



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Public Utility District No. 1 of Whatcom County

For the period January 1, 2021 through December 31, 2022

Published January 25, 2024

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**Office of the Washington State Auditor
Pat McCarthy**

January 25, 2024

Board of Commissioners
Public Utility District No. 1 of Whatcom County
Ferndale, Washington

Report on Financial Statements

Please find attached our report on Public Utility District No. 1 of Whatcom County's financial statements.

We are issuing this report in order to provide information on the District's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Public Utility District No. 1 of Whatcom County January 1, 2021 through December 31, 2022

Board of Commissioners
Public Utility District No. 1 of Whatcom County
Ferndale, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Public Utility District No. 1 of Whatcom County, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 16, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

January 16, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No. 1 of Whatcom County January 1, 2021 through December 31, 2022

Board of Commissioners
Public Utility District No. 1 of Whatcom County
Ferndale, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of Public Utility District No. 1 of Whatcom County, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Whatcom County, as of December 31, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 12 to the financial statements, in 2022, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting

or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy, State Auditor

Olympia, WA

January 16, 2024

FINANCIAL SECTION

Public Utility District No. 1 of Whatcom County January 1, 2021 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022
Management's Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022
Statement of Net Position – 2021
Statement of Revenues, Expenses and Changes in Net Position – 2022
Statement of Revenues, Expenses and Changes in Net Position – 2021
Statement of Cash Flows – 2022
Statement of Cash Flows – 2021
Notes to Financial Statements – 2022
Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions – Western Conference of Teamsters Pension Plan –
2022
Schedule of Employer Contributions – Western Conference of Teamsters Pension Plan –
2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022
Schedule of Liabilities – 2021

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	\$ 13,512,845	\$ 13,503,523
Non-Current Assets	1,428,781	1,450,111
Capital Assets (Net)	50,765,232	50,774,448
TOTAL ASSETS	\$ 65,706,858	\$ 65,728,082
LIABILITIES		
Current Liabilities	4,311,608	4,457,571
Non-Current Liabilities	19,316,961	21,411,275
TOTAL LIABILITIES	\$ 23,628,569	\$ 25,868,846
NET POSITION		
Net Investment in Capital Assets	29,911,370	28,055,347
Restricted for Debt Service	1,405,475	1,450,864
Restricted for Miscellaneous Reserves	-	-
Unrestricted	10,761,445	10,353,026
TOTAL NET POSITION	\$ 42,078,289	\$ 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	790,031	418,267
TOTAL REVENUE	\$ 21,335,577	\$ 21,186,903
EXPENSES		
Operating Expenses	17,950,536	19,318,455
Nonoperating Expenses	1,165,988	931,718
TOTAL EXPENSES	\$ 19,116,524	\$ 20,250,172
INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS	\$ 2,219,053	\$ 936,731
CHANGE IN NET POSITION	\$ 2,219,053	\$ 936,731
BEGINNING NET POSITION	\$ 39,859,236	\$ 38,922,506
ENDING NET POSITION	\$ 42,078,289	\$ 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 \$2,219,000 or 6%. Total assets decreased by \$21,000 and total liabilities decreased by \$2,240,000 producing a net increase in net position.

The major components contributing to the decrease in assets were an increase in Cash and Cash Equivalents of \$1,005,000 from timing of payments and delays in capital projects, a decrease in Net Receivables of \$953,000 due primarily to timing of customer payments, a decrease in Total Capital Assets Net of Depreciation of \$9,000, 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 \$249,000 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 \$21,000 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 \$2,219,000 in 2022 (a \$1,282,000 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 \$234,000.

CAPITAL ASSETS

Analysis of Changes in Capital Assets from 2021-2022

During 2022, Total Capital Assets Net of Depreciation decreased by \$9,000 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 \$83,000 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 \$1,748,000. 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
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:

	2021	2020
ASSETS		
Current Assets	\$ 13,503,523	\$ 14,046,780
Non-Current Assets	1,450,111	3,385,101
Capital Assets (Net)	50,774,448	45,298,071
TOTAL ASSETS	\$ 65,728,082	\$ 62,729,953
LIABILITIES		
Current Liabilities	4,457,571	4,114,112
Non-Current Liabilities	21,411,275	19,693,336
TOTAL LIABILITIES	\$ 25,868,846	\$ 23,807,447
NET POSITION		
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
TOTAL NET POSITION	\$ 39,859,236	\$ 38,922,506

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:

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

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 \$2,998,000 and total liabilities increased by \$2,061,000 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 \$1,244,000 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 \$140,000 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, 2022

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	
Cash	\$ 75,938
Whatcom County Investment Pool	11,670,939
Total Cash & Cash Equivalents	<u>11,746,877</u>
Receivables (Net):	
Customers	1,523,460
Other	3,146
Total Accounts Receivables (Net)	<u>1,526,606</u>
Restricted Cash & Cash Equivalents	192,765
Prepayments	46,598
TOTAL CURRENT ASSETS	<u>\$ 13,512,845</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	38,099
Less Accumulated Depreciation	<u>(25,808,253)</u>
Total Capital Assets (Net)	<u>50,765,232</u>
TOTAL NONCURRENT ASSETS	<u>\$ 52,194,013</u>

TOTAL ASSETS	<u>\$ 65,706,858</u>
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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	\$ 1,003,633
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	\$ 4,311,608

NON-CURRENT LIABILITIES

Leases	\$ 21,295
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	\$ 19,316,961

TOTAL LIABILITIES

\$ 23,628,569

NET POSITION

Net Investment in Capital Assets	\$ 29,911,370
Restricted for Debt Service	1,405,475
Unrestricted	10,761,445
TOTAL NET POSITION	\$ 42,078,289

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

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	
Cash	\$ (596,603)
Whatcom County Investment Pool	11,338,274
Total Cash & Cash Equivalents	10,741,671
Receivables (Net):	
Customers	2,478,493
Other	1,201
Total Accounts Receivables (Net)	2,479,693
Restricted Cash & Cash Equivalents	238,154
Prepayments	44,005
TOTAL CURRENT ASSETS	\$ 13,503,523

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	(24,059,868)
Total Capital Assets (Net)	50,774,448
TOTAL NONCURRENT ASSETS	\$ 52,224,559

TOTAL ASSETS

\$ 65,728,082

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	\$ 1,252,589
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
TOTAL CURRENT LIABILITIES	<u>\$ 4,457,571</u>

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
TOTAL NON-CURRENT LIABILITIES	<u>\$ 21,411,275</u>

TOTAL LIABILITIES

\$ 25,868,846

NET POSITION

Net Investment in Capital Assets	28,055,347
Restricted for Debt Service	1,450,864
Unrestricted	10,353,026
TOTAL NET POSITION	<u>\$ 39,859,236</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	\$ 20,545,546

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	\$ 17,950,536

OPERATING INCOME (LOSS)

\$ 2,595,010

NONOPERATING REVENUE

Lease Income	\$ 23,196
Grant Revenue	435,590
Assessment Income	115,250
Interest Income	151,255
Interest Fees	(5,849)
Connection Fee	150
Penalties	70,439
TOTAL NONOPERATING REVENUE	\$ 790,031

NONOPERATING EXPENSE

Interest Expense	\$ 606,087
Amortization	23,489
Grant Expenses	248,326
Loss (Gain) on Property Disposal	46,499
Business Development	241,588
TOTAL NONOPERATING EXPENSE	\$ 1,165,988

**INCOME BEFORE CONTRIBUTIONS,
AND EXTRAORDINARY ITEMS**

\$ 2,219,053

CHANGE IN NET POSITION

\$ 2,219,053

TOTAL NET POSITION - JANUARY 1st

\$ 39,859,236

TOTAL NET POSITION - DECEMBER 31st

\$ 42,078,289

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

OPERATING REVENUE

Utility Sales and Service Revenues	\$ 20,765,809
Other Operating Revenue	2,827
TOTAL OPERATING REVENUE	\$ 20,768,636

OPERATING EXPENSES

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
TOTAL OPERATING EXPENSES	\$ 19,318,455

OPERATING INCOME (LOSS)	\$ 1,450,182
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NONOPERATING REVENUE

Lease Income	18,357
Grant Revenue	67,258
Assessment Income	165,909
Interest Income	157,985
Interest Fees	(9,875)
Penalties	18,632
TOTAL NONOPERATING REVENUE	\$ 418,267

NONOPERATING EXPENSE

Interest Expense	677,002
Amortization	113,274
Grant Expenses	59,910
Loss (Gain) on Property Disposal	81,532
TOTAL NONOPERATING EXPENSE	\$ 931,718

INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	\$ 936,731
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CHANGE IN NET POSITION	\$ 936,731
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TOTAL NET POSITION - JANUARY 1st	\$ 38,922,506
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TOTAL NET POSITION - DECEMBER 31st	\$ 39,859,236
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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	(13,930,055)
Payments to employees (Labor only)	(2,563,165)

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

\$ 5,166,428

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**

\$ 959,816

BALANCE BEGINNING OF YEAR

12,192,535

BALANCE END OF YEAR

\$ 13,152,351

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	(248,956)
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>\$ 5,166,428</u>
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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	(14,952,895)
Payments to employees (Labor only)	(2,188,122)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,967,555</u>

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES

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

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)
Capital Contributions	-
Assessments Received for 2007 & 2016 debt payments	165,909
Issue costs of debt	(105,000)
Proceeds / (Funding) of Reserve Requirements	(1,996,572)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (6,387,702)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

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

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

\$ (3,238,734)

BALANCE BEGINNING OF YEAR

15,431,269

BALANCE END OF YEAR

\$ 12,192,535

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
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Adjustments to reconcile operating income to net cash

Cash Provided (Used) by operating activities:

Depreciation	1,803,946
Miscellaneous - Non-operating	11,034

Change in Assets and Liabilities:

Decrease (Increase) in Net Accounts Receivable	(696,969)
Decrease (Increase) in Prepayments	(1,935)
Increase (Decrease) in Account Payable	140,038
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

NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,967,554
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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 \$11,670,939 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	\$ 1,212,710
TOTAL RESTRICTED RESERVE BALANCES	\$ 1,405,475

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

8. 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.

9. 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*.

10. Other Accrued Liabilities

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

11. 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.

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

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 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	
	<i><u>Maturities</u></i>	<i><u>Amortized Cost</u></i>
INVESTMENTS		
Short-Term Investments		
Whatcom County Investment Pool	\$ 11,863,704	\$ 11,863,704
Non-Current		
Whatcom County Investment Pool	1,212,710	1,212,710
TOTAL INVESTMENTS	<u>\$ 13,076,414</u>	<u>\$ 13,076,414</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-PROGRESS	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)	-	38,099	-	38,099
TOTAL LEASE	-	38,099	-	38,099
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 66,057,307	\$ 101,481	\$ (126,490)	\$ 66,032,298
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	-	(17,462)	-	(17,462)
TOTAL ACCUMULATED DEPRECIATION	(24,059,868)	(1,828,877)	80,492	(25,808,253)
TOTAL CAPITAL ASSETS BEING DEPRECIATED (NET)	\$ 41,997,439	\$ (1,727,396)	\$ (45,999)	\$ 40,224,044
TOTAL CAPITAL ASSETS, NET	\$ 50,774,448	\$ 100,164	\$ (109,381)	\$ 50,765,232

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:

	District Capital Project #	2022	
		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 Replacement	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				
Due To		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service
						Total
	Industrial Water		\$ 779,546			\$ 3,220,186
	Grandview					17,558
	Electric					1,171,288
	Alcoa Fund					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				
Transfer To		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service
						Total
	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 District's 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.wcptension.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	\$ -	\$ 38,099	\$ -	\$ 38,099
Accum Depreciation	\$ -	\$ (17,462)	\$ -	\$ (17,462)

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

Year Ended December 31	Principal	Interest	Total
2023	\$ 19,600	\$ 870	\$ 20,470
2024	\$ 1,696	\$ 10	\$ 1,706
Total	\$ 21,296	\$ 880	\$ 22,176

NOTE 13 – 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.

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

For The Year Ended December 31, 2022

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 UTILITY	GRANDVIEW UTILITY	ELECTRIC UTILITY	ALCOA SVCS	INTERNAL SERVICES FUND	DISTRICT TOTAL
OPERATING REVENUE						
Utility Sales and Service Revenues	\$ 9,569,572	\$ 243,660	\$ 10,816,568	\$ -	\$ -	\$ 20,544,909
Other Operating Revenue	633	-	4	-	-	637
TOTAL OPERATING REVENUE	\$ 9,570,205	\$ 243,660	\$ 10,816,572	\$ -	\$ -	\$ 20,545,546
OPERATING EXPENSES						
Operations:						
Purchased Water	-	\$ 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	-	-	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)	\$ 17,950,536
OPERATING INCOME (LOSS)	\$ 2,645,156	\$ (33,621)	\$ 25,749	\$ (42,275)	\$ 0	\$ 2,595,010
NONOPERATING REVENUE						
Lease Income	23,196	-	-	-	-	23,196
Grant Revenue	246,754	-	188,836	-	-	435,590
Assessment Income	-	115,250	-	-	-	115,250
Interest Income	99,401	7,662	41,733	2,459	-	151,255
Interest Fees	(4,024)	0	(1,718)	(107)	-	(5,849)
Connection Fee	-	150	-	-	-	150
Penalties	70,429	9	-	-	-	70,439
TOTAL NONOPERATING REVENUE	\$ 435,757	\$ 123,071	\$ 228,852	\$ 2,352	\$ -	\$ 790,031
NONOPERATING EXPENSE						
Interest Expense	423,228	18,086	164,772	-	-	606,087
Amortization	14,748	1,728	7,014	-	-	23,489
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	\$ 2,214,231	\$ 75,972	\$ (1,174,215)	\$ 50,000	\$ -	\$ 1,165,988
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	\$ 866,682	\$ 13,478	\$ 1,428,816	\$ (89,923)	\$ 0	\$ 2,219,053
Capital Contributions	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
CHANGE IN NET POSITION	\$ 866,682	\$ 13,478	\$ 1,428,816	\$ (89,923)	\$ 0	\$ 2,219,053
NET POSITION - DECEMBER 31st	\$ 21,573,608	\$ 925,336	\$ 16,881,472	\$ 434,754	\$ 44,067	\$ 39,859,236
	\$ 22,440,290	\$ 938,814	\$ 18,310,288	\$ 344,831	\$ 44,067	\$ 42,078,289

This note to financial statements is an integral part of this statement.

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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	DISTRICT
	INDUSTRIAL	GRANDVIEW	ELECTRIC	ALCOA SVC	INTERNAL	TOTAL
	WATER UTILITY	UTILITY	UTILITY		SERVICES FUND	
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	\$ 241,234	\$ 2,276	\$ 500,284	\$ 5,870	\$ 253,969	\$ 1,003,633
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	\$ 1,897,334	\$ 174,923	\$ 1,331,581	\$ 5,870	\$ 901,900	\$ 4,311,608
NON-CURRENT LIABILITIES						
Leases	-	-	-	-	21,295	21,295
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	\$ -	\$ 21,295	\$ 19,316,961
TOTAL LIABILITIES	\$ 14,581,452	\$ 757,973	\$ 7,360,080	\$ 5,870	\$ 923,195	\$ 23,628,569
NET POSITION						
Net Investment in Capital Assets	12,526,945	1,195,197	13,683,938	-	2,505,290	29,911,370
Restricted for Debt Service	810,108	192,765	402,602	-	-	1,405,475
Unrestricted	9,103,237	(449,148)	4,223,748	344,831	(2,461,224)	10,761,445
TOTAL NET POSITION	\$ 22,440,290	\$ 938,814	\$ 18,310,288	\$ 344,831	\$ 44,067	\$ 42,078,289

PUD No. 1 of Whatcom County

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	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES	INDUSTRIAL WATER	GRANDVIEW	ELECTRIC	BPA-ALCOA ESCROW	INTERNAL SERVICE	
Receipts from Customers	\$ 9,619,860	\$ 227,457	\$ 11,773,194	\$ -	\$ 39,137	\$ 21,659,648
Payments to suppliers	(2,460,111)	(57,577)	(9,468,480)	(40,429)	(1,903,457)	(13,930,055)
Payments to employees (Labor only)					(2,563,165)	(2,563,165)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 7,159,749	\$ 169,880	\$ 2,304,714	\$ (40,429)	\$ (4,427,486)	\$ 5,166,428
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from (to) Other Utilities	\$ (4,732,414)	\$ (184,615)	\$ 248,385	\$ (46,842)	\$ 4,715,486	\$ (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	\$ (4,841,267)	\$ (184,637)	\$ 389,712	\$ (46,842)	\$ 4,716,360	\$ 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	\$ (232,295)	\$ (55,890)	\$ 1,121,331	\$ (84,920)	\$ 211,591	\$ 959,816
BALANCE BEGINNING OF YEAR	7,814,352	598,731	3,455,724	220,253	103,475	12,192,535
BALANCE END OF PERIOD	\$ 7,582,057	\$ 542,841	\$ 4,577,055	\$ 135,333	\$ 315,066	\$ 13,152,351

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	TOTAL
	INDUSTRIAL WATER	GRANDVIEW	ELECTRIC	BPA-ALCOA ESCROW	INTERNAL 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	(65,942)	(691)	(403,031)	5,003	215,705	(248,956)
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	\$ 7,159,749	\$ 169,880	\$ 2,304,714	\$ (40,429)	\$ (4,427,486)	\$ 5,166,428

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

NOTE 14 - 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 15 - 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
PURMS 2021						
LIABILITY						
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
PROPERTY						
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
PURMS 2022						
LIABILITY						
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
PROPERTY						
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 16 – SUBSEQUENT EVENTS

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

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 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.

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:

RESTRICTED RESERVE BALANCES	2021
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	<u>\$ 1,212,710</u>
TOTAL RESTRICTED RESERVE BALANCES	\$ 1,450,864

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:

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

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 Beginning Balance	2021 Activity		2021 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	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
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 2,280,091	\$ 7,147,158	\$ (650,242)	\$ 8,777,009
CAPITAL ASSETS BEING DEPRECIATED				
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
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 65,503,882	\$ 864,937	\$ (311,512)	\$ 66,057,307
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)
TOTAL CAPITAL ASSETS BEING DEPRECIATED (NET)	\$ 43,017,980	\$ (939,008)	\$ (81,532)	\$ 41,997,439
TOTAL CAPITAL ASSETS, NET	\$ 45,298,071	\$ 6,208,150	\$ (731,774)	\$ 50,774,448

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 Capital Project #	2021	
		Spent Through 12/31/21	Remaining 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
TOTAL CONSTRUCTION IN PROGRESS		\$ 8,612,749	\$ 39,145,000

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 DATE	REMAINING 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
	\$ 807,844	\$ 2,282,285

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 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 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
2012 LTGO - Refunded the 2004 LTGO bonds	2012-2024	2.60%	5,980,000	360,000
2013 LTGO - Funding to complete the Water Plant 2 rebuild	2014-2032	2.66%	6,025,000	275,000
2016 LTGO - Advanced refunded 2007 Water Revenue Bonds	2018-2027	2.09%	1,457,628	145,763
2021 LTGO Series A - Funding for substation rebuilds	2021-2040	0.94%	4,580,000	125,000
2021 LTGO Series 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
TOTAL	\$ 1,185,000	\$ 88,115	\$ 3,945,000	\$ 1,008,200	\$ 874,577	\$ 63,975	\$ 13,660,000	\$ 3,927,600

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
TOTAL	\$ 726,972	\$ 71,009

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:

		Due From				
		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service
Due To	Industrial Water		\$ 788,388			\$ 3,116,423
	Grandview					12,982
	Electric					1,132,554
	Alcoa Fund					215,368
	Internal Service	1,715,590	24,751	705,322		
	Total	\$1,715,590	\$ 813,140	\$705,322	\$ -	\$4,477,327

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:

		Transfer From				
		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service
Transfer To	Industrial Water		\$ 56,289			
	Grandview				204,000	
	Electric	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 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 District's 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.wcptension.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>	<u>\$4.75</u>	<u>2017</u>	<u>\$ 5.50</u>
<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>

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	411	481	490	500	
	INDUSTRIAL	GRANDVIEW	ELECTRIC	ALCOA	INTERNAL	DISTRICT
	WATER UTILITY	W UTILITY	UTILITY	SVCS	SERVICES FUND	TOTAL
OPERATING REVENUE						
Utility Sales and Service Revenues	\$ 9,035,517	\$ 256,339	\$ 11,558,864	\$ -	\$ -	\$ 20,765,809
Other Operating Revenue	2,710	-	117	-	-	2,827
TOTAL OPERATING REVENUE	\$ 9,038,227	\$ 256,339	\$ 11,558,981	\$ -	\$ -	\$ 20,768,636
OPERATING EXPENSES						
Operations:						
Purchased Water	\$ -	\$ 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	-	-	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
TOTAL OPERATING EXPENSES	\$ 6,100,774	\$ 334,798	\$ 12,967,793	\$ -	\$ -	\$ 19,318,455
OPERATING INCOME (LOSS)	\$ 2,937,453	\$ (78,459)	\$ (1,408,812)	\$ -	\$ -	\$ 1,450,182
NONOPERATING REVENUE						
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
TOTAL NONOPERATING REVENUE	\$ 191,737	\$ 172,043	\$ 51,168	\$ 3,319	\$ -	\$ 418,267
NONOPERATING EXPENSE						
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
TOTAL NONOPERATING EXPENSE	\$ 3,111,978	\$ (124,979)	\$ (2,259,281)	\$ 204,000	\$ -	\$ 931,718
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	\$ 17,212	\$ 218,563	\$ 901,637	\$ (200,681)	\$ -	\$ 936,731
CHANGE IN NET POSITION	\$ 17,212	\$ 218,563	\$ 901,637	\$ (200,681)	\$ -	\$ 936,731
NET POSITION - JANUARY 1st	\$ 21,556,396	\$ 706,773	\$ 15,979,835	\$ 635,435	\$ 44,067	\$ 38,922,506
NET POSITION - DECEMBER 31st	\$ 21,573,608	\$ 925,336	\$ 16,881,472	\$ 434,754	\$ 44,067	\$ 39,859,236

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, 2021

	403	411	481	490	500	DISTRICT
	INDUSTRIAL	GRANDVIEW	ELECTRIC	ALCOA SVC	INTERNAL	TOTAL
	WATER	UTILITY	UTILITY		SERVICES	FUND
	UTILITY				FUND	
ASSETS						
CURRENT ASSETS						
Cash & Cash Equivalents						
Cash	\$ 764,686	\$ (147,077)	\$ (1,336,274)	\$ 495	\$ 121,567	\$ (596,603)
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	103,475	10,741,671
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
TOTAL CURRENT ASSETS	\$ 9,946,413	\$ (183,401)	\$ 5,188,875	\$ 435,621	\$ (1,883,984)	\$ 13,503,523
NON-CURRENT ASSETS						
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
TOTAL NONCURRENT ASSETS	\$ 27,735,322	\$ 2,015,304	\$ 19,808,961	\$ -	\$ 2,664,972	\$ 52,224,559
TOTAL ASSETS	\$ 37,681,735	\$ 1,831,902	\$ 24,997,836	\$ 435,621	\$ 780,988	\$ 65,728,082

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Net Position

As of December 31, 2021

	403 INDUSTRIAL WATER UTILITY	411 GRANDVIEW UTILITY	481 ELECTRIC UTILITY	490 ALCOA SVC	500 INTERNAL SERVICES FUND	DISTRICT TOTAL
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	\$ 307,176	\$ 2,967	\$ 903,315	\$ 867	\$ 38,264	\$ 1,252,589
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
Interfund Payables	-	-	-	-	-	-
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
TOTAL CURRENT LIABILITIES	\$ 1,830,968	\$ 177,754	\$ 1,711,060	\$ 867	\$ 736,921	\$ 4,457,571
NON-CURRENT LIABILITIES						
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
TOTAL NONCURRENT LIABILITIES	\$ 14,277,159	\$ 728,813	\$ 6,405,304	\$ -	\$ -	\$ 21,411,275
TOTAL LIABILITIES	\$ 16,108,127	\$ 906,567	\$ 8,116,364	\$ 867	\$ 736,921	\$ 25,868,846
NET POSITION						
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
TOTAL NET POSITION	\$ 21,573,608	\$ 925,336	\$ 16,881,472	\$ 434,754	\$ 44,067	\$ 39,859,236

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	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES	INDUSTRIAL WATER	GRANDVIEW	ELECTRIC	BPA-ALCOA ESCROW	INTERNAL SERVICE	
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)	(1,878,215)	(14,952,895)
Payments to employees (Labor only)					(2,188,122)	(2,188,122)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 7,253,227	\$ 100,633	\$ (319,094)	\$ (1,988)	\$ (4,065,225)	\$ 2,967,555
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
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)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ (5,307,366)	\$ 50,154	\$ 1,435,811	\$ (201,146)	\$ 4,055,849	\$ 33,303
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
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	(1,786,407)		(105,000)			(105,000)
Proceeds / (Funding) of Reserve Requirements			(210,166)			(1,996,572)
NET CASH PROVIDED / (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (4,856,559)	\$ (225,533)	\$ (1,124,212)	\$ -	\$ (181,397)	\$ (6,387,702)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	87,464	6,133	51,158	3,319	37	148,111
NET CASH PROVIDED / (USED) FROM INVESTING ACTIVITIES	\$ 87,464	\$ 6,133	\$ 51,158	\$ 3,319	\$ 37	\$ 148,111
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (2,823,235)	\$ (68,613)	\$ 43,664	\$ (199,814)	\$ (190,736)	\$ (3,238,734)
BALANCE BEGINNING OF YEAR	10,637,587	667,344	3,412,060	420,068	294,210	15,431,269
BALANCE END OF PERIOD	\$ 7,814,352	\$ 598,731	\$ 3,455,724	\$ 220,253	\$ 103,475	\$ 12,192,535

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	TOTAL
	INDUSTRIAL WATER	GRANDVIEW	ELECTRIC	BPA-ALCOA ESCROW	INTERNAL SERVICE	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH						
Operating Income (Loss)	\$ 2,937,453	\$ (78,459)	\$ (1,408,812)	\$ -	\$ 0	\$ 1,450,182
Adjustments to reconcile operating income to net cash provided (used) by operating activity						
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	(188,397)	140,038
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
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 7,253,227	\$ 100,633	\$ (319,094)	\$ (1,988)	\$ (4,065,225)	\$ 2,967,555

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.

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 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
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2021

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
PURMS 2020						
LIABILITY						
1/7/2020	AEGIS	LIABILITY	LIAB \$35M EXCESS \$1M	\$ 1,543,623		
1/7/2020	EIM	LIABILITY	LIAB \$65M EXCESS \$36M	507,750	1.47%	\$ 30,255
6/22/2020	AEGIS	LIABILITY	PROF LIAB [E&O] \$35M EXCESS \$500K	175,649	1.47%	2,591
7/6/2020	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	501,238	1.69%	8,472
7/15/2020	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	973,378	1.69%	16,457
11/19/2020	BEAZLEY	LIABILITY	CYBER POLICY \$10M EXCESS \$500K	141,587	1.53%	2,162
12/3/2020	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	508,017	1.69%	8,586
12/31/2020	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	60,266	1.61%	972
				\$ 4,411,509	1.58%	\$ 69,494
PROPERTY						
4/2/2020	NATIONAL UNION & HOMESITE	PROPERTY	\$200M EXCESS \$250K	1,485,759	2.27%	33,757
7/6/2020	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	282,221	3.08%	8,697
12/31/2020	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	171,931	3.01%	5,169
				\$ 1,939,911	2.45%	\$ 47,624
PURMS 2021						
LIABILITY						
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
PROPERTY						
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

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, 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 payroll	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.

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 payroll	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.

Public Utility District No. 1 of Whatcom County
Schedule of Liabilities
For the Year Ended December 31, 2022

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2012 LTGO BONDS	12/1/2024	1,185,000	-	380,000	805,000
251.11	2012 LTGO BOND DISCOUNT	12/1/2024	(1,390)	-	(463)	(927)
251.11	2013 LTGO BONDS	12/1/2032	3,945,000	-	295,000	3,650,000
251.11	2013 LTGO BOND PREMIUM	12/1/2032	253,396	-	24,326	229,070
251.11	2016 LTGO BOND	12/1/2027	874,576	-	145,763	728,813
251.11	2021 LTGO SERIES A	12/1/2040	4,455,000	-	160,000	4,295,000
251.11	2021 LTGO SERIES B	12/1/2030	9,205,000	-	870,000	8,335,000
251.11	2021 LTGO PREMIUM	12/1/2040	2,655,546	-	138,550	2,516,996
Total General Obligation Debt/Liabilities:			22,572,128	-	2,013,176	20,558,952
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	COMPENSATED ABSENCES		633,309	-	27,157	606,152
263.57	FORKLIFT LEASE	2/24/2024	-	21,295	-	21,295
263.86	2019 EDI LOAN	11/1/2039	726,973	-	37,063	689,910
263.99	PURMS CLAIMS RECEIVABLE		73,183	-	20,776	52,407
263.99	CUSTOMER DEPOSITS		16,182	8,260	-	24,442
263.99	CONTRACTOR RETAINAGE		284,477	5,533	-	290,010
263.99	ASSET RETIREMENT		-	25,000	-	25,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,734,124	60,088	84,996	1,709,216
Total Liabilities:			24,306,252	60,088	2,098,172	22,268,168

Public Utility District No. 1 of Whatcom County
Schedule of Liabilities
For the Year Ended December 31, 2021

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2010 LTGO series B	12/1/2030	13,750,000	-	13,750,000	-
251.11	2010 LTGO bond premium	12/1/2030	33,555	-	33,555	-
251.11	2012 LTGO BONDS	12/1/2024	1,550,000	-	365,000	1,185,000
251.11	2012 LTGO BOND DISCOUNT	12/1/2024	(1,853)	-	(463)	(1,390)
251.11	2013 LTGO BONDS	12/1/2032	4,230,000	-	285,000	3,945,000
251.11	2013 LTGO BOND PREMIUM	12/1/2032	277,722	-	24,326	253,396
251.11	2016 LTGO BOND	12/1/2027	1,020,339	-	145,763	874,576
251.11	2021 LTGO SERIES A	12/1/2040	-	4,580,000	125,000	4,455,000
251.11	2021 LTGO SERIES B	12/1/2030	-	10,220,000	1,015,000	9,205,000
251.11	2021 LTGO PREMIUM	12/1/2040	-	2,771,004	115,459	2,655,545
263.91	2019 EDI LOAN	11/1/2039	763,668	-	36,695	726,973
263.98	TEAMSTER WITHDRAWAL		17,878	-	17,878	-
263.98	PURMS CLAIMS RECEIVABLE		73,706	-	523	73,183
263.98	CUSTOMER DEPOSITS		6,182	10,000	-	16,182
263.98	CONTRACTOR RETAINAGE		15,668	268,809	-	284,477
Total General Obligation Debt/Liabilities:			21,736,865	17,849,813	15,913,736	23,672,942
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	COMPENSATED ABSENCES		560,195	73,114	-	633,309
Total Revenue and Other (non G.O.) Debt/Liabilities:			560,195	73,114	-	633,309
Total Liabilities:			22,297,060	17,922,927	15,913,736	24,306,251

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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