

DRAFT

ANNUAL REPORT

Public Utility District No. 1 of Whatcom County

MCAG No. 1806

Submitted pursuant to RCW 43.09.230

To the

WASHINGTON STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED December 31, 2020

GOVERNMENT INFORMATION:

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PREPARER INFORMATION and CERTIFICATION:

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I certify the 27th day of April 2021 that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

DRAFT

Audit Contact or Preparer Signature:

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Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2020

OVERVIEW OF FINANCIAL STATEMENTS

The District's Annual Financial Report consists of the following four parts:

1. Management's Discussion and Analysis (MD & A) (this section)
2. Financial statements
3. Notes to the financial statements
4. Required supplemental information

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

The statement of net position provides a record 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 obligations to District creditors (liabilities). An elimination column is included to remove from the Statement of Revenues, Expenses, and Change in Net Assets amounts owing within the District. It provides a basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statement of revenues, expenses and changes in net position presents the results of the District's business activities for an annual period of time. The information contained in this statement can be used to determine whether the District is successfully recovering its costs through user fees and other charges, and to evaluate 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 for a year's period of time.

The notes to the financial statements provide information regarding the District's significant accounting policies and significant account balances and activities.

All District funds are operated as individual enterprise funds and collectively represent the financial operation of the District. A condensed comparative Statement of Net Position is shown below:

	2020	2019
ASSETS		
Current Assets	\$ 14,046,780	\$ 12,237,063
Non-Current Assets	3,385,101	3,660,097
Capital Assets (Net)	45,298,071	45,028,590
TOTAL ASSETS	\$ 62,729,953	\$ 60,925,749
LIABILITIES		
Current Liabilities	4,114,112	3,715,682
Non-Current Liabilities	19,693,336	21,650,649
TOTAL LIABILITIES	\$ 23,807,447	\$ 25,366,332
NET POSITION		
Net Investment in Capital Assets	24,434,640	23,265,845
Restricted for Debt Service	3,445,843	3,462,423
Unrestricted	11,042,023	8,831,150
TOTAL NET POSITION	\$ 38,922,506	\$ 35,559,417

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2020

A condensed comparative Statement of Revenue, Expenses and Changes in Net Position for the District is shown below:

	2020	2019
REVENUES		
Operating Revenue	\$ 20,814,556	\$ 21,113,160
Nonoperating Revenue	495,802	611,255
TOTAL REVENUE	\$ 21,310,358	\$ 21,724,415
EXPENSES		
Operating Expenses	17,162,302	17,117,981
Nonoperating Expenses	1,132,968	1,352,428
TOTAL EXPENSES	\$ 18,295,270	\$ 18,470,408
INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS		
	\$ 3,015,088	\$ 3,254,007
Capital Contributions	-	800,000
Special / Extraordinary Items	348,000	-
CHANGE IN NET POSITION	\$ 3,363,088	\$ 4,054,007
BEGINNING NET POSITION	\$ 35,559,417	\$ 31,505,410
ENDING NET POSITION	\$ 38,922,506	\$ 35,559,417

FINANCIAL POSITION

Analysis of Changes in Total Net Position from 2019-2020

For the twelve months ending December 31, 2020, the total net position of the District increased by approximately \$3,363,000 or 9.5%. Total assets increased by \$1,804,000 and total liabilities decreased by \$1,559,000 producing a net increase in net position.

The major components contributing to the increase in assets were an increase in Cash and Cash Equivalents of \$1,792,000 from timing of payments and a reduction in projects and expenses due to the pandemic, an increase in Net Receivables of \$34,000 due primarily to timing of customer payments, a decrease of \$17,000 in Restricted Cash and Cash Equivalents due to a decrease in LUD assessments received as compared to debt payments, a decrease in Bond Issue costs due to standard amortization of \$22,000, a decrease in Bond Reserves of \$253,000 due to the completion of the 2010A bonds and an increase in Total Capital Assets Net of Depreciation of \$269,000.

The major components of the decrease in total liabilities included a increase in Accounts Payables of \$307,000 due to timing of payments, an increase of \$124,000 in Accrued Employee Payable due to adjustments in the liability for vacation and sick leave payouts and the Teamster Withdrawal Liability, a decrease in Utility Taxes of \$4,000, a decrease of \$116,000 in Contractor Retainage, and a net decrease in the bonds principal and interest payable of \$1,885,000 due to debt service payments.

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2020

RESULTS OF OPERATIONS

Analysis of changes in Revenue, Expenses, and change in Net Position for 2019-2020

Income before Contributions, and Extraordinary Items decreased from \$3,254,000 in 2019 to \$3,015,000 in 2020 (a \$239,000 decrease). Operating Revenue decreased by \$299,000 due primarily to a reduction in pass-thru power sales. Operating expenses increased by \$44,000. Non-operating Revenue decreased by \$115,000 primarily due to a reduction in grant income. Non-operating Expenses reflected an overall decrease of \$219,000, resulting primarily from a decrease in interest expense and grant expenses.

CAPITAL ASSETS

Analysis of Changes in Capital Assets from 2019-2020

During 2020, Total Capital Assets Net of Depreciation increased by \$269,000 and were comprised of an overall increase in non-depreciated assets, including Construction Work-in-Progress for \$1,463,000 (\$18,000 of Construction Work-in-Progress was expensed during 2020 mainly consisting of labor and equipment which did not qualify for capitalization), and the following change in capital assets: the Industrial Water Utility increased by \$133,000, the Grandview Water Utility stayed constant, the Electric Utility increased by \$233,000, a \$140,000 increase for general utility and office assets accounted for in the Internal Services Fund and an increase in Accumulated Depreciation of \$1,698,000. SEE Note 4, *Capital Assets*.

LONG-TERM DEBT

Analysis of Changes in Long-Term Debt from 2019-2020

During 2020, the District's indebtedness for the 2010 LTGO bonds was reduced by \$1,035,000, the 2012 LTGO bond issue was reduced by \$360,000, the District's indebtedness for the 2013 LTGO bonds was reduced by \$275,000, the District's indebtedness for the 2016 LTGO bonds reduced by \$146,000, and the District's indebtedness for the 2019 EDI loan was reduced by \$36,000 for a total overall long-term debt reduction of \$1,852,000. SEE Note 7, *Long-term Debt*.

REQUEST FOR INFORMATION

The basic financial statements, notes and management discussion and analysis are designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report should be directed to the Director of Finance of the Public Utility District No. 1 of Whatcom County, PO Box 2308, Ferndale, WA 98248.

Public Utility District No. 1 of Whatcom County
STATEMENT OF NET POSITION
As of December 31, 2020

ASSETS**CURRENT ASSETS**

Cash & Cash Equivalents	
Cash	\$ 24,323
Whatcom County Investment Pool	11,961,103
Total Cash & Cash Equivalents	<u>11,985,426</u>
Receivables (Net):	
Customers	1,770,544
Other	12,180
Total Accounts Receivables (Net)	<u>1,782,724</u>
Restricted Cash & Cash Equivalents	236,561
Prepayments	42,070
TOTAL CURRENT ASSETS	<u>\$ 14,046,780</u>

NON-CURRENT ASSETS

Bond Issue Costs	175,819
Restricted Assets	
Investments - Bond Reserves	3,209,282
Capital Assets Not Being Depreciated	
Land	108,000
Easements	56,260
Construction in Progress	2,115,832
Capital Assets Being Depreciated:	
Buildings & Structures	25,724,636
Machinery & Equipment	38,913,246
Intangible	866,000
Less Accumulated Depreciation	<u>(22,485,902)</u>
Total Capital Assets (Net)	<u>45,298,071</u>
TOTAL NONCURRENT ASSETS	<u>\$ 48,683,173</u>

TOTAL ASSETS

\$ 62,729,953

The notes to financial statements are an integral part of this statement.

Public Utility District No. 1 of Whatcom County
STATEMENT OF NET POSITION
As of December 31, 2020

LIABILITIES**CURRENT LIABILITIES**

Accounts Payable	\$ 1,112,550
Accrued Employee Payable	578,072
Accrued Insurance Claims Reserve	73,706
Accrued Utility Taxes	317,912
Contractor Retainage	15,668
Bonds, Notes, and Loans Payable	
2010 LTGO Series A&B Bonds Principal - Current	1,090,000
2010 LTGO Series A&B Interest	59,192
2012 LTGO Series A&B Bonds Principal - Current	365,000
2012 LTGO Series A&B Interest	4,457
2013 LTGO Bond Principal - Current	285,000
2013 LTGO Bond Interest	13,863
2016 LTGO Bond Principal - Current	145,763
2016 LTGO Bond Interest	1,777
2019 EDI Loan Principal - Current	44,332
2019 EDI Loan Interest	636
Deposits & Other Payables	6,183
TOTAL CURRENT LIABILITIES	<u>\$ 4,114,112</u>

NON-CURRENT LIABILITIES

Bonds, Notes, and Loans Payable	
2010 LTGO Series A&B Bonds Principal	12,693,555
2012 LTGO Bond Principal	1,183,147
2013 LTGO Bond Principal	4,222,722
2016 LTGO Bond Principal	874,576
2019 EDI Loan Principal	719,336
TOTAL NON-CURRENT LIABILITIES	<u>\$ 19,693,336</u>

TOTAL LIABILITIES

\$ 23,807,447

NET POSITION

Net Investment in Capital Assets	24,434,640
Restricted for Debt Service	3,445,843
Unrestricted	11,042,023
TOTAL NET POSITION	<u>\$ 38,922,506</u>

The notes to financial statements are an integral part of this statement.

Public Utility District No. 1 of Whatcom County
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For The Year Ended December 31, 2020

OPERATING REVENUE	
Utility Sales and Service Revenues	\$ 20,810,491
Other Operating Revenue	4,066
TOTAL OPERATING REVENUE	<u>\$ 20,814,556</u>
OPERATING EXPENSES	
Operations:	
Purchased Power	9,359,815
Water Purification	271,416
Taxes / Process / Delivery Costs	565,682
General Operations	886,920
Maintenance	800,047
Administration:	
General Administration	2,696,603
Planning and Development Expense	193,694
Depreciation Expense	1,783,578
Utility Tax Expense	604,547
TOTAL OPERATING EXPENSES	<u>\$ 17,162,302</u>
OPERATING INCOME (LOSS)	<u>\$ 3,652,254</u>
NONOPERATING REVENUE	
Lease Income	35,401
Grant Revenue	55,301
Assessment Income	147,479
Interest Income	250,949
Interest Fees	(5,203)
Connection Fee	11,800
Penalties	74
TOTAL NONOPERATING REVENUE	<u>\$ 495,802</u>
NONOPERATING EXPENSE	
Interest Expense	999,082
Amortization	21,855
Grant Expenses	42,559
Loss (Gain) on Property Disposal	69,471
TOTAL NONOPERATING EXPENSE	<u>\$ 1,132,968</u>
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	<u>\$ 3,015,088</u>
Capital Contributions (Connection Charges)	-
Special / Extraordinary Items	348,000
CHANGE IN NET POSITION	<u>\$ 3,363,088</u>
TOTAL NET POSITION - JANUARY 1st	<u>\$ 35,559,417</u>
TOTAL NET POSITION - DECEMBER 31st	<u>\$ 38,922,506</u>

The notes to financial statements are an integral part of this statement

Public Utility District No. 1 of Whatcom County
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 20,804,887
Payments to suppliers	(13,034,050)
Payments to employees (Labor only)	(2,043,042)

**NET CASH PROVIDED (USED) BY OPERATING
ACTIVITIES**

\$ 5,727,795

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES

Payments Received (Paid) for Non-operating work	396,217
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**NET CASH PROVIDED (USED) BY NONCAPITAL
FINANCING ACTIVITIES**

\$ 396,217

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	(2,122,531)
Principal paid on Capital Debt	(1,852,095)
Interest paid on Capital Debt	(1,032,409)
Capital Contributions	11,800
Assessments Received for 2007 & 2016 debt payments	147,479

**NET CASH PROVIDED (USED) BY CAPITAL
AND RELATED FINANCING ACTIVITIES**

\$ (4,847,756)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	245,746
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES

\$ 245,746

**NET INCREASE (DECREASE) IN CASH AND
CASH EQUIVALENTS**

\$ 1,522,002

BALANCE BEGINNING OF YEAR

13,909,267

BALANCE END OF YEAR

\$ 15,431,269

The notes to financial statements are an integral part of this statement

Public Utility District No. 1 of Whatcom County
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2020

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 3,652,254
Adjustments to reconcile operating income to net cash	
Cash Provided (Used) by operating activities:	
Depreciation	1,783,578
Change in Assets and Liabilities:	
Decrease (Increase) in Net Accounts Receivable	(34,176)
Decrease (Increase) in Prepayments	(400)
Increase (Decrease) in Account Payable	306,563
Increase (Decrease) in Accrued Employee Payable	123,677
Increase (Decrease) in Accrued Insurance Claims Reserve	16,370
Increase (Decrease) in Accrued Utility Taxes	(4,107)
Increase (Decrease) in Contractor Retainage	(115,557)
Increase (Decrease) in Deposits & Other Payables	(408)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,727,794

The notes to financial statements are an integral part of this statement

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

For The Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Public Utility District No. 1 of *Whatcom County* ("District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below (including identification of those policies, which result in material departures from generally accepted accounting principles):

A. Reporting Entity

Public Utility District No. 1 of *Whatcom County* was incorporated in 1937 and operates under the laws of the state of Washington, RCW Chapter 54, applicable to a municipal corporation governed by an elected three-member board.

As required by generally accepted accounting principles, the financial statements represent the entire District. The District has no component units.

B. Basis of Presentation

The District reports the following major enterprise funds: Industrial Water Utility which serves the heavy industries located in the Cherry Point region along with irrigation customers located adjacent to the water transmission lines, the Grandview Utility which serves the light industrial customers in the Grandview service area, and the Electric Utility which serves our one external electric customer, Phillips 66, along with our two water treatment plants.

As a rule, the effect of the interfund activity has been eliminated for the district-wide financial statements.

The Internal service fund accounts for the administrative, general expenses not identified with one specific fund. These expenditures are allocated to the enterprise funds based on the amount of operating labor hours. Starting in 2019, these expenses were allocated across all of the utilities, including the Grandview Utility.

C. Measurement Focus, Basis of Accounting

The statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

The District distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water delivery and electric service. The District also recognizes as operating revenue some miscellaneous income. Operating expenses for the District include the cost of sales and services, administrative expenses, planning and business development expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for all funds on the cash basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

For The Year Ended December 31, 2020

2. Amending the Budget

The General Manager is authorized to transfer budgeted amounts between departments within any fund; however, the commission must approve any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions or salary ranges.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the District's policy to invest all temporary cash surpluses. At December 31, 2020, the treasurer was holding \$11,961,103 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as Cash and Cash Equivalents in various funds. The interest on these investments is prorated to the various funds based on existing balances.

For the 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. The cash referenced on the Statement of Cash Flows will include Cash & Cash Equivalents, Restricted Cash & Cash Equivalents, and the Restricted Investments under Non-current assets.

2. Investments See Note 3, *Deposits and Investments*.

3. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund loans receivable/payable*. All other outstanding balances between funds are reported as *due to/from other funds*. A separate schedule of interfund loans receivable and payable is furnished in Note 9, *Interfund Balances and Transfers*.

5. Restricted Assets and Liabilities

These accounts contain resources for debt service. Specific debt service reserve requirements are described in Note 7, *Long Term Debt*.

The restricted assets of the enterprise funds are composed of the following:

RESTRICTED RESERVE BALANCES	2020
Restricted Cash & Cash Equivalents	
LUD #2 Cash & Investments	\$ 236,561
Bond Reserves	
2010 LTGO Series B Bond Reserve	1,996,572
2012 LTGO Bond Reserve	759,910
2013 LTGO Bond Reserve	452,800
Total Bond Reserves	\$ 3,209,282
TOTAL RESTRICTED RESERVE BALANCES	\$ 3,445,843

Public Utility District No. 1 of Whatcom County
 NOTES TO FINANCIAL STATEMENT
 For The Year Ended December 31, 2020

6. Capital Assets See Note 4, *Capital Assets*.

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable fund. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects or major components of the project are constructed.

Property, plant, and equipment of the District, is depreciated using the straight-line method over the following estimated useful lives:

<u>ASSET</u>	<u>YEARS</u>
Buildings & Structures	5-60
Vehicles	3-10
Machinery & Equipment	3-60
Computer Hardware & Software	2-20
Intangible	20

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and floaters (in lieu of holidays). All leave is accrued when incurred. All leave is paid at the employee's current rate of pay when used. Since the timing of when the Vacation, Holiday or Sick leave will be taken is unknown, but is possible to be taken within a year, the liability is reflected under Current Liabilities as Accrued Employee Payable. The General Manager's compensated absences are separately negotiated as part of his employment contract.

Vacation pay may be carried over at year-end at a balance not greater than 80 hours plus the employee's current annual accrual. Unused vacation is payable upon resignation, retirement, termination without cause, or death. Union employees may cash out up to 40 hours per year of accumulated vacation.

Sick Leave may be accumulated up to a total of 1080 hours for non-union employees and 1136 hours for union employees, and is not convertible. Upon termination of employment, unused sick leave is compensated for non-union employees at 25% of accrued benefit for anyone with less than 16 years of service, 40% for 16-20 years of service, and 50% for over 20 years of service, 50% for union. Union employees may cash out in December any hours accrued over 1040 hours. If a non-union employee dies while currently employed at the District, sick leave is compensated at 100%

Floating Holidays may be used at any time once accrued for leave. Non-union employees earn 12 floaters per year. Union employees earn 100 hours of floaters each year. Unused floaters must be cashed-out at the end of the year and cannot be carried forward to the next fiscal year.

8. Pensions

The District carries no liability for pensions. Union employees are covered under the Teamster pension and the non-union employees have access to contributing to investments funds through Mass Mutual, a

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

457 plan. The District does not take part in the PERS retirement system. See Note 10, *Pension Plan*.

9. Other Accrued Liabilities

These accounts consist of Accrued Wages, Accrued Employee Benefits, Accrued Insurance Claims Reserve, Accrued Utility Taxes, Deposits and Contractor Retainage.

10. Long-Term Debt See Note 7, *Long-Term Debt*.

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

2020

1. **INTERNAL** – Included a new note specifically addressing the COVID-19 effects on the District.

2019

1. **INTERNAL** – Towards the end of 2019, the SAO audit of our 2017 and 2018 annual reports occurred. One recommendation was to move the investments we have with the Whatcom County Treasurer, which previously had been listed as investments, up under Cash and Cash Equivalents due to their liquidity.
2. **INTERNAL** – Previously, only certain general expenses from the Internal Services fund were allocated to the Grandview utility. Starting in 2019, all general expenses are allocated to the three utilities (Industrial Water, Grandview, and Electric) based on O&M hours.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the district would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are all covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Whatcom County Investment Pool (WCIP) pursuant to RCW 39.58.

The district does not have a deposit policy for custodial credit risk. There are no balances that are exposed to custodial credit risks.

B. Investments

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in Whatcom County Investment Pool [WCIP]

The District is a participant in the WCIP, an external investment pool operated by the county Treasurer. The pool is not rated or registered with the SEC. The District reports its investment in the Pool at the amortized cost, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29, which authorizes the County Treasurer to invest the funds of participants. The County's investment policy is established by the Administrative Finance Committee, consisting of the Treasurer as Chairman, the Auditor as Secretary, and the Chair of the County Council. The County external investment pool does not have a credit rating and had a weighted average maturity of 474 days as of December 31, 2020. Short-term Whatcom County Investment Pool funds are classified as Cash and Cash Equivalents on the Statement of Net Position. Per the Whatcom County guidelines, a 90 day advanced notice must

Public Utility District No. 1 of Whatcom County
 NOTES TO FINANCIAL STATEMENT
 For The Year Ended December 31, 2020

be given to the county for any withdrawal that exceeds \$5 million. If the District should choose to close their accounts, the County Treasurer will develop a reasonable distribution schedule for the withdrawal of the balance of the funds. Regardless of the size of the balance, all monies shall be distributed back to the District within one year.

As of December 31, 2020, the District had the following investments in the WCIP:

	2020	
	<u>Maturities</u>	<u>Amortized Cost</u>
INVESTMENTS		
Short-Term Investments		
Whatcom County Investment Pool	\$ 12,197,664	\$ 12,197,664
Non-Current		
Whatcom County Investment Pool	3,209,282	3,209,282
TOTAL INVESTMENTS	<u>\$ 15,406,946</u>	<u>\$ 15,406,946</u>

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ending December 31, 2020 was as follows:

	2020	2020 Activity		2020
	Beginning Balance	Increase	Decrease	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
LAND				
Industrial Water Utility	\$ 108,000	\$ -	\$ -	\$ 108,000
TOTAL LAND	108,000	-	-	108,000
EASEMENTS				
Industrial Water Utility	56,260	-	-	56,260
TOTAL EASEMENTS	56,260	-	-	56,260
CONSTRUCTION-IN-PROGRESS				
Industrial Water Utility	-	168,845	(138,608)	30,237
Grandview Potable Water Utility	-	-	-	-
Electric Utility	622,387	1,768,637	(381,622)	2,009,403
General Utility & Office (Internal Services Utility)	30,833	185,049	(139,690)	76,191
TOTAL CONSTRUCTION-IN-PROGRSS	653,220	2,122,530	(659,920)	2,115,832
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 817,480	\$ 2,122,530	\$ (659,920)	\$ 2,280,091
CAPITAL ASSETS BEING DEPRECIATED				
BUILDINGS & STRUCTURES				
Industrial Water Utility	19,487,264	114,986	-	19,602,250
Grandview Water Utility	93,807	-	-	93,807
Electric Utility	4,457,484	-	-	4,457,484
General Utility & Office (Internal Services Utility)	1,571,095	-	-	1,571,095
TOTAL BUILDINGS & STRUCTURES	25,609,649	114,986	-	25,724,636
MACHINERY & EQUIPMENT				
Industrial Water Utility	20,360,096	23,622	(6,103)	20,377,615
Grandview Water Utility	3,131,080	-	(137)	3,130,942
Electric Utility	12,462,667	381,622	(148,486)	12,695,803
General Utility & Office (Internal Services Utility)	2,569,196	139,690	-	2,708,886
TOTAL MACHINERY & EQUIPMENT	38,523,038	544,934	(154,726)	38,913,246
INTANGIBLE				
Industrial Water Utility	866,000	-	-	866,000
TOTAL INTANGIBLE	866,000	-	-	866,000
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 64,998,688	\$ 659,920	\$ (154,726)	\$ 65,503,882
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Structures	(6,814,153)	(521,296)	-	(7,335,449)
Machinery & Equipment	(13,410,525)	(1,218,982)	85,255	(14,544,253)
Intangible	(562,900)	(43,300)	-	(606,200)
TOTAL ACCUMULATED DEPRECIATION	(20,787,578)	(1,783,577)	85,255	(22,485,902)
TOTAL CAPITAL ASSETS BEING DEPRECIATED (NET)	\$ 44,211,109	\$ (1,123,657)	\$ (69,471)	\$ 43,017,980
TOTAL CAPITAL ASSETS, NET	\$ 45,028,590	\$ 998,873	\$ (729,392)	\$ 45,298,071

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

Initial depreciation on utility plant is typically recorded in the year subsequent to capitalization of the asset. If the project spans multiple years, and a portion can be deemed completed and placed into use, that portion will be capitalized and depreciation will begin in the subsequent year, regardless if the entire project is complete.

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are capitalized; charges that relate to abandoned projects are expensed. The District expensed \$18,000 in CWIP projects in 2020.

NOTE 5 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Construction Commitments

The District has active construction projects as of December 31, 2020. The projects include:

	District Capital Project #	2020	
		Spent Through 12/31/20	Remaining Commitment
CONSTRUCTION IN PROGRESS			
Communications Backbone	IS15	\$ 76,191	\$ 1,300,000
Water Treatment Plant 1 projects	RW28	30,237	700,000
Ferndale Substation rebuild	E22	1,874,827	3,000,000
Refinery Substation rebuild	E27	134,576	6,000,000
TOTAL CONSTRUCTION IN PROGRESS		\$ 2,115,832	\$ 11,000,000

Of the Remaining Commitment balance of \$11,000,000, the District will be required to raise \$5,500,000 in future financing.

B. Other Commitments

At year-end, the District commitments with contractors are as follows:

PROJECT	SPENT TO DATE	REMAINING COMMITMENT
BKI-WO1-Electric system standards	\$ 25,004	\$ 2,997
BKI-WO4-Ferndale Pump Substation Design	704,186	114,374
BKI-WO9-On call 115kv Electric	12,836	2,165
BKI-WO12-Refinery Sub capacity	27,171	32,829
BKI-WO14-Refinery Sub design	52,504	693,537
EAGLE-WO6-Electric structure inspect	33,728	4,018
PSE-WO1-Grandview System	10,150	18,920
PSE-WO2-W Sediment Pond	-	6,480
PSE-WO3-Intalco Fiber	21,843	9,912
PSE-WO4-Refinery Substation	-	11,830
PSE-WO5-P1 Easements	4,658	2,323
	\$ 892,077	\$ 899,384

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

The District currently has a power supply contract with the Bonneville Power Administration (“BPA”) that covers its entire electric load requirements. The contract with BPA runs through September 30, 2028.

In August 2008, the District approved a new Network Transmission Agreement (“NT Agreement”) with BPA, which provides for an extension of the term of the NT Agreement through August 31, 2038 and assures sufficient transmission capacity to accommodate both the District’s existing power supply requirements moved over BPA’s transmission system and future electric load growth.

In 2017, the District entered in to an agreement with BPA related to services BPA would provide to the District to assure compliance with the NERC electric system reliability standards associated with the Transmission Operator function (“TOP”). During the 4th quarter of 2017, the District entered into contract negotiations with BPA related to an agreement related to services BPA would provide to the District to support the District’s compliance with NERC electric system reliability standards related to the Transmission Planner function (“TP”). The agreement was completed and executed on May 22, 2018.

NOTE 6– SHORT-TERM DEBT

The District had no short-term debt obligations in 2020.

NOTE 7 - LONG-TERM DEBT

A. Long-Term Debt

The District issues general obligation and revenue bonds to finance the acquisition or construction of expanded facilities and replacement of aging infrastructure. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for business-type activities and are being repaid from the applicable resources.

General obligation bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2010 LTGO Series B -Funded Water Plant 2 rebuild and the purchase of two substations	2011-2030	4.88%	\$ 20,980,000	\$ 1,035,000
2012 LTGO - Refunded the 2004 LTGO bonds	2012-2024	2.60%	5,980,000	360,000
2013 LTGO - Funding to complete the Water Plant 2 rebuild	2014-2032	2.66%	6,025,000	275,000
2016 LTGO - Advanced refunded 2007 Water Revenue Bonds	2018-2027	2.09%	1,457,628	145,763

The annual debt service requirements to maturity for general obligation bonds are as follows:

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

Year Ending December 31:	2010 LTGO BONDS		2012 LTGO BONDS		2013 LTGO BONDS		2016 LTGO BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2021	\$ 1,090,000	\$ 710,300	\$ 365,000	\$ 53,488	\$ 285,000	\$ 166,350	\$ 145,763	\$ 21,325
2022	1,145,000	655,800	380,000	42,538	295,000	157,800	145,763	18,279
2023	1,200,000	598,550	395,000	29,998	305,000	146,000	145,763	15,232
2024	1,260,000	538,550	410,000	15,580	315,000	133,800	145,763	12,186
2025	1,325,000	475,550			330,000	121,200	145,763	9,139
2026-2030	7,730,000	1,262,950			1,850,000	398,000	291,524	9,139
2031-2032					850,000	51,400		
TOTAL	\$ 13,750,000	\$ 4,241,700	\$ 1,550,000	\$ 141,603	\$ 4,230,000	\$ 1,174,550	\$ 1,020,339	\$ 85,300

The annual debt service requirements to maturity for debt from direct borrowings and direct placement are as follows:

Year Ending December 31:	2019 EDI LOAN	
	PRINCIPAL	INTEREST
2021	\$ 36,696	\$ 7,637
2022	37,063	7,270
2023	37,433	6,899
2024	37,807	6,525
2025	38,186	6,147
2026-2030	196,733	24,929
2031-2035	206,768	14,893
2036-2039	172,983	4,346
TOTAL	\$ 763,668	\$ 78,645

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of the debt issue costs and discount.

At December 31, 2020, restricted assets in proprietary funds contain \$3,445,843 in reserves as required by bond indentures.

The Public Utility District No. 1 of Whatcom County has pledged future Grandview assessment revenue to repay \$2,845,000 in revenue bonds issued in November 2007. Proceeds from the bonds provided financing for extension of the Grandview potable water and fire system. The 2007 bonds were advanced refunded in 2016 with \$1,457,628 of LTGO bonds. The bonds are payable from Grandview LUD #2 assessment revenues and revenues of the water system and are payable through 2027. The total principal and interest remaining to be paid on the bonds is \$1,105,639. Principal and interest paid for the current year and total Grandview assessment revenue were \$170,135 and \$147,479 respectively.

NOTE 8 – RESTRICTED COMPONENT OF NET POSITION

The District's statement of net position reports \$3,445,843 of restricted component of net position for debt service, of which everything is restricted by enabling legislation.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at December 31, 2020 were as follows:

		Due From					
		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service	Total
Due To	Industrial Water		\$ 797,100			\$ 3,026,959	\$ 3,824,059
	Grandview					10,241	10,241
	Electric					1,103,604	1,103,604
	Alcoa Fund					215,368	215,368
	Internal Service	1,504,053	18,280	671,300			2,193,633
	Total	\$ 1,504,053	\$ 815,380	\$ 671,300	\$ -	\$ 4,356,172	

The interfund balances are a result of three categories. The first two, Capital, including depreciation, and Employee Payable, are allocations between the Internal Services account to the active utilities. The Interfund Capital spreads the net capital assets from the Internal Services to the other utilities. The Interfund Employee Payable spreads the liability for accrued employee vacation, sick time, and Teamster withdrawal to the appropriate utilities. Neither of these are expected to be paid back, but adjusted to the new balances annually.

The third category is the loan between the Grandview and Industrial Water utility for the line connection between the Industrial water system and the Grandview fire system. 2018 was the start of this interfund loan. Currently, the payback is scheduled over 30 years. The Grandview Utility has experienced growth recently and any unbudgeted growth will be balanced with reducing the payback time and keeping rates low. The line will remain an asset of the Industrial Water utility, but since it was constructed due to a need at Grandview, the Grandview utility will be paying back the Industrial Water utility.

B. Interfund Transfers

Interfund transfers at December 31, 2020 were as follows:

		Transfer From					
		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service	Total
Transfer To	Industrial Water						\$ -
	Grandview	56,417					56,417
	Electric	1,918,013					1,918,013
	Alcoa Fund						-
	Internal Service						-
	Total	\$ 1,974,430	\$ -	\$ -	\$ -	\$ -	

The transfers all dealt with one utility paying back another utility for fixed assets or bond costs. In 2020, there were four transfers:

- \$12,085 the 2020 interest owed on the loan from Industrial Water to Grandview.
- \$44,332 the payment Industrial Water made on the 2019 EDI loan on behalf of Grandview.
- \$1,728,850 was transferred for the Industrial Water’s portion of current Electric construction projects.
- \$189,163 was transferred from Industrial Water to Electric for a portion of Electric’s 2010 bond payment, which paid for an electric asset the Industrial Water utility uses.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

NOTE 10 - PENSION PLANS

The District’s employees do not participate in any of the plans of the Washington State Department of Retirement Systems.

A. Non-union

In lieu of the state retirement program, the District offers its non-union employees an optional deferred compensation plan in accordance with Internal Revenue Service Code Section 457. This plan was adopted in 1989. An Administrative Service Agreement was established with Mass Mutual Retirement Services to provide individual investment choices for participants with detailed accounting to both the participants and the District. The District approves a contribution percentage of gross earnings annually to be paid in addition to gross earnings to eligible employees. The 2020 rate of District contribution to the employee is 8.70% of gross earnings. Employees may or may not elect to contribute any portion up to the allowable limit to the Mass Mutual plan. The Plan, available to eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District has neither fiduciary responsibility nor liability for the Plan and accordingly no records are reflected on the Districts accounts.

B. Union

At year-end, the District’s union employees (one chief water operator and six water operator positions) were eligible to be covered under the collective bargaining agreement with Teamsters Union Local No. 231 of Whatcom County’s pension plan. This plan is a multiemployer, defined benefit pension plan. Financial statements for the Pension plan may be found here: <http://www.wctpension.org/forms-documents-webcasts/plan-documents>. This link also connects to the Summary Plan Description that describes the benefits available. Benefits include pension, disability, and survivor benefits. The current contract, outlining the District’s responsibilities with Teamsters, is scheduled to expire at the end of 2021 and will be renegotiated. Payment is made to the Pension plan monthly for each of the union employees.

The contributions to the plan are based on the collective-bargaining agreement. During 2020, the District contributed \$6.25 per qualified hour, per employee, up to a maximum of 2080 hours (\$13,000) per year per employee. No minimum contribution is required to be paid if no qualified hours are worked. If the District was to exit the plan, an ‘unfunded withdrawal liability’ could be required. The estimated withdrawal liability for the District at the end of 2020 is \$17,878. The liability is on the previous 5 years of contributions compared to the fund total. This liability was added to the District’s statements starting in 2018. The employees do not contribute to this plan. The last ten years of contribution rates per qualified hour are as follows:

<u>2011</u>	\$ 4.50	<u>2016</u>	\$ 5.50
<u>2012</u>	4.75	<u>2017</u>	5.50
<u>2013</u>	5.00	<u>2018</u>	5.75
<u>2014</u>	5.25	<u>2019</u>	6.00
<u>2015</u>	5.50	<u>2020</u>	6.25

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

NOTE 11 – EXTRAORDINARY AND/OR SPECIAL ITEMS

In August 2018, a contractor working on boring under the road for installation of additional fiber hit our Douglas water transmission line causing substantial damage. The District declared an emergency to complete repairs and subsequently went into negotiations with the contractor and their insurance company to recoup damages. In February 2020, an agreement was reached and in April 2020, \$348,000 was received as compensation.

NOTE 12 – SEGMENT INFORMATION

The District operated four proprietary segments and an Internal Services Fund in 2020. The following changes occurred in the District's segments during 2020:

A. INDUSTRIAL WATER UTILITY

Routine maintenance projects on Water Treatments Plants #1 and #2 are ongoing for the entire water system facilities including IT and SCADA projects. In 2020, due to the COVID pandemic, projects were limited and had extended completion dates due to the unpredictable lead times of the equipment and materials needed to complete projects. Annual maintenance projects such as the pond cleaning and mowing were accomplished, but completion of the high head motor and pump rebuild and the compressor installation at plant 1 were delayed into 2021. Industrial water consumption was 95% of 2019 consumption, while irrigation came in at 58% of 2019. The curtailment of operations at Alcoa contributed to the drop in consumption of industrial water.

B. GRANDVIEW WATER UTILITY

The District had to replace the well pump at the Grandview potable well due to a pump failure. The District also installed a vault for the blow off at Buchanan Loop Rd. Water consumption was 97% of 2019.

C. ELECTRIC UTILITY

The Electric Utility continues to make electric system improvements designed to assure reliability of electric service to the District's water treatment plants and to its retail electric customer. In 2020, due to the COVID pandemic, projects were limited and had extended completion dates due to the unpredictable lead times of the equipment and materials needed to complete projects. In an ongoing maintenance effort, the District replaced 16 pole structures and continued the yearly routine maintenance on the electric system. The District is working with engineers and acquiring permits for the replacement of the Ferndale substation, located at Water Treatment Plant #1.

D. ALCOA SERVICES FUND

The Alcoa Services Fund continues to be a resource of funds for projects outside of the regular operating scope of the District. No expenditures were made in 2020. As of December 31, 2020, the remaining fund balance is \$420,068.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
Statement of Revenues, Expenses and Changes in Fund Net Position
For The Year Ended December 31, 2020

	403	411	481	490	500		DISTRICT
	INDUSTRIAL WATER UTILITY	GRANDVIEW UTILITY	ELECTRIC UTILITY	ALCOA SVCS	INTERNAL SERVICES FUND	ELIMINATION	TOTAL
OPERATING REVENUE							
Utility Sales and Service Revenues	\$ 9,143,169	\$ 256,810	\$ 11,508,457	\$ -	\$ -	\$ (97,946)	\$ 20,810,491
Other Operating Revenue	3,506	0	559	-	-	-	4,066
TOTAL OPERATING REVENUE	\$ 9,146,675	\$ 256,811	\$ 11,509,016	\$ -	\$ -	\$ (97,946)	\$ 20,814,556
OPERATING EXPENSES							
Operations:							
Purchased Water	-	14,846	-	-	-	(14,846)	-
Purchased Power	545,723	7,378	8,806,713	-	-	-	9,359,815
Water Purification	270,125	1,292	-	-	-	-	271,416
Taxes / Process / Delivery Costs	-	-	565,682	-	-	-	565,682
General Operations	677,197	58,956	150,767	-	-	-	886,920
Maintenance	552,603	41,058	206,386	-	-	-	800,047
Administration							
General Administration	1,779,246	54,421	946,036	-	-	(83,100)	2,696,603
Planning and Development Expenses	193,694	-	-	-	-	-	193,694
Depreciation Expense	1,182,135	82,749	518,693	-	-	-	1,783,578
Utility Tax Expense	469,473	12,977	122,097	-	-	-	604,547
TOTAL OPERATING EXPENSES	\$ 5,670,196	\$ 273,677	\$ 11,316,374	\$ -	\$ -	\$ (97,946)	\$ 17,162,302
OPERATING INCOME (LOSS)	\$ 3,476,479	\$ (16,867)	\$ 192,642	\$ -	\$ -	\$ -	\$ 3,652,254
NONOPERATING REVENUE							
Lease Income	35,401	-	-	-	-	-	35,401
Grant Revenue	55,301	-	-	-	-	-	55,301
Assessment Income	-	147,479	-	-	-	-	147,479
Interest Income	188,542	12,287	45,916	4,204	-	-	250,949
Interest Fees	(3,330)	17	(1,735)	(155)	-	-	(5,203)
Connection Fee	-	11,800	-	-	-	-	11,800
Penalties	-	74	-	-	-	-	74
TOTAL NONOPERATING REVENUE	\$ 275,914	\$ 171,658	\$ 44,181	\$ 4,049	\$ -	\$ -	\$ 495,802
NONOPERATING EXPENSE							
Interest Expense	886,143	24,118	88,820	-	-	-	999,082
Amortization	16,255	1,661	3,939	-	-	-	21,855
Interfund Expense	1,861,596	56,417	(1,918,013)	-	-	-	-
Grant Expenses	42,559	-	-	-	-	-	42,559
Loss (Gain) on Property Disposal	-	-	69,471	-	-	-	69,471
TOTAL NONOPERATING EXPENSE	\$ 2,806,554	\$ 82,196	\$ (1,755,782)	\$ -	\$ -	\$ -	\$ 1,132,968
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	\$ 945,839	\$ 72,595	\$ 1,992,605	\$ 4,049	\$ -	\$ -	\$ 3,015,088
Extraordinary Items	348,000	-	-	-	-	-	348,000
CHANGE IN NET POSITION	\$ 1,293,839	\$ 72,595	\$ 1,992,605	\$ 4,049	\$ -	\$ -	\$ 3,363,088
NET POSITION - JANUARY 1st	\$ 20,262,557	\$ 634,177	\$ 13,987,230	\$ 631,386	\$ 44,067	\$ -	\$ 35,559,417
NET POSITION - DECEMBER 31st	\$ 21,556,396	\$ 706,773	\$ 15,979,835	\$ 635,435	\$ 44,067	\$ -	\$ 38,922,506

The notes to financial statements are an integral party of this statement

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
Statement of Net Position
As of December 31, 2020

	403	411	481	490	500	DISTRICT
	INDUSTRIAL	GRANDVIEW	ELECTRIC	ALCOA SVC	INTERNAL	TOTAL
	WATER UTILITY	UTILITY	UTILITY		SERVICES FUND	
ASSETS						
CURRENT ASSETS						
Cash & Cash Equivalents						
Cash	\$ (131,903)	\$ (5,865)	\$ (55,358)	\$ 283	\$ 217,167	\$ 24,323
Whatcom County Investment Pool	8,172,975	436,649	2,854,650	419,785	77,043	11,961,103
Total Cash & Cash Equivalents	8,041,072	430,784	2,799,292	420,068	294,210	11,985,426
Receivables (Net):						
Customers	847,969	20,816	901,758	-	-	1,770,544
Other	11,675	-	-	-	505	12,180
Interfund Receivables	797,100	(797,100)	-	-	-	(0)
Interfund Transfers - Capital	1,872,417	(267)	635,215	215,368	(2,722,733)	-
Interfund Transfers - Employee	(349,511)	(7,773)	(202,911)	-	560,195	0
Total Accounts Receivables (Net)	3,179,651	(784,323)	1,334,062	215,368	(2,162,034)	1,782,724
Other Current Assets						
Restricted Cash & Cash Equivalents	-	236,561	-	-	-	236,561
Prepayments	-	-	-	-	42,070	42,070
Other						
TOTAL CURRENT ASSETS	\$ 11,220,723	\$ (116,979)	\$ 4,133,355	\$ 635,435	\$ (1,825,754)	\$ 14,046,780
NON-CURRENT ASSETS						
Bond Issue Costs	143,268	11,626	20,926	-	-	175,819
Noncurrent Restricted Assets						
Investments - Bond Reserves	2,596,515	-	612,767	-	-	3,209,282
Capital Assets Not Being Depreciated						
Land	108,000	-	-	-	-	108,000
Easements	56,260	-	-	-	-	56,260
Construction in Progress	30,237	-	2,009,403	-	76,191	2,115,832
Capital Assets Being Depreciated:						
Buildings & Structures	19,602,250	93,807	4,457,484	-	1,571,095	25,724,636
Machinery & Equipment	20,377,615	3,130,942	12,695,803	-	2,708,886	38,913,246
Intangible	866,000	-	-	-	-	866,000
Less Accumulated Depreciation	(14,258,830)	(1,368,045)	(5,225,587)	-	(1,633,439)	(22,485,902)
Total Capital Assets (Net)	26,781,532	1,856,704	13,937,102	-	2,722,733	45,298,071
TOTAL NONCURRENT ASSETS	\$ 29,521,314	\$ 1,868,330	\$ 14,570,795	\$ -	\$ 2,722,733	\$ 48,683,173
TOTAL ASSETS	\$ 40,742,037	\$ 1,751,351	\$ 18,704,150	\$ 635,435	\$ 896,980	\$ 62,729,953

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
Statement of Net Position
As of December 31, 2020

	403	411	481	490	500	DISTRICT
	INDUSTRIAL	GRANDVIEW	ELECTRIC	ALCOA SVC	INTERNAL	TOTAL
	WATER UTILITY	UTILITY	UTILITY		SERVICES FUND	
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	\$ 129,887	\$ 13,577	\$ 742,425	\$ -	\$ 226,661	\$ 1,112,550
Accrued Employee Payable	16,502	1,376	-	-	560,195	578,072
Accrued Insurance Claims Reserve	5,539	437	2,293	-	65,437	73,706
Accrued Utility Taxes	37,578	890	279,443	-	-	317,912
Contractor Retainage	101	-	14,948	-	620	15,668
Interfund Payables	-	-	-	-	-	(0)
Bonds, Notes, and Loans Payable						
2010 LTGO Bond Series A&B - Current	975,263	-	114,737	-	-	1,090,000
2010 LTGO Bond Series A&B - Interest	52,961	-	6,231	-	-	59,192
2012 LTGO Bond Series A&B - Current	310,968	-	54,032	-	-	365,000
2012 LTGO Bond Series A&B - Interest	3,801	-	656	-	-	4,457
2013 LTGO Bond - Current	285,000	-	-	-	-	285,000
2013 LTGO Bond - Interest	13,863	-	-	-	-	13,863
2016 LTGO Bond - Current	-	145,763	-	-	-	145,763
2016 LTGO Bond - Interest	-	1,777	-	-	-	1,777
2019 EDI Loan - Current	44,332	-	-	-	-	44,332
2019 EDI Loan - Interest	636	-	-	-	-	636
Deposits & Other Payables	-	6,183	-	-	-	6,183
TOTAL CURRENT LIABILITIES	\$ 1,876,432	\$ 170,003	\$ 1,214,764	\$ -	\$ 852,913	\$ 4,114,112
NON-CURRENT LIABILITIES						
Bonds, Notes, and Loans Payable						
2010 LTGO Bond Series A&B Principal	11,357,392	-	1,336,163	-	-	12,693,555
2012 LTGO Bond Principal	1,009,759	-	173,388	-	-	1,183,147
2013 LTGO Bond Principal	4,222,722	-	-	-	-	4,222,722
2016 LTGO Bond Principal	-	874,576	-	-	-	874,576
2019 EDI Loan Principal	719,336	-	-	-	-	719,336
TOTAL NONCURRENT LIABILITIES	\$ 17,309,209	\$ 874,576	\$ 1,509,551	\$ -	\$ -	\$ 19,693,336
TOTAL LIABILITIES	\$ 19,185,641	\$ 1,044,579	\$ 2,724,315	\$ -	\$ 852,913	\$ 23,807,447
NET POSITION						
Net Investment in Capital Assets	8,388,626	836,365	12,486,916	-	2,722,733	24,434,640
Restricted for Debt Service	2,596,515	236,561	612,767	-	-	3,445,843
Unrestricted	10,571,255	(366,153)	2,880,152	635,435	(2,678,667)	11,042,023
TOTAL NET POSITION	\$ 21,556,396	\$ 706,773	\$ 15,979,835	\$ 635,435	\$ 44,067	\$ 38,922,506

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Cash Flows

As of December 31, 2020

	403	411	481	490	500	
	INDUSTRIAL	GRANDVIEW	ELECTRIC	BPA-ALCOA	INTERNAL	TOTAL
	WATER			ESCROW	SERVICE	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 9,119,299	\$ 250,816	\$ 11,430,863	\$ -	\$ 3,909	\$ 20,804,887
Payments to suppliers	(1,866,583)	(67,763)	(9,603,864)	-	(1,495,840)	(13,034,050)
Payments to employees (Labor only)					(2,043,042)	(2,043,042)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 7,252,716	\$ 183,052	\$ 1,826,999	\$ -	\$ (3,534,973)	\$ 5,727,795
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from (to) Other Utilities	(4,443,685)	(104,853)	523,843	162,122	3,862,573	(0)
Payments Received for Non-operating work	438,702	74				438,776
Payments (Paid) for Non-operating work	(42,559)					(42,559)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ (4,047,542)	\$ (104,778)	\$ 523,843	\$ 162,122	\$ 3,862,573	\$ 396,217
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(168,845)	-	(1,755,183)		(198,503)	(2,122,531)
Principal paid on Capital Debt	(1,543,353)	(145,763)	(162,979)			(1,852,095)
Interest paid on Capital Debt	(918,465)	(24,372)	(89,573)			(1,032,409)
Capital Contributions	-	11,800				11,800
Assessments Received for 2007 & 2016 debt payments		147,479				147,479
NET CASH PROVIDED / (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (2,630,663)	\$ (10,855)	\$ (2,007,735)	\$ -	\$ (198,503)	\$ (4,847,756)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment Transactions	(124,163)	(65,000)	189,163	-	-	0
Interest Received	184,928	12,292	44,067	4,049	410	245,746
NET CASH PROVIDED / (USED) FROM INVESTING ACTIVITIES	\$ 60,765	\$ (52,708)	\$ 233,230	\$ 4,049	\$ 410	\$ 245,746
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 635,276	\$ 14,711	\$ 576,337	\$ 166,171	\$ 129,507	\$ 1,522,002
BALANCE BEGINNING OF YEAR	10,002,311	652,633	2,835,723	253,897	164,703	13,909,267
BALANCE END OF PERIOD	\$ 10,637,587	\$ 667,344	\$ 3,412,060	\$ 420,068	\$ 294,210	\$ 15,431,269

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Cash Flows

As of December 31, 2020

	403	411	481	490	500	TOTAL
	INDUSTRIAL	GRANDVIEW	ELECTRIC	BPA-ALCOA	INTERNAL	
	WATER			ESCROW	SERVICE	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH						
Operating Income (Loss)	\$ 3,476,479	\$ (16,867)	\$ 192,642	\$ -	\$ -	\$ 3,652,254
Adjustments to reconcile operating income to net cash provided (used) by operating activity						
Depreciation	1,021,282	75,720	456,458	-	230,118	1,783,578
Decrease (Increase) in Net Accounts Receivable	(24,999)	2,478	(11,388)	-	(267)	(34,176)
Decrease (Increase) in Prepayments	-	-	-	-	(400)	(400)
Interfund Transfers	2,792,845	106,570	1,103,946	-	(4,003,361)	-
Increase (Decrease) in Account Payable	33,228	12,542	84,112	-	176,680	306,563
Increase (Decrease) in Accrued Employee Payable	13,781	1,133	-	-	108,764	123,677
Increase (Decrease) in Accrued Insurance Claims Reserve	523	41	217	-	15,589	16,370
Increase (Decrease) in Accrued Utility Taxes	(1,341)	(62)	(2,704)	-	-	(4,107)
Increase (Decrease) in Contractor Retainage	(57,176)	-	3,715	-	(62,096)	(115,557)
Increase (Decrease) in Deposits & Other Payables	(1,905)	1,497	-	-	-	(408)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 7,252,716	\$ 183,052	\$ 1,826,999	\$ -	\$ (3,534,973)	\$ 5,727,795

Public Utility District No. 1 of Whatcom County
 NOTES TO FINANCIAL STATEMENT
 For The Year Ended December 31, 2020

NOTE 13 - PROPERTY TAX

The Whatcom County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Tax is levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Whatcom County annually publishes the ‘Statement of Assessed Valuations, Tax Rates, and Taxes Levied Within the Various Taxing Districts of Whatcom County’. The District’s assessed value is equal to the Total Value of Taxable Property of Whatcom County. The District assessed valuation of taxable property for 2020 was \$34,740,303,384. This information can be found at <http://www.co.whatcom.wa.us/178/Annual-Tax-Book>.

The District may levy up to \$0.45 per \$1,000 of assessed valuation for general District services.

The District had no tax levies for 2020 or 2019.

Washington State Constitution and Washington State Law, RCW 84.55.010 and RCW 54.16.080, limit the rate.

NOTE 14 - RISK MANAGEMENT

In January 2002, the Public Utility District No.1 of Whatcom County became a member of the Public Utility Risk Management Services, [PURMS], a joint self-insurance fund. Its membership is comprised of 16 Public Utility Districts and NOANET, a Washington nonprofit mutual corporation providing broadband communications services.

The Public Utility Risk Management Services, Joint Self-Insurance Fund was organized as of December 30, 1976, pursuant to the provisions of the Revised Code of Washington, Chapter 54.16.200 and inter-local agreements. The program’s general objectives are to formulate, develop, and administer, on behalf of the member public utilities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The District is a member of the Liability and Property Pools. The risks shared by the members are defined in the member’s Self-Insurance Agreement. Both pools (liability and property) operate independently of one another. The Fund maintains assets from which liability claims against the member Districts and property losses of member Districts are paid and, through assessments of the members to replenish these assets, the members share joint liability among themselves for losses incurred. The Fund also purchases excess insurance for losses above the \$1,000,000 for liability and above \$250,000 for property.

The members, through the Fund, provide liability self-insurance for the first \$1 million of individual loss claims. Assessments for the liability pool are based upon a formula whose elements include: basic fees, historic claims experience and workers hours. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. In 2020, the Designated Balance of the Liability pool was \$3,500,000. Interim assessments are levied whenever the level of the liability program falls below \$500,000 of the Designated Liability Pool balance. Through PURMS, an AEGIS liability policy covers an additional \$35 million over the initial \$1 million. At the end of 2009, the District decided to also add another \$25 million in coverage through an EIM policy over the previous \$36 million in coverage.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

Effective April 1, 1997 the Fund established a self-insurance program for member's property. The property program provides property self-insurance for the first \$250,000 of individual loss claims. Assessments for the property pool are based upon a formula whose elements include: basis fees, property values and risk based rates. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. For the property program, member Districts are obligated to replenish to the Designated Balance, which in 2020 was \$750,000 through annual assessments. Interim assessments are levied whenever the level of the property program is reduced to an amount less than \$500,000. PURMS maintains an Excess Property Insurance for its members in the Property Pool of \$200 million.

PURMS, per an annual actuarial report, maintains an asset on their books called the Year-End Claims Reserve Receivable. This is an estimate of unreported and unresolved claims outstanding at year-end. It was recommended that this Reserve needs to be reflected on the balance sheet of the insurance pool members. The District started recording this reserve in 2016. Per the year-end Actuarial report, the District's share of the Claims Reserve Receivable at year end was \$73,706 (\$64,876 for the Liability Pool, \$8,830 for the Property Pool), compared to the 2019 share balance of \$57,336 (\$49,340 for the Liability Pool, \$7,996 for the Property Pool), a \$16,370 increase.

A comprehensive 2020 Annual Report can be obtained by contacting:

Public Utility Risk Management Services
Administered by Pacific Underwriters
PO Box 68787, Seattle, WA 98168
Phone; 800-562-5226 FAX: 206-248-0130

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

Risk pool insurance premiums and pool assessments for the District were as follows for 2020 and 2019:

INVOICE DATE	CARRIER	TYPE	KIND	PREMIUM / ASSESSMENT		DISTRICT COST
PURMS 2019						
LIABILITY						
1/3/2019	AEGIS	LIABILITY	LIAB \$35M EXCESS \$1M	\$ 1,476,659		
1/3/2019	EIM	LIABILITY	LIAB \$65M EXCESS \$36M	390,575	1.53%	\$ 28,602
6/28/2019	AEGIS	LIABILITY	PROF LIAB [E&O] \$35M EXCESS \$500K	163,477	1.53%	2,504
4/15/2019	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	512,060	1.72%	8,806
11/12/2019	EVEREST NATIONAL	LIABILITY	FRONTING POLICY	5,000	1.53%	77
11/12/2019	RETENTION FUNDING ASSESS	LIABILITY	RENTENTION FUNDING	50,000	1.74%	872
11/12/2019	BEAZLEY	LIABILITY	CYBER POLICY \$10M EXCESS \$500K	112,029	1.53%	1,716
9/5/2019	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	540,064	1.73%	9,354
11/12/2019	AEGIS	LIABILITY	\$35M EXCESS \$1M DRONE ENDORSE	4,226	1.53%	65
12/31/2019	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	451,358	1.72%	7,763
				\$ 3,705,449	1.61%	\$ 59,759
PROPERTY						
4/2/2019	NATIONAL UNION & HOMESITE	PROPERTY	\$200M EXCESS \$250K	1,039,453	2.52%	26,213
6/6/2019	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	272,822	3.06%	8,341
10/2/2019	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	323,311	3.05%	9,873
12/31/2019	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	90,173	3.05%	2,752
				\$ 1,725,759	2.73%	\$ 47,179
PURMS 2020						
LIABILITY						
1/7/2020	AEGIS	LIABILITY	LIAB \$35M EXCESS \$1M	1,543,623		
1/7/2020	EIM	LIABILITY	LIAB \$65M EXCESS \$36M	507,750	1.47%	30,255
6/22/2020	AEGIS	LIABILITY	PROF LIAB [E&O] \$35M EXCESS \$500K	175,649	1.47%	2,591
7/6/2020	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	501,238	1.69%	8,472
7/15/2020	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	973,378	1.69%	16,457
11/19/2020	BEAZLEY	LIABILITY	CYBER POLICY \$10M EXCESS \$500K	141,587	1.53%	2,162
12/3/2020	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	508,017	1.69%	8,586
12/31/2020	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	60,266	1.61%	972
				\$ 4,411,509	1.58%	\$ 69,494
PROPERTY						
4/2/2020	NATIONAL UNION & HOMESITE	PROPERTY	\$200M EXCESS \$250K	1,485,759	2.27%	33,757
7/6/2020	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	282,221	3.08%	8,697
12/31/2020	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	171,931	3.01%	5,169
				\$ 1,939,911	2.45%	\$ 47,624

NOTE 15 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In March 2020, the district transitioned to skeleton staffing on site and remote workstations where possible. The office closed to any non-essential, non-staff and moved to online commission meetings, following the direction of the governor. The District experienced little to no loss of revenue due to the pandemic. While there have been some minimal additional expenses due to the pandemic and setting up remote work capabilities, the district has experienced a drop in overall expenses due to the delay in projects and maintenance.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the District is unknown at this time.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2020

NOTE 16 – SUBSEQUENT EVENTS

In February 2021, The 2010 Series B bonds were refinanced along with an issuance of new money to finance the Refinery Substation rebuild and other Electric utility projects.

Public Utility District No. 1 of Whatcom County
REQUIRED SUPPLEMENTARY INFORMATION
 Western Conference of Teamsters Pension Plan
 Schedule of Employer Contributions
 For The Year Ended December 31, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contribution Rate per Qualified Hour	\$ 6.25	\$ 6.00	\$ 5.75	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.25	\$ 5.00	\$ 4.75	\$ 4.50
Annual Maximum Hours	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080
Maximum Annual Contribution per Employee	\$ 13,000	\$ 12,480	\$ 11,960	\$ 11,440	\$ 11,440	\$ 11,440	\$ 10,920	\$ 10,400	\$ 9,880	\$ 9,360
# Covered Employees at 12/31	7	6	6	6	6	6	6	6	6	6
Actual Contributions	\$ 94,115	\$ 75,191	\$ 72,444	\$ 73,521	\$ 68,833	\$ 73,194	\$ 65,723	\$ 60,916	\$ 61,645	\$ 60,542
Covered-employee payroll	\$ 536,249	\$ 452,268	\$ 423,316	\$ 487,409	\$ 420,577	\$ 407,579	\$ 405,406	\$ 421,384	\$ 390,873	\$ 414,130
Contributions as a % of covered-employee payro	17.6%	16.6%	17.1%	15.1%	16.4%	18.0%	16.2%	14.5%	15.8%	14.6%

Note: The contribution is solely based on straight-time compensable hour paid to the employee.