Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Highline Water District

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

Published January 21, 2025

Report No. 1036465

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Office of the Washington State Auditor
Pat McCarthy

January 21, 2025

Board of Commissioners
Highline Water District
Kent, Washington

Report on Financial Statements

Please find attached our report on the Highline Water 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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Highline Water District
January 1, 2023 through December 31, 2023

Board of Commissioners
Highline Water District
Kent, 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 Highline Water District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

January 15, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Highline Water District
January 1, 2023 through December 31, 2023

Board of Commissioners
Highline Water District
Kent, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

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

Basis for Opinion

We conducted our 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 January 15, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

January 15, 2025

FINANCIAL SECTION

Highline Water District
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 Net Position – 2023
Statement of Cash Flows – 2023
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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – Public Employee Benefits Board – 2023
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

INTRODUCTION

Highline Water District was formed in 1946 to provide water service to customers residing within the District boundaries. The District consists of 18-square miles, serving portions of seven cities and unincorporated areas within southwest King County. The District provides water to a population of approximately 71,000 and businesses that employ 28,000 people through 18,900 metered connections.

The mission of the Board of Commissioners and employees of Highline Water District is to provide high quality water and excellent customer service while effectively managing District infrastructure for a reliable water system today and for future generations.

MANAGEMENT DISCUSSION AND ANALYSIS

This section of Management's Discussion and Analysis presents the District's review of its financial position and performance as of December 31, 2023. These comments should be evaluated in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include a statement of net position, statement of revenues, expenses, and changes in fund net position, statement of cash flows, and notes to the financial statements. The financial statements are prepared using the accrual basis of accounting and conform to the generally accepted accounting principles applicable to proprietary fund of the government.

The Statement of Net Position presents the total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources. The difference between the totals assets and liabilities is reported as net position. The statements provide information about the nature and amounts of investments in resources (assets), consumption of resources that are applicable to future periods (deferred outflows), obligations to District creditors (liabilities) and the acquisition of resources applicable to a future reporting period (deferred inflows). The information provides the District's capital structure, liquidity and financial flexibility. Over time, increases or decreases in net position may serve as useful indicators of whether the financial condition of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents the results of the District's business activities over the course of the year. This information can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, and to evaluate its 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. The information identifies the source and use of cash.

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.

HIGHLINE WATER DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2023
CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31 2023 & DECEMBER 31 2022

	2023	2022
Capital Assets	$ 108,988,072	$ 111,390,570
Other Assets	35,221,363	29,285,455
Total Assets	144,209,435	140,676,025
Deferred Outflows of Resources	859,330	972,427
Long-Term Liabilities	3,321,650	4,053,062
Other Liabilities	2,706,807	2,790,890
Total Liabilities	6,028,457	6,843,952
Deferred Inflows of Resources	1,575,656	2,047,816
Net Investment in Capital Assets	106,009,220	108,945,488
Restricted for Impaired Investments	4,265	5,799
Restricted for Pensions	1,275,105	-
Unrestricted Amounts	30,176,062	23,805,397
Total Net Position	$ 137,464,652	$ 132,756,684

Analysis of the Condensed Comparative Statement of Net Position

Capital Assets

Capital assets consist of land, construction in progress, and plant-in-service. In 2023, the net capital assets decreased by $2,388,156. The primary contributor to the decrease is from the change in accumulated depreciation. The adoption of GASB 96 Subscription Based Information Technology Arrangements, (SBITA), increased the Asset by $79,906 and was reduced by $37,440 in amortization expense. The assets recorded on the balance sheet represent the value of the intangible asset owed to the vendor for the noncancellable period of the arrangement.

The principal capital projects in 2023 include Project 18-2 International Blvd at SR 509 Road Improvement, Project 18-5 34th Avenue South Water Main Replacement, and 21-1 Des Moines 24th Avenue South Watermain Replacement.

In comparison, the principal projects in the 2022 include: Project 18-2 International Blvd at SR 509 Road Improvement, Project 19-1 North Hill AC Water Main Replacement, Project 20-1 Military Road Watermain Relocation, and Project SW 22-3 272nd Emergency Water Main Replacement. Net capital assets for 2022 increased minimally after depreciation.

Over the next four years, the District anticipates spending approximately $33 million in capital investments. The areas of major emphasis in the capital budget include water main replacement projects, reservoir retrofitting, security upgrades, and equipment purchases.

Analysis of the Condensed Comparative Statement of Net Position (Continued)

CAPITAL ASSET ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2023 WAS AS FOLLOWS:

	Balance 12/31/2023	Balance 12/31/2022	Changes
SBITA Asset	79,906	-	79,906
Land	932,734	932,734	-
Construction in Progress	5,667,219	5,160,348	506,871
Plant-In-Service	182,754,344	181,533,632	1,220,712
Accumulated Depreciation	(81,349,176)	(77,190,970)	(4,158,205)
Accumulated Amortization - SBITA	(37,440)	-	(37,440)
Total Capital Assets, Net	108,047,588	110,435,744	(2,388,156)

CAPITAL ASSET ACTIVITY FOR THE YEAR ENDED DECEMBER 31, 2022 WAS AS FOLLOWS:

	Balance 12/31/2022	Balance 12/31/2021	Changes
Land	932,734	932,734	-
Construction in Progress	5,160,348	5,503,040	(342,692)
Plant-In-Service	181,533,632	177,351,556	4,182,076
Accumulated Depreciation	(77,190,970)	(73,405,619)	(3,785,351)
Total Capital Assets, Net	110,435,744	110,381,711	54,033

Assets

Current Assets include cash and cash equivalents held in various funds. Total cash and cash equivalents increased by $6,498,200 in 2023 compared to an increase of $2,337,473 in 2022. Cash balances in the funds vary from year to year based on income and expenses from operations, capital contributions, transfers between funds, borrowings, and debt service payments. The notable increase in 2023 was due to increased revenue from higher than anticipated water sales and decreased spending on capital projects. Several projects scheduled for construction in 2023 were delayed by the District's partner agencies. These projects will be constructed in subsequent years.

Current Assets also include accounts receivable, accrued utility revenue, current portion of contract receivables, inventories, and prepaid expenses. Notably, customer accounts receivable increased by $65,047, contrasting with a decrease of $26,243 in 2022. The rise in receivables is primarily due to the fluctuation in receipts from customers. In 2023, receivables from leases, developers and other sources experienced a decrease by $472,468. The reduction was primarily attributed to reimbursements in 2022 for construction on Project 16-6 by Sound Transit and for Project 19-1 by other partnering agencies. Receivables from the eight (8) cell tower leases remained stable with minimal change, notably, standing at a present value of $1,175,041.

Noncurrent Assets

Plant-In-Service increased $1,220,712 in 2023, developer-donated facilities amounted to $677,170, General Facilities Charges, (GFC's) $400,000, and $61,482 accrual for Sound Transit Task 2 Revenue. However, these additions were offset by accumulated depreciation expense of $4,158,205.

Analysis of the Condensed Comparative Statement of Net Position (Continued)

Noncurrent Assets (Continued)

Net pension assets are amounts in excess of the amount owed to a defined benefit pension plan based on the actuarial present value of projected benefit payments for plan members and their beneficiaries less the plan's net position. Net pension asset decreased $14,342 in 2023.

Deferred Outflows of Resources

The Deferred Outflows of Resources related to pension are a depletion of net assets that will be recognized in a future reporting period. The deferred outflow decreased by $112,029 in 2023, caused primarily due to fluctuations in the deferred pension outflows of the pension plan. This contrasts with the previous year, where there was an increase of $631,689. The District recognized deferred outflows related to other postemployment benefits (OPEB) in accordance with GASB 75 implementation in 2018. The deferred outflows related to OPEB remained stable in 2023 and 2022.

Liabilities

Current Liabilities consist of accounts payable, current portion and interest for long-term debt, SBITA liabilities, developer deposits payable and contractor retainage on public works projects. The total current liabilities decreased by $84,084 and $246,392 in 2023 and 2022, respectively. Developer deposits payable increased by $52,892 due to developer activity. Retainage due to contractors decreased $268,354 in 2023, directly correlating with the District's fluctuating construction expenditures on public works contracts from year to year. The District's debt continues to decrease as loans are paid off.

Noncurrent Liabilities include compensated absences, net pension liability, OPEB liability, and the long-term portions of debt service, and SBITA. Noncurrent liabilities decreased by $731,412 in 2023, primarily due to payments of loan principal, a decrease of $143,286 in net pension liability, and a decrease in long-term OPEB Liability. The total OPEB liability decreased because of the changes in experience data and the assumptions used to calculate the liability by the state actuaries. The reduction is primarily due to two factors: the discount rate assumption and members opting to work instead of retiring.

Deferred Inflows of Resources

Deferred inflow of resources reflects an acquisition of net assets by the District applicable to future reporting periods, such as deferred revenue. Deferred inflows related to pensions decreased by $467,267 in 2023, due to changes in assumptions used to calculate the liability and the difference between projected and actual investment earnings. Additionally, deferred inflows related to leases decreased by $4,893 in the same year.

Net Position

Net position consists of total assets and deferred outflows minus total liabilities and deferred inflows.
Net position increased by $4,707,968 in 2023 and $3,442,946 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 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED DECEMBER 31 2023

	2023	2022
REVENUES		
Water Distribution Revenue	$ 19,223,322	$ 17,917,762
Service Revenue	1,213,647	1,140,120
Nonoperating Revenue	1,897,936	132,768
Total Operating Revenues	22,334,905	19,190,650
EXPENSES		
Operating Costs	10,364,320	9,580,090
General and Administrative Expenses	3,925,422	3,425,028
Depreciation and Amortization	4,498,419	4,495,950
Amortization Expense - SBITA	37,440	-
Interest on Long-Term Debt	8,271	10,242
Interest Expense - SBITA	1,755	-
Total Operating Expenses	18,835,627	17,511,311
CHANGES IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	3,499,278	1,679,339
Capital Contributions	1,208,690	1,763,607
CHANGE IN NET POSITION	4,707,968	3,442,946
Net Position, January 1	132,756,684	129,313,738
NET POSITION - DECEMBER 31	$ 137,464,652	$ 132,756,684

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

Revenue

In 2023, total Water Distribution Revenues increased by $1,305,560 driven by increases in residential and commercial water sales, and wholesale distribution to adjacent purveyors. These increases stemmed from a 4% rate increase in January 2023, and water sales to King County Water District #54, (KCWD 54), and a relatively hotter, dryer summer.

Service revenue increased by $73,527 in 2023 and $185,684 in 2022 due to the District's revenue collection for Franchise Fees and Utility Taxes. The District passes on effective charges onto customers within a jurisdiction that imposes a franchise fee or utility tax.

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

Nonoperating revenue includes investment income/loss, rental income, developer extension fees, inspection fees, interest income for leases and other non-operating sources. This revenue increased by $1,767,139 in 2023 primarily due to higher interest income for the Maintenance and Construction Fund. The increase in Investment income varies due to principal balances and interest rates in the King County Investment Pool.

Expenses
Operating expenses increased by $1,287,093 in 2023. The main factors driving the fluctuation were increased water purchases from Seattle Public Utilities, (SPU) to support sales to KCWD 54 and to supplement production in Tyee well production. In addition, the District suspended the Huntington Park Project due to cost considerations and expensed the project cost to date. Pension and OPEB expense fluctuated due to projected and actual investment earnings on pension plan investments and changes in experience data and assumptions. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligations for pension benefits to comprehensively and comparably measure the annual cost of pension benefits.

Nonoperating expenses consists of interest expense on long-term debt and interest expense on SBITA. Interest expenses increased by $216 in 2023 and $2,381 in 2022 due to decreasing principal balances and the implementation of SBITA in 2023.

Capital Contributions in 2023 decreased $554,917 compared to 2022. Systems donated to the District by developers decreased $99,340, general facilities fees decreased $92,000, and donated property revenue decreased by $285,368. Construction activity varies year to year based on several outside influences. Capital Contributions decreased $447,871 in 2022 as compared to 2021. Systems donated to the District by developers increased $703,997 in 2022 and general facilities fees increased $120,000 in 2022.

Change in Net Position
Net Position increased by $4,707,968 in 2023 and by $3,442,945 in 2022 reflecting total revenues exceeding total expenses in both years.

ANALYSIS OF OVERALL FINANCIAL CONDITION

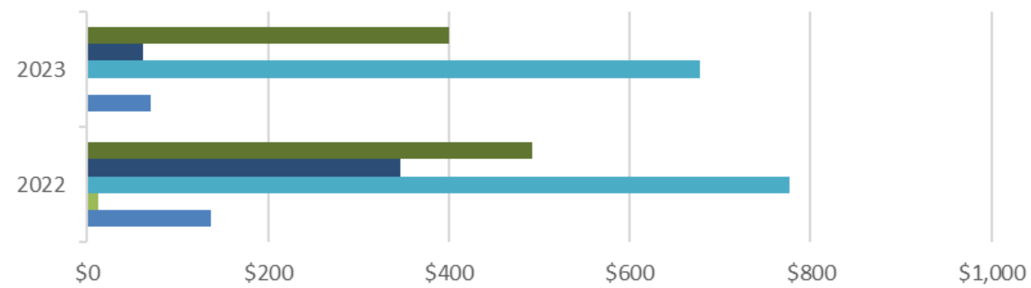
The District's overall financial position continues to be strong in both 2023 and 2022, with an increase in net position, sufficient liquidity to support ongoing operations, and positive operating cash flow.

Capital Contributions

The District collects capital contributions from new customers in the form of connection charges and donated systems. The following chart indicates revenue over the past two years for each category of capital contribution.

ANALYSIS OF OVERALL FINANCIAL CONDITION (CONTINUED)

Capital Contributions in (Thousands)



	2022	2023
GFC Charges Revenue	$492,000	$400,000
Donated Property Revenue	$346,849	$61,482
Donated Dev. Ext. Revenue	$776,510	$677,170
Donated Hydrant Revenue	$11,848	$-
Donated Meter Revenue	$136,400	$70,038

Significant capital asset additions during the years included the following:

ANNUAL CAPITAL ADDITIONS

2023		2022	
Water Main Replacements	$ 740,391	Water Main Replacements	$1,392,432
Wells and Reservoirs	67,740	Wells and Reservoirs	31,453
Pump Stations	-	Pump Stations	113,562
Meters	43,353	Meters	30,028
Other Projects	773,303	Other Projects	2,114,650
Developer Extensions		Developer Extensions	
Donated System	677,170	Donated System	776,510

Long-Term Debt

Long-term debt decreased in 2023 due to principal payments without new borrowings.

See Notes 4, 5, and 6 in the Financial Statements for detailed activity in capital assets and long-term liabilities.

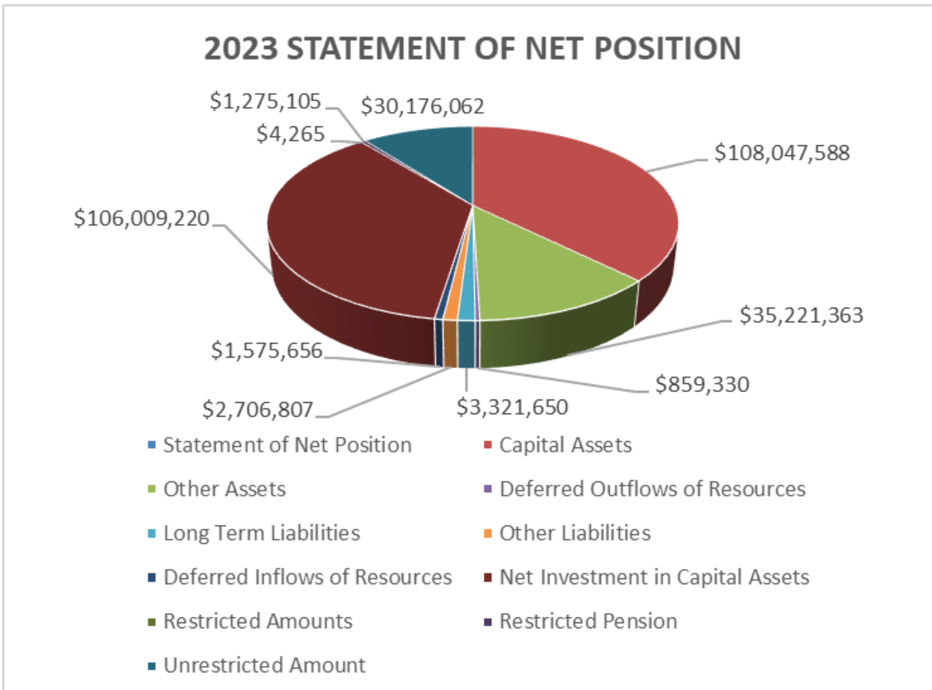
As of December 31, 2023, the District has $16,526,171 of cash and equivalents in construction accounts with $3,257,344 committed under existing construction contracts.

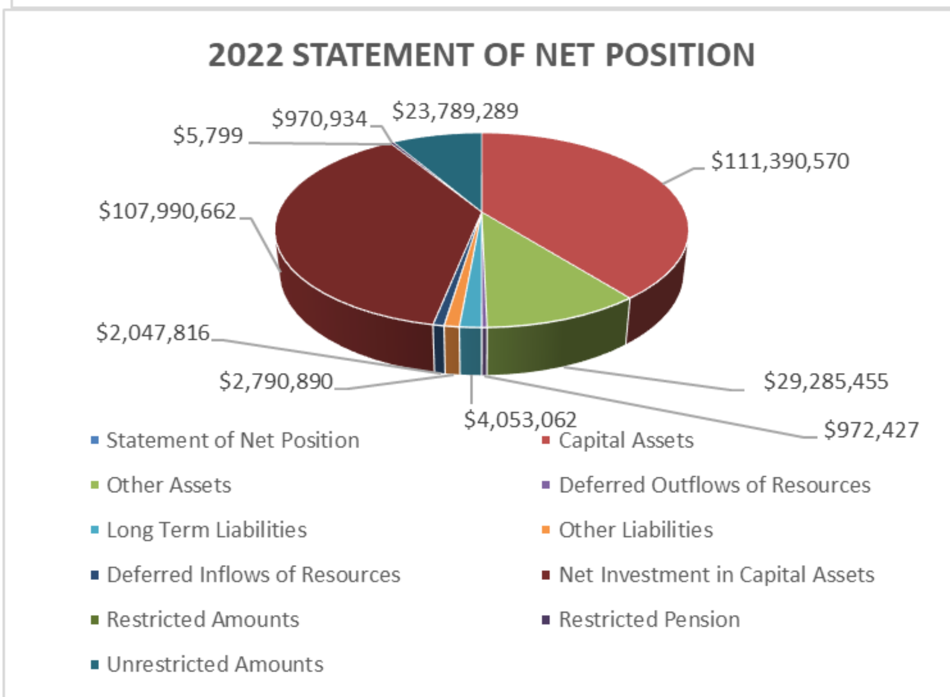
ANALYSIS OF OVERALL FINANCIAL CONDITION (CONTINUED)

The District is financed primarily by equity. Substantial liquid assets are available to fund liabilities and construction. To ensure that the District's financial condition remains strong.

The following charts indicate the components of financial position.

COMPARISON STATEMENT OF NET POSITION 2023 VS 2022

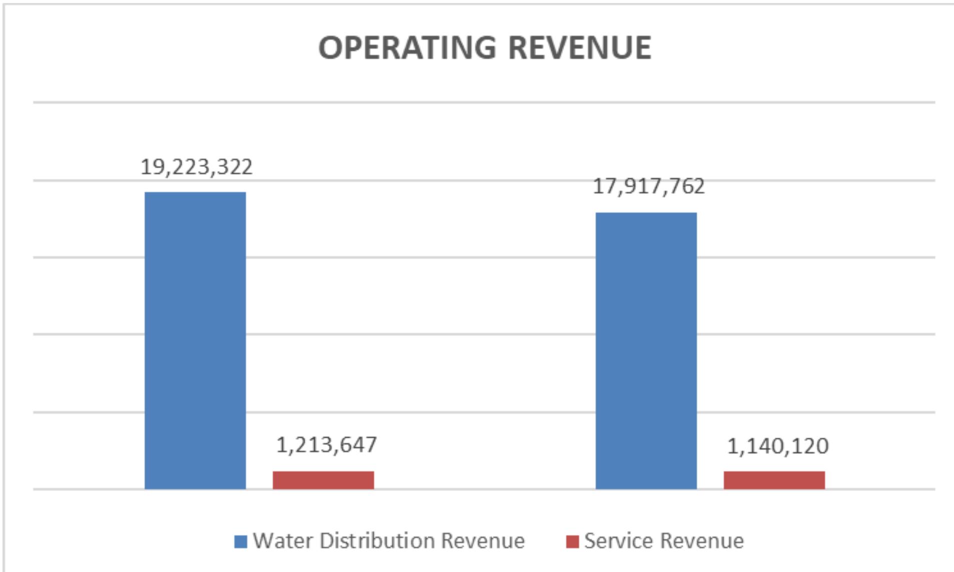




RESULTS OF OPERATIONS

Operating revenues are received from two sources: water distribution revenue and service revenue (including streetlights and franchise fees). The following chart indicates operating revenue over the last two years.

COMPARISON OF OPERATING REVENUE 2023 VS 2022

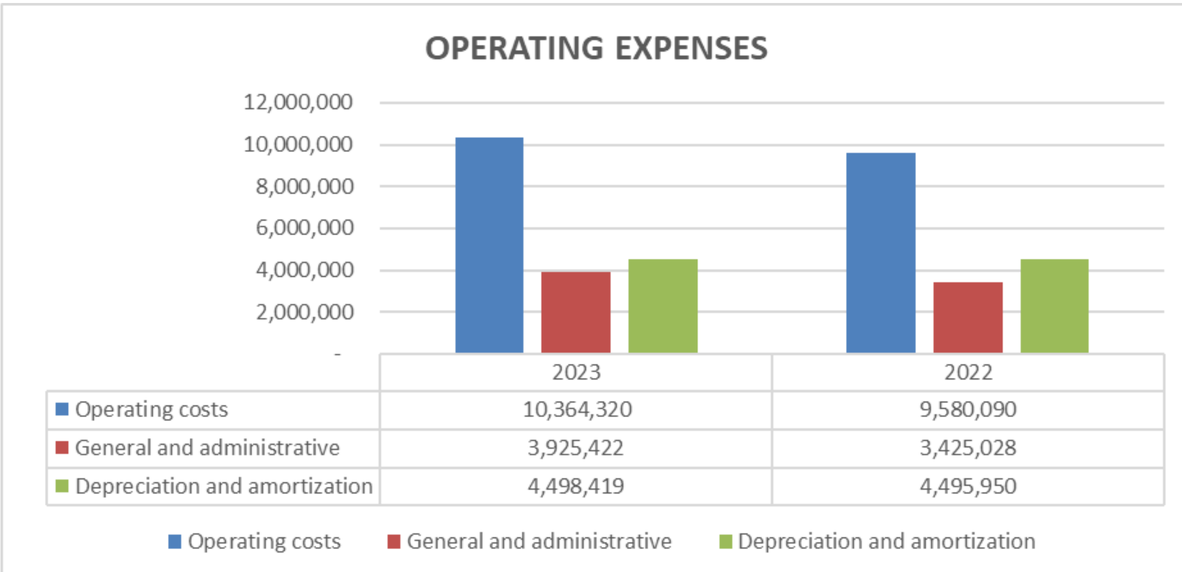


In 2023, operating revenues rose by $1,305,560, primarily driven by a 4.0% rate increase by the Board of Commissioners effective January 1, 2023, and wholesale water sales to KCWD 54.

RESULTS OF OPERATIONS (CONTINUED)

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

COMPARISON OF OPERATING EXPENSES 2023 VS 2022



The District has operated at a profit in each of the past two years. The District's philosophy is to provide for all depreciation through rates, based on the principle that current users should pay all costs associated with the water system as it is being used. Operating costs increased in 2023 compared to 2022 by $1,287,093. The District increased purchases from SPU due to increased water sales to KCWD 54 and for the suspension of Tyee well operations. General and administrative expenses increased 15% due to several factors: increases in labor expenses, increases in medical expenses of approximately 11%, and a 14% increase in the District's liability insurance.

The District's operating revenues are augmented by earnings on investments and other nonoperating revenues in excess of other expenses.

ADDITIONAL COMMENTS

Water Supply:
The District purchases approximately 75% of water provided to customers from SPU. The District currently has adequate water supply to grant all requests for water service within its boundaries throughout its 20-year planning horizon. The District is investigating additional water supply options to allow for near and long-term needs. This effort includes possible water supply agreements with adjacent water districts and/or cities.

The District maintains a 60-year Partial Supply Contract with the SPU executed in 2001. The contract includes a provision to review and change certain terms and conditions of the agreement every 20 years. The District, along with other regional purveyors, are participating in the process with SPU and anticipates a decision in 2024 to maintain the existing contract or execute amendments with a revised contract.

Tyee Well:
In January 2022, the Washington State Department of Health (DOH) implemented new standards for public drinking water systems to begin testing for Per- and Polyfluoroalkyl Substances (PFAS). In June 2022, the District sampled all its groundwater sources for PFAS and confirmed that one District source, the Tyee Well, exceeded the DOH State Action Level (SAL) for PFNA, a type of PFAS. No other District source was found to have PFAS substances exceeding the SAL.

The District voluntarily suspended Tyee Well operations and will not return it to operations until sufficient treatment options are implemented. The Tyee Well contributed about 4.5% of the District's overall water production annually and serves a limited area within the District's service boundary. Tyee Well production will be mitigated by increased purchases from SPU.

King County Water District 54 (KCWD 54):
In June 2023, KCWD 54 experienced an E. coli detection in their distribution system, resulting in a boil water notice to their customers. The District began selling wholesale water to KCWD 54 due to their inability to chlorinate and filter their groundwater sources. The District will continue to sell wholesale water until they develop a solution to their water quality issues.

In 2023, the District entered into a new franchise agreement with the cities of Federal Way and Tukwila.

At the end of 2023, the District renegotiated the Local 32 Collective Bargaining Agreement. The Agreement is effective January 1, 2024 thru December 31, 2027.

Regional Construction Projects:
The Central Puget Sound Regional Transit Authority (Sound Transit) continued construction of the Federal Way Light Rail Extension Project (FWLE) through the District's boundaries. Sound Transit is financially responsible for construction costs of the water main work and the District is responsible for any betterments. Construction is expected to continue through 2025.

Washington State Department of Transportation (WSDOT) began construction to relocate existing infrastructure to accommodate the SR509 Phase 2 Water Main Relocation Project, identified as District Project 22-3. The District partnered with WSDOT through an Interlocal Agreement for construction of the relocations based on a pre-negotiated lump sum cost. Construction is expected to be completed at the year-end of 2024.

HIGHLINE WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS	
CURRENT ASSETS	
Unrestricted:	
Cash and Cash Equivalents	$29,152,698
Accounts Receivable - Users	$2,840,530
Interest Receivable	$95,529
Inventory	$963,873
Miscellaneous Accounts Receivable	$1,756,684
Prepaid Expenses	399,708
Total Unrestricted	35,209,021
Restricted:	
Cash and Cash Equivalents	8,077
Investments	4,265
Total Current Assets	35,221,363
NONCURRENT ASSETS	
Restricted Assets:	
Net Pension Asset	940,484
SBITA Asset	79,906
Capital Assets Not Being Depreciated:	
Land	932,734
Construction in Progress	5,667,219
Capital Assets Being Depreciated:	
Plant in Service	182,754,344
Less: Accumulated Depreciation	(81,349,176)
SBITA	(37,439)
Net Capital Assets	107,967,682
Total Noncurrent Assets	108,988,072
Total Assets	144,209,435
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	846,082
Deferred Outflows Related to Other Postemployment Benefits	13,248
Total Deferred Outflows of Resources	859,330
Total Assets and Deferred Outflows of Resources	$ 145,068,765

See accompanying Notes to Financial Statements

HIGHLINE WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2023

LIABILITIES		
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts Payable	$	1,102,981
Accrued Salaries and Benefits		147,423
Accrued Compensated Absences		414,500
Retainage Payable		25,880
Developer Deposits		626,653
Accrued Interest		3,923
Long-Term Debt		356,419
Total OPEB Liability (Current Portion)		29,735
SBITA		(8,786)
Total		2,698,730
Payable from Restricted Assets:		
Accounts Payable		8,077
Total Current Liabilities		2,706,807
NONCURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Debt		1,681,949
Compensated Absences		-
Net Pension Liability		410,663
Total OPEB Liability (Less Current Portion)		1,177,300
SBITA		51,738
Total		3,321,650
Payable from Restricted Assets:		
Excise Tax Payable		-
Total Noncurrent Liabilities		3,321,650
Total Liabilities		6,028,457
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		507,627
Deferred Inflows Related to Leases		1,068,030
Total Liabilities and Deferred Inflows of Resources		7,604,113
NET POSITION		
Net Investment in Capital Assets		106,009,220
Restricted for Impaired Investments		4,265
Restricted for Pensions		1,275,105
Unrestricted		30,176,062
Total Net Position		137,464,652
Total Liabilities, Deferred Inflows of Resources and Net Position	$	145,068,765

See accompanying Notes to Financial Statements

HIGHLINE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSTION
FOR THE PERIOD ENDING DECEMBER 31, 2023

OPERATING REVENUE	
Water Distribution Revenue:	
Metered Water Sales - Residential	$9,085,682
Metered Water Sales - Commercial	$9,574,165
Metered Hydrant Sales	$86,710
Wholesale and Standby Fire Sales	$504,998
Discounts and Adjustments	($28,233)
Total Water Distribution Revenue	19,223,322
Service Revenue:	
Street Light Revenue	127,540
Franchise Fees	731,059
Other Charges	355,048
Total Service Revenue	1,213,647
NON-OPERATING REVENUE	
Investment Income, Net of Service Fees	1,393,116
Rental Income	335,780
Other Income	90,296
Gain on Disposal of Assets	78,743
Interest on Long-Term Debt	(8,271)
Interest Expense - SBITA	(1,755)
Total Nonoperating Revenue	1,887,910
Total Revenue	22,324,879
OPERATING EXPENSE	
Supply	5,249,241
Pumps, Reservoirs & Telemetry	272,345
Wells & Water Treatment	690,307
Transmission & Distribution	3,271,744
Customer Accounts	880,683
Administration & General	3,925,422
Depreciation and Amortization	4,498,419
Interest Expense - SBITA	37,440
Total Operating Expense	18,825,601
CHANGES IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	3,499,278
Capital Contributions	1,208,690
CHANGE IN NET POSITION	4,707,968
TOTAL NET POSITION JANUARY 1	132,756,684
TOTAL NET POSITION DECEMBER 31	$ 137,464,652

See accompanying Notes to Financial Statements

HIGHLINE WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 21,265,573
Cash Paid to Vendors	(17,988,188)
Cash Paid to and for Employees and Commissioners	3,240,925
Net Cash Provided by Operating Activities	6,518,309
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Contributions	531,520
Proceeds from Sale of Assets	115,926
Expenditures for Plant in Service and Construction	(1,593,272)
Payment of Long-Term Debt	(406,714)
Interest paid on Long-Term Debt	(9,166)
Interest expense - SBITA	(1,755)
Net Cash Used in Capital Financing Activities	(1,363,461)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received on Investments	1,336,440
NET DECREASE IN CASH AND CASH EQUIVALENTS	6,491,288
Cash and Cash Equivalents - Beginning of Year	22,673,752
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 29,165,040
Cash and Cash Equivalents Balance is Comprised of the Following at December 31:	
Cash and Cash Equivalents - Unrestricted	$ 29,160,775
Cash and Cash Equivalents - Restricted	4,265
Total	$ 29,165,040

See accompanying Notes to Financial Statements

HIGHLINE WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$	1,611,368
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		4,498,419
Accumulated Amortization - SBITA		37,440
(Increase) Decrease in Assets:		
Accounts Receivable		407,420
Inventory		74,860
Prepaid Expenses		129,776
SBITA Asset		(79,906)
Net Pension Asset		14,342
Deferred Outflows of Resources		113,097
Increase (Decrease) in Liablilities:		
Accounts Payable and Accrued Expenses		81,861
Developer Deposits		52,892
Other Postemployment Benefits		(276,841)
SBITA Liability		42,952
Net Pension Liability		(143,286)
Deferred inflows of Resources - Pension		(467,267)
Deferred Inflows of Resources - Leases		(4,893)
Rental Income		335,780
Miscellaneous Fees		90,296
Net Cash Provided by Operating Activities	$	6,518,309

SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH FINANCING AND INVESTING ACTIVITIES		
Utility Plant Donations Received	$	677,170

See accompanying Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Highline Water 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:

Description of Business, Nature of Operations, and Reporting Entity

Highline Water District (the District), a municipal corporation governed by an elected five-member Board of Commissioners and organized under the laws of the state of Washington. The District was formed for the purpose of constructing, maintaining, and operating a water system within its boundaries. The District serves portions of the cities of SeaTac, Des Moines, Kent, Normandy Park, Burien, Tukwila, Federal Way, and a portion of Unincorporated King County. The District has no component units.

Basis of Presentation and Accounting

These financial statements are prepared utilizing the economic resources measurement focus and full accrual basis of accounting. All activities of the District are accounted for within a single proprietary (enterprise) fund.

Newly Implemented Accounting Standards

The Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards established standards of accounting and financial reporting Subscription-Based Information Technology Arrangements (SBITAs). GASB 96 was implemented January 1, 2023.

A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period in an exchange or exchange-like transaction.

The following items are exceptions for SBITA accounting and reporting guidance:

- Short-term SBITAs – One that, at the beginning of the SBITA, has a maximum possible term of 12 months or less, including any options to extend – e.g. rolling month-to-month contracts
- Contracts that convey control of both IT software and tangible capital assets if the software component is insignificant – e.g., a smart copier
- Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs
- Contracts that meet the definition of a public-private and public-public partnership
- Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software

Evaluation of current IT arrangements will be required to see if any meet the definition of a SBITA.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The District considers investments in the King County Investment Pool to be cash equivalents. These investments are stated at the fair value of the Pool's underlying assets.

Accounts Receivable

The District utilizes the allowance method of accounting for doubtful accounts. Washington State law allows the District to file a lien against real property for unpaid service charges. Once filed, these liens are junior only to general property taxes. Therefore, no provision is made for uncollectible service charges. These delinquencies were not reclassified as noncurrent.

Inventory

The Districts inventory consists of primarily of water meters, materials and supplies used in the construction and repair for water lines and or related system components. The inventory is stated at the lower of cost (using the average method) or market value.

Capital Assets

Capital assets are defined by the District as assets with initial individual costs of more than $5,000, and an estimated useful life more than one year. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Capital assets are stated at cost when known and include the capitalized portion of District employees' wages and related overhead costs. For water systems installed by developers or customers and conveyed to the District by bill of sale, the District records the cost of the system at the contributing party's costs, contract price or appraised value. When capital assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Office Building	3-30 Years
Pumping Stations	50 Years
Mains and Reservoirs	5-50 Years
Meters and Hydrants	10-50 Years
Equipment	3-10 Years

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For purposes of calculating the restricted net position to the net pension asset, the District includes the net pension asset and related deferred outflows and deferred inflows.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

Deferred outflows of resources are expenses that occur in future period and are not recognized until that time. For pension-related expenses, deferred outflows of resources include contributions made after the measurement date, (June 30) and the District's proportionate share of deferred outflows related to those pension plans. These deferred outflows of resources are recognized as a reduction of the net pension liability in the following year. The difference between projected and actual earnings on plan investments are amortized over a closed five-year period, while the remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred outflows of resources related to other postemployment benefits (OPEB) consists of payments to OPEB after the measurement date (June 30).

Deferred inflows of resources are revenues that be received in future periods and are not recognized until that time. For pension-related revenues, deferred inflows of resources include the District's proportionate share of deferred inflows related to pension plans. The difference between projected and actual earnings on plan investments are amortized over a closed five-year period, while the remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Compensated Absences

The District accrues accumulated unpaid vacation, sick leave and compensatory time amounts at year end at the employee's current rate of pay.

Vacation leave, which may be accumulated up to a maximum of 384 hours, is payable (up to 320 hours) upon resignation, retirement, or death.

Upon termination other than retirement, an employee shall receive payment for up to 180 hours of then accrued sick leave benefits at the employee's current rate of pay. In addition, upon retirement, an employee shall receive 40% of their unused sick leave in excess of 180 hours into their HRA VEBA account.

Compensatory time may accumulate up to a maximum of 60 hours and is payable upon resignation, retirement, or termination.

Net Position

Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital-related deferred outflows of resources reduced by the outstanding balances of any capital-related borrowings and deferred inflows of resources. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

NOTE 1 SUMMARY OF AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues result from providing products and services in connection with the District's water system. Operating expenses include the costs associated with providing the District's products and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are classified as nonoperating revenues and expenses.

Capital Contributions

Grants, ULID assessments and contributions in aid of construction from property owners are recorded as capital contribution revenue.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Subsequent Events

After careful evaluation, the management team has determined that the Tyee Well cannot resume operations until a suitable solution has been identified to address PFAS. This decision was make to ensure that our customers can have complete confidence in the safety and reliability of the Districts water sources.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The District's deposits 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).

Breakdown of Deposit	2023	2022
Petty Cash Fund	$ 1,100	$ 1,100
Specialized Funds	16,000	16,000
Bank Clearing Account	23,511	27,710
Interlocal Account	8,077	5,377
Investment in King County Investment Pool	4,265	5,799
King County Investment Pool - Cash	29,112,088	22,617,766
Total Cash and Investments	$ 29,165,040	$ 22,673,753

Investments

In accordance with State law, the District's governing body has entered a formal interlocal agreement with the District's *ex officio* treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool). Investments in the Pool are stated at the fair value of the Pool's underlying assets. The stated value per share is $1. The King County Executive Finance Committee provides oversight of the Pool.

As of December 31, 2023, the District had the following investments:

Investment Type	Fair Value	Average Effective Duration
King County Investment Pool:		
Main Pool	$ 29,112,088	.79 Years
Impaired Pool	4,265	

Impaired Investments

As of December 31, 2023, all impaired commercial paper investments had 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 Impaired Pool also held the residual investments in two commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool principal was $8,640 at December 31, 2023. The District's unrealized loss for these investments was $4,376.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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 monthly, 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.

NOTE 3 RESTRICTED ASSETS

In accordance with certain agreements, separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses. Restricted assets are as follows on December 31, 2023:

	Cash and Cash Equiv. & Inv.
Current Restricted Assets:	
Custodial Account	$ 8,077
Impaired Investment Pool	4,265
Total	$ 12,342

NOTE 4 CAPITAL ASSETS

Major classes of capital assets and capital asset activity were as follows on December 31, 2023:

	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
Capital Assets Not Being Depreciated				
Land	932,734	-	-	932,734
Construction in Progress	5,160,348	1,198,549	(691,678)	5,667,219
Total	6,093,082	1,198,549	(691,678)	6,599,953
Capital Assets Being Depreciated				
SBITA Asset	$ -	$ 79,906		$ 79,906
Office Building	4,049,538	-	-	4,049,538
Mains and Reservoirs	149,077,267	1,311,329	(104,204)	150,284,392
Meters and Hydrants	18,959,245	213,657	(56,403)	19,116,499
Equipment	6,486,240	56,606	(200,273)	6,342,573
Wells and Treatment	2,961,342			2,961,342
Total	181,533,632	1,661,498	(360,880)	182,834,250
Accumulated Depreciation				
Office Building	(3,356,934)	(175,405)	-	(3,532,339)
Mains and Reservoirs	(57,302,677)	(3,382,408)	102,121	(60,582,964)
Meters and Hydrants	(8,841,156)	(667,152)	41,066	(9,467,242)
Equipment	(5,941,961)	(200,702)	197,027	(5,945,636)
Wells and Treatment	(1,748,242)	(72,753)	-	(1,820,995)
SBITA		(37,439)	-	(37,439)
Total	(77,190,970)	(4,535,859)	340,214	(81,386,615)
Net Capital Assets	$ 110,435,744	$ (1,675,812)	$ (712,344)	$ 108,047,588

NOTE 4 CAPITAL ASSETS (CONTINUED)

Major classes of capital assets and capital asset activity were as follows on December 31, 2022:

	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
Capital Assets Not Being Depreciated				
Land	$ 932,734	$ -	$ -	$ 932,734
Construction in Progress	5,503,040	3,274,456	(3,617,148)	5,160,348
Total	6,435,774	3,274,456	(3,617,148)	6,093,082
Capital Assets Being Depreciated				
Office Building	4,049,538	-	-	4,049,538
Mains and Reservoirs	145,193,733	4,427,724	(544,190)	149,077,267
Meters and Hydrants	18,655,286	359,971	(56,012)	18,959,245
Equipment	6,491,657	144,465	(149,882)	6,486,241
Wells and Treatment	2,961,342			2,961,342
Total	177,351,556	4,932,161	(750,084)	181,533,632
		4,929,347		
Accumulated Depreciation				
Office Building	(3,181,123)	(175,811)		(3,356,934)
Mains and Reservoirs	(54,503,356)	(3,328,566)	529,245	(57,302,677)
Meters and Hydrants	(8,200,662)	(681,320)	40,826	(8,841,156)
Equipment	(5,845,014)	(237,475)	140,528	(5,941,961)
Wells and Treatment	(1,675,464)	(72,778)		(1,748,242)
Total	(73,405,619)	(4,495,950)	710,599	(77,190,970)
Net Capital Assets	$ 110,381,711	$ 3,710,667	$ (3,656,633)	$ 110,435,744

NOTE 5 LONG-TERM DEBT PAYABLE FROM DIRECT BORROWING UNRESTRICTED ASSETS

Long-term debt payable from unrestricted assets outstanding as of December 31, 2023, consisted of the following direct borrowing loans, secured by revenue of the system, issued for utility construction:

Description	Amount
2004 $808,350 Public Works Trust Fund Loan: Payable $43,254 annually through the year 2024, plus interest at .5 annual percentage rate.	$ 43,254
2006 $666,004 Public Works Trust Fund Loan: Payable $35,502 annually through the year 2026, plus interest at .5 annual percentage rate.	106,505
2008 $2,874,292 Public Works Trust Fund Loan: Payable $152,590 annually through the year 2028, plus interest at .5 annual percentage rate.	762,951
2013 $2,210,000 Public Works Trust Fund Loan: Payable $125,073 annually through the year 2032, plus interest at .25 annual percentage rate.	1,125,658
Subtotal	2,038,368
Less: Current Maturities	356,419
Total	$ 1,681,949

NOTE 5 LONG-TERM DEBT PAYABLE FROM DIRECT BORROWINGS UNRESTRICTED ASSETS (CONTINUED)

Long-term debt service requirements to maturity, payable by the District from unrestricted assets, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	$ 356,419	$ 7,378	$ 363,797
2025	313,165	5,908	319,073
2026	313,165	4,655	317,820
2027	277,663	3,402	281,065
2028	277,663	2,326	279,989
2029 - 2032	500,293	3,127	503,420
Total	$ 2,038,368	$ 26,796	$ 2,065,164

NOTE 6 CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows December 31, 2023:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amounts Due Within One Year
2003 Public Works Trust Fu	43,386		(43,386)	0	-
2004 Public Works Trust Fu	86,508		(43,254)	43,254	43,254
2006 Public Works Trust Fu	142,006		(35,501)	106,505	35,502
2008 Public Works Trust Fu	915,541		(152,590)	762,951	152,590
2013 Public Works Trust Fu	1,250,731		(125,073)	1,125,658	125,073
2003 Drinking Water State Revolving Fund Loan	6,910		(6,910)	0	0
Total	$ 2,445,082	$ -	$ (406,714)	$ 2,038,368	$356,419
Compensated Absences	$ 431,772	$ 459,070	$ (476,342)	$ 414,500	$414,500
Other Postemployment Ben	$ 1,483,876	$ -	$ (276,841)	$ 1,207,035	$ 29,735
Net Pension Liability	$ (400,876)	$ 954,825	$ (143,286)	$ 410,663	

NOTE 7 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of the GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2023:

OPEB Liabilities	$ 1,207,035
Deferred Outflow of Resources	13,248
OPEB Expense	(247,106)

The District provides its retirees employer subsidies for postemployment medical insurance benefits (OPEB) through the Public Employees Benefits Board (PEBB). The actual medical costs are paid through annual fees and premiums to the PEBB.

General Information about the OPEB Plan

Plan Description

The PEBB was created within the Washington State Health Care Authority to administer medical, dental and life insurance plans for public employees and retirees and their dependents. District employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

Benefits Provided

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

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of $150 or 50% of the monthly premiums. As of January 1, 2023, the subsidy dollar amount remains at $183 per month. The retirees and spouses currently pay the premium minus $150 when the premium is over $300 per month and pay half the premium when the premium is lower than $300.

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

NOTE 7 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Employees Covered by Benefit Terms

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

Employees Covered By Benefits Terms	2023
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	7
Benefit Payments	0
Active Employees	32

Funding Policy

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

Contributions

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

Total OPEB Liability

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

NOTE 7 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Total OPEB Liability (Continued)

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

Methodology:	
Actuarial Valuation Date	6/30/2023
Actuarial Measurement Date	6/30/2023
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Assumptions:	
Discount Rate - Based on Bond Buyer General Obligation 20-Bond Municpal Index	
Beginning of Measurement Year	3.54%
End of Measurement Year	6.65%
Projected Salary Changes	3.25% + Service-Based Increases
Healthcare Trend Rates	Initial rate ranges from about 2-16%, reaching an ultimate rate of approximately 3.8% in 2075.

Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, see Office of the State Actuary's 2022 PEBB OPEB Actuarial Valuation Report

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

NOTE 7 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Changes in the Total OPEB Liability

	2023
Balance - January 1	$1,483,876
Service Cost	50,188
Interest	53,784
Change in Experience and Data Assumptions	(351,078)
Change in Benefit Terms	-
Benefit Payments	(29,735)
Other	-
Total	$1,207,035

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

The following presents the total OPEB liability of the District calculated using a discount rate and healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current discount rate and health care cost trend rates:

2023	1% Decrease	Current Rate	1% Increase
Discount Rate	$ 1,432,584	$ 1,207,035	$1,026,854
Healthcare Cost Trend Rate	$ 1,006,520	$ 1,207,035	$1,464,930

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

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

OPEB Exp and Def Outflows

Service Cost	$ 50,188
Interest Cost	53,784
Changes in Experience and Data Assumption	(351,078)
Total	$ (247,106)

NOTE 7 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Subsequent to the Measurement Date	$ 13,248.00	$ -

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

NOTE 8 PENSION PLAN

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* as of and for the year ended December 31, 2023:

Pension liabilities	$	(410,663)
Pension assets	$	940,484
Deferred outflows of resources	$	846,082
Deferred inflows of resources	$	(507,627)
Pension expense / expenditures	$	(159,570)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

NOTE 8 PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS)
PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 - provides retirement, disability, and death benefits. Retirement benefits are determined as two percent 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. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. 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 and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

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

NOTE 8 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

PERS Plan 2/3 - provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. 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 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 - defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. 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 Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

NOTE 8 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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

The District's actual PERS plan contributions were $114,025 to PERS Plan 1 and $213,765 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 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, 2022. 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%

NOTE 8 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, 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 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 his or her 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 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent 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 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA and their target asset allocation to simulate future investment returns over various future times.

Estimated Rates of Return by Asset Class

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, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of
broad economic inflation.

NOTE 8 PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Percent 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%
	100%	

Sensitivity of the Net Pension Liability

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

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
PERS 1	$ 573,728	$ 410,663	$ 268,347
PERS 2/3	1,022,889	(940,484)	(2,553,519)

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

On June 30, 2023, the District reported a total pension asset of $529,820 for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2023):

Pension Asset & Liabilities	
PERS 1	$ (410,663)
PERS 2/3	940,484
Total	$ 529,820

NOTE 8 PENSION PLAN (CONTINUED)

The District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.019895%	0.017990%	-0.0019050%
PERS 2/3	0.025745%	0.022946%	-0.0027990%

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*.

The collective net pension liability (asset) was measured as of June 30, 2023, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2022, with update procedures used to roll forward the total pension liability to the measurement date.

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

Pension Expense		
PERS 1	$	(65,985)
PERS 2/3		(93,585)
Total	$	(159,570)

NOTE 8 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources
On December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflow of Resources	Deferred Inflows of Resources
PERS 1:		
Differences between expected and actual experience	$ -	$ (46,325)
Net difference between projected and actual investment earnings on pension plan investments	-	
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	50,158	
Total PERS 1	50,158	(46,325)
PERS 2/3:		
Differences between expected and actual experience	191,575	(10,508)
Net difference between projected and actual investment earnings on pension plan investments	-	(354,431)
Changes of assumptions	394,848	(86,061)
Changes in proportion and differences between contributions and proportionate share of contributions	103,276	(10,302)
Contributions subsequent to the measurement date	106,224	
Total PERS 2/3	795,923	(461,302)
Total all plans	$ 846,082	$ (507,627)

NOTE 8 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	PERS 1	PERS 2/3
2024	$ (31,517)	$ (246,789)
2025	$ (39,637)	$ (303,047)
2026	$ 24,439	$ 195,058
2027	$ 390	$ 347
Total	$ (46,325)	$ (354,431)

NOTE 9 DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan assets are invested with the Washington State Department of Retirement Systems. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District contributions to the plan totaled $9,997 in 2023.

NOTE 10 RISK MANAGEMENT

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

The Enduris program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability.

NOTE 10 RISK MANAGEMENT (CONTINUED)

Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement policy. Pollution and Cyber coverage are provided on a claims made coverage form. Crime coverage is provided on a discovery form. All other coverage is provided on an occurrence coverage form.

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

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

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

NOTE 10 RISK MANAGEMENT (CONTINUED)

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays (1)
Buildings and Contents	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Mobile Equipment	Per Occurrence	$250,000	$1 billion	$1,000 - $250,000
Boiler and Machinery (3)	Per Occurrence	Varies	$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) (4)	Per Occurrence	$250,000	$100 million (BI)/ $50 million (EE)	$1,000 - $250,000
Sublimit (5):				
Flood	Per Occurrence	$250,000	$50 million (shared by Pool members)	$1,000 - $250,000
Earthquake	Per Occurrence	5% of indemnity, subject to $250,000 minimum	$10 million (shared by Pool members)	$1,000 - $250,000
Terrorism Primary	Per Occurrence Pool Aggregate	$250,000	$100 million per occurrence $200 million aggregate	$1,000 - $250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	$500,000	$600 million/ Pool aggregate $1.1 billion/ per occurrence APIP program $1.4 billion/ APIP program aggregate	$0
Automobile Physical Damage(6)	Per Occurrence	$25,000; $100,000 for Emergency Vehicles; $250,000 for Emergency Vehicles valued >$750,000	$1 billion	$250 - $1,000
Crime Blanket (7)	Per Occurrence	$50,000	$1 million	$1,000
Named Position (8)	Per Occurrence	$50,000	$1 million	$1,000
Cyber (9)	Each Claim APIP Aggregate	$100,000	$2 million $40 million	20% Copay
Identity Fraud Expense Reimbursement (10)	Member Aggregate	$0	$25,000	$0

NOTE 10 RISK MANAGEMENT (CONTINUED)

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

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

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

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

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

NOTE 11 COMMITMENTS

The District is obligated under construction contracts totaling $10,022,850. As of December 31, 2023, $6,765,850 has been expended.

NOTE 12 MAJOR SUPPLIERS

The District purchased approximately 74.6% of its water from Seattle Public Utilities, (SPU) for the year ended December 31, 2023. In December 2001, the District signed a "partial supply" contract with the SPU. This contract assures an adequate supply of water to the District for 60 years. The District along with other purveyors, are in renegotiations with SPU as allowed every 20 years by contract. Negotiations should be finished in 2024.

NOTE 13 LEASES

The District leases space for cell towers on certain tanks and land under non- cancelable and cancelable operating leases.

Per GASB 87, *Leases*, a lessor should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases and certain regulated leases:

A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable payments not included in the measurement of the lease receivable are determined. See chart below for Cell Tower Leases below:

NOTE 13 LEASES (CONTINUED)

Tank Sites	Address	Type of Lease	Present Value of Lease	Dates of Lease
McMiken #8 (Union Pacific)	3763 S. 164th, Sea Tac, WA 98188	Max 25 Year Lease, **Cancellable Lease both party.** Aggreement rate to be reviewed every 5 years. Rate would increase every 5 years by accumulative CPI-All Urban Consumers.	$ 67,348.38	07/02/2002-07/02/2026
Bow Lake #20 (T-Mobile)	4225 S. 176th, Sea Tac, WA 98188	**notice or extend** . Aggreement rate to be reviewed every 5 years. Rate would increase by 5 years accumulative CPI-All Urban Consumers.	$ 102,249.80	02/26/2007-02/26/2031
Star Lake #25 (T-Mobile)	2831 S. Star Lake Road, Federal Way, WA 98003	Max 25 Year **Cancellable Lease both party.** Aggreement rate to be reviewed every 5 years. Rate would increase by 3.5% .	$ 166,829.55	04/01/2016-04/01/2040
Mansion Hill #27 (Cingular Cell)	21420 31st Ave S., Sea Tac, WA 98188	Max 25 Year **Cancellable Lease both party**. Intital term 10 Years. Aggreement rate to be reviewed every 5 years. Rate would increase by 3.5% .	$ 142,774.39	04/01/2017-04/01/2041
Mansion Hill #28 (T-Mobile)	21420 31st Ave S., Sea Tac, WA 98188	Max 25 Year **Cancellable Lease both party**. Intital term 10 Years. Aggreement rate to be reviewed every 5 years. Rate would increase by 3.5% .	$ 244,852.03	05/15/2018-05/15/2043
Bow Lake #31 (AT & T)	4225 S. 176th, Sea Tac, WA 98188	Initial 10 year Term commensing 4/1/2020 and terminating 3/31/2030Automatically renewed for 3 more periods. Max 25 Year **Cancellable Lease both party.** Aggreement rate to be reviewed every 5 years. Rate would increase by 3.5% .	$ 285,953.21	04/01/2020-04/01/2045
McMiken #32 (AT & T)	3763 S. 164th, Sea Tac, WA 98188	Initial 10 year Term commensing 4/1/2020 and terminating 3/31/2030Automatically renewed for 3 more periods. Max 25 Year **Cancellable Lease both party.** Aggreement rate to be reviewed every 5 years. Rate would increase by 3.5% .	$ 285,953.21	04/01/2020-04/01/2045
North Hill #33 (T-Mobile)	505 S. 208th St., Des Moines, WA 98198	Max 25 Year Lease, **Cancellable Lease both party. Initial 10 Year Aggreement, renewable every 5 years. Cancellation by both parties 6 months before the end of the term**	$ 262,975.95	5/28/2022-5/27/2047

NOTE 13 LEASES (CONTINUED)

The total amount of inflows of resources (for example, lease revenue, interest revenue, and any other lease-related inflows) recognized in the reporting period from leases, is stated in the chart below:

The amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the lease receivable, including inflows of resources related to residual value guarantees and termination penalties.

2023 Lease Recon	112121	214001	321006	322000	Month To Month	Month To Month	01-000-322000-0000-000
	Lease Receivable	Deferred Inflow	Interest Income - Leases	Lease Revenue	LS-6016	LS-6014	Total Yearly and Holdover Lease Revenue
2023	**1,175,041.05**	**1,068,029.72**	**82,257.68**	**(278,779.33)**	(9,914.85)	(47,085.96)	**(335,780.13)**
2024	979,942.88	812,772.51	72,473.94	(277,261.39)			
2025	764,440.67	634,470.65	60,440.70	(223,671.08)			
2026	620,611.73	485,043.69	47,149.01	(158,176.67)			
2027	476,655.78	340,484.27	38,277.96	(150,693.52)			
2028	151,102.22	222,486.50	29,399.06	(121,311.28)			
2029	49,243.01	111,243.08	19,609.32	(111,517.20)			
2030	41,254.56	48,717.18	11,843.15	(59,525.70)			
2031	-	25,785.42	2,544.49	(15,469.17)			
2032		-	-	-			

The existence, terms, and conditions of options by the lessee to terminate the lease or abate payments <u>if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments</u>.

As of December 31, 2023, future lease receivable principal and interest payments are as follows:

Year ended December 31	Principle	Interest	Total
2023	**183,899**	**82,258**	**266,157**
2024	195,098	72,474	267,572
2025	215,502	60,441	275,943
2026	143,829	47,149	190,978
2027	143,956	38,278	182,234
2028-2032	477,381	64,166	541,547
2033-2037	-	-	-
2038-2042	-	-	-
Total	1,359,665	364,765	1,724,430

NOTE 14 SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

GASB Statement No. 96, *Subscription Based IT Arrangement* (SBITA) and GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPP/APA) are effective for fiscal year 2023 reporting.

NOTE 14 SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA) (Continued)

Defined in GASB 96, a SBITA is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction.
Examples of potential SBITAs:

- Cloud computing arrangements
- Cloud based Enterprise Resource Planning (ERP) systems
- Online conferencing
- Online payment tools
- Email, calendar, office tools

Evaluation of current IT arrangements will be required to see if any meet the definition of a SBITA.

Vendor	Interest Exp	Subscription Asset	Amort Exp	(Accum. Amort.)	Actual Payments
Esri	1,110	48,803	24,401	24,401	25,000
Civic Plus	223	10,054	2,514	2,514	3,450
Ms Office 365	421	21,049	10,525	10,525	10,259

Vendor	Beginning Balance	Increases	Decreases	(Accum. Amort.)	Ending Balance (Net Subscription Asset)
ESRI	48,803			(24,401)	24,401
Civic Plus	10,054			(2,514)	7,541
Ms Office 365	21,049			(10,525)	10,524

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

Year ended December 31	Principal	Interest	Total
2024	28,168	282	28,450
2025	3,572	50	3,622

The District has three vendors that have commitments before the commencement date. See Chart Below:

Vendor	Commencement Date	Payment Timing and Term
Civic Plus	4/26/2022	3 year term - Annual Pmt 1 yr left
ESRI	1/20/2022	3 year term - Annual Pmt 1 yr left
MS Office 365	12/20/2021	3 year term - Annual Pmt 0 yr left

The District had no components of loss associated to any changes in the subscription liability.

HIGHLINE WATER DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
PUBLIC EMPLOYEES BENEFITS BOARD
FOR THE YEAR ENDED DECEMBER 31, 2023
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ 1,483,876	$ 1,701,262	$ 1,824,083	$ 1,366,178	$ 1,493,312	$ 1,454,700
Service cost	50,188	84,638	88,091	69,163	71,787	79,082
Interest	53,784	38,327	41,964	49,855	60,302	54,827
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(351,078)	(317,219)	(226,044)	397,053	(245,254)	(90,630)
Changes in assumptions						
Benefit payments	(29,735)	(23,132)	(26,832)	(21,988)	(13,969)	(4,667)
Other changes	-	-	-	-	-	-
Total OPEB liability - ending	$ 1,207,035	$ 1,483,876	$ 1,701,262	$ 1,860,261	$ 1,366,178	$ 1,493,312
Covered-employee payroll	$ 3,500,056	$ 3,279,374	$ 3,069,914	$ 2,995,988	$ 2,860,819	$ 2,662,985
Total OPEB liability as a % of covered payroll	34.49%	45.25%	55.42%	62.09%	47.75%	56.08%

*Information is presented only for those years for which information is available.

Note to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

HIGHLINE WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1
AS OF JUNE 30, 2023 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.017790%	0.019895%	0.020244%	0.019633%	0.021180%	0.020265%	0.020457%	0.020661%	0.020926%
Employer's Proportionate Share of the Net Pension Liability	$ 410,663	$ 553,950	$ 247,227	$ 693,151	$ 814,446	$ 905,042	$ 970,701	$ 1,109,592	$ 1,094,624
Covered Payroll	$ 3,151,098	$ 3,255,221	$ 2,981,603	$ 2,791,350	$ 2,771,530	$ 2,484,851	$ 2,476,082	$ 2,369,730	$ 2,313,145
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	13.03%	17.02%	8.29%	24.83%	29.39%	36.42%	39.20%	46.82%	47.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.09%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

*Information is presented only for those years for which information is available.

Note to Schedule:

The District had one employee covered under PERS 1. The remaining PERS 1 contribution are from the component of PERS 2 contributions required to address the PERS1 unfunded actuarially accrued liability (UAAL).

HIGHLINE WATER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 2/3
AS OF JUNE 30, 2023 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.022946%	0.025745%	0.024790%	0.024790%	0.025382%	0.024003%	0.024405%	0.024643%	0.025301%
Employer's Proportionate Share of the Net Pension Liability	$ (940,484)	$ (954,826)	$ (2,564,417)	$ 317,050	$ 246,546	$ 409,830	$ 847,957	$ 1,240,756	$ 904,019
Covered Payroll	$ 3,138,554	$ 3,243,445	$ 2,970,723	$ 2,778,082	$ 2,669,416	$ 2,403,062	$ 2,394,182	$ 2,295,253	$ 2,244,998
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	-29.97%	-29.44%	-86.32%	11.41%	9.24%	17.05%	35.42%	54.06%	40.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.49%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

*Until a full 10-year trend is compiled, only information for those years available is presented.

*Information is presented only for those years for which information is available.

HIGHLINE WATER DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 1
PERIOD ENDING DECEMBER 31, 2023 (EMPLOYER REPORTING DATE)
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or Contractually Required Contributions	$ 116,202	$ 125,041	$ 134,114	$ 143,555	$ 152,174	$ 145,044	$ 130,960	$ 121,452	$ 106,304
Required Contributions*	(116,202)	(125,041)	(134,114)	(143,555)	(152,174)	(145,044)	(130,960)	(121,452)	(106,304)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll*	$ 3,252,675	$ 3,322,656	$ 3,076,645	$ 2,948,649	$ 2,984,334	$ 2,742,674	$ 2,579,547	$ 2,438,037	$ 2,329,431
Contributions as a percentage of covered payroll	3.57%	3.76%	4.36%	4.87%	5.10%	5.29%	5.08%	4.98%	4.56%

*Until a full 10-year trend is compiled, only information for those years available is presented.

Notes to Schedule:
The District had one employee covered under PERS 1. The remaining PERS 1 contributions are from the component of PERS 2 contributions required to address the PERS 1 unfunded actuarially accrued liability (UAAL).

*Information is presented only for those years for which information is available.

Note to Schedule:

The District had one employee covered under PERS 1. The remaining PERS 1 contribution are from the component of PERS 2 contributions required to address the PERS1 unfunded actuarially accrued liability (UAAL).

HIGHLINE WATER DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 2/3
PERIOD ENDING DECEMBER 31, 2023 (EMPLOYER REPORTING DATE)
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or Contractually Required Contributions	$ 217,847	$ 209,877	$ 220,730	$ 234,432	$ 224,077	$ 198,676	$ 169,643	$ 151,121	$ 131,720
Contributions in Relation to the Statutorily or Contractually Required Contributions*	(217,847)	(209,877)	(220,730)	(234,432)	(224,077)	(198,676)	(169,643)	(151,121)	(131,720)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll*	$ 3,240,387	$ 3,310,368	$ 3,064,357	$ 2,936,361	$ 2,916,828	$ 2,657,073	$ 2,497,170	$ 2,357,570	$2,261,761
Contributions as a percentage of covered payroll	6.72%	6.34%	7.20%	7.98%	7.68%	7.48%	6.79%	6.41%	5.82%

*Until a full 10-year trend is compiled, only information for those years available is presented.

*Information is presented only for those years for which information is available.

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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