

SPANAWAY WATER COMPANY, INC.
A Washington Non-Profit Corporation

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years Ended September 30, 2020 and 2019

SPANAWAY WATER COMPANY, INC.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Spanaway Water Company, Inc.
Spanaway, Washington

We have reviewed the accompanying financial statements of Spanaway Water Company, Inc. (a Washington non-profit organization), which comprise the balance sheets as of September 30, 2020 and 2019, and the related statements of revenues and expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the schedules of cash receipts and disbursements is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statement. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

F. James Weinand and Associates, CPAs, P.S.

F. James Weinand and Associates
Certified Public Accountants, P.S.
Lakewood, WA
November 11, 2020

Spanaway Water Company, Inc.
Balance Sheets
Years Ended September 30, 2020 and 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,576,503	\$ 7,668,521
Accounts receivable - water sales	598,909	383,994
Unbilled revenue	584,421	608,022
Inventories-materials and supplies	594,263	305,109
Prepaid inventory		342,028
Prepaid expenses	58,228	46,029
TOTAL CURRENT ASSETS	9,412,324	9,353,703
PROPERTY, PLANT AND EQUIPMENT		
Water systems and meters	30,239,966	28,022,716
Storage tanks	3,016,344	3,016,344
Buildings and building improvements	2,913,269	2,917,892
Machinery and equipment	421,008	430,261
Telemetry	342,663	206,863
Automotive equipment	701,017	612,634
Office equipment	641,605	623,264
Land	855,078	855,078
Comprehensive plan	84,839	84,839
Furniture and fixtures	116,242	116,242
Land improvements	52,854	52,854
Water rights	332,555	332,555
	39,717,440	37,271,542
Less accumulated depreciation	(13,230,141)	(12,569,214)
	26,487,299	24,702,328
Construction in progress	244,253	364,293
TOTAL PROPERTY, PLANT AND EQUIPMENT	26,731,552	25,066,621
OTHER ASSETS		
Restricted cash	38,000	40,000
TOTAL OTHER ASSETS	38,000	40,000
TOTAL ASSETS	\$ 36,181,876	\$ 34,460,324

See accompanying notes and independent accountant's review report.

Spanaway Water Company, Inc.
Balance Sheets
Years Ended September 30, 2020 and 2019

LIABILITIES AND MEMBERS' EQUITY	2020	2019
CURRENT LIABILITIES		
Accounts payable	\$ 103,751	\$ 161,255
Accrued payroll	54,271	38,428
Payroll taxes payable	3,629	14,193
Business taxes payable	29,357	31,509
Deferred revenue	121,878	93,290
Accrued vacation	150,258	98,048
Accrued sick leave	327,903	280,555
TOTAL CURRENT LIABILITIES	791,047	717,278
MEMBERS' EQUITY		
Memberships, beginning of period	9,496,383	8,291,578
Add new memberships issued	223,147	1,204,805
Memberships, end of period	9,719,530	9,496,383
Excess revenue for capital projects, beginning of period	7,285,842	7,236,700
Excess (deficit) of construction service fees over costs	(140,726)	49,142
Excess revenue for capital projects, end of period	7,145,116	7,285,842
Fund balance, beginning of period	16,960,821	15,765,582
Excess of revenues over expenses	938,218	843,502
Contributed water systems	627,144	351,737
Fund balance, end of period	18,526,183	16,960,821
TOTAL MEMBERS' EQUITY	35,390,829	33,743,046
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 36,181,876	\$ 34,460,324

See accompanying notes and independent accountant's review report.

Spanaway Water Company, Inc.
Statements of Revenue and Expenses
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Water sales	\$ 5,281,315	\$ 5,229,976
Less refunds	<u>(47,009)</u>	<u>(35,420)</u>
TOTAL REVENUES	<u>5,234,306</u>	<u>5,194,556</u>
OPERATING EXPENSES		
Depreciation	988,106	951,847
Management and office salaries	977,148	942,028
Operating wages	798,975	707,686
Repairs and maintenance	197,176	406,407
Employee benefits	386,959	366,443
Office supplies and expenses	305,277	241,565
Power and natural gas	223,524	226,111
Taxes, licenses and permits	182,377	204,272
Payroll taxes	146,257	152,301
Vehicle expenses	61,730	86,146
Insurance	61,449	65,108
Water treatment, tests and inspections	48,830	57,264
Legal and accounting fees	61,289	52,817
Telephone and utilities	22,898	28,378
Directors' fees	26,250	22,700
Dues and subscriptions	14,082	18,160
Seminars and training	8,928	16,212
Equipment rental	<u>2,670</u>	<u>1,245</u>
TOTAL OPERATING EXPENSES	<u>4,513,925</u>	<u>4,546,690</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>720,381</u>	<u>647,866</u>
OTHER REVENUES (EXPENSES)		
Lease income	167,299	149,099
Interest income	81,864	71,390
Miscellaneous income	38,728	14,908
Loss on disposal of assets	<u>(70,054)</u>	<u>(39,761)</u>
TOTAL OTHER REVENUES	<u>217,837</u>	<u>195,636</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 938,218</u>	<u>\$ 843,502</u>

See accompanying notes and independent accountant's review report.

Spanaway Water Company, Inc.
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 938,218	\$ 843,502
Adjustments to reconcile excess of revenues over expenses to cash provided by operations:		
Depreciation	988,106	951,847
Loss on disposal of assets	70,055	39,761
(Increase) decrease in:		
Accounts receivable - water sales	(214,915)	36,536
Unbilled revenue	23,601	(132,345)
Inventories	(289,154)	(22,523)
Prepaid expenses	329,829	(337,581)
Reimbursement receivable	-	23,000
Increase (decrease) in:		
Accounts payable	(57,504)	64,129
Accrued payroll	15,843	2,719
Business and payroll taxes payable	(12,716)	3,682
Deferred revenue	28,588	15,324
Accrued vacation and sick leave	99,558	51,307
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,919,509	1,539,358
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(2,095,948)	(2,068,827)
Decrease in restricted cash	2,000	-
NET CASH (USED) BY INVESTING ACTIVITIES	(2,093,948)	(2,068,827)
CASH FLOWS FROM FINANCING ACTIVITIES		
New memberships issued	223,147	1,204,805
Construction service fees	115,118	165,580
Construction costs	(255,844)	(116,438)
NET CASH PROVIDED BY FINANCING ACTIVITIES	82,421	1,253,947
NET INCREASE IN CASH AND CASH EQUIVALENTS	(92,018)	724,478
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,668,521	6,944,043
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,576,503	\$ 7,668,521

See accompanying notes and independent accountant's review report.

SPANAWAY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2020 and 2019
(See independent accountant's review report)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Business

Spanaway Water Company, Inc., a non-profit Washington corporation, is a mutual water company owned by its customer members. At September 30, 2020, the Company had 10,510 members and served 11,682 customers. At September 30, 2019, it had 10,482 members and served 11,544 customers.

Reserve Requirements

The Company and its Board of Directors have the power to establish policies, specifications and requirements for water system operations, maintenance, and billing. A component of system operations is ensuring the financial viability of the Company. Spanaway Water Company is strongly committed to protecting the Company's existing membership from the costs of growth while ensuring that all members fulfill their respective responsibilities under the Company by-laws.

The Company meets the State of Washington requirements, under WAC 246-290-100(4)(j), for water systems over 1,000 connections to demonstrate a financial program that provides (i) a summary of past income and expenses; (ii) a balanced operational budget for the plan approval period; and (iii) "A plan for collecting the revenue necessary to maintain cash flow stability and to fund the capital improvement program and emergency improvements. This policy is intended to address the revenue planning requirements of the State of Washington, including operations, maintenance, and both existing customer and growth capital needs.

Additionally, the Company has established a reserve fund balance requirement. The Company shall retain as a minimum cash reserve the greater of one and one half million dollars or the equivalent of six months of operational and maintenance expenses as presented in the accompanying financial statements. This reserve shall be unrestricted and available in cash and savings accounts and/or certificates of deposit or combination thereof and shall be held in federally insured accounts.

Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results may differ from those estimates.

Revenue Recognition

Revenues include amounts billed to customers and unbilled revenues representing estimated amounts to be billed from the last meter reading date to the end of the accounting period.

SPANAWAY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2020 and 2019
(See independent accountant's review report)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable-Water Sales

Member accounts receivable are generally considered to be collectible; therefore, no allowance for doubtful accounts has been established. Historically, bad debts have been inconsequential. Accounts receivable over 90 days old total \$67,127 for the year ended September 30, 2020 and \$47,961 for the year ended September 30, 2019.

The Governor of Washington State issued Proclamation 20-23.1 and extended through Proclamation 20-23.12 in response to the COVID-19 pandemic. The Proclamation and extensions of same prohibit the disconnection of utilities for lack of payment or late and disconnection fees if a customer's income has been impacted by the pandemic. The Proclamation does not forgive the payment for utility service but rather it extends the payment period. The Company established a Customer Assistance Program to allow customers with past due accounts, upon their request, to arrange for an extended payment plan. Due to the multiple extensions of the Proclamation, the Company is not certain when the Customer Assistance Program will commence.

Concentration of Risk

The Company's credit risk for customer accounts receivable is concentrated because substantially all of the balances are due from property owners or individuals located in the same geographical region.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is based on the straight-line method over the estimated useful lives of the related assets which are:

Water systems, meters, tanks and pumps	10 to 50 years
Machinery and automotive equipment	5 to 10 years
Buildings and building improvements	10 to 40 years
Telemetry	10 years
Office equipment, furniture and fixtures	5 to 7 years
Comprehensive plan	5 years
Land improvements	10 years

The company continually improves the water system. Generally, there are several improvement projects that are in progress during the year. Construction In Progress totals are included under Property, Plant and Equipment. Construction in progress was \$244,253 for the year ended September 30, 2020 and \$364,293 for the year ended September 30, 2019.

Inventory

Inventory is valued at cost using the first-in, first-out method. Inventory consists of raw materials and supplies which will be used in the future to construct and improve the water system.

SPANAWAY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2020 and 2019
(See independent accountant's review report)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Presentation of Sales Taxes

The State of Washington imposes sales tax of 6.5% on labor and materials related to System Repair Charges to nonexempt customers in addition to Hydrant Meter Rentals. The local sales tax rate to nonexempt customers is 3.4%. The Company collects that sales and local tax from customers and remits the entire amount to the State. The Company's accounting policy is to exclude the tax collected from gross revenue and remitted to the State of Washington. Sales and local tax are not collected on the sale of water to customers.

Federal Income Tax

The Company is exempt from Federal income tax under Section 501(c)(12) of the Internal Revenue Code; therefore, no provision for income taxes is required. The Company is required to file and does file federal tax returns with the Internal Revenue Service.

NOTE 2. CASH AND RESTRICTED CASH

At September 30, 2020, cash consisted of the following:

	Bank	Amount	Interest Rate %	Purchase Date	Maturity Date
Petty cash		\$ 600			
Checking accounts	CB	1,921,989	0.050		
Passbook savings	HB	50,504	0.080		
Savings	WFB	100,959	0.060		
Time Certificates	UBS	4,941,406	Varied	Varied	Varied
Time Certificate	CB	100,000	0.070	4/30/2019	4/30/2020
Time Certificate	CB	25,000 *	0.120	3/17/2018	3/17/2021
Time Certificate	CB	10,043	0.100	6/21/2018	6/21/2020
Time Certificate	KB	5,000 *	1.241	4/12/2019	3/12/2020
Time Certificate	KB	2,000 *	0.100	10/10/2018	2/10/2021
Time Certificate	KB	2,053 *	0.200	8/31/2019	11/30/2020
Time Certificate	KB	2,519 *	0.150	7/14/2019	7/14/2020
Time Certificate	KB	2,519 *	0.150	7/14/2019	7/14/2020
Time Certificate	KB	126,191	0.300	7/11/2016	7/11/2020
Time Certificate	KB	223,168	0.250	2/11/2018	1/11/2020
Time Certificate	WFS	100,552	1.190	12/17/2018	12/7/2021
		\$ 7,614,503			
* Principal - Restricted Cash		(38,000)			
Unrestricted Cash		\$ 7,576,503			

SPANAWAY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2020 and 2019
(See independent accountant's review report)

NOTE 2. CASH AND RESTRICTED CASH (continued)

At September 30, 2019, cash consisted of the following:

	Bank	Amount	Interest Rate %	Purchase Date	Maturity Date
Petty cash		\$ 600			
Checking account	CB	3,593,434	0.050		
Passbook savings	HB	50,466	0.080		
Savings	WFB	100,923	0.060		
Savings	KB	1,951 *	0.080		
Time Certificates	UBS	3,362,706	Varied	Varied	Varied
Time Certificate	CB	100,000	0.070	4/30/2019	4/30/2020
Time Certificate	CB	25,000 *	0.120	3/17/2018	3/17/2021
Time Certificate	CB	10,033	0.100	6/21/2018	6/21/2020
Time Certificate	KB	5,000 *	1.241	4/12/2019	3/12/2020
Time Certificate	KB	2,000 *	0.100	10/10/2018	2/10/2021
Time Certificate	KB	2,048 *	0.200	8/31/2019	11/30/2020
Time Certificate	KB	2,516 *	0.150	7/14/2019	7/14/2020
Time Certificate	KB	2,516 *	0.150	7/14/2019	7/14/2020
Time Certificate	KB	125,867	0.300	7/11/2016	7/11/2020
Time Certificate	KB	222,909	0.250	2/11/2018	1/11/2020
Time Certificate	WFS	100,552	1.190	12/17/2018	12/7/2021
		\$ 7,708,521			
* Principal - Restricted Cash		(40,000)			
Unrestricted Cash		\$ 7,668,521			

Bank abbreviations:

CB	-	Columbia State Bank
HB	-	Heritage Bank
KB	-	KeyBank
WFB	-	Wells Fargo Bank
WFS	-	Washington Federal Savings
UBS	-	UBS Financial Services, Inc.

SPANAWAY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2020 and 2019
(See independent accountant's review report)

NOTE 2. CASH AND RESTRICTED CASH (continued)

Withdrawal of cash from a time certificate account before the maturity date would result in a forfeiture of interest.

The Company maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. Management believes the Company is not exposed to any significant credit risk related to cash nor has the Company experienced any losses in such accounts. However, Management has decided to reduce the credit risk by purchasing laddered Certificates of Deposit at various different FDIC insured financial institutions through UBS Financial Services, Inc.

Restricted cash consists of the following certificates of deposit with principal balances as follows:

	September 30, 2020	September 30, 2019
	<u> </u>	<u> </u>
Columbia State Bank	\$ 25,000	\$ 25,000
Columbia State Bank	5,000	5,000
KeyBank	2,000	2,000
KeyBank	2,000	2,000
KeyBank	2,000	2,000
KeyBank	2,000	2,000
KeyBank	0	2,000
	<u> </u>	<u> </u>
	<u>\$ 38,000</u>	<u>\$ 40,000</u>

These certificates have been pledged as collateral on performance bonds as required by the State of Washington and the County of Pierce, respectively. The restrictions will remain as long as the requirements of the state and county remain in force.

NOTE 3. SHARED OWNERSHIP OF EQUIPMENT

Spanaway Water Company has entered into a cooperative purchasing agreement with several regional water districts in order to acquire equipment that will be shared by the water districts of the cooperative. The Company has cumulative prior year's purchases totaling \$6,456. The Company does not have sole title to this equipment.

SPANAWAY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2020 and 2019
(See independent accountant's review report)

NOTE 4. EXCESS REVENUE FOR CAPITAL PROJECTS

Construction service fees are amounts charged to individuals and developers in order to install mains and meters to their properties.

Excess of construction service fees over costs is an adjustment for construction service fees collected in excess of new construction costs. These funds are used as construction progresses. An adjustment is made annually for the difference between the fees collected and costs allocated to new construction. The adjustments for September 30, 2020 and September 30, 2019 have been computed as follows:

	September 30, <u>2020</u>	September 30, <u>2019</u>
Construction service fees	\$ 115,118	\$ 165,580
Less new construction costs:		
Materials	104,787	44,760
Labor, taxes and employee benefits	<u>151,057</u>	<u>71,678</u>
Total new construction costs	<u>255,844</u>	<u>116,438</u>
Excess (Deficit) of construction service fees over costs	<u>\$ (140,726)</u>	<u>\$ 49,142</u>

NOTE 5. LEASE INCOME

The company entered into an operating lease on March 13, 1998 to lease a site to U.S. Wireless, L.L.C. (now Sprint) for a tower antenna. The lease is for five years with provision for automatic renewal for four additional five-year terms. The lease provides for annual lease payments of \$12,000 for the initial term, with 20% increases for each renewal term. The fourth of four additional five-year terms began March 13, 2017. The final lease term will end March 13, 2023. Lease income was \$24,883 for the year ended September 30, 2020 and \$24,883 for the year ended September 30, 2019.

SPANAWAY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2020 and 2019
(See independent accountant's review report)

NOTE 5. LEASE INCOME (continued)

The company entered into an operating lease on August 26, 2003 to lease a site to Cingular Wireless (now AT&T) for a tower antenna. The lease is for five years with provision for automatic renewal for five additional five-year terms. The lease provides for monthly lease payments of \$1,200 for the initial term, with 20% increases for each renewal term. The third of five additional five-year terms began August 26, 2018. The final lease term ends August 26, 2033. Lease income was \$24,883 for the year ended September 30, 2020 and \$24,883 for the year ended September 30, 2019.

The company entered into a second operating lease with Cingular Wireless (now AT&T) on September 24, 2004 to lease another site for a tower antenna. The lease is for five years with provision for automatic renewal for five additional five-year terms. The lease provides for monthly lease payments of \$1,200 for the initial term, with 20% increases for each renewal term. The third of five additional five-year terms began September 24, 2019. The final lease term ends September 24, 2034. Lease income was \$24,833 for the year ended September 30, 2020 and \$20,996 for the year ended September 30, 2019.

The company entered into an operating lease with T-Mobile (Voicestream PSC III Corporation) on October 28, 2004 to lease a site for a tower antenna. The lease is for five years with provisions for automatic renewal for five additional five-year terms. The lease provides for monthly lease payments of \$1,200 for the initial term, with 20% increases for each renewal term. The third of five additional five-year terms began October 28, 2019. The final lease term ends October 28, 2034. Lease income was \$24,457 for the year ended September 30, 2020 and \$20,736 for the year ended September 30, 2019.

The company entered into an operating lease with Clearwire US LLC (now Sprint) on October 30, 2009 to lease a site for a tower antenna. The original lease was for five years with provisions for automatic renewal for five additional five-year terms. The Company renegotiated the lease terms and the final lease term will now end September 5, 2021. The lease provides for monthly lease payments of \$2,000 for the initial term, with 20% increases for each renewal term. The second additional term began October 30, 2019 and will end September 5, 2021. Lease income was \$34,096 for the year ended September 30, 2020 and \$28,800 for the year ended September 30, 2019.

The company entered into a second operating lease with Clearwire US LLC (now Sprint) on October 30, 2009 to lease another site for a tower antenna. The original lease was for five years with provisions for automatic renewal for five additional five-year terms. The Company renegotiated the lease terms and the final lease term will now end September 5, 2021. The lease provides for monthly lease payments of \$2,000 for the initial term, with 20% increases for each renewal term. The second additional term began October 30, 2019 and will end September 5, 2021. Lease income was \$34,096 for the year ended September 30, 2020 and \$28,800 for the year ended September 30, 2019.

SPANAWAY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
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(See independent accountant's review report)

NOTE 6. OPERATING LEASE COMMITMENT

On February 28, 2014, the Company entered into a 60-month non-cancellable operating lease with Ricoh USA for lease of a copier. The 60-month lease period ended on September 30, 2019. The Company continues to lease the copier on a month-to-month basis and can be cancelled at any time.

NOTE 7. STATEMENTS OF CASH FLOWS

Supplemental disclosures of cash flow information:

Disclosure of accounting policy:

For the purposes of the statements of cash flows, the Company considers all highly-liquid debt instruments purchased with a maturity of four years or less to be cash equivalents. Cash and cash equivalents do not include restricted cash as described in Note 2.

For the current year ending September 30, 2020, non-cash contributions of water systems were \$627,144. For the year ending September 30, 2019, non-cash contributions of water systems were \$351,737.

There were no payments made for interest expense or income taxes.

NOTE 8. EMPLOYEE RETIREMENT PLANS

The Company participates in a defined benefit retirement plan through a collective bargaining agreement with the Retail Clerks Trust, Union Local #367. The plan provides defined benefits to all employees of the Company. Amounts charged to retirement expense and contributed to the plan for the periods ended September 30, 2020 and September 30, 2019 were \$149,565 and \$134,568, respectively. The Company's obligation is based solely on a flat fee per hour worked.

Effective June 1, 2013, the Company adopted a 401(k) retirement plan for its eligible employees, who have completed three months of service and have attained age 21. The employees may make elective deferrals of up to \$19,500 of compensation both pre-tax and Roth deferrals. Employees who are over 50 years old or older may contribute an additional \$6,500 per year. The Company may make a discretionary matching contribution equal to a uniform percentage or a dollar amount of employee elective deferrals. The Company has elected to make a 2% matching contribution of an employee's annual base salary, which does not include overtime, on-call time or on-call out time, beginning January 1, 2020 for union employees who choose to participate in the employer offered 401(k) program. The Company elected to retain the 1% matching contribution for the management employees with the same base salary provisions as non-management union employees. For the years ended September 30, 2020 and September 30, 2019, the amount of employer matching contributions were \$24,262 and \$14,542, respectively.

SPANAWAY WATER COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2020 and 2019
(See independent accountant's review report)

NOTE 9. COMMITMENTS AND CONTINGENCIES

On March 2, 2009, the Company entered into an agreement with Lakewood Water District for the right, in the future, to purchase up to 1 million gallons of water per day. The company will pay for their proportionate share of the cost of water, and the cost to construct joint facilities to transport the water from Lakewood water through Parkland water to Spanaway water. The total future costs related to this agreement have not been determined.

On August 17, 2020, the Company entered into another agreement with Lakewood Water District to purchase and supply the Company with water to meet the Department of Health and Pierce County regulations to provide sufficient water supply for all water requirements within the Company's designated service area. The agreement would provide for one million gallons of water per day. The Company will partner with other regional water utilities to build the necessary infrastructure to provide the water to participating utilities. Construction of the main connecting the Company's system with the Lakewood Water District transmission main is expected to be completed in 2022 and actual water purchase to begin in 2023. The Company does not anticipate an increase to water rates beyond the normal small incremental rate increases.

On August 20, 2020, the Company entered into an agreement with Western Engineering Constructors, Inc. for the construction of a second Clarewood Upper Pressure Zone Booster Pump Station. The cost for the construction in the agreement is \$552,500.

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 11, 2020, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Spanaway Water Company, Inc.
Schedules of Cash Receipts and Disbursements
Years Ended September 30, 2020 and 2019

	2020	2019
CASH RECEIPTS		
Water sales	\$ 5,113,146	\$ 5,137,779
Construction service fees	111,893	165,580
New memberships	215,177	1,204,805
Interest income	81,865	71,355
Lease income	188,371	162,339
Miscellaneous income	38,728	14,908
TOTAL CASH RECEIPTS	5,749,180	6,756,766
CASH DISBURSEMENTS		
Property, plant and equipment purchases	2,027,701	2,375,656
Management and office salaries	991,681	948,021
Operating wages	787,283	701,825
Repairs and maintenance	260,686	398,259
Employee benefits	405,335	374,785
Office supplies and expenses	308,938	239,009
Power and natural gas	220,967	218,461
Taxes, licenses and permits	184,877	203,950
Payroll taxes	168,751	155,522
Vehicle expenses	63,762	84,874
Insurance	70,317	63,450
Water treatment, tests and inspections	48,421	58,452
Legal and accounting fees	61,517	52,188
Construction materials	116,622	37,945
Refunds	47,009	35,861
Telephone and utilities	25,751	25,463
Directors' fees	26,000	22,950
Dues and subscriptions	14,082	18,160
Seminars and training	8,828	16,212
Equipment rental	2,670	1,245
TOTAL CASH DISBURSEMENTS	5,841,198	6,032,288
INCREASE IN CASH	(92,018)	724,478
CASH AND CASH EQUIVALENTS-BEGINNING OF PERIOD	7,668,521	6,944,043
CASH AND CASH EQUIVALENTS-END OF PERIOD	\$ 7,576,503	\$ 7,668,521

See independent accountant's review report.