beginning of Year	<u>53,247,861</u>	<u>48,498,535</u>
Net Position, Ending of Year	<u>\$ 59,490,659</u>	<u>\$ 53,247,861</u>

Total operating revenues for the District in 2021 and 2020 were \$8.8 million and \$8.4 million, respectively. This was an increase of \$421,165 from 2020 revenues.

The total contributions of \$4,868,140 represent capital contributions from developers and general facility charges.

Total operating expenses for 2021 and 2020 were \$7.9 million and \$6.8 million, respectively, with an increase of 15.6%.

The notes to the District's basic financial statements can be found on pages 13 - 30 of this report. These notes provide additional information that is essential to a full understanding of the basic financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets as of December 31, 2021, amounted to \$35,794,529 (net of accumulated depreciation). The District's capital assets include land, property held for future use, construction in progress, plant, building, machinery and equipment. A total increase of \$1,869,256

West Sound Utility District
Management Discussion and Analysis
For the Year Ended December 31, 2021

in the District's net investment in capital assets for 2021 was 5.9%. The change in capital assets is from accumulated depreciation.

	2021	2020
Property held for future use	156,091	156,091
Land	966,098	966,098
Construction in progress	504,932	2,742,234
Plant	51,733,007	47,143,842
Building	4,508,230	4,508,230
Machinery and Equipment	3,695,540	3,645,752
Less Accumulated Depreciation	(25,769,368)	(24,362,714)
Total Capital Assets	\$ 35,794,529	\$ 34,799,534

Additional information on the District's capital assets can be found in Note 2 of this report.

Long-Term Debt

The District's long-term debt is in the form of low interest Public Works Trust Fund (PWTF) loans and Revenue Bonds. As of December 31, 2021, the District had total outstanding debt of \$2,472,440. Of this, \$1,326,788 is Revenue Bond debt, which is secured by District assessments, rates charged to customers, and the full faith and credit of the District. The remaining debt of \$1,145,651 consists of Public Works Trust Fund Loans, which are secured by revenue generated from rates.

Additional information on the District's long-term debt can be found in Note 3 of this report.

ECONOMIC OUTLOOK

The District experienced some growth in 2021 due to the community's developing economy and anticipated continued growth with consideration given to current and projected economic conditions. During this economic growth, the District is continuing to refine its operational procedures and seek means to reduce operational expenses and minimize the need for future debt financing. Furthermore, the District's financial management policies recognize the need to review utility rates annually to ensure sufficient revenues and necessary adjustments are made to reflect inflation, construction needs, to maintain bonds covenants and avoid major periodical increases. Meanwhile, the District works to maintain fund balances for each utility of no less than 15% (55 days) of total operating expenses to provide sufficient cash flow to meet daily operating expenses and cover debt service payments.

West Sound Utility District
Management Discussion and Analysis
For the Year Ended December 31, 2021

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the financial health of the District.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Randy Screws, General Manager, West Sound Utility District, 2924 SE Lund Ave., Port Orchard, WA 98366.

West Sound Utility District
Statement of Net Position
As of December 31, 2021

ASSETS

Current Assets:

Cash, Cash Equivalents and Pooled Investments	\$ 14,141,350
Restricted Cash, Cash Equivalents and Investments	228,457
Accounts Receivable, net	912,707
Prepaid Assets	191,670
Total Current Assets	15,474,184

Noncurrent Assets:

Reserve Cash for Debt Service	1,760,339
Investment in JWWTF	11,017,087
Capital Assets Not Being Depreciated:	
Property Held for Future Use	156,091
Land	966,098
Construction in Progress	504,932
Total capital, not being depreciated	1,627,121

Capital Assets Being Depreciated:

Plant	51,733,007
Building	4,508,230
Machinery and Equipment	3,695,540
Less Accumulated Depreciation	(25,769,368)
	34,167,409

Total Capital Assets, net	35,794,529
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Pension Asset	1,185,431
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Total Noncurrent Assets	49,757,387
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TOTAL ASSETS	\$ 65,231,571
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	\$ 157,693
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West Sound Utility District
Statement of Net Position
As of December 31, 2021

LIABILITIES

Current liabilities

Accounts payable	\$	43,769
Debt interest payable		6,411
Deposits and other payables		238,141
Current Portion of Bonds Payable		185,272
Current Portion of loans payable to other governments		225,473
Current Portion of compensated absences		53,760
Total Current Liabilities		752,826

Noncurrent Liabilities:

Bonds payable, net		1,141,516
Loans payable to other governments, net		920,179
Other Payable		1,436,289
Accrued compensated absences, net		276,866
Net Pension Liabilities		112,989
Total Noncurrent liabilities		3,887,838

TOTAL LIABILITIES

\$ 4,640,664

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	\$	1,257,942
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NET POSITION

Net investment in capital assets		33,322,090
Restricted		1,988,797
Unrestricted		24,179,773
TOTAL NET POSITION	\$	59,490,659

*The accompanying notes are an intergral part of this statement.

West Sound Utility District
Statement of Revenues,
Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2021

OPERATING REVENUES:

Water Sales and Service Fees	\$ 4,036,325
Other Charges for Services-Water	(45,236)
Sewer Sales and Service Fees	4,503,841
Other Charges for Services-Sewer	108,917
Other Revenue: Interlocal Service Fees	183,800
Total Operating Revenue	<u>8,787,647</u>

OPERATING EXPENSES:

Operations:	
General Operations	1,526,675
Cost of Energy	309,312
Contracted Processing and Operations	1,621,080
Maintenance	122,635
Administration:	
General Administration	1,334,764
Depreciation and Amortization	1,406,655
Property, Excise and B&O Taxes	304,376
Other Operating Expenses	1,238,495
Total Operating Expenses	<u>7,863,990</u>

OPERATING INCOME	<u>\$ 923,656</u>
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NONOPERATING REVENUES (EXPENSES):

Equity in Income of Joint Venture Subsidiaries	428,632
Interest and Dividend Income	38,887
Interest Expense	(31,515)
Other Nonoperating Revenues	7,809
Gain on Capital Assets Disposition	7,189
Total Nonoperating Revenues (Expenses)	<u>451,002</u>

INCOME BEFORE CONTRIBUTION	<u>1,374,658</u>
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Capital Contributions- Water	1,303,372
Capital Contributions- Wastewater	3,564,768
Total Capital Contributions	<u>4,868,140</u>

CHANGE IN NET POSITION	<u>\$ 6,242,798</u>
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TOTAL NET POSITION, January 1	<u>\$ 53,247,861</u>
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TOTAL NET POSITION, December 31	<u><u>\$ 59,490,659</u></u>
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* The accompanying notes are an integral part of this statement

West Sound Utility District
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows From Operating Activities:

Receipts from customers	\$ 8,881,728
Payments to suppliers	(3,935,811)
Payments to employees	(2,013,501)
Net Cash Provided by Operating Activities	<u>2,932,416</u>

Cash Flows From Capital and Related Financing Activities:

Proceeds from issuance of debt	
Principal paid on revenue bond and PWTF debt	(874,260)
Proceeds from sale of fixed assets	
Acquisition and construction of capital assets	(222,427)
Debt issuance fees	
Interest paid on revenue bonds and PWTF debt	(37,788)
Contributions from Developers	<u>2,406,709</u>
Net Cash Used for Capital Financing Activities	<u>1,272,234</u>

Cash Flows from Investing Activities:

Interest and dividends on investments	<u>38,887</u>
Net Cash Provided by Investing Activities	<u>38,887</u>

Net Increase in Cash and Cash equivalents **\$ 4,243,537**

Cash and Cash Equivalents at Beginning of Year: \$ 11,886,609

Cash and Cash Equivalents at The End of Year: \$ 16,130,146

* The accompanying notes are an integral part of this statement.

West Sound Utility District
Statement of Cash Flows
For the Year Ended December 31, 2021

RECONCILIATION

Net Utility Operating (loss) Income	\$	923,656
Adjustments to reconcile net utility operating income to net cash provided by operating activities:		
Depreciation and amortization		1,406,655
Pension Expense		(447,533)
CIP Expense		1,081,567
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables		96,309
Decrease (Increase) in Prepaid Expenses		(106,883)
Increase (Decrease) in Accrued Comp Absences		4,300
Increase (Decrease) in Payables		(30,512)
Increase (Decrease) in Contractor Retainage		7,085
Increase (Decrease) in Customer Deposits		<u>(2,228)</u>
Total adjustments		<u>2,008,760</u>
Net Cash Provided by Operating Activities	\$	<u>2,932,416</u>

Noncash investing, capital and financing activities:

Contributions of capital assets from developers	2,461,431
Gain in equity of the Joint Venture - JWWTF	428,632

* The accompanying notes are an integral part of this statement.

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL POLICIES

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The following is a summary of the most significant policies (including identification of those policies which result in material departures from the generally accepted accounting principles).

The following is a summary of the District's most significant policies:

A. Reporting Entity

West Sound Utility District is a municipal corporation formed on November 27, 2007, through a merger of Annapolis Water District and Karcher Creek Sewer District. The District was governed in 2021 by an elected three-member Board of Commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity.

The District's financial statements include the financial position and results of operations of all enterprise operations which the District manages. The financial statements include, as well, the assets and liabilities of all funds for which the District has a custodial responsibility.

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 *Uniform System of Accounts for Class B Utilities*.

The District's "proprietary funds" ("Enterprise Utilities" and "Internal Service" funds) are accounted for using the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

The District distinguishes between operating revenues and expenses from non-operating items. Operating revenues and expenses 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 charges to customers for water and sewer usage fees and other services. Operating expenses for the District include the cost of sales and services, administrative expenses, depreciation on capital assets, etc. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Financial Management Policies:

The Board of Commissioners adopted comprehensive financial management policies which are reviewed and updated during the District's budget process. The financial health and welfare of the District is highly dependent upon establishing and maintaining sound, financial-planning objectives and strategies of implementation. As a result, the implementation of these policies provides direction in the decision-making process of the District's Board of Commissioners and District Administration while operating to provide

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

stability of changing service and financial conditions. Such policies enable District officials to protect the public interest and ensure trust and confidence in the District’s management of water and wastewater operations and assets. The District’s financial management policies include the following components: financial philosophies; budget process; basis of accounting and budgeting; accounting financial reporting, forecasting, information system integrity and auditing policies; operating budget policies: revenue and expenditure policies; capital improvement policies; utility fund policies; internal service fund policies; investment policies and cash management; and debt management policies.

D. 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 purchased to be cash equivalents.

E. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. The District files property liens after following prescribed procedures for collections. As a result, there are no billed accounts which are considered uncollectible.

F. Restricted Cash, Cash Equivalent and Investments

The assets held in these funds are restricted for specific uses, debt service and other special reserve requirements. Specific debt service requirements are described in Note 8.

Revenue Bond Reserve	\$ 324,050
Facility Construction Fund	1,636,289
Lien Deposit	207
Sewer Inspection Deposits	28,250
Total	\$ 1,988,797

Investments are stated at fair value. Interest on debt securities is recognized in non-operating revenues as earned. Changes in the fair value of investments are also included in non-operating revenues (expenses). The average interest rate earned from these investments was 0.413%. Noncurrent assets consist of reserve cash, capital assets, and real estate held for future use etc. It is displayed on the “Statement of Net Position” at historical cost.

G. Capital Assets and Depreciation

Major expenses of capital assets and major repairs that increase the useful lives are capitalized. The District capitalizes purchases that meet this criterion when the individual cost threshold exceeds \$5,000, as set for in Resolution 337-12 “Capital Assets Policy”. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

All capital assets are valued at acquisition value. Estimated costs are established where acquisition value is not known. Assets contributed by developers and customers are recorded at the construction cost.

Capital assets are depreciated using straight line methods over the following estimated useful life:

Asset	Years
Buildings	35
Utility Infrastructure and Improvements	10/50/100
Machinery and Equipment	10

H. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Additionally, employees may accumulate up to twenty four (24) hours of comp time earned during the calendar year. The District records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay may be accumulated up to a maximum accrual of two hundred forty (240) hours and may be carried over to employee anniversary month. The board of Commissioners approved the resolution 795-18 “Modifying Vacation (Annual Leave) Policy” on January 7, 2019. This policy provides an option to employees to receive compensation for up to one or two standard workweeks of accrued vacation leave within a calendar year based on certain criteria. Accrued vacation pay is payable upon an employee taking a vacation or upon termination of employment, retirement, or death. Sick leave in excess of one thousand forty (1,040) hours of the current year shall be deposited into a VEBA account for the employee at a rate of fifty (50) percent of the overage amount. Annual leave and sick leave are payable as follows:

Retirement (vacation)	100% of current balance, not to exceed 240 hours
Retirement (sick leave)	50% not to exceed of 1040 hours
Death (vacation)	100% of current balance
Death (sick leave)	50% not to exceed of 1040 hours
Voluntary Resignation (vacation)	100% of current balance
Voluntary Resignation (sick leave)	25%

I. Long-Term Debt

See Note 3.

J. Infrastructure

Governmental Accounting Standards Board Statement No. 34 allows for two methods of reporting for a local government. One is called the “modified approach” and the other is based upon “historical cost”. The District has always reported its infrastructure on a historical cost basis with a corresponding offset as accumulated depreciation. The District

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

will continue to use “historical cost” as the basis of reporting its infrastructure and use straight-line depreciation as the methods to depict the value of the asset being used over time.

K. 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 the state sponsored pension plans and additions to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

NOTE 2 – CAPITAL ASSETS

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

	Beginning Balance				Ending Balance
	01/01/2021	Increases	Decreases	Transfers	12/31/2021
Capital assets, not being depreciated:					
Property held for future use	156,091				156,091
Land	966,098				966,098
Construction in progress	2,742,234	380,235	1,100,209	(1,517,328)	504,932
Total capital assets, not being depreciated	\$ 3,864,422	\$ 380,235	\$ 1,100,209	\$(1,517,328)	\$ 1,627,121
Capital Assets, being depreciated:					
Buildings	4,508,230				4,508,230
Utility Infrastructure and improvements	47,143,842	3,071,837		1,517,328	51,733,007
Machinery and equipment	3,645,752	49,787			3,695,540
Total capital assets being depreciated	\$ 55,297,825	\$ 3,121,624	\$ -	\$ 1,517,328	\$ 59,936,777
Less accumulated depreciation for:					
Buildings	(2,243,794)	(129,137)			(2,372,932)
Utility infrastructure and improvements	(19,328,030)	(1,060,769)			(20,388,799)
Machinery and equipment	(2,790,889)	(216,748)			(3,007,637)
Total accumulated depreciation	\$(24,362,714)	\$(1,406,655)	\$ -		\$(25,769,368)
Total capital assets being depreciated, net	\$ 30,935,111	\$ 1,714,969		\$ 1,517,328	\$ 34,167,409
Total capital assets, net	\$ 34,799,534	\$ 2,095,205	\$ 1,100,209	\$ -	\$ 35,794,529

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 3 – LONG-TERM DEBT AND LIABILITIES

A. Long-Term Debt

The District issued two revenue bonds and twelve government loans to finance the purchase and construction of capital assets. The 2010 Revenue Bond includes refinancing the 2001 water and sewer bonds used to fund the construction of the District's Administration facilities. The 2016 Refunded Water/Wastewater Revenue Bond was initiated to refund 2009 Bonds which included the refinancing of the Beach Drive ULID and a number of other capital projects (Converse/ Sedgwick water/sewer, Well 22, Salmonberry generator, and reclaimed water) due to securing a better interest rate.

Long – Term debt instruments outstanding at year-end are as follows:

Name of Issuance-Purpose	Maturity Date	Original Issue	Current Debt Outstanding
2010 Revenue Bond - Refunding Lund Ave.	4/2/2021	3,595,000	
2016 Revenue Bond - Refunding 2009 Bond	11/1/2018	1,952,000	1,326,788
PWTF 01-691-003 - Storage Tank Painting	7/1/2021	99,719	
PWTF 01-691-004 - Bethel Rd Water Sys Improvement	7/1/2021	939,573	
PWTF 03-691-001 - Well 6 & 7 Decommission	7/1/2023	143,438	15,762
PWTF 07-962-002 - Salmonberry Reservoir Painting	7/1/2027	595,000	187,895
PWTF PC12-951-047 - Firmont Beach Water System	7/1/2031	311,496	163,809
PWTF 03-691-014 - Crownwood Lift Station	7/1/2023	189,091	19,904
PWTF 03-691-015 - Beach Drive Pump Station Collection	7/1/2023	148,750	16,528
PWTF 04-691-035 - Retsil Area A & B Improvements	7/1/2024	1,360,000	240,000
PWTF PC08-951-017 - Sedgwick Rd. Sewer System	7/1/2028	950,691	501,754
Total Long-Term Debt			\$ 2,472,440

The annual requirements to amortize all debts outstanding as of December 31, 2021, including interest, are as follows:

Year Ending December 31	Principal	Interest	Total
2022	410,745	27,829	438,574
2023	410,969	24,093	435,063
2024	390,042	20,187	410,229
2025	310,012	16,162	326,173
2026	309,928	12,365	322,292
2027-2031	640,744	12,934	653,677
Total	\$ 2,472,439	\$ 113,569	\$ 2,586,009

B. Change in Long Term Liabilities

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

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

	Beginning Balance 1/1/2021	Additions	Reduction	Ending Balance 12/31/2021	Due Within One Year 2022
Revenue Bonds	1,921,060		594,272	1,326,788	185,272
Government Loans	1,425,639		279,988	1,145,651	225,473
Net Pension Liabilities	435,894		322,905	112,989	
Compensated absences	326,326	4,300		330,626	53,760
Total	\$4,108,920	\$ 4,300	\$ 1,197,165	\$2,916,054	\$ 464,505
Less Current Portion				\$ 464,505	
Total Long-Term Liabilities, net				\$2,451,549	

NOTE 4 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

On March 23, 2020, the Board approved Resolution 880 – 20 “Declaration of Emergency – Covid 19”. On May 18, 2020, the Board approved Resolution 890-20 “Extending Annual Leave Maximum Accrual in Response to The COVID-19 Emergency” which allow employees to accumulate annual leave above 240 hours until May 31, 2021. The District proactively implemented safety measures with regular operations schedule for most of 2021 and hybrid schedule for few months.

On April 17, 2020, Governor Jay Inslee issued a moratorium prohibiting utility companies from disconnecting consumers’ utility services and imposing late fees. It was expired on September 30, 2021. The District had some receivable increase and loss on penalty revenue.

Overall management continues to monitor the situation for any operational or financial effects and is ready to respond appropriately as needed. To date, the District has experienced very limited direct financial impacts due to the pandemic.

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

NOTE 5 – CONSTRUCTION IN PROGRESS

The District had active construction projects as of December 31, 2021, as follows:

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

Project Description	Project Budget	Expended 12/31/2021	Required Future Financing
Well 9 (Drilling)		\$ 148,212	None
Booster Pump Station	\$ 520,000	\$ 356,720	None
Total Construction in Progress	\$ 520,000	\$ 504,932	

NOTE 6 – DEPOSITS AND INVESTMENTS

A. 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, Kitsap County is the Treasurer for the District's funds. The District's deposits are covered by Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the District's deposits would be satisfied by FDIC or from the sale of collateral held in the PDPC pool.

B. Investments

As required by state law, all investments of the District's funds are obligations of the

U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks and savings and loan institutions. Currently, all investments of the District are invested through the Kitsap County Treasurer's Office in the County's external investment pool. The District's investments in the pool are reported at fair value, 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 County's investment policy is established by the Kitsap County Finance Committee (KCFC), which consists of the County Treasurer, County Auditor and Chair of the Board of County Commissioners. The objectives of the KCFC are preservation of capital, followed by liquidity and return. The County investment pool does not have a credit rating.

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.

As of December 31, 2021, the District has the following cash and investments:

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

	Cash	Investments	Total
Washington State Investment Pool		12,866,263	12,866,263
Kitsap County	3,228,283		3,228,283
Bank of America	35,000		35,000
Cash on Hand	600		600
Total	\$ 3,263,883	\$ 12,866,263	\$ 16,130,146

NOTE 7 – INVESTMENT IN JOINT WASTEWATER TREATMENT FACILITY

In 1983, the District entered into an agreement with the City of Port Orchard to be included within the boundaries of a utility local improvement district (ULID). The purpose of the ULID was to fund the construction of a new Joint Wastewater Treatment Facility (JWWTF). Construction of the joint facility was completed in 1985.

In 2002, the District and City continued the expansion plans of the Facility. The cost of this expansion was \$21.5 million. This project funding was approved for a \$10 million Public Works Trust Fund (PWTF) loan in 2002 and a \$6.8 million PWTF loan in 2004. The City of Port Orchard was the lead agency for the expansion project and funding, with the City being the borrowing governmental entity on the PWTF loans. Funds from the JWWTF operating budget are transferred to the City to pay for the two loans. The City transferred the related assets and liabilities to the Facility upon completion of the project. The City and District have approved using a part of the wastewater treatment capital fees collected by each entity to assist with the annual debt payments on the PWTF loans. The District shared 50.77% cost while the City was 49.23%, and in 2021, each entity contributed \$200,000 from these capital fees.

The Joint Wastewater Treatment Facility is jointly owned by the City of Port Orchard and West Sound Utility District, (formerly known as Karcher Creek Sewer District) each having a fifty percent (50%) ownership interest in the JWWTF. In accordance with the generally accepted accounting principles, the proportional shares of the Joint Venture’s results of operations are presented as a single operating account on the City’s proprietary fund’s operating statements – “Investment in JWWTF”. In 2021, the change in the District’s equity in the JWWTF was an increase of \$428,632. The District’s equity interest in the JWWTF as of December 31, 2021, was \$11,017,087 (see JWWTF Financial Statements for further information).

In 1983, West Sound Utility District (known then as Karcher Creek Sewer District) and the City of Port Orchard entered into an interlocal cooperative agreement giving the District operation and management responsibilities for the JWWTF. In 2014, the District and City negotiated and executed a new interlocal agreement which resulted in extending the responsibility of the District in managing and operating the JWWTF, in addition to resolving issues pertaining to property, asset ownership, liability and insurance.

The District accounts for its investment in the JWWTF on an equity method, whereby the District's share of the treatment plant's income or losses, assets and liabilities, are reflected as increases or decreases in its investment account balance.

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

The District's Finance Department maintains separate accounting records for the operating, maintenance expenses, revenues and prepares separate financial statements of the JWWTF. The City of Port Orchard maintains all accounting records regarding the expansion project. The District provides accounting and financial support services to the Facility, and accounting and finance statements for the Facility can be obtained at the District office, 2924 SE Lund Ave., Port Orchard, WA, or the District's website at www.wsud.us.

The District does not anticipate that the joint venture will cause fiscal stress to the District in the future.

NOTE 8 – RESTRICTED CASH

The District's statement of net position reports, \$1,988,797, at December 31, 2021 of restricted for revenue debt service, none of which are restricted by enabling legislation. These are restricted for Revenue Bonds reserve requirement, FCF reserve, customer lien satisfaction, sewer inspection deposits and developers deposits.

NOTE 9 – PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (112,989)
Pension Assets	\$ 1,185,431
Deferred outflows of resources	\$ 157,693
Deferred inflows of resources	\$ (1,257,942)
Pension expense/expenditures	\$ (279,813)

State Sponsored Pension Plans

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

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

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

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

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

* 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

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

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

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 requirement 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 is earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of 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 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%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2021		
PERS Plan 2/3	7.92%	7.9%
PERS Plan 1 UAAL	4.87%	

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

* For employees participating JBM, the contribution rate was 15.90%.

The District's actual PERS plan contributions were \$62,956 to PERS Plan 1 and \$104,764 to PERS Plan 2/3 for the year ended December 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with 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 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

Mortality rates were developed using the Society of Actuaries' Pub. H-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 no changes in methods and assumptions since the last valuation.

- For purpose of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

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

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2% 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%

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

	100%	
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Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$192,482	\$112,989	\$43,662
PERS 2/3	\$(337,706)	\$(1,185,431)	\$(1,883,533)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2021, the District reported a total pension liability of \$112,989 and a total pension asset of \$1,185,431 for its proportionate share of the net pension liabilities (or assets) as follows:

	Liability (or Asset)
PERS 1	\$112,989
PERS 2/3	\$(1,185,431)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.008404%	0.009252%	0.000848%
PERS 2/3	0.010883%	0.011900%	0.001017%

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 except LEOFF 1.

Pension Expense

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

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

	Pension Expense
PERS 1	\$3,640
PERS 2/3	\$(283,453)
TOTAL	\$(279,813)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments		\$ (125,379)
Contributions subsequent to the measurement date	\$27143	
TOTAL	\$27,143	\$ (125,379)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$57,575	\$ (14,532)
Net difference between projected and actual investment earnings on pension plan investments		\$ (990,743)
Changes of assumptions	\$1,732	\$(84,185)
Changes in proportion and differences between contributions and proportionate share of contributions	\$24,737	\$ (43,102)
Contributions subsequent to the measurement date	\$46,507	
TOTAL	\$130,551	\$ (1,132,562)

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

Year ended December 31:	PERS 1	PERS 2/3
2022	\$ (33,213)	\$ (276,755)
2023	\$ (30,435)	\$ (258,955)
2024	\$ (28,778)	\$ (247,688)
2025	\$ (32,953)	\$ (262,347)
2026		\$ (4,863)
Thereafter		\$ 2,089
Total	\$ (125,379)	\$ (1,048,519)

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 10 – RISK MANAGEMENT

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

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

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

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/ GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$275,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000 (\$75,000,000 shared by all members and \$25,000,000 dedicated to Alderwood, \$10,000,000 dedicated to Sammamish Plateau.)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$700,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

Auto - Physical Damage	\$1,000-\$25,000	\$25,000	Replacement Value Coverage
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$500,000	\$10,000,000
Auto Liability	\$1,000 - \$25,000	Same as above	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	Same as above	\$10,000,000
Employment Practices	\$1,000 - \$25,000	Same as above	\$10,000,000
Other:			
Cyber Liability	\$50,000	N/A	\$2,000,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000

- A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.
- B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.
- C. Member deductible for Cyber liability is \$50,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.

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

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

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

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

West Sound Utility District
Notes to Financial Statements
For the Year Ended December 31, 2021

In the past three years, the District did not have any settlements that exceeded the insurance coverage.

West Sound Utility District
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last 8 Fiscal Years

PERS 1

Year	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 % of the total pension liability
2021	0.009252%	\$ 112,989	\$1,428,263	7.91%	88.74%
2020	0.008404%	\$ 269,707	\$1,285,491	23.08%	68.64%
2019	0.009395%	\$ 361,271	\$1,312,961	27.52%	67.12%
2018	0.010153%	\$ 453,436	\$1,279,635	35.43%	63.22%
2017	0.012476%	\$ 591,996	\$1,334,524	44.36%	61.24%
2016	0.012645%	\$ 679,097	\$1,339,663	50.69%	57.03%
2015	0.012739%	\$ 666,363	\$1,291,735	51.59%	59.10%
2014	0.012934%	\$ 651,550	\$1,285,562	50.68%	61.19%

PERS 2/3

Year	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 % of the total pension liability
2021	0.011900%	\$(1,185,431)	\$1,428,263	83.00%	120.29%
2020	0.010883%	\$ 139,187	\$1,285,491	10.83%	97.22%
2019	0.012140%	\$ 117,921	\$1,312,961	8.98%	97.77%
2018	0.011709%	\$ 199,921	\$1,231,290	16.24%	95.77%
2017	0.012673%	\$ 440,326	\$1,191,084	36.97%	90.97%
2016	0.012742%	\$ 641,530	\$1,198,606	53.52%	85.82%
2015	0.013042%	\$ 465,988	\$1,157,058	40.27%	89.20%
2014	0.013402%	\$ 270,899	\$1,158,854	23.38%	93.29%

West Sound Utility District
Required Supplementary Information
State Sponsored Plans
Schedule of Employer Contributions
As of December 31, 2021
Last 8 Fiscal Year

PERS 1

Year	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
2021	\$ 62,956	\$ (62,956)		\$ 1,465,482	4.30%
2020	\$ 59,578	\$ (59,578)		\$ 1,243,785	4.79%
2019	\$ 62,366	\$ (62,366)		\$ 1,259,795	4.95%
2018	\$ 66,114	\$ (66,114)		\$ 1,305,822	5.06%
2017	\$ 73,431	\$ (73,431)		\$ 1,338,162	5.49%
2016	\$ 71,669	\$ (71,669)		\$ 1,318,206	5.44%
2015	\$ 64,567	\$ (64,567)		\$ 1,319,486	4.89%
2014	\$ 58,109	\$ (58,109)		\$ 1,287,001	4.52%

PERS 2/3

Year	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
2021	\$ 104,764	\$ (104,764)		\$ 1,465,482	7.15%
2020	\$ 98,508	\$ (98,508)		\$ 1,243,785	7.92%
2019	\$ 97,182	\$ (97,182)		\$ 1,259,795	7.71%
2018	\$ 97,936	\$ (97,936)		\$ 1,305,822	7.50%
2017	\$ 81,236	\$ (81,236)		\$ 1,204,539	6.74%
2016	\$ 73,341	\$ (73,341)		\$ 1,177,154	6.23%
2015	\$ 65,218	\$ (65,218)		\$ 1,180,819	5.52%
2014	\$ 57,572	\$ (57,572)		\$ 1,158,655	4.97%

West Sound Utility District
Notes to Required Supplemental Information – Pension
For the Year Ending December 31, 2021

Note 1: Information Provided

The District shared the Organization Identification Number under Washington State Department of Retirement System with Joint Wastewater Treatment Facility (SKWRF) until July 2016. All pension data including allocation percentage were recalculated according to the percentage of the District and the Facility's contributions.

The District implemented GASB 68 for the year ended December 31, 2015. Therefore, there is no data available for years prior to 2014.

Note 2: Significant Factors

There are 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: Change in Contribution Rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans decreased from 12.97% to 10.25% for pay periods beginning July 2021.

