



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

July 28, 2025

Board of Commissioners
Woodinville Water District
Woodinville, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Woodinville Water District for the fiscal years ended December 31, 2023 and 2022. The District contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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WOODINVILLE WATER DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2023 AND 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Woodinville Water District
Woodinville, Washington

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Woodinville Water District (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Woodinville Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Woodinville Water District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- 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 Woodinville Water 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 Woodinville Water District's ability to continue as a going concern for a reasonable period of time.

We are required to 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 the required supplementary information listed in the table of contents, 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 GAAS, 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Woodinville Water District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, on our consideration of Woodinville Water 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 solely 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 Woodinville Water District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Bellevue, Washington
December 2, 2024

**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

INTRODUCTION

Woodinville Water District (the District) was founded in 1959 to provide water and sewer services to customers residing within the District boundaries.

The District's service boundaries encompass both rural and urban areas in a moderately growing portion of King County, Washington. The District serves approximately 14,802 water customers and 3,486 sewer customers as of December 31, 2023.

Our mission is to provide safe and reliable service to all our customers at the lowest responsible rate. Within this mission, we provide potable drinking water at acceptable flows and pressures to all customers; provide sanitary sewer service to all customers requesting service who are located within the Urban Growth Area (UGA) as established by King County; and educate customers in the efficient use of water and safe disposal of wastewater.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2023 and 2022 and our financial performance for the years then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include statements of net position, statements of revenues, expenses, and changes in fund net position, statements of cash flows and notes to the financial statements.

The statements of net position present total assets and deferred outflows of resources and total liabilities and deferred inflows of resources with the difference between the two totals reported as net position. These 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 that are applicable to a future reporting period (deferred inflows). They provide a basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating.

The statements of revenues, expenses, and changes in fund net position present 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 our profitability and credit worthiness.

The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities over the course of the year. They present information regarding where cash came from and what it was used for.

**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Capital Assets	\$ 111,766,183	\$ 109,537,924	\$ 109,473,443
Other Assets	<u>36,579,566</u>	<u>32,949,342</u>	<u>31,996,908</u>
Total Assets	148,345,749	142,487,266	141,470,351
Deferred Outflows of Resources	990,662	1,099,441	340,191
Long-Term Liabilities	5,288,332	5,941,983	6,101,970
Other Liabilities	<u>3,063,416</u>	<u>3,318,777</u>	<u>2,016,082</u>
Total Liabilities	8,351,748	9,260,760	8,118,052
Deferred Inflows of Resources	<u>1,006,943</u>	<u>1,446,917</u>	<u>3,352,838</u>
Net Investment in Capital Assets	106,276,987	103,800,221	103,181,129
Restricted Amounts	1,962,387	1,721,564	3,595,666
Unrestricted Amounts	<u>31,738,346</u>	<u>27,357,245</u>	<u>23,562,857</u>
Total Net Position	<u>\$ 139,977,720</u>	<u>\$ 132,879,030</u>	<u>\$ 130,339,652</u>

**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Water Service Revenue	\$ 18,180,872	\$ 16,294,649	\$ 16,762,522
Sewer Service Revenue	6,113,170	5,980,690	5,890,248
Other Sewer Operating Revenues	3,480	6,860	3,640
Other Water Operating Revenues, Including Cell Tower Revenue	<u>383,301</u>	<u>349,560</u>	<u>301,353</u>
Total Operating Revenues	<u>24,680,823</u>	<u>22,631,759</u>	<u>22,957,763</u>
Water Operating Expenses	11,454,639	11,555,440	9,852,455
Sewer Operating Expenses	5,693,161	5,533,749	5,134,355
Depreciation and Amortization, Water	3,447,206	3,498,263	3,472,966
Depreciation and Amortization, Sewer	<u>738,561</u>	<u>716,398</u>	<u>671,019</u>
Total Operating Expenses	<u>21,333,567</u>	<u>21,303,850</u>	<u>19,130,795</u>
Operating Income	3,347,256	1,327,909	3,826,968
Nonoperating Revenues (Expenses):			
Investment and Other Interest Income	1,604,062	(419,210)	(97,080)
Miscellaneous Income	13,788	15,026	1,333
Interest and Amortization	(108,802)	(117,824)	(127,234)
Gain (Loss) on Disposal of Assets and Abandoned Projects	<u>94,649</u>	<u>3,383</u>	<u>57,579</u>
Income Before Capital Contributions	4,950,953	809,284	3,661,566
Capital Contributions	<u>2,147,737</u>	<u>1,730,094</u>	<u>2,474,087</u>
Increase in Net Position	<u>7,098,690</u>	<u>2,539,378</u>	<u>6,135,653</u>
Net Position - Beginning of Year	<u>132,879,030</u>	<u>130,339,652</u>	<u>124,203,999</u>
Net Position - End of Year	<u><u>\$ 139,977,720</u></u>	<u><u>\$ 132,879,030</u></u>	<u><u>\$ 130,339,652</u></u>

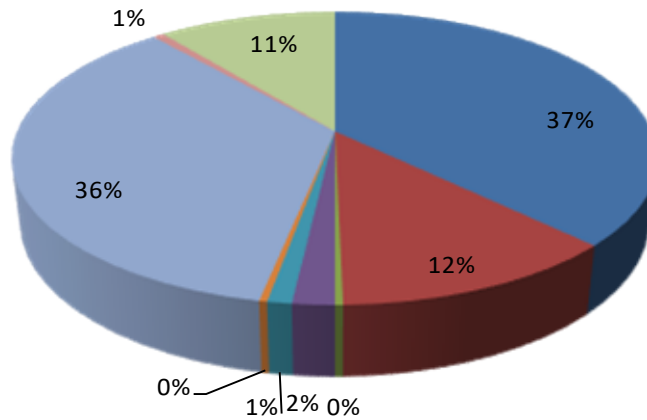
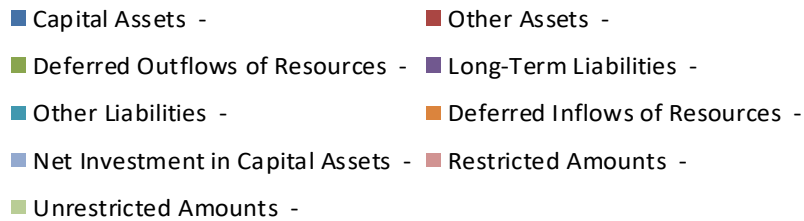
**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

FINANCIAL POSITION

The District's overall financial position continues to be strong and provides sufficient liquidity to support stable, ongoing operations. The rate of new connections to the system continued to increase in 2023 and 2022. Capital assets increased in 2023 and 2022 due primarily to developer contributed infrastructure and investment made to upgrade and replace necessary capital infrastructure and facilities.

The following charts indicate the components of financial position:

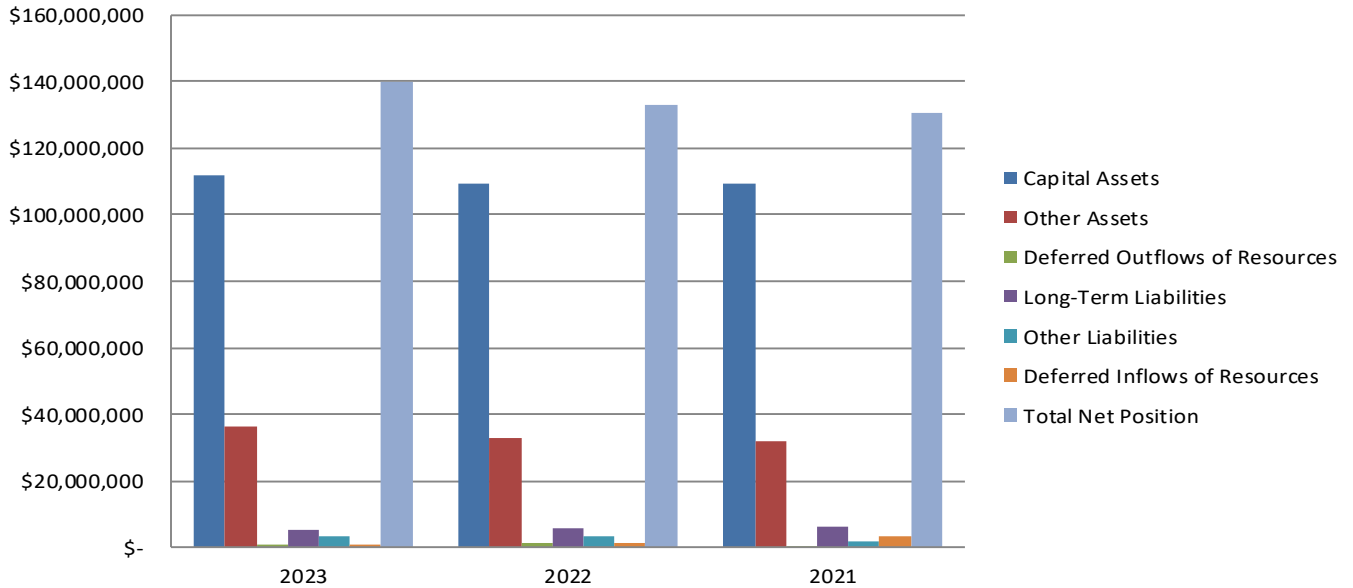
2023 STATEMENT OF NET POSITION



**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

FINANCIAL POSITION (CONTINUED)

COMPARATIVE STATEMENT OF NET POSITION

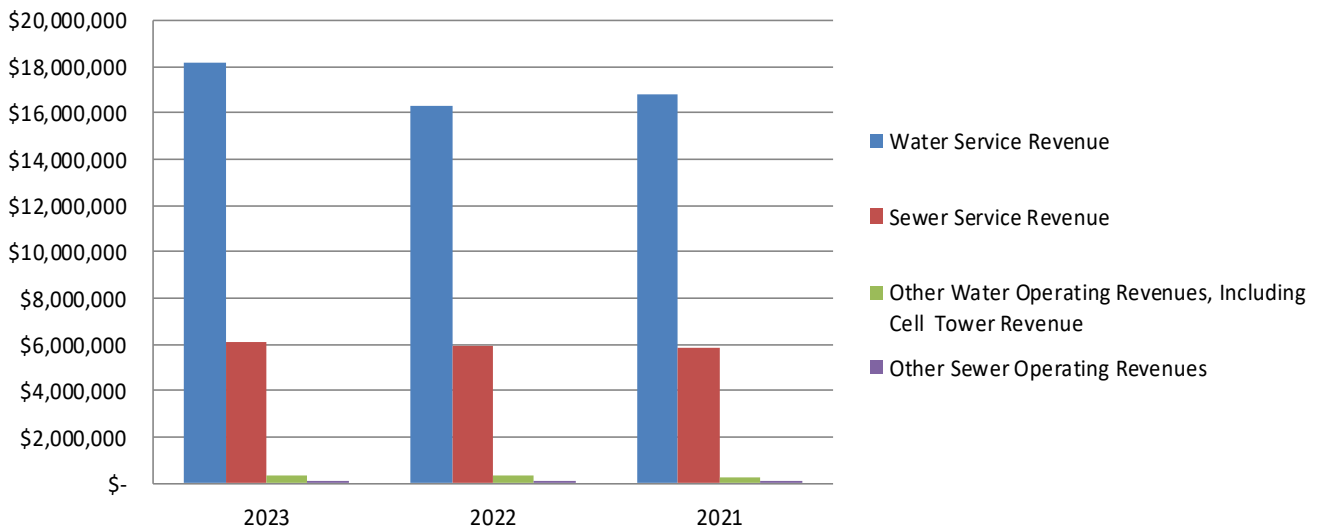


RESULTS OF OPERATIONS

The District primarily receives operating revenues from two sources: water service and sewer service.

The following chart indicates operating revenue over the last three years:

OPERATING REVENUES

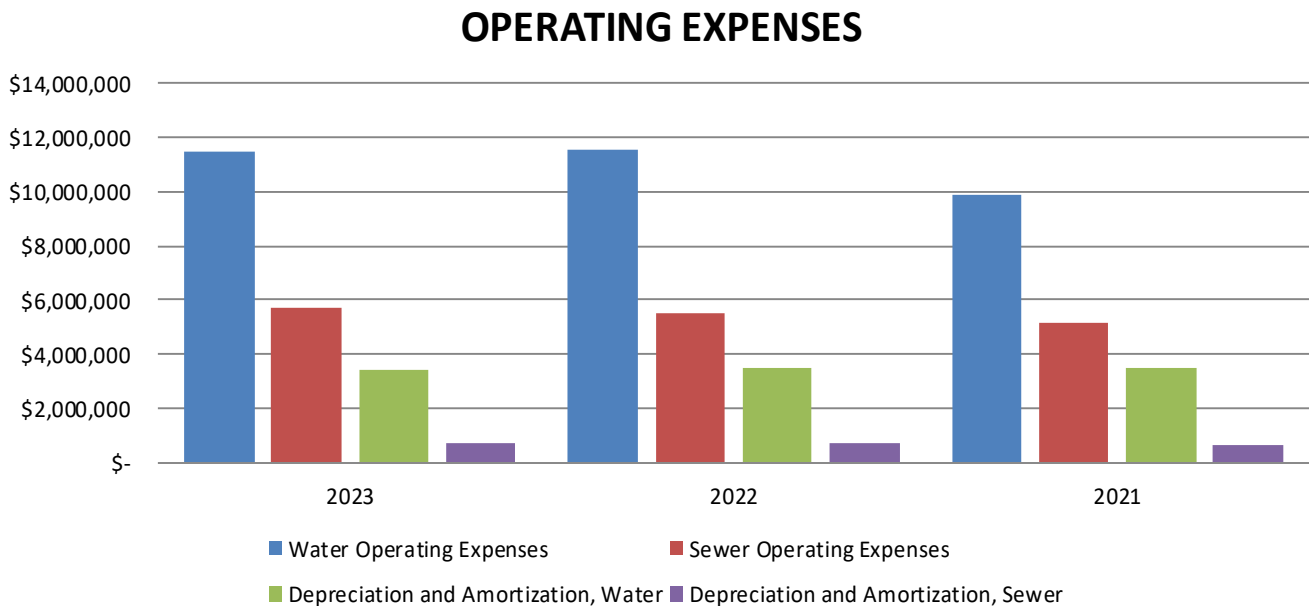


**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

RESULTS OF OPERATIONS (CONTINUED)

District operating revenues in 2023 and 2022 were impacted by annual rate increases. In addition, summer water revenues are driven largely by weather conditions. Summer weather in 2023 was warmer and drier than average. The District exceeded budgeted water sales by more than 3.5% for the year. The summer of 2022 was warmer and drier than average, resulting in water sales that were about equal to summer 2021. Water rate increases of approximately 5.5% and 6.0% were effective on February 1, 2023 and 2022, respectively. Overall increases in sewer rates of 8.0% and 3.0% were effective February 1, 2023 and 2022, respectively. The rate increases were needed to pay for higher wholesale sewage treatment rates; to cover inflationary increases in other operating expenses; and to provide funding for capital improvement purposes.

The following chart indicates operating expenses over the last three years:



Water operating costs increased in 2023 and 2022 primarily due to increases in wages for District employees. The District continues to perform needed maintenance of the District's main campus. Sewer operating costs increased in 2023 and 2022 primarily due to increases in wages for District employees and wastewater treatment. King County Wastewater Treatment Division costs increased in 2023 and 2022 due to a County rate increases of 5.8% and 2.9%, respectively. These rate increases were effective January 1, 2023 and 2022.

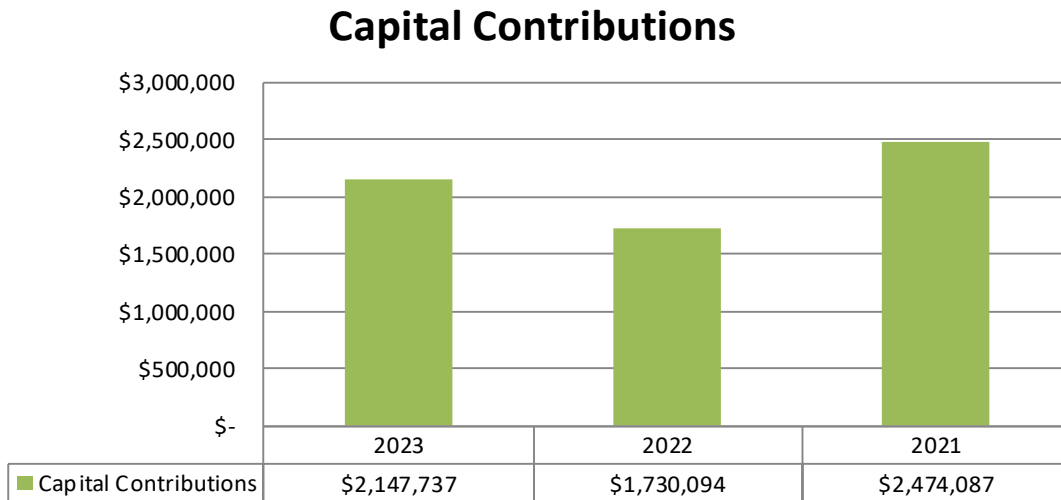
**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

RESULTS OF OPERATIONS (CONTINUED)

Revenues exceeded expenses (resulting in an increase in net position) in 2023 and 2022. The summer of 2023 was similar to the summer of 2022, which was warmer and drier than previous years. Sewer revenues increased in 2023 primarily due to a rate increase. However, sewer revenues were under amounts budgeted, with the decrease being related to reduced sewer volumes and surcharge fees primarily related to a processing modification for a large customer. Sewer revenues were up very slightly in 2022, with the increase being related to rates rather than increased sewer volume. The District is continuing to increase water rates on an annual basis to continue to achieve full funding of annual depreciation expense and strengthen the District's future financial position. The District will adjust sewer rates as needed to achieve the same goals as those of the Water utility. District sewer rates were increased in 2021 for the first time in eight years. Funds provided through these increases will also help finance annual upgrades and replacement of District infrastructure.

The District collects capital contributions from new customers. Capital contributions consisted of System Development Charges (connection charges) paid by new properties connecting to the water or sewer system and the value of new utility infrastructure constructed and donated to the District under approved Developer Extension Agreements.

The following chart indicates capital contributions over the last three years:



These contributions are a result of continuing growth in the number of District customers. They include donated systems totaling \$1,559,278, \$771,684, and \$1,215,972 for the years ended December 31, 2023, 2022, and 2021, respectively. The activity in capital contributions in 2023 and 2022 was consistent with the business climate, as construction activity remained robust during those years.

**WOODINVILLE WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022**

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets increased in 2023 and 2022 due primarily to developer contributed infrastructure and investment made to upgrade and replace necessary capital infrastructure and facilities.

Significant capital asset additions during 2023 and 2022 included the following:

2023		2022	
Donated Systems	\$ 1,559,278	Donated Systems	\$ 771,684
Communications Network		Communications Network	206,039
Sewer Improvements	493,224	Sewer Improvements	111,224
2021 Building B & C Remodel	99,994	2021 Building B & C Remodel	158,991
Bard Reservoir Recoating	2,499,789	Bard Reservoir Recoating	142,802
Campus Turn Lane Water and	142,746	Replace Kingsgate Water	
166th Water Main Improvements	409,308	Reservoir	103,531
Water Project D10 NE 144th Ave	208,381	Siphon 1 Rehabilitation Sewer	
140th PI NE & 148th Ave NE	250,664	Project	106,066
		Water Project D-24	2,310,361

The decrease in long-term liabilities in 2023 and 2022 was primarily due to principal payments made by the District.

See Notes 5, 6, and 7 in the financial statements for detail activity in capital assets and long-term debt.

As of December 31, 2023, the District has \$15,589,795 of cash and investments set aside in construction accounts, of which \$1,187,898 is committed under existing contracts.

ADDITIONAL COMMENTS

The District purchases all water to supply our customer needs from the City of Seattle on a wholesale basis. Treatment of sewage collected from District customers is provided by King County Wastewater Treatment Division (KCWTD/METRO). In December 2004, a new long-term contract was signed with the City of Seattle to ensure adequate water supply for District customer needs for the foreseeable future. As costs for these wholesale products and services continue to increase in future years, the District is committed to adjusting rates as necessary to pass through related cost increases to our rate-payers in an equitable manner.

**WOODINVILLE WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Unrestricted:		
Cash and Cash Equivalents	\$ 31,111,348	\$ 27,793,902
Accounts Receivable - Customers	861,645	942,637
Accounts Receivable - Customers Unbilled	1,630,521	1,549,093
Accounts Receivable - Miscellaneous	3,817	12,053
Lease Receivables	11,485	10,553
Connection Charges Receivable	1,389	1,389
Interest Receivable	104,021	46,565
Inventory	308,650	296,533
Prepaid Expenses	202,444	175,445
Due from Developers	61,256	67,520
Total Unrestricted	<u>34,296,576</u>	<u>30,895,690</u>
Restricted:		
Cash and Cash Equivalents	711,013	628,215
Interest Receivable	2,341	1,058
Total Restricted	<u>713,354</u>	<u>629,273</u>
Total Current Assets	35,009,930	31,524,963
NONCURRENT ASSETS		
Unrestricted:		
Lease Receivables, Net of Current Portion	320,603	332,088
Restricted:		
Net Pension Asset	1,249,033	1,092,291
Capital Assets Not Being Depreciated:		
Land and Land Rights	2,482,325	2,482,325
Construction in Progress	9,849,482	8,582,168
Capital Assets Being Depreciated:		
Plant in Service	179,556,922	174,699,070
Less: Accumulated Depreciation	<u>(80,122,546)</u>	<u>(76,225,639)</u>
Net Capital Assets	<u>111,766,183</u>	<u>109,537,924</u>
Total Noncurrent Assets	<u>113,335,819</u>	<u>110,962,303</u>
Total Assets	148,345,749	142,487,266
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	990,662	1,099,441
Total Deferred Outflows of Resources	<u>990,662</u>	<u>1,099,441</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 149,336,411</u>	<u>\$ 143,586,707</u>

See accompanying Notes to Financial Statements.

**WOODINVILLE WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 1,050,927	\$ 1,360,644
Accrued Payroll	374,965	374,995
Retainage Payable	260,998	126,520
Compensated Absences	520,000	551,000
Developer Advances	288,998	343,190
Lease Deposit	12,000	12,000
Accrued Interest	55,528	60,428
Long-Term Debt - Current Maturities	<u>500,000</u>	<u>490,000</u>
Total Current Liabilities	3,063,416	3,318,777
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Maturities	4,441,596	4,948,750
Compensated Absences	307,052	344,889
Net Pension Liability	<u>539,684</u>	<u>648,344</u>
Total Noncurrent Liabilities	5,288,332	5,941,983
 Total Liabilities	 8,351,748	 9,260,760
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Leases	305,805	324,245
Deferred Inflows Related to Pensions	<u>701,138</u>	<u>1,122,672</u>
Total Deferred Inflows of Resources	1,006,943	1,446,917
 Total Liabilities and Deferred Inflows of Resources	 9,358,691	 10,707,677
NET POSITION		
Net Investment in Capital Assets	106,276,987	103,800,221
Restricted for Impaired Investments	4,132	5,618
Restricted for Debt Service	709,222	623,655
Restricted for Pensions	1,249,033	1,092,291
Unrestricted	<u>31,738,346</u>	<u>27,357,245</u>
Total Net Position	139,977,720	132,879,030
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 149,336,411</u>	 <u>\$ 143,586,707</u>

See accompanying Notes to Financial Statements.

WOODINVILLE WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water Sales	\$ 18,180,872	\$ 16,294,649
Sewer Services	6,113,170	5,980,690
Street Lights	113,554	100,508
Other Revenue	<u>273,227</u>	<u>255,912</u>
Total Operating Revenues	24,680,823	22,631,759
OPERATING EXPENSES		
Water Purchased	4,036,449	3,836,918
Wastewater Disposal Charges	4,103,506	4,207,516
Power for Street Lights	102,341	108,592
Personnel Expense	5,156,808	5,374,688
Plant Expense	3,280,180	3,185,425
Professional Services	468,516	376,050
Depreciation and Amortization	<u>4,185,767</u>	<u>4,214,661</u>
Total Operating Expenses	21,333,567	21,303,850
INCOME FROM OPERATIONS	3,347,256	1,327,909
NONOPERATING REVENUES (EXPENSES)		
Investment Income, Net of Service Fees	1,604,062	(419,249)
Other Interest	-	39
Miscellaneous Income	13,788	15,026
Gain on Disposal of Assets and Abandoned Projects	94,649	3,383
Interest and Amortization on Long-Term Debt	<u>(108,802)</u>	<u>(117,824)</u>
Total Nonoperating Revenues (Expenses)	1,603,697	(518,625)
INCOME BEFORE CAPITAL CONTRIBUTION	4,950,953	809,284
Capital Contributions	<u>2,147,737</u>	<u>1,730,094</u>
CHANGE IN NET POSITION	7,098,690	2,539,378
Net Position - Beginning of Year	<u>132,879,030</u>	<u>130,339,652</u>
NET POSITION - END OF YEAR	<u>\$ 139,977,720</u>	<u>\$ 132,879,030</u>

See accompanying Notes to Financial Statements.

**WOODINVILLE WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 24,674,094	\$ 23,177,888
Cash Paid to Vendors	(12,453,994)	(10,931,750)
Cash Paid to and for Employees and Commissioners, Net of Amount Capitalized	(5,803,832)	(5,379,123)
Cash Received (Paid) to Developers	(47,928)	10,334
Interest Received	-	39
Net Cash Provided by Operating Activities	<u>6,368,340</u>	<u>6,877,388</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	588,459	958,410
Collections on Connection Charge Receivables	-	258
Lease Payments Received	20,430	23,974
Expenditures for Plant in Service and Construction	(4,606,101)	(3,574,237)
Proceeds from Sale of Assets	94,649	3,383
Principal Paid on Long-Term Debt	(490,000)	(480,000)
Interest Paid on Long-Term Debt	(120,856)	(130,456)
Net Cash Used by Capital and Related Financing Activities	<u>(4,513,419)</u>	<u>(3,198,668)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	<u>1,545,323</u>	<u>(456,252)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,545,323</u>	<u>(456,252)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,400,244	3,222,468
Cash and Cash Equivalents - Beginning of Year	<u>28,422,117</u>	<u>25,199,649</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 31,822,361</u></u>	<u><u>\$ 28,422,117</u></u>
CASH AND CASH EQUIVALENTS BALANCE IS COMPRISED OF THE FOLLOWING AT DECEMBER 31:		
Cash and Cash Equivalents - Current Assets	\$ 31,111,348	\$ 27,793,902
Cash and Cash Equivalents - Restricted Current Assets	711,013	628,215
Total Cash and Cash Equivalents	<u><u>\$ 31,822,361</u></u>	<u><u>\$ 28,422,117</u></u>

See accompanying Notes to Financial Statements.

**WOODINVILLE WATER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 3,347,256	\$ 1,327,909
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,185,767	4,214,661
Lease Income	(28,317)	(32,749)
Interest Income	-	39
Miscellaneous Income	13,788	15,026
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable - Customers	(436)	569,488
Accounts Receivable - Miscellaneous	8,236	(5,636)
Inventory	(12,117)	(10,546)
Prepaid Expenses	(26,999)	(1,275)
Due from Developers	6,264	(53,374)
Net Pension Asset	(156,742)	1,798,457
Deferred Outflows Related to Pensions	108,779	(759,250)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	(423,886)	794,571
Accrued Payroll	(30)	374,995
Developer Advances	(54,192)	63,708
Compensated Absences	(68,837)	112,820
Net Pension Liability	(108,660)	356,025
Deferred Inflows Related to Pensions	(421,534)	(1,887,481)
Net Cash Provided by Operating Activities	<u>\$ 6,368,340</u>	<u>\$ 6,877,388</u>
SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH FINANCING AND INVESTING ACTIVITIES		
Utility Plant Donations Received	<u>\$ 1,559,278</u>	<u>\$ 771,684</u>

See accompanying Notes to Financial Statements.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Woodinville Water District (the District), a municipal corporation organized under the laws of the state of Washington, was created for the purpose of constructing, maintaining and operating a water and sewer system within its boundaries, which encompasses the City of Woodinville, parts of the Cities of Kirkland and Redmond, and nearby portions of unincorporated King County. The District is governed by an elected five-member board and 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.

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. However, all accounts receivable are considered fully collectible since nonpayment of an account can result in a lien assessment filed against the property. Therefore, no allowance for doubtful accounts has been provided in the financial statements.

Lease Receivable

The District is a lessor of space on District property for a cell tower. Lessor arrangements are included as lease receivables and deferred inflows of resources in the statements of net position. Lease receivables represent the District's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized based on the present value of expected lease payments over the lease term reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term. Deferred inflows of resources related to leases are recognized based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized on using the straight-line method over the lease term.

Inventory

Inventory consists primarily of water meters and supplies used in the construction and repair of water and sewer lines and other related system components. Inventory is stated at the lower of cost (first in first out) or net realizable value.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are stated at cost and include the capitalized portion of District employees' wages and related overhead costs. For water and sewer systems installed by developers or customers and conveyed to the District by bill of sale, the District records the cost of the system at acquisition value, which is determined by the contributing party's estimated cost and actual costs incurred by the District. Expenditures for capital assets exceeding \$5,000, including leases, subscription based information technology arrangements and repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. 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.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Annexations and Comprehensive Plans	5 to 10 Years
Pumping Stations	10 to 50 Years
Reservoirs	7 to 30 Years
Mains, Valves, Hydrants	30 to 50 Years
Meters and Services	15 Years
Office Buildings	7 to 39 Years
Office Equipment	3 to 20 Years
Transportation Equipment	5 to 10 Years
Shop and Radio Equipment	5 to 10 Years
Maps	10 Years
Monitoring	3 to 20 Years

Pensions

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

For purposes of calculating the restricted net position related to the net pension asset, the District includes the net pension asset only.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability or as an addition to the net pension asset in the following year. Deferred outflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. 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 inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of leases and the District's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources related to leases are amortized on using the straight-line method over the lease term. Deferred inflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. 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 and sick leave benefits at year-end at the employee's current salary. District employees accumulate vacation and sick hours for subsequent use or for payment, subject to certain restrictions, upon termination, retirement, or death.

District policy regarding sick leave stipulates a five-year cliff vesting of unused sick leave. If an employee leaves the District in good standing after five years of service, the District will compensate the employee for not more than 480 hours of accrued sick leave at his or her current salary.

Long-Term Debt

Long-term debt is reported net of premiums and discounts. Premiums and discounts on long-term debt are amortized by the effective interest method over the period the related debt is outstanding.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Restricted – This component of net position consists of the net pension asset, without addition for deferred outflows of resources related to pensions or reduction for deferred inflows of resources related to pensions, and assets restricted by external creditors (such as through debt covenants), grantors, contributors or others, and deferred outflows of resources related to those assets, 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 and sewer systems. 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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Cash on hand at December 31, 2023 and 2022 was \$1,000 and \$1,000, respectively. The District's bank balances as of December 31, 2023 and 2022 were \$36,192 and \$39,615, respectively.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's deposits and certificates of deposit are 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).

Investments

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

	<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
2023			
	King County Investment Pool:		
	Main Pool	\$ 31,781,037	.79 Years
	Impaired Pool	4,132	
2022			
	King County Investment Pool:		
	Main Pool	\$ 28,375,884	.99 Years
	Impaired Pool	5,618	

Impaired Investments

As of December 31, 2023 and 2022 all impaired commercial paper investments have completed enforcement events. The King County Impaired Investment Pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The District's share of the impaired investment pool principal was \$8,370 and \$10,014 at December 31, 2023 and 2022, respectively. The District's unrealized loss for these investments is \$4,238 and \$4,396 at December 31 2023 and 2022, respectively.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk

As of December 31, 2023 and 2022, 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" by one NRSROs), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by one NRSROs), 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 the bond resolutions and other agreements, restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including construction, debt service and other requirements. Restricted assets are as follows:

	Cash and Cash Equivalents	Interest Receivable	Net Pension Asset	Total
2023				
Current Restricted Assets:				
Revenue Bond Fund	\$ 64,227	\$ 213	\$ -	\$ 64,440
Revenue Bond Reserve Fund	642,654	2,128	-	644,782
Impaired Investment Pool	4,132	-	-	4,132
Total	711,013	2,341	-	713,354
Noncurrent Restricted Assets:				
Net Pension Assets	-	-	1,249,033	1,249,033
Total Restricted Assets	<u>\$ 711,013</u>	<u>\$ 2,341</u>	<u>\$ 1,249,033</u>	<u>\$ 1,962,387</u>
2022				
Current Restricted Assets:				
Revenue Bond Fund	\$ 12,769	\$ 22	\$ -	\$ 12,791
Revenue Bond Reserve Fund	609,828	1,036	-	610,864
Impaired Investment Pool	5,618	-	-	5,618
Total Restricted Assets	628,215	1,058	-	629,273
Noncurrent Restricted Assets:				
Net Pension Assets	-	-	1,092,291	1,092,291
Total Restricted Assets	<u>\$ 628,215</u>	<u>\$ 1,058</u>	<u>\$ 1,092,291</u>	<u>\$ 1,721,564</u>

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 RESTRICTED ASSETS (CONTINUED)

Terms of the revenue bond issue require the District to establish and maintain principal and interest and reserve accounts. The principal and interest account is to accumulate funds for payment of bonds, principal, and interest, and the reserve account is to provide security for bond holders. The amount to be reserved is the lesser of the maximum annual debt service, 125% of average annual debt service, or 10% of the proceeds of the bonds. The required reserve for the 2012 revenue bonds at December 31, 2023 and 2022 was \$614,500 and was fully funded.

NOTE 4 LEASE RECEIVABLES

The District is a lessor of space on District property for a cell tower. The District records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the leases. The expected receipts are discounted using an interest rate based on the 10-year treasury bond plus 2%. The District recognized lease revenue of \$18,440 and \$18,440 during the years ended December 31, 2023 and 2022, respectively, and interest income related to the leases of \$9,877 and \$10,169 during the years ended December 31, 2023 and 2022, respectively.

Future lease payments to be received under the leases are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,485	\$ 9,557	\$ 21,042
2025	12,464	9,210	21,674
2026	13,490	8,834	22,324
2027	14,567	8,427	22,994
2028	15,695	7,988	23,683
2029-2033	97,388	32,123	129,511
2034-2038	134,768	15,371	150,139
2039-2043	32,231	552	32,783
Total	<u>\$ 332,088</u>	<u>\$ 92,062</u>	<u>\$ 424,150</u>

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 CAPITAL ASSETS

Major classes of capital assets and capital asset activity were as follows at December 31:

	2023			
	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 2,482,325	\$ -	\$ -	\$ 2,482,325
Construction in Progress	8,582,168	4,585,437	(3,318,123)	9,849,482
Total	11,064,493			12,331,807
Capital Assets Being Depreciated:				
Pumping Stations	8,593,417	-	-	8,593,417
Reservoirs	14,482,963	-	-	14,482,963
Mains, Valves, Hydrants	126,763,139	5,088,065	-	131,851,204
Meters and Services	8,202,660	-	-	8,202,660
Office Buildings	8,231,454	-	-	8,231,454
Office Equipment	2,607,101	-	-	2,607,101
Transportation Equipment	2,723,383	58,648	(267,954)	2,514,077
Shop and Radio Equipment	2,648,514	-	(20,907)	2,627,607
Maps	66,767	-	-	66,767
Monitoring	379,672	-	-	379,672
Total	174,699,070	5,146,713	(288,861)	179,556,922
Accumulated Depreciation:				
Pumping Stations	(2,847,241)	(298,214)	-	(3,145,455)
Reservoirs	(8,825,392)	(298,382)	-	(9,123,774)
Mains, Valves, Hydrants	(47,856,767)	(2,604,571)	-	(50,461,338)
Meters and Services	(5,663,176)	(343,142)	-	(6,006,318)
Office Buildings	(5,017,408)	(181,394)	-	(5,198,802)
Office Equipment	(2,500,197)	(42,931)	-	(2,543,128)
Transportation Equipment	(1,663,122)	(198,848)	267,954	(1,594,016)
Shop and Radio Equipment	(1,405,897)	(218,286)	20,907	(1,603,276)
Maps	(66,767)	-	-	(66,767)
Monitoring	(379,672)	-	-	(379,672)
Total	(76,225,639)	(4,185,768)	288,861	(80,122,546)
Net Capital Assets	<u>\$ 109,537,924</u>	<u>\$ 960,945</u>	<u>\$ -</u>	<u>\$ 111,766,183</u>

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	2022			
	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 2,482,325	\$ -	\$ -	\$ 2,482,325
Construction in Progress	6,581,111	3,651,304	(1,650,247)	8,582,168
Total	9,063,436	3,651,304	(1,650,247)	11,064,493
Capital Assets Being Depreciated:				
Pumping Stations	8,593,417	-	-	8,593,417
Reservoirs	14,482,963	-	-	14,482,963
Mains, Valves, Hydrants	124,485,054	2,278,085	-	126,763,139
Meters and Services	8,202,660	-	-	8,202,660
Office Buildings	8,231,454	-	-	8,231,454
Office Equipment	2,607,101	-	-	2,607,101
Transportation Equipment	2,723,383	-	-	2,723,383
Shop and Radio Equipment	2,648,514	-	-	2,648,514
Maps	66,767	-	-	66,767
Monitoring	379,672	-	-	379,672
Total	172,420,985	2,278,085	-	174,699,070
Accumulated Depreciation:				
Pumping Stations	(2,549,176)	(298,065)	-	(2,847,241)
Reservoirs	(8,458,374)	(367,018)	-	(8,825,392)
Mains, Valves, Hydrants	(45,353,827)	(2,502,940)	-	(47,856,767)
Meters and Services	(5,324,921)	(338,255)	-	(5,663,176)
Office Buildings	(4,795,646)	(221,762)	-	(5,017,408)
Office Equipment	(2,450,684)	(49,513)	-	(2,500,197)
Transportation Equipment	(1,444,213)	(218,909)	-	(1,663,122)
Shop and Radio Equipment	(1,187,698)	(218,199)	-	(1,405,897)
Maps	(66,767)	-	-	(66,767)
Monitoring	(379,672)	-	-	(379,672)
Total	(72,010,978)	(4,214,661)	-	(76,225,639)
Net Capital Assets	<u>\$ 109,473,443</u>	<u>\$ 1,714,728</u>	<u>\$ (1,650,247)</u>	<u>\$ 109,537,924</u>

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM DEBT

Long-term debt outstanding at December 31, 2023 and 2022 consisted of revenue bonds as follows:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Revenue and Refunding Bonds: <u>\$9,845,000 Dated August 8, 2012 Issue for</u> <u>Utility Construction:</u> Due serially through the year 2032, with interest payable semiannually at 2.00 to 2.50 annual percentage rates	\$ 4,910,000	\$ 5,400,000
Total Long-Term Debt	4,910,000	5,400,000
Less: Current Maturities	(500,000)	(490,000)
Add: Unamortized Bond (Discounts) Premiums	31,596	38,750
Total	<u>\$ 4,441,596</u>	<u>\$ 4,948,750</u>

Long-term debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Revenue and Refunding Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 500,000	\$ 111,056	\$ 611,056
2025	510,000	101,056	611,056
2026	520,000	90,856	610,856
2027	530,000	80,456	610,456
2028	545,000	69,194	614,194
2028-2032	2,305,000	145,057	2,450,057
Total	<u>\$ 4,910,000</u>	<u>\$ 597,675</u>	<u>\$ 5,507,675</u>

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amounts Due Within One Year
<u>2023</u>					
Revenue Bonds	\$ 5,400,000	\$ -	\$ (490,000)	\$ 4,910,000	\$ 500,000
Bond Premium	38,750	-	(7,154)	31,596	-
Compensated Absences	895,889	622,653	(691,490)	827,052	520,000
Net Pension Liability PERS 1	648,344	-	(108,660)	539,684	-
Total	<u>\$ 6,982,983</u>	<u>\$ 622,653</u>	<u>\$ (1,297,304)</u>	<u>\$ 6,308,332</u>	<u>\$ 1,020,000</u>
<u>2022</u>					
Revenue Bonds	\$ 5,880,000	\$ -	\$ (480,000)	\$ 5,400,000	\$ 490,000
Bond Premium	46,582	-	(7,832)	38,750	-
Compensated Absences	783,069	664,207	(551,387)	895,889	551,000
Net Pension Liability PERS 1	292,319	356,025	-	648,344	-
Total	<u>\$ 7,001,970</u>	<u>\$ 1,020,232</u>	<u>\$ (1,039,219)</u>	<u>\$ 6,982,983</u>	<u>\$ 1,041,000</u>

NOTE 8 PENSION PLAN

The following table represents the aggregate pension amounts for all plans as of and for the years ended December 31:

Aggregate Pension Amounts – All Plans		
	2023	2022
Pension Liabilities	\$ 539,684	\$ 648,344
Pension Assets	(1,249,033)	(1,092,291)
Deferred Outflows of Resources	990,662	1,099,441
Deferred Inflows of Resources	701,138	1,122,672
Pension Expense	155,072	(86,308)

State Sponsored Pension Plans

Substantially all of 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.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 PENSION PLAN (CONTINUED)

State Sponsored Pension Plans (Continued)

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

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

Public Employees Retirement System (PERS)

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

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

PERS Plan 1 – provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions – The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Contributions (Continued) – The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

<u>PERS Plan 1 Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee</u>
2023:		
January through June		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	3.85	-
Administrative Fee	0.18	-
Total	10.39 %	6.00 %
July through August		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	2.85	-
Administrative Fee	0.18	-
Total	9.39 %	6.00 %
September through December		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	2.97	-
Administrative Fee	0.20	-
Total	9.53 %	6.00 %
2022:		
January through August		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	3.71	-
Administrative Fee	0.18	-
Total	9.53 %	6.00 %
September through December		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	3.85	-
Administrative Fee	0.18	-
Total	10.07 %	6.00 %

The District's actual contributions to the plan were \$148,389 and \$151,379 for the years ended December 31, 2023 and 2022, respectively.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service are earned after age 44.

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

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

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

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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

<u>PERS Plan 2/3 Actual Contribution Rates</u>	<u>Employer 2/3</u>	<u>Employee 2</u>	<u>Employee 3</u>
2023:			
January through June			
PERS Plan 2/3	6.36 %	6.36 %	Varies
PERS Plan 1 UAAL	3.85		
Administrative Fee	0.18		
Total	<u>10.39 %</u>	<u>6.36 %</u>	
July through August			
PERS Plan 2/3	6.36 %	6.36 %	Varies
PERS Plan 1 UAAL	2.85		
Administrative Fee	0.18		
Total	<u>9.39 %</u>	<u>6.36 %</u>	
September through December			
PERS Plan 2/3	6.36 %	6.36 %	Varies
PERS Plan 1 UAAL	2.97		
Administrative Fee	0.20		
Total	<u>9.53 %</u>	<u>6.36 %</u>	
2022:			
January through August			
PERS Plan 1	6.36 %	6.36 %	Varies
PERS Plan 1 UAAL	3.71		
Administrative Fee	0.18		
Total	<u>10.25 %</u>	<u>6.36 %</u>	
September through December			
PERS Plan 1	6.36 %	6.36 %	Varies
PERS Plan 1 UAAL	3.85		
Administrative Fee	0.18		
Total	<u>10.39 %</u>	<u>6.36 %</u>	

The District's actual contributions to the plan were \$274,706 and \$254,562 for the years ended December 31, 2023 and 2022, respectively.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

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

Additional assumptions for subsequent events and law changes are current as of the 2022 and 2021 actuarial valuation reports. The TPL/A was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023 and June 30, 2022. 2023 Plan liabilities/(assets) were rolled forward from June 30, 2022, to June 30, 2023, and 2022 Plan liabilities/(assets) were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation for the 2022 and 2021 actuarial valuations, 3.25% salary inflation for the 2022 and 2021 actuarial valuations, respectively.
- **Salary increases:** In addition to the base salary inflation assumptions, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0% for the 2022 and 2021 actuarial valuations.

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society 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.

There were no changes in methods between the 2022 and 2021 valuations. There were no changes in methods between the 2021 and 2020 valuations.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability/(asset) for all DRS plans was 7.0% for the 2022 and 2021 valuations.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability/(asset) for the 2022 and 2021 valuations.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% for the 2022 and 2021 valuations, was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

As of June 30, 2022 and 2021 actuarial valuations:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Percent Long- Term Expected Real Rate of Return Arithmetic</u>
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
Total	<u>100 %</u>	

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 PENSION PLAN (CONTINUED)

Sensitivity of NPL/(Asset)

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

	2023		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$ 753,979	\$ 539,684	\$ 352,654
PERS 2/3	1,358,473	(1,249,033)	(3,391,263)
	2022		
	One Percent Decrease (6.0%)	Current Discount Rate (7.0%)	One Percent Increase (8.0%)
PERS 1	\$ 866,179	\$ 648,344	\$ 458,226
PERS 2/3	1,286,316	(1,092,291)	(3,046,467)

Pension Plan Fiduciary Net Position

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

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

At December 31, the District reported a total pension liability (asset) for its proportionate share of the net pension liabilities/(assets) as follows (measured as of June 30, 2023 and 2022):

	2023	2022
PERS 1	\$ 539,684	\$ 648,344
PERS 2/3	(1,249,033)	(1,092,291)
Total	<u>\$ (709,349)</u>	<u>\$ (443,947)</u>

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 PENSION PLAN (CONTINUED)

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

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

	<u>Proportionate Share 6/30/22</u>	<u>Proportionate Share 6/30/23</u>	<u>Change in Proportion</u>
PERS 1	0.023285%	0.023642%	0.000357%
PERS 2/3	0.029451%	0.030474%	0.001023%
	<u>Proportionate Share 6/30/21</u>	<u>Proportionate Share 6/30/22</u>	<u>Change in Proportion</u>
PERS 1	0.023936%	0.023285%	-0.000651%
PERS 2/3	0.029019%	0.029451%	0.000432%

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

Pension Expense

For the years ended December 31 the District recognized pension expense as follows:

	<u>2023</u>	<u>2022</u>
PERS 1	\$ (5,877)	\$ 281,803
PERS 2/3	160,949	(368,111)
Total	<u>\$ 155,072</u>	<u>\$ (86,308)</u>

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2023</u>		
PERS 1:		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	60,879
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	65,904	-
Total	<u>\$ 65,904</u>	<u>\$ 60,879</u>
PERS 2/3:		
Differences Between Expected and Actual Experience	\$ 254,427	\$ 13,956
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	470,711
Changes of Assumptions	524,387	114,296
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	7,499	41,296
Contributions Subsequent to the Measurement Date	138,445	-
Total	<u>\$ 924,758</u>	<u>\$ 640,259</u>
Total All Plans	<u>\$ 990,662</u>	<u>\$ 701,138</u>

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 PENSION PLAN (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2022</u>		
PERS 1:		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	107,450
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	78,620	-
Total	<u>\$ 78,620</u>	<u>\$ 107,450</u>
PERS 2/3:		
Differences Between Expected and Actual Experience	\$ 270,643	\$ 24,726
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	807,539
Changes of Assumptions	608,802	159,406
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	9,700	23,551
Contributions Subsequent to the Measurement Date	131,676	-
Total	<u>\$ 1,020,821</u>	<u>\$ 1,015,222</u>
Total All Plans	<u>\$ 1,099,441</u>	<u>\$ 1,122,672</u>

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 or an addition to the net pension asset in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>PERS 1</u>	<u>PERS 2/3</u>
2024	\$ (41,419)	\$ (233,153)
2025	(52,090)	(276,467)
2026	32,118	385,487
2027	512	136,313
2028	-	132,720
Thereafter	-	1,154
Total	<u>\$ (60,879)</u>	<u>\$ 146,054</u>

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 DEFERRED COMPENSATION PLAN

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are with the International City Managers Association and Nationwide Retirement. The plans, available to all employees, permit 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. In addition to voluntary employee deferrals, the District matches 100% of eligible employee deferrals up to 2% of the participating employees' salaries. Employee deferrals totaled \$284,906 and \$243,102 in 2023 and 2022, respectively. District matching contributions totaled \$79,624 and \$72,816 in 2023 and 2022, respectively.

NOTE 10 RISK MANAGEMENT

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

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

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 RISK MANAGEMENT (CONTINUED)

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

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

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

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 RISK MANAGEMENT (CONTINUED)

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

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g., to withdraw from the Pool on November 1, 2024, written notice must be in possession of the Pool by April 30, 2024). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

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

The Pool is governed by a board of directors, which is comprised of one designated representative from each participating member. An executive committee is elected at the annual meeting and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's executive director.

In the past three years (2023, 2022, and 2021), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

NOTE 11 HEALTH AND WELFARE

The District is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 HEALTH AND WELFARE (CONTINUED)

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when participating cities, towns, and noncity entities of the AWC Employee Benefit Trust in the state of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2023, 264 cities/towns/noncity entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of six months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 HEALTH AND WELFARE (CONTINUED)

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (GASB). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ended December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

In 2023, 2022, and 2021, there were no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by stop loss contracts.

NOTE 12 MAJOR SUPPLIERS

All sewage treatment and water purchased by the District is provided by King County Wastewater Treatment Division and the City of Seattle, respectively.

NOTE 13 COMMITMENTS AND CONTINGENCY

The District is obligated under various contracts for construction in progress in the combined amount of \$6,104,505 of which \$4,916,607 has been expended as of December 31, 2023.

**WOODINVILLE WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 13 COMMITMENTS AND CONTINGENCY (CONTINUED)

King County has enacted an ordinance to charge utilities a rental fee for use of County right-of-way. The County then issued rules, with an effective date of January 29, 2018, providing rules and procedures to determine the rental compensation utilities subject to the Ordinance would be required to pay King County as part of a franchise to be issued to the respective utility to use County right-of-way. A group of water and sewer districts, including the Woodinville Water District objected to the Ordinance and the rules. The County filed a lawsuit asserting the authority to charge utilities rent to use the right-of-way and the Washington Supreme Court has upheld the County's authority. The case was sent back to the trial court regarding application of the rules. The trial court dismissed the objections to the rules as the compensation are subject to continuing negotiations. Based on notices issued by King County, the District could be required to pay approximately \$607,000 per year in rental compensation. The District believes the amount will be substantially reduced in the negotiations and also believes it is entitled to compensation for fire suppression services in the annual amount of approximately \$937,000. The County has also asserted that the rent began accruing as of January 29, 2018. The District retains the right to challenge the amount of rent imposed by the County through future legal proceedings. The ultimate outcome cannot be determined.

**WOODINVILLE WATER DISTRICT
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS**

PERS 1

<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2023	0.023642 %	\$ 539,684	\$ 4,212,844	12.81 %	80.16 %
2022	0.023285	648,344	3,729,814	17.38	78.56
2021	0.023936	292,319	3,549,024	8.24	88.74
2020	0.023077	814,736	3,389,311	24.04	68.64
2019	0.023166	890,833	3,146,528	28.31	67.12
2018	0.023108	1,032,014	2,972,860	34.71	63.22
2017	0.025808	1,129,726	2,918,425	38.71	61.24
2016	0.025404	1,315,970	2,833,272	46.45	57.03
2015	0.025402	1,328,746	2,835,492	46.86	59.10
2014	0.026003	1,309,906	2,687,854	48.73	61.19

PERS 2/3

<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2023	0.030474 %	\$ (1,249,033)	\$ 4,212,844	(29.65)%	107.02 %
2022	0.029451	(1,092,291)	3,687,404	(29.62)	106.73
2021	0.029019	(2,890,748)	3,470,804	(83.29)	120.29
2020	0.028497	364,455	3,314,623	11.00	97.22
2019	0.028321	275,091	3,077,728	8.94	97.77
2018	0.028219	481,817	2,907,103	16.57	95.77
2017	0.029112	1,011,503	2,854,142	35.44	90.97
2016	0.029916	1,506,228	2,772,061	54.34	85.82
2015	0.031272	1,117,353	2,774,687	40.27	89.20
2014	0.031920	645,210	2,630,214	24.53	93.29

**WOODINVILLE WATER DISTRICT
SCHEDULES OF EMPLOYER PENSION CONTRIBUTIONS
AS OF DECEMBER 31 (EMPLOYER REPORTING DATE)
LAST TEN FISCAL YEARS**

PERS 1

<u>Year</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percent of Covered Payroll</u>
2023	\$ 148,389	\$ (148,389)	\$ -	\$ 4,319,273	3.44 %
2022	151,379	(151,379)	-	4,013,216	3.77
2021	160,701	(160,701)	-	3,586,657	4.48
2020	172,419	(172,419)	-	3,468,397	4.97
2019	167,585	(167,585)	-	3,279,387	5.11
2018	157,478	(157,478)	-	3,010,141	5.23
2017	150,128	(150,128)	-	2,972,296	5.05
2016	140,964	(140,964)	-	2,872,449	4.91
2015	124,548	(124,548)	-	2,759,423	4.51
2014	112,961	(112,961)	-	2,728,637	4.14

PERS 2/3

<u>Year</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percent of Covered Payroll</u>
2023	\$ 274,706	\$ (274,706)	\$ -	\$ 4,319,273	6.36 %
2022	254,562	(254,562)	-	4,002,532	6.36
2021	253,145	(253,145)	-	3,515,675	7.20
2020	268,568	(268,568)	-	3,390,988	7.92
2019	247,759	(247,759)	-	3,207,748	7.72
2018	220,774	(220,774)	-	2,943,406	7.50
2017	199,627	(199,627)	-	2,907,439	6.87
2016	175,005	(175,005)	-	2,809,077	6.23
2015	152,348	(152,348)	-	2,700,173	5.64
2014	133,436	(133,436)	-	2,670,605	5.00

**WOODINVILLE WATER DISTRICT
DEPARTMENTAL STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2023**

	Water	Sewer	Total
OPERATING REVENUES			
Water Sales	\$ 18,180,872	\$ -	\$ 18,180,872
Sewer Services	-	6,113,170	6,113,170
Street Lights	113,554	-	113,554
Other Revenue	269,747	3,480	273,227
Total Operating Revenues	<u>18,564,173</u>	<u>6,116,650</u>	<u>24,680,823</u>
OPERATING EXPENSES			
Water Purchased	4,036,449	-	4,036,449
Wastewater Disposal Charges	-	4,103,506	4,103,506
Power for Street Lights	102,341	-	102,341
Personnel Expense	4,847,138	309,670	5,156,808
Plant Expense	2,127,221	1,152,959	3,280,180
Professional Services	341,490	127,026	468,516
Depreciation and Amortization	3,447,206	738,561	4,185,767
Total Operating Expenses	<u>14,901,845</u>	<u>6,431,722</u>	<u>21,333,567</u>
INCOME FROM OPERATIONS	3,662,328	(315,072)	3,347,256
NONOPERATING REVENUES (EXPENSES)			
Investment Income, Net of Service Fees	1,126,911	477,151	1,604,062
Miscellaneous Income	13,788	-	13,788
Gain on Disposal of Assets and Abandoned Projects	9,149	85,500	94,649
Interest and Amortization on Long-Term Debt	(108,802)	-	(108,802)
Total Nonoperating Revenues (Expenses)	<u>1,041,046</u>	<u>562,651</u>	<u>1,603,697</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	4,703,374	247,579	4,950,953
Capital Contributions	<u>1,382,933</u>	<u>764,805</u>	<u>2,147,737</u>
CHANGE IN NET POSITION	<u>\$ 6,086,307</u>	<u>\$ 1,012,384</u>	7,098,690
Net Position - Beginning of Year			<u>132,879,030</u>
NET POSITION - END OF YEAR			<u>\$ 139,977,720</u>

**WOODINVILLE WATER DISTRICT
DEPARTMENTAL STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2022**

	Water	Sewer	Total
OPERATING REVENUES			
Water Sales	\$ 18,180,872	\$ -	\$ 18,180,872
Sewer Services	-	6,113,170	6,113,170
Street Lights	113,554	-	113,554
Other Revenue	269,747	3,480	273,227
Total Operating Revenues	<u>18,564,173</u>	<u>6,116,650</u>	<u>24,680,823</u>
OPERATING EXPENSES			
Water Purchased	4,036,449	-	4,036,449
Wastewater Disposal Charges	-	4,103,506	4,103,506
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Personnel Expense	4,847,138	309,670	5,156,808
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Miscellaneous Income	13,788	-	13,788
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Interest and Amortization on Long-Term Debt	(108,802)	-	(108,802)
Total Nonoperating Revenues (Expenses)	<u>1,041,046</u>	<u>562,651</u>	<u>1,603,697</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	4,703,374	247,579	4,950,953
Capital Contributions	<u>1,382,933</u>	<u>764,805</u>	<u>2,147,737</u>
CHANGE IN NET POSITION	<u>\$ 6,086,307</u>	<u>\$ 1,012,384</u>	7,098,690
Net Position - Beginning of Year			<u>132,879,030</u>
NET POSITION - END OF YEAR			<u>\$ 139,977,720</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Woodinville Water District
Snohomish, Washington

We have audited, in accordance with the 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 Woodinville Water District (the 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 December 2, 2024.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

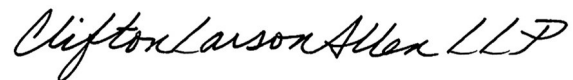
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Bellevue, Washington
December 2, 2024



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