Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Southwest Suburban Sewer District

For the period January 1, 2023 through December 31, 2023

Published November 14, 2024

Report No. 1035920

Office of the Washington State Auditor
Pat McCarthy

November 14, 2024

Board of Commissioners
Southwest Suburban Sewer District
Burien, Washington

Report on Financial Statements

Please find attached our report on the Southwest Suburban Sewer District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Southwest Suburban Sewer District
January 1, 2023 through December 31, 2023

Board of Commissioners
Southwest Suburban Sewer District
Burien, 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 Southwest Suburban Sewer District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

October 31, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Southwest Suburban Sewer District
January 1, 2023 through December 31, 2023

Board of Commissioners
Southwest Suburban Sewer District
Burien, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Southwest Suburban Sewer District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Suburban Sewer District, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

October 31, 2024

FINANCIAL SECTION

Southwest Suburban Sewer District
January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

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SOUTHWEST SUBURBAN SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

INTRODUCTION

As management of Southwest Suburban Sewer District ("the District"), we have prepared a narrative overview and analysis of the financial activities of the District for the fiscal years ending December 31, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements, including the notes to the financial statements, which follow.

The following Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements, the notes to the financial statements and, if applicable, any other supplementary information required as part of the basic financial statements.

The District is not legally required to adopt a budget, however, does so as a measure of monitoring revenues and controlling expenses. The Board of Commissioners adopts an annual budget and uses it as a financial plan for the District. The District has not reported budgetary comparison schedules herein as required supplementary information.

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

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities (i.e. sewer service). The District reports its activities as an enterprise fund, which is a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities; as such, the District uses the enterprise fund to account for all its activities.

The *Statement of Net Position* presents information on all the District's assets, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* display the change in the District's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of related cash flows.

The *Statement of Cash Flows* presents the cash flow from operations, non-capital financing and from capital and related financing, as well as from investing activities.

SOUTHWEST SUBURBAN SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

Financial Highlights

- The District had a total net position of $99.7 million at December 31, 2023. Of this amount, $30.2 million is classified as unrestricted and may be used to meet the District's ongoing obligations.

- The District's change in net position was $6.0 million for 2023. The 2023 increase is primarily a result of an increases in operating revenue of $1.4 million, interest & investment increased by $0.6 million and offsets with an increase in operating expenses for a total of $1 million.

The following condensed financial information provides an overview of the District financial position for the fiscal years ended December 31:

CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31	2023	2022	2023 to 2022 Change	%
Assets				
Current and other assets	$ 39,488,683	$33,735,603	$5,753,080	17.1%
Capital assets, net of depreciation	87,578,164	89,584,419	(2,006,255)	-2.2%
Total assets	127,066,847	123,320,022	3,746,825	
Deferred outflows of resources	928,571	1,070,852	(142,281)	-13.3%
Liabilities				
Current liabilities	3,120,262	2,870,829	249,433	8.7%
Long-term liabilities	24,577,108	26,656,361	(2,079,253)	-7.8%
Total liabilities	27,697,370	29,527,190	(1,829,820)	
Deferred inflows of resources	627,808	1,199,512	(571,704)	-47.7%
Net position				
Net Investment in Capital Assets	63,526,357	63,768,190	(241,833)	-0.4%
Restricted - bond repayment	4,445,256	4,433,102	12,154	0.3%
Restricted - pension	1,445,132	1,028,294	416,838	100.0%
Unrestricted	30,253,494	24,434,587	5,818,907	23.8%
Total net position	$ 99,670,239	$93,664,173	$6,006,066	

SOUTHWEST SUBURBAN SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

Financial Highlights (Continued)

- In 2023, the District made regular principal payments on its outstanding sewer revenue bonds of $1,335,000 and PWTF loans of $323,360. Changes in long-term liabilities included the scheduled reduction of debt due to annual principal payments on its outstanding sewer revenue bonds and an amortization of 2014 & 2018 bond issuance premium of $106,062.

- Current and other assets increased in 2023 by 5.8 million or 17.1%, due to an increase in cash and investment balance and offsets with a reduction in capital assets, net of depreciation by 2.0 million.

- Deferred outflows and deferred inflows of resources fluctuate annually due to the change in proportionate share of state-calculated pensions deferred outflows and inflows. In 2023, the total deferred outflows of resources related to pension decrease by $142,281and deferred inflow decrease by $571,704.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- Investment in capital assets includes land, buildings, pump stations, collection and transmission lines, machinery and equipment, construction work in progress and intangible assets. The District's total net capital assets as of December 31, 2023, were $87.6 million. The $2.0 million decrease in net capital assets is primarily due to the annual depreciation expense and offsets with a total of $1.8 million increase in construction-in-progress and addition of capital assets.

- In 2023, the District received a total of $264,781 developer contributions in depreciable assets, these contributions are a result of continuing growth in the number of District customers.

CAPITAL ASSETS, NET

December 31, 2023 and 2022

	2023	2022	Change
Land	$ 3,922,289	$ 3,958,792	$ (36,503)
Construction in progress	1,269,624	1,673,232	(403,608)
Capital assets not being depreciated	5,191,913	5,632,023	(440,110)
Utility plant and machinery and equipment	175,765,675	173,887,948	1,877,727
Accumulated depreciation	(93,379,424)	(89,935,552)	(3,443,872)
Capital assets being depreciated	82,386,251	83,952,396	(1,566,145)
Total capital assets	$ 87,578,164	$ 89,584,419	$ (2,006,255)

Long-Term Liabilities

- On December 31, 2023, the District had total Public Works Trust Fund Loans outstanding of $1.2 million and total sewer revenue bonds outstanding of $22.8 million. Additionally, $1.0 million is payable in long-term compensated absences.
- The total long-term debt of the District decreased by $2.1 million due to the District making regular principal payments on its outstanding sewer revenue bonds and PWTF loans.
- Additional information on the District's capital assets and long-term debt can be found in Notes 4 and 5 of this report.

SOUTHWEST SUBURBAN SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2023 and 2022

	2023	2022	2023 to 2022 Change	%
Operating Revenue				
Sewer revenue	$16,512,554	$15,040,921	$1,471,633	9.8%
Other operating revenue	218,653	212,190	6,463	3.0%
Nonoperating Revenue (Expenses)				
Interest and other investment income	921,413	280,708	640,705	228.2%
Gain/loss on disposal of Assets	13,073	11,025	2,048	18.6%
Miscellaneous income	8,963	5,090	3,873	76.1%
Street lighting, net	18,033	11,497	6,536	56.8%
Total revenues	17,692,689	15,561,431	2,131,258	13.7%
Operating Expenses	12,548,079	11,615,086	932,993	8.0%
Non-operating Expenses				
Interest expense	776,305	827,496	(51,191)	-6.2%
Total expenses	13,324,384	12,442,582	881,802	7.1%
Excess or deficiency before contributions	4,368,305	3,118,849	1,249,456	40.1%
Capital Contributions	1,637,762	981,846	655,916	66.8%
Change in net position	6,006,067	4,100,695	1,905,372	46.5%
Net Position, beginning of year	93,664,173	89,563,479	4,100,694	4.6%
Net Position, end of year	$99,670,240	$93,664,174	$6,006,066	

SOUTHWEST SUBURBAN SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

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

This statement, in part, measures the success of the District's operations to collect enough revenue to pay for the costs of providing Sewer services. It also reports other non- operating revenue and expenses such as investment interest income and bond interest expense. This comparative statement provides interesting information that can be compared and analyzed.

- Sewer service revenues increased in 2023 by $1,471,633 or 9.8%. This is due to an increase in the number of connections to sewer service and a rate increase of 8% per month per REU.

- Other operating revenue increased in 2023 by $6,463 or 3%.

- Operating expenses increased by $932,993 or 8%. The main drivers for this increase are, salaries and wages increased approximately 6% due to annual salary and cost of living increases, as well as cost of the supplies increased because of inflation.

- The District's interest and other investment income, increased by $640,705 or 228% from 2022.

- Capital Contributions reported on the Statement of Revenues, Expenses, and Changes in Net Position include: 1) Developer Contributed Systems, a non-cash transaction, and 2) Other Capital Contributions, which includes customer payments of connection charges, a cash capital contribution. In 2023, the District capital contribution increased by $655,917 or 66.8% mainly due to an increase in general facility charge.

SOUTHWEST SUBURBAN SEWER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

Notes to the Basic Financial Statements

The notes to the District's basic financial statements can be found on pages 15 through 37 of this report. These notes provide additional information that are essential to a full understanding of the basic financial statements.

Economic Outlook

The District’s economic condition improved during 2023. These improvements are due largely from rate increases. The Board of Commissioners did raise the residential and commercial rates in January of 2023, from $44 to $47 per month. At $47 per month, the District still has the second lowest monthly sewer rates in King County, Washington, and is committed to keeping rates as low as possible while still providing quality sewer service and continued substantial capital contribution from development activity.

The following economic factors currently affect the District and were considered in developing the 2023 fiscal year budget:

- Sewer rates were Board approved to increase approximately 7% each in 2024. Significant factors for the sewer service rate increase include the impact of the scheduled (2023 – 2025) upgrades for three pump stations and a scheduled major electrical upgrade for the Miller Creek wastewater treatment plant.
- The District has aging infrastructure issues that will need to be addressed in the future, and some of the earlier pump station and treatment component installations need to be revisited in the coming 2024 - 2034 time frame (and beyond). Facility inspections and monitoring, rehabilitation, and replacement will all be part of a robust Asset Management program to prevent level of service problems. All construction work and material costs have been very high and are expected to continue increasing during the budget years 2024-2025.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Southwest Suburban Sewer District, 17840 Des Moines Memorial Dr. South, Burien, WA 98148.

SOUTHWEST SUBURBAN SEWER DISTRICT

STATEMENT OF NET POSITION
As of December 31, 2023

		2023
Current Assets		
Cash and cash equivalents		
Maintenance fund	$	9,862,598
Construction fund, unrestricted		1,876,588
Impaired Investments		3,844
Accrued interest receivable		12,891
Accounts receivable		3,893,582
Prepayments and advances		231,527
Current portion of assessments and contracts receivable		147,564
Total current assets		16,028,594
Noncurrent Assets		
Sewer revenue bond redemption funds		
Cash and cash equivalents - bond fund		4,445,256
ULID assessments receivable		108,157
Total sewer revenue bond redemption funds		4,553,413
Cash and cash equivalents - construction fund, restricted		17,115,295
Capital assets not being depreciated		5,191,913
Capital assets being depreciated		82,386,251
Assessments and contracts receivable, net of current portion		645,635
Net pension Asset		1,145,746
Total noncurrent assets		111,038,253
Total assets		127,066,847
Deferred outflows of Resources		
Deferred outflows related to pensions		927,194
Deferred outflows related to OPEB		1,377
Total Deferred outflows of Resources	$	928,571

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

SOUTHWEST SUBURBAN SEWER DISTRICT

STATEMENT OF NET POSITION
(Continued)
As of December 31, 2023

	2023
Current Liabilities	
Accounts payable, maintenance fund	871,164
Accounts payable, construction fund	169,012
Accrued interest payable	193,608
Retainage Payable	5,121
Current portion of long-term liabilities	1,878,604
Current portion of OPEB liability	2,753
Total current liabilities	3,120,262
Noncurrent Liabilities	
Net Pension Liability	494,120
Total OPEB Liability	884,160
Long-Term Liabilities, less current portion	23,198,828
Total noncurrent liabilities	24,577,108
Total liabilities	27,697,370
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	627,808
Total Deferred Inflows of Resources	627,808
Net Position	
Net Investment in Capital Assets	63,526,357
Restricted - bond repayment	4,445,256
Restricted - pension	1,445,132
Unrestricted	30,253,494
Total net position	99,670,239

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

SOUTHWEST SUBURBAN SEWER DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2023

	2023
Operating Revenue	
Sewer revenue	$ 16,512,554
Permits income	48,155
Late charge income	170,498
Total operating revenue	16,731,207
Operating Expenses	
Depreciation	3,443,872
Sewage treatment	2,899,204
General and administrative	4,322,673
Biosolids management	574,835
Collection and transmission	946,459
Pumping	361,036
Total operating expenses	12,548,079
Net operating income	4,183,128
Nonoperating Revenue (Expenses)	
Interest and other investment income	921,413
Gain/loss on disposal of Assets	13,073
Miscellaneous income	8,963
Interest expense	(776,305)
Street lighting, net	18,033
Income before contributions in aid of construction	4,368,305
Contributions in Aid of Construction	
Charges in lieu of assessments	29,350
General facilities charges and other	1,065,660
Installment contracts (non-cash)	141,324
Contribution In Aid of Revenue	264,781
Grants	136,646
Total contributions in aid of construction	1,637,761
Change in net position	**$ 6,006,066**
Net Position, beginning of year	$ 93,664,174
Net Position, end of year	$ 99,670,240

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

SOUTHWEST SUBURBAN SEWER DISTRICT

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023

		2023
Cash Flows from Operating Activities		
Cash received from customers	$	16,611,606
Cash paid to suppliers		(4,251,993)
Cash paid to employees		(5,556,685)
Payment for legal settlement		
Net cash flows from operating activities		6,802,928
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets		(1,208,371)
Principal payments on sewer revenue bonds		(1,335,000)
Principal payments on loans payable		(323,361)
Interest paid on sewer revenue bonds and loans payable		(776,305)
Proceeds from sale of capital assets		13,073
Cash received in aid of construction		971,553
Cash received- Grant		136,646
Net cash flows from capital and related financing activities		(2,521,765)
Cash Flows from Investing Activities		
Interest received on investments		905,252
Principal received on contracts		333,792
Interest received on assessments and contracts		33,511
Net cash flows from investing activities		1,272,555
Net change in cash and cash equivalents		**5,553,719**
Cash and Cash Equivalents, beginning of year		27,746,018
Cash and Cash Equivalents, end of year (See Note 3)	$	33,299,737

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

SOUTHWEST SUBURBAN SEWER DISTRICT

STATEMENTS OF CASH FLOWS
(Continued)
For the Years Ended December 31, 2023

		2023
Reconciliation of Net Operating Income to Net		
Cash Flows from Operating Activities		
Net operating income	$	4,183,128
Depreciation		3,443,872
Change in operating assets and liabilities		
Accounts receivable		(284,972)
Prepayments and advances		(12,248)
Pension Asset		(89,485)
Accounts payable and accrued expenses		218,656
Accrued compensated absences		126,934
Deferred outflows		142,281
Deferred inflows		(571,704)
Net pension liability		(115,461)
Net OPEB liability		(256,106)
Other		18,033
Net cash flows from operating activities	$	6,802,928
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets from developers		264,781
Increase (decrease) in fair value of investments		(103,103)

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

SOUTHWEST SUBURBAN SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
As of and For the Years Ended December 31, 2023

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Southwest Suburban Sewer District ("the District") was created under the laws of the State of Washington by King County Commissioners' Resolution No. 9607 dated April 30, 1945, for the purpose of constructing, maintaining, and operating a sewer system and treatment plant within the boundaries of the District. As a governmental entity, the District is not subject to federal income tax.

Reporting Entity

The District is a municipal corporation governed by an elected three-member board. As required by accounting principles generally accepted in the United States, management has considered all potential component units in defining the reporting entity. The District concludes it has no component units. The District's financial statements include the financial position and results of operation of a single enterprise that the District manages and has custodial responsibility over the assets and liabilities therein.

Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the Washington State Auditor under the authority of Chapter 43.09 of the Revised Code of Washington ("RCW"). The District uses the Uniform System of Accounts for Class A & B Water and Sewer Utilities as prescribed by the National Association of Regulatory Utility Commissioners, which does not differ materially from accounting principles generally accepted in the United States. The District uses the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred.

The District distinguishes between operating revenues and expenses from non-operating ones. Operating revenues are derived from the sewer services provided to the ratepayers of the District. Operating expenses include the cost of providing sewer services (i.e. maintenance, engineering, treatment and administration), as well as depreciation and amortization of capital assets. All revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses, such as interest income and expense.

Adoption of New Accounting Standard

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 96, Subscription-Based Information Technology Agreements. A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
The District adopted and applied the provisions of this standard effective January 1, 2023

Accounts Receivable

Accounts receivables represent user charges for sewer services, which are recognized as earned. All accounts receivables are due from users within the service area of the District. Since the District records liens on the property served and, ultimately, may foreclose on such property, payments on delinquent accounts are eventually received. Therefore, no allowance for doubtful accounts has been provided in the financial statements.

Assessments and Contracts Receivable

Assessments and contracts receivable are due from property owners for improvements the District has financed. Property owners repay amounts due over a 10 to 15-year period. These assessments and contracts receivable are reported at their principal amounts. An allowance for uncollectible amounts was not required at December 31, 2023. Interest rates on these receivables are determined by the Board of Commissioners and vary from 2% to 5%.

Capital Assets

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Secondary Wastewater Treatment plants in service and other fixed assets are recorded at cost. Donations by developers and customers ("contributions in aid of construction") are recorded at acquisition value at the date of donation.

Preliminary planning and design costs incurred for proposed projects are deferred pending construction of the facility. When the projects are completed, their costs are transferred to capitalized Secondary Wastewater Treatment plants; costs relating to those projects abandoned are charged to expense when it is determined that they will not be completed. Expenditures not associated with construction are expensed as incurred.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Building components	10-50 years
Pump station components	10-50 years
Collection and transmission system	10-75 years
Machinery, furniture, and equipment	5-50 years
Intangible assets	5-20 years

Compensated Absences

The District accrues accumulated, but unpaid compensated absences related to vacation and sick leave as earned. Total accrued unpaid compensated absences (vacation and sick leave) amounted to $962,031 at December 31, 2023.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement

Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the district includes the (net pension asset only/net pension asset and the related deferred outflows and deferred inflows/net pension asset and related deferred inflows).

Deferred Inflows/Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

Net Position

Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital-related deferred outflows of resources reduced by the outstanding balances of any capital-related borrowings and deferred inflows of resources.

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2. Statement of Cash Flows

Cash and cash equivalents in the statements of cash flows include the following:

		2023
Held for operations and construction		
Maintenance fund invested in the Pool (see Note 3)	$	9,821,906
Maintenance fund - demand deposits		40,692
		9,862,598
Construction fund invested in the Pool (see Note 3)		1,876,588
Construction fund invested in the Pool (see Note 3)		17,115,295
		18,991,883
Held for the redemption of bonds		
Bond fund invested in the Pool (see Note 3)		4,445,256
		4,445,256
Total cash and cash equivalents	$	33,299,737

For purposes of the statements of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Note 3. Investments in King County Finance Division Pool

In accordance with State law, the district's governing body has entered a formal interlocal agreement with the district's ex officio treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of December 31, 2023, the District had the following invested in the Pool:

Investment Type	Total Investment	Fair Value	Effective Duration
Maintenance Fund	$ 9,821,906	$ 9,791,458	0.79 Years
Construction Fund	18,991,883	$ 18,933,008	0.79 Years
Bond Fund	4,445,256	$ 4,431,476	0.79 Years

Impaired Investments. As of December 31, 2023, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The District's share of the impaired investment pool (which is included in cash balances at fair value) is as follows as of December 31:

		2023
Principal (maximum risk of loss)	$	7,788
Unrealized loss		(3,944)
Fair value	$	3,844

Interest Rate Risk: As of December 31, 2023, the Pool's average duration was 0.79 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of December 31, 2023, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate note (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), certificates of deposits issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

All amounts administered by the King County Finance Division are restricted for payment of maintenance and other operating costs, construction costs, and/or repayment of bonds.

Note 4. Capital Assets

The District records project costs, as well as construction disbursements, in a construction in progress account (CIP) until final completion is determined before transferring these costs to a utility plant in service account.

The following schedule of capital assets is recorded at historical costs with any related additions due to purchases or utility plant brought into service. In 2023, the District incurred $1,343,216 in CIP project costs (i.e. pump stations and plant improvements) and a total of $618,164 additional capital asset purchased during the year

Capital assets activity for the year ended December 31, 2023, was as follows:

	2022	Increase	Decrease	2023
Utility plant not being depreciated				
Land	$ 3,958,792	$ -	$ (36,502)	$ 3,922,290
Construction work in progress	1,673,232	1,343,216	(1,746,823)	1,269,624
Total utility plant not being depreciated	5,632,024	1,343,216	(1,783,325)	5,191,914
Utility plant and machinery and equipment				
Collection and transmission lines	71,808,027	264,781	-	72,072,808
Plant structures and improvements	64,905,838	119,623	-	65,025,461
Pump stations	7,730,097	1,418,178	-	9,148,275
Machinery and equipment	11,711,251	75,144	-	11,786,395
Other (Office Structures and Equipment)	17,732,735	-	-	17,732,735
Total utility plant and machinery and equipment being depreciated	173,887,948	1,877,726	-	175,765,674
Less accumulated depreciation for:				
Collection and transmission lines	36,478,068	1,458,461	-	37,936,529
Plant structures and improvements	35,853,249	1,237,568	-	37,090,817
Pump stations	3,861,978	218,987	-	4,080,965
Machinery and equipment	10,607,748	171,291	-	10,779,039
Other	3,134,512	357,564	-	3,492,076
Total accumulated depreciation	89,935,552	3,443,872	-	93,379,424
Total utility plant and machinery and equipment being depreciated, net	83,952,396	(1,566,145)	(1,783,325)	82,386,250
Total capital assets	$89,584,419	$ (222,930)	$ 1,783,325	$87,578,164

Construction in progress at December 31, 2023, consists primarily of the three pump station (4, 11 and 18) Projects and for the Miller Creek electrical upgrade project. In December 31, 2023 Pump Station 18 Phase I project completed and a total of $1,259,563 transfer form CIP to the capital asset account.

Note 5. Long-Term Liabilities

Loans Payable

The State of Washington has a low-cost financing program that allows public entities to borrow funds to finance public works projects. This program is administered by the State of Washington Public Works Trust Fund (PWTF) Board. The State Revolving Fund program administered by the State of Washington also provides lower-cost financing to public projects that meet certain requirements. The District's Long-Term Loans Payable is composed of the following loans:

	2023
2006 Public Works Trust Fund Loan, due in annual installments of $209,277, plus interest at 0.5% through July 1, 2026	627,827
2008 Public Works Trust Fund Loan, due in annual installments of $170,580, plus interest at 0.5% through July 1, 2028	570,424
	$ 1,198,251

For 2023, the District paid $330,969 ($323,360 principal and $7,609 interest) on the PWTF loans the District is carrying an outstanding balance on as of December 31, 2023.

	Principal	Interest	Total
2024	323,360	5,991	329,351
2025	323,360	4,375	327,735
2026	323,360	2,757	326,117
2027	114,084	1,141	115,225
2028	114,087	570	114,657
	$ 1,198,251	$ 14,834	$ 1,213,085

Note 5. Long-Term Liabilities- Continued

Bonds

On March 2, 2021, the District adopted Resolution 2021-03-01, for sale of the sewer revenue refunding bond to provide funds to pay off the 2011 sewer revenue bond at a lower interest rate and the District will save a total of $240K over the life the refunding sewer revenue bond.

The Long-Term Bond Debt is composed of the following bond issues:

	2023
$9,995,000 2014 A revenue and refunding bonds due in remaining annual principal installments of $595,000 to $640,000 through May 2034; interest varies from 2.00% to 4.00%; includes unamortized premium of $152,420 at December 31, 2023.	6,117,421
$16,175,000 2018 revenue and refunding bonds due in remaining annual principal installments of $350,000 to $1,145,000 through May 2038; interest varies from 3.00% to 5.00%; includes unamortized premium of $1,406,136 at December 31, 2023.	14,886,135
$2,280,000 2021 revenue refunding bonds due in remaining annual principal installments of $215,000 to $235,000 through May 2031; with fixed interest 1.5693%.	1,850,000
	$ 22,853,556

Scheduled future repayments on the sewer revenue bonds are as follows at December 31:

	Principal	Interest	Total
2024	1,395,000	823,021	2,218,021
2025	1,445,000	768,918	2,213,918
2026	1,505,000	712,452	2,217,452
2027	1,560,000	653,582	2,213,582
2028-2033	9,460,000	2,610,893	12,070,893
2034-2038	5,930,000	558,800	6,488,800
	21,295,000	$ 6,127,666	$ 27,422,666
Unamortized premium	1,558,556		
	$ 22,853,556		

Note 5. Long-Term Liabilities- Continued

Revenue bonds are authorized and adopted by the Board of Commissioners for construction of capital additions. Sewer revenues of the District provide the security for repayment of District debt.

Changes in long-term liabilities as a summary for the year ended December 31, 2023:

	2022	Additions	Reductions	2023	Amount Due Within One Year
Loans Payable:					
2006 Public Works Trust Fund Loan	837,103		209,276	627,827	209,276
2008 Public Works Trust Fund Loan	684,508		114,084	570,424	114,084
Total loans payable	1,521,611		323,360	1,198,251	323,360
Bonds Payable:					
2011 Sewer Revenue Bonds	2,065,000		215,000	1,850,000	220,000
2014 A Sewer Revenue Bonds	6,576,277		458,856	6,117,421	473,856
2018 Sewer Revenue Impr & Ref Bond	15,653,341	-	767,206	14,886,135	807,206
Total bonds payable	24,294,618	-	1,441,062	22,853,556	1,501,062
Compensated Absences	835,098	126,933	-	962,031	48,102
Latecomer	67,478		3,884	63,594	6,080
Pension Liability	609,581		115,461	494,120	-
OPEB Liability	1,143,019	-	256,106	886,913	2,753
Long-Term Liabilities	$28,471,405	$126,933	$2,139,873	$26,458,465	$1,881,357

Note 6– Pension Plans

The following table represents the aggregate pension amounts for all plans for the year 2023

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ (494,120)
Pension assets	$ 1,145,746
Deferred outflows of resources	$ 927,194
Deferred inflows of resources	$ (627,808)
Pension expense/expenditures	$ (140,970)

State Sponsored Pension Plans

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

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

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**
July – August 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	**9.39%**	**6.00%**
September – December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	**9.53%**	**6.00%**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3			
Actual Contribution Rates	**Employer 2/3**	**Employee 2***	**Employee 2****
January – June 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	**10.39%**	**6.36%**	
July – August 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%		
Administrative Fee	0.18%		
Total	**9.39%**	**6.36%**	
September – December 2023			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
Total	**9.53%**	**6.36%**	

The district's actual PERS plan contributions were $136,274 to PERS Plan 1 and $255,055 to PERS Plan 2/3 for the year ended December 31, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by service-based salary increase.
- **Investment rate of return**: 7.00%

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6%)	Current Rate (7%)	1% Increase (8%)
PERS 1	$ 690,32	$ 494,120	$ 322,881
PERS 2/3	$ 1,246,136	$ (1,145,746)	$ (3,110,828)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2023, the District reported a total pension liability of $494,120 and a total pension asset of $(1,145,746) for its proportionate share of the net pension liabilities and net pension assets as follows:

	Liability
PERS 1	$ 494,120
	$ 494,120
	Asset
PERS 2/3	$ 1,145,746
	$ 1,145,746

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.021893%	0.021646%	0.000247%
PERS 2/3	0.028480%	0.027954%	0.000526%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations*.

Pension Expense

For the year ended December 31, 2023, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$ (11,977)
PERS 2/3	$ (128,993)
TOTAL	**$ (140,970)**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$0
Net difference between projected and actual investment earnings on pension plan investments	$0	($55,739)
Changes of assumptions	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$57,925	$0
TOTAL	**$57,925**	**($55,739)**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$233,387	($12,802)
Net difference between projected and actual investment earnings on pension plan investments	$0	($431,786)
Changes of assumptions	$481,024	($104,844)
Changes in proportion and differences between contributions and proportionate share of contributions	$29,231	($22,637)
Contributions subsequent to the measurement date	$125,627	$0
TOTAL	**$869,269**	**($572,069)**

ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$233,387	($12,802)

Net difference between projected and actual investment earnings on pension plan investments	$0	($487,525)
Changes of assumptions	$481,024	($104,844)
Changes in proportion and differences between contributions and proportionate share of contributions	$29,231	($22,637)
Contributions subsequent to the measurement date	$183,552	$0
TOTAL	**$927,194**	**($627,808)**

Deferred outflows of resources related to pensions resulting from the district's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2024	($37,922)
2025	($47,692)
2026	$29,406
2027	$469
Thereafter	
Total	**($55,739)**

Year ended December 31:	PERS 2/3
2024	($208,580)
2025	($246,878)
2026	$360,517
2027	$130,895
2028	$128,204
Thereafter	$7,414
Total	**$171,573**

Note 7– Risk Management

Southwest Suburban Sewer District is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and contract for risk management, claims, and administrative services. The Pool was formed on July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris program provides various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes Building and Contents, Mobile Equipment, Boiler and Machinery, and Business

Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims-made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

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

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [1]
Liability:				
General Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Automobile Liability	Per Occurrence	$1 million	$20 million	$1,000 - $100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	$1 million	$20 million $20 million	$1,000 - $100,000
Terrorism Liability[2]	Per Occurrence Pool Aggregate	$500,000 $1 million	None	$1,000 - $100,000
Employment Practices Liability	Per Occurrence Member Aggregate	$1 million	$20 million $20 million	20% Copay[3]

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

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays [1]
Property [2]:				
Buildings and Contents	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Boiler and Machinery [3]	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) [4]	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit [5]:				
Flood	Per Occurrence	$250,000	$50 million (shared by Pool members)	$1,000 - $250,000

Earthquake	Per Occurrence	5% of indemnity, subject to a $250,000 minimum	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence Pool Aggregate	$250,000	$100 million per occurrence $200 million aggregate	$1,000 - $250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	$500,000	$600 million/ Pool aggregate $1.1 billion/ per occurrence APIP program $1.4 billion/ APIP program aggregate	$0
Automobile Physical Damage(6)	Per Occurrence	$25,000; $100,000 for Emergency Vehicles; $250,000 for Emergency Vehicles valued >$750,000	$1 billion	$250 - $1,000
Crime Blanket (7)	Per Occurrence	$50,000	$1 million	$1,000
Named Position (8)	Per Occurrence	$50,000	$1 million	$1,000
Cyber (9)	Each Claim APIP Aggregate	$100,000	$2 million $40 million	20% Copay
Identity Fraud Expense Reimbursement (10)	Member Aggregate	$0	$25,000	$0

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

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

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

Its member participants fully fund Enduris. Members file claims with the Pool, which determines coverage and administers the claims.

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

Note 8- Defined Benefit Other Postemployment Benefit (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ended December 31, 2023.

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	*$ 886,913*
OPEB assets	*$ 0*
Deferred outflows of resources	*$ 1,377*
Deferred inflows of resources	*$ 0*
OPEB expenses/expenditures	*$ (252,875)*

General Information about the OPEB Plan

Plan Description - The District participates in a cost sharing multiple-employer defined benefit Other Postemployment Benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA)per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

Benefits Provided - The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy. The district only provides implicit subsidy.

Note 8- Defined Benefit Other Postemployment Benefit (OPEB) Plans (Continued….)

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

Employees Covered by Benefit Terms

At December 31, 2023 the following employees were covered by the benefit terms:

	2023
Inactive employees or beneficiaries currently receiving benefits	*1*
Inactive employees entitled to but not yet receiving benefits	*0*
Active employees	*37*
Total	*38*

Funding Policy

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

Contributions

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2023, and was determined using the alternative measurement method as of that date. All significant assumptions utilized in the alternative measurement were provided by the Washington State Actuary.

Assumptions and Other Inputs

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 8- Defined Benefit Other Postemployment Benefit (OPEB) Plans (Continued….)

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

Methodology:	
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)
Discount Rate - Bond Buyer General Obligation 20-Bond Municipal Index.	
Beginning of Measurement Year	3.54%
End of Measurement Year	3.65%
Projected Salary Changes	3.25% + Service-Based Increases
Healthcare Trend Rates-	Initial rate ranges from about 2-16%, reaching an ultimate rate of approximately 3.8% in 2075.
Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, see OSA's 2023 PEBB OPEB Actuarial Valuation Report.	
Mortality Rates	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 year
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Inflation Rate	2.35%
Post-Retirement Participation Percentage	60%
Percentage with Spouse Coverage	45%

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) that the current rate.

	1% Decrease (5.8%)	*Current Healthcare Cost Trend Rate (6.8%)*	*1% Increase (7.8%)*
Total OPEB Liability	*$713,040*	*$886,913*	*$1,116,332*

The following presents the total OPEB liability of the District calculated using the discount rate of 3.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage point higher (4.5 percent) that the current rate.

Note 8- Defined Benefit Other Postemployment Benefit (OPEB) Plans (Continued….)

	1% Decrease (2.5%)	*Current Discount Rate (3.5%)*	*1% Increase (4.5%)*
Total OPEB Liability	*$1,075,602*	*$886,913*	*$737,944*

Changes in the Total OPEB Liability

All Plan	
Total OPEB Liability at 01/01/2023	*$ 1,143,019*
Service cost	*60,255*
Interest	*42,539*
Changes in Experience and Data and Assumptions	*(355,669)*
Changes of benefit terms	*0*
Benefit payments	*(3,231)*
Other changes	*0*
Total OPEB Liability at 12/31/2023	***$ 886,913***

OPEB Expense

The District recognized OPEB expense for the years ended December 31, 2023 as follows:

	2023
Service cost	*60,255*
Interest	*42,539*
Changes in Experience and Data and Assumptions	*(355,669)*
Total	***$(252,875)***

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	*Deferred Inflows of Resources*
Payments subsequent to the measurement date	*$1,377*	*$0*
*TOTAL**	***$1,377***	*$*

Deferred outflows and deferred inflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year.

NOTE 9 – SUBSEQUENT EVENTS

On August 4, 2023 the District awarded a total of $566,500 Pre-construction loan from the Public Works Board (PWB) for Salmon Creek Sewer Basin- Rehabilitation and Repair project. The loan interest rate is 0.86% with a loan term of 5 years. On February 6, 2024 Resolution No. 2024-02-02, the board approved and ratified the Public Works Board (PWB) Pre-Construction loan agreement relating to the Salmon creek Sewer Basin rehabilitation and Repair Project.

On September 8, 2023 the District awarded a total of $4,844,245 Construction loan from the Public Works Board (PWB) for Lift Station 4, 11, and 18 Retrofit project. The loan interest rate is 1.72% with a loan term of 20 years. On March 19, 2024 the District executed the contract with Public Works Board (PWB) for Lift Station 4, 11, and 18 Retrofit project.

SOUTHWEST SUBURBAN SEWER DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last 10 Fiscal Years

Year Ended June 30	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.021646%	$ 494,120	$ 4,009,040	12.33%	80.16%
2022	0.021893%	609,581	3,548,030	17.18%	76.56%
2021	0.021576%	263,493	3,332,912	7.91%	88.74%
2020	0.021369%	754,441	3,256,841	23.16%	68.64%
2019	0.021054%	809,601	2,967,567	27.28%	67.12%
2018	0.020971%	936,572	2,794,616	33.51%	63.22%
2017	0.022605%	1,072,625	2,846,253	37.69%	61.24%
2016	0.021069%	1,131,504	2,567,724	44.07%	57.03%
2015	0.022117%	1,156,925	2,543,053	45.49%	59.10%
2014	0.022148%	1,115,716	2,470,645	45.16%	61.19%

Notes to the Schedule

Until a full 10-Year trend is compiled, the District will present information for those years for which information is available. There are no changes of benefit terms or changes of assumptions that are expected to significantly affect the amounts reported in the above schedule.

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

SOUTHWEST SUBURBAN SEWER DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30
Last 10 Fiscal Years

As of June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Covered payroll	Employer's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.027954%	$(1,145,746)	$4,009,040	-26.35%	107.02%
2022	0.028480%	(1,056,261)	3,548,030	-29.77%	106.73%
2021	0.027744%	(2,763,749)	3,332,912	-82.92%	120.29%
2020	0.027689%	354,127	3,256,841	10.87%	97.22%
2019	0.027196%	264,166	2,967,567	8.90%	97.77%
2018	0.026782%	457,279	2,794,616	16.36%	95.77%
2017	0.029076%	1,010,252	2,846,253	35.49%	90.97%
2016	0.026957%	1,357,264	2,567,724	52.86%	85.82%
2015	0.028570%	1,020,822	2,543,053	40.14%	89.20%
2014	0.028516%	576,411	2,470,645	23.33%	93.29%

Notes to the Schedule

Until a full 10-Year trend is compiled, the District will present information for those years for which information is available. There are no changes of benefit terms or changes of assumptions that are expected to significantly affect the amounts reported in the above schedule.

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

SOUTHWEST SUBURBAN SEWER DISTRICT
Schedule of Employer Contributions
PERS 1
For the year ended December 31
Last 10 Fiscal Years

Year Ended December 31	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions***	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2023	$ 136,274	$ (136,274)	$ -	$ 4,009,040	3.40%
2022	138,590	(138,590)	-	3,688,685	3.76%
2021	144,255	(144,255)	-	3,369,570	4.28%
2020	158,401	(158,401)	-	3,301,527	4.80%
2019	155,860	(155,860)	-	3,154,862	4.94%
2018	144,277	(144,277)	-	2,849,095	5.06%
2017	137,650	(137,650)	-	2,810,118	4.90%
2016	172,150	(172,150)	-	2,763,245	6.23%
2015	109,995	(109,995)	-	2,514,680	4.37%
2014	100,451	(100,451)	-	2,491,827	4.03%

Notes to the Schedule

Until a full 10-Year trend is compiled, the District will present information for those years for which information is available. There are no changes of benefit terms or changes of assumptions that are expected to significantly affect the amounts reported in the above schedule.

Covered payroll has been retrospectively presented in accordance with GASB 82, Pension Issues. Covered payroll now includes all payroll on which a contribution is based. Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contribution do not include employer-paid member contributions.

Schedule of Employer Contributions
PERS 2/3
For the year ended December 31
Last 10 Fiscal Years

Year Ended December 31	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions***	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2023	$ 255,055	$ (255,055)	$ -	$4,009,040	6.36%
2022	234,600	(234,600)	-	3,688,685	6.36%
2021	240,185	(240,185)	-	3,369,570	7.13%
2020	261,481	(261,481)	-	3,301,527	7.92%
2019	243,715	(243,715)	-	3,154,862	7.73%
2018	213,688	(213,688)	-	2,849,095	7.50%
2017	192,553	(192,553)	-	2,810,118	6.85%
2016	172,150	(172,150)	-	2,763,245	6.23%
2015	141,150	(141,150)	-	2,514,680	5.61%
2014	124,560	(124,560)	-	2,491,827	5.00%

Notes to the Schedule

Until a full 10-Year trend is compiled, the District will present information for those years for which information is available. There are no changes of benefit terms or changes of assumptions that are expected to significantly affect the amounts reported in the above schedule.

Covered payroll has been retrospectively presented in accordance with GASB 82, Pension Issues. Covered payroll now includes all payroll on which a contribution is based. Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contribution do not include employer-paid member contributions.

Schedule of Changes in Total OPEB Liability and Related Ratios
PEBB OPEB Plan

For the year ended June 30, 2022

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$1,143,019	$1,338,241	$1,618,370	$1,311,002	$1,405,336	$1,362,967
Service cost	60,255	90,446	112,440	87,464	75,229	84,197
Interest	42,539	30,831	38,211	48,893	57,120	51,771
Changes in benefit terms	0	0	0	0	0	0
Differences between expected and actual experience	(355,669)	(313,795)	(427,167)	174,067	(217,423)	(91,474)
Changes of assumptions	0	0	0	0	0	0
Benefit payments	(3,231)	(2,704)	(3,613)	(3,056)	(9,260)	(2,125)
Other changes						
Total OPEB liability - ending	886,913	1,143,019	1,338,241	1,618,370	1,311,002	1,405,336
Covered-employee payroll**	4,009,040	3,688,685	3,369,570	3,301,527	3,154,862	2,849,095
Total OPEB liability as a % of covered-employee payroll	22.12%	30.99%	39.72%	49.02%	41.55%	49.33%

Notes to the Schedule

Until a full 10-Year trend is compiled, the District will present information for those years for which information is available. There are no changes of benefit terms or changes of assumptions that are expected to significantly affect the amounts reported in the above schedule.

Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (GASB 75, par. 246).

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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