



MUKILTEO WATER AND WASTEWATER DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

INTRODUCTION

was founded in 1920 and provides water and wastewater services to customers residing within the District boundaries. Our mission is to provide excellent water and wastewater services, and fiscally responsible management of resources of our ratepayers in an environmentally responsive manner.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of management's discussion and analysis presents our review of the District's financial position as of Error! Unknown switch argument.Error! Unknown switch argument. 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 presents total assets and deferred outflows of resources and total liabilities and deferred inflows of resources with the difference between the two totals reported as net position. 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.

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.

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

CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Capital Assets	\$ 95,120,123	\$ 96,137,028	\$ 94,935,932
Other Assets	29,317,125	27,077,979	28,455,957
Total Assets	<u>124,437,248</u>	<u>123,215,007</u>	<u>123,391,889</u>
Deferred Outflows of Resources	<u>666,566</u>	<u>778,780</u>	<u>360,084</u>
Long-Term Liabilities	9,591,397	11,463,402	12,175,946
Other Liabilities	3,764,087	3,841,509	4,073,219
Total Liabilities	<u>13,355,484</u>	<u>15,304,911</u>	<u>16,249,165</u>
Deferred Inflows of Resources	<u>1,116,923</u>	<u>1,564,958</u>	<u>2,841,934</u>
Net Investment in Capital Assets	84,104,835	83,255,628	81,052,750
Restricted Amounts	2,604,232	2,523,883	3,658,025
Unrestricted Amounts	<u>23,922,340</u>	<u>21,344,407</u>	<u>19,950,099</u>
Total Net Position	<u>\$ 110,631,407</u>	<u>\$ 107,123,918</u>	<u>\$ 104,660,874</u>

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

**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION FOR THE YEAR ENDED DECEMBER 31**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Wastewater Service Revenue	\$ 9,147,335	\$ 8,793,932	\$ 8,413,983
Water Service Revenue	4,855,282	4,478,373	4,417,869
Other Wastewater Operating Revenues	140,741	123,287	101,153
Other Water Operating Revenues	291,705	275,383	250,391
Total Operating Revenues	<u>14,435,063</u>	<u>13,670,975</u>	<u>13,183,396</u>
Wastewater Operating Expenses	2,927,404	2,570,268	2,638,256
Water Operating Expenses	2,476,477	2,094,527	1,927,772
General and Administrative Expenses, Wastewater	2,010,943	1,928,488	1,395,358
General and Administrative Expenses, Water	1,512,305	1,498,949	1,058,539
Depreciation, Wastewater	2,763,470	2,742,886	2,571,039
Depreciation, Water	715,137	748,715	813,928
Total Operating Expenses	<u>12,405,736</u>	<u>11,583,833</u>	<u>10,404,892</u>
Operating Income	2,029,327	2,087,142	2,778,504
Nonoperating Revenue (Expense):			
Interest	1,155,890	296,132	38,928
Gain (Loss) on Disposal of Assets	98,091	(32,115)	(2,566,984)
Interest and Amortization	(220,117)	(248,860)	(263,019)
Income (Loss) Before Capital Contributions	3,063,191	2,102,299	(12,571)
Capital Contributions	444,298	360,745	389,648
Increase in Net Position	3,507,489	2,463,044	377,077
Net Position, January 1	<u>107,123,918</u>	<u>104,660,874</u>	<u>104,283,797</u>
Net Position, December 31	<u>\$ 110,631,407</u>	<u>\$ 107,123,918</u>	<u>\$ 104,660,874</u>

FINANCIAL POSITION

The District's overall financial position continues to be strong with sufficient liquidity, growing revenues, and debt capacity to finance future capital improvements if necessary.

The District is financed primarily by equity and substantial liquid assets are available to fund liabilities and construction. Capital assets decreased in 2023 due to depreciation in excess of construction activity, donated systems, and asset purchases. Capital assets increased in 2022 due to increases in construction activity, donated systems, and asset purchases.

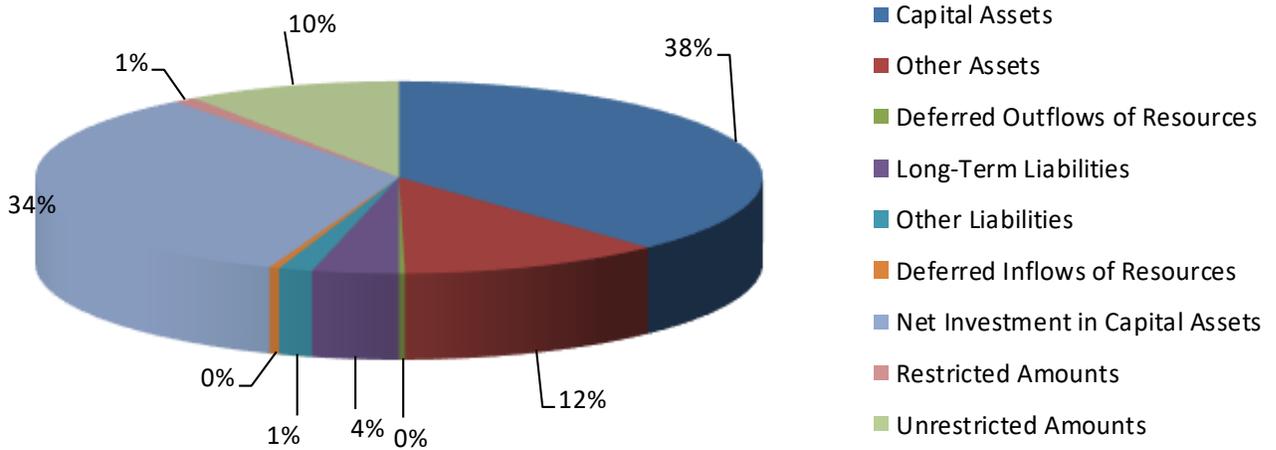
The District is located in Snohomish County, Washington.

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

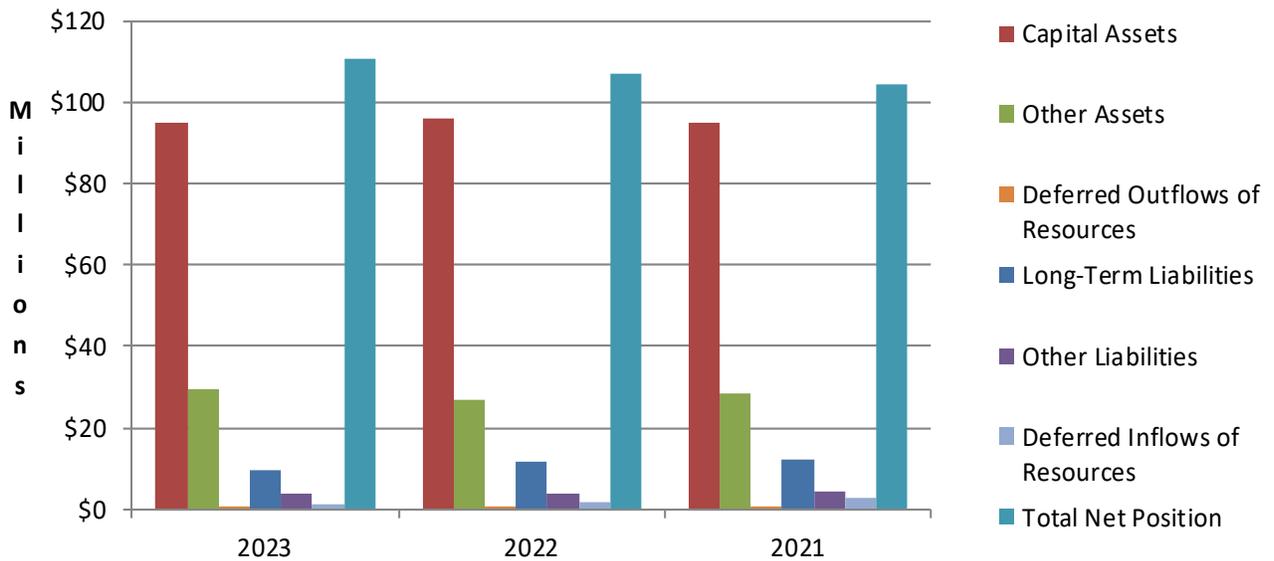
FINANCIAL POSITION (CONTINUED)

The following charts indicate the components of financial position:

2023 STATEMENT OF NET POSITION



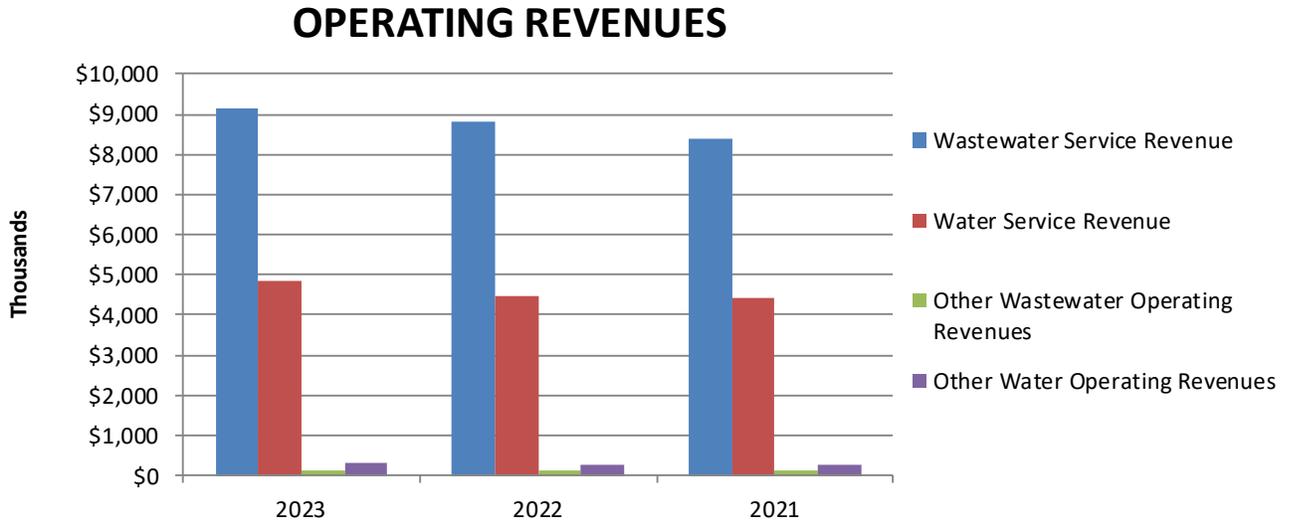
COMPARATIVE STATEMENT OF NET POSITION



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

RESULTS OF OPERATIONS

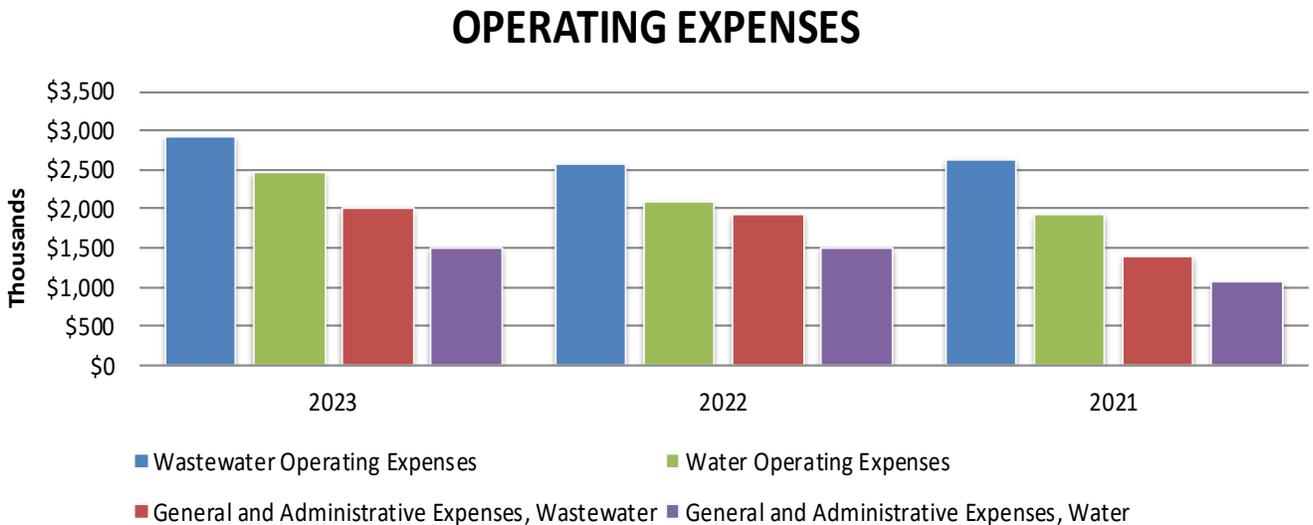
Operating revenues are received primarily from water and wastewater service charges. The following chart indicates operating revenue over the last three years.



Water revenue increased in 2023 and 2022 due to a combination of increased consumption as the impacts of COVID-19 diminished and increased water rates.

The increase in wastewater revenues in 2023 was due to increased water consumption for commercial accounts and in 2022 was due to increased water consumption for commercial accounts and rate increases.

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



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

RESULTS OF OPERATIONS (CONTINUED)

Wastewater operating expenses increased in 2023 primarily due to a rate increase for wastewater treatment, increased personnel costs and maintenance at the District's treatment plant. Wastewater operating expenses decreased in 2022 primarily due to extra expenses incurred in 2021 for telemetry upgrades and supplies and equipment for the new administrative building at the treatment plant. Water operating expenses increased in 2023 and 2022 primarily due to rate increases on purchased water.

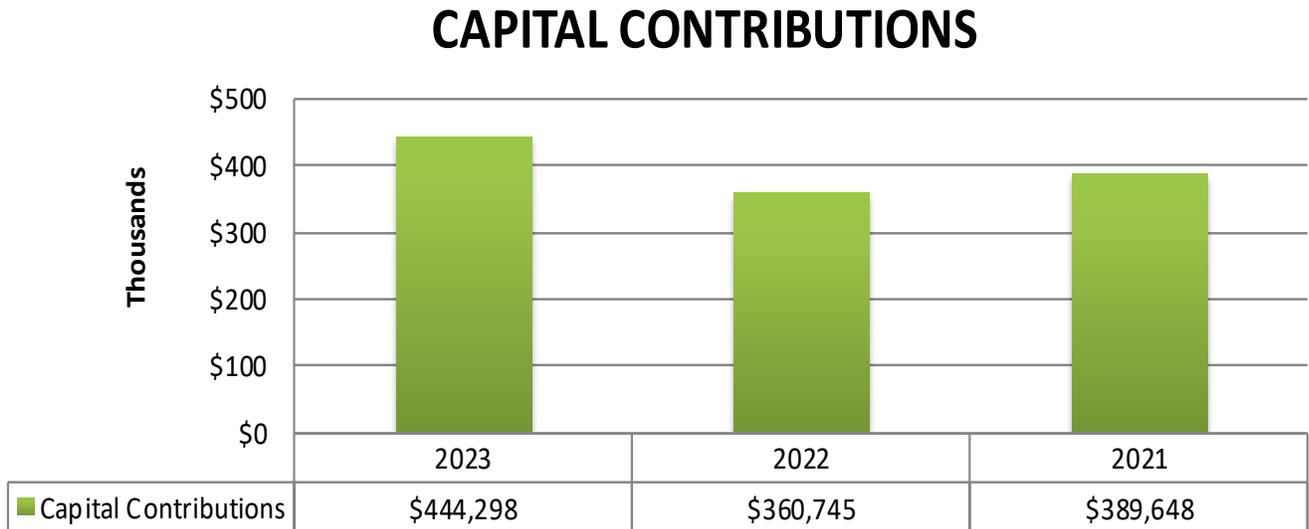
Wastewater and water administrative expenses 2023 are comparable to 2022. Wastewater and water general and administrative expenses increased in 2022 primarily due to changes in pension expense due to differences between expected and actual earnings on pension plan investments.

The District operated at a profit in Error! **Unknown switch argument.**, , and . Operating results are augmented by earnings on investments, capital contributions, and other nonoperating revenues, less nonoperating expenses.

CAPITAL CONTRIBUTIONS

The District collects capital contributions from new customers. These contributions consist of connection charges, ULID assessments, and donated systems.

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



The contributions are indicative of the growth of the District and include donated systems totaling \$148,378, \$230,514, and \$99,447 for the years ended December 31, Error! **Unknown switch argument.**, , and , respectively.

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

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital assets decreased in 2023 due to depreciation in excess of construction activity, donated systems, and asset purchases. Capital assets increased in 2022 due to increases in construction activity, donated systems, and asset purchases.

Significant capital asset additions included the following:

<u>2023</u>		<u>2022</u>	
Old Town PH 2 22-01	\$ 978,852	Old Town SR525 Crossing WSI	\$ 1,769,857
Testing/Replacement	50,487	Old Town PH 2 22-01	73,206
		LS 5 Replacement	768,689
LS 8 Upgrade	1,088,759	LS 8 Force Main Replacement	132,022
CIPP - 2023	157,026	CIPP - 2022	348,706
WWTF Dewatering Upgrade	72,613	LS 8 Upgrade	155,743
Donated Systems	148,378	WWTF Dewatering Upgrade	1,044,197
		Donated Systems	230,514

* LS stands for Lift Station and WWTF stands for Wastewater Treatment Facility

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

See Notes 5, 6, 7 and 8 in the financial statements for detailed activity of capital assets and long-term debt.

As of December 31, **Error! Unknown switch argument.**, the District has \$20,309,912 of cash and investments set aside in capital accounts of which \$1,521,987 is committed under existing contracts.

The District is committed to pay a portion of certain City of Everett projects. See Note 9 in the financial statements for the District's estimated share of these projects over the next 10 years.

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

ADDITIONAL COMMENTS

The District is dependent on other governments for wholesale water and for treatment of a portion of the wastewater collected by the District. The cost for this product and service charged to the District continues to increase. The District intends to adjust rates to compensate for increases in its direct costs.

The City of Everett has the contractual right to assume ownership of District assets in areas located within the City of Everett's Urban Growth Area (UGA) that have been annexed for over ten years. See Note 15 in the financial statements for more details.

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

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Unrestricted:		
Cash	\$ 674,665	\$ 319,917
Investments	23,071,139	21,148,833
Accounts Receivable	1,399,078	1,473,749
Leases Receivable	136,932	126,246
Contract Receivable - Current Portion	5,843	5,843
Interest Receivable	44,280	5,352
Inventory	353,765	337,641
Prepaid Expenses	336,653	289,695
Total Unrestricted	26,022,355	23,707,276
Restricted:		
Cash	33,098	48,605
Investments	1,880,446	1,807,128
Interest Receivable	-	3,228
Assessments Receivable - Current Portion	-	36,422
Total Restricted	1,913,544	1,895,383
Total Current Assets	27,935,899	25,602,659
NONCURRENT ASSETS		
Unrestricted:		
Lease Receivable, Net of Current Portion	657,440	794,372
Contract Receivable, Less Current Portion	-	5,843
Total Unrestricted	657,440	800,215
Restricted:		
Net Pension Asset	723,786	675,105
Total Restricted	723,786	675,105
Capital Assets Not Being Depreciated/Amortized:		
Land, Land Rights, and Other	1,225,824	1,679,825
Construction in Progress	1,689,527	1,587,301
Capital Assets Being Depreciated/Amortized:		
Plant in Service	148,527,543	147,053,384
Less: Accumulated Depreciation/Amortization	(56,322,771)	(54,183,482)
Net Capital Assets	95,120,123	96,137,028
Total Noncurrent Assets	96,501,349	97,612,348
Total Assets	124,437,248	123,215,007
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding of Debt	69,971	103,672
Deferred Outflows Related to Pensions	596,595	675,108
Total Deferred Outflows of Resources	666,566	778,780
Total Assets and Deferred Outflows of Resources	\$ 125,103,814	\$ 123,993,787

See accompanying Notes to Financial Statements.

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2023	2022
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 1,351,107	\$ 1,461,298
Accrued Salaries and Benefits	61,218	60,409
Compensated Absences	172,500	197,800
Customer Deposits	64,500	64,500
Developer Deposits	36,866	13,660
Retainage Payable	69,586	24,593
Accrued Interest	64,071	73,993
SBITA Payable - Current Maturities	11,545	-
Long-Term Debt - Current Maturities	1,899,596	1,898,651
Total Payable from Unrestricted Assets	3,730,989	3,794,904
Payable from Restricted Assets:		
Accounts Payable	33,098	46,605
Total Payable from Restricted Assets	33,098	46,605
Total Current Liabilities	3,764,087	3,841,509
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Maturities	9,069,720	11,015,174
SBITA Payable, Net of Current Maturities	12,210	-
Compensated Absences	196,733	60,205
Net Pension Liability	312,734	388,023
Total Noncurrent Liabilities	9,591,397	11,463,402
Total Liabilities	13,355,484	15,304,911
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	397,172	701,761
Deferred Inflows Related to Leases	719,751	863,197
Total Deferred Inflows of Resources	1,116,923	1,564,958
Total Liabilities and Deferred Inflows of Resources	14,472,407	16,869,869
NET POSITION		
Net Investment in Capital Assets	84,104,835	83,255,628
Restricted for Debt Service	1,880,446	1,846,778
Restricted for Pensions	723,786	675,105
Restricted Other	-	2,000
Unrestricted	23,922,340	21,344,407
Total Net Position	110,631,407	107,123,918
Total Liabilities and Deferred Inflows of Resources, and Net Position	\$ 125,103,814	\$ 123,993,787

See accompanying Notes to Financial Statements.

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

	2023	2022
OPERATING REVENUES		
Service Charges:		
Residential	\$ 6,985,711	\$ 6,669,702
Commercial and Multi-Family	7,016,906	6,602,603
Total Service Charges	14,002,617	13,272,305
Late Charges	85,403	101,267
Miscellaneous	347,043	297,403
Total Operating Revenues	14,435,063	13,670,975
OPERATING EXPENSES		
Purchased Water	1,839,440	1,484,275
Wastewater Treatment	2,195,078	1,982,536
Operation Expenses	1,369,363	1,197,984
General and Administrative	3,523,248	3,427,437
Depreciation/Amortization	3,478,607	3,491,601
Total Operating Expenses	12,405,736	11,583,833
OPERATING INCOME	2,029,327	2,087,142
NONOPERATING REVENUES (EXPENSES)		
Investment Income	1,151,474	293,952
Interest on Assessments	4,241	1,878
Other Interest	175	302
Gain (Loss) on Disposal of Assets	98,091	(32,115)
Interest and Amortization on Long-Term Debt	(220,117)	(248,860)
Total Nonoperating Revenue (Expense)	1,033,864	15,157
INCOME BEFORE CAPITAL CONTRIBUTIONS	3,063,191	2,102,299
Capital Contributions	444,298	360,745
CHANGE IN NET POSITION	3,507,489	2,463,044
Net Position - Beginning of Year	107,123,918	104,660,874
NET POSITION - END OF YEAR	\$ 110,631,407	\$ 107,123,918

See accompanying Notes to Financial Statements.

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 14,395,465	\$ 13,516,312
Cash Paid to Vendors	(5,610,731)	(4,988,364)
Cash Paid to and for Employees and Commissioners	(3,717,135)	(3,609,395)
Net Cash Provided by Operating Activities	5,067,599	4,918,553
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Contributions	295,920	130,231
Lease Payments Received	120,275	119,601
Interest Received on Assessments	7,469	2,515
Collections on ULID Assessments	36,422	13,964
Proceeds from Sale of Assets	552,092	-
Proceeds from Issuance of Debt	-	1,004,995
Principal Paid on Debt	(1,898,652)	(1,866,562)
Principal Paid on SBITA Payable	(11,735)	-
Interest Paid on Long-Term Debt and SBITA	(242,195)	(268,542)
Expenditures for Plant in Service, Construction, and Preliminary Surveys and Investigations	(2,710,894)	(4,620,996)
Net Cash Used by Capital Financing Activities	(3,851,298)	(5,484,794)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	15,719,193	12,582,934
Purchase of Investments	(17,766,929)	(14,243,009)
Collections on City of Everett Contract	5,843	5,843
Interest Received on Investments and City of Everett Contract	1,164,833	312,299
Net Cash Used by Investing Activities	(877,060)	(1,341,933)
NET INCREASE (DECREASE) IN CASH	339,241	(1,908,174)
Cash - Beginning of Year	368,522	2,276,696
CASH - END OF YEAR	\$ 707,763	\$ 368,522
Cash and Cash Equivalents Balance is Comprised of the Following at December 31:		
Cash - Unrestricted	\$ 674,665	\$ 319,917
Cash - Restricted	33,098	48,605
Total	\$ 707,763	\$ 368,522

See accompanying Notes to Financial Statements.

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

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 2,029,327	\$ 2,087,142
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,478,607	3,491,601
Lease Income	(137,475)	(146,676)
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	74,671	921
Inventory	(16,124)	(44,328)
Prepaid Expenses	(46,958)	(73,178)
Net Pension Asset	(48,681)	1,087,738
Deferred Outflows Related to Pensions	78,513	(458,719)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Deposits	(76,440)	(129,372)
Accrued Salaries and Compensated Absences	112,037	13,348
Net Pension Liability	(75,289)	219,740
Deferred Inflows Related to Pensions	(304,589)	(1,129,664)
Net Cash Provided by Operating Activities	\$ 5,067,599	\$ 4,918,553
 SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH FINANCING AND INVESTING ACTIVITIES		
Utility Plant Donations Received	\$ 148,378	\$ 230,514
SBITA Asset Received for SBITA Payable	\$ 35,490	\$ -

See accompanying Notes to Financial Statements.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business, Nature of Operations, and Reporting Entity

(the District), a municipal corporation organized under the laws of the state of Washington, was created for the purpose of constructing, maintaining, and operating water and wastewater systems within its boundaries which encompass an area in and around the city of Mukilteo, Washington. The District is governed by an elected three-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.

Adoption of New Accounting Standards:

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* (GASB 96). This establishes new requirements for calculating and reporting the District's SBITA activities. This standard's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting of SBITAs by governments. This standard requires a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement.

The District adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the earliest comparative period presented. There was no impact on the 2022 financial statements as the District did not had only short-term SBITA's during the year.

Cash

The District classifies cash on hand and in checking accounts as cash.

Investments

The District has investments in money market accounts, certificates of deposit, the State of Washington Treasurer's Local Government Investment Pool, U.S. Agency Securities, and U.S. Treasury Notes.

Investments in money market accounts and the State of Washington Treasurer's Local Government Investment Pool are stated at share price, which is equal to amortized cost. Certificates of deposit are stated at amortized cost.

U.S. Agency Securities and U.S. Treasury Notes are stated at fair value.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 towers. Lessor arrangements are included as lease receivables and deferred inflows of resources in the statement of net position. Lease receivables represent the District's claim to receive lease payments over the lease term, as specified in the contracts, 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 of materials and supplies available for future use and is stated at the lower of cost (average) or net realizable value.

Capital Assets

Capital assets are stated at cost and include the capitalized portion of District employees' wages. For water and wastewater 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. Expenditures for capital assets exceeding \$10,000, including leases, SBITA's and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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:

Reservoirs	15 to 100 Years
Water System	5 to 100 Years
Wastewater System	5 to 100 Years
Treatment Plant and Capacity	10 to 100 Years
Office Building and Improvements	5 to 40 Years
Equipment and Other	2 to 25 Years
SBITA Asset	3 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.

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 losses on refunding of debt, contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. The deferred loss on refunding of debt results from a difference in the carrying value of refunded debt and its reacquisition price. Losses on refunding of debt are amortized by the interest method over the life of the refunded or refunding debt, whichever is shorter. 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 related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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 recognized 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 amounts as earned. District employees accumulate vacation and sick hours, subject to certain restrictions, for subsequent use or payment upon termination, retirement, or death.

Long-Term Debt

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

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.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 wastewater 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

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.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Cash on hand at December 31, Error! **Unknown switch argument.** and was \$900 and \$1,000, respectively. The District's bank balances as of December 31, Error! **Unknown switch argument.** and were \$706,863 and \$367,522, 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 deposits and certificates of deposit are covered by Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

As required by state law, all investments of the District's funds are obligations of the U.S. Government, U.S. Government agency issues, obligations of the state of Washington, certificates of deposit with Washington State Banks, foreign and domestic bankers acceptances, commercial paper and the Local Government Investment Pool managed by the Washington State Treasurer's office.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

	<u>2023</u>	<u>2022</u>
Money Market Accounts	\$ 1,884,770	\$ 1,792,873
Certificates of Deposit	2,046,817	3,534,184
Local Government Investment Pool	18,094,376	16,651,169
U.S. Treasury Notes	987,734	977,735
U.S. Government Agency Issues	1,937,888	
Total	<u>\$ 24,951,585</u>	<u>\$ 22,955,961</u>

Investments Measured at Amortized Cost

	<u>2023</u>	<u>2022</u>
Money Market Accounts	\$ 1,884,770	\$ 1,792,873
Certificates of Deposit	2,046,817	3,534,184
Local Government Investment Pool	18,094,376	16,651,169
Total	<u>\$ 22,025,963</u>	<u>\$ 21,978,226</u>

Investments in Local Government Investment Pool

The District is a voluntary participant in the Local Government Investment Pool (LGIP), an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at www.tre.wa.gov.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at Fair Value

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

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes assets and liabilities valued at quoted prices adjusted for legal or contractual restrictions specific to the assets or liabilities.

Level 3: Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the District's own assumptions about the assumptions market participants would use in pricing the asset or liability.

As of December 31, the District had the following investments measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2023				
U.S. Treasury Notes	\$ -	\$ 987,734	\$ -	\$ 987,734
U.S. Agency Issues	-	1,937,888	-	1,937,888
	<u>\$ -</u>	<u>\$ 2,925,622</u>	<u>\$ -</u>	<u>\$ 2,925,622</u>
2022				
U.S. Treasury Notes	<u>\$ -</u>	<u>\$ 977,735</u>	<u>\$ -</u>	<u>\$ 977,735</u>

Interest Rate Risk

Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. The District has implemented a formal investment policy limiting its exposure to rising interest rates. Securities purchased must have a final maturity of no longer than five years from the date of purchase and the weighted average maturity of the District's portfolio must not exceed two years.

The weighted-average maturity of the District's certificates of deposit, U.S. treasury notes, and U.S. Agency Issues as of December 31, Error! **Unknown switch argument.** and was .79 years and .21 years, respectively.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy is that all securities be held in safekeeping by the District, an independent third-party financial institution, or the District's designated depository.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District's policy for concentration of credit risk is as follows:

<u>Issuer Type</u>	<u>Percent of Total Portfolio Maximum</u>	<u>Per Issuer Constraints Maximum*</u>
U.S. Treasury Obligations	100%	100%
GSE Agency Obligations	100%	20%
Local Government Investment Pool	100%	N/A
Municipal Debt Obligations	30%	5%
Bankers Acceptance	20%	5%
Time Deposits	20%	10%
Certificates of Deposits	20%	10%
Commercial Paper	20%	5%

*Calculated at Time of Purchase

Investments in any one issuer that represent 5% or more of total investments are as follows:

	<u>2023</u>	<u>2022</u>
Commencement Bank	\$ 2,046,817	\$ 2,001,951
East West Bank	-	1,532,233

NOTE 3 LEASES RECEIVABLE

The District is a lessor of space on District property for a cell towers. The District records leases receivable 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 \$143,446 and \$147,312, during the years ended Error! Unknown switch argument. and , respectively, and interest income related to the leases of \$23,597 and \$27,207 during the years ended Error! Unknown switch argument. and , respectively.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 LEASES RECEIVABLE (CONTINUED)

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	\$ 136,932	\$ 19,697	\$ 156,629
2025	148,260	15,473	163,733
2026	160,264	10,905	171,169
2027	172,982	5,974	178,956
2028	175,934	709	176,643
Total	<u>\$ 794,372</u>	<u>\$ 52,758</u>	<u>\$ 847,130</u>

NOTE 4 RESTRICTED ASSETS

The assets held in these accounts are restricted for specific uses. Restricted assets are as follows:

	<u>Sno King Coalition Assets</u>	<u>Revenue and Refunding Bond Funds</u>	<u>Revenue Bond and DOE Loan Reserve Funds</u>	<u>Other</u>	<u>PERS 2/3</u>	<u>Total</u>
<u>2023</u>						
Current Restricted Assets:						
Cash	\$ 33,098	\$ -	\$ -	\$ -	\$ -	\$ 33,098
Investments	-	963,446	917,000	-	-	1,880,446
Total	<u>33,098</u>	<u>963,446</u>	<u>917,000</u>	<u>-</u>	<u>-</u>	<u>1,913,544</u>
Noncurrent Restricted Assets:						
Assessments Receivable	-	-	-	-	-	-
Net Pension Asset	-	-	-	-	723,786	723,786
Total	<u>\$ 33,098</u>	<u>\$ 963,446</u>	<u>\$ 917,000</u>	<u>\$ -</u>	<u>\$ 723,786</u>	<u>\$ 2,637,330</u>
<u>2022</u>						
Current Restricted Assets:						
Cash	\$ 46,605	\$ -	\$ -	\$ 2,000	\$ -	\$ 48,605
Investments	-	890,128	917,000	-	-	1,807,128
Interest Receivable	-	3,228	-	-	-	3,228
Assessments Receivable	-	36,422	-	-	-	36,422
Total	<u>46,605</u>	<u>929,778</u>	<u>917,000</u>	<u>2,000</u>	<u>-</u>	<u>1,895,383</u>
Noncurrent Restricted Assets:						
Assessments Receivable	-	-	-	-	-	-
Net Pension Asset	-	-	-	-	675,105	675,105
Total	<u>\$ 46,605</u>	<u>\$ 929,778</u>	<u>\$ 917,000</u>	<u>\$ 2,000</u>	<u>\$ 675,105</u>	<u>\$ 2,570,488</u>

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 RESTRICTED ASSETS (CONTINUED)

Terms of the revenue bond issues and the Washington State Department of Ecology loans require the District to establish and maintain debt service and reserve accounts. The debt service accounts are to accumulate funds for payment of principal and interest and the reserve accounts are to provide security for debt holders.

The required reserve at December 31, Error! **Unknown switch argument.** and was \$819,707 and \$853,855, respectively. The debt service and reserve accounts are fully funded.

NOTE 5 CAPITAL ASSETS

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

	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
<u>2023</u>				
Capital Assets Not				
Depreciated/Amortized:				
Land, Land Rights, and Other	\$ 1,679,825		\$ (454,001)	\$ 1,225,824
Construction in Progress	<u>1,587,301</u>	<u>2,815,305</u>	<u>(2,713,079)</u>	<u>1,689,527</u>
Total	3,267,126	2,815,305	(3,167,080)	2,915,351
Capital Assets Being				
Depreciated:				
Reservoirs	8,056,261	22,299	-	8,078,560
Water System	32,482,552	1,189,248	(22,844)	33,648,956
Wastewater System	65,375,025	67,877	(498,503)	64,944,399
Treatment Plant and Capacity	32,759,164	1,341,974	(592,383)	33,508,755
Office Building and				
Improvements	5,440,704	26,528	(20,148)	5,447,084
Equipment and Other	2,939,678	130,061	(205,440)	2,864,299
Right of Use Asset SBITA	-	35,490	-	35,490
Total	<u>147,053,384</u>	<u>2,813,477</u>	<u>(1,339,318)</u>	<u>148,527,543</u>
Accumulated				
Depreciation/Amortization:				
Reservoirs	(2,264,756)	(144,380)	-	(2,409,136)
Water System	(8,406,770)	(412,770)	22,844	(8,796,696)
Wastewater System	(24,075,002)	(1,632,150)	498,503	(25,208,649)
Treatment Plant and Capacity	(14,729,500)	(948,390)	592,383	(15,085,507)
Office Building and				
Improvements	(2,594,132)	(148,766)	20,148	(2,722,750)
Equipment and Other	(2,113,322)	(185,250)	205,440	(2,093,132)
Right of Use Asset SBITA	-	(6,901)	-	(6,901)
Total	<u>(54,183,482)</u>	<u>(3,478,607)</u>	<u>1,339,318</u>	<u>(56,322,771)</u>
Net Capital Assets	<u>\$ 96,137,028</u>	<u>\$ 2,150,175</u>	<u>\$ (3,167,080)</u>	<u>\$ 95,120,123</u>

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
<u>2022</u>				
Capital Assets Not Being Depreciated:				
Land, Land Rights, and Other	\$1,679,825	\$ -	\$ -	\$1,679,825
Construction in Progress	1,420,866	4,702,171	(4,535,736)	1,587,301
Total	3,100,691	4,702,171	(4,535,736)	3,267,126
Capital Assets Being Depreciated/Amortized:				
Reservoirs	8,056,261	-	-	8,056,261
Water System	30,547,591	1,958,150	(23,189)	32,482,552
Wastewater System	64,180,367	2,362,445	(1,167,787)	65,375,025
Treatment Plant and Capacity	33,026,280	179,092	(446,208)	32,759,164
Office Building and Improvements	5,440,704	-	-	5,440,704
Equipment and Other	3,094,078	58,690	(213,090)	2,939,678
Total	144,345,281	4,558,377	(1,850,274)	147,053,384
Accumulated				
Depreciation/Amortization:				
Reservoirs	(2,120,376)	(144,380)	-	(2,264,756)
Water System	(7,986,132)	(433,509)	12,871	(8,406,770)
Wastewater System	(23,654,702)	(1,574,488)	1,154,188	(24,075,002)
Treatment Plant and Capacity	(14,197,536)	(977,925)	445,961	(14,729,500)
Office Building and Improvements	(2,445,363)	(148,769)	-	(2,594,132)
Equipment and Other	(2,105,931)	(212,530)	205,139	(2,113,322)
Total	(52,510,040)	(3,491,601)	1,818,159	(54,183,482)
Net Capital Assets	<u>\$ 94,935,932</u>	<u>\$ 5,768,947</u>	<u>\$ (4,567,851)</u>	<u>\$ 96,137,028</u>

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM DEBT

Long-term debt outstanding at December 31 Error! **Unknown switch argument.** and consisted of revenue bonds and direct borrowings and direct placements as follows:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Revenue and Refunding Bonds:		
\$8,655,000 issued September 10, 2008 for construction and refunding, due serially through the year 2023 with interest payable semi-annually at 4.30 annual percentage rate.	\$ -	\$ 25,000
\$3,420,000 issued March 27, 2012 for construction, due serially through the year 2031, with interest payable semi-annually at 3.00 to 4.00 annual percentage rate.	1,580,000	1,750,000
\$4,885,000 issued May 21, 2015 for refunding, due serially through the year 2028, with interest payable semi-annually at 4.00 annual percentage rate.	2,625,000	3,090,000
Total Revenue and Refunding Bonds	<u>4,205,000</u>	<u>4,865,000</u>
Direct Borrowings and Direct Placements:		
All issued for utility construction and secured by the revenue of the system.		
\$7,000,000 loan: Payable \$371,875 annually through the year 2026, plus interest at .5 annual percentage rate.	1,115,625	1,487,500
\$1,000,000 loan: Payable \$53,363 annually through the year 2027, plus interest at .5 annual percentage rate.	213,450	266,813
\$1,000,000 loan: Payable \$53,363 annually through the year 2027, plus interest at .5 annual percentage rate.	213,450	266,813
\$6,739,575 loan: Payable \$352,199 annually through the year 2028, plus interest at .5 annual percentage rate.	1,760,993	2,113,192

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description (Continued)</u>	<u>2023</u>	<u>2022</u>
Direct Borrowings and Direct Placements (Continued):		
\$1,430,671 loan, Payable \$88,495 annually through the year 2023, plus interest at .5 annual percentage rate.	\$ 796,458	\$ 884,953
\$691,061 loan, Payable \$37,843 annually through the year 2032, plus interest at .25 annual percentage rate.	340,591	378,434
\$274,618 loan, Payable \$72,501 annually through the year 2039, plus interest at .79 annual percentage rate	72,501	145,001
\$2,037,658 loan, Payable \$113,773 annually through the year 2039, plus interest at 1.08 annual percentage rate	1,820,368	1,934,142
Washington State Department of Ecology Loans \$1,145,247 loan: Payable \$33,783 semi-annually through June 2028, including interest at 1.5 annual percentage rate.	292,920	355,373
Drinking Water State Revolving Loan: \$622,968 loan: Payable \$32,788 annually through the year 2024, plus interest at 1.50 annual percentage rate.	32,788	65,575
Total Direct Borrowings and Direct Placements	<u>6,659,144</u>	<u>7,897,796</u>
Total Long-Term Debt	10,864,144	12,762,796
Less: Current Maturities	(1,899,596)	(1,898,651)
Add: Unamortized Bond (Discounts) Premiums	<u>105,172</u>	<u>151,029</u>
Total	<u>\$ 9,069,720</u>	<u>\$ 11,015,174</u>

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Long-term debt service requirements to maturity are as follows (based on draws received through Error! Unknown switch argument.):

Year Ending December 31,	Revenue and Refunding Bonds		Direct Placements and Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2024	\$ 660,000	\$ 162,800	\$ 1,239,596	\$ 46,246	\$ 2,108,642
2025	685,000	138,150	1,135,264	38,304	1,996,718
2026	710,000	112,550	1,136,236	31,412	1,990,198
2027	735,000	86,000	765,348	24,506	1,610,854
2028	765,000	56,600	625,841	19,444	1,466,885
2029-2033	650,000	52,600	1,074,221	60,664	1,837,485
2034-2038	-	-	568,865	22,117	590,982
Thereafter	-	-	113,773	1,229	115,002
Total	<u>\$ 4,205,000</u>	<u>\$ 608,700</u>	<u>\$ 6,659,144</u>	<u>\$ 243,922</u>	<u>\$ 11,716,766</u>

NOTE 7 SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

The District entered into one SBITA in and calculated the initial asset and payable using an estimated incremental borrowing rate of 5.61%. Principal and interest requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 11,545	\$ 952	\$ 12,497
2025	12,210	288	12,498
Total	<u>\$ 23,755</u>	<u>\$ 1,240</u>	<u>\$ 24,995</u>

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 CHANGES IN LONG-TERM LIABILITIES

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

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amounts Due Within One Year
<u>2023</u>					
Direct Borrowings and Direct Placements					
Public Works Trust					
Fund Loans	\$ 7,476,848		\$ (1,143,412)	\$ 6,333,436	\$ 1,143,412
Washington State Department of Ecology Loan	355,373		(62,453)	292,920	63,396
Drinking Water State Revolving Fund Loan	65,575		(32,787)	32,788	32,788
Revenue Bonds	4,865,000		(660,000)	4,205,000	660,000
Bond Premium	151,029		(45,857)	105,172	-
Bond Discount	-				
Compensated Absences	258,005	283,772	(172,544)	369,233	172,500
Net Pension Liability PERS 1	388,023		(75,299)	312,724	-
SBITA Payable	-	35,490	(11,735)	23,755	11,545
Total	<u>\$ 13,559,853</u>	<u>\$ 319,262</u>	<u>\$ (2,204,087)</u>	<u>\$ 11,675,028</u>	<u>\$ 2,083,641</u>
	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amounts Due Within One Year
<u>2022</u>					
Direct Borrowings and Direct Placements					
Public Works Trust					
Fund Loans	\$ 7,604,102	\$ 1,004,995	\$ (1,132,249)	\$ 7,476,848	\$ 1,143,411
Washington State Department of Ecology Loan	416,897	-	(61,524)	355,373	62,453
Drinking Water State Revolving Fund Loan	98,363	-	(32,788)	65,575	32,787
Revenue Bonds	5,505,000	-	(640,000)	4,865,000	660,000
Bond Premium	204,584	-	(53,555)	151,029	-
Bond Discount	(14)	-	14	-	-
Compensated Absences	248,472	207,353	(197,820)	258,005	197,800
Net Pension Liability PERS 1	168,283	219,740	-	388,023	-
Total	<u>\$ 14,245,687</u>	<u>\$ 1,432,088</u>	<u>\$ (2,117,922)</u>	<u>\$ 13,559,853</u>	<u>\$ 2,096,451</u>

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 COMMITMENTS

The District is obligated to the City of Everett to pay for a portion of certain city projects. As of December 31, , the District’s share is estimated to be as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2024	\$ -
2025	-
2026	334,400
2027	1,449,600
2028	2,129,600
Thereafter	<u>1,524,000</u>
Total	<u>\$ 5,437,600</u>

As of December 31, Error! **Unknown switch argument.**, the District is obligated under construction contracts totaling \$2,614,282 of which \$ 1,092,295 has been expended.

NOTE 10 PENSION PLAN

The following table represents the aggregate pension amounts for all plans as of and for the years ended Error! **Unknown switch argument.**:

<u>Aggregate Pension Amounts – All Plans</u>		
	<u>2023</u>	<u>2022</u>
Pension Liabilities	\$ 312,734	\$ 388,023
Pension Assets	(723,786)	(675,105)
Deferred Outflows of Resources	596,595	675,108
Deferred Inflows of Resources	397,172	701,761
Pension Expense	(95,375)	(41,068)

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.

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.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS)

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

PERS is 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 5 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.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 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>
<u>2023</u>		
January through June		
PERS Plan 1	6.36 %	6.00%
PERS Plan 1 UAAL	3.85	
Administrative Fee	0.18	
Total	<u>10.39 %</u>	<u>6.00%</u>
July through August		
PERS Plan 1	6.36 %	6.00%
PERS Plan 1 UAAL	2.85	
Administrative Fee	0.18	
Total	<u>9.39 %</u>	<u>6.00%</u>
September through December		
PERS Plan 1	6.36 %	6.00%
PERS Plan 1 UAAL	2.97	
Administrative Fee	0.20	
Total	<u>9.53 %</u>	<u>6.00%</u>
<u>2022</u>		
January through June		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	3.71	
Administrative Fee	0.18	
Total	<u>10.25 %</u>	<u>6.00 %</u>
July through December		
PERS Plan 1	6.36 %	6.00 %
PERS Plan 1 UAAL	3.85	
Administrative Fee	0.18	
Total	<u>10.39 %</u>	<u>6.00 %</u>

The District's actual contributions to the plan were \$88,663 and \$88,993 for the years ended Error! Unknown **switch argument**.Error! Unknown **switch argument**., respectively.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 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 5 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.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 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>
<u>2023</u>			
January through June			
PERS Plan 2/3	6.36 %	6.36%	Varies
PERS Plan 1 UAAL	3.85		
Administrative Fee	0.18		
Total	<u>1039.00%</u>	<u>6.36%</u>	
July and 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>	
<u>2022</u>			
January through June			
PERS Plan 2/3	6.36 %	6.36 %	Varies
PERS Plan 1 UAAL	3.71		
Administrative Fee	0.18		
Total	<u>10.25 %</u>	<u>6.36 %</u>	
July through December			
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>	

The District's actual contributions to the plan were \$166,010 and \$150,844 for the years ended Error! Unknown switch argument.Error! Unknown switch argument., respectively.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 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.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 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>	

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 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.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
<u>2023</u>			
PERS 1	\$ 436,913	\$ 312,734	\$ 204,355
PERS 2/3	787,204	(723,786)	(1,965,161)
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
<u>2022</u>			
PERS 1	\$ 518,393	\$ 388,023	\$ 274,240
PERS 2/3	795,025	(675,105)	(1,882,910)

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	\$ 312,734	\$ 388,023
PERS 2/3	(723,786)	(675,105)
Total	\$ (411,052)	\$ (287,082)

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 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	0.013936 %	0.013700 %	(0.000236)%
PERS 2/3	0.018203	0.017659	(0.000544)
	<u>Proportionate Share 6/30/21</u>	<u>Proportionate Share 6/30/22</u>	<u>Change in Proportion</u>
PERS 1	0.013780 %	0.013936 %	0.000156 %
PERS 2/3	0.017696	0.018203	0.000507

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	\$ (10,968)	\$ 182,717
PERS 2/3	(84,407)	(223,785)
Total	<u>\$ (95,375)</u>	<u>\$ (41,068)</u>

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2023</u>		
PERS 1:		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual		
Investment Earnings on Pension Plan Investments	-	35,278
Changes of Assumptions	-	-
Changes in Proportion and Differences Between		
Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	39,537	-
Total PERS 1	\$ 39,537	\$ 35,278
PERS 2/3:		
Differences Between Expected and Actual Experience	\$ 147,434	\$ 8,087
Net Difference Between Projected and Actual		
Investment Earnings on Pension Plan Investments		272,766
Changes of Assumptions	303,871	66,232
Changes in Proportion and Differences Between		
Contributions and Proportionate Share of Contributions	20,898	14,809
Contributions Subsequent to the Measurement Date	84,855	-
Total PERS 2/3	\$ 557,058	\$ 361,894
 Total All Plans	 \$ 596,595	 \$ 397,172

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 PENSION PLAN (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2022</u>		
PERS 1:		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual		
Investment Earnings on Pension Plan Investments	-	64,307
Changes of Assumptions	-	-
Changes in Proportion and Differences Between		
Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	44,231	-
Total PERS 1	\$ 44,231	\$ 64,307
PERS 2/3:		
Differences Between Expected and Actual Experience	\$ 167,275	\$ 15,283
Net Difference Between Projected and Actual	-	
Investment Earnings on Pension Plan Investments		499,110
Changes of Assumptions	376,278	98,523
Changes in Proportion and Differences Between	-	
Contributions and Proportionate Share of Contributions	13,216	24,538
Contributions Subsequent to the Measurement Date	74,108	
Total PERS 2/3	\$ 630,877	\$ 637,454
Total All Plans	\$ 675,108	\$ 701,761

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>	PERS 1	PERS 2/3
2024	\$ (24,002)	\$ (126,866)
2025	(30,185)	(156,298)
2026	18,611	223,864
2027	298	82,093
2028	-	81,914
Thereafter	-	5,602
Total	\$ (35,278)	\$ 110,309

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan assets are with Great West Life & Annuity Insurance Company or the State of Washington Department of Retirement Systems deferred compensation program. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Effective January 1, 2020, the District will match employee contributions up to two (2) percent of an employee's base salary. District contributions were \$ 39,043 and \$36,384 in Error! **Unknown switch argument.** and , respectively.

NOTE 12 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.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 12 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.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 12 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 (Error! **Unknown switch argument.**, , and), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/ reinsurance contracts.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 13 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.

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 Error! Unknown **switch argument.**, 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.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 13 HEALTH AND WELFARE (CONTINUED)

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.

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 ending 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.

NOTE 14 MAJOR SUPPLIERS

The District purchased approximately 22% of its water from the City of Everett (the City) during Error! **Unknown switch argument.** and , respectively, and 78% of its water from Alderwood Water and Wastewater District during Error! **Unknown switch argument.** and , respectively. The City also provided treatment for approximately 31% of the District's wastewater during Error! **Unknown switch argument.** and , respectively.

**MUKILTEO WATER AND WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 15 ANNEXATION

The City of Everett has the contractual right to assume ownership of District assets in areas located within the City of Everett's Urban Growth Area (UGA) that have been annexed for at least 10 years. Although the City has not indicated it will exercise these rights, it is reasonably possible that future assumptions of assets will occur. As of December 31, Error! **Unknown switch argument.**, no estimate can be made of any loss that will result from future assumptions or the year in which they may occur.

NOTE 16 SNO-KING COALITION

The District is a member of Sno-King Coalition and currently serves as the Coalition's treasurer. Restricted cash of \$ \$33,098 is held by the District on behalf of the Coalition and is offset by a payable to the Coalition. Transactions between the District consisted only of the District's member contributions to the Coalition totaling \$2,900 and \$4,400 in Error! **Unknown switch argument.** and , respectively.

**MUKILTEO WATER AND WASTEWATER DISTRICT
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS***

PERS 1

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.013700 %	\$ 312,734	\$ 2,441,229	12.81 %	80.16 %
2022	0.019360	388,023	2,289,237	16.95	76.56
2021	0.013780	168,283	2,116,572	7.95	88.74
2020	0.013751	485,467	2,444,097	19.86	68.64
2019	0.014496	557,423	2,073,459	26.88	67.12
2018	0.014042	627,129	1,867,821	33.58	63.22
2017	0.013762	653,005	1,738,179	37.57	61.24
2016	0.014048	754,740	1,674,792	45.06	57.03
2015	0.015071	788,372	1,595,383	49.42	59.10
2014	0.015757	793,790	1,688,000	47.03	61.09

PERS 2/3

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.017659 %	\$ 723,786	\$ 2,441,229	29.65 %	107.02 %
2022	0.018203	675,105	2,289,237	29.49	106.73
2021	0.017696	(1,762,843)	2,116,572	(83.29)	120.29
2020	0.017955	229,636	2,444,097	9.40	97.22
2019	0.018709	181,730	2,073,459	8.76	97.77
2018	0.018074	308,600	1,867,821	16.52	95.77
2017	0.017701	615,038	1,738,179	35.38	90.97
2016	0.018013	906,964	1,674,792	54.15	85.82
2015	0.019463	695,412	1,595,383	43.59	89.20
2014	0.019533	394,823	1,688,000	23.39	93.29

**MUKILTEO WATER AND WASTEWATER DISTRICT
SCHEDULES OF EMPLOYER CONTRIBUTIONS
DECEMBER 31 (EMPLOYER REPORTING DATE)
LAST 10 FISCAL YEARS***

PERS 1

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2023	\$ 88,663	\$ (88,663)	\$ -	\$ 2,610,219	3.40 %
2022	88,993	(88,993)	-	2,371,753	3.75
2021	93,214	(93,214)	-	2,162,150	4.31
2020	100,271	(100,271)	-	2,091,678	4.79
2019	102,934	(102,934)	-	2,078,349	4.95
2018	98,696	(98,696)	-	1,949,884	5.06
2017	88,230	(88,230)	-	1,802,035	4.90
2016	81,199	(81,199)	-	1,702,283	4.77
2015	71,376	(71,376)	-	1,634,782	4.37
2014	65,352	(65,352)	-	1,617,998	4.04

PERS 2/3

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2023	\$ 166,010	\$ (166,010)	\$ -	\$ 2,610,219	6.36 %
2022	150,844	(150,844)	-	2,371,753	6.36
2021	154,993	(154,993)	-	2,162,150	7.17
2020	165,661	(165,661)	-	2,091,678	7.92
2019	160,276	(160,276)	-	2,078,349	7.71
2018	146,231	(146,231)	-	1,949,884	7.50
2017	123,283	(123,283)	-	1,802,035	6.84
2016	106,052	(106,052)	-	1,702,283	6.23
2015	91,570	(91,570)	-	1,634,782	5.60
2014	80,851	(80,851)	-	1,617,998	5.00

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

	Water	Wastewater	Total
OPERATING REVENUES			
Service Charges:			
Residential	\$ 2,337,894	\$ 4,647,817	\$ 6,985,711
Commercial and Multi-Family	2,517,388	4,499,518	7,016,906
Total Service Charges	4,855,282	9,147,335	14,002,617
Late Charges	40,424	44,979	85,403
Miscellaneous	251,281	95,762	347,043
Total Operating Revenues	5,146,987	9,288,076	14,435,063
OPERATING EXPENSES			
Purchased Water	1,839,440	-	1,839,440
Wastewater Treatment	-	2,195,078	2,195,078
Operation Expenses	637,037	732,326	1,369,363
General and Administrative	1,512,305	2,010,943	3,523,248
Depreciation/Amortization	715,137	2,763,470	3,478,607
Total Operating Expenses	4,703,919	7,701,817	12,405,736
OPERATING INCOME	443,068	1,586,259	2,029,327
NONOPERATING REVENUES (EXPENSES)			
Investment Income	498,344	653,130	1,151,474
Interest on Assessments	-	4,241	4,241
Other Interest	175	-	175
Gain (Loss) on Disposal of Assets	7,868	90,223	98,091
Interest and Amortization on Long-Term Debt	(1,219)	(218,898)	(220,117)
Total Nonoperating Revenue (Expense)	505,168	528,696	1,033,864
INCOME BEFORE CAPITAL CONTRIBUTIONS	948,236	2,114,955	3,063,191
Capital Contributions	190,683	253,615	444,298
CHANGE IN NET POSITION	1,138,919	2,368,570	3,507,489
Net Position - Beginning of Year	43,063,317	64,060,601	107,123,918
NET POSITION - END OF YEAR	\$ 44,202,236	\$ 66,429,171	\$ 110,631,407

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

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
OPERATING REVENUES			
Service Charges:			
Residential	\$ 2,192,755	\$ 4,476,947	\$ 6,669,702
Commercial and Multi-Family	2,285,618	4,316,985	6,602,603
Total Service Charges	<u>4,478,373</u>	<u>8,793,932</u>	<u>13,272,305</u>
Late Charges	47,645	53,622	101,267
Miscellaneous	227,738	69,665	297,403
Total Operating Revenues	<u>4,753,756</u>	<u>8,917,219</u>	<u>13,670,975</u>
OPERATING EXPENSES			
Purchased Water	1,484,275	-	1,484,275
Wastewater Treatment	-	1,982,536	1,982,536
Operation Expenses	610,252	587,732	1,197,984
General and Administrative	1,498,949	1,928,488	3,427,437
Depreciation/Amortization	748,715	2,742,886	3,491,601
Total Operating Expenses	<u>4,342,191</u>	<u>7,241,642</u>	<u>11,583,833</u>
OPERATING INCOME	411,565	1,675,577	2,087,142
NONOPERATING REVENUES (EXPENSES)			
Investment Income	142,318	151,634	293,952
Interest on Assessments	-	1,878	1,878
Other Interest	302	-	302
Gain (Loss) on Disposal of Assets	(10,318)	(21,797)	(32,115)
Interest and Amortization on Long-Term Debt	(1,353)	(247,507)	(248,860)
Total Nonoperating Revenue (Expense)	<u>130,949</u>	<u>(115,792)</u>	<u>15,157</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	542,514	1,559,785	2,102,299
Capital Contributions	194,463	166,282	360,745
CHANGE IN NET POSITION	736,977	1,726,067	2,463,044
Net Position - Beginning of Year	<u>42,326,340</u>	<u>62,334,534</u>	<u>104,660,874</u>
NET POSITION - END OF YEAR	<u>\$ 43,063,317</u>	<u>\$ 64,060,601</u>	<u>\$ 107,123,918</u>