



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Coal Creek Utility District

For the period January 1, 2022 through December 31, 2023

Published December 23, 2024

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

December 23, 2024

Board of Commissioners
Coal Creek Utility District
Newcastle, Washington

Report on Financial Statements

Please find attached our report on the Coal Creek Utility 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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INDEPENDENT AUDITOR'S REPORT

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

Coal Creek Utility District January 1, 2022 through December 31, 2023

Board of Commissioners
Coal Creek Utility District
Newcastle, 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 Coal Creek Utility District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly legible.

Pat McCarthy, State Auditor

Olympia, WA

December 11, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Coal Creek Utility District January 1, 2022 through December 31, 2023

Board of Commissioners
Coal Creek Utility District
Newcastle, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Coal Creek Utility District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Coal Creek Utility District, as of December 31, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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 opinions. 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 December 11, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

December 11, 2024

FINANCIAL SECTION

Coal Creek Utility District January 1, 2022 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023 and 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023 and 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – 2023 and 2022

Statement of Cash Flows – 2023 and 2022

Notes to Financial Statements – 2023 and 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2023

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2023

Schedule of Changes in Total OPEB Liability and Related Ratios – PEBB – 2023

Coal Creek Utility District
Management's Discussion and Analysis
Years Ended December 31, 2023 and 2022

Introduction

Coal Creek Utility District is a municipal corporation governed by an elected three-member board. The District's primary activity is to provide water and sewer services to residential and commercial customers within the District's boundaries. The District is generally located between the cities of Renton, WA and Bellevue, WA, east of Lake Washington, and serves portions of the cities of Newcastle and Renton and a small portion of unincorporated King County.

Brief Discussion of the Basic Financial Statements

The District's financial statements include a Statement of Net Position, a Statement of Revenues, Expenses & Changes in Fund Net Position, a Statement of Cash Flows, and Notes to Financial Statements. The financial statements are prepared using the accrual basis of accounting and conform to generally accepted accounting principles as applicable to proprietary funds of governments. The intent of the management's discussion and analysis is to provide highlights of the District's financial activities for the years ended December 31, 2023 and 2022. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

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

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

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

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

Coal Creek Utility District
Management's Discussion and Analysis
Years Ended December 31, 2023 and 2022

Condensed Comparative Statement of Net Position

The following condensed statements of net position present an overview of the District's financial position as of December 31, 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Assets</u>			
Current Assets	\$ 26,803,736	\$ 24,080,892	\$ 23,418,686
Noncurrent Assets:			
Capital Assets - Net	43,881,248	41,365,604	40,137,640
Other	<u>555,627</u>	<u>468,391</u>	<u>1,293,845</u>
Total Assets	<u>\$ 71,240,611</u>	<u>\$ 65,914,887</u>	<u>\$ 64,850,171</u>
<u>Deferred Outflows of Resources</u>	<u>\$ 446,905</u>	<u>\$ 481,752</u>	<u>\$ 162,284</u>
<u>Liabilities</u>			
Current Liabilities	\$ 1,483,379	\$ 1,123,324	\$ 1,192,793
Noncurrent Liabilities:			
Long-Term Debt	194,486	243,108	291,730
Other	<u>1,183,460</u>	<u>1,290,581</u>	<u>1,257,000</u>
Total Liabilities	<u>\$ 2,861,325</u>	<u>\$ 2,657,013</u>	<u>\$ 2,741,523</u>
<u>Deferred Inflows of Resources</u>	<u>\$ 327,797</u>	<u>\$ 472,827</u>	<u>\$ 1,327,736</u>
<u>Net Position</u>			
Net Investment in Capital Asset	\$ 43,638,140	\$ 41,073,874	\$ 39,740,495
Restricted for Net Pension Asset	663,509	474,419	218,142
Restricted for Debt Service	-	-	-
Unrestricted	<u>24,196,745</u>	<u>21,718,506</u>	<u>20,984,559</u>
Total Net Position	<u>\$ 68,498,394</u>	<u>\$ 63,266,799</u>	<u>\$ 60,943,196</u>

Analysis of the Condensed Comparative Statement of Net Position

Assets

Current assets include cash and cash equivalents held in various funds as well as developer maintenance bonds. Total cash and cash equivalents increased by \$2,886,580 in 2023. Total cash and cash equivalents increased by \$376,536 in 2022. Cash balances in the various funds vary from year to year based on income from operations, capital contributions, expenses paid for operations and construction costs, transfers between funds, borrowings and debt service payments.

Current assets also include accounts receivable, accrued utility revenue, current portion of contracts receivable, inventories and prepaid expenses. Customer accounts receivable decreased by \$47,686 in 2023 and by \$112,333 in 2022 due to fluctuations in the timing of customer payments. Accrued utility revenue increased by \$245,616 in 2023 due to an increase

Coal Creek Utility District
Management's Discussion and Analysis
Years Ended December 31, 2023 and 2022

in the number of customers being billed by the District, as well as a change in the method used to compute the accrual. Receivables from developers and others decreased by \$382,774 in 2023 and increased by \$300,474 in 2022 due to fluctuations in developer activities. Accrued interest receivable increased by \$40,119 in 2023 and by \$26,684 in 2022 due to an increase in the interest rate paid on funds invested in the King County investment pool. Inventory increased by \$40,651 in 2022 due to advance purchases of inventory for planned projects. The remaining balances did not change significantly in 2023 or 2022.

Noncurrent assets

Net capital assets increased by \$2,515,644 in 2023. This increase was due to capital spending of \$1,407,957 and donated systems of \$2,753,745, reduced by depreciation expense of \$1,646,058. Net capital assets increased by \$1,227,964 in 2022. This increase was due to capital spending of \$1,038,681 and donated systems of \$1,801,589, reduced by depreciation expense of \$1,608,491 and the book value of disposed assets of \$3,815.

Other noncurrent assets increased by \$87,236 in 2023 and decreased by \$825,454 in 2022, primarily due to changes in net pension asset. Other noncurrent assets also include contracts receivable. These balances fluctuate due to the issuance of new customer contracts receivable and principal payments on contracts.

Deferred Outflows of Resources

Deferred outflows related to pensions decreased by \$35,897 in 2023 and increased by \$319,130 in 2022, primarily due to fluctuations in the deferred pension outflows of the pension plan as a whole. Deferred outflows related to OPEB (other postemployment benefits) did not change significantly in 2023 or 2022.

Liabilities

Current liabilities include accounts payable, which fluctuates annually with the invoices received from vendors. Current liabilities also include the current portion of long-term debt, interest payable on long-term debt, developer maintenance bonds payable, and retainage due to contractors. Developer maintenance bonds payable increased by \$540,570 in 2023 and decreased by \$106,366 in 2022, due to fluctuations in developer activity. Retainage due to contractors decreased by \$51,227 in 2023 and increased by \$48,902 in 2022. Aside from that, current liabilities did not change significantly in 2023 or 2022.

Noncurrent liabilities include compensated absences, net pension liability, total OPEB liability and the long-term portions of Public Works Trust Fund loans. Noncurrent liabilities decreased by \$155,743 in 2023, primarily due to required payments of loan principal and a decrease of \$96,772 in total OPEB liability. Noncurrent liabilities decreased by \$15,041 in 2022. Net pension liability increased by \$143,813 in 2022 because of an increase in the net pension liability of the pension plan as a whole. Total OPEB liability decreased by \$139,621 because of changes in assumptions used to calculate the liability.

Coal Creek Utility District
Management's Discussion and Analysis
Years Ended December 31, 2023 and 2022

Deferred Inflows of Resources

Deferred inflows related to pensions decreased by \$145,030 in 2023 and by \$854,909 in 2022, primarily due to differences between projected and actual investment earnings on pension plan investments.

Net Position

Net position consists of total assets and deferred outflows minus total liabilities and deferred inflows. Net position increased by \$5,231,595 in 2023. Net position increased by \$2,323,603 in 2022. Over time, increases or decreases in the District's net position are an indicator of the District's overall financial growth. An increase in net position is a positive sign of the District's financial strength.

Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position

The following statements of revenues, expenses and changes in fund net position present the annual surplus or deficiency of revenues over expenses (the change in net position):

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Revenues</u>			
Water Sales	\$ 4,748,662	\$ 4,361,129	\$ 4,555,401
Sewer Revenue	5,465,018	5,074,349	4,836,480
Other Operating Revenue	285,363	326,601	240,952
Nonoperating Revenues	<u>1,234,861</u>	<u>(235,111)</u>	<u>(57,166)</u>
Total Revenues	<u>\$ 11,733,904</u>	<u>\$ 9,526,968</u>	<u>\$ 9,575,667</u>
<u>Expenses</u>			
Operating Expenses	\$ 8,249,788	\$ 7,717,662	\$ 7,120,372
Depreciation	1,646,058	1,608,491	1,577,560
Nonoperating Expenses	<u>1,337</u>	<u>1,722</u>	<u>2,359</u>
Total Expenses	<u>\$ 9,897,183</u>	<u>\$ 9,327,875</u>	<u>\$ 8,700,291</u>
Change in Net Position before Capital Contributions	<u>\$ 1,836,721</u>	<u>\$ 199,093</u>	<u>\$ 875,376</u>
Capital Contributions	<u>3,394,874</u>	<u>2,124,510</u>	<u>1,122,608</u>
Change in Net Position	<u>5,231,595</u>	<u>2,323,603</u>	<u>1,997,984</u>
<u>Total Net Position, January 1</u>	<u>\$ 63,266,799</u>	<u>\$ 60,943,196</u>	<u>\$ 58,945,212</u>
<u>Total Net Position, December 31</u>	<u>\$ 68,498,394</u>	<u>\$ 63,266,799</u>	<u>\$ 60,943,196</u>

Coal Creek Utility District
Management's Discussion and Analysis
Years Ended December 31, 2023 and 2022

Analysis of the Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position

Revenues

Water operating revenues increased by \$387,533 in 2023, due to an increase in the number of water customers and increased consumption and irrigation usage caused by a warmer, drier summer. Water operating revenues decreased by \$194,272 in 2022, due to decreased consumption and irrigation usage caused by a cooler, wetter summer. The 2022 decrease was partially offset by an increase in the number of water customers.

Sewer operating revenues increased by \$390,669 in 2023 due to an increase in the number of sewer customers, as well as the pass-through of a 5.5% rate increase from King County Wastewater. Sewer operating revenues increased by \$237,869 in 2022 due to an increase in the number of sewer customers, as well as the pass-through of a 4% rate increase from King County Wastewater.

Other operating revenue decreased by \$41,238 in 2023, primarily due to decreased developer extension and inspection revenue. Other operating revenue increased by \$85,649 in 2022, primarily due to increased penalties and other miscellaneous revenue.

Nonoperating revenue increased by \$1,469,972 in 2023 and decreased by \$177,945 in 2022, due to fluctuations in interest income on funds invested in the King County investment pool combined with fair value adjustments to investment pool balances.

Expenses

Operating expenses increased by \$532,126 in 2023, mainly due to increased water purchases, increased King County wastewater charges, increased operation and administrative labor, and increased employee pension and benefits costs.

Operating expenses increased by \$597,290 in 2022, mainly due to increased King County wastewater charges, increased operation labor, and increased employee pension and benefits costs, offset by decreased maintenance of water and sewer systems

Nonoperating expenses consist of interest expense on long-term debt. Interest expense decreased by \$385 in 2023 and \$637 in 2022 due to decreasing principal balances on long-term debt.

Capital Contributions

Capital contributions in 2023 increased by \$1,270,364 as compared to 2022. Systems donated to the District by developers increased by \$952,156 and general and local facilities fees increased by \$318,208. Capital contributions in 2022 increased by \$1,001,902 as compared to 2021. Systems donated to the District by developers increased by \$1,262,033 and general and local facilities fees decreased by \$260,131.

Coal Creek Utility District
Management's Discussion and Analysis
Years Ended December 31, 2023 and 2022

Change in Net Position

Net position increased by \$5,231,595 in 2023 and by \$2,323,603 in 2022, reflecting the fact that total revenues exceeded total expenses in both years.

Analysis of Overall Financial Condition

The District's overall financial condition improved in both 2023 and 2022, with an increase in net position, adequate liquid assets and positive operating cash flow.

In order to ensure that the District's financial condition remains strong, the District adopted 2% annual increases in water and sewer service rates for all customer classifications for 2019. A previously adopted 2% rate increase for 2020 was determined to be unnecessary due to the District's strong financial condition and was rescinded. The need for future rate increases will be determined annually.

Capital Assets

Capital assets consist of land, construction in progress, utility plant and equipment, and intangibles. The net capital assets of the District, after recording depreciation, increased by \$2,515,644 in 2023. The principal projects included in 2023 capital spending were Operation Center Improvements, Pleasant Cove Pump Upgrade and 580 Decant. Donated systems (infrastructure donated by developers) in the amount of \$2,753,745 are included in the 2023 change in net capital assets.

The net capital assets of the District, after recording depreciation, increased by \$1,227,964 in 2022. The principal projects included in 2022 capital spending were 580 Reservoir Painting and 580 Decant. Donated systems (infrastructure donated by developers) in the amount of \$1,801,589 are included in the 2022 change in net capital assets.

Over the next ten years it is anticipated that capital spending will be in the range of \$26,000,000. The areas of major emphasis in the capital budget include reservoir painting and improvements/replacement, meter replacements, water and sewer system upgrades, lift station upgrades, pump station upgrades, vehicle purchase, comprehensive plan updates, SCADA upgrades, and relocating pressure reducing valve station.

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

	<u>Balance</u> <u>12/31/23</u>	<u>Balance</u> <u>12/31/22</u>	<u>Change</u>
Land	\$ 401,796	\$ 401,796	\$ -
Construction in Progress	1,938,583	2,495,301	(556,718)
Utility Plant	72,817,511	68,148,144	4,669,367
Equipment	3,915,197	3,866,144	49,053
Intangibles	1,262,149	1,262,149	-
Accumulated Depreciation	<u>(36,453,988)</u>	<u>(34,807,930)</u>	<u>(1,646,058)</u>
Total Capital Assets, Net	<u>\$ 43,881,248</u>	<u>\$ 41,365,604</u>	<u>\$ 2,515,644</u>

Coal Creek Utility District
Management's Discussion and Analysis
Years Ended December 31, 2023 and 2022

Capital assets activity for the year ended December 31, 2022 was as follows:

	Balance <u>12/31/22</u>	Balance <u>12/31/21</u>	<u>Change</u>
Land	\$ 401,796	\$ 401,796	\$ -
Construction in Progress	2,495,301	1,922,071	573,230
Utility Plant	68,148,144	66,204,774	1,943,370
Equipment	3,866,144	4,469,596	(603,452)
Intangibles	1,262,149	1,696,673	(434,524)
Accumulated Depreciation	<u>(34,807,930)</u>	<u>(34,557,270)</u>	<u>(250,660)</u>
Total Capital Assets, Net	<u>\$ 41,365,604</u>	<u>\$ 40,137,640</u>	<u>\$ 1,227,964</u>

See Note 3 for more information regarding capital assets.

Long-Term Debt

At December 31, 2023, the District had total Public Works Trust Fund loans outstanding of \$243,108 and had no remaining revenue bonds outstanding. The total long-term debt of the District decreased by \$48,622 during 2023, due to principal payments made on long-term debt.

At December 31, 2022, the District had total Public Works Trust Fund loans outstanding of \$291,730 and had no remaining revenue bonds outstanding. The total long-term debt of the District decreased by \$105,416 during 2022, due to principal payments made on long-term debt.

See Note 5 for more information regarding long-term debt.

Coal Creek Utility District
Statement of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash & Cash Equivalents	\$ 24,397,120	\$ 22,051,110
Accrued Interest Receivable	75,726	35,607
Accounts Receivable - Customers	431,293	478,979
Accrued Utility Revenue	643,356	397,740
Accounts Receivable - Developers & Others	3,578	386,352
Current Portion of Contracts Receivable:		
- Lower May Creek	3,606	4,060
Restricted Assets:		
Cash & Cash Equivalents	975,596	435,026
Inventory	127,621	137,350
Prepaid Expenses & Deposits	<u>145,840</u>	<u>154,668</u>
Total Current Assets	<u>\$ 26,803,736</u>	<u>\$ 24,080,892</u>
<u>Noncurrent Assets</u>		
Contracts Receivable (Less Current Portion):		
- Lower May Creek	\$ 3,821	\$ 7,427
Net Pension Asset	551,806	460,964
Capital Assets Not Being Depreciated:		
Land	401,796	401,796
Construction in Progress	1,938,583	2,495,301
Capital Assets Being Depreciated:		
Plant	72,817,511	68,148,144
Equipment	3,915,197	3,866,144
Intangibles	1,262,149	1,262,149
Less Accumulated Depreciation	<u>(36,453,988)</u>	<u>(34,807,930)</u>
Total Capital Assets	<u>\$ 43,881,248</u>	<u>\$ 41,365,604</u>
Total Noncurrent Assets	<u>\$ 44,436,875</u>	<u>\$ 41,833,995</u>
Total Assets	<u>\$ 71,240,611</u>	<u>\$ 65,914,887</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows Related to Pensions	\$ 438,847	\$ 474,744
Deferred Outflows Related to OPEB	<u>8,058</u>	<u>7,008</u>
Total Deferred Outflows	<u>\$ 446,905</u>	<u>\$ 481,752</u>

See accompanying notes.

Coal Creek Utility District
Statement of Net Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 396,188	\$ 527,456
Public Works Trust Fund Loans (Current Portion)	48,622	48,622
Interest Payable - PWTF Loans	608	729
Retainage Due Contractors	46,249	97,476
Payable from Restricted Assets:		
Developer Maintenance Bonds Payable	975,596	435,026
Total OPEB Liability (Current Portion)	<u>16,116</u>	<u>14,015</u>
Total Current Liabilities	<u>\$ 1,483,379</u>	<u>\$ 1,123,324</u>
<u>Noncurrent Liabilities</u>		
Public Works Trust Fund Loans		
(Less Current Portion)	\$ 194,486	\$ 243,108
Compensated Absences	283,038	261,486
Rental Meter Deposit	2,317	6,215
Lease Security Deposit	8,550	8,550
Net Pension Liability	238,043	266,046
Total OPEB Liability (Less Current Portion)	<u>651,512</u>	<u>748,284</u>
Total Noncurrent Liabilities	<u>\$ 1,377,946</u>	<u>\$ 1,533,689</u>
Total Liabilities	<u>\$ 2,861,325</u>	<u>\$ 2,657,013</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows Related to Pensions	<u>\$ 327,797</u>	<u>\$ 472,827</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 43,638,140	\$ 41,073,874
Restricted for Net Pension Asset	663,509	474,419
Restricted for Debt Service	-	-
Unrestricted	<u>24,196,745</u>	<u>21,718,506</u>
Total Net Position	<u>\$ 68,498,394</u>	<u>\$ 63,266,799</u>

See accompanying notes.

Coal Creek Utility District
Statement of Revenues, Expenses and Changes in Fund Net Position
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues</u>		
Water Sales	\$ 4,748,662	\$ 4,361,129
Sewer Revenue	5,465,018	5,074,349
Water/Sewer Availabilities	5,150	7,800
Street Lights	2,925	2,902
Sewer Permits	10,800	5,600
Inspection Fees	4,217	16,069
Penalties	70,037	58,293
Wheeling Charge - City of Bellevue	117,223	106,427
Miscellaneous Revenue	<u>75,011</u>	<u>129,510</u>
Total Operating Revenues	\$ 10,499,043	\$ 9,762,079
<u>Operating Expenses</u>		
Maintenance & Operations (Schedule)	\$ 6,148,895	\$ 5,764,061
Administrative & General (Schedule)	2,100,893	1,953,601
Depreciation	<u>1,646,058</u>	<u>1,608,491</u>
Total Operating Expenses	\$ 9,895,846	\$ 9,326,153
Operating Income (Loss)	\$ 603,197	\$ 435,926
<u>Nonoperating Revenues (Expenses)</u>		
Interest Income	\$ 713,898	\$ 240,434
Investment Pool Fair Value Adjustment	506,727	(535,350)
Facilities Lease Income, Net of Expenses	14,236	13,689
Interest Expense	(1,337)	(1,722)
Gain (Loss) on Disposition of Utility Plant	<u>-</u>	<u>46,116</u>
Total Nonoperating Revenues (Expenses)	\$ 1,233,524	\$ (236,833)
Income (Loss) Before Contributions	\$ 1,836,721	\$ 199,093
Capital Contributions	<u>\$ 3,394,874</u>	<u>\$ 2,124,510</u>
Change in Net Position	\$ 5,231,595	\$ 2,323,603
<u>Total Net Position, January 1</u>	<u>\$ 63,266,799</u>	<u>\$ 60,943,196</u>
<u>Total Net Position, December 31</u>	<u>\$ 68,498,394</u>	<u>\$ 63,266,799</u>

See accompanying notes.

Coal Creek Utility District
Statement of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Cash Flows From Operating Activities</u>		
Receipts from Customers	\$ 10,318,269	\$ 9,925,137
Payments to Suppliers	(5,984,030)	(5,703,287)
Payments to Employees	(2,568,054)	(2,348,085)
Net Cash Received from Facilities Leases	<u>10,338</u>	<u>10,954</u>
Net Cash Provided by Operating Activities	<u>\$ 1,776,523</u>	<u>\$ 1,884,719</u>
<u>Cash Flows From Capital & Related Financing Activities</u>		
Acquisition & Construction of Capital Assets	\$ (1,206,128)	\$ (1,349,455)
Proceeds from Sale of Capital Assets	-	49,932
Cash Contributions in Aid of Construction	1,185,759	220,342
Principal Payments on Public Works		
Trust Fund Loans	(48,622)	(105,416)
Interest Paid on Capital Debt	(1,458)	(1,986)
Interest Received on Installment Contracts	<u>687</u>	<u>960</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>\$ (69,762)</u>	<u>\$ (1,185,623)</u>
<u>Cash Flows From Investing Activities</u>		
Interest Received on Investments	\$ 673,092	\$ 212,790
Adjustment to Fair Value of Investments	<u>506,727</u>	<u>(535,350)</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 1,179,819</u>	<u>\$ (322,560)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	<u>\$ 2,886,580</u>	<u>\$ 376,536</u>
<u>Cash & Cash Equivalents - January 1</u>	<u>22,486,136</u>	<u>22,109,600</u>
<u>Cash & Cash Equivalents - December 31</u>	<u>\$ 25,372,716</u>	<u>\$ 22,486,136</u>

See accompanying notes.

Coal Creek Utility District
Statement of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Reconciliation of Net Operating Income</u> <u>to Net Cash Provided by Operating Activities</u>		
Net Operating Income (Loss)	\$ 603,197	\$ 435,926
<u>Adjustments to Reconcile Net Operating Income</u> <u>to Net Cash Provided by Operating Activities</u>		
Depreciation	\$ 1,646,058	\$ 1,608,491
Facilities Lease Income, Net of Expenses	14,236	13,689
<u>Change in Assets, Deferred Outflows of Resources,</u> <u>Liabilities & Deferred Inflows of Resources</u>		
(Increase) Decrease in Accounts Receivable	47,686	112,333
(Increase) Decrease in Accrued Revenue	(245,616)	(14,419)
(Increase) Decrease in Other Receivables	17,156	65,144
(Increase) Decrease in Inventory	9,729	(40,651)
(Increase) Decrease in Prepaid Expenses	8,828	(15,502)
(Increase) Decrease in Net Pension Asset	(90,842)	821,394
(Increase) Decrease in Deferred Outflows Related to Pensions	35,897	(319,130)
(Increase) Decrease in Deferred Outflows Related to OPEB	(1,050)	(338)
Increase (Decrease) in Accounts Payable - Maint. Fund	(18,706)	38,436
Increase (Decrease) in Accrued Vacation & Sick Pay	21,552	32,124
Increase (Decrease) in Rental Meter Deposit	(3,898)	(2,735)
Increase (Decrease) in Deferred Inflows Related to Pensions	(145,030)	(854,909)
Increase (Decrease) in Net Pension Liabilities	(28,003)	143,813
Increase (Decrease) in Total OPEB Liabilities	<u>(94,671)</u>	<u>(138,947)</u>
Total Adjustments	\$ 1,173,326	\$ 1,448,793
Net Cash Provided by Operating Activities	<u>\$ 1,776,523</u>	<u>\$ 1,884,719</u>
<u>Noncash Investing, Capital & Financing Activities</u>		
Contributions of Capital Assets from Developers	<u>\$ 2,753,745</u>	<u>\$ 1,801,589</u>

See accompanying notes.

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Coal Creek Utility District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant accounting policies of the District:

a. Reporting Entity

Coal Creek Utility District is a municipal corporation governed by an elected three-member board. The District's primary activity is to provide water and sewer services to residential and commercial customers within the District's boundaries. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The District has no component units.

b. Basis of Accounting & Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The District uses the Uniform System of Accounts for Class A and B Water Utilities and the Uniform System of Accounts for Sewer Utilities.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds. Unbilled utility service receivables are recorded at year end.

The District distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales, sewer services and related services. Operating expenses pertain to the furnishing of those services and include the cost of sales and services, administration expenses and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Cash & Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Capital Assets

Capital assets placed in service are recorded at cost. The District uses a capitalization threshold of \$5,000. The provision for depreciation is computed on the straight-line method with the following useful lives: Plant, 10-50 years; Equipment, 5-20 years; Intangibles, 5-10 years; Non-Utility, 7-40 years. Donations by developers are recorded at the contract price. Upon retirement, sale, or other disposition of an asset, the cost of the asset and the related accumulated depreciation are removed from the property accounts and the net gain or loss is reflected in the statement of revenues, expenses and changes in fund net position.

Repairs and maintenance are expensed as incurred, while major renewals, replacements and betterments are capitalized.

Preliminary planning and design costs incurred for proposed projects are held pending construction of the facility. Costs relating to projects which are ultimately constructed are transferred to capitalized utility plant. Costs relating to those projects abandoned are charged to expense when it is determined that they will not be completed.

See Note 3.

e. Restricted Funds

In accordance with bond resolutions and Public Works Trust Fund loan agreements separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including construction and debt service requirements. The District had no restricted funds at December 31, 2023 or December 31, 2022.

Assets and liabilities shown as current in the accompanying statement of net position exclude current maturities on defeased revenue bonds and accrued interest thereon because debt service funds have been set aside for their payment.

f. Receivables

Receivables consist primarily of amounts due from water and sewer customers. There may also be amounts due from developers and other districts and municipalities. All receivables are recorded when earned. No allowance for uncollectible accounts is provided since the District has power to record liens for its receivables and generally does not experience significant uncollectible amounts.

g. Inventories

Inventory of materials is recorded at cost using the first in first out method. A physical inventory is taken at the end of each calendar year.

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Investments

Investments are recorded at market value. See Note 2.

i. Compensated Absences

Employees earn vacation and sick leave based upon date of hire and years of service. Employees may carry over up to 200 hours of accrued vacation from one calendar year to the next. Vacation pay in excess of 200 hours may be cashed out to the employee, or the employee may elect to have the District make a contribution into their HRA-VEBA account. Employees may carry over up to 960 hours of accrued sick leave from one calendar year to the next. Sick leave in excess of 960 hours will be paid into employees HRA-VEBA account at 50% of earned sick leave. Sick leave is payable upon retirement or other separation from employment at fifty percent, provided the employee has completed at least one year of service.

j. Pensions

For purposes of measuring the net pension liability, net pension assets, 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 and the related deferred outflows and deferred inflows.

k. Subsequent Events

Management has evaluated subsequent events through July 19, 2024, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS & INVESTMENTS

The District's cash and investment balances at December 31, 2023 and 2022 are listed below.

	<u>2023</u>	<u>2022</u>
Petty Cash Fund	\$ 2,600	\$ 2,600
Bank Deposit Accounts	31,982	567,285
Developer Maintenance Bond Accounts	975,596	435,026
Investment in King County Investment Pool	<u>24,362,538</u>	<u>21,481,225</u>
Total Cash & Investments	<u>\$ 25,372,716</u>	<u>\$ 22,486,136</u>

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 2 - DEPOSITS & INVESTMENTS (Continued)

The District's deposits in bank accounts are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

In accordance with state law, the District's governing body has entered into 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 investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
King County Investment Pool	\$ 24,362,538	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 principal is \$1,875 and the District's fair value of these investments is \$925.

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 notes (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 depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 3 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 401,796	\$ -	\$ -	\$ 401,796
Construction in Progress	<u>2,495,301</u>	<u>1,319,008</u>	<u>(1,875,726)</u>	<u>1,938,583</u>
<u>Total capital assets not being depreciated</u>	<u>2,897,097</u>	<u>1,319,008</u>	<u>(1,875,726)</u>	<u>2,340,379</u>
Capital assets being depreciated:				
Plant	68,148,144	4,669,367	-	72,817,511
Equipment	3,866,144	49,053	-	3,915,197
Intangibles	<u>1,262,149</u>	<u>-</u>	<u>-</u>	<u>1,262,149</u>
<u>Total capital assets being depreciated</u>	<u>73,276,437</u>	<u>4,718,420</u>	<u>-</u>	<u>77,994,857</u>
Less accumulated depreciation for:				
Plant	30,890,674	1,428,802	-	32,319,476
Equipment	2,897,536	149,080	-	3,046,616
Intangibles	<u>1,019,720</u>	<u>68,176</u>	<u>-</u>	<u>1,087,896</u>
<u>Total accumulated depreciation</u>	<u>34,807,930</u>	<u>1,646,058</u>	<u>-</u>	<u>36,453,988</u>
<u>Total capital assets being depreciated, net</u>	<u>38,468,507</u>	<u>3,072,362</u>	<u>-</u>	<u>41,540,869</u>
<u>TOTAL CAPITAL ASSETS, NET</u>	<u>\$ 41,365,604</u>	<u>\$ 4,391,370</u>	<u>\$ (1,875,726)</u>	<u>\$ 43,881,248</u>

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 3 - CAPITAL ASSETS (Continued)

Capital assets activity for the year ended December 31, 2022 was as follows:

	Beginning <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	Ending <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 401,796	\$ -	\$ -	\$ 401,796
Construction in Progress	<u>1,922,071</u>	<u>631,253</u>	<u>(58,023)</u>	<u>2,495,301</u>
<u>Total capital assets not being depreciated</u>	<u>2,323,867</u>	<u>631,253</u>	<u>(58,023)</u>	<u>2,897,097</u>
Capital assets being depreciated:				
Plant	66,204,774	1,961,287	(17,917)	68,148,144
Equipment	4,469,596	305,753	(909,205)	3,866,144
Intangibles	<u>1,696,673</u>	<u>-</u>	<u>(434,524)</u>	<u>1,262,149</u>
<u>Total capital assets being depreciated</u>	<u>72,371,043</u>	<u>2,267,040</u>	<u>(1,361,646)</u>	<u>73,276,437</u>
Less accumulated depreciation for:				
Plant	29,526,106	1,379,265	(14,697)	30,890,674
Equipment	3,646,292	159,854	(908,610)	2,897,536
Intangibles	<u>1,384,872</u>	<u>69,372</u>	<u>(434,524)</u>	<u>1,019,720</u>
<u>Total accumulated depreciation</u>	<u>34,557,270</u>	<u>1,608,491</u>	<u>(1,357,831)</u>	<u>34,807,930</u>
<u>Total capital assets being depreciated, net</u>	<u>37,813,773</u>	<u>658,549</u>	<u>(3,815)</u>	<u>38,468,507</u>
<u>TOTAL CAPITAL ASSETS, NET</u>	<u>\$ 40,137,640</u>	<u>\$ 1,289,802</u>	<u>\$ (61,838)</u>	<u>\$ 41,365,604</u>

The District has implemented GASB Statement No. 89, Accounting for the Interest Cost Incurred before the End of a Construction Period, effective January 1, 2018. According to the provisions of GASB Statement No. 89, interest cost during the construction period of utility plant is no longer capitalized.

The District capitalizes employee wage and benefit costs in connection with construction of utility plant.

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 4 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total \$5,370,605. Of the committed balance of \$3,432,022, the District will have no required future financing.

	<u>Project Authorization</u>	<u>Expended to 12/31/23</u>	<u>Committed</u>	<u>Required Future Financing</u>
SPU Negotiation Group	\$ 13,000	\$ 13,000	\$ -	\$ -
AMI Project	1,500,000	58,705	1,441,295	-
Scada Upgrade	46,684	46,684	-	-
Renton Inter-tie	9,521	8,134	1,387	-
700 Reservoir Site Study	1,220,000	733	1,219,267	-
Operation Center Impr.	771,283	761,819	9,464	-
Windtree 12" Main Impr.	62,373	62,373	-	-
Pleasant Cove Pump Upgrade	647,968	607,919	40,049	-
WSDOT 405 Sewer Reloc.	28,000	27,748	252	-
Sewer Rehabilitation - Donegal	734,134	78,787	655,347	-
580 Decant	300,000	235,072	64,928	-
Olympus Electrical Repair	37,642	37,609	33	-
	<u>\$ 5,370,605</u>	<u>\$ 1,938,583</u>	<u>\$ 3,432,022</u>	<u>\$ -</u>

NOTE 5 - LONG-TERM DEBT

a. Public Works Trust Fund Loans

The District has entered into agreements with the Department of Community, Trade and Economic Development of the State of Washington to receive the following Public Works Trust Fund Loans:

	<u>12/31/23</u>	<u>12/31/22</u>
2008 loan - payable at \$48,622 annually through the year 2028, plus interest at ½% per annum		
Purpose: Lake Boren Sanitary Sewer Project		
Original debt: \$874,009	\$ <u>243,108</u>	\$ <u>291,730</u>
	<u>\$ 243,108</u>	<u>\$ 291,730</u>

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 5 - LONG-TERM DEBT (Continued)

a. Public Works Trust Fund Loans (Continued)

The annual requirements to amortize all Public Works Trust Fund loans outstanding as of December 31, 2023, including interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 48,622	\$ 1,216	\$ 49,838
2025	48,622	972	49,594
2026	48,622	729	49,351
2027	48,622	486	49,108
2028	<u>48,620</u>	<u>243</u>	<u>48,863</u>
	<u>\$ 243,108</u>	<u>\$ 3,646</u>	<u>\$ 246,754</u>

b. Changes in Long-Term Liabilities

During the year ended December 31, 2023, the following changes occurred in long-term liabilities:

	<u>Balance</u> <u>1/1/23</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/23</u>	<u>Due In</u> <u>One Year</u>
Public Works Trust Fund Loans	291,730	-	(48,622)	243,108	48,622
Compensated Absences	261,486	21,552	-	283,038	-
Lease Security Deposit	8,550	-	-	8,550	-
Rental Meter Deposits	6,215	-	(3,898)	2,317	-
Net Pension Liability	266,046	-	(28,003)	238,043	-
Total OPEB Liability	<u>762,299</u>	<u>-</u>	<u>(94,671)</u>	<u>667,628</u>	<u>16,116</u>
Totals	<u>\$ 1,596,326</u>	<u>\$ 21,552</u>	<u>\$ (175,194)</u>	<u>\$ 1,442,684</u>	<u>\$ 64,738</u>

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6 - PENSION PLAN

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$238,043
Pension assets	\$551,806
Deferred outflows of resources	\$438,847
Deferred inflows of resources	\$327,797
Pension expense/expenditures	\$(47,490)

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR 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 comprised of and reported as three separate pension 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.

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6 - PENSION PLAN (Continued)

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 percent. 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:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%
July - August:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6.00%
September - December:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.53%	6.00%

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6 - PENSION PLAN (Continued)

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 5 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:

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6 - PENSION PLAN (Continued)

PERS Plan 2/3			
Actual Contribution Rates	Employer 2/3	Employee 2	Employee 3
January - June:			
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:			
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:			
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 contributions to the plan were \$62,765 to PERS Plan 1 and \$117,722 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.

NOTE 6 - PENSION PLAN (Continued)

- **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. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society 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).

Discount Rate

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

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 CMAs and their target asset allocation to simulate future investment returns at various future times.

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6 - PENSION PLAN (Continued)

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 Net Pension Liability/(Asset)

The table below presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$332,564	\$238,043	\$155,549
PERS 2/3	\$600,155	\$(551,806)	\$(1,498,214)

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6 - PENSION PLAN (Continued)

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 its proportionate share of the net pension liabilities and assets as follows:

	Liability (or Asset)
PERS 1	\$238,043
PERS 2/3	\$(551,806)

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	.009555%	.010428%	.000873%
PERS 2/3	.012429%	.013463%	.001034%

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	\$23,877
PERS 2/3	\$(71,367)
TOTAL	\$(47,490)

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:

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6 - PENSION PLAN (Continued)

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$(26,852)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$26,199	\$ -
TOTAL	\$26,199	\$(26,852)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$112,401	\$(6,166)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$(207,954)
Changes of assumptions	\$231,667	\$(50,494)
Changes in proportion and differences between contributions and proportionate share of contributions	\$11,264	\$(36,331)
Contributions subsequent to the measurement date	\$57,316	\$ -
TOTAL	\$412,648	\$(300,945)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$112,401	\$(6,166)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$(234,806)
Changes of assumptions	\$231,667	\$(50,494)
Changes in proportion and differences between contributions and proportionate share of contributions	\$11,264	\$(36,331)
Contributions subsequent to the measurement date	\$83,515	\$ -
TOTAL	\$438,847	\$(327,797)

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6 - PENSION PLAN (Continued)

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, 2024. 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	\$(18,269)
2025	\$(22,976)
2026	\$14,166
2027	\$226
2028	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2 & 3
2024	\$(100,316)
2025	\$(123,724)
2026	\$166,155
2027	\$57,266
2028	\$57,025
Thereafter	\$(2,017)

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Aggregate OPEB Amounts - All Plans	
OPEB liabilities	\$667,628
OPEB assets	\$ -
Deferred outflows of resources	\$8,058
Deferred inflows of resources	\$ -
OPEB expense/expenditures	\$(77,834)

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Plan Description

The District is a participating employer in the State of Washington's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. The plan provides other post-employment benefits (OPEB) through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

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

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees	17
Total	21

Assumptions and Other Inputs

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 Office of the State Actuary.

Methodology:	
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)
Assumptions:	
Discount Rate - Beginning of Measurement Yr	3.54%
Discount Rate - End of Measurement Yr	3.65%
Projected Salary Changes	3.25% + Service-Based Increases
Healthcare Trend Rates	Initial rate ranges from 2-16%, reaching an ultimate rate of approx. 3.8% in 2075.

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Mortality Rates:	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 years
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Inflation Rate	2.35%
Post-Retirement Participation Percentage	60%
Percentage with Spouse Coverage	45%

The source of the discount rate is the Bond Buyer General Obligation 20-Bond Municipal Index. Healthcare trend rate assumptions vary by medical plan. For additional details on the healthcare trend rates, see OSA's PEBB OPEB Healthcare Trend Assumptions webpage.

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$570,910	\$667,628	\$789,576

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

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$775,758	\$667,628	\$579,895

Changes in the Total OPEB Liability

Total OPEB Liability - January 1, 2023	\$762,299
Service Cost	\$23,982
Interest	\$27,539
Changes in Experience Data & Assumptions	\$(129,355)
Benefit Payments	\$(16,837)
Total OPEB Liability - December 31, 2023	\$667,628

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

Service Cost	\$23,982
Interest Cost	\$27,539
Changes in Experience Data & Assumptions	\$(129,355)
Changes in Benefit Terms	\$ -
Total OPEB Expense	\$(77,834)

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
Differences between expected and actual experience	\$ -	\$ -
Changes in experience data & assumptions	\$ -	\$ -
Payments subsequent to the measurement date	\$8,058	\$ -
TOTAL	\$8,058	\$ -

Deferred outflows of resources of \$8,058 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024.

NOTE 8 - RISK MANAGEMENT

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

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group purchased insurance

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 8 - RISK MANAGEMENT (Continued)

coverage for its members: All-Risk Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability, Crime; Public Officials Liability; Employment Practices Liability, Cyber Liability, Identity Fraud Reimbursement Program; and bonds of various types. Most coverages are on an “occurrence” basis. Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$275,000,000
Flood	See (A) below	See (A) below	\$20,000,000
Earthquake	See (B) below	See (B) below	\$100,000,000 (\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$700,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000 - \$25,000	\$25,000	\$10,000,000
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$500,000	\$10,000,000
Auto Liability	\$1,000 - \$25,000	Same as above	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	Same as above	\$10,000,000
Employment Practices	\$1,000 - \$25,000	Same as above	\$10,000,000
Other:			
Cyber Liability	\$50,000	N/A	\$2,000,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 8 - RISK MANAGEMENT (Continued)

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

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

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2023, written notice must be in the Pool possession by April 30, 2023). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

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

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

For years ending December 31, 2021, 2022 and 2023, the District had no claims in excess of their insurance coverage.

Coal Creek Utility District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 9 - LEASE COMMITMENTS

The District has entered into a long-term operating lease agreement, as the lessor. The agreement is a lease of land for a telecommunications facility which began in July 2010 and had an initial term of five years, with an option to extend for two additional five-year terms. The lease has been extended to June 2025.

Future minimum rents receivable are as follows:

2024	\$ <u>14,806</u>
	\$ <u>14,806</u>

The provisions of GASB 87, Leases have not been applied to this lease due to lack of materiality.

NOTE 10 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 11 - CONTINGENT LIABILITIES

The District's financial statements include all material liabilities. There are no material contingent liabilities to record.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE II

Coal Creek Utility District
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2023
Last 10 Fiscal Years

PERS 1	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.010428%	0.010009%	0.010140%	0.010406%	0.010197%	0.009779%	0.010002%	0.010519%
Employer's proportionate share of the net pension liability	\$	238,043	122,233	357,997	400,148	455,401	464,021	538,121	550,242
TOTAL	\$	238,043	122,233	357,997	400,148	455,401	464,021	538,121	550,242
Covered payroll	\$	1,850,970	1,515,826	1,548,428	1,509,792	1,418,265	1,292,508	1,214,605	1,205,452
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	%	80.16%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS 2/3									
Employer's proportion of the net pension liability (asset)	%	0.013463%	0.012873%	0.013135%	0.013443%	0.013040%	0.012578%	0.012824%	0.013584%
Employer's proportionate share of the net pension liability	\$	(551,806)	(1,282,358)	167,989	130,577	222,646	437,025	645,678	485,364
TOTAL	\$	(551,806)	(1,282,358)	167,989	130,577	222,646	437,025	645,678	485,364
Covered payroll	\$	1,850,970	1,515,826	1,548,428	1,509,792	1,418,265	1,292,508	1,214,605	1,205,452
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-29.81%	-84.60%	10.85%	8.65%	15.70%	33.81%	53.16%	40.26%
Plan fiduciary net position as a percentage of the total pension liability	%	107.02%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE III

Coal Creek Utility District
Schedule of Employer Contributions
Year Ended December 31, 2023
Last 10 Fiscal Years

PERS 1	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 62,765	65,200	65,149	74,265	74,624	71,818	63,411	58,733	50,065
Contributions in relation to the statutorily or contractually required contributions	\$ (62,765)	(65,200)	(65,149)	(74,265)	(74,624)	(71,818)	(63,411)	(58,733)	(50,065)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0
Covered payroll	\$ 1,850,970	1,726,232	1,515,826	1,548,428	1,509,792	1,418,265	1,292,508	1,231,317	1,156,737
Contributions as a percentage of covered payroll	% 0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

PERS 2/3	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 117,722	110,230	108,392	122,636	116,594	106,372	89,042	76,711	64,096
Contributions in relation to the statutorily or contractually required contributions	\$ (117,722)	(110,230)	(108,392)	(122,636)	(116,594)	(106,372)	(89,042)	(76,711)	(64,096)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0
Covered payroll	\$ 1,850,970	1,726,232	1,515,826	1,548,428	1,509,792	1,418,265	1,292,508	1,231,317	1,156,737
Contributions as a percentage of covered payroll	% 6.36%	6.39%	7.15%	7.92%	7.72%	7.50%	6.89%	6.23%	5.54%

Notes to Supplementary Schedules II and III

Note 1

These schedules will be built prospectively until they contain 10 years of data.

Note 2: Changes of Benefit Terms

There were no changes of benefit terms for the pension plans.

Note 3: Changes of Assumptions

Refer to Notes to Financial Statements, Note 6, Actuarial Assumptions.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE IV

Coal Creek Utility District
Schedule of Changes in Total OPEB Liability and Related Ratios
Public Employees' Benefit Board (PEBB) Health Insurance Plan
Year Ended June 30, 2023
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 762,299	\$ 901,246	\$ 1,049,970	\$ 784,427	\$ 834,281	\$ 823,644
Service cost	23,982	40,203	47,387	31,976	35,878	39,670
Interest	27,539	20,206	24,096	28,375	33,416	30,721
Changes in benefit terms	0	0	0	0	0	0
Differences between expected and actual experience	(129,355)	(187,366)	(206,048)	216,657	(105,623)	(49,302)
Changes of assumptions	0	0	0	0	0	0
Benefit payments	(16,837)	(11,990)	(14,159)	(11,465)	(13,525)	(10,452)
Other changes	0	0	0	0	0	0
Total OPEB liability - ending	<u>667,628</u>	<u>762,299</u>	<u>901,246</u>	<u>1,049,970</u>	<u>784,427</u>	<u>834,281</u>
Covered-employee payroll	1,850,970	1,726,232	1,515,826	1,548,428	1,509,792	1,418,265
Total OPEB liability as a % of covered payroll	36.07%	44.16%	59.46%	67.81%	51.96%	58.82%

Notes to Supplementary Schedule IV

Note 1

These schedules will be built prospectively until they contain 10 years of data.

Note 2

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.

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

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