To the Board of Commissioners

Highland Water District

Monroe, Washington

Management is responsible for the accompanying financial statements of Highland Water District, which comprise the statement of net position as of December 31, 2024 and the related statement of revenues, expenses and changes in fund net position and statement of cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 1 through 4 and the pension plan information on Schedule I be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

C.P. McAuliffe, C.P.A.

C.P. McAuliffe, C.P.A., P.S.

Certified Public Accountants

May 28, 2025

Highland Water District

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December 31, 2024

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**Brief Discussion of the Basic Financial Statements**

The District’s financial statements include a Statement of Net Position, a Statement of Revenues, Expenses & Changes in Fund Net Position, a Statement of Cash Flows, and Notes to Financial Statements. The financial statements are prepared using the accrual basis of accounting and conform to generally accepted accounting principles as applicable to proprietary funds of governments. The intent of the management’s discussion and analysis is to provide highlights of the District’s financial activities for the year ended December 31, 2024. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

The statement of net position provides a record, or snap shot, of the assets and liabilities of the District at the close of the year. It provides information about the nature and amounts of investments in resources (assets), and the obligations to District creditors (liabilities). It provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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

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

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

**Condensed Comparative Statement of Net Position**

The following condensed statements of net position present an overview of the District’s financial position as of December 31, 2024 and 2023.

2024 2023

**Assets**

Current Assets $ 2,837,975 $ 2,464,058

Noncurrent Assets:

Capital Assets - Net 8,134,633 8,326,581

Other 223,668 236,969

Total Assets $ 11,196,276 $ 11,027,608

**Liabilities**

Current Liabilities $ 196,763 $ 303,480

Noncurrent Liabilities:

Long-Term Debt 2,442,641 2,570,738

Other - -

Total Liabilities $ 2,639,404 $ 2,874,218

**Net Position**

Net Investment in Capital Assets $ 5,608,213 $ 5,613,581

Restricted for Debt Service 170,581 157,695

Restricted for Capital Projects - -

Unrestricted 2,778,078 2,382,114

Total Net Position $ 8,556,872 $ 8,153,390

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

Assets

Current assets include cash and cash equivalents held in the general and construction funds which are unrestricted and can be used for day-to-day operations. The balance held in these funds increased by $355,504 in 2024. Current assets also include cash and cash equivalents held in restricted accounts, which include the USDA reserve funds and ULID accounts. Combined, these accounts increased by $10,930 in 2024. The remainder of the current assets include accounts receivable, other receivables, accrued interest receivable, prepaid expenses, inventories, and the current portion of the Friar Creek assessments receivable. Together these accounts increased by $7,483 in 2024.

Noncurrent Assets include assessments receivable for Friar Creek, net of the current portion. Assessments receivable decreased by $13,301 due to the principal collections received in 2024. Noncurrent assets also include capital assets net of accumulated depreciation. These accounts decreased by $191,948 mainly due to depreciation expense.

Liabilities

Current liabilities consist of accounts payable, accrued wages, accrued interest payable on debt, the current portion of compensated absences, and the current portion of long-term debt. These items decreased by $106,717 in 2024 mainly due to a decrease in accounts payable and a decrease in the current portion of long-term debt. General and capital improvement accounts payable vary from year to year based on the timing of invoices received from vendors and on the capital projects underway at the time. The current portion of long-term debt decreased because two Public Works Trust Fund loans were paid off in 2024.

Noncurrent Liabilities consist of long-term debt. The noncurrent portion of long-term debt decreased by $128,097 in 2024. This decrease was due to payments of principal during the year. The District did not incur any additional long-term debt during the year.

Net Position consists of assets minus liabilities. The increase in net position for 2024 corresponds to the change in net position from the statement of revenues, expenses, and changes in fund net position. Over time, increases or decreases in the District’s net position indicate the District’s overall financial growth. The increase in net position is a positive sign of the District’s financial strength.

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

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

2024 2023

**Revenues**

Water Operating Revenue $ 1,494,325 $ 1,484,896

Nonoperating Revenues 117,031 99,604

Total Revenues $ 1,611,356 $ 1,584,500

**Expenses**

Operating Expenses $ 1,114,778 $ 1,179,372

Nonoperating Expenses 109,746 113,717

Total Expenses $ 1,224,524 $ 1,293,089

Change in Net Position before

Capital Contributions $ 386,832 $ 291,411

Capital Contributions 16,650 16,550

Change in Net Position $ 403,482 $ 307,961

**Total Net Position, January 1** 8,153,390 7,845,429

**Total Net Position, December 31** $ 8,556,872 $ 8,153,390

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

Revenues

Water operating revenue did not change significantly in 2024, with an increase of $9,429 as compared to 2023. Nonoperating revenue is made up of interest income and gains and losses on the disposal of assets. Interest income from investments increased by $17,427. Interest income varies from year to year depending on the average balances being invested, changes in interest rates, and changes in the fair market value of the District’s investments.

Expenses

Operating expenses decreased by $64,594 in 2024. System maintenance and supplies decreased by $39,500 mainly due to an decrease in repairs, and general and administrative expenses decreased by $42,489 mainly due to a decrease in building maintenance.

Nonoperating expenses consist of interest expense on long-term debt. The interest on long-term debt decreased by $3,971 in 2024 due to decreasing outstanding loan balances through 2024 as the District paid down its debt. No new borrowings occurred in 2024.

Capital Contributions did not change significantly in 2024, as compared to 2023..

Change in Net Position

The District recorded growth in their net position in 2024, reflecting the fact that total revenues exceeded expenses.

**Analysis of Overall Financial Condition**

The District’s financial condition improved in 2024 with adequate liquid assets and positive operating cash flow.

**Capital Assets**

Capital assets consist of land, utility plant and equipment. Over the next five years it is anticipated that capital spending will be in the range of $1,917,000. The areas of major emphasis in the capital budget are the Woods Lake Road replacement project, as well as replacing old lines, telemetry, and meters.

Capital assets activity for the year ended December 31, 2024 was as follows:

Balance Balance

12/31/24 12/31/23 Change

Land $ 99,147 $ 99,147 $ -

Utility Plant 12,573,614 12,561,938 11,676

Equipment 142,039 137,896 4,143

Intangibles 46,313 46,313 -

Accumulated Depreciation (4,726,480) (4,518,713) (207,767)

Total Capital Assets, Net $ 8,134,633 $ 8,326,581 $ (191,948)

See Note 3 for more information regarding capital assets.

**Long-Term Debt**

At December 31, 2024, the District had total United States Department of Agriculture loans outstanding of $2,526,420. The total long-term debt of the District decreased by $186,580 during 2024 due to principal payments made on the loans. See Note 5 for more information regarding long-term debt.

2024

ASSETS

Current Assets

Cash & Cash Equivalents $ 2,426,880

Accrued Interest Receivable 6,935

Assessments Receivable - Friar Creek (Current Portion) 13,301

Receivables (Net):

Customer Accounts Receivable 116,050

Restricted Assets:

Cash & Cash Equivalents 225,420

Accrued Interest Receivable 810

Inventories 25,560

Prepayments 23,019

Total Current Assets $ 2,837,975

Noncurrent Assets

Assessments Receivable - Friar Creek (Less Current Portion) $ 223,668

Capital Assets Not Being Depreciated

Land and Land Rights 99,147

Capital Assets Being Depreciated

Plant 12,573,614

Equipment 142,039

Intangibles 46,313

Less Accumulated Depreciation (4,726,480)

Total Noncurrent Assets $ 8,358,301

Total Assets $ 11,196,276

2024

LIABILITIES

Current Liabilities

Accounts Payable - General $ 32,920

Accounts Payable - Capital Improvements 3,268

Accrued Wages 9,674

Current Portion of Long-Term Debt 83,779

Compensated Absences (Current Portion) 11,473

Payables from Restricted Assets:

Accrued Interest Payable - USDA Loans 55,649

Total Current Liabilities $ 196,763

Noncurrent Liabilities

Department of Agriculture Loans $ 2,442,641

Total Noncurrent Liabilities $ 2,442,641

Total Liabilities $ 2,639,404

NET POSITION

Net Investment in Capital Assets $ 5,608,213

Restricted for Debt Service 170,581

Unrestricted 2,778,078

Total Net Position $ 8,556,872

2024

Operating Revenues

Water Sales $ 1,480,872

Local Facility Charges 3,100

Penalties 10,180

Miscellaneous Revenue 173

Total Operating Revenues $ 1,494,325

Operating Expenses

Water Purchases $ 311,170

Labor Costs 220,142

Payroll Taxes & Benefits 72,266

System Maintenance and Supplies 50,065

Other Operating Expenses 27,951

Depreciation Expense 210,166

Business Taxes 76,210

General & Administrative Expenses 146,808

Total Operating Expenses $ 1,114,778

Operating Income (Loss) $ 379,547

Nonoperating Revenues (Expenses)

Interest on Investments $ 117,031

Interest Expense (109,746)

Total Nonoperating Revenues (Expenses) $ 7,285

Income Before Contributions $ 386,832

Capital Contributions 16,650

Change in Net Position $ 403,482

Total Net Position, January 1 8,153,390

Total Net Position, December 31 $ 8,556,872

2024

Cash Flows From Operating Activities

Cash Received From Customers $ 1,486,421

Cash Paid to Suppliers (670,892)

Cash Paid to Employees (279,873)

Net Cash Provided by Operating Activities $ 535,656

Cash Flows From Capital & Related

Financing Activities

Acquisition and Construction of Capital Assets $ (18,220)

Principal Payments on Public Works

Trust Fund Loans (106,310)

Principal Payments on Dept. of Agriculture Loans (80,270)

Interest Paid on Long-Term Debt (112,307)

Capital Contributions 29,280

Developer & Other Deposits 1,585

Net Cash (Used) by Capital

& Related Financing Activities $ (286,242)

Cash Flows From Investing Activities

Interest Received on Investments $ 117,020

Net Cash Provided by Investing Activities $ 117,020

Net Increase (Decrease) in Cash & Cash Equivalents $ 366,434

Cash & Cash Equivalents at Beginning of Year 2,285,866

Cash & Cash Equivalents at End of Year $ 2,652,300

Noncash Investing, Capital and Financing Activities

Contributions of Capital Assets from Developers $ -

Book Value of Plant Removals $ -

2024

Reconciliation of Net Operating Income

to Net Cash Provided by Operating Activities

Net Operating Income (Loss) $ 379,547

Adjustments to Reconcile Net Operating

Income to Net Cash Provided by

Operating Activities

Depreciation $ 210,167

Change in Assets & Liabilities:

(Increase) Decrease in Customer Accounts Receivable (7,904)

(Increase) Decrease in Prepayments (149)

(Increase) Decrease in Inventories (333)

Increase (Decrease) in Accounts Payable - General (50,827)

Increase (Decrease) in Accounts Payable - Capital Improvements 368

Increase (Decrease) in Accrued Wages Payable 1,307

Increase (Decrease) in Compensated Absences 3,480

Total Adjustments $ 156,109

Net Cash Provided by Operating Activities $ 535,656

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

a. Reporting Entity

Highland Water District is a municipal water district governed by an elected 3 member board. The District operates principally as a purveyor of water in Snohomish County, Washington. The District was formed effective April 1, 1998 under the authority of Highland Water District Resolution No. 98-001, after the Snohomish County Canvassing Board certified that the special election held March 10, 1998 overwhelmingly voted for the formation of Highland Water District. The District merged with the Friar Creek Water Users Association on January 9, 2003. As part of the merger agreement, the properties in the Friar Creek Water Users Association will bear the total expense for, and repayment of, the U.S. Department of Agriculture Rural Development loan to Highland Water District for the new system and additional fire protection. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The District has no component units.

b. Basis of Accounting and Presentation

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

The District’s financial statements are prepared using the economic resources measurement focus and the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds. Unbilled utility service receivables are recorded at year end. All activities of the District are accounted for within a single proprietary (enterprise) fund.

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

c. Cash and Cash Equivalents

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

NOTE 1 - DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Capital Assets

Capital assets placed in service are recorded at cost. The District uses a capitalization threshold of $1,000. The provision for depreciation is computed on the straight-line method with the following useful lives: Equipment, 3-10 years; Plant, 5-75 years; Intangibles, 5-10 years. Donations by developers are recorded at the contract price. The assets and liabilities of the Highland Water Association were transferred to the District on April 1, 1998. The costs associated with the formation of the District have been capitalized.

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

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

See Note 3.

e. Restricted Funds

In accordance with bond resolutions and loan agreements, separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including debt service requirements.

f. Receivables

Receivables consist primarily of amounts due from water customers. All receivables are recorded when earned. No allowance for uncollectible accounts is provided since the District has power to record liens for its receivables and, generally, does not experience significant uncollectible amounts.

g. Inventories

Inventory of materials is recorded at cost on the first-in/first-out basis and a physical inventory is taken at the end of each calendar year.

h. Investments

Investments are recorded at cost which generally approximates market value. See Note 2.

NOTE 1 - DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when incurred.

j. Subsequent Events

Management has evaluated subsequent events through May 28, 2025.

NOTE 2 - DEPOSITS & INVESTMENTS

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

All investments are under the management of the Snohomish County Treasurer. As required by state law, all investments of the District’s funds are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, the State Treasurer’s Investment Pool, or certificates of deposit with Washington State banks and savings and loan institutions.

The District’s cash and investment balances at year end are shown below. Carrying amount and market value are the same.

12/31/24

Petty Cash Fund $ 651

Bank Deposit Accounts - FDIC Insured 404,660

Cash on Deposit with Snohomish

County Treasurer 7,120

Investment in Local Governmental

Investment Pool (LGIP) 1,944,790

Investment in Snohomish County

Investment Pool (SCIP) 295,079

Total Cash & Investments $ 2,652,300

Credit risk - As of December 31, 2024, the District’s investments in the Pools were not rated by a nationally recognized statistical rating organization (NRSRO).

Interest rate risk - Interest rate risk is the risk the District may face should interest rate variances affect the fair value of the investments. The District does not have a formal policy that addresses interest rate risk.

The LGIP Pool is a 2a-7 like pool. Consequently, the District’s investments in the Pool are not subject to interest rate risk as the weighted average maturity of the Pool’s portfolio will not exceed 60 days.

NOTE 2 - DEPOSITS & INVESTMENTS (Continued)

15% of the SCIP Pool portfolio is comprised of investments maturing within one year. Remaining funds may be invested in securities not to exceed five years in maturity.

**Investments in Local Government Investment Pool (LGIP)**

The District is a participant in the Local Governmental Investment Pool, 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 financial report for the pool. 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.

**Investments in Snohomish County Investment Pool (SCIP)**

The District is a participant in the Snohomish County Investment Pool, an external investment pool operated by the Snohomish Country Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the Snohomish County Finance Committee in accordance with RCW 36.29.020. Investments in the SCIP are reported at fair market value. Participants will not withdraw and deposit funds into the pool for speculative purposes as such actions may negatively impact other participants in the pool, hence, withdrawals from the pool are to be made only for planned operating and capital expenditures.

**Investments Measured at Fair Value**

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

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

At December 31, 2024, the District had the following investments measured at fair value:

* Investments in Local Governmental Investment Pool are valued using quoted market prices.

(Level 1 inputs)

* Investments in Snohomish County Investment Pool are valued using quoted market prices.

(Level 1 inputs)

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2024 was as follows:

Beginning Ending

Balance Increase Decrease Balance

Capital assets not being depreciated:

Land $ 99,147 $ - $ - $ 99,147

Construction in Progress - - - -

Total capital assets not

being depreciated 99,147 - - 99,147

Capital assets being depreciated:

Plant 12,561,938 14,076 (2,400) 12,573,614

Equipment 137,896 4,143 - 142,039

Intangibles 46,313 - - 46,313

Total capital assets being

depreciated 12,746,147 18,219 (2,400) 12,761,966

Less accumulated depreciation for:

Plant 4,380,578 197,141 (2,400) 4,575,319

Equipment 95,108 9,740 - 104,848

Intangibles 43,027 3,286 - 46,313

Total accumulated

depreciation 4,518,713 210,167 (2,400) 4,726,480

Total capital assets being

depreciated, net 8,227,434 (191,948) - 8,035,486

TOTAL CAPITAL

ASSETS, NET $ 8,326,581 $ (191,948) $ - $ 8,134,633

NOTE 4 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on authorized projects whose authorizations total $1,917,197. Of the committed balance of $1,917,197, the District anticipates raising $1,737,197 by future DWSRF loans.

Project Expended Required

Authorization to 12/31/24 Committed Future Financing

Telemetry & Security $ 150,000 $ - $ 150,000 $ -

Woods Lake Rd project 1,767,197 - 1,767,197 1,737,197

$ 1,917,197 $ - $ 1,917,197 $ 1,737,197

NOTE 5 - LONG-TERM DEBT

a. Notes from Direct Borrowings

The District has entered into agreements with the United States Department of Agriculture to receive the following loans:

2024

2003 loan - payable at $29,858 annually (including

interest at 4.625% per annum) through the year 2027

Original debt: $471,530 for main replacement. $ 68,732

2009 loan - payable at $161,551 annually (including

interest at 4.25% per annum) through the year 2049

Original debt: $3,051,000 for main replacement. 2,457,688

$ 2,526,420

The annual requirements to amortize all notes from direct borrowings outstanding as of December 31, 2024, including interest, are as follows:

Principal Interest Total

2025 $ 83,779 $ 107,631 $ 191,410

2026 87,439 103,970 191,409

2027 76,195 100,149 176,344

2028 64,693 96,858 161,551

2029 67,443 94,108 161,551

2030 - 2034 382,724 425,031 807,755

2035 - 2039 471,266 336,489 807,755

2040 - 2044 580,291 227,464 807,755

2045 - 2049 712,590 93,216 805,806

$ 2,526,420 $ 1,584,916 $ 4,111,336

NOTE 5 - LONG-TERM DEBT (Continued)

b. Changes in Long-Term Liabilities

During the year ended December 31, 2024, the following changes occurred in long-term liabilities:

Balance Balance Due Within

1/1/24 Additions Reductions 12/31/24 One Year

Notes from Direct

Borrowings $ 2,606,690 $ - $ (80,270) $ 2,526,420 $ 83,779

Public Works Trust

Fund Loans 106,310 - (106,310) - -

Total Long-Term

Liabilities $ 2,713,000 $ - $ (186,580) $ 2,526,420 $ 83,779

NOTE 6 - PENSION PLAN

All District employees covered by a collective bargaining agreement are members of the Western Conference of Teamsters Pension Trust fund, a cost-sharing multiple employer union pension plan. The plan provides for retirement, death and/or termination benefits for eligible employees, based on specific eligibility/participation requirements, vesting periods and benefit formulas. The risks of participating in this multiemployer plan are different from a single-employer plan in the following aspects:

Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If the District chooses to stop participating in the plan, the District may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. However, cessation of participation in a multiemployer plan and subsequent payment of any withdrawal liability is subject to the collective bargaining process.

Additional information can be obtained by writing to Western Conference of Teamster Pension Plan, 2323 Eastlake Avenue East, Seattle, WA 98102.

NOTE 6 - PENSION PLAN (Continued)

Effective January 1, 2024, the District made pension contributions to the Pension Trust fund, a defined benefit pension plan, on the behalf of all three covered employees at the rate of $1.75 per hour for the first 2,080 hours. In addition to the $1.75 per hour contributed by the District, the covered employees contributed $2.00 per hour on a pre-tax basis from their pay. The District’s total contributions to the Trust Fund were $10,735 in 2024, $9,242 in 2023, and $10,746 in 2022. The District contributed 100% of the required amount in each of these years. There is no unfunded liability on the District’s part. The collective bargaining agreement covers the period of January 1, 2024 through December 31, 2026.

As of January 1, 2024, the actuarial value of the assets in the Pension Trust fund was $56,393,978,000, the value of the liabilities was $59,146,389,000 and the funded percentage was 95.3%. The market value of the fund on December 31, 2024 was $55,656,203,551. As of December 31, 2024, the allocation of the fund’s assets was as follow: 4.0% Public equity, 10.8% Private equity, 59.7% Investment grade debt and interest rate hedging assets, 8.2% High-yield debt , 14.5% Real assets, 2.5% Cash or cash equivalents, .3% Other.

NOTE 7 - RISK MANAGEMENT

Water and Sewer Risk Management Pool

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 77 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.

NOTE 7 - 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 - $25,000 and  See (C) below | $25,000 | $200,000,000 |
| Flood | See (A) below | See (A) below | $20,000,000 |
| Earthquake | See (B) below | See (B) below | $80,000,000  ($50,000,000 shared by all members, $30,000,000 dedicated to Alderwood) |
| Terrorism | $1,000 - $25,000 | $25,000  Primary layer | $700,000,000  Primary layer |
| Boiler & Machinery | $1,000 - $350,000  depending on object | $25,000 - $350,000  depending on object | $100,000,000 |
| Auto - Physical Damage | $1,000 - $25,000 | $25,000 |  |
|  |  |  |  |
| **Liability:** |  |  |  |
| Commercial General Liability | $1,000 - $25,000 | $500,000 | $10,000,000 |
| Auto Liability | $1,000 - $25,000 | Same as above | $10,000,000 |
| Public Officials Errors  and Omissions | $1,000 - $25,000 | Same as above | $10,000,000 |
| Employment Practices | $1,000 - $25,000 | Same as above | $10,000,000 |
| **Other:** |  |  |  |
| Cyber Liability | $50,000 | N/A | $2,000,000 |
| Public Officials Bonds | Various | N/A | Various |
| Crime | $1,000 - $25,000 | $25,000 | $2,000,000 |
| Identity Fraud | $0 | $0 | $25,000 |
| A. $100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; $250,000 member deductible, per occurrence, in Flood Zones A&V. | | | |
| B. Member deductible for earthquakes is 5% subject to $100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum. | | | |
| C. Member deductible for Cyber liability is $50,000 and where applicable the dollar amount of the business interruption loss during the policy’s required 8 hour waiting period. | | | |

NOTE 7 - RISK MANAGEMENT (Continued)

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

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months’ notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2024, written notice must be in the 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.

For years ending December 31, 2022, 2023, and 2024, the District had no claims in excess of its insurance coverage.

NOTE 8 - USE OF ESTIMATES

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

SUPPLEMENTARY INFORMATION



**Notes to Supplementary Schedule I**

Note 1

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