



# Office of the Washington State Auditor

Pat McCarthy

## **Exit Conference: Ronald Wastewater District**

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independence and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

### **Audit Reports**

We will publish the following reports:

- Accountability audit for January 1, 2019 through April 30, 2021 - see draft report.
- Financial statement audit for January 1, 2019 through April 30, 2021 - see draft report.

### **Audit Highlights**

- We would like to thank Peter Jenson, Finance Manager, Jody Jessop, Senior Accounting Analyst, at the City of Shoreline for their cooperation and timely response to our requests during the audit; especially since the audit was performed in a remote environment.

### **Recommendations not included in the Audit Reports**

#### **Exit Items**

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

### **Communications required by audit standards**

In relation to our financial statement audit report, we would like to bring to your attention:

- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements.
- There were no material misstatements in the financial statements corrected by management during the audit.

### **Finalizing Your Audit**

#### **Report Publication**

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal/>.

### **Management Representation Letter**

We have included a copy of representations received from management.

### **Audit Cost**

At the entrance conference, we estimated the cost of the audit to be \$48,000, plus any travel costs and other expenses and actual audit costs will approximate that amount.

### **Working Together to Improve Government**

#### **Audit Survey**

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

#### **Local Government Support Team**

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally this team assists with the online filing of your financial statements.

#### **The Center for Government Innovation**

The Center for Government Innovation of the Office of the Washington State Auditor is designed to offer services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean, peer-to-peer networking and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

#### **Questions?**

Please contact us with any questions about information in this document or related audit reports.

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**Mark Rapozo, CPA, Assistant Director of Local Audit, (564) 999-0794, [Mark.Rapozo@sao.wa.gov](mailto:Mark.Rapozo@sao.wa.gov)**

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Office of the Washington State Auditor  
Pat McCarthy

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## Accountability Audit Report

# Ronald Wastewater District

For the period January 1, 2019 through April 30, 2021

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

Issue Date – (Inserted by OS)

Board of Commissioners  
Ronald Wastewater District  
Shoreline, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government’s stewardship of public resources.

Attached is our independent audit report on the District’s compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Signature Here (Please do not remove this line)

Pat McCarthy, State Auditor

Olympia, WA

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*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## AUDIT RESULTS

### Results in brief

The District officially dissolved operations as of April 30, 2021. This report marks the last audit of the District.

This report describes the overall results and conclusions for the areas we examined. In those selected areas, District operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

### About the audit

This report contains the results of our independent accountability audit of the Ronald Wastewater District from January 1, 2019 through April 30, 2021.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended April 30, 2021, December 31, 2020 and December 31, 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Dissolution of district
- Procurement – public works
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

## RELATED REPORTS

### Financial

Our opinion on the District's financial statements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

That report includes a finding for a material weakness in internal controls over financial reporting regarding financial statement preparation.

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## INFORMATION ABOUT THE DISTRICT

The Ronald Wastewater District was incorporated in 1951 and was previously known as the Ronald Sewer District and Shoreline Wastewater Management District. It served approximately 56,000 residents and businesses located in the city of Shoreline and the Point Wells portion of unincorporated Snohomish County. The District maintained approximately 190 miles of pipeline, 16 pump stations, 22 grinder pumps and approximately 16,342 side sewer connections. The District had one major facility building where the District's office was located.

The District contracted with King County and the city of Edmonds for sewage treatment services. An elected, five-member Board of Commissioners governed the District. Board Members served staggered, six-year terms.

On April 30, 2021, Ronald Wastewater District was dissolved and operations were absorbed by the City of Shoreline.

Contact information related to this report	
Address:	Ronald Wastewater District 17500 Midvale Ave North Shoreline, WA 98133
Contact:	Peter Jenson, Finance Manager
Telephone:	(206) 801-2311
Website:	<a href="http://www.ronaldwastewater.org">www.ronaldwastewater.org</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Ronald Wastewater District at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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Office of the Washington State Auditor  
Pat McCarthy

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# Financial Statements Audit Report

## Ronald Wastewater District

For the period January 1, 2018 through April 30, 2021

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Report No. 1030695



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

Issue Date – (Inserted by OS)

Board of Commissioners  
Ronald Wastewater District  
Shoreline, Washington

**Report on Financial Statements**

Please find attached our report on the Ronald Wastewater District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Ronald Wastewater District January 1, 2018 through April 30, 2021

**2021-001 The District's internal controls over preparing financial statements were inadequate for ensuring accurate and complete financial reporting.**

#### *Background*

District management is responsible for designing, implementing, and maintaining internal controls to ensure financial statements are prepared and fairly presented in accordance with generally accepted account principles (GAAP).

On April 30, 2021, the District dissolved and was absorbed by the City of Shoreline. The City now performs all of the functions that the District previously performed, and all assets and liabilities were transferred to the City. The District currently has no employees or a governing body.

Our audit identified deficiencies in internal control that affected the District's ability to produce reliable financial statements. When taken together, the deficiencies represent a material weakness in controls. *Government Auditing Standards* requires the auditor to communicate material weaknesses as a finding. The Applicable Laws and Regulations section below defines the standards for material weaknesses.

#### *Description of Condition*

The District's process for preparing the financial statements for fiscal years 2021, 2020, 2019 and 2018 was inadequate for ensuring the statements were complete and accurate in the following areas:

- The District did not perform a comprehensive review of its capital asset spreadsheet to ensure it did not report recorded capital assets at negative book values.
- The District did not sufficiently review its calculations of depreciation and accumulated depreciation for accuracy.

### *Cause of Condition*

District staff made incorrect entries to the capital asset accounts, and the errors were not detected until the current audit.

In 2003, District staff made a negative adjustment to the Lake Forest Sewer system asset account. Additionally, in the same period, staff made an adjustment to the sewer lines asset account for a treatment charge. Both of these adjustments were incorrect and, over time, they caused understatements to accumulated depreciation and the sewer lines asset group.

### *Effect of Condition*

Inaccurate financial reports limit access to financial information that all stakeholders use. They also hinder the audit process and increase audit costs. Our audit identified the following misstatements which appeared in the financial statements for fiscal years 2021, 2020, 2019 and 2018:

- Plant in service capital asset was understated by \$1,355,907.
- Accumulated depreciation was overstated by \$1,137,107.
- Beginning net position was understated by \$2,493,014.

We also noted other, less significant errors in the financial statements. Since the District has dissolved and does not have employees or board members, no one was able to correct these errors.

### *Recommendation*

Since the District's operations and financial information were transferred to the City of Shoreline, we communicated the misstatements to the City to ensure officials were aware of them.

### *District's Response*

*The City of Shoreline assumed Ronald Wastewater District on April 30, 2021. The error was identified during the RWD audit following the assumption. The City has corrected the error and will use our existing processes to validate the City's assets each year to ensure accurate reporting in the future.*

### *Auditor's Remarks*

We appreciate the City's commitment to resolve this issue and thank the City for its cooperation and assistance during the audit.

### *Applicable Laws and Regulations*

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

## 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*

### **Ronald Wastewater District January 1, 2018 through April 30, 2021**

Board of Commissioners  
Ronald Wastewater 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 Ronald Wastewater District, as of and for the years ended April 30, 2021, December 31, 2020, December 31, 2019, and December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 1, 2022.

The District did not correct capital assets errors identified during the audit for the years ended April 30, 2021, December 31, 2020, December 31, 2019 and December 31, 2018. Accordingly, our report was modified to reflect a qualified opinion on the fair presentation of the financial statements for this departure from accounting principles generally accepted in the United States of America.

As discussed in Note 8 of the notes to the financial statements, in 2017, the District entered into an agreement with the City of Shoreline to assume day-to-day operations of the District. Through this arrangement, the District employees became the City employees and the District transferred its personal assets to the City.

As discussed in Note 9 to the 2021 financial statements, the District fully dissolved on April 30, 2021. Our opinion is not modified with respect to this matter.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 to be a material weakness.

## COMPLIANCE AND OTHER MATTERS

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

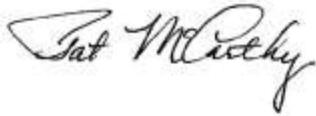
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## DISTRICT'S RESPONSE TO FINDINGS

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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

June 1, 2022

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

#### **Ronald Wastewater District January 1, 2018 through April 30, 2021**

Board of Commissioners  
Ronald Wastewater District  
Shoreline, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Ronald Wastewater District, as of and for the years ended April 30, 2021, December 31, 2020, December 31, 2019 and December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 13.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinions**

The District chose not to correct under reported capital asset errors identified during the audit. The District did not accurately account for capital asset valuation and depreciation under accounting principles generally accepted in the United States of America. Accordingly, amounts shown in the District’s financial statements for years ended April 30, 2021, December 31, 2020, December 31, 2019 and December 31, 2018 would be increased (decreased) as follows:

<b>Financial statement accounts</b>	<b>Amount</b>
Capital assets – plant in service	\$1,355,907
Accumulated depreciation	(\$1,137,107)
Beginning net position	\$2,493,014

### **Qualified Opinions**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions Paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Ronald Wastewater District, as of April 30, 2021, December 31, 2020, December 31, 2019 and December 31, 2018 and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Matters of Emphasis**

As discussed in Note 8 of the notes to the financial statements, in 2017, the District entered into an agreement with the City of Shoreline to assume day-to-day operations of the District. Through this arrangement, the District employees became the City employees and the District transferred its personal assets to the City. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the 2021 financial statements, the District fully dissolved on April 30, 2021. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information list on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

June 1, 2022

## FINANCIAL SECTION

### **Ronald Wastewater District January 1, 2018 through April 30, 2021**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2021, 2020, 2019 and 2018

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2021, 2020, 2019 and 2018

Statement of Revenues, Expenses and Changes in Fund Net Position – 2021, 2020, 2019  
and 2018

Statement of Cash Flows – 2021, 2020, 2019 and 2018

Notes to Financial Statements – 2021, 2020, 2019 and 2018

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**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PERIOD ENDED APRIL 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**

**INTRODUCTION**

Ronald Wastewater District was incorporated in 1951 to provide sewer services to customers residing within the District's boundaries. Our mission is to provide safe, efficient, and reliable wastewater collection services.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of management's discussion and analysis presents our review of the District's financial position as of April 30, 2021 and December 31, 2020 and our financial performance for the period and year then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PERIOD ENDED APRIL 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**CONDENSED STATEMENTS OF NET POSITION AT APRIL 30, 2021, AND DECEMBER 31, 2020 and 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital Assets	\$ 25,476,449	\$ 25,158,998	\$ 22,104,279
Other Assets	9,660,567	8,187,945	11,174,345
Total Assets	<u>35,137,016</u>	<u>33,346,943</u>	<u>33,278,624</u>
Deferred Outflows of Resources	-	-	-
Long-Term Liabilities	-	-	-
Other Liabilities	1,824,840	1,586,983	1,071,760
Total Liabilities	<u>1,824,840</u>	<u>1,586,983</u>	<u>1,071,760</u>
Deferred Inflows of Resources	-	-	-
Net Investment in Capital Assets	24,932,274	24,660,130	21,995,815
Restricted for Impaired Investments	6,296	6,296	8,390
Unrestricted Amounts	8,373,606	7,093,534	10,202,659
Total Net Position	<u>\$ 33,312,176</u>	<u>\$ 31,759,960</u>	<u>\$ 32,206,864</u>

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PERIOD ENDED APRIL 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE PERIOD ENDED APRIL 30, 2021, AND THE YEARS DECEMBER 31, 2020 AND 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Sewer Service Charges	\$ 5,896,399	\$ 16,403,912	\$ 16,317,348
Other Operating Revenue	37,366	168,007	366,580
Total Operating Revenues	<u>5,933,765</u>	<u>16,571,919</u>	<u>16,683,928</u>
Maintenance and Operating Costs	4,510,866	14,039,053	13,181,522
General and Administrative Expenses	1,234,398	2,771,370	2,336,810
Depreciation	402,629	1,118,762	1,074,036
Total Operating Expenses	<u>6,147,893</u>	<u>17,929,185</u>	<u>16,592,368</u>
Operating Income (Loss)	(214,128)	(1,357,266)	91,560
Nonoperating Revenue:			
Interest	(29,916)	129,526	263,278
Miscellaneous	2,488	15,357	39,726
Private Property Improvements	-	(130,345)	-
Income Before Capital Contributions	<u>(241,556)</u>	<u>(1,342,728)</u>	<u>394,564</u>
Capital Contributions	<u>1,793,772</u>	<u>895,824</u>	<u>1,357,320</u>
Increase in Net Position	1,552,216	(446,904)	1,751,884
Net Position - Beginning of Period	<u>31,759,960</u>	<u>32,206,864</u>	<u>30,454,980</u>
Net Position - End of Period	<u>\$ 33,312,176</u>	<u>\$ 31,759,960</u>	<u>\$ 32,206,864</u>

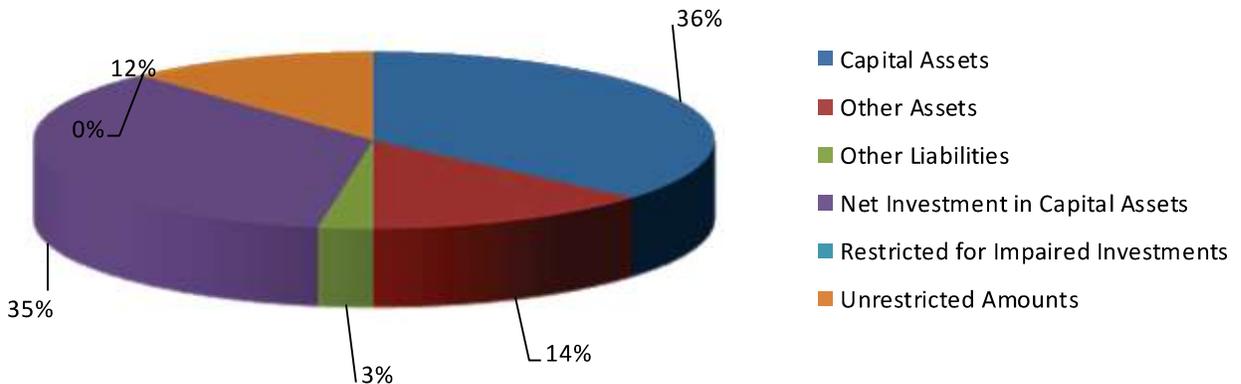
**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PERIOD ENDED APRIL 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**

**FINANCIAL POSITION**

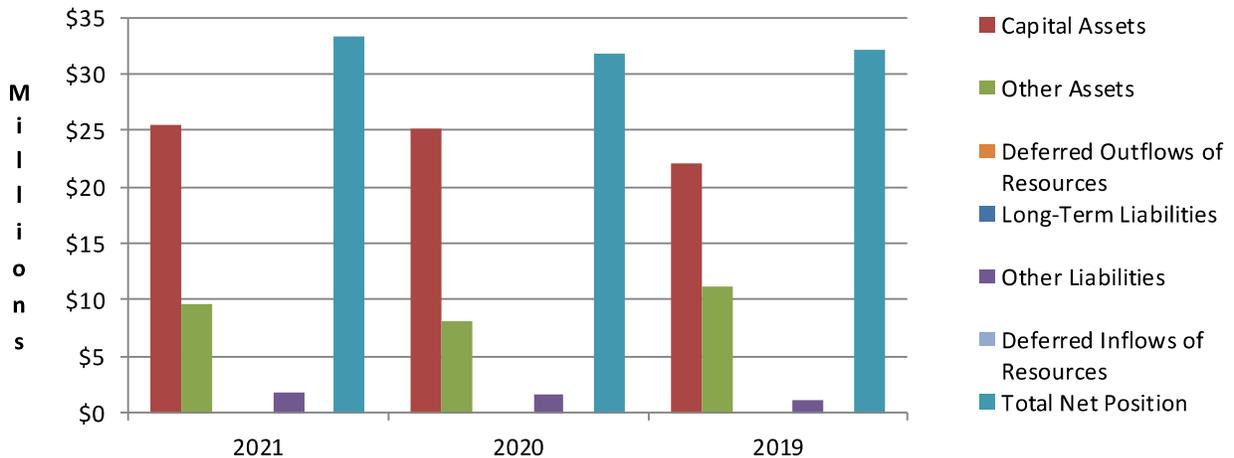
The District's overall financial position at April 30, 2021 and December 31, 2020 is strong. The District is financed primarily by equity. Substantial liquid assets are currently available to fund liabilities and construction. Capital assets increased in 2021 and 2020 primarily due to construction activity for system improvements.

The following charts indicate the components of financial position.

**2021 STATEMENT OF NET POSITION**



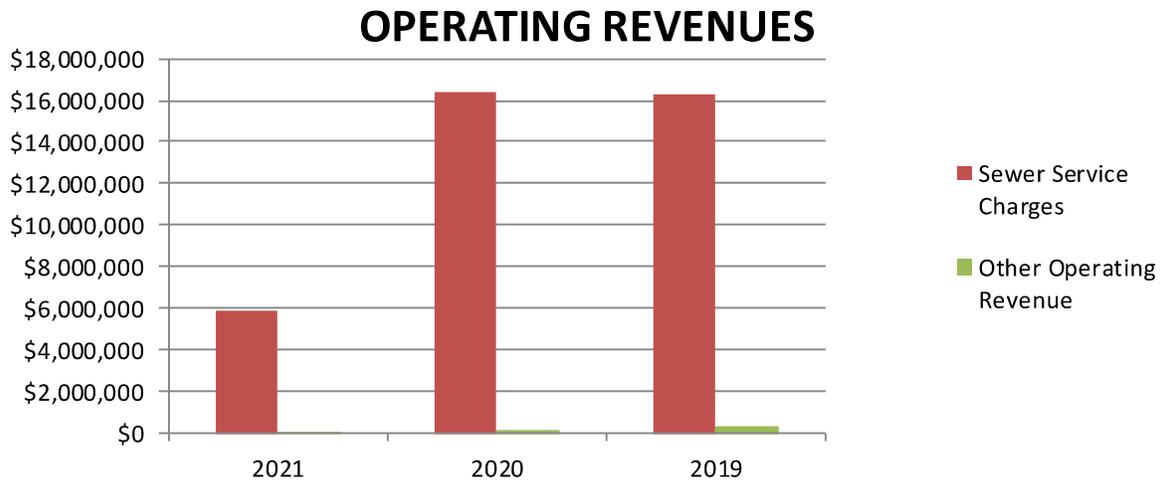
**COMPARATIVE STATEMENT OF NET POSITION**



**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PERIOD ENDED APRIL 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**

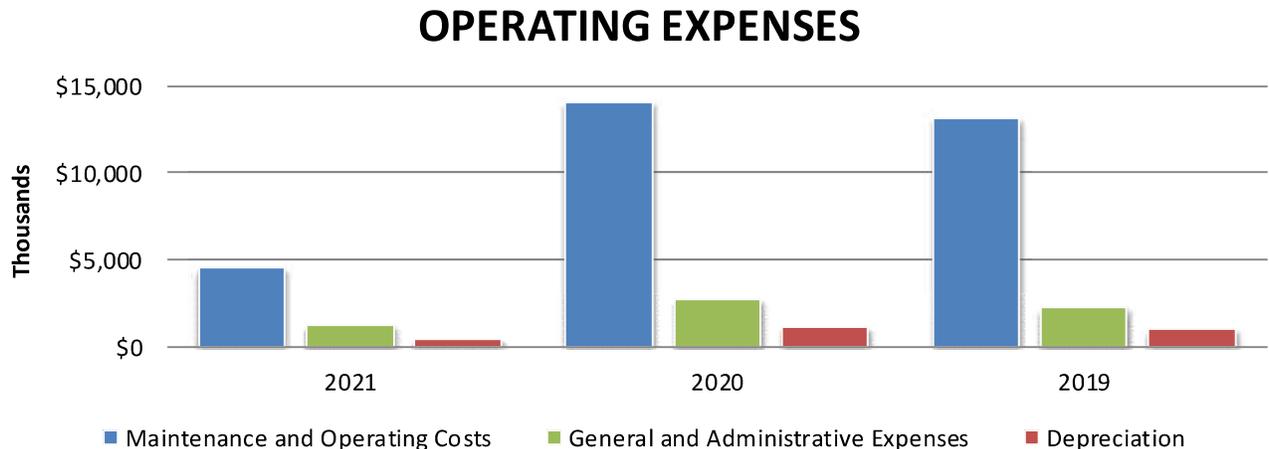
**RESULTS OF OPERATIONS**

Operating revenues are received primarily from sewer service charges. The following chart indicates operating revenue for the period ended April 30, 2021 and the years ended December 31, 2020 and 2019.



Annualized 2021 operating revenue is \$17,689,197 and is higher than 2020 due to rate increases. Operating revenue in 2020 was comparable to 2019.

The following chart indicates operating expenses for the period ended April 30, 2021 and the years ended December 31, 2020 and 2019.



Annualized 2021 maintenance and operating expenses are \$13,532,598, representing a \$506,455 decrease. Maintenance and operating expenses decreased in 2021 and increased in 2020 primarily due to the District reimbursing the City of Shoreline for the City's purchase of a CCTV vehicle and vactor truck in 2020.

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PERIOD ENDED APRIL 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**

**RESULTS OF OPERATIONS (CONTINUED)**

Annualized 2021 general and administrative expenses are \$3,703,194 and is higher than 2020 due to final engineering and legal fees. General and administrative expenses increased in 2020 primarily due to an increase in City of Shoreline overhead costs allocated to the District. See Note 8 for further discussion regarding agreements with the City of Shoreline.

The District operated at a loss in 2021 and 2020 and at a profit in 2019. The District's general philosophy is to provide for all depreciation through rates based on the principle that current users should pay all costs associated with the sewer system as it is being used. The operating losses in 2021 and 2020 were due to the increased expenses previously indicated.

Operating income is augmented by earnings on investments and other nonoperating revenues, net of other nonoperating expenses and capital contributions.

The District collects capital contributions from new customers and other grantors. These contributions consist of connection charges and donated systems.

The following chart indicates capital contributions over the past two years.

**CAPITAL CONTRIBUTIONS**



The contributions are indicative of the growth of the District and include donated systems totaling \$-0-, \$-0-, and \$11,175 for the period ended April 30, 2021 and years ended December 31, 2020, and 2019, respectively.

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PERIOD ENDED APRIL 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**

**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

Capital assets increased in 2021 and 2020 primarily due to construction activity for system improvements

Significant capital asset additions during the years included the following.

2021		2020	
Edmonds Treatment Plant Projects	\$ 500,097	Edmonds Treatment Plant Projects	\$ 686,620
Comprehensive Sewer Plan 2019	23,311	WSDOT Franchise Update	14,388
Light Rail	28,767	Comprehensive Sewer Plan 2019	90,549
WIP-145th Corridor & Roundabout	13,183	Ridgecrest 3	1,525,001
Apple Tree Lane Pump Rehab	237,050	Ridgecrest 4	1,462,652
LS 4 Forcemain Replacement	16,222	Light Rail	115,231
WIP - LS 12 Controls Replacement	18,838	Inflow and Infiltration	41,168
		Apple Tree Lane Pump Rehab	402,565
		LS 4 Forcemain Replacement	39,414
		Earthquake Eval of Lift Stations	31,814

See Note 4 in the financial statements for detail activity in capital assets.

**ADDITIONAL COMMENTS**

The District is dependent on King County Wastewater Treatment Division (KCWTD/METRO) and the City of Edmonds for the treatment of sewage collected by the District. The cost for these services charged to the District continues to increase. The District's practice is to adjust treatment rates to compensate for increases in its direct treatment cost.

The District is committed under various agreements to pay certain costs to third parties including its portion of City of Edmonds projects related to the City of Edmonds Treatment Plant. The District owns 9.488% of the capacity of the City of Edmonds Treatment Plant. During 2012, the District was notified of potential cost contributions to the City of Seattle in an amount currently estimated at approximately \$16,545,564. This contribution, along with all of the other required commitments of the District, are substantially in excess of liquid assets on hand and will require the District to seek additional funds likely through additional debt. See Note 6 in the financial statements for additional details regarding the District's commitments and contingencies.

On April 30, 2021 all assets and liabilities of the District were transferred to the City of Shoreline and the District was dissolved. All of the functions performed by the District are now performed by the City.

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**INTRODUCTION**

Ronald Wastewater District was incorporated in 1951 to provide sewer services to customers residing within the District's boundaries. Our mission is to provide safe, efficient, and reliable wastewater collection services.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2020 and 2019 and our financial performance for the years then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

<b>CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31</b>			
	2020	2019	2018
Capital Assets	\$ 25,158,998	\$ 22,104,279	\$ 22,525,982
Other Assets	8,187,945	11,174,345	8,724,609
Total Assets	<u>33,346,943</u>	<u>33,278,624</u>	<u>31,250,591</u>
Deferred Outflows of Resources	-	-	-
Long-Term Liabilities	-	-	-
Other Liabilities	1,586,983	1,071,760	795,611
Total Liabilities	<u>1,586,983</u>	<u>1,071,760</u>	<u>795,611</u>
Deferred Inflows of Resources	-	-	-
Net Investment in Capital Assets	24,660,130	21,995,815	22,417,518
Restricted for Impaired Investments	6,296	8,390	11,055
Unrestricted Amounts	7,093,534	10,202,659	8,026,407
Total Net Position	<u>\$ 31,759,960</u>	<u>\$ 32,206,864</u>	<u>\$ 30,454,980</u>

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

<b>CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED DECEMBER 31</b>			
	2020	2019	2018
Sewer Service Charges	\$ 16,403,912	\$ 16,317,348	\$ 15,972,528
Other Operating Revenue	168,007	366,580	307,493
Total Operating Revenues	<u>16,571,919</u>	<u>16,683,928</u>	<u>16,280,021</u>
Maintenance and Operating Costs	14,039,053	13,181,522	12,738,413
General and Administrative Expenses	2,771,370	2,336,810	2,252,866
Depreciation	1,118,762	1,074,036	1,097,468
Total Operating Expenses	<u>17,929,185</u>	<u>16,592,368</u>	<u>16,088,747</u>
Operating Income (Loss)	(1,357,266)	91,560	191,274
Nonoperating Revenue:			
Interest	129,526	263,278	95,626
Miscellaneous	15,357	39,726	13,394
Private Property Improvements	(130,345)	-	-
Income Before Capital Contributions	<u>(1,342,728)</u>	<u>394,564</u>	<u>300,294</u>
Capital Contributions	895,824	1,357,320	1,951,792
Increase in Net Position	(446,904)	1,751,884	2,252,086
Net Position - January 1	32,206,864	30,454,980	28,202,894
Net Position - December 31	<u>\$ 31,759,960</u>	<u>\$ 32,206,864</u>	<u>\$ 30,454,980</u>

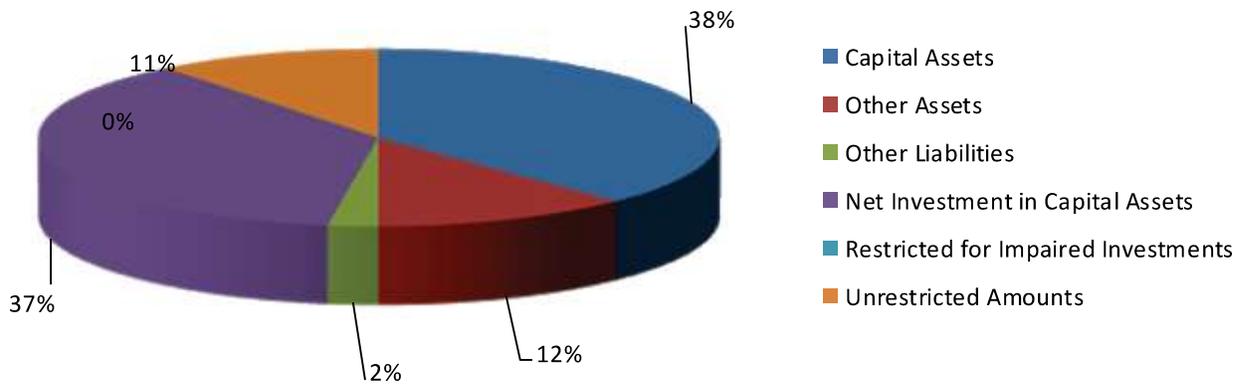
**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**FINANCIAL POSITION**

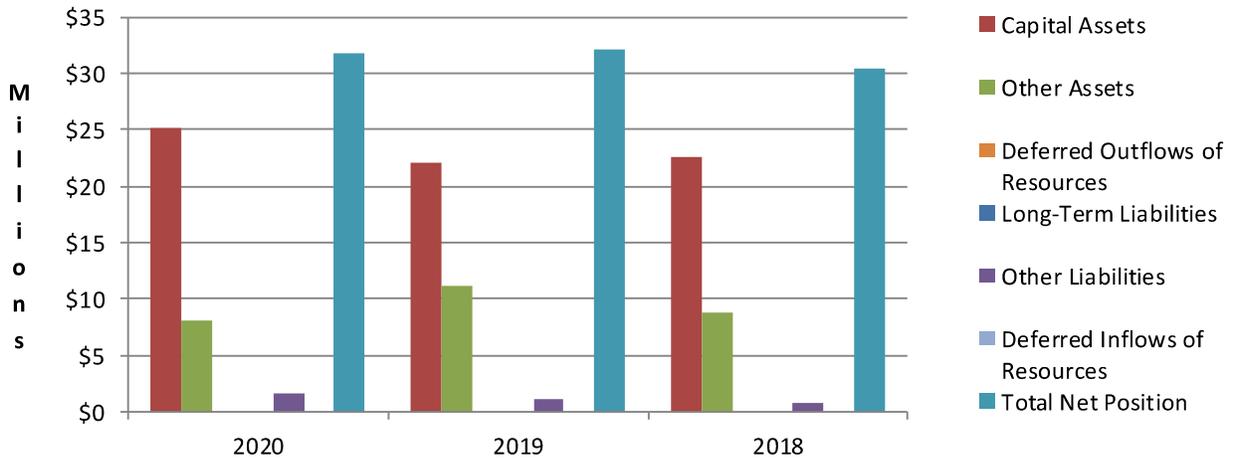
The District's overall financial position at December 31, 2020 and 2019 is strong. The District is financed primarily by equity. Substantial liquid assets are currently available to fund liabilities and construction. Capital assets increased in 2020 primarily due to construction activity for system improvements. Capital assets decreased in 2019 due depreciation in excess of construction activity, donated systems, and asset purchases.

The following charts indicate the components of financial position.

**2020 STATEMENT OF NET POSITION**



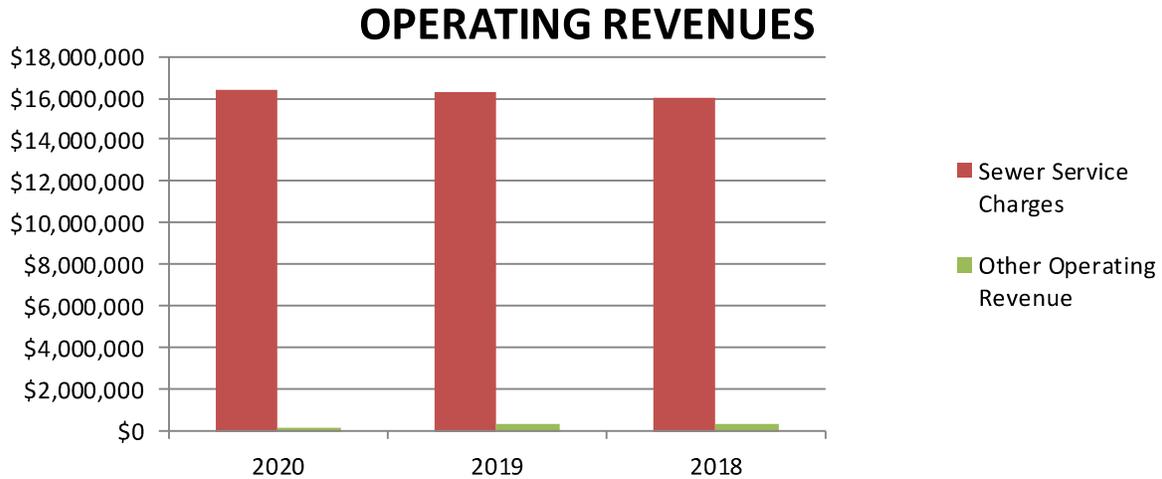
**COMPARATIVE STATEMENT OF NET POSITION**



**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

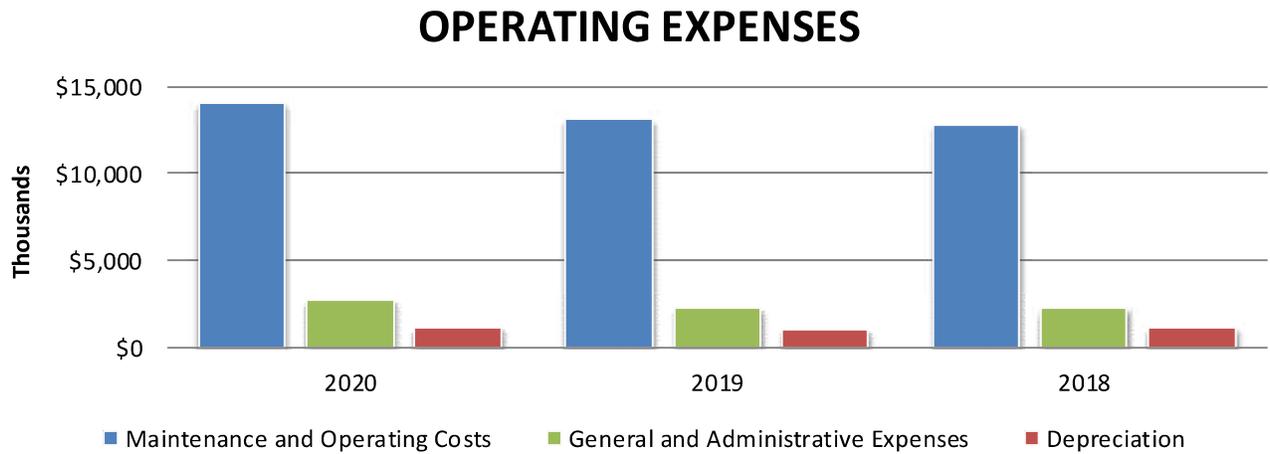
**RESULTS OF OPERATIONS**

Operating revenues are received primarily from sewer service charges. The following chart indicates operating revenue over the last three years.



Operating revenue in 2020 was comparable to 2019. The increase in operating revenue in 2019 was primarily due to rate increases.

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



Maintenance and operating expenses increased in 2020 primarily due to the District reimbursing the City of Shoreline for the City's purchase of a CCTV vehicle and vector truck. Maintenance and operating expense increased in 2019 primarily due to a rate increase for sewage treatment and costs associated with an operating services agreement with the City of Shoreline.

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**RESULTS OF OPERATIONS (CONTINUED)**

General and administrative expenses increased in 2020 primarily due to an increase in City of Shoreline overhead costs allocated to the District. General and administrative expenses in 2019 were comparable to 2018. See Note 8 for further discussion regarding agreements with the City of Shoreline.

The District operated at a loss in 2020 and at a profit in 2019 and 2018. The District's general philosophy is to provide for all depreciation through rates based on the principle that current users should pay all costs associated with the sewer system as it is being used. The operating loss in 2020 was mainly due to increased charges from the City of Shoreline as previously indicated.

Operating income is augmented by earnings on investments and other nonoperating revenues, net of other nonoperating expenses and capital contributions.

The District collects capital contributions from new customers and other grantors. These contributions consist of connection charges and donated systems.

The following chart indicates capital contributions over the past three years.

**CAPITAL CONTRIBUTIONS**



The contributions are indicative of the growth of the District and include donated systems totaling \$0-, \$0-, and \$11,175 for the years ended December 31, 2020, 2019, and 2018, respectively.

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020 AND 2019**

**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

Capital assets increased in 2020 primarily due to construction activity for system improvements. Capital assets decreased in 2019 due depreciation in excess of construction activity, donated systems, and asset purchases.

Significant capital asset additions during the years included the following.

2020		2019	
Edmonds Treatment Plant		Edmonds Treatment Plant	
Projects	\$ 686,620	Projects	\$ 167,698
WSDOT Franchise Update	14,388	LS 11 Force Main Replace	166,620
Comprehensive Sewer Plan 2019	90,549	WSDOT Franchise Update	17,194
Ridgecrest 3	1,525,001	Comp Sewer Plan 2019	98,927
Ridgecrest 4	1,462,652	Ridgecrest 3	98,040
Light Rail	115,231	Light Rail	97,074
Inflow and Infiltration	41,168	LS 15 Gravity Line	14,010
Apple Tree Lane Pump Rehab	402,565	Apple Tree Lane Pump Rehab	21,140
LS 4 Forcemain Replacement	39,414		
Earthquake Eval of Lift Stations	31,814		

See Note 4 in the financial statements for detail activity in capital assets.

**ADDITIONAL COMMENTS**

The District is dependent on King County Wastewater Treatment Division (KCWTD/METRO) and the City of Edmonds for the treatment of sewage collected by the District. The cost for these services charged to the District continues to increase. The District's practice is to adjust treatment rates to compensate for increases in its direct treatment cost.

The District is committed under various agreements to pay certain costs to third parties including its portion of City of Edmonds projects related to the City of Edmonds Treatment Plant. The District owns 9.488% of the capacity of the City of Edmonds Treatment Plant. During 2012, the District was notified of potential cost contributions to the City of Seattle in an amount currently estimated at approximately \$16,545,564. This contribution, along with all of the other required commitments of the District, are substantially in excess of liquid assets on hand and will require the District to seek additional funds likely through additional debt. See Note 6 in the financial statements for additional details regarding the District's commitments and contingencies.

The District has entered into an interlocal agreement with the City of Shoreline which allows the City to assume the District. As part of the agreement, the District transferred certain vehicles, equipment, and personal property to the City, all District employees transferred to the City and the District entered into an operating services agreement with the City.

On April 30, 2021, the City of Shoreline will assume the District. All assets and liabilities will transfer to the City and the District will be dissolved.

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**INTRODUCTION**

Ronald Wastewater District was incorporated in 1951 to provide sewer services to customers residing within the District's boundaries. Our mission is to provide safe, efficient, and reliable wastewater collection services.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2019 and 2018 and our financial performance for the years then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

<b>CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31</b>			
	2019	2018	2017
Capital Assets	\$ 22,104,279	\$ 22,525,982	\$ 23,236,997
Other Assets	11,174,345	8,724,609	5,971,339
Total Assets	<u>33,278,624</u>	<u>31,250,591</u>	<u>29,208,336</u>
Deferred Outflows of Resources	-	-	-
Long-Term Liabilities	-	-	-
Other Liabilities	1,071,760	795,611	1,005,442
Total Liabilities	<u>1,071,760</u>	<u>795,611</u>	<u>1,005,442</u>
Deferred Inflows of Resources	-	-	-
Net Investment in Capital Assets	21,995,815	22,464,203	23,102,006
Restricted for Impaired Investments	8,390	11,055	14,831
Unrestricted Amounts	10,202,659	7,979,722	5,086,057
Total Net Position	<u>\$ 32,206,864</u>	<u>\$ 30,454,980</u>	<u>\$ 28,202,894</u>

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

<b>CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED DECEMBER 31</b>			
	2019	2018	2017
Sewer Service Charges	\$ 16,317,348	\$ 15,972,528	\$ 15,329,738
Other Operating Revenue	366,580	307,493	286,946
Total Operating Revenues	<u>16,683,928</u>	<u>16,280,021</u>	<u>15,616,684</u>
Maintenance and Operating Costs	13,181,522	12,738,413	11,897,213
General and Administrative Expenses	2,336,810	2,252,866	3,149,708
Depreciation	1,074,036	1,097,468	1,097,386
Total Operating Expenses	<u>16,592,368</u>	<u>16,088,747</u>	<u>16,144,307</u>
Operating Income (Loss)	91,560	191,274	(527,623)
Nonoperating Revenue:			
Interest	263,278	95,626	66,285
Miscellaneous	39,726	13,394	20,059
Gain on Transfer of Employees	-	-	935,079
Net Loss on Disposal of Assets	-	-	(206,954)
Private Property Improvements	-	-	(81,840)
Income Before Capital Contributions	<u>394,564</u>	<u>300,294</u>	<u>205,006</u>
Capital Contributions	1,357,320	1,951,792	185,941
Increase in Net Position	1,751,884	2,252,086	390,947
Net Position - January 1	30,454,980	28,202,894	27,811,947
Net Position - December 31	<u>\$ 32,206,864</u>	<u>\$ 30,454,980</u>	<u>\$ 28,202,894</u>

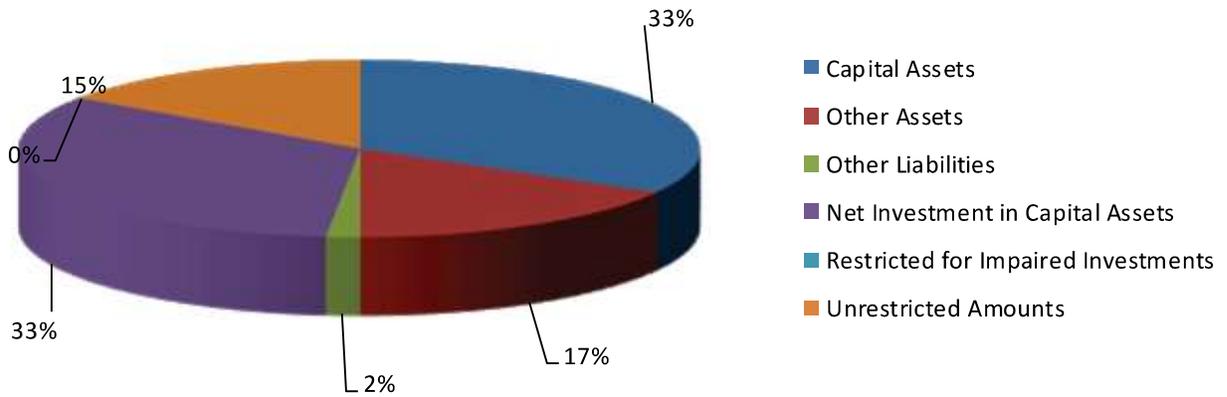
**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**FINANCIAL POSITION**

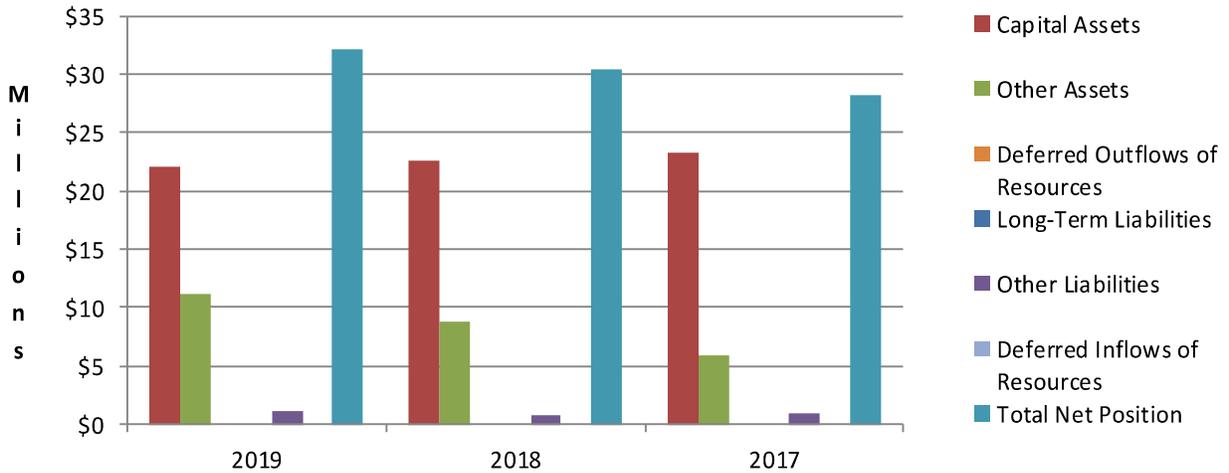
The District's overall financial position at December 31, 2019 and 2018 is strong. The District is financed primarily by equity. Substantial liquid assets are currently available to fund liabilities and construction. Capital assets decreased in 2019 and 2018 due depreciation in excess of construction activity, donated systems, and asset purchases.

The following charts indicate the components of financial position.

**2019 STATEMENT OF NET POSITION**



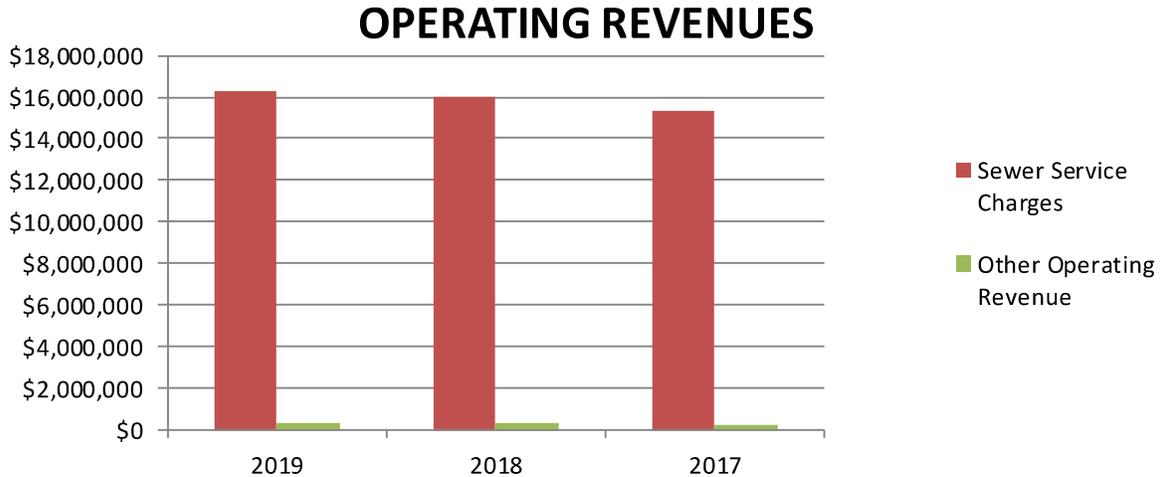
**COMPARATIVE STATEMENT OF NET POSITION**



**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

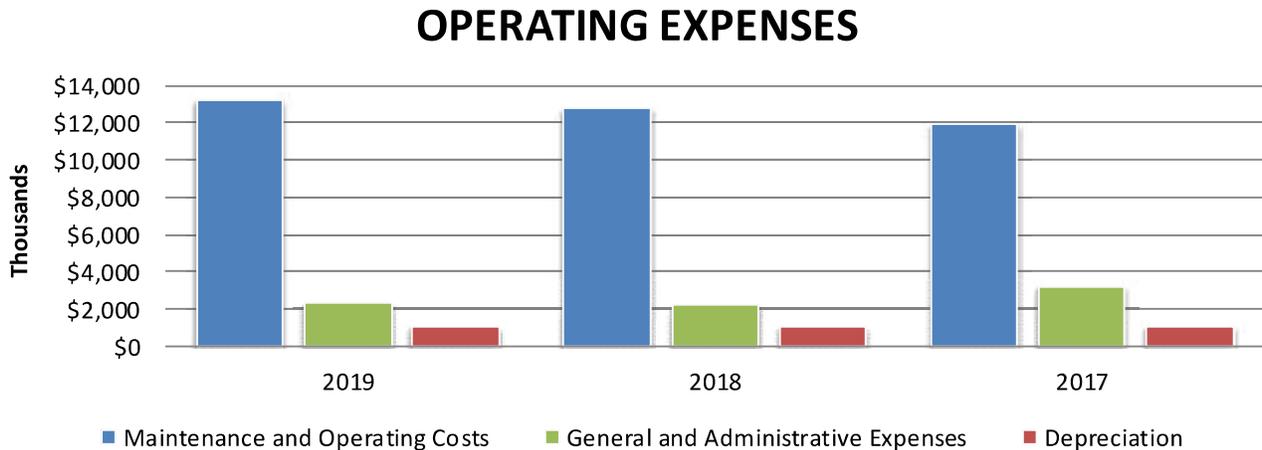
**RESULTS OF OPERATIONS**

Operating revenues are received primarily from sewer service charges. The following chart indicates operating revenue over the last three years.



The increase in operating revenue in 2019 and 2018 was primarily due to rate increases.

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



Maintenance and operating expenses increased in 2019 and 2018 primarily due to a rate increase for sewage treatment and costs associated with an operating services agreement with the City of Shoreline. General and administrative expenses in 2019 were comparable to 2018. General and administrative expenses were higher in 2017 primarily as a result of increased legal expenses related to the proposed assumption of the District by the City of Shoreline and costs associated with operating services agreement with the City of Shoreline. See Note 8 for further discussion regarding agreements with the City of Shoreline.

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**RESULTS OF OPERATIONS (CONTINUED)**

The District operated at a loss in 2017 and at a profit in 2019 and 2018. The District's general philosophy is to provide for all depreciation through rates based on the principle that current users should pay all costs associated with the sewer system as it is being used. The operating loss in 2017 was mainly due to the increased legal expenses related to the assumption by the City of Shoreline and costs associated with an operating services agreement with the City of Shoreline.

Operating income is augmented by earnings on investments and other nonoperating revenues, net of other nonoperating expenses and capital contributions.

The District collects capital contributions from new customers and other grantors. These contributions consist of connection charges and donated systems.

The following chart indicates capital contributions over the past three years.

**CAPITAL CONTRIBUTIONS**



The contributions are indicative of the growth of the District and include donated systems totaling \$0-, \$11,175, and \$26,863 for the years ended December 31, 2019, 2018, and 2017, respectively.

**RONALD WASTEWATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019 AND 2018**

**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

Capital assets decreased in 2019 and 2018 due to depreciation in excess of construction activity, donated systems, and asset purchases.

Significant capital asset additions during the years included the following.

2019		2018	
Edmonds Treatment Plant		Edmonds Treatment Plant	
Projects	\$ 167,698	Projects	\$ 66,762
LS 11 Force Main Replace	166,620	Hydraulic Capital Improvement	
WSDOT Franchise Update	17,194	Project 1	54,511
Comp Sewer Plan 2019	98,927	Richmond Beach 1	144,712
Ridgecrest 3	98,040	Richmond Beach 2	169,594
Light Rail	97,074	Light Rail	62,511
LS 15 Gravity Line	14,010	LS 15 Gravity Line	48,424
Apple Tree Lane Pump Rehab	21,140	Donated Systems	11,175

See Note 4 in the financial statements for detail activity in capital assets.

**ADDITIONAL COMMENTS**

The District is dependent on King County Wastewater Treatment Division (KCWTD/METRO) and the City of Edmonds for the treatment of sewage collected by the District. The cost for these services charged to the District continues to increase. The District's practice is to adjust treatment rates to compensate for increases in its direct treatment cost.

The District has entered into an interlocal agreement with the City of Shoreline which allows the City to assume the District at the end of the agreement. In 2017, this agreement was extended for two additional years and extended again in 2019 for an additional two years. As part of the amendment, the District transferred certain vehicles, equipment, and personal property to the City, all District employees transferred to the City and the District entered into an operating services agreement with the City.

The District is committed under various agreements to pay certain costs to third parties including its portion of City of Edmonds projects related to the City of Edmonds Treatment Plant. The District owns 9.488% of the capacity of the City of Edmonds Treatment Plant. During 2012, the District was notified of potential cost contributions to the City of Seattle in an amount currently estimated at approximately \$15,658,674. This contribution, along with all of the other required commitments of the District, are substantially in excess of liquid assets on hand and will require the District to seek additional funds likely through additional debt. See Note 6 in the financial statements for additional details regarding the District's commitments and contingencies.

The City of Shoreline has been approved, by the King County Review Board, to assume the portion of the District within King County. For the portion of the District residing in unincorporated Snohomish County, the Snohomish County Boundary Review Board had previously determined that it cannot be assumed by the City of Shoreline upon the City's assumption of the District. Due to litigation issues, the assumption of all areas has been deferred.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF NET POSITION  
APRIL 30, 2021 AND DECEMBER 31, 2020**

	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Unrestricted:		
Cash and Cash Equivalents	\$ 6,616,762	\$ 6,182,402
Accounts Receivable - Users	1,603,198	1,415,261
Accounts Receivable - Other	1,306,257	413,067
Interest Receivable	3,735	5,287
Prepaid Expenses	-	31,085
Notes Receivable - Current Portion	18,698	23,391
Subtotal	9,548,650	8,070,493
Restricted:		
Cash and Cash Equivalents	6,296	6,296
Total Current Assets	9,554,946	8,076,789
<b>NONCURRENT ASSETS</b>		
Unrestricted:		
Notes Receivable, Less Current Portion	105,621	111,156
Capital Assets Not Being Depreciated:		
Land, Land Rights, and Other	564,588	564,588
Construction in Progress	1,821,170	1,100,283
Capital Assets Being Depreciated:		
Plant in Service	47,972,836	47,973,643
Less: Accumulated Depreciation	24,882,145	24,479,516
Net Capital Assets	25,476,449	25,158,998
Total Noncurrent Assets	25,582,070	25,270,154
Total Assets	35,137,016	33,346,943
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-
Total Assets and Deferred Outflows of Resources	\$ 35,137,016	\$ 33,346,943

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
APRIL 30, 2021 AND DECEMBER 31, 2020**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	2021	2020
<b>LIABILITIES</b>		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 729,545	\$ 640,259
Accrued Commissioners Fees and Other	-	153
Utility Service Revenue Billed in Advance	459,469	458,211
Retainage Payable	-	2,234
Developer Advances and Deposits	635,826	486,126
Total Liabilities	1,824,840	1,586,983
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
	-	-
Total Liabilities and Deferred Inflows of Resources	1,824,840	1,586,983
 <b>NET POSITION</b>		
Net Investment in Capital Assets	24,932,274	24,660,130
Restricted for Impaired Investments	6,296	6,296
Unrestricted	8,373,606	7,093,534
Total Net Position	33,312,176	31,759,960
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 35,137,016	\$ 33,346,943

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PERIOD ENDED APRIL 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**

	2021	2020
<b>OPERATING REVENUES</b>		
Service Charges:		
Residential	\$ 1,100,150	\$ 2,798,629
Commercial, Condominiums, and Apartments	701,849	1,801,092
Other Municipalities	12,252	41,535
Metro - Treatment	3,789,555	10,903,123
Edmonds - Treatment	292,593	859,533
Total Service Charges	5,896,399	16,403,912
Permit Fees	24,700	67,925
Penalties and Lien Fees	12,666	100,082
Total Operating Revenues	5,933,765	16,571,919
 <b>OPERATING EXPENSES</b>		
Maintenance and Operation	4,510,866	14,039,053
General and Administrative	1,234,398	2,771,370
Depreciation	402,629	1,118,762
Total Operating Expenses	6,147,893	17,929,185
 <b>OPERATING INCOME</b>	(214,128)	(1,357,266)
 <b>NONOPERATING REVENUES</b>		
Investment Income, Net of Service Fees	(31,937)	123,210
Interest on Notes Receivable	2,021	6,316
Miscellaneous Income	2,488	15,357
Private Property Improvements	-	(130,345)
Total Nonoperating Revenues	(27,428)	14,538
 <b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	(241,556)	(1,342,728)
Capital Contributions	1,793,772	895,824
 <b>CHANGE IN NET POSITION</b>	1,552,216	(446,904)
Net Position - January 1	31,759,960	32,206,864
 <b>NET POSITION - DECEMBER 31</b>	\$ 33,312,176	\$ 31,759,960

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF CASH FLOWS  
PERIOD ENDED APRIL 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 4,856,384	\$ 16,403,353
Cash Paid to Suppliers	(5,509,909)	(16,688,249)
Cash Paid to and for Employees and Commissioners	(12,978)	(33,618)
Cash Paid for Private Property Improvements	-	(130,345)
Collections on Notes Receivable for Private Property Improvements	1,285	5,549
Interest Received	256	800
Net Cash Used by Operating Activities	(664,962)	(442,510)
 <b>CASH FLOWS FROM CAPITAL FINANCING AND RELATED ACTIVITIES</b>		
Capital Contributions	1,793,772	895,824
Collections on Notes Issued for Capital Contributions	8,943	33,894
Interest Received on Notes Issued for Capital Contributions	1,765	5,516
Acquisition and Construction of Capital Assets	(674,773)	(3,783,077)
Net Cash Provided (Used) by Capital Financing and Related Activities	1,129,707	(2,847,843)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments and Lake Forest Park Note	(30,385)	136,553
Net Cash Provided (Used) by Investing Activities	(30,385)	136,553
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	434,360	(3,153,800)
Cash and Cash Equivalents - Beginning of Year	6,188,698	9,342,498
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,623,058	\$ 6,188,698
 <b>CASH AND CASH EQUIVALENTS BALANCE IS COMPRISED OF THE FOLLOWING AT DECEMBER 31:</b>		
Cash and Cash Equivalents - Unrestricted	\$ 6,616,762	\$ 6,182,402
Cash and Cash Equivalents - Restricted	6,296	6,296
Total Cash and Cash Equivalents	\$ 6,623,058	\$ 6,188,698

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
PERIOD ENDED APRIL 30, 2021 AND YEAR ENDED DECEMBER 31, 2020**

	2021	2020
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ (214,128)	\$ (1,357,266)
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:		
Depreciation	402,629	1,118,762
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(1,081,127)	(219,364)
Prepaid Expenses	31,085	(822)
Collection on Notes Issued for Private Property Improvements	1,285	5,549
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Expenses	41,592	15,479
Utility Service Revenue Billed in Advance	1,258	35,441
Developer Advances	149,700	73,899
Private Property Improvements	-	(130,345)
Miscellaneous Income	2,488	15,357
Other Interest Income	256	800
Net Cash Used by Operating Activities	\$ (664,962)	\$ (442,510)

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Unrestricted:		
Cash and Cash Equivalents	\$ 6,182,402	9,334,108
Accounts Receivable - Users	1,415,261	1,364,638
Accounts Receivable - Other	413,067	244,326
Interest Receivable	5,287	18,630
Prepaid Expenses	31,085	30,263
Notes Receivable - Current Portion	23,391	34,240
	<u>8,070,493</u>	<u>11,026,205</u>
Restricted:		
Cash and Cash Equivalents	6,296	8,390
Total Current Assets	8,076,789	11,034,595
<b>NONCURRENT ASSETS</b>		
Unrestricted:		
Notes Receivable, Less Current Portion	111,156	139,750
Capital Assets Not Being Depreciated:		
Land, Land Rights, and Other	564,588	564,588
Construction in Progress	1,100,283	569,036
Capital Assets Being Depreciated:		
Plant in Service	47,973,643	44,331,409
Less: Accumulated Depreciation	24,479,516	23,360,754
Net Capital Assets	<u>25,158,998</u>	<u>22,104,279</u>
Total Noncurrent Assets	<u>25,270,154</u>	<u>22,244,029</u>
Total Assets	33,346,943	33,278,624
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 33,346,943</u>	<u>\$ 33,278,624</u>

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 640,259	\$ 235,544
Accrued Commissioners Fees and Other	153	1,219
Utility Service Revenue Billed in Advance	458,211	422,770
Retainage Payable	2,234	-
Developer Advances and Deposits	486,126	412,227
Total Current Liabilities	<u>1,586,983</u>	<u>1,071,760</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-
Total Liabilities and Deferred Inflows of Resources	<u>1,586,983</u>	<u>1,071,760</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	24,660,130	21,995,815
Restricted for Impaired Investments	6,296	8,390
Unrestricted	7,093,534	10,202,659
Total Net Position	<u>31,759,960</u>	<u>32,206,864</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 33,346,943</u>	<u>\$ 33,278,624</u>

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>OPERATING REVENUES</b>		
Service Charges:		
Residential	\$ 2,798,629	\$ 2,790,454
Commercial, Condominiums, and Apartments	1,801,092	1,749,848
Other Municipalities	41,535	41,644
Metro - Treatment	10,903,123	10,877,759
Edmonds - Treatment	859,533	857,643
Total Service Charges	16,403,912	16,317,348
Permit Fees	67,925	90,575
Penalties and Lien Fees	100,082	276,005
Total Operating Revenues	16,571,919	16,683,928
<b>OPERATING EXPENSES</b>		
Maintenance and Operation	14,039,053	13,181,522
General and Administrative	2,771,370	2,336,810
Depreciation	1,118,762	1,074,036
Total Operating Expenses	17,929,185	16,592,368
<b>OPERATING INCOME</b>	(1,357,266)	91,560
<b>NONOPERATING REVENUES</b>		
Investment Income, Net of Service Fees	123,210	256,672
Interest on Notes Receivable	6,316	6,606
Miscellaneous Income	15,357	39,726
Private Property Improvements	(130,345)	-
Total Nonoperating Revenues	14,538	303,004
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	(1,342,728)	394,564
Capital Contributions	895,824	1,357,320
<b>CHANGE IN NET POSITION</b>	(446,904)	1,751,884
Net Position - January 1	32,206,864	30,454,980
<b>NET POSITION - DECEMBER 31</b>	<b>\$ 31,759,960</b>	<b>\$ 32,206,864</b>

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 16,403,353	\$ 16,786,688
Cash Paid to Suppliers	(16,688,249)	(15,249,749)
Cash Paid to and for Employees and Commissioners	(33,618)	(37,262)
Cash Paid for Private Property Improvements	(130,345)	-
Collections on Notes Receivable for Private Property Improvements	5,549	4,675
Interest Received	800	880
Net Cash Provided (Used) by Operating Activities	(442,510)	1,505,232
<b>CASH FLOWS FROM CAPITAL FINANCING AND RELATED ACTIVITIES</b>		
Capital Contributions	895,824	1,357,320
Collections on Notes Issued for Capital Contributions	33,894	30,216
Interest Received on Notes Issued for Capital Contributions	5,516	6,072
Acquisition and Construction of Capital Assets	(3,783,077)	(605,648)
Net Cash Provided (Used) by Capital Financing and Related Activities	(2,847,843)	787,960
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Collections on Lake Forest Park Note	-	7,721
Interest Received on Investments and Lake Forest Park Note	136,553	249,965
Net Cash Provided by Investing Activities	136,553	257,686
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(3,153,800)	2,550,878
Cash and Cash Equivalents - Beginning of Year	9,342,498	6,791,620
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 6,188,698</b>	<b>\$ 9,342,498</b>
Cash and Cash Equivalents Balance is Comprised of the Following at December 31:		
Cash and Cash Equivalents - Unrestricted	\$ 6,182,402	\$ 9,334,108
Cash and Cash Equivalents - Restricted	6,296	8,390
Total Cash and Cash Equivalents	<b>\$ 6,188,698</b>	<b>\$ 9,342,498</b>

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>		
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income	\$ (1,357,266)	\$ 91,560
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	1,118,762	1,074,036
(Increase) Decrease in Assets and Deferred		
Outflows of Resources:		
Accounts Receivable	(219,364)	65,473
Prepaid Expenses	(822)	(582)
Collection on Notes Issued for Private Property Improvements	5,549	4,675
Increase (Decrease) in Liabilities and Deferred		
Inflows of Resources:		
Accounts Payable and Accrued Expenses	15,479	25,798
Utility Service Revenue Billed in Advance	35,441	(2,439)
Developer Advances	73,899	206,105
Private Property Improvements	(130,345)	-
Miscellaneous Income	15,357	39,726
Other Interest Income	800	880
Net Cash Provided (Used) by Operating Activities	<u>\$ (442,510)</u>	<u>\$ 1,505,232</u>

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Unrestricted:		
Cash and Cash Equivalents	\$ 9,334,108	\$ 6,780,565
Accounts Receivable - Users	1,364,638	1,434,680
Accounts Receivable - Other	244,326	239,757
Interest Receivable	18,630	12,269
Prepaid Expenses	30,263	29,681
Notes Receivable - Current Portion	34,240	41,246
	<u>11,026,205</u>	<u>8,538,198</u>
Restricted:		
Cash and Cash Equivalents	8,390	11,055
Total Current Assets	11,034,595	8,549,253
<b>NONCURRENT ASSETS</b>		
Unrestricted:		
Notes Receivable, Less Current Portion	139,750	175,356
Capital Assets Not Being Depreciated:		
Land, Land Rights, and Other	564,588	564,588
Construction in Progress	569,036	353,508
Capital Assets Being Depreciated:		
Plant in Service	44,331,409	44,038,761
Less: Accumulated Depreciation	23,360,754	22,430,875
Net Capital Assets	<u>22,104,279</u>	<u>22,525,982</u>
Total Noncurrent Assets	<u>22,244,029</u>	<u>22,701,338</u>
Total Assets	33,278,624	31,250,591
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 33,278,624</u>	<u>\$ 31,250,591</u>

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 235,544	\$ 163,345
Accrued Commissioners Fees and Other	1,219	935
Utility Service Revenue Billed in Advance	422,770	425,209
Developer Advances and Deposits	412,227	206,122
Total Current Liabilities	<u>1,071,760</u>	<u>795,611</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-
Total Liabilities and Deferred Inflows of Resources	<u>1,071,760</u>	<u>795,611</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	21,995,815	22,464,203
Restricted for Impaired Investments	8,390	11,055
Unrestricted	10,202,659	7,979,722
Total Net Position	<u>32,206,864</u>	<u>30,454,980</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 33,278,624</u>	<u>\$ 31,250,591</u>

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>OPERATING REVENUES</b>		
Service Charges:		
Residential	\$ 2,790,454	\$ 2,729,994
Commercial, Condominiums, and Apartments	1,749,848	1,647,312
Other Municipalities	41,644	38,767
Metro - Treatment	10,877,759	10,717,934
Edmonds - Treatment	857,643	838,521
Total Service Charges	16,317,348	15,972,528
Permit Fees	90,575	45,725
Penalties and Lien Fees	276,005	261,768
Total Operating Revenues	16,683,928	16,280,021
<b>OPERATING EXPENSES</b>		
Maintenance and Operation	13,181,522	12,738,413
General and Administrative	2,336,810	2,252,866
Depreciation	1,074,036	1,097,468
Total Operating Expenses	16,592,368	16,088,747
<b>OPERATING INCOME</b>	91,560	191,274
<b>NONOPERATING REVENUES</b>		
Investment Income, Net of Service Fees	256,672	88,144
Interest on Notes Receivable	6,606	7,482
Miscellaneous Income	39,726	13,394
Total Nonoperating Revenues	303,004	109,020
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	394,564	300,294
Capital Contributions	1,357,320	1,951,792
<b>CHANGE IN NET POSITION</b>	1,751,884	2,252,086
Net Position - January 1	30,454,980	28,202,894
<b>NET POSITION - DECEMBER 31</b>	<b>\$ 32,206,864</b>	<b>\$ 30,454,980</b>

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 16,786,688	\$ 16,407,377
Cash Paid to Suppliers	(15,249,749)	(15,111,704)
Cash Paid to and for Employees and Commissioners	(37,262)	(29,066)
Collections on Notes Receivable for Private Property Improvements	4,675	4,544
Interest Received	880	905
Net Cash Provided by Operating Activities	1,505,232	1,272,056
<b>CASH FLOWS FROM CAPITAL FINANCING AND RELATED ACTIVITIES</b>		
Capital Contributions	1,357,320	1,940,617
Collections on Notes Issued for Capital Contributions	30,216	28,889
Interest Received on Notes Issued for Capital Contributions	6,072	6,243
Acquisition and Construction of Capital Assets	(605,648)	(448,490)
Net Cash Provided by Capital Financing and Related Activities	787,960	1,527,259
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Collections on Lake Forest Park Note	7,721	7,274
Interest Received on Investments and Lake Forest Park Note	249,965	80,962
Net Cash Provided by Investing Activities	257,686	88,236
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,550,878	2,887,551
Cash and Cash Equivalents - Beginning of Year	6,791,620	3,904,069
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 9,342,498</b>	<b>\$ 6,791,620</b>
Cash and Cash Equivalents Balance is Comprised of the Following at December 31:		
Cash and Cash Equivalents - Unrestricted	\$ 9,334,108	\$ 6,780,565
Cash and Cash Equivalents - Restricted	8,390	11,055
Total Cash and Cash Equivalents	<b>\$ 9,342,498</b>	<b>\$ 6,791,620</b>

See accompanying Notes to Financial Statements.

**RONALD WASTEWATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>		
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 91,560	\$ 191,274
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	1,074,036	1,097,468
(Increase) Decrease in Assets and Deferred		
Outflows of Resources:		
Accounts Receivable	65,473	102,625
Prepaid Expenses	(582)	(1,535)
Collection on Notes Issued for Private Property Improvements	4,675	4,544
Increase (Decrease) in Liabilities and Deferred		
Inflows of Resources:		
Accounts Payable and Accrued Expenses	25,798	(232,681)
Utility Service Revenue Billed in Advance	(2,439)	11,337
Developer Advances	206,105	84,725
Miscellaneous Income	39,726	13,394
Other Interest Income	880	905
Net Cash Provided by Operating Activities	<u>\$ 1,505,232</u>	<u>\$ 1,272,056</u>
<b>SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH</b>		
<b>FINANCING AND INVESTING ACTIVITIES</b>		
Utility Plant Donations Received	<u>\$ -</u>	<u>\$ 11,175</u>

See accompanying Notes to Financial Statements.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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**SHORELINE CITY COUNCIL**

Mayor Keith Scully

Deputy Mayor Betsy Robertson

Councilmember Doris McConnell

Councilmember Laura Mork

Councilmember Eben Pobe

Councilmember John Ramsdell

Councilmember Chris Roberts

June 1, 2022

Office of the Washington State Auditor  
40 Lake Bellevue Drive, Suite 123  
Bellevue, WA 98005

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of the Ronald Wastewater District for the period from January 1, 2018 through April 30, 2021. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

**General Representations:**

1. We have provided you with unrestricted access to people you wished to speak with and made available requested and relevant information of which we are aware, including:
  - a. Financial records and related data.
  - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.

- d. Communications from regulatory agencies, government representatives or others concerning possible material noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
  - e. Related party relationships and transactions.
  - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.
2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.
  3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
  4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
  5. We have complied with all material aspects of laws, regulations, contracts and grant agreements.
  6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
  7. We have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
  8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
  9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records, notwithstanding immaterial uncorrected items referenced in item 27 below and except for under reported capital asset errors identified during the audit. The District did not accurately account for capital asset valuation and depreciation under accounting principles generally accepted in the United States of America. Accordingly, amounts shown in the District's financial statements for years ended April 30, 2021, December 31, 2020, December 31, 2019, and December 31, 2018 would be increased (decreased) as follows:

<b>Financial statement accounts</b>	<b>Amount</b>
Capital assets – plant in service	\$1,355,907
Accumulated depreciation	(\$1,137,107)
Beginning net position	\$2,493,014

**Additional representations related to the financial statements:**

10. We acknowledge our responsibility for fair presentation of financial statements and believe financial statements are fairly presented in conformity with generally accepted accounting principles in the United States of America, except for under reported capital asset errors identified during the audit. The District did not accurately account for capital asset valuation and depreciation under accounting principles generally accepted in the United States of America. Accordingly, amounts shown in the District’s financial statements for years ended April 30, 2021, December 31, 2020, December 31, 2019, and December 31, 2018 would be increased (decreased) as follows:

<b>Financial statement accounts</b>	<b>Amount</b>
Capital assets – plant in service	\$1,355,907
Accumulated depreciation	(\$1,137,107)
Beginning net position	\$2,493,014

We understand this situation means the auditor will be qualifying their opinion on fair presentation of financial statements for this matter.

11. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.
12. The financial statements include financial information of the primary government and all component units, fiduciary and other activity required by generally accepted accounting principles to be included in the financial reporting entity.
13. The financial statements properly classify all funds and activities.
14. All funds that meet the quantitative criteria in GASB requirements or are otherwise particularly important to financial statement users, are presented as major funds.
15. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and depreciated as applicable, except for under reported capital asset errors identified during the audit. The District did not accurately account for capital asset valuation and depreciation under accounting principles generally accepted in the United States of America. Accordingly, amounts shown in the District’s financial statements for

years ended April 30, 2021, December 31, 2020, December 31, 2019, and December 31, 2018 would be increased (decreased) as follows:

<b>Financial statement accounts</b>	<b>Amount</b>
Capital assets – plant in service	\$1,355,907
Accumulated depreciation	(\$1,137,107)
Beginning net position	\$2,493,014

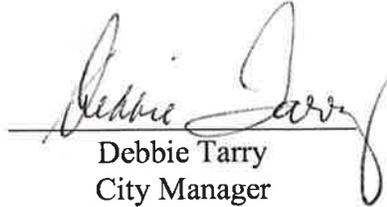
16. We have no plans or intentions that may materially affect the reported value or classification of assets, liabilities or net position.
17. Revenues are appropriately classified by fund and account.
18. Expenses have been appropriately classified by fund and account, and allocations have been made on a reasonable basis.
19. Net position components (net investment in capital assets, restricted and unrestricted) are properly classified and, as applicable, approved.
20. Significant assumptions we used in making accounting estimates are reasonable.
21. The following have been properly classified, reported and disclosed in the financial statements, as applicable:
  - a. Interfund, internal, and intra-entity activity and balances.
  - b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - c. Joint ventures and other related organizations.
  - d. Guarantees under which the government is contingently liable.
  - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
  - f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements, and other loss contingencies.

22. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
23. We acknowledge our responsibility for reporting supplementary information in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.
24. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.
25. We acknowledge our responsibility for the supplementary information required by generally accepted accounting principles in the United States (RSI) and believe RSI is measured and presented within prescribed guidelines.
26. We have disclosed to you all significant changes in the methods of measurement and presentation of RSI, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the RSI.
27. Except for under reported capital asset errors identified during the audit. The District did not accurately account for capital asset valuation and depreciation under accounting principles generally accepted in the United States of America. Accordingly, amounts shown in the District's financial statements for years ended April 30, 2021, December 31, 2020, December 31, 2019, and December 31, 2018 would be increased (decreased) as follows:

<b>Financial statement accounts</b>	<b>Amount</b>
Capital assets – plant in service	\$1,355,907
Accumulated depreciation	(\$1,137,107)
Beginning net position	\$2,493,014

Additionally, we believe the effects of uncorrected financial statement misstatements summarized in the schedule of uncorrected items provided to us by the auditor are not material, both individually and in the aggregate, to each applicable opinion unit.

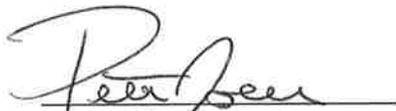
28. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.



Debbie Tarry  
City Manager  
City of Shoreline



Sara Lane  
Administrative Services Director  
City of Shoreline



Peter Jenson  
Finance Manager  
City of Shoreline

## Summary of Uncorrected Items

Description	Statement / Schedule	Opinion Unit
Accumulated depreciation is overstated by \$181,201	Statement of Net Position and Statement of Expenses, Revenues and Change in Net Position	Ronald Wastewater District
Plant in Service (Sewer Systems and Pumping Stations) balance is understated by \$1,355,907 and Accumulated depreciation is overstated by \$1,137,107 and a prior period adjustment of \$2,493,014 should be made to correct negative net book values.	Statement of Net Position and Statement of Expenses, Revenues and Change in Net Position	Ronald Wastewater District

## Summary of Uncorrected Items

Description	Statement / Schedule	Opinion Unit
Accumulated depreciation is overstated by \$183,204	Statement of Net Position and Statement of Expenses, Revenues and Change in Net Position	Ronald Wastewater District
Plant in Service (Sewer Systems and Pumping Stations) balance is understated by \$1,355,907 and Accumulated depreciation is overstated by \$1,137,107 and a prior period adjustment of \$2,493,014 should be made to correct negative net book values.	Statement of Net Position and Statement of Expenses, Revenues and Change in Net Position	Ronald Wastewater District

## Summary of Uncorrected Items

Description	Statement / Schedule	Opinion Unit
Accumulated depreciation is overstated by \$276,408	Statement of Net Position and Statement of Expenses, Revenues and Change in Net Position	Ronald Wastewater District
Plant in Service (Sewer Systems and Pumping Stations) balance is understated by \$1,355,907 and Accumulated depreciation is overstated by \$1,137,107 and a prior period adjustment of \$2,493,014 should be made to correct negative net book values.	Statement of Net Position and Statement of Expenses, Revenues and Change in Net Position	Ronald Wastewater District
Note 8 Related Party Transactions - The stated 2020 expenses under the City of Shoreline operating agreement of \$2,660,184 does not agree to the prior year note. of \$3,484,652.	Notes to the Financial Statements	N/A
Total FYE cash and investments were not adjusted to net asset fair values and therefore ending cash and investments were understated by \$28,996.	Statement of Net Position	Ronald Wastewater District
The District did not include a COVID 19 subsequent event note.	Notes to the Financial Statements	N/A