

ANNUAL REPORT

Public Utility District No. 1 of Whatcom County

MCAG No. 1806

Submitted pursuant to RCW 43.09.230

To the

WASHINGTON STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED December 31, 2022

GOVERNMENT INFORMATION:

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PREPARER INFORMATION and CERTIFICATION:

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I certify the 25th day of April 2023 that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Audit Contact or Preparer Signature:

A handwritten signature in blue ink, appearing to read "Annette Smith", is written over a horizontal line.

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Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2022

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:

	2022	2021
ASSETS		
Current Assets	\$ 14,232,113	\$ 14,188,164
Non-Current Assets	1,428,781	1,450,111
Capital Assets (Net)	50,812,763	50,774,448
TOTAL ASSETS	\$ 66,473,657	\$ 66,412,723
LIABILITIES		
Current Liabilities	5,009,288	5,142,212
Non-Current Liabilities	19,366,216	21,411,275
TOTAL LIABILITIES	\$ 24,375,504	\$ 26,553,487
DEFERRED INFLOWS OF RESOURCES	\$ 21,381	\$ -
NET POSITION		
Net Investment in Capital Assets	29,958,901	28,055,347
Restricted for Debt Service	1,405,475	1,450,864
Restricted for Miscellaneous Reserves	-	-
Unrestricted	10,712,397	10,353,026
TOTAL NET POSITION	\$ 42,076,772	\$ 39,859,236

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2022

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

	2022	2021
REVENUES		
Operating Revenue	\$ 20,545,546	\$ 20,768,636
Nonoperating Revenue	790,238	418,267
TOTAL REVENUE	\$ 21,335,784	\$ 21,186,903
EXPENSES		
Operating Expenses	17,950,536	19,318,455
Nonoperating Expenses	1,167,712	931,718
TOTAL EXPENSES	\$ 19,118,248	\$ 20,250,172
INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS	\$ 2,217,536	\$ 936,731
CHANGE IN NET POSITION	\$ 2,217,536	\$ 936,731
BEGINNING NET POSITION	\$ 39,859,236	\$ 38,922,506
ENDING NET POSITION	\$ 42,076,772	\$ 39,859,236

FINANCIAL POSITION

Analysis of Changes in Total Net Position from 2021-2022

For the twelve months ending December 31, 2022, the total net position of the District increased by approximately \$2,218,000 or 6%. Total assets increased by \$61,000 and total liabilities decreased by \$2,178,000 producing a net increase in net position.

The major components contributing to the increase in assets were an increase in Cash and Cash Equivalents of \$1,018,000 from timing of payments and delays in capital projects, a decrease in Net Receivables of \$931,000 due primarily to timing of customer payments, an increase in Total Capital Assets Net of Depreciation of \$38,000, and a decrease of the remaining assets of \$64,000.

The major components of the decrease in total liabilities included a decrease in Accounts Payables of \$236,000 due to timing of payments, a decrease of \$27,000 in Accrued Employee Payable due to adjustments in the liability for vacation and sick leave payouts and the Teamster Withdrawal Liability, an increase in Utility Taxes of \$53,000, a net decrease in the bonds principal and interest payable of \$2,056,000 due to debt service payments, an increase of \$71,000 in the newly reported lease liability and a net increase of \$18,000 of the remaining liabilities.

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2022

RESULTS OF OPERATIONS

Analysis of changes in Revenue, Expenses, and change in Net Position for 2021-2022

Income before Contributions, and Extraordinary Items increased from \$937,000 in 2021 to \$2,218,000 in 2022 (a \$1,281,000 increase). Operating Revenue decreased by \$223,000. Operating expenses decreased by \$1,368,000, which was primarily due to the expensing of the Refinery Substation capital project in 2021. Non-operating Revenue increased by \$372,000 primarily due to an increase in grant revenue. Non-operating Expenses reflected an overall increase of \$236,000.

CAPITAL ASSETS

Analysis of Changes in Capital Assets from 2021-2022

During 2022, Total Capital Assets Net of Depreciation increased by \$38,000 and were comprised of an overall increase in non-depreciated assets, including Construction Work-in-Progress for \$1,764,000 (\$155,000 of Construction Work-in-Progress was expensed during 2022 mainly consisting of remaining invoices for the Refinery substation after Phillips 66 decided to postpone the project), and the following change in capital assets: the Electric Utility decreased by \$108,000, a \$128,000 increase for general utility and office assets accounted for in the Internal Services Fund, including the newly added Lease assets and an increase in Accumulated Depreciation of \$1,746,000. SEE Note 4, *Capital Assets*.

LONG-TERM DEBT

Analysis of Changes in Long-Term Debt from 2021-2022

During 2022, the 2012 LTGO bond issue was reduced by \$380,000, the District's indebtedness for the 2013 LTGO bonds was reduced by \$295,000, 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 2021 LTGO bonds decreased by \$1,030,000 for a total overall long-term debt decrease of \$1,888,000. 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, 2022

ASSETS**CURRENT ASSETS**

Cash & Cash Equivalents	
Cash	\$ 75,938
Whatcom County Investment Pool	12,368,619
Total Cash & Cash Equivalents	<u>12,444,557</u>
Receivables (Net):	
Customers	1,523,460
Other	24,734
Total Accounts Receivables (Net)	<u>1,548,194</u>
Restricted Cash & Cash Equivalents	192,765
Prepayments	<u>46,598</u>
TOTAL CURRENT ASSETS	<u>\$ 14,232,113</u>

NON-CURRENT ASSETS

Bond Issue Costs	\$ 216,071
Restricted Assets	
Investments - Bond Reserves	1,212,710
Capital Assets Not Being Depreciated	
Land	108,000
Easements	56,260
Construction in Progress	10,376,928
Capital Assets Being Depreciated:	
Buildings & Structures	26,057,903
Machinery & Equipment	39,070,295
Intangible	866,000
Leases	83,471
Less Accumulated Depreciation	<u>(25,806,094)</u>
Total Capital Assets (Net)	<u>50,812,763</u>
TOTAL NONCURRENT ASSETS	<u>\$ 52,241,544</u>

TOTAL ASSETS

\$ 66,473,657

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, 2022

LIABILITIES**CURRENT LIABILITIES**

Accounts Payable	\$ 1,701,313
Accrued Employee Payable	606,152
Accrued Insurance Claims Reserve	52,407
Accrued Utility Taxes	298,156
Contractor Retainage	290,010
Asset Retirement Obligation	25,000
Bonds, Notes, and Loans Payable	
2012 LTGO Series A&B Bonds Principal - Current	395,000
2012 LTGO Series A&B Interest	2,500
2013 LTGO Bond Principal - Current	305,000
2013 LTGO Bond Interest	12,167
2016 LTGO Bond Principal - Current	145,763
2016 LTGO Bond Interest	1,269
2019 EDI Loan Principal - Current	37,434
2019 EDI Loan Interest	575
2021 LTGO Bond Principal - Current	1,070,000
2021 LTGO Bond Interest	42,100
Deposits & Other Payables	24,442
TOTAL CURRENT LIABILITIES	<u>\$ 5,009,288</u>

NON-CURRENT LIABILITIES

Leases	\$ 70,550
Bonds, Notes, and Loans Payable	
2012 LTGO Bond Principal	409,073
2013 LTGO Bond Principal	3,574,070
2016 LTGO Bond Principal	583,050
2019 EDI Loan Principal	652,477
2021 LTGO Bond Principal	14,076,996
TOTAL NON-CURRENT LIABILITIES	<u>\$ 19,366,216</u>

TOTAL LIABILITIES**\$ 24,375,504****TOTAL DEFERRED INFLOWS OF RESOURCES****\$ 21,381****NET POSITION**

Net Investment in Capital Assets	\$ 29,958,901
Restricted for Debt Service	1,405,475
Unrestricted	10,712,397
TOTAL NET POSITION	<u>\$ 42,076,772</u>

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

Public Utility District No. 1 of Whatcom County
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For The Year Ended December 31, 2022

OPERATING REVENUE

Utility Sales and Service Revenues	\$ 20,544,909
Other Operating Revenue	637
TOTAL OPERATING REVENUE	<u>\$ 20,545,546</u>

OPERATING EXPENSES

Operations:	
Purchased Power	\$ 8,741,657
Water Purification	389,854
Taxes / Process / Delivery Costs	515,598
General Operations	934,514
Maintenance	1,326,504
Administration:	
General Administration	3,120,077
Planning and Development Expense	471,786
Depreciation Expense	1,826,718
Utility Tax Expense	623,828
TOTAL OPERATING EXPENSES	<u>\$ 17,950,536</u>

OPERATING INCOME (LOSS)**\$ 2,595,010****NONOPERATING REVENUE**

Lease Income	\$ 22,548
Grant Revenue	435,590
Assessment Income	115,250
Interest Income	152,110
Interest Fees	(5,849)
Connection Fee	150
Penalties	70,439
TOTAL NONOPERATING REVENUE	<u>\$ 790,238</u>

NONOPERATING EXPENSE

Interest Expense	\$ 609,970
Amortization	21,330
Grant Expenses	248,326
Loss (Gain) on Property Disposal	46,499
Business Development	241,588
TOTAL NONOPERATING EXPENSE	<u>\$ 1,167,712</u>

**INCOME BEFORE CONTRIBUTIONS,
AND EXTRAORDINARY ITEMS**
\$ 2,217,536**CHANGE IN NET POSITION****\$ 2,217,536****TOTAL NET POSITION - JANUARY 1st****\$ 39,859,236****TOTAL NET POSITION - DECEMBER 31st****\$ 42,076,772**

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 21,659,648
Payments to suppliers	(13,917,016)
Payments to employees (Labor only)	(2,563,165)

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

\$ 5,179,467

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES

Payments Received (Paid) for Non-operating work	\$ 33,326
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**NET CASH PROVIDED (USED) BY NONCAPITAL
FINANCING ACTIVITIES**

\$ 33,326

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	\$ (1,911,032)
Lease of Capital Assets	70,550
Principal paid on Capital Debt	(1,887,825)
Interest paid on Capital Debt	(772,286)
Assessments Received for 2007 & 2016 debt payments	115,250

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

\$ (4,385,344)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	145,406
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES

\$ 145,406

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

\$ 972,855

BALANCE BEGINNING OF YEAR

12,877,176

BALANCE END OF YEAR

\$ 13,850,031

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, 2022

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

Operating Income (Loss)	\$ 2,595,010
Adjustments to reconcile operating income to net cash	
Cash Provided (Used) by operating activities:	
Depreciation	1,826,718
Change in Assets and Liabilities:	
Decrease (Increase) in Net Accounts Receivable	931,499
Decrease (Increase) in Prepayments	(2,593)
Increase (Decrease) in Account Payable	(235,917)
Increase (Decrease) in Accrued Employee Payable	(27,157)
Increase (Decrease) in Accrued Insurance Claims Reserve	(20,776)
Increase (Decrease) in Accrued Utility Taxes	52,508
Increase (Decrease) in Contractor Retainage	5,533
Increase (Decrease) in Asset Retirement Obligations	25,000
Increase (Decrease) in Deposits & Other Payables	8,260
Increase (Decrease) in Deferred Inflow	21,381
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,179,467</u>

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, 2022

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. The Grandview utility is on a gradual increase to full allocation amount over several years, starting in 2023.

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 related to the utility, 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, 2022

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, 2022, the treasurer was holding \$12,368,619 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as Cash and Cash Equivalents in various funds. The interest on these investments is prorated to the various funds based on existing balances.

For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The cash referenced on the Statement of Cash Flows will include Cash & Cash Equivalents, Restricted Cash & Cash Equivalents, and the Restricted Investments under Non-current assets.

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

3. Receivables

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

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

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

5. Restricted Assets and Liabilities

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

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

RESTRICTED RESERVE BALANCES	2022
Restricted Cash & Cash Equivalents	
LUD #2 Cash & Investments	\$ 192,765
Bond Reserves	
2012 LTGO Bond Reserve	759,910
2013 LTGO Bond Reserve	452,800
Total Bond Reserves	<u>\$ 1,212,710</u>
TOTAL RESTRICTED RESERVE BALANCES	<u>\$ 1,405,475</u>

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

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. Leases

Lessee: The District is a lessee for noncancelable leases. The District recognizes a lease liability and an intangible right-to-use lease asset in the proprietary fund financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Key estimates and judgements related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonable certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

Lessor: The District is a lessor for noncancelable leases. The District recognizes a lease receivable and a deferred inflow of resources in the fund financial statements.

At the commencement of the lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgements related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lease.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

8. Deferred Inflows of Resources

All amounts under Deferred Inflows are a result of lease accounting.

9. 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.

10. 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, 2022

11. Other Accrued Liabilities

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

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

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

2022

1. GASB 87 concerning Leases was implemented.
2. GASB 101 concerning the reporting of compensated absences is already being reported.
3. The District is pursuing adding a Telecom utility back into our operating services. In December 2021, a full-time employee was hired, but during 2022, no operating revenues occurred. During 2022, the Telecom activity was reported separately, but at year-end, it was allocated to the other existing funds.
4. In December 2022, the District was notified by the City of Ferndale that we needed to vacate and remove the cell tower on their property at Bender Park. Discussions are still ongoing between the District, the City of Ferndale, and AT&T. An Asset Retirement Obligation was recorded for the possibility of this asset removal.

2021

1. No new changes were introduced in 2021.

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 495 days as of December 31, 2022. 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

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

of the funds. Regardless of the size of the balance, all monies shall be distributed back to the District within one year.

As of December 31, 2022, the District had the following investments in the WCIP:

	2022	
	<u><i>Maturities</i></u>	<u><i>Amortized Cost</i></u>
INVESTMENTS		
Short-Term Investments		
Whatcom County Investment Pool	\$ 12,561,384	\$ 12,561,384
Non-Current		
Whatcom County Investment Pool	1,212,710	1,212,710
TOTAL INVESTMENTS	<u>\$ 13,774,094</u>	<u>\$ 13,774,094</u>

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ending December 31, 2022 was as follows:

	2022 Beginning Balance	2022 Activity		2022 Ending Balance
		Increase	Decrease	
CAPITAL ASSETS NOT BEING DEPRECIATED				
LAND				
Industrial Water Utility	\$ 108,000	\$ -	\$ -	\$ 108,000
TOTAL LAND	108,000	-	-	108,000
EASEMENTS				
Industrial Water Utility	56,260	-	-	56,260
TOTAL EASEMENTS	56,260	-	-	56,260
CONSTRUCTION-IN-PROGRESS				
Industrial Water Utility	944,028	681,079	-	1,625,107
Grandview Potable Water Utility	-	-	-	-
Electric Utility	7,569,563	1,082,882	-	8,652,445
General Utility & Office (Internal Services Utility)	99,158	63,601	(63,382)	99,377
TOTAL CONSTRUCTION-IN-PROGRSS	8,612,749	1,827,560	(63,382)	10,376,928
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 8,777,009	\$ 1,827,560	\$ (63,382)	\$ 10,541,188
CAPITAL ASSETS BEING DEPRECIATED				
BUILDINGS & STRUCTURES				
Industrial Water Utility	19,649,280	-	-	19,649,280
Grandview Water Utility	318,161	-	-	318,161
Electric Utility	4,457,484	-	-	4,457,484
General Utility & Office (Internal Services Utility)	1,615,916	17,062	-	1,632,978
TOTAL BUILDINGS & STRUCTURES	26,040,841	17,062	-	26,057,903
MACHINERY & EQUIPMENT				
Industrial Water Utility	20,393,858	-	-	20,393,858
Grandview Water Utility	3,130,942	-	-	3,130,942
Electric Utility	12,863,412	-	(107,529)	12,755,883
General Utility & Office (Internal Services Utility)	2,762,253	46,320	(18,961)	2,789,612
TOTAL MACHINERY & EQUIPMENT	39,150,466	46,320	(126,490)	39,070,295
INTANGIBLE				
Industrial Water Utility	866,000	-	-	866,000
TOTAL INTANGIBLE	866,000	-	-	866,000
LEASE				
General Utility & Office (Internal Services Utility)	-	83,471	-	83,471
TOTAL LEASE	-	83,471	-	83,471
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 66,057,307	\$ 146,853	\$ (126,490)	\$ 66,077,670
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Structures	(7,860,632)	(532,705)	-	(8,393,336)
Machinery & Equipment	(15,549,737)	(1,235,410)	80,492	(16,704,655)
Intangible	(649,500)	(43,300)	-	(692,800)
Lease	-	(15,303)	-	(15,303)
TOTAL ACCUMULATED DEPRECIATION	(24,059,868)	(1,826,718)	80,492	(25,806,094)
TOTAL CAPITAL ASSETS BEING DEPRECIATED (NET)	\$ 41,997,439	\$ (1,679,865)	\$ (45,999)	\$ 40,271,575
TOTAL CAPITAL ASSETS, NET	\$ 50,774,448	\$ 147,695	\$ (109,381)	\$ 50,812,763

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

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 \$155,000 in CWIP projects in 2022. 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, 2022. The projects include:

		2022	
	District Capital Project #	Spent Through 12/31/22	Remaining Commitment
Communications Backbone	IS15	\$ 99,377	\$ 1,500,000
Water Treatment Plant 1 projects	RW28	800,248	125,000
Intake VFD Repalcement	RW35	51,260	650,000
Water Treatment Plant 1 rebuild	RW38	773,599	68,400,000
Ferndale Substation rebuild	E22	8,652,445	900,000
TOTAL CONSTRUCTION IN PROGRESS		\$ 10,376,928	\$ 71,575,000

Of the Remaining Commitment balance of \$71,575,000, the District will be required to raise \$64,000,000 in future financing.

B. Other Commitments

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

PROJECT	SPENT TO DATE	REMAINING COMMITMENT
BKI-WO4-Ferndale Pump Substation Design	\$ 816,376	\$ 143,404
CON-WO2-P1 Rebuild	765,730	1,119,043
FCS-WO1 Rate Study	14,475	56,285
GDS-WO1-Electric Feasibility Study	36,405	39,655
PSE-WO1-4-22 On Call	8,834	11,166
PSE-WO2-6-22 P1 Mitigation and monitor	2,722	10,078
RH2-WO16 D Station Flow and Control	84,566	498
	\$ 1,729,108	\$ 1,380,129

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

For The Year Ended December 31, 2022

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

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

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

NOTE 6– SHORT-TERM DEBT

The District had no short-term debt obligations in 2022.

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
2012 LTGO - Refunded the 2004 LTGO bonds	2012-2024	2.60%	5,980,000	380,000
2013 LTGO - Funding to complete the Water Plant 2 rebuild	2014-2032	2.66%	6,025,000	295,000
2016 LTGO - Advanced refunded 2007 Water Revenue Bonds	2018-2027	2.09%	1,457,628	145,763
2021 LTGO Series A - Funding for substation rebuilds	2021-2040	0.94%	4,580,000	160,000
2021 LTGO Series B - Refunded the 2010 Series B bonds	2021-2030	0.94%	10,220,000	870,000

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

Year Ending December 31:	2012 LTGO BONDS		2013 LTGO BONDS		2016 LTGO BONDS		2021 LTGO BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
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	145,762	6,093	1,210,000	371,400
2027			355,000	94,400	145,762	3,046	1,250,000	323,000
2028-2032			2,005,000	247,000			4,540,000	871,600
2033-2037							1,345,000	353,600
2038-2040							940,000	76,200
TOTAL	\$ 805,000	\$ 45,578	\$3,650,000	\$ 850,400	\$ 728,813	\$ 45,696	\$ 12,630,000	\$3,381,200

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

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
2023	\$ 37,433	\$ 6,899
2024	37,807	6,525
2025	38,186	6,147
2026	38,567	5,765
2027	38,953	5,379
2028-2032	200,687	20,974
2033-2037	210,924	10,737
2038-2040	87,352	1,312
TOTAL	\$ 689,909	\$ 63,739

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, 2022, the District has \$1,405,475 in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,405,475 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 \$774,510. Principal and interest paid for the current year and total Grandview assessment revenue were \$164,042 and \$115,250 respectively.

NOTE 8 – RESTRICTED COMPONENT OF NET POSITION

The District's statement of net position reports \$1,405,475 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, 2022

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at December 31, 2022 were as follows:

Due From						
	Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service	Total
Due To	Industrial Water	\$ 779,546			\$ 3,220,186	\$3,999,732
	Grandview				17,558	17,558
	Electric				1,171,288	1,171,288
	Alcoa Fund				215,368	215,368
	Internal Service	1,897,559	31,565	748,605		2,677,729
	Total	\$1,897,559	\$ 811,111	\$ 748,605	\$ -	\$ 4,624,399

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. 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, 2022 were as follows:

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

The transfers all dealt with one utility paying back another utility for fixed assets or bond costs. In 2022, there were five transfers:

- \$11,826 the interest owed on the loan from Industrial Water to Grandview.
- \$44,332 the payment Industrial Water made on the 2019 EDI loan on behalf of Grandview.
- \$1,082,882 was transferred for the Industrial Water's portion of current Electric construction projects.
- \$345,442 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.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

- \$50,000 the contribution from the Alcoa fund to Telecom, which was allocated between Industrial Water and Electric

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 2022 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, expires at the end of 2024. 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 2022, the District contributed \$7.00 per qualified hour, per employee, up to a maximum of 2080 hours (\$14,560) 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 2022 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>2013</u>	<u>\$5.00</u>	<u>2018</u>	<u>\$5.75</u>
<u>2014</u>	<u>5.25</u>	<u>2019</u>	<u>6.00</u>
<u>2015</u>	<u>5.50</u>	<u>2020</u>	<u>6.25</u>
<u>2016</u>	<u>5.50</u>	<u>2021</u>	<u>6.50</u>
<u>2017</u>	<u>5.50</u>	<u>2022</u>	<u>7.00</u>

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

NOTE 11 – EXTRAORDINARY AND/OR SPECIAL ITEMS

No Extraordinary and/or special items were recorded in 2022.

NOTE 12 – LEASES (LESSEES)

As of December 31, 2022, the District had one lease where the District acted as the lessee and qualified under the SAO guidelines:

- Forklift – The lease began in February 2022 and is for 5 years, cancelable after 2 years. The assumption is this will be an ongoing arrangement for the District.

	Begin Balance	Increases	Decreases	End Balance
Leased Equipment	\$ -	\$ 83,471	\$ -	\$ 83,471
Accum Depreciation	\$ -	\$ (15,303)	\$ -	\$ (15,303)

The principal and interest requirements to the five-year maturity are as follows:

Year Ended December 31	Principal	Interest	Total
2023	\$ 15,531	\$ 4,939	\$ 20,469
2024	\$ 16,618	\$ 3,851	\$ 20,469
2025	\$ 17,781	\$ 2,688	\$ 20,469
2026	\$ 19,026	\$ 1,443	\$ 20,469
2027	\$ 1,594	\$ 112	\$ 1,706
Total	\$ 70,550	\$ 13,033	\$ 83,583

NOTE 13 – LEASES (LESSORS)

As of December 31, 2022, the District had one lease where the District acted as the lessor and qualified under the SAO guidelines.

- Communications Tower – Since early 2000s, the District has had a communications tower at Bender Park in Ferndale. The tower is owned and maintained by the District, while sitting on land owned by the City of Ferndale. The District had an easement with the City. Not long after installing the tower, AT&T (then Cingular Wireless) approached the District about renting space on the tower. This arrangement continued until June 2020 when a new easement agreement could not be reached with the City. AT&T continued to pay monthly rent even though there was no valid contract. In December 2022, the District received a letter from the City to vacate the property by the end of 2023. AT&T is attempting to negotiate since it will significantly affect their operations in Ferndale. Assumed rent payments continue through the end of 2023.

Year Ended December 31	Principal	Interest	Total
2023	\$21,588	\$ 441	\$22,028
Total	\$21,588	\$ 441	\$22,028

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

NOTE 14 – SEGMENT INFORMATION

The District operated four proprietary segments and an Internal Services Fund in 2022. The following changes occurred in the District's segments during 2022:

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. 2022 did not let up with supply chain issues causing projects to continue to have extended completion dates and equipment delays. Flooding from late 2021 contributed to significant civil repair work at Plant 2 Intake and BP Ferndale Intake. Annual maintenance projects such as the pond cleaning and mowing were accomplished. The high head motor and pump rebuild work continued in 2022. The compressor installation at Plant 1 was not completed, but should be done by Q1 2023. Several new irrigation customers have been added. Industrial water consumption was 101% of 2021 consumption, while irrigation came in at 81% and Temporary water at 33%.

B. GRANDVIEW WATER UTILITY

2022 saw continued maintenance activities of the Grandview system. A Washington State Department of Health inspection was initiated and approved. Discussions were initiated concerning the securing of the perimeter of the PUD potable well. In 2022 Q3, WRS replaced a culvert on Salashan Loop that involved the removal and replacement (with new HDPE lines, the preferred material) of approximately 250' each of our fire and potable lines. Water consumption was 88% of 2021.

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 October 2022 the PUD completed, with the assistance of outside contractors, the approximately once every five year maintenance activities at the Philips 66 refinery substation. The maintenance performed can only happen when the refinery is in a significant shutdown state. The District also accomplished substantial amount of work on the new Ferndale substation, located at Water Treatment Plant #1.

D. ALCOA SERVICES FUND

The Alcoa Services Fund continues to be a resource of funds for projects outside of the regular operating scope of the District. In 2022, the Alcoa Services Fund contributed \$50,000 to support Telecom projects and \$36,000 for the first part of an Electric Feasibility Study. As of December 31, 2022, the remaining fund balance is \$135,333.

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, 2022

	403	411	481	490	500		
	INDUSTRIAL WATER	GRANDVIEW	ELECTRIC	ALCOA SVCS	INTERNAL	ELIMINATION	DISTRICT
	UTILITY	UTILITY	UTILITY		SERVICES FUND		TOTAL
OPERATING REVENUE							
Utility Sales and Service Revenues	\$ 9,569,572	\$ 243,660	\$ 10,816,568	\$ -	\$ -	\$ (84,891)	\$ 20,544,909
Other Operating Revenue	633	-	4	-	-		637
TOTAL OPERATING REVENUE	\$ 9,570,205	\$ 243,660	\$ 10,816,572	\$ -	\$ -	\$ (84,891)	\$ 20,545,546
OPERATING EXPENSES							
Operations:							
Purchased Water	\$ -	\$ 5,931	\$ -	\$ -	\$ -	\$ (5,931)	\$ -
Purchased Power	597,851	4,927	8,138,879	-	-		8,741,657
Water Purification	389,006	849	-	-	-		389,854
Taxes / Process / Delivery Costs	-	-	515,598	-	-		515,598
General Operations	712,943	81,479	140,092	-	-		934,514
Maintenance	975,418	41,771	309,315	-	-		1,326,504
Administration							
General Administration	2,146,921	38,279	1,013,836	-	-	(78,960)	3,120,077
Planning and Development Expenses	409,133	2,153	18,225	42,275	-		471,786
Depreciation Expense	1,211,730	89,395	525,594	-	(0)		1,826,718
Utility Tax Expense	482,047	12,498	129,283	-	-		623,828
TOTAL OPERATING EXPENSES	\$ 6,925,048	\$ 277,282	\$ 10,790,823	\$ 42,275	\$ (0)	\$ (84,891)	\$ 17,950,536
OPERATING INCOME (LOSS)	\$ 2,645,156	\$ (33,621)	\$ 25,749	\$ (42,275)	\$ 0	\$ -	\$ 2,595,010
NONOPERATING REVENUE							
Lease Income	22,548	-	-	-	-		22,548
Grant Revenue	246,754	-	188,836	-	-		435,590
Assessment Income	-	115,250	-	-	-		115,250
Interest Income	100,256	7,662	41,733	2,459	-	-	152,110
Interest Fees	(4,024)	0	(1,718)	(107)	-		(5,849)
Connection Fee	-	150	-	-	-		150
Penalties	70,429	9	-	-	-		70,439
TOTAL NONOPERATING REVENUE	\$ 435,964	\$ 123,071	\$ 228,852	\$ 2,352	\$ -	\$ -	\$ 790,238
NONOPERATING EXPENSE							
Interest Expense	425,968	18,207	165,795	-	-	-	609,970
Amortization	13,224	1,661	6,445	-	-		21,330
Interfund Expense	1,331,645	56,158	(1,437,803)	50,000	-		-
Grant Expenses	248,326	-	-	-	-		248,326
Loss (Gain) on Property Disposal	500	-	45,999	-	-		46,499
Business Development	195,784	-	45,804	-	-		241,588
TOTAL NONOPERATING EXPENSE	\$ 2,215,447	\$ 76,025	\$ (1,173,761)	\$ 50,000	\$ -	\$ -	\$ 1,167,712
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	865,673	\$ 13,425	\$ 1,428,362	\$ (89,923)	\$ 0	-	\$ 2,217,536
Capital Contributions	-	-	-	-	-		-
Extraordinary Items	-	-	-	-	-		-
CHANGE IN NET POSITION	\$ 865,673	\$ 13,425	\$ 1,428,362	\$ (89,923)	\$ 0	\$ -	\$ 2,217,536
NET POSITION - JANUARY 1st	\$ 21,573,608	\$ 925,336	\$ 16,881,472	\$ 434,754	\$ 44,067		\$ 39,859,236
NET POSITION - DECEMBER 31st	\$ 22,439,281	\$ 938,760	\$ 18,309,834	\$ 344,831	\$ 44,067		\$ 42,076,772

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

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
Statement of Net Position
As of December 31, 2022

	403	411	481	490	500	
	INDUSTRIAL	GRANDVIEW	ELECTRIC	ALCOA SVC	INTERNAL	DISTRICT
	WATER UTILITY	UTILITY	UTILITY		SERVICES FUND	TOTAL
ASSETS						
CURRENT ASSETS						
Cash & Cash Equivalents						
Cash	\$ (102,777)	\$ (250)	\$ (58,301)	\$ 66	\$ 237,201	\$ 75,938
Whatcom County Investment Pool	6,877,138	348,794	4,880,299	135,268	127,120	12,368,619
Total Cash & Cash Equivalents	6,774,361	348,544	4,821,998	135,333	364,321	12,444,557
Receivables (Net):						
Customers	804,242	16,663	703,678	-	(1,122)	1,523,460
Other	24,165	-	-	-	568	24,734
Interfund Receivables	779,546	(779,546)	-	-	-	-
Interfund Transfers - Capital	1,750,640	(5,063)	591,876	215,368	(2,552,821)	-
Interfund Transfers - Employee	(428,014)	(8,944)	(169,194)	-	606,152	0
Total Accounts Receivables (Net)	2,930,580	(776,890)	1,126,360	215,368	(1,947,223)	1,548,194
Other Current Assets						
Restricted Cash & Cash Equivalents	-	192,765	-	-	-	192,765
Prepayments	-	-	-	-	46,598	46,598
Other						
TOTAL CURRENT ASSETS	\$ 9,704,940	\$ (235,581)	\$ 5,948,358	\$ 350,701	\$ (1,536,305)	\$ 14,232,113
NON-CURRENT ASSETS						
Bond Issue Costs	140,992	8,304	66,775	-	-	216,071
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	1,625,107	-	8,652,445	-	99,377	10,376,928
Capital Assets Being Depreciated:						
Buildings & Structures	19,649,280	318,161	4,457,484	-	1,632,978	26,057,903
Machinery & Equipment	20,393,858	3,130,942	12,755,883	-	2,789,612	39,070,295
Intangible	866,000	-	-	-	-	866,000
Lease	-	-	-	-	83,471	83,471
Less Accumulated Depreciation	(16,275,270)	(1,525,093)	(5,953,114)	-	(2,052,617)	(25,806,094)
Total Capital Assets (Net)	26,423,234	1,924,010	19,912,698	-	2,552,821	50,812,763
TOTAL NONCURRENT ASSETS	\$ 27,374,334	\$ 1,932,314	\$ 20,382,075	\$ -	\$ 2,552,821	\$ 52,241,544
TOTAL ASSETS	\$ 37,079,274	\$ 1,696,733	\$ 26,330,433	\$ 350,701	\$ 1,016,516	\$ 66,473,657

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
Statement of Net Position
As of December 31, 2022

	403 INDUSTRIAL WATER UTILITY	411 GRANDVIEW UTILITY	481 ELECTRIC UTILITY	490 ALCOA SVC	500 INTERNAL SERVICES FUND	DISTRICT TOTAL
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	\$ 278,395	\$ 2,276	\$ 1,160,803	\$ 5,870	\$ 253,969	\$ 1,701,313
Accrued Employee Payable	-	-	-	-	606,152	606,152
Accrued Insurance Claims Reserve	7,453	600	3,115	-	41,239	52,407
Accrued Utility Taxes	40,078	1,117	257,041	-	(80)	298,156
Contractor Retainage	44,805	9,885	234,701	-	620	290,010
Interfund Payables	-	-	-	-	-	-
Asset Retirement Obligation - short term	25,000	-	-	-	-	25,000
Bonds, Notes, and Loans Payable						
2012 LTGO Bond Series A&B - Current	336,466	-	58,534	-	-	395,000
2012 LTGO Bond Series A&B - Interest	2,132	-	368	-	-	2,500
2013 LTGO Bond - Current	305,000	-	-	-	-	305,000
2013 LTGO Bond - Interest	12,167	-	-	-	-	12,167
2016 LTGO Bond - Current	-	145,763	-	-	-	145,763
2016 LTGO Bond - Interest	-	1,269	-	-	-	1,269
2019 EDI Loan - Current	37,434	-	-	-	-	37,434
2019 EDI Loan - Interest	575	-	-	-	-	575
2021 LTGO Bond - Current	809,704	-	260,297	-	-	1,070,000
2021 LTGO Bond - Interest	24,858	-	17,242	-	-	42,100
Deposits & Other Payables	10,430	14,013	-	-	-	24,442
TOTAL CURRENT LIABILITIES	\$ 1,934,495	\$ 174,923	\$ 1,992,100	\$ 5,870	\$ 901,900	\$ 5,009,288
NON-CURRENT LIABILITIES						
Leases	-	-	-	-	70,550	70,550
Bonds, Notes, and Loans Payable						
2012 LTGO Bond Principal	349,395	-	59,678	-	-	409,073
2013 LTGO Bond Principal	3,574,070	-	-	-	-	3,574,070
2016 LTGO Bond Principal	-	583,050	-	-	-	583,050
2019 EDI Loan Principal	652,477	-	-	-	-	652,477
2021 LTGO Bond A&B Principal	8,108,175	-	5,968,820	-	-	14,076,996
TOTAL NONCURRENT LIABILITIES	\$ 12,684,117	\$ 583,050	\$ 6,028,499	\$ -	\$ 70,550	\$ 19,366,216
TOTAL LIABILITIES	\$ 14,618,613	\$ 757,973	\$ 8,020,599	\$ 5,870	\$ 972,450	\$ 24,375,504
TOTAL DEFERRED INFLOW OF RESOURCES	\$ 21,381	\$ -	\$ -	\$ -	\$ -	\$ 21,381
NET POSITION						
Net Investment in Capital Assets	12,526,945	1,195,197	13,683,938	-	2,552,821	29,958,901
Restricted for Debt Service	810,108	192,765	402,602	-	-	1,405,475
Unrestricted	9,102,228	(449,201)	4,223,294	344,831	(2,508,755)	10,712,397
TOTAL NET POSITION	\$ 22,439,281	\$ 938,760	\$ 18,309,834	\$ 344,831	\$ 44,067	\$ 42,076,772

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Cash Flows

As of December 31, 2022

	403	411	481	490	500	
	INDUSTRIAL	GRANDVIEW	ELECTRIC	BPA-ALCOA	INTERNAL	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES	WATER			ESCROW	SERVICE	
Receipts from Customers	\$ 9,619,860	\$ 227,457	\$ 11,773,194	\$ -	\$ 39,137	\$ 21,659,648
Payments to suppliers	(2,422,950)	(57,577)	(8,807,961)	(40,429)	(2,588,098)	(13,917,016)
Payments to employees (Labor only)					(2,563,165)	(2,563,165)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 7,196,910	\$ 169,880	\$ 2,965,233	\$ (40,429)	\$ (5,112,127)	\$ 5,179,467
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from (to) Other Utilities	\$ (4,767,163)	\$ (186,147)	\$ 235,411	\$ (46,842)	\$ 4,764,741	\$ (0)
Payments Received for Non-operating work	340,380	159	188,836			529,375
Payments (Paid) for Non-operating work	(449,233)	(182)	(47,509)	-	874	(496,049)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ (4,876,016)	\$ (186,169)	\$ 376,738	\$ (46,842)	\$ 4,765,615	\$ 33,326
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	\$ (681,079)	\$ -	\$ (1,082,882)		\$ (147,072)	\$ (1,911,032)
Lease of Capital Assets					70,550	70,550
Principal paid on Capital Debt	(1,434,919)	(145,763)	(307,143)			(1,887,825)
Interest paid on Capital Debt	(530,786)	(18,279)	(223,222)			(772,286)
Capital Contributions		-				-
Assessments Received for 2007 & 2016 debt payments		115,250				115,250
NET CASH PROVIDED / (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (2,646,783)	\$ (48,792)	\$ (1,613,247)	\$ -	\$ (76,522)	\$ (4,385,344)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	\$ 96,006	\$ 7,659	\$ 40,151	\$ 2,352	\$ (761)	\$ 145,406
NET CASH PROVIDED / (USED) FROM INVESTING ACTIVITIES	\$ 96,006	\$ 7,659	\$ 40,151	\$ 2,352	\$ (761)	\$ 145,406
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (229,884)	\$ (57,422)	\$ 1,768,876	\$ (84,920)	\$ (423,795)	\$ 972,855
BALANCE BEGINNING OF YEAR	7,814,352	598,731	3,455,724	220,253	788,116	12,877,176
BALANCE END OF PERIOD	\$ 7,584,469	\$ 541,309	\$ 5,224,600	\$ 135,333	\$ 364,321	\$ 13,850,031

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Cash Flows

As of December 31, 2022

	403	411	481	490	500	
	INDUSTRIAL	GRANDVIEW	ELECTRIC	BPA-ALCOA	INTERNAL	TOTAL
	WATER			ESCROW	SERVICE	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH						
Operating Income (Loss)	\$ 2,645,156	\$ (33,621)	\$ 25,749	\$ (42,275)	\$ -	\$ 2,595,010
Adjustments to reconcile operating income to net cash						
provided (used) by operating activity						
Depreciation	1,028,843	81,329	457,324	-	259,223	1,826,718
Decrease (Increase) in Net Accounts Receivable	59,683	(3,121)	1,027,346	-	(152,409)	931,499
Decrease (Increase) in Prepayments	-	-	-	-	(2,593)	(2,593)
Interfund Transfers	3,387,503	127,871	1,184,469	(3,158)	(4,696,686)	0
Increase (Decrease) in Account Payable	(28,781)	(691)	257,488	5,003	(468,936)	(235,917)
Increase (Decrease) in Accrued Employee Payable	-	-	-	-	(27,157)	(27,157)
Increase (Decrease) in Accrued Insurance Claims Reserve	432	35	181	-	(21,424)	(20,776)
Increase (Decrease) in Accrued Utility Taxes	40,078	1,117	11,393	-	(80)	52,508
Increase (Decrease) in Contractor Retainage	9,354	(3,038)	1,283	-	(2,066)	5,533
Increase (Decrease) in Asset Retirement Obligation	25,000	-	-	-	-	25,000
Increase (Decrease) in Deposits & Other Payables	8,260	-	-	-	-	8,260
Increase (Decrease) in Deferred Inflow	21,381	-	-	-	-	21,381
NET CASH PROVIDED BY OPERATING						
ACTIVITIES	\$ 7,196,910	\$ 169,880	\$ 2,965,233	\$ (40,429)	\$ (5,112,127)	\$ 5,179,467

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

NOTE 15 - PROPERTY TAX

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

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

Whatcom County annually publishes the ‘Statement of Assessed Valuations, Tax Rates, and Taxes Levied Within the Various Taxing Districts of Whatcom County’. The District’s assessed value is equal to the Total Value of Taxable Property of Whatcom County. The District assessed valuation of taxable property for 2022 was \$42,255,229,050. This information can be found at <https://www.whatcomcounty.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 2022 or 2021.

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

NOTE 16 - 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 2022, 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, 2022

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 2022 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 \$52,407 (\$40,468 for the Liability Pool, \$11,939 for the Property Pool), compared to the 2021 share balance of \$73,183 (\$61,941 for the Liability Pool, \$11,242 for the Property Pool), a \$20,776 decrease.

A comprehensive 2022 Annual Report can be obtained by contacting:
Public Utility Risk Management Services
Administered by Pacific Underwriters
PO Box 68787, Seattle, WA 98168
Phone; 800-562-5226 FAX: 206-248-0130

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

Risk pool insurance premiums and pool assessments for the District were as follows for 2022 and 2021:

INVOICE DATE	CARRIER	TYPE	KIND	PREMIUM / ASSESSMENT		DISTRICT COST
<u>PURMS 2021</u>						
<u>LIABILITY</u>						
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%	35,951
7/15/2021	AEGIS	LIABILITY	PROF LIAB [E&O] \$35M EXCESS \$500K	206,213	1.48%	3,061
8/27/2021	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	502,256	1.70%	8,533
12/1/2021	EVEREST NATIONAL	LIABILITY	FRONTING POLICY	5,000	1.48%	74
12/1/2021	BEAZLEY	LIABILITY	CYBER POLICY \$5M EXCESS \$1M	382,875	1.70%	6,509
12/31/2021	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	296,774	1.70%	5,044
				\$ 3,815,073	1.55%	\$ 59,171
<u>PROPERTY</u>						
4/6/2021	NATIONAL UNION & HOMESITE	PROPERTY	\$200M EXCESS \$250K	1,843,877	2.29%	42,247
8/13/2021	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	262,473	2.99%	7,857
12/31/2021	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	176,118	3.01%	5,301
				\$ 2,282,468	2.43%	\$ 55,405
<u>PURMS 2022</u>						
<u>LIABILITY</u>						
1/11/2022	AEGIS	LIABILITY	LIAB \$35M EXCESS \$1M	2,712,922		
1/11/2022	EIM	LIABILITY	LIAB \$65M EXCESS \$36M	761,625	1.59%	55,127
6/30/2022	AEGIS	LIABILITY	PROF LIAB [E&O] \$35M EXCESS \$500K	231,779	1.59%	3,677
9/8/2022	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	551,447	1.79%	9,884
12/8/2022	EVEREST NATIONAL	LIABILITY	FRONTING POLICY AND BEAZLEY EXTENS	35,413	1.59%	562
12/31/2022	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	343,768	1.79%	6,153
				\$ 4,636,954	1.63%	\$ 75,404
<u>PROPERTY</u>						
4/11/2022	PROPERTY POLICIES	PROPERTY	\$200M EXCESS \$250K	1,956,622	2.29%	44,745
5/19/2022	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	250,427	2.99%	7,495
11/18/2022	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	262,306	2.98%	7,829
12/31/2022	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	122,124	2.99%	3,651
				\$ 2,591,479	2.46%	\$ 63,721

NOTE 17 – SUBSEQUENT EVENTS

There were no significant subsequent events in the beginning of 2023.

NOTE 18 – 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 had 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. In June 2020 a new easement with the City could not be reached. Subsequently, a new lease with AT&T could not be approved. In December 2022, the District received a letter from the City of Ferndale to vacate by the end of 2023. The assets involved are almost fully depreciated. The cost to return the property to its original state is estimated at \$30,000-50,000. Since the removal of equipment would affect the City of Ferndale communications, there is discussion if they would want to assume ownership. Since the removal is still unsure, a partial liability was recorded for \$25,000.
- 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

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2022

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.

An asset retirement obligation was recorded in 2022 due to the City of Ferndale's notice to vacate the land where the cell tower resides. No asset retirement obligations for the other assets have been recognized on the financial statements due to the cost not being reasonably estimable for reasons noted above.

MCAG NO. 1806

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, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contribution Rate per Qualified Hour	\$ 7.00	\$ 6.50	\$ 6.25	\$ 6.00	\$ 5.75	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.25	\$ 5.00
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	\$ 14,560	\$ 13,520	\$ 13,000	\$ 12,480	\$ 11,960	\$ 11,440	\$ 11,440	\$ 11,440	\$ 10,920	\$ 10,400
# Covered Employees at 12/31	7	7	7	6	6	6	6	6	6	6
Actual Contributions	\$ 101,101	\$ 93,698	\$ 94,115	\$ 75,191	\$ 72,444	\$ 73,521	\$ 68,833	\$ 73,194	\$ 65,723	\$ 60,916
Covered-employee payroll	\$ 576,554	\$ 567,449	\$ 536,249	\$ 452,268	\$ 423,316	\$ 487,409	\$ 420,577	\$ 407,579	\$ 405,406	\$ 421,384
Contributions as a % of covered-employee payro	17.5%	16.5%	17.6%	16.6%	17.1%	15.1%	16.4%	18.0%	16.2%	14.5%

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