



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, 2023 through December 31, 2023

Published November 25, 2024

Report No. 1036009



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

November 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,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor

Olympia, WA

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TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Independent Auditor's Report on the Financial Statements.....	6
Financial Section.....	10
About the State Auditor's Office.....	42

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, 2023 through December 31, 2023

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 year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit 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 opinion 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.



Pat McCarthy, State Auditor

Olympia, WA

November 13, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No. 1 of Whatcom County January 1, 2023 through December 31, 2023

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Public Utility District No. 1 of Whatcom County, as of and for the year ended December 31, 2023, 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, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Matters of Emphasis

As discussed in Note 2 to the financial statements, in 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 96, Subscription-Based Information Technology Arrangements*. 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 opinion. 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 November 13, 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

November 13, 2024

FINANCIAL SECTION

Public Utility District No. 1 of Whatcom County January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023

Statement of Revenues, Expenses and Changes in Net Position – 2023

Statement of Cash Flows – 2023

Notes to Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions – Western Conference of Teamsters Pension Plan –
2023

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2023

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:

	2023	2022
ASSETS		
Current Assets	\$ 14,653,460	\$ 13,512,845
Non-Current Assets	1,073,120	1,428,781
Capital Assets (Net)	51,571,974	50,765,232
TOTAL ASSETS	\$ 67,298,554	\$ 65,706,858
DEFERRED OUTFLOW OF RESOURCES	\$ 95,000	\$ -
LIABILITIES		
Current Liabilities	4,749,997	4,311,608
Non-Current Liabilities	17,115,316	19,316,961
TOTAL LIABILITIES	\$ 21,865,313	\$ 23,628,569
NET POSITION		
Net Investment in Capital Assets	32,638,721	29,911,370
Restricted for Debt Service	1,050,447	1,405,475
Restricted for Miscellaneous Reserves	-	-
Unrestricted	11,839,073	10,761,445
TOTAL NET POSITION	\$ 45,528,241	\$ 42,078,289

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2023

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

	2023	2022
REVENUES		
Operating Revenue	\$ 20,833,835	\$ 20,545,546
Nonoperating Revenue	695,081	790,031
TOTAL REVENUE	\$ 21,528,916	\$ 21,335,577
EXPENSES		
Operating Expenses	17,411,520	17,950,536
Nonoperating Expenses	667,444	1,165,988
TOTAL EXPENSES	\$ 18,078,965	\$ 19,116,524
INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS		
	\$ 3,449,952	\$ 2,219,053
Capital Contributions	-	-
Special / Extraordinary Items	-	-
CHANGE IN NET POSITION	\$ 3,449,952	\$ 2,219,053
BEGINNING NET POSITION	\$ 42,078,289	\$ 39,859,236
ENDING NET POSITION	\$ 45,528,241	\$ 42,078,289

FINANCIAL POSITION

Analysis of Changes in Total Net Position from 2022-2023

For the twelve months ending December 31, 2023, the total net position of the District increased by approximately \$3,450,000 or 8%. Total assets increased by \$1,592,000, total deferred outflow of resources increased by \$95,000 and total liabilities decreased by \$1,763,000 producing a net increase in net position.

The major components contributing to the increase in assets were an increase in Cash and Cash Equivalents of \$931,000 from timing of payments and delays in capital projects, an increase in Net Receivables of \$163,000 due primarily to timing of customer payments, an increase in Total Capital Assets Net of Depreciation of \$807,000, and a decrease of the remaining assets of \$309,000.

Total deferred outflow of resources reflected a recognition of an asset retirement obligation of \$95,000.

The major components of the decrease in total liabilities included an increase in Accounts Payables of \$352,000 due to timing of payments, a decrease of \$94,000 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 \$80,000, a net increase in Asset Retirement Obligation of \$165,000, a net decrease in the bonds principal and interest payable of \$2,122,000 due to debt service payments, a decrease of \$20,000 in the newly reported lease liability and a net increase of \$36,000 of the remaining liabilities.

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2023

RESULTS OF OPERATIONS

Analysis of changes in Revenue, Expenses, and change in Net Position for 2022-2023

Income before Contributions, and Extraordinary Items increased from \$2,219,000 in 2022 to \$3,450,000 in 2023 (a \$1,231,000 increase). Operating Revenue increased by \$288,000. Operating expenses decreased by \$539,000 primarily due to a drop in power costs. Non-operating Revenue decreased by \$95,000 primarily due to a decrease in grant revenue but offset by an increase in interest revenue. Non-operating Expenses reflected an overall decrease of \$499,000 due to a drop in grant expenses.

CAPITAL ASSETS

Analysis of Changes in Capital Assets from 2022-2023

During 2023, Total Capital Assets Net of Depreciation increased by \$807,000 and were comprised of an overall increase in non-depreciated assets, including Construction Work-in-Progress for \$1,186,000 (\$9,000 of Construction Work-in-Progress was expensed during 2023), and the following change in capital assets: the Industrial Water Utility increased by \$1,189,000, the Grandview Utility increased by \$28,000, the Electric Utility decreased by \$568,000, a \$177,000 increase for general utility and office assets accounted for in the Internal Services Fund, including the newly added SBITA assets and an increase in Accumulated Depreciation of \$1,205,000. SEE Note 4, *Capital Assets*.

LONG-TERM DEBT

Analysis of Changes in Long-Term Debt from 2022-2023

During 2023, the 2012 LTGO bond issue was reduced by \$395,000, the District's indebtedness for the 2013 LTGO bonds was reduced by \$305,000, 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 \$1,070,000 for a total overall long-term debt decrease of \$1,953,000. 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, 2023

ASSETS**CURRENT ASSETS**

Cash & Cash Equivalents	
Cash	\$ 419,998
Whatcom County Investment Pool	12,258,291
Total Cash & Cash Equivalents	<u>12,678,289</u>
Receivables (Net):	
Customers	1,683,921
Other	6,177
Total Accounts Receivables (Net)	<u>1,690,097</u>
Restricted Cash & Cash Equivalents	172,067
Prepayments	113,006
TOTAL CURRENT ASSETS	<u>\$ 14,653,460</u>

NON-CURRENT ASSETS

Bond Issue Costs	194,740
Restricted Assets	
Investments - Bond Reserves	878,380
Capital Assets Not Being Depreciated	
Land	108,000
Easements	56,260
Construction in Progress	11,562,743
Capital Assets Being Depreciated:	
Buildings & Structures	26,067,857
Machinery & Equipment	39,878,245
Intangible	866,000
Leases	38,099
SBITA - Subscription Based IT Arrangements	7,883
Less Accumulated Depreciation	<u>(27,013,112)</u>
Total Capital Assets (Net)	<u>51,571,974</u>
TOTAL NONCURRENT ASSETS	<u>\$ 52,645,095</u>

TOTAL ASSETS**\$ 67,298,554****DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflow - ARO	95,000
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>\$ 95,000</u>

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, 2023

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 1,355,581
Accrued Employee Payable	511,747
Accrued Insurance Claims Reserve	51,333
Accrued Utility Taxes	218,538
Contractor Retainage	320,365
Asset Retirement Obligation	190,000
Bonds, Notes, and Loans Payable	
2012 LTGO Series A&B Bonds Principal - Current	410,000
2012 LTGO Series A&B Interest	1,298
2013 LTGO Bond Principal - Current	315,000
2013 LTGO Bond Interest	11,150
2016 LTGO Bond Principal - Current	145,763
2016 LTGO Bond Interest	1,016
2019 EDI Loan Principal - Current	37,808
2019 EDI Loan Interest	544
2021 LTGO Bond Principal - Current	1,115,000
2021 LTGO Bond Interest	38,533
Deposits & Other Payables	26,321
TOTAL CURRENT LIABILITIES	<u>\$ 4,749,997</u>

NON-CURRENT LIABILITIES

Leases	\$ 1,695
SBITA - Subscription Based IT Arrangements	3,939
Bonds, Notes, and Loans Payable	
2012 LTGO Bond Principal	(463)
2013 LTGO Bond Principal	3,234,744
2016 LTGO Bond Principal	437,287
2019 EDI Loan Principal	614,670
2021 LTGO Bond Principal	12,823,445
TOTAL NON-CURRENT LIABILITIES	<u>\$ 17,115,316</u>

TOTAL LIABILITIES

\$ 21,865,313

NET POSITION

Net Investment in Capital Assets	32,638,721
Restricted for Debt Service	1,050,447
Unrestricted	11,839,073
TOTAL NET POSITION	<u>\$ 45,528,241</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, 2023

OPERATING REVENUE

Utility Sales and Service Revenues	\$ 20,833,764
Other Operating Revenue	71
TOTAL OPERATING REVENUE	<u>\$ 20,833,835</u>

OPERATING EXPENSES

Operations:	
Purchased Water	\$ -
Purchased Power	7,927,628
Water Purification	449,073
Taxes / Process / Delivery Costs	479,153
General Operations	1,023,986
Maintenance	1,315,077
Administration:	
General Administration	3,295,488
Planning and Development Expense	471,515
Depreciation Expense	1,771,877
Utility Tax Expense	677,724
TOTAL OPERATING EXPENSES	<u>\$ 17,411,520</u>

OPERATING INCOME (LOSS)**\$ 3,422,315****NONOPERATING REVENUE**

Lease Income	26,328
Grant Revenue	127,798
Assessment Income	133,247
Interest Income	343,889
Interest Fees	(6,597)
Connection Fee	75
Penalties	70,340
TOTAL NONOPERATING REVENUE	<u>\$ 695,081</u>

NONOPERATING EXPENSE

Interest Expense	536,004
Amortization	21,330
Grant Expenses	37,233
Loss (Gain) on Property Disposal	72,877
Business Development	-
TOTAL NONOPERATING EXPENSE	<u>\$ 667,444</u>

**INCOME BEFORE CONTRIBUTIONS,
AND EXTRAORDINARY ITEMS****\$ 3,449,952**

Capital Contributions (Connection Charges)	-
Special / Extraordinary Items	-

CHANGE IN NET POSITION**\$ 3,449,952****TOTAL NET POSITION - JANUARY 1st****\$ 42,078,289****TOTAL NET POSITION - DECEMBER 31st****\$ 45,528,241**

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 20,787,063
Payments to suppliers	(12,759,069)
Payments to employees (Labor only)	(2,784,618)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 5,243,376</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
Payments Received (Paid) for Non-operating work	\$ 164,255
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>\$ 164,255</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	\$ (2,629,600)
Lease of Capital Assets	(19,600)
Subscription based IT Assets	3,939
Principal paid on Capital Debt	(1,953,196)
Interest paid on Capital Debt	(703,329)
Assessments Received for 2007 & 2016 debt payments	133,247
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (5,168,538)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>337,292</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ 337,292</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 576,385</u>
BALANCE BEGINNING OF YEAR	<u>13,152,351</u>
BALANCE END OF YEAR	<u>\$ 13,728,737</u>

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

Public Utility District No. 1 of Whatcom County
 STATEMENT OF CASH FLOWS
 For The Year Ended December 31, 2023

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

Operating Income (Loss)	\$ 3,422,315
Adjustments to reconcile operating income to net cash	
Cash Provided (Used) by operating activities:	
Depreciation	1,771,877
Change in Assets and Liabilities:	
Decrease (Increase) in Net Accounts Receivable	(163,492)
Decrease (Increase) in Prepayments	(66,408)
Decrease (Increase) in Deferred Charges	(95,000)
Increase (Decrease) in Account Payable	351,948
Increase (Decrease) in Accrued Employee Payable	(94,405)
Increase (Decrease) in Accrued Insurance Claims Reserve	(1,074)
Increase (Decrease) in Accrued Utility Taxes	(79,619)
Increase (Decrease) in Contractor Retainage	30,355
Increase (Decrease) in Asset Retirement Obligations	165,000
Increase (Decrease) in Deposits & Other Payables	1,879
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,243,376

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, 2023

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, 2023

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, 2023, the treasurer was holding \$12,258,291 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 12, *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	2023
Restricted Cash & Cash Equivalents	
LUD #2 Cash & Investments	\$ 172,067
Bond Reserves	
2012 LTGO Bond Reserve	425,580
2013 LTGO Bond Reserve	452,800
Total Bond Reserves	<u>\$ 878,380</u>
TOTAL RESTRICTED RESERVE BALANCES	<u>\$ 1,050,447</u>

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

For The Year Ended December 31, 2023

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 reasonably 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, 2023

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, 50% for over 20 years of service, and 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. 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 retirement plan recordkeeping financial holding company. The District does not take part in the PERS retirement system. See Note 14, *Pension Plan*.

10. Other Accrued Liabilities

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

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

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

2023

1. GASB 96 concerning Subscription Based Information Tech Arrangements was implemented.
2. The Telecom utility is still not producing operating revenue so it was allocated across existing funds.

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.

Public Utility District No. 1 of Whatcom County
 NOTES TO FINANCIAL STATEMENT
 For The Year Ended December 31, 2023

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 413 days as of December 31, 2023. 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, 2023, the District had the following investments in the WCIP:

	2023	
	<i><u>Maturities</u></i>	<i><u>Amortized Cost</u></i>
INVESTMENTS		
Short-Term Investments		
Whatcom County Investment Pool	\$ 12,430,358	\$ 12,430,358
Non-Current		
Whatcom County Investment Pool	878,380	878,380
TOTAL INVESTMENTS	\$ 13,308,738	\$ 13,308,738

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2023

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ending December 31, 2023 was as follows:

	2023	2023 Activity		2023
	Beginning Balance	Increase	Decrease	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
LAND				
Industrial Water Utility	\$ 108,000	\$ -	\$ -	\$ 108,000
TOTAL LAND	108,000	-	-	108,000
EASEMENTS				
Industrial Water Utility	56,260	-	-	56,260
TOTAL EASEMENTS	56,260	-	-	56,260
CONSTRUCTION-IN-PROGRESS				
Industrial Water Utility	1,625,107	1,460,778	(1,188,510)	1,897,375
Grandview Potable Water Utility	-	28,205	(27,961)	244
Electric Utility	8,652,445	984,325	(71,739)	9,565,031
General Utility & Office (Internal Services Utility)	99,377	170,305	(169,588)	100,094
TOTAL CONSTRUCTION-IN-PROGRSS	10,376,928	2,643,612	(1,457,798)	11,562,743
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 10,541,188	\$ 2,643,612	\$ (1,457,798)	\$ 11,727,003
CAPITAL ASSETS BEING DEPRECIATED				
BUILDINGS & STRUCTURES				
Industrial Water Utility	\$ 19,649,280	\$ 9,953	\$ -	\$ 19,659,233
Grandview Water Utility	318,161	-	-	318,161
Electric Utility	4,457,484	-	-	4,457,484
General Utility & Office (Internal Services Utility)	1,632,978	-	-	1,632,978
TOTAL BUILDINGS & STRUCTURES	26,057,903	9,953	-	26,067,857
MACHINERY & EQUIPMENT				
Industrial Water Utility	20,393,858	1,178,557	-	21,572,415
Grandview Water Utility	3,130,942	27,961	-	3,158,903
Electric Utility	12,755,883	71,739	(639,895)	12,187,727
General Utility & Office (Internal Services Utility)	2,789,612	169,588	-	2,959,200
TOTAL MACHINERY & EQUIPMENT	39,070,295	1,447,845	(639,895)	39,878,245
INTANGIBLE				
Industrial Water Utility	866,000	-	-	866,000
TOTAL INTANGIBLE	866,000	-	-	866,000
RIGHT-TO-USE LEASE ASSETS				
General Utility & Office (Internal Services Utility)	38,099	-	-	38,099
TOTAL LEASE ASSETS	38,099	-	-	38,099
RIGHT-TO-USE SUBSCRIPTION ASSET				
General Utility & Office (Internal Services Utility)	-	7,883	-	7,883
TOTAL SUBSCRIPTION ASSET	-	7,883	-	7,883
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 66,032,298	\$ 1,465,680	\$ (639,895)	\$ 66,858,084
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Structures	\$ (8,393,336)	\$ (536,117)	\$ -	\$ (8,929,453)
Machinery & Equipment	(16,704,655)	(1,170,564)	567,018	(17,308,201)
Intangible	(692,800)	(43,300)	-	(736,100)
Lease	(17,462)	(19,049)	-	(36,511)
SBITA	-	(2,846)	-	(2,846)
TOTAL ACCUMULATED DEPRECIATION	(25,808,253)	(1,771,877)	567,018	(27,013,112)
TOTAL CAPITAL ASSETS BEING DEPRECIATED (NET)	\$ 40,224,044	\$ (306,196)	\$ (72,877)	\$ 39,844,971
TOTAL CAPITAL ASSETS, NET	\$ 50,765,232	\$ 2,337,416	\$ (1,530,675)	\$ 51,571,974

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

For The Year Ended December 31, 2023

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 \$8,500 in CWIP projects in 2023.

NOTE 5 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Construction Commitments

The District has active construction projects as of December 31, 2023. The projects include:

	District Capital Project #	2023	
		Spent Through 12/31/23	Remaining Commitment
Communications Backbone	IS15	\$ 100,094	\$ 1,500,000
Plant 1 Main Valve	RW22	166	\$ 850,000
Petrogas Valve/Meter	RW33	30,012	272,000
Intake VFD Replacement	RW35	58,801	650,000
Water Treatment Plant 1 rebuild	RW38	1,690,657	120,000,000
D Station Improvements	RW44	57,093	650,000
Phillips 66 Booster Pump	RW46	41,607	1,850,000
Basin Enclosures	RW98	19,039	3,550,000
Grandview Land Acquisition	GVP4	244	75,000
Ferndale Substation rebuild	E22	9,565,031	300,000
TOTAL CONSTRUCTION IN PROGRESS		\$ 11,562,744	\$ 129,697,000

Of the Remaining Commitment balance of \$129,697,000, the District will be required to raise an estimated \$84,000,000 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
CON-WO2-P1 Rebuild	1,672,126	457,647
PSE-WO1-4-22 On Call	11,616	8,384
PSE-WO2-6-22 P1 Mitigation and monitor	4,390	8,410
PSE-230101 GV LUD water line mapping	23,143	7,672
PSE 230201 Replace hydrant Douglas/Barr	-	9,760
RH2-WO16 D Station Flow and Control	112,288	9,371
WIL 01-2023 Fairfield Feasibility Study	3,488	8,513
WIL 02-2023 Double L Feasibility	-	3,000
	\$2,605,374	\$ 694,213

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2023

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. The District anticipates signing a new power supply contract with BPA the end of 2025 that will become effective October 1, 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 2023.

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	395,000
2013 LTGO - Funding to complete the Water Plant 2 rebuild	2014-2032	2.66%	6,025,000	305,000
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	165,000
2021 LTGO Series B - Refunded the 2010 Series B bonds	2021-2030	0.94%	10,220,000	905,000

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
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			355,000	94,400	145,762	3,046	1,250,000	323,000
2028			370,000	80,200			1,305,000	273,000
2029-2033			1,635,000	166,800			3,485,000	690,000
2034-2038							1,395,000	299,800
2039-2040							640,000	38,600
TOTAL	\$ 410,000	\$ 15,580	\$3,345,000	\$ 704,400	\$ 583,051	\$ 30,464	\$ 11,560,000	\$ 2,876,000

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2023

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
2024	\$ 37,807	\$ 6,525
2025	38,186	6,147
2026	38,567	5,765
2027	38,953	5,379
2028	39,343	4,990
2029-2033	202,694	18,967
2034-2038	213,033	8,628
2039-2040	43,893	439
TOTAL	\$ 652,476	\$ 56,840

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, 2023, the District has \$1,050,447 in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,050,447 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 \$613,515. Principal and interest paid for the current year and total Grandview assessment revenue were \$160,995 and \$133,247 respectively.

NOTE 8 – LEASES (LESSEES)

As of December 31, 2023, 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 Amortization	\$ (17,462)	\$ (19,049)	\$ -	\$ (36,511)

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

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2023

Year Ended December 31	Principal	Interest	Total
2024	\$ 1,696	\$ 10	\$ 1,706
Total	\$ 1,696	\$ 10	\$ 1,706

NOTE 9 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

As of December 31, 2023, the District has one Subscription Asset which qualified under the SAO guideline.

- Pictometry Agreement – the agreement is for 3 years, starting in April 2022. The borrowing rate of 3.65% was used. Payments will be two equal payments.

	Begin Balance	Increases	Decreases	End Balance
Subscription Assets	\$ -	\$ 7,883	\$ -	\$ 7,883
Accumulated Amortization	-	(2,846)	-	(2,846)
Net Subscription Asset	-	5,036	-	5,036

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year Ended December 31	Principal	Interest	Total
2024	\$ 3,939	\$ 293	\$ 4,232
Total	3,939	293	4,232

NOTE 10 – ASSET RETIREMENT OBLIGATIONS (ARO)

The District, per the guidelines set forth by GASB 83, has identified five 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 fully depreciated. The cost to return the property to its original state is currently estimated at \$40,000. Since the removal of equipment would affect the City of Ferndale emergency communications, the date for removal is now moved to the end of 2024. The liability was increased to \$40,000.
- BP Intake Structure – The District has a defunct water intake in downtown Ferndale which is falling into disrepair. A liability was recorded for \$150,000.
- 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 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

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2023

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. In 2023 it was decided to remove and stabilize the intake structure in downtown Ferndale. 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.

NOTE 11 – RESTRICTED COMPONENT OF NET POSITION

The District’s statement of net position reports \$1,050,447 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, 2023

NOTE 12 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at December 31, 2023 were as follows:

		Due From					
		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service	Total
Due To	Industrial Water		\$ 770,571			\$ 3,304,610	\$ 4,075,181
	Grandview					21,633	21,633
	Electric					1,196,643	1,196,643
	Alcoa Fund					215,368	215,368
	Internal Service	2,012,093	36,866	781,144			2,830,102
	Total	\$ 2,012,093	\$ 807,437	\$ 781,144	\$ -	\$ 4,738,254	

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, 2023 were as follows:

		Transfer From					
		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service	Total
Transfer To	Industrial Water		\$ 56,025			\$ 36,425	\$ 92,450
	Grandview					1,705	1,705
	Electric	1,257,138				11,870	1,269,008
	Alcoa Fund						-
	Internal Service				50,000		50,000
	Total	\$ 1,257,138	\$ 56,025	\$ -	\$ 50,000	\$ 50,000	

The transfers all dealt with one utility paying back another utility for fixed assets or bond costs. In 2023, there were five transfers:

- \$56,025 activity on the interfund loan between Industrial Water and Grandview
- \$50,000 the contribution from the Alcoa fund to partially fund the solar panel project
- \$912,586 was transferred for the Industrial Water’s portion of current Electric construction projects.
- \$344,551 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.
- \$50,000 the contribution from the Alcoa fund to Internal Services to the other utilities

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2023

NOTE 13 – EXTRAORDINARY AND/OR SPECIAL ITEMS

No Extraordinary and/or special items were recorded in 2023.

NOTE 14 - 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 2023 rate of District contribution to the employee is 9.20% of gross earnings. Employees may or may not elect to contribute any portion up to the allowable limit to the Empower plan. The Plan, available to eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District has neither fiduciary responsibility nor liability for the Plan and accordingly no records are reflected on the Districts accounts.

B. Union

At year-end, the District’s union employees (one chief water operator and six water operator positions) were eligible to be covered under the collective bargaining agreement with Teamsters Union Local No. 231 of Whatcom County’s pension plan. This plan is a multiemployer, defined benefit pension plan. Financial statements for the Pension plan may be found here: <http://www.wctpension.org/forms-documents-webcasts/plan-documents>. This link also connects to the Summary Plan Description that describes the benefits available. Benefits include pension, disability, and survivor benefits. The current contract, outlining the District’s responsibilities with Teamsters, expires at the end of 2024. Payment is made to the Pension plan monthly for each of the union employees.

The contributions to the plan are based on the collective-bargaining agreement. During 2023, 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 2023 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>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>
<u>2018</u>	<u>5.75</u>	<u>2023</u>	<u>7.00</u>

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2023

NOTE 15 – SEGMENT INFORMATION

The District operated four proprietary segments and an Internal Services Fund in 2023. The following changes occurred in the District's segments during 2023:

A. INDUSTRIAL WATER UTILITY

Routine maintenance projects on Water Treatment Plants #1 and #2 are ongoing for the entire water system facilities including SCADA PLC upgrade projects. In 2023 supply chain issues began to ease, however material costs have begun to increase drastically. Annual maintenance projects such as the pond cleaning and mowing were accomplished. The high head motor and pump rebuild work continued in 2023. The compressor installation at Plant 1 was completed and used during a frazil river event. Regrettably, and most concerning, Plant 1 continues to deteriorate rapidly, and maintenance costs are increasing accordingly. Replacement of the plant is a major budgetary issue. Industrial water consumption was 108% of 2022 consumption, while irrigation also came in at 108% and Temporary water at 38%.

B. GRANDVIEW WATER UTILITY

2023 saw a maintaining of consistent potable water delivery. Multiple unplanned repairs were performed on both the customer and PUD owned portions of line. Discussions were initiated concerning the securing of the perimeter of the PUD potable well, including the potential purchase of the land surrounding the well head. Water consumption was 69% of 2022 largely due to the shuttering of one of our largest customers.

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. The District also accomplished substantial amount of work on the new Ferndale substation, located at Water Treatment Plant #1. This project advances to the finish line at a glacial pace.

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 2023, the Alcoa Services Fund contributed \$50,000 to support the installation of solar panels at Plant 2 and \$46,000 for the second part of an Electric Feasibility Study. As of December 31, 2023, the remaining fund balance is \$41,686.

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, 2023

	403	411	481	490	500		DISTRICT
	INDUSTRIAL WATER	GRANDVIEW	ELECTRIC	ALCOA SVCS	INTERNAL	ELIMINATION	TOTAL
	UTILITY	UTILITY	UTILITY		SERVICES FUND		
OPERATING REVENUE							
Utility Sales and Service Revenues	\$ 10,393,558	\$ 232,188	\$ 10,293,425	\$ -	\$ -	\$ (85,406)	\$ 20,833,764
Other Operating Revenue	71	-	-	-	-	-	71
TOTAL OPERATING REVENUE	\$ 10,393,629	\$ 232,188	\$ 10,293,425	\$ -	\$ -	\$ (85,406)	\$ 20,833,835
OPERATING EXPENSES							
Operations:							
Purchased Water	\$ -	\$ 4,070	\$ -	\$ -	\$ -	\$ (4,070)	\$ -
Purchased Power	517,097	5,068	7,405,463	-	-	-	7,927,628
Water Purification	448,056	1,018	-	-	-	-	449,073
Taxes / Process / Delivery Costs	-	-	479,153	-	-	-	479,153
General Operations	811,952	58,223	153,811	-	-	-	1,023,986
Maintenance	1,022,508	49,567	243,002	-	-	-	1,315,077
Administration							
General Administration	2,333,360	61,231	982,233	-	-	(81,336)	3,295,488
Planning and Development Expenses	424,353	635	6,312	40,215	-	-	471,515
Depreciation Expense	1,200,410	89,820	481,646	-	(0)	-	1,771,877
Utility Tax Expense	527,962	11,882	137,879	-	-	-	677,724
TOTAL OPERATING EXPENSES	\$ 7,285,698	\$ 281,514	\$ 9,889,499	\$ 40,215	\$ (0)	\$ (85,406)	\$ 17,411,520
OPERATING INCOME (LOSS)	\$ 3,107,931	\$ (49,327)	\$ 403,926	\$ (40,215)	\$ 0	\$ -	\$ 3,422,315
NONOPERATING REVENUE							
Lease Income	26,328	-	-	-	-	-	26,328
Grant Revenue	118,548	-	9,250	-	-	-	127,798
Assessment Income	-	133,247	-	-	-	-	133,247
Interest Income	213,656	15,844	111,900	2,489	-	-	343,889
Interest Fees	(4,100)	(305)	(2,141)	(51)	-	-	(6,597)
Connection Fee	-	75	-	-	-	-	75
Penalties	70,340	-	-	-	-	-	70,340
TOTAL NONOPERATING REVENUE	\$ 424,772	\$ 148,862	\$ 119,009	\$ 2,437	\$ -	\$ -	\$ 695,081
NONOPERATING EXPENSE							
Interest Expense	368,406	15,018	152,580	-	-	-	536,004
Amortization	13,224	1,661	6,445	-	-	-	21,330
Grant Expenses	34,800	306	2,127	-	-	-	37,233
Loss (Gain) on Property Disposal	-	-	72,877	-	-	-	72,877
TOTAL NONOPERATING EXPENSE	\$ 1,581,118	\$ 71,304	\$ (1,034,978)	\$ 50,000	\$ -	\$ -	\$ 667,444
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	\$ 1,951,585	\$ 28,231	\$ 1,557,914	\$ (87,777)	\$ 0	\$ -	\$ 3,449,952
CHANGE IN NET POSITION	\$ 1,951,585	\$ 28,231	\$ 1,557,914	\$ (87,777)	\$ 0	\$ -	\$ 3,449,952
NET POSITION - JANUARY 1st	\$ 22,440,290	\$ 938,814	\$ 18,310,288	\$ 344,831	\$ 44,067	\$ -	\$ 42,078,289
NET POSITION - DECEMBER 31st	\$ 24,391,875	\$ 967,044	\$ 19,868,202	\$ 257,054	\$ 44,067	\$ -	\$ 45,528,241

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

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
Statement of Net Position
As of December 31, 2023

	403	411	481	490	500	DISTRICT
	INDUSTRIAL	GRANDVIEW	ELECTRIC	ALCOA SVC	INTERNAL	TOTAL
	WATER UTILITY	UTILITY	UTILITY		SERVICES FUND	
ASSETS						
CURRENT ASSETS						
Cash & Cash Equivalents						
Cash	\$ 115,427	\$ 1,209	\$ 154,281	\$ 681	\$ 148,400	\$ 419,998
Whatcom County Investment Pool	6,470,261	308,831	5,420,327	41,005	17,868	12,258,291
Total Cash & Cash Equivalents	<u>6,585,688</u>	<u>310,040</u>	<u>5,574,607</u>	<u>41,686</u>	<u>166,268</u>	<u>12,678,289</u>
Receivables (Net):						
Customers	882,358	9,135	792,428	-	-	1,683,921
Other	1,844	-	4,121	-	212	6,177
Interfund Receivables	770,571	(770,571)	-	-	-	-
Interfund Transfers - Capital	1,665,498	(8,957)	562,539	215,368	(2,434,449)	-
Interfund Transfers - Employee	(372,981)	(6,276)	(147,041)	-	526,298	0
Total Accounts Receivables (Net)	<u>2,947,291</u>	<u>(776,669)</u>	<u>1,212,047</u>	<u>215,368</u>	<u>(1,907,939)</u>	<u>1,690,097</u>
Other Current Assets						
Restricted Cash & Cash Equivalents	-	172,067	-	-	-	172,067
Prepayments	-	-	-	-	113,006	113,006
Other						
TOTAL CURRENT ASSETS	<u>\$ 9,532,979</u>	<u>\$ (294,562)</u>	<u>\$ 6,786,655</u>	<u>\$ 257,054</u>	<u>\$ (1,628,666)</u>	<u>\$ 14,653,460</u>
NON-CURRENT ASSETS						
Bond Issue Costs	127,767	6,643	60,330	-	-	194,740
Noncurrent Restricted Assets						
Investments - Bond Reserves	816,064	-	62,316	-	-	878,380
Capital Assets Not Being Depreciated						
Land	108,000	-	-	-	-	108,000
Easements	56,260	-	-	-	-	56,260
Construction in Progress	1,897,375	244	9,565,031	-	100,094	11,562,743
Capital Assets Being Depreciated:						
Buildings & Structures	19,659,233	318,161	4,457,484	-	1,632,978	26,067,857
Machinery & Equipment	21,572,415	3,158,903	12,187,727	-	2,959,200	39,878,245
Intangible	866,000	-	-	-	-	866,000
Lease	-	-	-	-	38,099	38,099
SBITA - Subscription Based IT Arrangements	-	-	-	-	7,883	7,883
Less Accumulated Depreciation	(17,294,261)	(1,606,422)	(5,808,625)	-	(2,303,805)	(27,013,112)
Total Capital Assets (Net)	<u>26,865,022</u>	<u>1,870,887</u>	<u>20,401,617</u>	<u>-</u>	<u>2,434,449</u>	<u>51,571,974</u>
TOTAL NONCURRENT ASSETS	<u>\$ 27,808,853</u>	<u>\$ 1,877,530</u>	<u>\$ 20,524,263</u>	<u>\$ -</u>	<u>\$ 2,434,449</u>	<u>\$ 52,645,095</u>
TOTAL ASSETS	<u>\$ 37,341,832</u>	<u>\$ 1,582,968</u>	<u>\$ 27,310,918</u>	<u>\$ 257,054</u>	<u>\$ 805,783</u>	<u>\$ 67,298,554</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflow - ARO	95,000	-	-	-	-	95,000
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,000</u>

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
Statement of Net Position
As of December 31, 2023

	403	411	481	490	500	DISTRICT
	INDUSTRIAL	GRANDVIEW	ELECTRIC	ALCOA SVC	INTERNAL	TOTAL
	WATER UTILITY	UTILITY	UTILITY		SERVICES FUND	
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	\$ 177,888	\$ 7,331	\$ 966,091	\$ -	\$ 204,271	\$ 1,355,581
Accrued Employee Payable	-	-	-	-	511,747	511,747
Accrued Insurance Claims Reserve	7,847	630	3,411	-	39,445	51,333
Accrued Utility Taxes	-	-	218,538	-	-	218,538
Contractor Retainage	42,274	9,885	267,587	-	620	320,365
Asset Retirement Obligation	190,000	-	-	-	-	190,000
Bonds, Notes, and Loans Payable						
2012 LTGO Bond Series A&B - Current	349,965	-	60,035	-	-	410,000
2012 LTGO Bond Series A&B - Interest	1,108	-	190	-	-	1,298
2013 LTGO Bond - Current	315,000	-	-	-	-	315,000
2013 LTGO Bond - Interest	11,150	-	-	-	-	11,150
2016 LTGO Bond - Current	-	145,763	-	-	-	145,763
2016 LTGO Bond - Interest	-	1,016	-	-	-	1,016
2019 EDI Loan - Current	37,808	-	-	-	-	37,808
2019 EDI Loan - Interest	544	-	-	-	-	544
2021 LTGO Bond - Current	841,018	-	273,982	-	-	1,115,000
2021 LTGO Bond - Interest	22,159	-	16,375	-	-	38,533
Deposits & Other Payables	12,308	14,013	-	-	-	26,321
TOTAL CURRENT LIABILITIES	\$ 2,009,069	\$ 178,636	\$ 1,806,209	\$ -	\$ 756,083	\$ 4,749,997
NON-CURRENT LIABILITIES						
Leases	-	-	-	-	1,695	1,695
SBITA - Subscription Based IT Arrangements	-	-	-	-	3,939	3,939
Bonds, Notes, and Loans Payable						
2012 LTGO Bond Principal	(285)	-	(178)	-	-	(463)
2013 LTGO Bond Principal	3,234,744	-	-	-	-	3,234,744
2016 LTGO Bond Principal	-	437,287	-	-	-	437,287
2019 EDI Loan Principal	614,670	-	-	-	-	614,670
2021 LTGO Bond A&B Principal	7,186,760	-	5,636,686	-	-	12,823,445
TOTAL NONCURRENT LIABILITIES	\$ 11,035,888	\$ 437,287	\$ 5,636,507	\$ -	\$ 5,634	\$ 17,115,316
TOTAL LIABILITIES	\$ 13,044,957	\$ 615,923	\$ 7,442,716	\$ -	\$ 761,717	\$ 21,865,313
NET POSITION						
Net Investment in Capital Assets	14,425,308	1,287,837	14,491,127	-	2,434,449	32,638,721
Restricted for Debt Service	816,064	172,067	62,316	-	-	1,050,447
Unrestricted	9,150,503	(492,860)	5,314,758	257,054	(2,390,382)	11,839,073
TOTAL NET POSITION	\$ 24,391,875	\$ 967,044	\$ 19,868,202	\$ 257,054	\$ 44,067	\$ 45,528,241

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Cash Flows

As of December 31, 2023

	403	411	481	490	500	TOTAL
	INDUSTRIAL WATER	GRANDVIEW	ELECTRIC	BPA-ALCOA ESCROW	INTERNAL SERVICE	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 10,290,934	\$ 225,187	\$ 10,186,401	\$ -	\$ 84,542	\$ 20,787,063
Payments to suppliers	(2,703,568)	(93,723)	(7,846,058)	(46,085)	(2,069,635)	(12,759,069)
Payments to employees (Labor only)					(2,784,618)	(2,784,618)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 7,587,366	\$ 131,463	\$ 2,340,343	\$ (46,085)	\$ (4,769,711)	\$ 5,243,376
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from (to) Other Utilities	\$ (4,765,362)	\$ (153,138)	\$ 106,086	\$ (50,000)	\$ 4,862,414	\$ (0)
Payments Received for Non-operating work	215,216	75	9,250			224,541
Payments (Paid) for Non-operating work	55	1,360	9,303	-	(71,004)	(60,287)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ (4,550,091)	\$ (151,703)	\$ 124,639	\$ (50,000)	\$ 4,791,410	\$ 164,255
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from Capital Debt						-
Purchase of Capital Assets	\$ (1,460,778)	\$ (28,205)	\$ (984,325)		\$ (156,292)	\$ (2,629,600)
Lease of Capital Assets					(19,600)	(19,600)
Subscription based IT Assets					3,939	3,939
Principal paid on Capital Debt	(1,488,602)	(145,763)	(318,831)			(1,953,196)
Interest paid on Capital Debt	(476,772)	(15,232)	(211,325)			(703,329)
Capital Contributions			-			-
Assessments Received for 2007 & 2016 debt payments		133,247				133,247
NET CASH PROVIDED / (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (3,426,152)	\$ (55,953)	\$ (1,514,480)	\$ -	\$ (171,953)	\$ (5,168,538)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	\$ 208,572	\$ 15,459	\$ 109,367	\$ 2,437	\$ 1,456	\$ 337,292
NET CASH PROVIDED / (USED) FROM INVESTING ACTIVITIES	\$ 208,572	\$ 15,459	\$ 109,367	\$ 2,437	\$ 1,456	\$ 337,292
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (180,305)	\$ (60,734)	\$ 1,059,869	\$ (93,647)	\$ (148,798)	\$ 576,385
BALANCE BEGINNING OF YEAR	7,582,057	542,841	4,577,055	135,333	315,066	13,152,351
BALANCE END OF PERIOD	\$ 7,401,752	\$ 482,107	\$ 5,636,924	\$ 41,686	\$ 166,268	\$ 13,728,737

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Cash Flows

As of December 31, 2023

	403	411	481	490	500	TOTAL
	INDUSTRIAL	GRANDVIEW	ELECTRIC	BPA-ALCOA	INTERNAL	
	WATER			ESCROW	SERVICE	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH						
Operating Income (Loss)	\$ 3,107,931	\$ (49,327)	\$ 403,926	\$ (40,215)	\$ -	\$ 3,422,315
Adjustments to reconcile operating income to net cash provided (used) by operating activity						
Depreciation	1,018,990	81,329	422,529	-	249,029	1,771,877
Decrease (Increase) in Net Accounts Receivable	(71,832)	(1,699)	(98,207)	-	8,247	(163,492)
Decrease (Increase) in Prepayments	-	-	-	-	(66,408)	(66,408)
Decrease (Increase) in Other Deferred Charges	(95,000)	-	-	-	-	(95,000)
Interfund Transfers	3,565,961	97,193	1,151,608	-	(4,814,762)	0
Increase (Decrease) in Account Payable	(63,346)	5,054	465,808	(5,870)	(49,698)	351,948
Increase (Decrease) in Accrued Employee Payable	-	-	-	-	(94,405)	(94,405)
Increase (Decrease) in Accrued Insurance Claims Reserve	394	30	296	-	(1,794)	(1,074)
Increase (Decrease) in Accrued Utility Taxes	(40,078)	(1,117)	(38,503)	-	80	(79,619)
Increase (Decrease) in Contractor Retainage	(2,531)	-	32,886	-	-	30,355
Increase (Decrease) in Asset Retirement Obligation	165,000	-	-	-	-	165,000
Increase (Decrease) in Deposits & Other Payables	1,879	-	-	-	-	1,879
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 7,587,366	\$ 131,463	\$ 2,340,343	\$ (46,085)	\$ (4,769,711)	\$ 5,243,376

Public Utility District No. 1 of Whatcom County
 NOTES TO FINANCIAL STATEMENT
 For The Year Ended December 31, 2023

NOTE 16 - 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 2023 was \$51,597,538,390. 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 2023 or 2022.

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

NOTE 17 - 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 2023, 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 additional coverage through an EIM policy which in 2023 was \$65 million excess of the \$36 million.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2023

The Liability pool includes policies that cover commercial general liability, public officials, automobile liability, pollution liability, employment practices liability, and cyber security liability.

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 2023 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 \$51,333 (\$38,636 for the Liability Pool, \$12,697 for the Property Pool), compared to the 2022 share balance of \$52,407 (\$40,468 for the Liability Pool, \$11,939 for the Property Pool), a \$1,074 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, 2023

Risk pool insurance premiums and pool assessments for the District were as follows for 2023 and 2022:

PURMS 2022

<u>LIABILITY</u>					
1/11/2022	AEGIS	LIABILITY	LIAB \$35M EXCESS \$1M	2,712,922	
1/11/2022	EIM	LIABILITY	LIAB \$65M EXCESS \$36M	761,625	1.59%
6/30/2022	AEGIS	LIABILITY	PROF LIAB [E&O] \$35M EXCESS \$500K	231,779	1.59%
9/8/2022	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	551,447	1.79%
12/8/2022	EVEREST NATIONAL	LIABILITY	FRONTING POLICY AND BEAZLEY EXTENS	35,413	1.59%
12/31/2022	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	343,768	1.79%
				\$ 4,636,954	1.63%
					\$ 75,404

PROPERTY

4/11/2022	PROPERTY POLICIES	PROPERTY	\$200M EXCESS \$250K	1,956,622	2.29%
5/19/2022	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	250,427	2.99%
11/18/2022	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	262,306	2.98%
12/31/2022	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	122,124	2.99%
				\$ 2,591,479	2.46%
					\$ 63,721

PURMS 2023

<u>LIABILITY</u>					
1/6/2023	AEGIS	LIABILITY	LIAB \$35M EXCESS \$1M	3,178,205	
1/6/2023	EIM	LIABILITY	LIAB \$65M EXCESS \$36M	875,869	1.13%
1/6/2023	BEAZLEY	LIABILITY	\$5M EXCESS \$1M	398,190	0.48%
5/19/2023	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	506,643	1.70%
6/20/2023	AEGIS	LIABILITY	PROF LIAB [E&O] \$35M EXCESS \$500K	239,690	1.50%
6/28/2023	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	1,109,138	1.65%
12/1/2023	EVEREST NATIONAL	LIABILITY	FRONTING POLICY AND BEAZLEY EXTENS	5,000	1.50%
10/20/2023	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	583,371	1.71%
12/31/2023	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	218,799	1.70%
				\$ 7,114,904	1.35%
					\$ 96,188

PROPERTY

4/5/2023	PROPERTY POLICIES	PROPERTY	\$200M EXCESS \$250K	2,307,888	2.35%
5/4/2023	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	317,540	3.03%
10/20/2023	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	270,213	3.03%
12/31/2023	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	199,212	2.72%
				\$ 3,094,853	2.50%
					\$ 77,392

NOTE 18 – SUBSEQUENT EVENTS

There were no significant subsequent events in the beginning of 2024.

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, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contribution Rate per Qualified Hour	\$ 7.00	\$ 7.00	\$ 6.50	\$ 6.25	\$ 6.00	\$ 5.75	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.25
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	\$ 14,560	\$ 13,520	\$ 13,000	\$ 12,480	\$ 11,960	\$ 11,440	\$ 11,440	\$ 11,440	\$ 10,920
# Covered Employees at 12/31	7	7	7	7	6	6	6	6	6	6
Actual Contributions	\$ 101,357	\$ 101,101	\$ 93,698	\$ 94,115	\$ 75,191	\$ 72,444	\$ 73,521	\$ 68,833	\$ 73,194	\$ 65,723
Covered-employee payroll	\$ 621,447	\$ 576,554	\$ 567,449	\$ 536,249	\$ 452,268	\$ 423,316	\$ 487,409	\$ 420,577	\$ 407,579	\$ 405,406
Contributions as a % of covered-employee payro	16.3%	17.5%	16.5%	17.6%	16.6%	17.1%	15.1%	16.4%	18.0%	16.2%

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

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.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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