



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## King County Water District No. 125

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

*Published December 26, 2024*

Report No. 1036362



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

December 26, 2024

Board of Commissioners  
King County Water District No. 125  
Seattle, Washington

**Report on Financial Statements**

Please find attached our report on King County Water District No. 125'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*

### **King County Water District No. 125 January 1, 2023 through December 31, 2023**

Board of Commissioners  
King County Water District No. 125  
Seattle, 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 King County Water District No. 125, 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 December 20, 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.

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 distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

December 20, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **King County Water District No. 125 January 1, 2023 through December 31, 2023**

Board of Commissioners  
King County Water District No. 125  
Seattle, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the accompanying financial statements of King County Water District No. 125, 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 King County Water District No. 125, as of December 31, 2023, and the changes in financial position 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 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 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 December 20, 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.

A handwritten signature in black ink, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

December 20, 2024



## **FINANCIAL SECTION**

### **King County Water District No. 125 January 1, 2023 through December 31, 2023**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2023

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2023

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

Statement of Cash Flows – 2023

Notes to Financial Statements – 2023

#### **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

Schedule of Changes in the Total OPEB Liability and Related Ratios – Public

Employees' Benefit Board (PEBB) Health Insurance Plan – 2023

Water District No. 125 of King County  
Management's Discussion and Analysis  
Year Ended December 31, 2023

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**Introduction**

Water District No. 125 of King County (the District) is a municipal corporation governed by an elected, three-member board. The District's primary activity is to provide water service to residential and commercial customers within the District's boundaries.

**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 the 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 year ended December 31, 2023. 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 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, significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

Water District No. 125 of King County  
Management's Discussion and Analysis  
Year Ended December 31, 2023

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**Condensed Comparative Statement of Net Position**

The following condensed statement of net position presents the assets and deferred outflow of resources of the District and shows the mix of liabilities and deferred inflow of resources and net position used to acquire these assets and deferred outflow of resources:

	<u>2023</u>	<u>2022</u>
<b><u>Assets</u></b>		
Current Assets	\$ 4,933,347	\$ 4,338,412
Noncurrent Assets:		
Other	262,316	236,398
Capital Assets - Net	<u>12,269,696</u>	<u>11,613,435</u>
Total Assets	<u>17,465,359</u>	<u>16,188,245</u>
<b><u>Deferred Outflow of Resources</u></b>	<u>220,647</u>	<u>248,629</u>
 <b><u>Liabilities</u></b>		
Current Liabilities	635,147	625,526
Noncurrent Liabilities:		
Long-Term Debt	346,117	251,435
Other	<u>575,920</u>	<u>624,705</u>
Total Liabilities	<u>1,557,184</u>	<u>1,501,666</u>
<b><u>Deferred Inflow of Resources</u></b>	<u>141,965</u>	<u>241,629</u>
 <b><u>Net Position</u></b>		
Net Investment in Capital Assets	11,835,052	11,262,904
Restricted for Net Pension Asset	332,942	243,044
Unrestricted	<u>3,818,863</u>	<u>3,187,631</u>
Total Net Position	<u>\$ 15,986,857</u>	<u>\$ 14,693,579</u>

Water District No. 125 of King County  
Management's Discussion and Analysis  
Year Ended December 31, 2023

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**Analysis of the Condensed Comparative Statement of Net Position**

**Assets**

Current assets include cash and cash equivalents held in the maintenance fund and can be used for day-to-day operations. The balance of cash & cash equivalents increased in 2023 by \$537,826. Cash balances vary from year to year based on income from operations, expenses, construction costs, borrowings and debt service payments. Current assets also include customer accounts receivable, accrued utility revenue, inventories and prepayments. Customer accounts receivables and accrued revenue increased by \$76,754 due to fluctuations in the timing of customer payments. Additionally, working with customers the District arranged to collect on delinquent accounts that had collection suspended as a result of the District's COVID-19 collection policies. Inventory saw an increase of \$33,203 from the increased cost of material due to inflation.

Noncurrent assets consist of a pension asset from PERS 2 & 3, as well as net capital assets, which includes land, construction in progress, utility plant, equipment and intangible assets, less accumulated depreciation. PERS 2 & 3 has allocated the District a pension asset of \$262,316, an increase of \$25,918 from the prior year. Net capital assets increased by \$656,261 in 2023 due to capital spending of \$1,331,649 offset by \$75,874 of sales of assets (net of depreciation) and depreciation and amortization expense of \$599,514. The District completed 2 construction in progress projects for \$1,267,369 (See note 4). Additionally, a new construction in progress project was initiated in 2023, for replacement of a water main at Macadam Road. As of December 31, 2023 the District has expended \$204,946 for this project.

**Deferred Outflow of Resources**

Deferred outflows decreased by \$27,982 in 2023, primarily due to a decrease in the deferred pension outflows of the pension plan as a whole. Deferred outflows related to OPEB did not change significantly in 2023.

**Liabilities**

Current liabilities include accounts payable, the current portion of long-term debt, accrued expenses, accrued interest payable on debt and deposits. Current liabilities increased by \$9,621 in 2023, primarily due to an increase in accounts payable of \$102,609.

Noncurrent liabilities include the long-term portion of Public Works Trust Fund loans, the net pension liability, the total OPEB liability and compensated absences. Noncurrent liabilities increased by \$45,897 in 2023, primarily as a result of the District being awarded a new pre-construction loan from the Public Works Trust Fund for work on the Macadam Road Pipe Replacement project. The District is authorized to take draws up to \$725,500 from the loan, and has taken \$183,209 as of the end of 2023.

**Deferred Inflows of Resources**

Deferred inflows of resources consists of pension deferred inflows of \$141,965 which is a decrease of \$99,664 in 2023. The decrease in deferred inflows is due to changes in assumptions used to calculate the liability.

Water District No. 125 of King County  
Management's Discussion and Analysis  
Year Ended December 31, 2023

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**Analysis of the Condensed Comparative Statement of Net Position (continued)**

**Net Position**

Net position consists of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. Net position increased by \$1,293,278 in 2023, reflecting the fact that total revenues and capital contributions exceeded total expenses. 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 statement of revenues, expenses and changes in fund net position presents the annual surplus or deficiency of revenues over expenses (the change in net position):

	<u>2023</u>	<u>2022</u>
<b><u>Revenues</u></b>		
Water Operating Revenues	\$ 4,343,640	\$ 3,916,741
Nonoperating Revenues	<u>202,866</u>	<u>(39,392)</u>
Total Revenues	<u>4,546,506</u>	<u>3,877,349</u>
<b><u>Expenses</u></b>		
Operating Expenses	3,617,096	3,117,963
Depreciation & Amortization	599,514	544,962
Nonoperating Expenses	<u>6,577</u>	<u>6,197</u>
Total Expenses	<u>4,223,187</u>	<u>3,669,122</u>
Change in Net Position before Capital Contributions	323,319	208,227
Capital Contributions	<u>969,959</u>	<u>706,125</u>
Change in Net Position	1,293,278	914,352
<b><u>Total Net Position, January 1</u></b>	<u>14,693,579</u>	<u>13,779,227</u>
<b><u>Total Net Position, December 31</u></b>	<u>\$ 15,986,857</u>	<u>\$ 14,693,579</u>

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

**Revenues**

Water operating revenues increased by \$426,899 in 2023 as a result of the District serving more customers in 2023 as well as a rate increase. Nonoperating revenues, which includes interest income from investments, increased by \$242,258 as compared to 2022 mainly due to changes in the interest rates and fluctuations in interest income on funds invested with the county.

Water District No. 125 of King County  
Management's Discussion and Analysis  
Year Ended December 31, 2023

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**Analysis of the Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position (continued)**

**Revenues (continued)**

King County investment pool combined with fair value adjustments to investment pool balances. Additionally, the District sold \$75,874 of net depreciated assets for \$89,052 resulting in a gain on sale of \$13,178.

**Expenses**

**Operating expenses** increased by \$499,133 in 2023 due to increased administrative and general, water, transmission and distribution expenses along with a decrease in employee pension and benefit costs. OPEB costs are \$(62,133) for 2023, caused by the reporting of changes in the OPEB Liability as a result of fluctuations in the assumptions and future expectations of the liability. Water and transmission expenses increased by \$156,942 primarily due to the increase in maintenance, labor and material as a result of the District's continued improvement of its meters, hydrants and water mains and services.

**Nonoperating expenses** consist of interest expense on long-term debt. Interest expense increased by \$380 in 2023, primarily due to the overall increase in principal balances on long-term debt.

**Capital Contributions**

Capital contributions increased by \$263,834 in 2023 to a total of \$969,959. This varies from year to year depending on the level of developer activity occurring within the District.

**Change in Net Position**

Net position increased by \$1,293,278 in 2023, reflecting the fact that despite total revenues exceeding total expenses by \$323,319, the revenue from contributed capital positively impacted the District's growth.

**Analysis of Overall Financial Condition**

The District's overall financial condition improved in 2023, with an increase in net position, adequate liquid assets and continued positive operating cash flow. The District saw a relative increase in contributed property from the finished development of residential and commercial properties within the District's service area, leading to an increase in customers served in future years.

**Capital Assets**

Capital assets consist of land, construction in progress, utility plant and equipment. The net capital assets of the District, after recording depreciation, increased by \$656,261 in 2023. Capital spending in 2023 consisted mainly of replacement projects. Over the next five years it is anticipated that capital spending will be around \$500,000 per year. The areas of major emphasis in the capital budget include various main replacement and main improvement projects. See Note 3.

Water District No. 125 of King County  
Management's Discussion and Analysis  
Year Ended December 31, 2023

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**Capital Assets (continued)**

Capital assets activity for the years ended December 31, 2023 & 2022 was as follows:

	Balance <u>12/31/23</u>	Balance <u>12/31/22</u>	<u>Change</u>
Land	\$ 550,680	\$ 550,680	\$ -
Construction in Progress	229,946	479,162	(249,216)
Plant	19,029,868	17,756,639	1,273,229
Equipment	1,179,395	1,044,994	134,401
Intangibles	1,119,824	1,109,024	10,800
Accumulated Depreciation	<u>(9,840,017)</u>	<u>(9,327,064)</u>	<u>(512,953)</u>
Total Capital Assets, Net	<u>\$ 12,269,696</u>	<u>\$ 11,613,435</u>	<u>\$ 656,261</u>

**Long-Term Debt**

At December 31, 2023, the District had total Public Works Trust Fund loans outstanding of \$434,644, with \$346,117 of this being long term. The total long-term debt of the District increased by \$94,682 during 2023 due to the District being awarded a new pre-construction loan from the Public Works Trust Fund for work on the Macam Road Pipe Replacement project. See Note 5.

Water District No. 125 of King County  
Statement of Net Position  
December 31, 2023

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ASSETS

Current Assets

Cash & Cash Equivalents	\$ 3,866,336
Accrued Interest Receivable	12,952
Receivables:	
Customer Accounts Receivable	419,391
Accrued Utility Revenue	311,571
Developer Accounts Receivable	11,870
Restricted Assets:	
Cash & Cash Equivalents	18,517
Inventories	192,473
Prepayments	<u>100,237</u>
Total Current Assets	<u>4,933,347</u>

Noncurrent Assets

Net Pension Asset	262,316
Capital Assets Not Being Depreciated:	
Land	550,680
Construction in Progress	229,946
Capital Assets Being Depreciated:	
Plant	19,029,868
Equipment	1,179,395
Intangibles	1,119,824
Less Accumulated Depreciation	<u>(9,840,017)</u>
Total Capital Assets	<u>12,269,696</u>
Total Noncurrent Assets	<u>12,532,012</u>
Total Assets	<u>17,465,359</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	214,052
Deferred Outflow Related to OPEB	<u>6,595</u>
Total Deferred Outflows	<u>\$ 220,647</u>

See accompanying notes.



Water District No. 125 of King County  
Statement of Net Position  
December 31, 2023

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LIABILITIES

Current Liabilities

Accounts Payable - Maintenance	\$ 401,412
Public Works Trust Fund Loans (Current Portion)	88,527
Interest Payable - PWTF Loans	3,298
Accrued Wages	5,821
Accrued Taxes	25,039
Due to Developers	75,688
Meter Deposits	3,656
Total OPEB Liability (Current Portion)	13,189
Payable from Restricted Assets:	
Developer Performance Bonds Payable	<u>18,517</u>
Total Current Liabilities	<u>635,147</u>

Noncurrent Liabilities

Public Works Trust Fund Loans (Less Current Portion)	346,117
Net Pension Liability	113,429
Total OPEB Liability (Less Current Portion)	313,601
Compensated Absences	<u>148,890</u>
Total Noncurrent Liabilities	<u>922,037</u>
Total Liabilities	<u>1,557,184</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u>141,965</u>
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NET POSITION

Net Investment in Capital Assets	11,835,052
Restricted for Net Pension Asset	332,942
Unrestricted	<u>3,818,863</u>
Total Net Position	<u>\$ 15,986,857</u>

See accompanying notes.

Water District No. 125 of King County  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Year Ended December 31, 2023

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Operating Revenues

Water Sales	\$ 4,256,964
Penalties and Miscellaneous	<u>86,676</u>
Total Operating Revenues	<u>4,343,640</u>

Operating Expenses

Water Costs	1,308,542
Transmission and Distribution	843,388
Customer Accounts	119,822
Administrative and General	1,321,261
Street Lighting Cost	24,083
Depreciation	553,467
Amortization	<u>46,047</u>
Total Operating Expenses	<u>4,216,610</u>

Operating Income (Loss)	127,030
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Nonoperating Revenues (Expenses)

Investment Income	189,688
Interest Expense	(6,577)
Gain (Loss) on Sale of Fixed Assets	<u>13,178</u>

Total Nonoperating Revenues (Expenses)	<u>196,289</u>
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Income (Loss) Before Contributions	323,319
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Capital Contributions	<u>969,959</u>
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Change in Net Position	1,293,278
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<u>Total Net Position - January 1</u>	<u>14,693,579</u>
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<u>Total Net Position - December 31</u>	<u>\$ 15,986,857</u>
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See accompanying notes.

Water District No. 125 of King County  
Statement of Cash Flows  
Year Ended December 31, 2023

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Cash Flows From Operating Activities

Cash Received from Customers	\$ 4,266,886
Cash Paid to Suppliers	(2,884,837)
Cash Paid to Employees	<u>(766,834)</u>
Net Cash Provided by Operating Activities	<u>615,215</u>

Cash Flows From Capital & Related

Financing Activities

Acquisition & Construction of Capital Assets	(1,458,737)
Proceeds From Sale of Capital Assets	89,052
Cash Contributions in Aid of Construction	1,020,628
Proceeds From Public Works Trust Fund Loans	183,209
Principal Payments on Public Works Trust Fund Loans	(88,527)
Interest Paid on Public Works Trust Fund Loans	<u>(6,103)</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(260,478)</u>

Cash Flows From Investing Activities

Interest Received on Investments	108,505
Adjustment to Fair Value of Investments	<u>74,584</u>
Net Cash (Used) by Investing Activities	<u>183,089</u>

Net Increase (Decrease) in Cash & Cash Equivalents	537,826
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<u>Cash and Cash Equivalents</u> - January 1	<u>3,347,027</u>
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<u>Cash and Cash Equivalents</u> - December 31	<u>\$ 3,884,853</u>
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Noncash Investing, Capital & Financing Activities

Contribution of Capital Assets from Developers	<u>\$ -</u>
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See accompanying notes.

Water District No. 125 of King County  
Statement of Cash Flows  
Year Ended December 31, 2023

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Reconciliation of Operating Income (Loss)  
to Net Cash Provided by Operating Activities

Operating Income (Loss)	\$ 127,030
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Adjustments to Reconcile Operating Income (Loss)  
to Net Cash Provided by Operating Activities

Depreciation	553,467
Amortization	46,047

Change in Assets, Deferred Outflows of Resources,  
Liabilities & Deferred Inflows of Resources

(Increase) Decrease in Customer Accounts Receivable	(57,121)
(Increase) Decrease in Accrued Utility Revenue	(19,633)
(Increase) Decrease in Inventories	(33,203)
(Increase) Decrease in Prepayments	46,488
(Increase) Decrease in Net Pension Asset	(25,918)
(Increase) Decrease in Deferred Outflows	
Related to Pensions	27,878
(Increase) Decrease in Deferred Outflows	
Related to OPEB	104
Increase (Decrease) in Accounts Payable - Maintenance	102,609
Increase (Decrease) in Accrued Wages	2,710
Increase (Decrease) in Accrued Taxes	3,984
Increase (Decrease) in Net Pension Liability	(22,281)
Increase (Decrease) in OPEB Liability	(62,237)
Increase (Decrease) in Compensated Absences	35,524
Increase (Decrease) in Subscription Liability	(10,569)
Increase (Decrease) in Deferred Inflows	
Related to Pensions	(99,664)
Total Adjustments	488,185
Net Cash Provided by Operating Activities	\$ 615,215

See accompanying notes.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Water District No. 125 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

Water District No. 125 is a municipal corporation governed by an elected, three-member board. The District's primary activity is to provide water service to residential and commercial customers within the District's boundaries. All water sold by the District is purchased from the City of Seattle, Washington and other water districts. 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 and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The District uses the uniform system of accounts for water utilities as prescribed by the National Association of Regulatory Utility Commissioners.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Unbilled utility service receivables are recorded at year end. Capital asset costs are capitalized.

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 and related services. Operating expenses pertain to the furnishing of those services which 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 and Cash Equivalents

It is the District's policy to invest all temporary cash surpluses. At December 31, 2023 the treasurer was holding \$3,857,718 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

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.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Capital Assets

Utility plant in service is recorded at cost. Donations by developers are recorded at the developers' cost. Depreciation is calculated on the straight-line method. Upon retirement of an asset, the cost of the asset and the related accumulated depreciation are removed from the property accounts and the gain or loss is reflected in the statement of revenues, expenses and changes in fund net position.

Estimated useful lives are as follows:

Plant	10 to 40 years
Equipment	5 to 40 years
Intangibles	10 to 46 years

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, 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. Restricted funds currently include the following:

		<u>12/31/23</u>
Developer Performance Bonds	\$	18,517

f. Receivables

Receivables consist primarily of amounts due from water 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.

h. Investments

Investments are recorded at fair value. See Note 2.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when incurred. An employee may accumulate a maximum of 2 years accrued vacation leave. Vacation time accumulated in excess of the maximum limit shall be forfeited. After completion of six months of service, full time employees shall accrue 1 compensatory day per month. 4 hours will be credited to the employee's compensatory account, and 4 hours will be cashed out and rolled over to the VEBA account on a monthly basis. At the end of each calendar year, any accrued but unused compensatory days up to 6 days will be cashed out and rolled over to the employee's HRA VEBA account at the employee's then current rate of pay.

There shall be no cap on contributions of compensatory days to the employee's VEBA account. After completing 6 months of service, full time employees shall accrue 1 day of sick leave per month. An employee may accumulate sick leave up to 120 days. Upon separation of employment, sick leave accrued but not used shall be cashed out at the employee's then current rate of pay vested as per their duration of service. Further, upon PERS retirement, sick leave accrued but not used shall be cashed out at the employee's then current rate of pay. See note 5.

j. Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflow of resources and deferred inflow 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 (if any) 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. 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.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Subsequent Events

Management has evaluated subsequent events through May 28, 2024, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

	<u>2023</u>
Petty Cash	\$ 650
Bank Deposit Accounts	26,485
Investment in King County Investment Pool	<u>3,857,718</u>
Total Cash & Investments	<u>\$ 3,884,853</u>

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 laws, 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	\$ 3,857,718	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 \$209 and the District's fair value of these investments is \$103.

**Interest Rate Risk.** As of December 31, 2023, the Pool's average duration was .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.



Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

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

**Investments Measured at Fair Value**

The District measures and reports investments at fair market value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2023, the District had the following investments measured at fair value:

- Investments in the King County Investment Pool are valued using quoted market prices  
(Level 1 inputs)

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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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	\$ 550,680	\$ -	\$ -	\$ 550,680
Construction in Progress	<u>479,162</u>	<u>1,018,153</u>	<u>(1,267,369)</u>	<u>229,946</u>
<u>Total capital assets not being depreciated</u>	<u>1,029,842</u>	<u>1,018,153</u>	<u>(1,267,369)</u>	<u>780,626</u>
Capital assets being depreciated:				
Plant	17,756,639	1,327,755	(54,526)	19,029,868
Equipment	1,044,994	242,310	(107,909)	1,179,395
Intangibles	<u>1,109,024</u>	<u>10,800</u>	<u>-</u>	<u>1,119,824</u>
<u>Total capital assets being depreciated</u>	<u>19,910,657</u>	<u>1,580,865</u>	<u>(162,435)</u>	<u>21,329,087</u>
Less Accumulated Depreciation	<u>9,327,064</u>	<u>599,514</u>	<u>(86,561)</u>	<u>9,840,017</u>
<u>Total capital assets being depreciated, net</u>	<u>10,583,593</u>	<u>981,351</u>	<u>(75,874)</u>	<u>11,489,070</u>
 <u>TOTAL CAPITAL ASSETS, NET</u>	 <u>\$ 11,613,435</u>	 <u>\$ 1,999,504</u>	 <u>\$ (1,343,243)</u>	 <u>\$ 12,269,696</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.

The practice of the District is to use a capitalization threshold of \$1,000.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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**NOTE 4 - CONSTRUCTION IN PROGRESS**

Construction in progress represents expenses to date on projects whose authorizations total \$229,946. The District will not be required to incur any future financing.

	<u>Project Authorization</u>	<u>Expended to 12/31/23</u>	<u>Committed</u>	<u>Anticipated Future Financing</u>
Glacier Park	\$ 25,000	\$ 25,000	\$ -	\$ -
Macadam Rd/51 <sup>st</sup> Ave S	<u>204,946</u>	<u>204,946</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 229,946</u>	<u>\$ 229,946</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 - LONG-TERM DEBT AND LIABILITIES**

**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>2023</u>
2004 loan - payable at \$4,566 annually through the year 2024, plus interest at ½% per annum Original debt: \$101,150 for Zone 2 Source and Water main Improvement Project.	\$ 4,566
2005 loan - payable at \$57,645 annually through the year 2025, plus interest at ½% per annum Original debt: \$1,088,850 for Zone 2 Source and Water main Improvement Project.	115,290
2008 loan - payable at \$26,316 annually through the year 2028, plus interest at 3% per annum Original debt: \$500,000 for Water Supply Replacement Project.	131,579
2023 loan - payable at \$50,803 annually through the year 2028, plus interest at 1.39% per annum Original debt: \$183,209 for The Macadam Road, 51 <sup>st</sup> Ave South and 151 <sup>st</sup> St. Pipe Replacement Project.	<u>183,209</u>
	<u>\$ 434,644</u>

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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NOTE 5 - LONG-TERM DEBT AND LIABILITIES (Continued)

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>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 88,527	\$ 6,304	\$ 94,831
2025	134,763	6,271	141,034
2026	77,119	4,487	81,606
2027	77,119	2,991	80,110
2028	<u>57,116</u>	<u>1,072</u>	<u>58,188</u>
	<u>\$ 434,644</u>	<u>\$ 21,125</u>	<u>\$ 455,769</u>

Changes in Long-Term Liabilities

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

	<u>Balance 1/1/23</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/23</u>	<u>Due in One Year</u>
Public Works Trust Fund Loans	\$ 339,962	\$ 183,209	\$ (88,527)	\$ 434,644	\$ 88,527
Net Pension Liability	135,710	-	(22,281)	113,429	-
Total OPEB Liability	389,027	-	(62,237)	326,790	13,189
Compensated Absences	<u>113,366</u>	<u>35,524</u>	<u>-</u>	<u>148,890</u>	<u>-</u>
Totals	<u>\$ 978,065</u>	<u>\$ 218,733</u>	<u>\$ (173,045)</u>	<u>\$1,023,753</u>	<u>\$ 101,716</u>

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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**NOTE 6 - PENSION PLAN**

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

<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ 113,429
Pension assets	\$ 262,316
Deferred outflows of resources	\$ 214,052
Deferred inflows of resources	\$ 141,965
Pension expense/expenditures	\$ (27,854)

**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](http://www.drs.wa.gov).

See accountant's report.

NOTE 6 - PENSION PLAN (Continued)

**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.

**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.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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NOTE 6 - PENSION PLAN (Continued)

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:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January - June:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>
July - August:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
<b>Total</b>	<b>9.39%</b>	<b>6.00%</b>
September - December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
<b>Total</b>	<b>9.53%</b>	<b>6.00%</b>

**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.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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**NOTE 6 - PENSION PLAN (Continued)**

**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:

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

The District's actual contributions to the plan were \$31,971 to PERS Plan 1 and \$60,158 to PERS Plan 2/3 for the year ended December 31, 2023.



Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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NOTE 6 - PENSION PLAN (Continued)

**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 promotions and longevity.
- **Investment rate of return:** 7.0%

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).

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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NOTE 6 - PENSION PLAN (Continued)

**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.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	<b>100%</b>	

**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	\$182,100	\$130,344	\$85,173
PERS 2/3	\$327,827	\$(301,417)	\$(818,381)

**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 assets and net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 113,429
PERS 2/3	\$(262,316)

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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**NOTE 6 - PENSION PLAN (Continued)**

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	.004874%	.004969%	.000095%
PERS 2/3	.006374%	.006400%	.000026%

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	\$ 1,884
PERS 2/3	\$ (29,738)
TOTAL	\$ (27,854)

**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 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	\$ -	\$ (12,795)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 14,256	\$ -
TOTAL	\$ 14,256	\$ (12,795)

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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NOTE 6 - PENSION PLAN (Continued)

**Deferred Outflows of Resources and Deferred Inflows of Resources  
(Continued)**

<b>PERS Plan 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 53,433	\$ (2,931)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (98,856)
Changes of assumptions	\$110,129	\$ (24,004)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 5,339	\$ (3,379)
Contributions subsequent to the measurement date	\$ 30,894	\$ -
<b>TOTAL</b>	<b>\$199,796</b>	<b>\$(129,170)</b>

<b>All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 53,433	\$ (2,931)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$(111,652)
Changes of assumptions	\$110,129	\$ (24,004)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 5,339	\$ (3,379)
Contributions subsequent to the measurement date	\$ 45,150	\$ -
<b>TOTAL</b>	<b>\$214,052</b>	<b>\$(141,965)</b>

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:

<b>Year ended December 31:</b>	<b>PERS 1</b>
2024	\$ (8,705)
2025	\$(10,948)
2026	\$ 6,750
2027	\$ 108
2028	\$ -
Thereafter	\$ -

<b>Year ended December 31:</b>	<b>PERS 2 &amp; 3</b>
2024	\$(44,762)
2025	\$(56,208)
2026	\$ 81,508
2027	\$ 29,111
2028	\$ 29,020
Thereafter	\$ 1,062

Water District No. 125 of King County  
Notes to Financial Statements  
Year Ended December 31, 2023

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**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:

<b>Aggregate OPEB Amounts - All Plans</b>	
OPEB liabilities	\$326,790
OPEB assets	\$ -
Deferred outflows of resources	\$ 6,595
Deferred inflows of resources	\$ -
OPEB expense/expenditures	\$ (47,878)

**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	10
Total	14

**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.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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

<b>Methodology:</b>	
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Asset Valuation Method	N/A (No Assets)
<b>Assumptions:</b>	
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 about 2 - 16%, reaching an ultimate rate of approximately 3.8% in 2075.

<b>Mortality Rates:</b>	
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.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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

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	\$277,428	\$326,790	\$390,820

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	\$381,703	\$326,790	\$282,825

**Changes in the Total OPEB Liability**

<b>Total OPEB Liability - January 1, 2023</b>	\$ 389,027
Service Cost	\$ 15,200
Interest	\$ 14,058
Changes in Experience Data & Assumptions	\$ (77,136)
Benefit Payments	\$ (14,359)
<b>Total OPEB Liability - December 31, 2023</b>	\$ 326,790

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

Service Cost	\$ 15,200
Interest Cost	\$ 14,058
Changes in Experience Data & Assumptions	\$ (77,136)
Changes in Benefit Terms	\$ -
<b>Total OPEB Expense</b>	\$ (47,878)



Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes in experience data & assumptions	\$ -	\$ -
Payments subsequent to the measurement date	\$6,595	\$ -
<b>TOTAL</b>	<b>\$6,595</b>	<b>\$ -</b>

Deferred outflows of resources of \$6,595 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, 2023.

**NOTE 8 - RISK MANAGEMENT**

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

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

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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**NOTE 8 - RISK MANAGEMENT (Continued)**

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
<b>Property Loss:</b>			
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
<b>Liability:</b>			
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
<b>Other:</b>			
Cyber Liability	\$50,000	N/A	\$2,000,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$50,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period			

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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**NOTE 8 - RISK MANAGEMENT (Continued)**

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 possession of the Pool 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.

**NOTE 9 - JOINT FACILITIES**

- a. Water District No. 125 is a 25% participant in a joint reservoir operated by Skyway Water and Sewer District. The District paid 25% of the cost of construction and, thereby, acquired a leasehold interest of 25% of the reservoir capacity for 50 years beginning November 1, 1996. The cost of acquiring this leasehold interest is being amortized over 46 years beginning November 1, 2001. The District shares the costs of operating and maintaining the reservoir. Its share of these costs was \$0 for 2023 as the District is billed biannually. Information about all aspects of this contract is available in the District office.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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NOTE 9 - JOINT FACILITIES (Continued)

- b. Water District No. 125 is a participant in a joint reservoir operated by Water District No. 20. On April 11, 2002, the District executed a new agreement which expired December 31, 2022. The respective Districts continue to negotiate their relationship moving forward in respect to the expired reservoir agreement. Under the previous agreement, the District purchased a portion of its water from Water District No. 20 and shared in the costs of operating and maintaining the reservoir. Its share of these costs was approximately \$77,065 for 2023. Information about this contract is available in the District office.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

a. Water Supply Contract

On March 28, 2002, the District entered into a full requirements water supply contract with the City of Seattle. The contract runs through December 31, 2061. The city agrees to supply 100% of the District's water requirements, and the District agrees to purchase 100% of its wholesale water from the city, with the exception of water purchased from other Districts under existing intertie agreements.

New rates and facilities charges, determined by Seattle, become effective annually. Information about these charges and other aspects of the contract is available in the District office.

b. Water Delivery and Sub-Metering Agreement

On April 16, 2004, effective January 1, 2004, the District entered into a Water Delivery and Sub-Metering Agreement between itself and the City of Seattle, Skyway Water and Sewer District, and the Cascade Water Alliance, which amends the water supply contract mentioned in Note 9(a), above. This agreement provides for the District to receive Seattle water through an interconnection with Skyway. Seattle will bill the District for this water and Skyway will bill the District for the capital costs and operation & maintenance costs associated with the flow and metering of the water.

This agreement expires December 31, 2053 but can be terminated by any party with one year's written notice to the other parties.

A copy of the contract is available in the District office.

c. Joint Administration Building

On August 14, 2005, the District entered into an agreement with Valley View Sewer District for the construction and operation of a joint administration building on property owned by Water District No. 125. The District's share of operating and maintenance expenses was \$22,144 in 2022. The building was completed and occupied in 2007. The Districts are tenants in common, each having a 50% interest in the shared parcel and are operating under a condominium agreement.

Details of the agreements are available in the District office.

Water District No. 125 of King County  
Notes to the Financial Statements  
Year Ended December 31, 2023

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**NOTE 11 - SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

The District has entered into a 3 year subscription based information technology arrangement (SBITA) on 08/26/21 with Environmental Systems Research Institute, Inc (ESRI) valued at \$47,199. The SBITA asset allows use of ESRI's proprietary software and includes standard maintenance set forth by the ESRI Maintenance and Support Program document (found at <https://www.esri.com/en-us/legal/terms/maintenance>). Services outside this document are not included in the SBITA asset. The net SBITA asset is recorded as follows:

	<u>Balance</u> <u>01/01/23</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/23</u>
Subscription Assets	\$ 47,199	\$ -	\$ -	\$ 47,199
Less Accumulated Amortization	<u>20,978</u>	<u>15,733</u>	<u>-</u>	<u>36,711</u>
<u>Net Subscription Asset</u>	<u>\$ 26,221</u>	<u>\$ (15,733)</u>	<u>\$ -</u>	<u>\$ 10,488</u>

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

<u>Year ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 12 - 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.

SCHEDULE I

Water District No. 125 of King County  
Schedule of Proportionate Share of the Net Pension Liability  
As of June 30, 2023  
Last 10 Fiscal Years

<b>PERS 1</b>		2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.004969%	0.004874%	0.004989%	0.005059%	0.005065%	0.004926%	0.004683%	0.004867%	0.005044%
Employer's proportionate share of the net pension liability	\$	113,429	135,710	60,927	178,610	194,767	219,997	222,212	261,381	263,848
TOTAL	\$	113,429	135,710	60,927	178,610	194,767	219,997	222,212	261,381	263,848
Covered payroll	\$	884,809	804,738	766,139	769,962	710,165	654,500	590,561	578,914	578,153
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	12.82%	16.86%	7.95%	23.20%	27.43%	33.61%	37.63%	45.15%	45.64%
Plan fiduciary net position as a percentage of the total pension liability	%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
<b>PERS 2/3</b>										
Employer's proportion of the net pension liability (asset)	%	0.006400%	0.006374%	0.006406%	0.006618%	0.006535%	0.006352%	0.006024%	0.006244%	0.006516%
Employer's proportionate share of the net pension liability	\$	-262,316	-236,398	-638,141	84,640	63,477	108,455	209,305	314,380	232,820
TOTAL	\$	-262,316	-236,398	-638,141	84,640	63,477	108,455	209,305	314,380	232,820
Covered payroll	\$	884,809	804,738	766,139	769,962	710,165	654,500	590,561	578,914	578,153
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-29.65%	-29.38%	-83.29%	10.99%	8.94%	16.57%	35.44%	54.31%	40.27%
Plan fiduciary net position as a percentage of the total pension liability	%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

SCHEDULE II

Water District No. 125 of King County  
Schedule of Employer Contributions  
Year Ended December 31, 2023  
Last 10 Fiscal Years

<b>PERS 1</b>		2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$	31,971	31,810	32,910	37,524	36,431	34,921	29,788	27,377	23,183
Contributions in relation to the statutorily or contractually required contributions	\$	31,971	31,810	32,910	37,524	36,431	34,921	29,788	27,377	23,183
Contribution deficiency (excess)	\$	0	0	0	0	0	0	0	0	0
Covered payroll	\$	945,873	846,888	766,547	782,562	736,568	689,590	607,777	573,944	589,152
Contributions as a percentage of covered payroll	%	3.38%	3.76%	4.29%	4.80%	4.95%	5.06%	4.90%	4.77%	3.93%
<b>PERS 2/3</b>										
Statutorily or contractually required contributions	\$	60,158	53,862	54,765	61,979	56,855	51,724	41,817	35,757	29,025
Contributions in relation to the statutorily or contractually required contributions	\$	60,158	53,862	54,765	61,979	56,855	51,724	41,817	35,757	29,025
Contribution deficiency (excess)	\$	0	0	0	0	0	0	0	0	0
Covered payroll	\$	945,873	846,888	766,547	782,562	736,568	689,590	607,777	573,944	589,152
Contributions as a percentage of covered payroll	%	6.36%	6.36%	7.14%	7.92%	7.72%	7.50%	6.88%	6.23%	4.93%

**Notes to Supplementary Schedules I and II**

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.

SCHEDULE III

Water District No. 125 of King County  
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
<b>Total OPEB liability - beginning</b>	\$ 389,027	\$ 574,212	\$ 646,657	\$ 424,845	\$ 432,225	\$ 427,889
Service cost	15,200	32,903	32,984	17,269	16,671	22,585
Interest	14,058	12,960	14,844	15,184	16,889	15,892
Changes in benefit terms	-	-	-	-	-	0
Differences between expected and actual experience	(77,136)	(216,751)	(104,266)	206,046	(15,708)	(20,871)
Changes of assumptions						0
Benefit payments	(14,359)	(14,297)	(16,007)	(16,687)	(25,232)	(13,270)
Other changes	-	-	-	-	-	0
<b>Total OPEB liability - ending</b>	<b>326,790</b>	<b>389,027</b>	<b>574,212</b>	<b>646,657</b>	<b>424,845</b>	<b>432,225</b>
<b>Covered-employee payroll</b>	<b>945,873</b>	<b>846,888</b>	<b>766,547</b>	<b>782,562</b>	<b>736,568</b>	<b>689,590</b>
<b>Total OPEB liability as a % of covered payroll</b>	<b>34.55%</b>	<b>45.94%</b>	<b>74.91%</b>	<b>82.63%</b>	<b>57.68%</b>	<b>62.68%</b>

Notes to Supplementary Schedules I and II

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.

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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.

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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.

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