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**Public Utility District No. 1 of Whatcom County**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended December 31, 2021

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:

|                                  | <b>2021</b>          | <b>2020</b>          |
|----------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                    |                      |                      |
| Current Assets                   | \$ 14,188,164        | \$ 14,046,780        |
| Non-Current Assets               | 1,450,111            | 3,385,101            |
| Capital Assets (Net)             | 50,774,448           | 45,298,071           |
| <b>TOTAL ASSETS</b>              | <b>\$ 66,412,723</b> | <b>\$ 62,729,953</b> |
| <b>LIABILITIES</b>               |                      |                      |
| Current Liabilities              | 5,142,212            | 4,114,112            |
| Non-Current Liabilities          | 21,411,275           | 19,693,336           |
| <b>TOTAL LIABILITIES</b>         | <b>\$ 26,553,487</b> | <b>\$ 23,807,447</b> |
| <b>NET POSITION</b>              |                      |                      |
| Net Investment in Capital Assets | 28,055,347           | 24,434,640           |
| Restricted for Debt Service      | 1,450,864            | 3,445,843            |
| Unrestricted                     | 10,353,026           | 11,042,023           |
| <b>TOTAL NET POSITION</b>        | <b>\$ 39,859,236</b> | <b>\$ 38,922,506</b> |

**Public Utility District No. 1 of Whatcom County**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended December 31, 2021

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

|   | <b>2021</b>          | <b>2020</b>          |
|---|----------------------|----------------------|
| <b>REVENUES</b>   |                      |                      |
| Operating Revenue   | \$ 20,768,636        | \$ 20,814,556        |
| Nonoperating Revenue  | 418,267              | 495,802              |
| <b>TOTAL REVENUE</b>  | <b>\$ 21,186,903</b> | <b>\$ 21,310,358</b> |
| <b>EXPENSES</b>   |                      |                      |
| Operating Expenses  | 19,318,455           | 17,162,302           |
| Nonoperating Expenses                                       | 931,718              | 1,132,968            |
| <b>TOTAL EXPENSES</b>                                       | <b>\$ 20,250,172</b> | <b>\$ 18,295,270</b> |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS</b> | <b>\$ 936,731</b>    | <b>\$ 3,015,088</b>  |
| Special / Extraordinary Items                               | -                    | 348,000              |
| <b>CHANGE IN NET POSITION</b>                               | <b>\$ 936,731</b>    | <b>\$ 3,363,088</b>  |
| <b>BEGINNING NET POSITION</b>                               | <b>\$ 38,922,506</b> | <b>\$ 35,559,417</b> |
| <b>ENDING NET POSITION</b>                                  | <b>\$ 39,859,236</b> | <b>\$ 38,922,506</b> |

FINANCIAL POSITION

Analysis of Changes in Total Net Position from 2020-2021

For the twelve months ending December 31, 2021, the total net position of the District increased by approximately \$937,000 or 2%. Total assets increased by \$3,683,000 and total liabilities increased by \$2,746,000 producing a net increase in net position.

The major components contributing to the increase in assets were an decrease in Cash and Cash Equivalents of \$559,000 from timing of payments and overruns in capital projects, an increase in Net Receivables of \$697,000 due primarily to timing of customer payments, a decrease in Bond Reserves of \$1,997,000 due to the refinance of the 2010 B bonds, an increase in Total Capital Assets Net of Depreciation of \$5,476,000, and an increase of the remaining assets of \$66,000.

The major components of the increase in total liabilities included a increase in Accounts Payables of \$825,000 due to timing of payments and some larger invoices for capital projects, an increase of \$55,000 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 \$72,000, an increase of \$269,000 in Contractor Retainage due to the capital projects, an increase of \$10,000 in Deposits, and a net increase in the bonds principal and interest payable of \$1,660,000 due to debt service payments and the issuance of the 2021 bonds.

**Public Utility District No. 1 of Whatcom County**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended December 31, 2021

RESULTS OF OPERATIONS

Analysis of changes in Revenue, Expenses, and change in Net Position for 2020-2021

Income before Contributions, and Extraordinary Items decreased from \$3,015,000 in 2020 to \$937,000 in 2021 (a \$2,078,000 decrease). Operating Revenue decreased by \$46,000. Operating expenses increased by \$2,156,000, which was primarily due to the expensing of the Refinery Substation capital project. Non-operating Revenue decreased by \$78,000 primarily due to a reduction in interest income. Non-operating Expenses reflected an overall decrease of \$201,000, resulting primarily from a decrease in interest expense.

CAPITAL ASSETS

Analysis of Changes in Capital Assets from 2020-2021

During 2021, Total Capital Assets Net of Depreciation increased by \$5,476,000 and were comprised of an overall increase in non-depreciated assets, including Construction Work-in-Progress for \$6,497,000 (\$1,546,000 of Construction Work-in-Progress was expensed during 2021 mainly consisting of work done on the Refinery substation after Phillips 66 decided to postpone the project), and the following change in capital assets: the Industrial Water Utility increased by \$63,000, the Grandview Water Utility increased by \$224,000, the Electric Utility increased by \$168,000, a \$98,000 increase for general utility and office assets accounted for in the Internal Services Fund and an increase in Accumulated Depreciation of \$1,574,000. SEE Note 4, *Capital Assets*.

LONG-TERM DEBT

Analysis of Changes in Long-Term Debt from 2020-2021

During 2021, the District's indebtedness for the 2010 LTGO bonds was reduced by \$13,784,000 due to being refinanced by the new 2021 bonds, the 2012 LTGO bond issue was reduced by \$365,000, the District's indebtedness for the 2013 LTGO bonds was reduced by \$309,000, the District's indebtedness for the 2016 LTGO bonds reduced by \$146,000, the District's indebtedness for the 2019 EDI loan was reduced by \$37,000, and the District's indebtedness for the new 2021 LTGO bonds increased by \$16,316,000 for a total overall long-term debt increase of \$1,676,000. 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, 2021

**ASSETS****CURRENT ASSETS**

|                                    |                             |
|------------------------------------|-----------------------------|
| Cash & Cash Equivalents            |                             |
| Cash                               | \$ 88,038                   |
| Whatcom County Investment Pool     | 11,338,274                  |
| Total Cash & Cash Equivalents      | <u>11,426,312</u>           |
| Receivables (Net):                 |                             |
| Customers                          | 2,478,493                   |
| Other                              | 1,201                       |
| Total Accounts Receivables (Net)   | <u>2,479,693</u>            |
| Restricted Cash & Cash Equivalents | 238,154                     |
| Prepayments                        | 44,005                      |
| <b>TOTAL CURRENT ASSETS</b>        | <b><u>\$ 14,188,164</u></b> |

**NON-CURRENT ASSETS**

|                                      |                             |
|--------------------------------------|-----------------------------|
| Bond Issue Costs                     | 237,401                     |
| Restricted Assets                    |                             |
| Investments - Bond Reserves          | 1,212,710                   |
| Capital Assets Not Being Depreciated |                             |
| Land                                 | 108,000                     |
| Easements                            | 56,260                      |
| Construction in Progress             | 8,612,749                   |
| Capital Assets Being Depreciated:    |                             |
| Buildings & Structures               | 26,040,841                  |
| Machinery & Equipment                | 39,150,466                  |
| Intangible                           | 866,000                     |
| Less Accumulated Depreciation        | <u>(24,059,868)</u>         |
| Total Capital Assets (Net)           | <u>50,774,448</u>           |
| <b>TOTAL NONCURRENT ASSETS</b>       | <b><u>\$ 52,224,559</u></b> |

|                     |                             |
|---------------------|-----------------------------|
| <b>TOTAL ASSETS</b> | <b><u>\$ 66,412,723</u></b> |
|---------------------|-----------------------------|

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, 2021

**LIABILITIES****CURRENT LIABILITIES**

|  |                            |
|--|----------------------------|
| Accounts Payable                               | \$ 1,937,230               |
| Accrued Employee Payable                       | 633,309                    |
| Accrued Insurance Claims Reserve               | 73,183                     |
| Accrued Utility Taxes                          | 245,648                    |
| Contractor Retainage                           | 284,477                    |
| Bonds, Notes, and Loans Payable                |                            |
| 2012 LTGO Series A&B Bonds Principal - Current | 380,000                    |
| 2012 LTGO Series A&B Interest                  | 3,545                      |
| 2013 LTGO Bond Principal - Current             | 295,000                    |
| 2013 LTGO Bond Interest                        | 13,150                     |
| 2016 LTGO Bond Principal - Current             | 145,763                    |
| 2016 LTGO Bond Interest                        | 1,523                      |
| 2019 EDI Loan Principal - Current              | 37,063                     |
| 2019 EDI Loan Interest                         | 606                        |
| 2021 LTGO Bond Principal - Current             | 1,030,000                  |
| 2021 LTGO Bond Interest                        | 45,533                     |
| Deposits & Other Payables                      | 16,182                     |
| <b>TOTAL CURRENT LIABILITIES</b>               | <b><u>\$ 5,142,212</u></b> |

**NON-CURRENT LIABILITIES**

|                                      |                             |
|--------------------------------------|-----------------------------|
| Bonds, Notes, and Loans Payable      |                             |
| 2012 LTGO Bond Principal             | 803,610                     |
| 2013 LTGO Bond Principal             | 3,903,396                   |
| 2016 LTGO Bond Principal             | 728,813                     |
| 2019 EDI Loan Principal              | 689,910                     |
| 2021 LTGO Bond Principal             | 15,285,546                  |
| <b>TOTAL NON-CURRENT LIABILITIES</b> | <b><u>\$ 21,411,275</u></b> |

**TOTAL LIABILITIES****\$ 26,553,487****NET POSITION**

|                                  |                             |
|----------------------------------|-----------------------------|
| Net Investment in Capital Assets | 28,055,347                  |
| Restricted for Debt Service      | 1,450,864                   |
| Unrestricted                     | 10,353,026                  |
| <b>TOTAL NET POSITION</b>        | <b><u>\$ 39,859,236</u></b> |

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, 2021

|   |                             |
|---|-----------------------------|
| <b>OPERATING REVENUE</b>  |                             |
| Utility Sales and Service Revenues                              | \$ 20,765,809               |
| Other Operating Revenue   | 2,827                       |
| <b>TOTAL OPERATING REVENUE</b>                                  | <b><u>\$ 20,768,636</u></b> |
| <b>OPERATING EXPENSES</b>                                       |                             |
| Operations:   |                             |
| Purchased Power   | 9,621,361                   |
| Water Purification  | 297,694                     |
| Taxes / Process / Delivery Costs                                | 564,929                     |
| General Operations  | 874,642                     |
| Maintenance   | 1,159,670                   |
| Administration:   |                             |
| General Administration  | 4,221,347                   |
| Planning and Development Expense                                | 187,899                     |
| Depreciation Expense  | 1,803,946                   |
| Utility Tax Expense   | 586,966                     |
| <b>TOTAL OPERATING EXPENSES</b>                                 | <b><u>\$ 19,318,455</u></b> |
| <b>OPERATING INCOME (LOSS)</b>                                  | <b><u>\$ 1,450,182</u></b>  |
| <b>NONOPERATING REVENUE</b>                                     |                             |
| Lease Income  | 18,357                      |
| Grant Revenue   | 67,258                      |
| Assessment Income   | 165,909                     |
| Interest Income   | 157,985                     |
| Interest Fees   | (9,875)                     |
| Penalties   | 18,632                      |
| <b>TOTAL NONOPERATING REVENUE</b>                               | <b><u>\$ 418,267</u></b>    |
| <b>NONOPERATING EXPENSE</b>                                     |                             |
| Interest Expense  | 677,002                     |
| Amortization  | 113,274                     |
| Grant Expenses  | 59,910                      |
| Loss (Gain) on Property Disposal                                | 81,532                      |
| <b>TOTAL NONOPERATING EXPENSE</b>                               | <b><u>\$ 931,718</u></b>    |
| <b>INCOME BEFORE CONTRIBUTIONS,<br/>AND EXTRAORDINARY ITEMS</b> | <b><u>\$ 936,731</u></b>    |
| <b>CHANGE IN NET POSITION</b>                                   | <b><u>\$ 936,731</u></b>    |
| <b>TOTAL NET POSITION - JANUARY 1st</b>                         | <b><u>\$ 38,922,506</u></b> |
| <b>TOTAL NET POSITION - DECEMBER 31st</b>                       | <b><u>\$ 39,859,236</u></b> |

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, 2021

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                     |
|---|---------------------|
| Receipts from customers                                 | \$ 20,108,571       |
| Payments to suppliers                                   | (14,268,254)        |
| Payments to employees (Labor only)                      | (2,188,122)         |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> | <b>\$ 3,652,196</b> |

**CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES**

|  |                  |
|--|------------------|
| Payments Received (Paid) for Non-operating work                    | 33,303           |
| <b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b> | <b>\$ 33,303</b> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|   |                       |
|---|-----------------------|
| Proceeds from Capital Debt  | 5,609,607             |
| Purchase of Capital Assets  | (7,361,855)           |
| Principal paid on Capital Debt  | (1,972,458)           |
| Interest paid on Capital Debt   | (727,333)             |
| Assessments Received for 2007 & 2016 debt payments                          | 165,909               |
| Issue costs of debt   | (105,000)             |
| Proceeds / (Funding) of Reserve Requirements                                | (1,996,572)           |
| <b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b>\$ (6,387,702)</b> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |                   |
|---|-------------------|
| Interest Received                                       | 148,111           |
| <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b> | <b>\$ 148,111</b> |

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

**\$ (2,554,093)**

**BALANCE BEGINNING OF YEAR**

15,431,269

**BALANCE END OF YEAR**

**\$ 12,877,176**

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, 2021

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

|  |                     |
|--|---------------------|
| Operating Income (Loss)                                      | \$ 1,450,182        |
| <b>Adjustments to reconcile operating income to net cash</b> |                     |
| <b>Cash Provided (Used) by operating activities:</b>         |                     |
| Depreciation   | 1,803,946           |
| Miscellaneous - Non-operating                                | 11,034              |
| <b>Change in Assets and Liabilities:</b>                     |                     |
| Decrease (Increase) in Net Accounts Receivable               | (696,969)           |
| Decrease (Increase) in Prepayments                           | (1,935)             |
| Increase (Decrease) in Account Payable                       | 824,679             |
| Increase (Decrease) in Accrued Employee Payable              | 55,236              |
| Increase (Decrease) in Accrued Insurance Claims Reserve      | (523)               |
| Increase (Decrease) in Accrued Utility Taxes                 | (72,263)            |
| Increase (Decrease) in Contractor Retainage                  | 268,809             |
| Increase (Decrease) in Deposits & Other Payables             | 9,999               |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>             | <b>\$ 3,652,195</b> |

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, 2021

**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, 2021

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, 2021, the treasurer was holding \$11,338,274 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:

| <b>RESTRICTED RESERVE BALANCES</b>       | <b>2021</b>         |
|--|---------------------|
| Restricted Cash & Cash Equivalents       |                     |
| LUD #2 Cash & Investments                | \$ 238,154          |
| Bond Reserves                            |                     |
| 2012 LTGO Bond Reserve                   | 759,910             |
| 2013 LTGO Bond Reserve                   | 452,800             |
| Total Bond Reserves                      | \$ 1,212,710        |
| <b>TOTAL RESTRICTED RESERVE BALANCES</b> | <b>\$ 1,450,864</b> |

**Public Utility District No. 1 of Whatcom County**  
 NOTES TO FINANCIAL STATEMENT  
 For The Year Ended December 31, 2021

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. In 2021, union employees earned 100 hours of floaters each year. Starting in 2022, union employees earn 120 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 Empower, a 457 plan. The District does not take part in the PERS retirement system. See Note 10, *Pension Plan*.

**Public Utility District No. 1 of Whatcom County**  
NOTES TO FINANCIAL STATEMENT  
For The Year Ended December 31, 2021

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**

**2021**

1. No new changes were introduced in 2021.

**2020**

1. **INTERNAL** – Included a new note specifically addressing the COVID-19 effects on the District.
2. **INTERNAL** – Included a new note following GASB 83 on Asset Retirement Obligations.

**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 589 days as of December 31, 2021. 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 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.

**Public Utility District No. 1 of Whatcom County**  
 NOTES TO FINANCIAL STATEMENT  
 For The Year Ended December 31, 2021

As of December 31, 2021, the District had the following investments in the WCIP:

|                                | <b>2021</b>              |                              |
|--------------------------------|--------------------------|------------------------------|
|                                | <u><i>Maturities</i></u> | <u><i>Amortized Cost</i></u> |
| <b>INVESTMENTS</b>             |                          |                              |
| <b>Short-Term Investments</b>  |                          |                              |
| Whatcom County Investment Pool | \$ 11,576,428            | \$ 11,576,428                |
| <b>Non-Current</b>             |                          |                              |
| Whatcom County Investment Pool | 1,212,710                | 1,212,710                    |
| <b>TOTAL INVESTMENTS</b>       | <b>\$ 12,789,138</b>     | <b>\$ 12,789,138</b>         |

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2021

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ending December 31, 2021 was as follows:

|  | 2021                 | 2021 Activity       |                     | 2021                 |
|--|----------------------|---------------------|---------------------|----------------------|
|  | Beginning Balance    | Increase            | Decrease            | Ending Balance       |
| <b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>          |                      |                     |                     |                      |
| 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                             | 30,237               | 1,014,115           | (100,324)           | 944,028              |
| Grandview Potable Water Utility                      | -                    | 9,659               | (9,659)             | -                    |
| Electric Utility                                     | 2,009,403            | 5,941,988           | (381,828)           | 7,569,563            |
| General Utility & Office (Internal Services Utility) | 76,191               | 181,397             | (158,431)           | 99,158               |
| TOTAL CONSTRUCTION-IN-PROGRESS                       | 2,115,832            | 7,147,158           | (650,242)           | 8,612,749            |
| <b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>    | <b>\$ 2,280,091</b>  | <b>\$ 7,147,158</b> | <b>\$ (650,242)</b> | <b>\$ 8,777,009</b>  |
| <b>CAPITAL ASSETS BEING DEPRECIATED</b>              |                      |                     |                     |                      |
| BUILDINGS & STRUCTURES                               |                      |                     |                     |                      |
| Industrial Water Utility                             | 19,602,250           | 47,030              | -                   | 19,649,280           |
| Grandview Water Utility                              | 93,807               | 224,354             | -                   | 318,161              |
| Electric Utility                                     | 4,457,484            | -                   | -                   | 4,457,484            |
| General Utility & Office (Internal Services Utility) | 1,571,095            | 44,821              | -                   | 1,615,916            |
| TOTAL BUILDINGS & STRUCTURES                         | 25,724,636           | 316,206             | -                   | 26,040,841           |
| MACHINERY & EQUIPMENT                                |                      |                     |                     |                      |
| Industrial Water Utility                             | 20,377,615           | 53,294              | (37,051)            | 20,393,858           |
| Grandview Water Utility                              | 3,130,942            | -                   | -                   | 3,130,942            |
| Electric Utility                                     | 12,695,803           | 381,828             | (214,219)           | 12,863,412           |
| General Utility & Office (Internal Services Utility) | 2,708,886            | 113,609             | (60,242)            | 2,762,253            |
| TOTAL MACHINERY & EQUIPMENT                          | 38,913,246           | 548,731             | (311,512)           | 39,150,466           |
| INTANGIBLE   |                      |                     |                     |                      |
| Industrial Water Utility                             | 866,000              | -                   | -                   | 866,000              |
| TOTAL INTANGIBLE                                     | 866,000              | -                   | -                   | 866,000              |
| <b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>        | <b>\$ 65,503,882</b> | <b>\$ 864,937</b>   | <b>\$ (311,512)</b> | <b>\$ 66,057,307</b> |
| LESS ACCUMULATED DEPRECIATION FOR:                   |                      |                     |                     |                      |
| Buildings & Structures                               | (7,335,449)          | (525,183)           | -                   | (7,860,632)          |
| Machinery & Equipment                                | (14,544,253)         | (1,235,463)         | 229,980             | (15,549,737)         |
| Intangible   | (606,200)            | (43,300)            | -                   | (649,500)            |
| TOTAL ACCUMULATED DEPRECIATION                       | (22,485,902)         | (1,803,945)         | 229,980             | (24,059,868)         |
| <b>TOTAL CAPITAL ASSETS BEING DEPRECIATED (NET)</b>  | <b>\$ 43,017,980</b> | <b>\$ (939,008)</b> | <b>\$ (81,532)</b>  | <b>\$ 41,997,439</b> |
| <b>TOTAL CAPITAL ASSETS, NET</b>                     | <b>\$ 45,298,071</b> | <b>\$ 6,208,150</b> | <b>\$ (731,774)</b> | <b>\$ 50,774,448</b> |



**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2021

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 \$1,546,000 in CWIP projects in 2021. The majority of that cost was due to the decision to abandon the Refinery Substation rebuild.

**NOTE 5 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

**A. Construction Commitments**

The District has active construction projects as of December 31, 2021. The projects include:

|                                       | District<br>Capital<br>Project # | 2021                      |                         |
|---------------------------------------|----------------------------------|---------------------------|-------------------------|
|                                       |                                  | Spent Through<br>12/31/21 | Remaining<br>Commitment |
| Communications Backbone               | IS15                             | \$ 99,158                 | \$ 1,500,000            |
| Water Treatment Plant 1 projects      | RW28                             | 723,103                   | 125,000                 |
| Intake VFD Replacement                | RW35                             | 5,257                     | 450,000                 |
| Water Treatment Plant 1 rebuild       | RW38                             | 215,668                   | 36,270,000              |
| Ferndale Substation rebuild           | E22                              | 7,569,563                 | 800,000                 |
| <b>TOTAL CONSTRUCTION IN PROGRESS</b> |                                  | <b>\$ 8,612,749</b>       | <b>\$ 39,145,000</b>    |

Of the Remaining Commitment balance of \$39,145,000, the District will be required to raise \$38,000,000 in future financing.

**B. Other Commitments**

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

| PROJECT                                 | SPENT TO<br>DATE  | REMAINING<br>COMMITMENT |
|---|-------------------|-------------------------|
| BKI-WO4-Ferndale Pump Substation Design | 778,324           | 181,456                 |
| CRST-TO1-2021 DOH Grant                 | 741               | 39,259                  |
| MSA-TO2 Water System Prioritization     | -                 | 1,884,773               |
| RH2-WO16 D Station Flow and Control     | 27,164            | 57,900                  |
| RH2-WO17 RWSP WDFW Grant                | 1,616             | 118,896                 |
|   |                   |                         |
|   | <b>\$ 807,844</b> | <b>\$ 2,282,285</b>     |

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2021

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 4<sup>th</sup> 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 2021.

**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 |
|--|----------------|---------------|-----------------|-----------------------|
| <b>2012 LTGO</b> - Refunded the 2004 LTGO bonds                  | 2012-2024      | 2.60%         | 5,980,000       | 360,000               |
| <b>2013 LTGO</b> - Funding to complete the Water Plant 2 rebuild | 2014-2032      | 2.66%         | 6,025,000       | 275,000               |
| <b>2016 LTGO</b> - Advanced refunded 2007 Water Revenue Bonds    | 2018-2027      | 2.09%         | 1,457,628       | 145,763               |
| <b>2021 LTGO Series A</b> - Funding for substation rebuilds      | 2021-2040      | 0.94%         | 4,580,000       | 125,000               |
| <b>2021 LTGO Series B</b> - Refunded the 2010 Series B bonds     | 2021-2030      | 0.94%         | 10,220,000      | 1,015,000             |

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, 2021

| Year Ending December 31: | 2012 LTGO BONDS     |                  | 2013 LTGO BONDS     |                     | 2016 LTGO BONDS   |                  | 2021 LTGO BONDS      |                     |
|--------------------------|---------------------|------------------|---------------------|---------------------|-------------------|------------------|----------------------|---------------------|
|                          | PRINCIPAL           | INTEREST         | PRINCIPAL           | INTEREST            | PRINCIPAL         | INTEREST         | PRINCIPAL            | INTEREST            |
| 2022                     | \$ 380,000          | \$ 42,538        | \$ 295,000          | \$ 157,800          | \$ 145,763        | \$ 18,279        | \$ 1,030,000         | \$ 546,400          |
| 2023                     | 395,000             | 29,998           | 305,000             | 146,000             | 145,763           | 15,232           | 1,070,000            | 505,200             |
| 2024                     | 410,000             | 15,580           | 315,000             | 133,800             | 145,763           | 12,186           | 1,115,000            | 462,400             |
| 2025                     |                     |                  | 330,000             | 121,200             | 145,763           | 9,139            | 1,160,000            | 417,800             |
| 2026                     |                     |                  | 340,000             | 108,000             | 145,763           | 6,093            | 1,210,000            | 371,400             |
| 2027-2031                |                     |                  | 1,925,000           | 324,000             | 145,762           | 3,046            | 5,550,000            | 1,093,600           |
| 2032-2036                |                     |                  | 435,000             | 17,400              |                   |                  | 1,295,000            | 405,400             |
| 2037-2040                |                     |                  |                     |                     |                   |                  | 1,230,000            | 125,400             |
| <b>TOTAL</b>             | <b>\$ 1,185,000</b> | <b>\$ 88,115</b> | <b>\$ 3,945,000</b> | <b>\$ 1,008,200</b> | <b>\$ 874,577</b> | <b>\$ 63,975</b> | <b>\$ 13,660,000</b> | <b>\$ 3,927,600</b> |

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         |
| 2022                     | \$ 37,063         | \$ 7,270         |
| 2023                     | 37,433            | 6,899            |
| 2024                     | 37,807            | 6,525            |
| 2025                     | 38,186            | 6,147            |
| 2026                     | 38,567            | 5,765            |
| 2027-2031                | 198,700           | 22,961           |
| 2032-2036                | 208,836           | 12,826           |
| 2037-2040                | 130,381           | 2,616            |
| <b>TOTAL</b>             | <b>\$ 726,972</b> | <b>\$ 71,009</b> |

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, 2021, restricted assets in proprietary funds contain \$1,450,864 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 \$938,552. Principal and interest paid for the current year and total Grandview assessment revenue were \$167,088 and \$165,909 respectively.

**NOTE 8 – RESTRICTED COMPONENT OF NET POSITION**

The District's statement of net position reports \$1,450,864 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, 2021

**NOTE 9 – INTERFUND BALANCES AND TRANSFERS**

**A. Interfund Balances**

Interfund balances at December 31, 2021 were as follows:

|               |                  | <b>Due From</b>     |                   |                   |             |                     |                     |
|---------------|------------------|---------------------|-------------------|-------------------|-------------|---------------------|---------------------|
|               |                  | Industrial Water    | Grandview         | Electric          | Alcoa Fund  | Internal Service    | <b>Total</b>        |
| <b>Due To</b> | Industrial Water |                     | \$ 788,388        |                   |             | \$ 3,116,423        | <b>\$ 3,904,812</b> |
|               | Grandview        |                     |                   |                   |             | 12,982              | <b>12,982</b>       |
|               | Electric         |                     |                   |                   |             | 1,132,554           | <b>1,132,554</b>    |
|               | Alcoa Fund       |                     |                   |                   |             | 215,368             | <b>215,368</b>      |
|               | Internal Service | 1,715,590           | 24,751            | 705,322           |             |                     | <b>2,445,664</b>    |
|               | <b>Total</b>     | <b>\$ 1,715,590</b> | <b>\$ 813,140</b> | <b>\$ 705,322</b> | <b>\$ -</b> | <b>\$ 4,477,327</b> |                     |

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, 2021 were as follows:

|                    |                  | <b>Transfer From</b> |                  |             |                   |                  |                  |
|--------------------|------------------|----------------------|------------------|-------------|-------------------|------------------|------------------|
|                    |                  | Industrial Water     | Grandview        | Electric    | Alcoa Fund        | Internal Service | <b>Total</b>     |
| <b>Transfer To</b> | Industrial Water |                      | \$ 56,289        |             |                   |                  | <b>\$ 56,289</b> |
|                    | Grandview        |                      |                  |             | 204,000           |                  | <b>204,000</b>   |
|                    | Electric         | 2,519,494            |                  |             |                   |                  | <b>2,519,494</b> |
|                    | Alcoa Fund       |                      |                  |             |                   |                  | -                |
|                    | Internal Service |                      |                  |             |                   |                  | -                |
|                    | <b>Total</b>     | <b>\$ 2,519,494</b>  | <b>\$ 56,289</b> | <b>\$ -</b> | <b>\$ 204,000</b> | <b>\$ -</b>      |                  |

The transfers all dealt with one utility paying back another utility for fixed assets or bond costs. In 2021, there were five transfers:

- \$11,957 the 2021 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.
- \$2,204,037 was transferred for the Industrial Water’s portion of current Electric construction projects.
- \$315,457 was transferred from Industrial Water to Electric for a portion of Electric’s 2021 bond payment, which paid for an electric asset the Industrial Water utility uses.
- \$204,000 the contribution from the Alcoa fund to Grandview capital project

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2021

**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, now Empower, 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 2021 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 Empower 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, expired at the end of 2021 and was 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 2021, the District contributed \$6.50 per qualified hour, per employee, up to a maximum of 2080 hours (\$13,520) 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 2021 is \$0. 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>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    |
| <u>2016</u> | 5.50    | <u>2021</u> | 6.50    |

**Public Utility District No. 1 of Whatcom County**  
NOTES TO FINANCIAL STATEMENT  
For The Year Ended December 31, 2021

**NOTE 11 – EXTRAORDINARY AND/OR SPECIAL ITEMS**

No Extraordinary and/or special items were recorded in 2021.

**NOTE 12 – SEGMENT INFORMATION**

The District operated four proprietary segments and an Internal Services Fund in 2021. The following changes occurred in the District's segments during 2021:

A. INDUSTRIAL WATER UTILITY

Routine maintenance projects on Water Treatment Plants #1 and #2 are ongoing for the entire water system facilities including IT and SCADA projects. In 2021, 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. The high head motor and pump rebuild work continued in 2021 and the compressor installation at plant 1 was not completed, but significant work was accomplished. Industrial water consumption was 95% of 2020 consumption, while irrigation came in at 179% of 2020. The curtailment of operations at Alcoa contributed to the drop in consumption of industrial water.

B. GRANDVIEW WATER UTILITY

In May of 2021, the PUD completed the Healthy Pet connection to the non-potable water system. They began using non-potable water in their process, thus relieving pressure on the potable system. The District also completed the connection at 2349 Grandview Road. The owner was a participant of the 2007 Local Utility District assessment, but the water lines ran on the other side of the road. In order for a connection to be made, the lines needed to cross Grandview Road. Water consumption was 107% of 2020.

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 2021, 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 27 pole structures and continued the yearly routine maintenance on the electric system. The District accomplished significant amount of work on the Ferndale substation, located at Water Treatment Plant #1. In November, the PUD met with the Phillips 66 management and decided due to market conditions and the unpredictable lead times, to delay the rebuild of the Refinery substation until the next turnaround.

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. In 2021, the Alcoa Services Fund contributed \$204,000 to the Grandview utility to fund the majority of a connection for a LUD participant. As of December 31, 2021, the remaining fund balance is \$220,253.

**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, 2021

|   | 403<br>INDUSTRIAL<br>WATER UTILITY | 411<br>GRANDVIE<br>W UTILITY | 481<br>ELECTRIC<br>UTILITY | 490<br>ALCOA<br>SVCS | 500<br>INTERNAL<br>SERVICES FUND | ELIMINATION        | DISTRICT<br>TOTAL    |
|---|------------------------------------|------------------------------|----------------------------|----------------------|----------------------------------|--------------------|----------------------|
| <b>OPERATING REVENUE</b>  |                                    |                              |                            |                      |                                  |                    |                      |
| Utility Sales and Service Revenues                              | \$ 9,035,517                       | \$ 256,339                   | \$ 11,558,864              | \$ -                 | \$ -                             | \$ (84,911)        | \$ 20,765,809        |
| Other Operating Revenue   | 2,710                              | -                            | 117                        | -                    | -                                | -                  | 2,827                |
| <b>TOTAL OPERATING REVENUE</b>                                  | <b>\$ 9,038,227</b>                | <b>\$ 256,339</b>            | <b>\$ 11,558,981</b>       | <b>\$ -</b>          | <b>\$ -</b>                      | <b>\$ (84,911)</b> | <b>\$ 20,768,636</b> |
| <b>OPERATING EXPENSES</b>                                       |                                    |                              |                            |                      |                                  |                    |                      |
| Operations:   |                                    |                              |                            |                      |                                  |                    |                      |
| Purchased Water   | \$ -                               | \$ 4,955                     | \$ -                       | \$ -                 | \$ -                             | \$ (4,955)         | \$ -                 |
| Purchased Power   | 537,876                            | 6,328                        | 9,077,158                  | -                    | -                                | -                  | 9,621,361            |
| Water Purification  | 296,751                            | 942                          | -                          | -                    | -                                | -                  | 297,694              |
| Taxes / Process / Delivery Costs                                | -                                  | -                            | 564,929                    | -                    | -                                | -                  | 564,929              |
| General Operations  | 659,052                            | 69,329                       | 146,260                    | -                    | -                                | -                  | 874,642              |
| Maintenance   | 850,669                            | 114,207                      | 194,794                    | -                    | -                                | -                  | 1,159,670            |
| Administration  |                                    |                              |                            |                      |                                  |                    |                      |
| General Administration  | 1,918,138                          | 45,570                       | 2,337,595                  | -                    | -                                | (79,956)           | 4,221,347            |
| Planning and Development Expenses                               | 187,899                            | -                            | -                          | -                    | -                                | -                  | 187,899              |
| Depreciation Expense  | 1,201,249                          | 81,130                       | 521,567                    | -                    | -                                | -                  | 1,803,946            |
| Utility Tax Expense   | 449,140                            | 12,336                       | 125,490                    | -                    | -                                | -                  | 586,966              |
| <b>TOTAL OPERATING EXPENSES</b>                                 | <b>\$ 6,100,774</b>                | <b>\$ 334,798</b>            | <b>\$ 12,967,793</b>       | <b>\$ -</b>          | <b>\$ -</b>                      | <b>\$ (84,911)</b> | <b>\$ 19,318,455</b> |
| <b>OPERATING INCOME (LOSS)</b>                                  | <b>\$ 2,937,453</b>                | <b>\$ (78,459)</b>           | <b>\$ (1,408,812)</b>      | <b>\$ -</b>          | <b>\$ -</b>                      | <b>\$ -</b>        | <b>\$ 1,450,182</b>  |
| <b>NONOPERATING REVENUE</b>                                     |                                    |                              |                            |                      |                                  |                    |                      |
| Lease Income  | 18,357                             | -                            | -                          | -                    | -                                | -                  | 18,357               |
| Grant Revenue   | 67,258                             | -                            | -                          | -                    | -                                | -                  | 67,258               |
| Assessment Income   | -                                  | 165,909                      | -                          | -                    | -                                | -                  | 165,909              |
| Interest Income   | 93,167                             | 6,535                        | 54,747                     | 3,537                | -                                | -                  | 157,985              |
| Interest Fees   | (5,676)                            | (401)                        | (3,580)                    | (218)                | -                                | -                  | (9,875)              |
| Penalties   | 18,632                             | -                            | -                          | -                    | -                                | -                  | 18,632               |
| <b>TOTAL NONOPERATING REVENUE</b>                               | <b>\$ 191,737</b>                  | <b>\$ 172,043</b>            | <b>\$ 51,168</b>           | <b>\$ 3,319</b>      | <b>\$ -</b>                      | <b>\$ -</b>        | <b>\$ 418,267</b>    |
| <b>NONOPERATING EXPENSE</b>                                     |                                    |                              |                            |                      |                                  |                    |                      |
| Interest Expense  | 494,659                            | 21,071                       | 161,272                    | -                    | -                                | -                  | 677,002              |
| Amortization  | 97,113                             | 1,661                        | 14,501                     | -                    | -                                | -                  | 113,274              |
| Interfund Expense   | 2,463,205                          | (147,712)                    | (2,519,494)                | 204,000              | -                                | -                  | -                    |
| Grant Expenses  | 57,001                             | -                            | 2,909                      | -                    | -                                | -                  | 59,910               |
| Loss (Gain) on Property Disposal                                | -                                  | -                            | 81,532                     | -                    | -                                | -                  | 81,532               |
| <b>TOTAL NONOPERATING EXPENSE</b>                               | <b>\$ 3,111,978</b>                | <b>\$ (124,979)</b>          | <b>\$ (2,259,281)</b>      | <b>\$ 204,000</b>    | <b>\$ -</b>                      | <b>\$ -</b>        | <b>\$ 931,718</b>    |
| <b>INCOME BEFORE CONTRIBUTIONS,<br/>AND EXTRAORDINARY ITEMS</b> | <b>17,212</b>                      | <b>\$ 218,563</b>            | <b>\$ 901,637</b>          | <b>\$ (200,681)</b>  | <b>\$ -</b>                      | <b>\$ -</b>        | <b>\$ 936,731</b>    |
| <b>CHANGE IN NET POSITION</b>                                   | <b>\$ 17,212</b>                   | <b>\$ 218,563</b>            | <b>\$ 901,637</b>          | <b>\$ (200,681)</b>  | <b>\$ -</b>                      | <b>\$ -</b>        | <b>\$ 936,731</b>    |
| <b>NET POSITION - JANUARY 1st</b>                               | <b>\$ 21,556,396</b>               | <b>\$ 706,773</b>            | <b>\$ 15,979,835</b>       | <b>\$ 635,435</b>    | <b>\$ 44,067</b>                 | <b>\$ -</b>        | <b>\$ 38,922,506</b> |
| <b>NET POSITION - DECEMBER 31st</b>                             | <b>\$ 21,573,608</b>               | <b>\$ 925,336</b>            | <b>\$ 16,881,472</b>       | <b>\$ 434,754</b>    | <b>\$ 44,067</b>                 | <b>\$ -</b>        | <b>\$ 39,859,236</b> |

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, 2021

|                                      | <b>403</b>           | <b>411</b>          | <b>481</b>           | <b>490</b>        | <b>500</b>            | <b>DISTRICT</b>      |
|--------------------------------------|----------------------|---------------------|----------------------|-------------------|-----------------------|----------------------|
|                                      | <b>INDUSTRIAL</b>    | <b>GRANDVIEW</b>    | <b>ELECTRIC</b>      | <b>ALCOA SVC</b>  | <b>INTERNAL</b>       | <b>TOTAL</b>         |
|                                      | <b>WATER</b>         | <b>UTILITY</b>      | <b>UTILITY</b>       |                   | <b>SERVICES</b>       |                      |
|                                      | <b>UTILITY</b>       |                     |                      |                   | <b>FUND</b>           |                      |
| <b>ASSETS</b>                        |                      |                     |                      |                   |                       |                      |
| <b>CURRENT ASSETS</b>                |                      |                     |                      |                   |                       |                      |
| Cash & Cash Equivalents              |                      |                     |                      |                   |                       |                      |
| Cash                                 | \$ 764,686           | \$ (147,077)        | \$ (1,336,274)       | \$ 495            | \$ 806,208            | \$ 88,038            |
| Whatcom County Investment Pool       | 6,239,558            | 507,654             | 4,389,396            | 219,758           | (18,093)              | 11,338,274           |
| Total Cash & Cash Equivalents        | 7,004,244            | 360,577             | 3,053,122            | 220,253           | 788,116               | 11,426,312           |
| Receivables (Net):                   |                      |                     |                      |                   |                       |                      |
| Customers                            | 751,945              | 18,026              | 1,708,522            | -                 | -                     | 2,478,493            |
| Other                                | 1,001                | -                   | -                    | -                 | 199                   | 1,201                |
| Interfund Receivables                | 788,388              | (788,388)           | -                    | -                 | -                     | -                    |
| Interfund Transfers - Capital        | 1,829,765            | (1,573)             | 621,413              | 215,368           | (2,664,972)           | -                    |
| Interfund Transfers - Employee       | (428,932)            | (10,197)            | (194,181)            | -                 | 633,309               | 0                    |
| Total Accounts Receivables (Net)     | 2,942,168            | (782,133)           | 2,135,753            | 215,368           | (2,031,464)           | 2,479,693            |
| Other Current Assets                 |                      |                     |                      |                   |                       |                      |
| Restricted Cash & Cash Equivalents   | -                    | 238,154             | -                    | -                 | -                     | 238,154              |
| Prepayments                          | -                    | -                   | -                    | -                 | 44,005                | 44,005               |
| <b>TOTAL CURRENT ASSETS</b>          | <b>\$ 9,946,413</b>  | <b>\$ (183,401)</b> | <b>\$ 5,188,875</b>  | <b>\$ 435,621</b> | <b>\$ (1,199,343)</b> | <b>\$ 14,188,164</b> |
| <b>NON-CURRENT ASSETS</b>            |                      |                     |                      |                   |                       |                      |
| Bond Issue Costs                     | 154,216              | 9,965               | 73,220               | -                 | -                     | 237,401              |
| Noncurrent Restricted Assets         |                      |                     |                      |                   |                       |                      |
| Investments - Bond Reserves          | 810,108              | -                   | 402,602              | -                 | -                     | 1,212,710            |
| Capital Assets Not Being Depreciated |                      |                     |                      |                   |                       |                      |
| Land                                 | 108,000              | -                   | -                    | -                 | -                     | 108,000              |
| Easements                            | 56,260               | -                   | -                    | -                 | -                     | 56,260               |
| Construction in Progress             | 944,028              | -                   | 7,569,563            | -                 | 99,158                | 8,612,749            |
| Capital Assets Being Depreciated:    |                      |                     |                      |                   |                       |                      |
| Buildings & Structures               | 19,649,280           | 318,161             | 4,457,484            | -                 | 1,615,916             | 26,040,841           |
| Machinery & Equipment                | 20,393,858           | 3,130,942           | 12,863,412           | -                 | 2,762,253             | 39,150,466           |
| Intangible                           | 866,000              | -                   | -                    | -                 | -                     | 866,000              |
| Less Accumulated Depreciation        | (15,246,428)         | (1,443,765)         | (5,557,320)          | -                 | (1,812,355)           | (24,059,868)         |
| Total Capital Assets (Net)           | 26,770,998           | 2,005,339           | 19,333,139           | -                 | 2,664,972             | 50,774,448           |
| <b>TOTAL NONCURRENT ASSETS</b>       | <b>\$ 27,735,322</b> | <b>\$ 2,015,304</b> | <b>\$ 19,808,961</b> | <b>\$ -</b>       | <b>\$ 2,664,972</b>   | <b>\$ 52,224,559</b> |
| <b>TOTAL ASSETS</b>                  | <b>\$ 37,681,735</b> | <b>\$ 1,831,902</b> | <b>\$ 24,997,836</b> | <b>\$ 435,621</b> | <b>\$ 1,465,629</b>   | <b>\$ 66,412,723</b> |



**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
**Statement of Net Position**  
As of December 31, 2021

|                                      | <b>403<br/>INDUSTRIAL<br/>WATER<br/>UTILITY</b> | <b>411<br/>GRANDVIEW<br/>UTILITY</b> | <b>481<br/>ELECTRIC<br/>UTILITY</b> | <b>490<br/>ALCOA<br/>SVC</b> | <b>500<br/>INTERNAL<br/>SERVICES<br/>FUND</b> | <b>DISTRICT<br/>TOTAL</b> |
|--------------------------------------|---|--------------------------------------|-------------------------------------|------------------------------|---|---------------------------|
| <b>LIABILITIES</b>                   |   |                                      |                                     |                              |   |                           |
| <b>CURRENT LIABILITIES</b>           |   |                                      |                                     |                              |   |                           |
| Accounts Payable                     | \$ 307,176                                      | \$ 2,967                             | \$ 903,315                          | \$ 867                       | \$ 722,905                                    | \$ 1,937,230              |
| Accrued Employee Payable             | -   | -                                    | -                                   | -                            | 633,309                                       | 633,309                   |
| Accrued Insurance Claims Reserve     | 7,021   | 565                                  | 2,934                               | -                            | 62,663  | 73,183                    |
| Accrued Utility Taxes                | -   | -                                    | 245,648                             | -                            | -   | 245,648                   |
| Contractor Retainage                 | 35,451  | 12,923                               | 233,418                             | -                            | 2,686   | 284,477                   |
| Bonds, Notes, and Loans Payable      |   |                                      |                                     |                              |   |                           |
| 2012 LTGO Bond Series A&B - Current  | 324,468   | -                                    | 55,532                              | -                            | -   | 380,000                   |
| 2012 LTGO Bond Series A&B - Interest | 3,024   | -                                    | 521                                 | -                            | -   | 3,545                     |
| 2013 LTGO Bond - Current             | 295,000   | -                                    | -                                   | -                            | -   | 295,000                   |
| 2013 LTGO Bond - Interest            | 13,150  | -                                    | -                                   | -                            | -   | 13,150                    |
| 2016 LTGO Bond - Current             | -   | 145,763                              | -                                   | -                            | -   | 145,763                   |
| 2016 LTGO Bond - Interest            | -   | 1,523                                | -                                   | -                            | -   | 1,523                     |
| 2019 EDI Loan - Current              | 37,063  | -                                    | -                                   | -                            | -   | 37,063                    |
| 2019 EDI Loan - Interest             | 606   | -                                    | -                                   | -                            | -   | 606                       |
| 2021 LTGO Bond - Current             | 778,389   | -                                    | 251,611                             | -                            | -   | 1,030,000                 |
| 2021 LTGO Bond - Interest            | 27,452  | -                                    | 18,081                              | -                            | -   | 45,533                    |
| Deposits & Other Payables            | 2,169   | 14,013                               | -                                   | -                            | -   | 16,182                    |
| <b>TOTAL CURRENT LIABILITIES</b>     | <b>\$ 1,830,968</b>                             | <b>\$ 177,754</b>                    | <b>\$ 1,711,060</b>                 | <b>\$ 867</b>                | <b>\$ 1,421,562</b>                           | <b>\$ 5,142,212</b>       |
| <b>NON-CURRENT LIABILITIES</b>       |   |                                      |                                     |                              |   |                           |
| Bonds, Notes, and Loans Payable      |   |                                      |                                     |                              |   |                           |
| 2012 LTGO Bond Principal             | 685,576   | -                                    | 118,034                             | -                            | -   | 803,610                   |
| 2013 LTGO Bond Principal             | 3,903,396                                       | -                                    | -                                   | -                            | -   | 3,903,396                 |
| 2016 LTGO Bond Principal             | -   | 728,813                              | -                                   | -                            | -   | 728,813                   |
| 2019 EDI Loan Principal              | 689,910   | -                                    | -                                   | -                            | -   | 689,910                   |
| 2021 LTGO Bond A&B Principal         | 8,998,276                                       | -                                    | 6,287,270                           | -                            | -   | 15,285,546                |
| <b>TOTAL NONCURRENT LIABILITIES</b>  | <b>\$ 14,277,159</b>                            | <b>\$ 728,813</b>                    | <b>\$ 6,405,304</b>                 | <b>\$ -</b>                  | <b>\$ -</b>                                   | <b>\$ 21,411,275</b>      |
| <b>TOTAL LIABILITIES</b>             | <b>\$ 16,108,127</b>                            | <b>\$ 906,567</b>                    | <b>\$ 8,116,364</b>                 | <b>\$ 867</b>                | <b>\$ 1,421,562</b>                           | <b>\$ 26,553,487</b>      |
| <b>NET POSITION</b>                  |   |                                      |                                     |                              |   |                           |
| Net Investment in Capital Assets     | 11,464,819                                      | 1,130,763                            | 12,794,793                          | -                            | 2,664,972                                     | 28,055,347                |
| Restricted for Debt Service          | 810,108   | 238,154                              | 402,602                             | -                            | -   | 1,450,864                 |
| Unrestricted                         | 9,298,681                                       | (443,581)                            | 3,684,077                           | 434,754                      | (2,620,906)                                   | 10,353,026                |
| <b>TOTAL NET POSITION</b>            | <b>\$ 21,573,608</b>                            | <b>\$ 925,336</b>                    | <b>\$ 16,881,472</b>                | <b>\$ 434,754</b>            | <b>\$ 44,067</b>                              | <b>\$ 39,859,236</b>      |

**Public Utility District No. 1 of Whatcom County**

NOTES TO FINANCIAL STATEMENT

**Statement of Cash Flows**

As of December 31, 2021

|   | <b>403</b>            | <b>411</b>          | <b>481</b>            | <b>490</b>          | <b>500</b>            | <b>TOTAL</b>          |
|---|-----------------------|---------------------|-----------------------|---------------------|-----------------------|-----------------------|
|   | <b>INDUSTRIAL</b>     | <b>GRANDVIEW</b>    | <b>ELECTRIC</b>       | <b>BPA-ALCOA</b>    | <b>INTERNAL</b>       |                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   | <b>WATER</b>          |                     |                       | <b>ESCROW</b>       | <b>SERVICE</b>        |                       |
| Receipts from Customers   | \$ 9,180,660          | \$ 241,439          | \$ 10,685,361         | \$ -                | \$ 1,112              | \$ 20,108,571         |
| Payments to suppliers   | (1,927,433)           | (140,805)           | (11,004,454)          | (1,988)             | (1,193,574)           | (14,268,254)          |
| Payments to employees (Labor only)  |                       |                     |                       |                     | (2,188,122)           | (2,188,122)           |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                       | <b>\$ 7,253,227</b>   | <b>\$ 100,633</b>   | <b>\$ (319,094)</b>   | <b>\$ (1,988)</b>   | <b>\$ (3,380,584)</b> | <b>\$ 3,652,196</b>   |
| <b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>                         |                       |                     |                       |                     |                       |                       |
| Transfers from (to) Other Utilities   | (5,340,669)           | 50,154              | 1,435,811             | (201,146)           | 4,055,849             | -                     |
| Payments Received for Non-operating work                                      | 90,304                |                     |                       |                     |                       | 90,304                |
| Payments (Paid) for Non-operating work  | (57,001)              |                     |                       |                     |                       | (57,001)              |
| <b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>            | <b>\$ (5,307,366)</b> | <b>\$ 50,154</b>    | <b>\$ 1,435,811</b>   | <b>\$ (201,146)</b> | <b>\$ 4,055,849</b>   | <b>\$ 33,303</b>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>               |                       |                     |                       |                     |                       |                       |
| Proceeds from Capital Debt  |                       |                     | 5,609,607             |                     |                       | 5,609,607             |
| Purchase of Capital Assets  | (1,014,115)           | (224,354)           | (5,941,988)           |                     | (181,397)             | (7,361,855)           |
| Principal paid on Capital Debt  | (1,540,784)           | (145,763)           | (285,911)             |                     |                       | (1,972,458)           |
| Interest paid on Capital Debt   | (515,254)             | (21,325)            | (190,754)             |                     |                       | (727,333)             |
| Assessments Received for 2007 & 2016 debt payments                            |                       | 165,909             |                       |                     |                       | 165,909               |
| Issue costs of debt   |                       |                     | (105,000)             |                     |                       | (105,000)             |
| Proceeds / (Funding) of Reserve Requirements                                  | (1,786,407)           |                     | (210,166)             |                     |                       | (1,996,572)           |
| <b>NET CASH PROVIDED / (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | <b>\$ (4,856,559)</b> | <b>\$ (225,533)</b> | <b>\$ (1,124,212)</b> | <b>\$ -</b>         | <b>\$ (181,397)</b>   | <b>\$ (6,387,702)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |                       |                     |                       |                     |                       |                       |
| Interest Received   | 87,464                | 6,133               | 51,158                | 3,319               | 37                    | 148,111               |
| <b>NET CASH PROVIDED / (USED) FROM INVESTING ACTIVITIES</b>                   | <b>\$ 87,464</b>      | <b>\$ 6,133</b>     | <b>\$ 51,158</b>      | <b>\$ 3,319</b>     | <b>\$ 37</b>          | <b>\$ 148,111</b>     |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                   | <b>\$ (2,823,235)</b> | <b>\$ (68,613)</b>  | <b>\$ 43,664</b>      | <b>\$ (199,814)</b> | <b>\$ 493,905</b>     | <b>\$ (2,554,093)</b> |
| <b>BALANCE BEGINNING OF YEAR</b>  | 10,637,587            | 667,344             | 3,412,060             | 420,068             | 294,210               | 15,431,269            |
| <b>BALANCE END OF PERIOD</b>  | <b>\$ 7,814,352</b>   | <b>\$ 598,731</b>   | <b>\$ 3,455,724</b>   | <b>\$ 220,253</b>   | <b>\$ 788,116</b>     | <b>\$ 12,877,176</b>  |

**Public Utility District No. 1 of Whatcom County**  
NOTES TO FINANCIAL STATEMENT  
**Statement of Cash Flows**  
As of December 31, 2021

|  | 403                 | 411               | 481                 | 490                 | 500                   |                     |
|--|---------------------|-------------------|---------------------|---------------------|-----------------------|---------------------|
|  | INDUSTRIAL<br>WATER | GRANDVIEW         | ELECTRIC            | BPA-ALCOA<br>ESCROW | INTERNAL<br>SERVICE   | TOTAL               |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>                                       |                     |                   |                     |                     |                       |                     |
| Operating Income (Loss)  | \$ 2,937,453        | \$ (78,459)       | \$ (1,408,812)      | \$ -                | \$ 0                  | \$ 1,450,182        |
| <b>Adjustments to reconcile operating income to net cash provided (used) by operating activity</b> |                     |                   |                     |                     |                       |                     |
| Depreciation   | 1,024,648           | 75,720            | 464,420             | -                   | 239,158               | 1,803,946           |
| Miscellaneous - Non-Operating  | 13,943              | -                 | (2,909)             | -                   | -                     | 11,034              |
| Decrease (Increase) in Net Accounts Receivable   | 106,698             | 2,791             | (806,763)           | -                   | 306                   | (696,969)           |
| Decrease (Increase) in Prepayments   | -                   | -                 | -                   | -                   | (1,935)               | (1,935)             |
| Interfund Transfers  | 3,008,274           | 92,577            | 1,088,765           | (2,854)             | (4,186,762)           | (0)                 |
| Increase (Decrease) in Account Payable   | 177,289             | (10,611)          | 160,890             | 867                 | 496,244               | 824,679             |
| Increase (Decrease) in Accrued Employee Payable  | (16,502)            | (1,376)           | -                   | -                   | 73,114                | 55,236              |
| Increase (Decrease) in Accrued Insurance Claims Reserve  | 1,482               | 128               | 641                 | -                   | (2,774)               | (523)               |
| Increase (Decrease) in Accrued Utility Taxes   | (37,578)            | (890)             | (33,795)            | -                   | -                     | (72,263)            |
| Increase (Decrease) in Contractor Retainage  | 35,350              | 12,923            | 218,470             | -                   | 2,066                 | 268,809             |
| Increase (Decrease) in Deposits & Other Payables   | 2,169               | 7,830             | -                   | -                   | -                     | 9,999               |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <b>\$ 7,253,227</b> | <b>\$ 100,633</b> | <b>\$ (319,094)</b> | <b>\$ (1,988)</b>   | <b>\$ (3,380,584)</b> | <b>\$ 3,652,196</b> |

**Public Utility District No. 1 of Whatcom County**  
 NOTES TO FINANCIAL STATEMENT  
 For The Year Ended December 31, 2021

**NOTE 13 - PROPERTY TAX**

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

| <b>Property Tax Calendar</b> |   |
|------------------------------|---|
| 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 2021 was \$37,480,880,443. 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 2021 or 2020.

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 18 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 2021, 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, 2021

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 2021 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 \$73,183 (\$61,941 for the Liability Pool, \$11,242 for the Property Pool), compared to the 2020 share balance of \$73,706 (\$64,876 for the Liability Pool, \$8,830 for the Property Pool), a \$523 decrease.

A comprehensive 2021 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**  
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Risk pool insurance premiums and pool assessments for the District were as follows for 2021 and 2020:

| INVOICE DATE      | CARRIER                   | TYPE      | KIND                                | PREMIUM / ASSESSMENT | DISTRICT COST    |
|-------------------|---------------------------|-----------|-------------------------------------|----------------------|------------------|
| <b>PURMS 2020</b> |                           |           |                                     |                      |                  |
| <b>LIABILITY</b>  |                           |           |                                     |                      |                  |
| 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%            |
| 6/22/2020         | AEGIS                     | LIABILITY | PROF LIAB [E&O] \$35M EXCESS \$500K | 175,649              | 1.47%            |
| 7/6/2020          | GENERAL ASSESSMENT        | LIABILITY | LIAB GENRL ASSESS                   | 501,238              | 1.69%            |
| 7/15/2020         | GENERAL ASSESSMENT        | LIABILITY | LIAB GENRL ASSESS                   | 973,378              | 1.69%            |
| 11/19/2020        | BEAZLEY                   | LIABILITY | CYBER POLICY \$10M EXCESS \$500K    | 141,587              | 1.53%            |
| 12/3/2020         | GENERAL ASSESSMENT        | LIABILITY | LIAB GENRL ASSESS                   | 508,017              | 1.69%            |
| 12/31/2020        | GENERAL ASSESSMENT        | LIABILITY | LIAB GENRL ASSESS                   | 60,266               | 1.61%            |
|                   |                           |           |                                     | <b>\$ 4,411,509</b>  | <b>1.58%</b>     |
|                   |                           |           |                                     |                      | <b>\$ 69,494</b> |
| <b>PROPERTY</b>   |                           |           |                                     |                      |                  |
| 4/2/2020          | NATIONAL UNION & HOMESITE | PROPERTY  | \$200M EXCESS \$250K                | 1,485,759            | 2.27%            |
| 7/6/2020          | GENERAL ASSESSMENT        | PROPERTY  | PROP GENRL ASSESS                   | 282,221              | 3.08%            |
| 12/31/2020        | GENERAL ASSESSMENT        | PROPERTY  | PROP GENRL ASSESS                   | 171,931              | 3.01%            |
|                   |                           |           |                                     | <b>\$ 1,939,911</b>  | <b>2.45%</b>     |
|                   |                           |           |                                     |                      | <b>\$ 47,624</b> |
| <b>PURMS 2021</b> |                           |           |                                     |                      |                  |
| <b>LIABILITY</b>  |                           |           |                                     |                      |                  |
| 1/6/2021          | AEGIS                     | LIABILITY | LIAB \$35M EXCESS \$1M              | 1,812,655            |                  |
| 1/6/2021          | EIM                       | LIABILITY | LIAB \$65M EXCESS \$36M             | 609,300              | 1.48%            |
| 7/15/2021         | AEGIS                     | LIABILITY | PROF LIAB [E&O] \$35M EXCESS \$500K | 206,213              | 1.48%            |
| 8/27/2021         | GENERAL ASSESSMENT        | LIABILITY | LIAB GENRL ASSESS                   | 502,256              | 1.70%            |
| 12/1/2021         | EVEREST NATIONAL          | LIABILITY | FRONTING POLICY                     | 5,000                | 1.48%            |
| 12/1/2021         | BEAZLEY                   | LIABILITY | CYBER POLICY \$5M EXCESS \$1M       | 382,875              | 1.70%            |
| 12/31/2021        | GENERAL ASSESSMENT        | LIABILITY | LIAB GENRL ASSESS                   | 296,774              | 1.70%            |
|                   |                           |           |                                     | <b>\$ 3,815,073</b>  | <b>1.55%</b>     |
|                   |                           |           |                                     |                      | <b>\$ 59,171</b> |
| <b>PROPERTY</b>   |                           |           |                                     |                      |                  |
| 4/6/2021          | NATIONAL UNION & HOMESITE | PROPERTY  | \$200M EXCESS \$250K                | 1,843,877            | 2.29%            |
| 8/13/2021         | GENERAL ASSESSMENT        | PROPERTY  | PROP GENRL ASSESS                   | 262,473              | 2.99%            |
| 12/31/2021        | GENERAL ASSESSMENT        | PROPERTY  | PROP GENRL ASSESS                   | 176,118              | 3.01%            |
|                   |                           |           |                                     | <b>\$ 2,282,468</b>  | <b>2.43%</b>     |
|                   |                           |           |                                     |                      | <b>\$ 55,405</b> |

**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 COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

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. In July of 2021, the staff returned to a full complement in the office, but due to the size and configuration of the conference room, has continued to hold commission meetings online. The District experienced little to no loss of revenue due to the pandemic. Where the District has felt the effect is in the increase in cost and delay in materials and construction related work.

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

**NOTE 16 – SUBSEQUENT EVENTS**

In February 2022, Chris Heimgartner replaced Stephan Jilk as General Manager.

**Public Utility District No. 1 of Whatcom County**  
NOTES TO FINANCIAL STATEMENT  
For The Year Ended December 31, 2021

**NOTE 17 – ASSET RETIREMENT OBLIGATIONS (ARO)**

The District, per the guidelines set forth by GASB 83, has identified four possible assets that would fall under the ARO guidelines.

- Cell tower – the District currently owns a cell tower, which is used for communications between District facilities. The District has an easement with the City of Ferndale who owns the land where the tower is located. Space is also rented out on this tower to AT&T. The District is moving towards internal communication being done via fiber instead of radio. That would allow the District to remove itself from the tower. The District is currently investigating selling the tower.
- Distribution and Transmission line systems – A small portion of our electric transmission lines cross federal or state owned lands. The transmission lines are a critical piece of our electric system and there are no foreseeable plans on retiring the system. The existing structure is on a replacement schedule for continued use indefinitely.
- Water Treatment Plants – Our two water treatment plants are used to process non-potable water used for irrigation or industrial purposes. Therefore, we do not have the chemical use that a potable plant would have. Chlorine is used minimally to control algae in the summer and the coagulant sludge is tested annually for toxicity. Additionally, the District has not received any Department of Health orders. Water treatment plant 1 is in the process of being upgraded and water treatment plant 2 was rebuilt in 2014. The existing water treatment plants do not have a foreseeable end of life. They will continually be rebuilt as needed.
- Wells – The District currently has three wells. One well is located at a customer's location and feeds their potable system. The two remaining wells are located in the Grandview system and feed the fire and potable systems. Since the intertie with the Industrial Water System, the well feeding the Grandview fire system is not needed, but is being evaluated to its use in the potable system.

No asset retirement obligations have been recognized on the financial statements due to the cost not being reasonably estimable for reasons noted above.

**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, 2021

|  | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       | 2015       | 2014       | 2013       | 2012       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Contribution Rate per Qualified Hour           | \$ 6.50    | \$ 6.25    | \$ 6.00    | \$ 5.75    | \$ 5.50    | \$ 5.50    | \$ 5.50    | \$ 5.25    | \$ 5.00    | \$ 4.75    |
| 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       | \$ 13,520  | \$ 13,000  | \$ 12,480  | \$ 11,960  | \$ 11,440  | \$ 11,440  | \$ 11,440  | \$ 10,920  | \$ 10,400  | \$ 9,880   |
| # Covered Employees at 12/31                   | 7          | 7          | 6          | 6          | 6          | 6          | 6          | 6          | 6          | 6          |
| Actual Contributions                           | \$ 93,698  | \$ 94,115  | \$ 75,191  | \$ 72,444  | \$ 73,521  | \$ 68,833  | \$ 73,194  | \$ 65,723  | \$ 60,916  | \$ 61,645  |
| Covered-employee payroll                       | \$ 567,449 | \$ 536,249 | \$ 452,268 | \$ 423,316 | \$ 487,409 | \$ 420,577 | \$ 407,579 | \$ 405,406 | \$ 421,384 | \$ 390,873 |
| Contributions as a % of covered-employee payro | 16.5%      | 17.6%      | 16.6%      | 17.1%      | 15.1%      | 16.4%      | 18.0%      | 16.2%      | 14.5%      | 15.8%      |

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