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, 2024 through December 31, 2024

Published September 25, 2025

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Office of the Washington State Auditor
Pat McCarthy

September 25, 2025

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, 2024 through December 31, 2024

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 19, 2025.

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

September 19, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No. 1 of Whatcom County
January 1, 2024 through December 31, 2024

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, 2024, 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, 2024, 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.

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 September 19, 2025 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.

Pat McCarthy, State Auditor

Olympia, WA

September 19, 2025

FINANCIAL SECTION

Public Utility District No. 1 of Whatcom County
January 1, 2024 through December 31, 2024

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2024

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2024
Statement of Revenues, Expenses and Changes in Net Position – 2024
Statement of Cash Flows – 2024
Notes to Financial Statements – 2024

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions – Western Conference of Teamsters Pension Plan – 2024

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2024

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:

	2024	2023
ASSETS		
Current Assets	$ 15,472,532	$ 14,653,460
Non-Current Assets	626,210	1,073,120
Capital Assets (Net)	52,469,423	51,571,974
TOTAL ASSETS	**$ 68,568,166**	**$ 67,298,554**
DEFERRED OUTFLOW OF RESOURCES	**$ 12,500**	**$ 95,000**
LIABILITIES		
Current Liabilities	4,487,309	4,749,997
Non-Current Liabilities	15,273,321	17,115,316
TOTAL LIABILITIES	**$ 19,760,630**	**$ 21,865,313**
NET POSITION		
Net Investment in Capital Assets	35,522,152	32,638,721
Restricted for Debt Service	573,328	1,050,447
Unrestricted	12,724,555	11,839,073
TOTAL NET POSITION	**$ 48,820,035**	**$ 45,528,241**

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2024

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

	2024	2023
REVENUES		
Operating Revenue	$ 22,852,909	$ 20,833,835
Nonoperating Revenue	1,181,804	695,081
TOTAL REVENUE	**$ 24,034,713**	**$ 21,528,916**
EXPENSES		
Operating Expenses	19,740,492	17,411,520
Nonoperating Expenses	1,020,487	667,444
TOTAL EXPENSES	**$ 20,760,978**	**$ 18,078,965**
INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS	**$ 3,273,734**	**$ 3,449,952**
Capital Contributions	18,060	-
Special / Extraordinary Items	-	-
CHANGE IN NET POSITION	**$ 3,291,794**	**$ 3,449,952**
BEGINNING NET POSITION	**$ 45,528,241**	**$ 42,078,289**
ENDING NET POSITION	**$ 48,820,035**	**$ 45,528,241**

FINANCIAL POSITION

Analysis of Changes in Total Net Position from 2023-2024

For the twelve months ending December 31, 2024, the total net position of the District increased by approximately $3,292,000 or 7%. Total assets increased by $1,270,000, total deferred outflow of resources decreased by $83,000 and total liabilities decreased by $2,105,000 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 $683,000 from timing of payments and delays in capital projects, an increase in Net Receivables of $252,000 due primarily to timing of customer payments, an increase in Total Capital Assets Net of Depreciation of $897,000, and a decrease of the remaining assets of $562,000.

Total deferred outflow of resources reflected activity of an asset retirement obligation.

The major components of the decrease in total liabilities included an increase in Accounts Payables of $291,000 due to timing of payments, a decrease of $120,000 in Accrued Employee Payable due to adjustments in the liability for vacation and sick leave payouts, an increase in Utility Taxes of $11,000, a net decrease in Asset Retirement Obligation of $140,000, a net decrease in the bonds principal and interest payable of $2,192,000 due to debt service payments, and a net increase of $45,000 of the remaining liabilities.

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2024

RESULTS OF OPERATIONS

Analysis of changes in Revenue, Expenses, and change in Net Position for 2023-2024

Income before Contributions, and Extraordinary Items decreased from $3,450,000 in 2023 to $3,292,000 in 2024 (a $158,000 decrease). Operating Revenue increased by $2,019,000. Operating expenses increased by $2,329,000 primarily due to an increase in extraordinary maintenance. Non-operating Revenue increased by $487,000 primarily due to an increase in grant revenue and interest. Non-operating Expenses reflected an overall increase of $353,000 due to an increase in grant expenses. Capital Contributions increased by $18,000 due to reimbursement for the solar panel installation.

CAPITAL ASSETS

Analysis of Changes in Capital Assets from 2023-2024

During 2024, Total Capital Assets Net of Depreciation increased by $897,000 and were comprised of an overall decrease in non-depreciated assets, including Construction Work-in-Progress for $7,605,000 ($607,000 of Construction Work-in-Progress was expensed during 2024), and the following change in capital assets: the Industrial Water Utility decreased by $1,405,000, the Grandview Utility increased by $27,000, the Electric Utility increased by $9,661,000, a $367,000 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 $148,000. SEE Note 4, *Capital Assets*.

LONG-TERM DEBT

Analysis of Changes in Long-Term Debt from 2023-2024

During 2024, the 2012 LTGO bond issue was reduced by $410,000, the District's indebtedness for the 2013 LTGO bonds was reduced by $315,000, 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 $38,000, and the District's indebtedness for the 2021 LTGO bonds decreased by $1,115,000 for a total overall long-term debt decrease of $2,024,000. 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, 2024

ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents		
Cash	$	24,214
Whatcom County Investment Pool		13,337,490
Total Cash & Cash Equivalents		13,361,704
Receivables (Net):		
Customers		1,943,159
Other		(1,219)
Total Accounts Receivables (Net)		1,941,940
Restricted Cash & Cash Equivalents		120,528
Prepayments		48,361
TOTAL CURRENT ASSETS	**$**	**15,472,532**
NON-CURRENT ASSETS		
Bond Issue Costs		173,410
Restricted Assets		
Investments - Bond Reserves		452,800
Capital Assets Not Being Depreciated		
Land		108,000
Easements		56,260
Construction in Progress		3,957,573
Capital Assets Being Depreciated:		
Buildings & Structures		25,690,499
Machinery & Equipment		48,906,330
Intangible		866,000
Leases		38,099
SBITA - Subscription Based IT Arrangements		7,883
Less Accumulated Depreciation		(27,161,220)
Total Capital Assets (Net)		52,469,423
TOTAL NONCURRENT ASSETS	**$**	**53,095,633**
TOTAL ASSETS	**$**	**68,568,166**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - ARO		12,500
TOTAL DEFERRED OUTFLOW OF RESOURCES	**$**	**12,500**

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, 2024

LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	$ 1,646,863
Accrued Employee Payable	392,205
Accrued Insurance Claims Reserve	40,554
Accrued Utility Taxes	229,753
Contractor Retainage	379,556
Asset Retirement Obligation	50,000
Bonds, Notes, and Loans Payable	
2012 LTGO Series A&B Bonds Principal - Current	-
2012 LTGO Series A&B Interest	-
2013 LTGO Bond Principal - Current	330,000
2013 LTGO Bond Interest	10,100
2016 LTGO Bond Principal - Current	145,763
2016 LTGO Bond Interest	762
2019 EDI Loan Principal - Current	38,187
2019 EDI Loan Interest	512
2021 LTGO Bond Principal - Current	1,160,000
2021 LTGO Bond Interest	34,817
Deposits & Other Payables	28,238
TOTAL CURRENT LIABILITIES	**$ 4,487,309**
NON-CURRENT LIABILTIES	
Leases	$ -
SBITA - Subscription Based IT Arrangements	0
Bonds, Notes, and Loans Payable	
2012 LTGO Bond Principal	-
2013 LTGO Bond Principal	2,880,417
2016 LTGO Bond Principal	291,524
2019 EDI Loan Principal	576,484
2021 LTGO Bond Principal	11,524,895
TOTAL NON-CURRENT LIABILTIES	**$ 15,273,321**
TOTAL LIABILITIES	**$ 19,760,630**
TOTAL DEFERRED INFLOWS OF RESOURCES	**$ -**
NET POSITION	
Net Investment in Capital Assets	35,522,152
Restricted for Debt Service	573,328
Unrestricted	12,724,555
TOTAL NET POSITION	**$ 48,820,035**

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, 2024

OPERATING REVENUE	
Utility Sales and Service Revenues	$ 22,835,221
Other Operating Revenue	17,688
TOTAL OPERATING REVENUE	**$ 22,852,909**
OPERATING EXPENSES	
Operations:	
Purchased Water	$ -
Purchased Power	8,629,312
Water Purification	563,844
Taxes / Process / Delivery Costs	517,995
General Operations	1,039,298
Maintenance	2,307,549
Administration:	
General Administration	3,801,208
Planning and Development Expense	342,701
Depreciation Expense	1,798,877
Utility Tax Expense	739,708
TOTAL OPERATING EXPENSES	**$ 19,740,492**
OPERATING INCOME (LOSS)	**$ 3,112,417**
NONOPERATING REVENUE	
Lease Income	24,592
Grant Revenue	281,374
Assessment Income	97,723
Interest Income	575,809
Interest Fees	(7,269)
Connection Fee	17,680
Penalties	191,894
TOTAL NONOPERATING REVENUE	**$ 1,181,804**
NONOPERATING EXPENSE	
Interest Expense	461,991
Amortization	25,584
Grant Expenses	345,797
Loss (Gain) on Property Disposal	187,115
Business Development	-
TOTAL NONOPERATING EXPENSE	**$ 1,020,487**
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	**$ 3,273,734**
Capital Contributions (Connection Charges)	18,060
Special / Extraordinary Items	-
CHANGE IN NET POSITION	**$ 3,291,794**
TOTAL NET POSITION - JANUARY 1st	**$ 45,528,241**
TOTAL NET POSITION - DECEMBER 31st	**$ 48,820,036**

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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 22,615,074
Payments to suppliers	(14,718,935)
Payments to employees (Labor only)	(2,996,257)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ 4,899,882**
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
Payments Received (Paid) for Non-operating work	165,226
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**$ 165,226**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(2,883,441)
Lease of Capital Assets	(1,695)
Subscription based IT Assets	(3,939)
Principal paid on Capital Debt	(2,023,570)
Interest paid on Capital Debt	(630,491)
Capital Contributions	18,060
Assessments Received for 2007 & 2016 debt payments	97,723
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**$ (5,427,352)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	568,540
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**$ 568,540**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**$ 206,295**
BALANCE BEGINNING OF YEAR	13,728,737
BALANCE END OF YEAR	**$ 13,935,032**

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, 2024

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	**$**	**3,112,417**
Adjustments to reconcile operating income to net cash		
Cash Provided (Used) by operating activities:		
Depreciation		1,798,877
Change in Assets and Liabilities:		
Decrease (Increase) in Net Accounts Receivable		(251,842)
Decrease (Increase) in Prepayments		64,645
Decrease (Increase) in Deferred Charges		82,500
Increase (Decrease) in Account Payable		291,282
Increase (Decrease) in Accrued Employee Payable		(119,542)
Increase (Decrease) in Accrued Insurance Claims Reserve		(10,779)
Increase (Decrease) in Accrued Utility Taxes		11,215
Increase (Decrease) in Contractor Retainage		59,190
Increase (Decrease) in Asset Retirement Obligations		(140,000)
Increase (Decrease) in Deposits & Other Payables		1,918
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$**	**4,899,882**

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, 2024

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.

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, 2024, the treasurer was holding $13,337,490 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		**2024**
Restricted Cash & Cash Equivalents		
LUD #2 Cash & Investments	$	120,528
Bond Reserves		
2013 LTGO Bond Reserve		452,800
Total Bond Reserves	$	452,800
TOTAL RESTRICTED RESERVE BALANCES	**$**	**573,328**

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:

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

7. Leases & SBITAs

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

The lease/SBITA asset is amortized using the straight-line basis over it's useful life.

The District uses the interest rate charged by the lessor/vendor as the discount rate. When the interest rate charged by the lessor/vendor is not provided, the district generally uses its incremental borrowing rate as the discount rate.

Lessor: The district recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

9. Compensated Absences

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

part of his employment contract.

Vacation pay may be carried over at year-end at a balance not greater than 80 hours plus the employee's current annual accrual. Unused vacation is payable upon resignation, retirement, termination without cause, or death. Union employees may cash out up to 40 hours per year of accumulated vacation.
Sick Leave may be accumulated up to a total of 1080 hours for non-union employees and 1136 hours for union employees, and is not convertible. Upon termination of employment, unused sick leave is compensated for non-union employees at 25% of accrued benefit for anyone with less than 16 years of service, 40% for 16-20 years of service, 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. Unused floaters must be cashed-out at the end of the year and cannot be carried forward to the next fiscal year.

10. Pensions

The District carries no liability for pensions. Union employees are covered under the Teamster pension and the non-union employees have access to contributing to investments funds through Empower, a retirement plan recordkeeping financial holding company. The District does not take part in the PERS retirement system. See Note 14, *Pension Plan*.

11. 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.

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

NOTE 2 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

2024

1. The Telecom utility is still not producing operating revenue. All activity is allocated across existing utilities.
2. The CWIP project BB1 for the Pt Roberts fiber, is now going to be an asset of the Port of Bellingham. We will still have expenses that are reimbursed by grant funding. The costs were transferred from a Broadband CWIP project to a grant expense under Electric. $236,953.50 was transferred.

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 438 days as of December 31, 2024. 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, 2024, the District had the following investments in the WCIP:

	2024	
	Maturities	*Amortized Cost*
INVESTMENTS		
Short-Term Investments		
Whatcom County Investment Pool	$ 13,458,018	$ 13,458,018
Non-Current		
Whatcom County Investment Pool	452,800	452,800
TOTAL INVESTMENTS	**$ 13,910,818**	**$ 13,910,818**

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ending December 31, 2024 was as follows:

	2024 Beginning Balance	2024 Activity Increase	2024 Activity Decrease	2024 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	1,897,375	2,146,498	(110,116)	3,933,757
Grandview Potable Water Utility	244	28,615	(27,150)	1,709
Electric Utility	9,565,031	398,446	(9,941,369)	22,107
General Utility & Office (Internal Services Utility)	100,094	314,097	(414,191)	-
TOTAL CONSTRUCTION-IN-PROGRSS	11,562,743	2,887,655	(10,492,826)	3,957,573
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	**$ 11,727,003**	**$ 2,887,655**	**$ (10,492,826)**	**$ 4,121,833**
CAPITAL ASSETS BEING DEPRECIATED				
BUILDINGS & STRUCTURES				
Industrial Water Utility	$ 19,659,233	$ -	$ (404,508)	$ 19,254,725
Grandview Water Utility	318,161	27,150	-	345,311
Electric Utility	4,457,484	-	-	4,457,484
General Utility & Office (Internal Services Utility)	1,632,978	-	-	1,632,978
TOTAL BUILDINGS & STRUCTURES	26,067,857	27,150	(404,508)	25,690,499
MACHINERY & EQUIPMENT				
Industrial Water Utility	21,572,415	122,476	(1,122,478)	20,572,413
Grandview Water Utility	3,158,903	-	-	3,158,903
Electric Utility	12,187,727	9,941,369	(280,718)	21,848,379
General Utility & Office (Internal Services Utility)	2,959,200	401,830	(34,396)	3,326,635
TOTAL MACHINERY & EQUIPMENT	39,878,245	10,465,676	(1,437,591)	48,906,330
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	**$ 66,858,084**	**$ 10,492,826**	**$ (1,842,099)**	**$ 75,508,811**
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Structures	$ (8,929,453)	$ (536,615)	$ 404,508	$ (9,061,560)
Machinery & Equipment	(17,308,201)	(1,218,962)	1,250,476	(17,276,687)
Intangible	(736,100)	(43,300)	-	(779,400)
Lease	(36,511)	(1,588)	-	(38,099)
SBITA	(2,846)	(2,628)	-	(5,474)
TOTAL ACCUMULATED DEPRECIATION	(27,013,112)	(1,803,092)	1,654,984	(27,161,220)
TOTAL CAPITAL ASSETS BEING DEPRECIATED (NET)	**$ 39,844,971**	**$ 8,689,734**	**$ (187,115)**	**$ 48,347,590**
TOTAL CAPITAL ASSETS, NET	**$ 51,571,974**	**$ 11,577,389**	**$ (10,679,941)**	**$ 52,469,423**

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 $607,000 in CWIP projects in 2024, including $237,000 transition of the Broadband CWIP to a grant expense.

NOTE 5 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Construction Commitments

The District has active construction projects as of December 31, 2024. The projects include:

		2024	
	District Capital Project #	**Spent Through 12/31/24**	**Remaining Commitment**
Petrogas Valve/Meter	**RW33**	33,527	272,000
Intake VFD Repalcement	**RW35**	725,434	850,000
Water Treatment Plant 1 rebuild	**RW38**	2,738,219	110,200,000
D Station Improvements	**RW44**	264,337	160,000
Phillips 66 Booster Pump	**RW46**	42,251	1,800,000
Turbidity Vault	**RW58**	102,558	-
Basin Enclosures	**RW98**	27,431	3,500,000
Grandview Land Acquisition	**GVP4**	1,709	75,000
Transmission Line and Structures	**E6**	7,343	95,000
Refinery Substation Capacity Upgrade	**E28**	14,765	550,000
TOTAL CONSTRUCTION IN PROGRESS		**$ 3,957,573**	**$ 117,502,000**

Of the Remaining Commitment balance of $117,502,000, the District will be required to raise an estimated $100,000,000 in future financing.

B. Other Commitments

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

PROJECT	SPENT TO DATE	REMAINING COMMITMENT
ANV240109 - Douglas Rd Intertie power	$ 1,855	$ 12,045
CFA240101 - Pt Roberts Broadband	236,953	93,461
CON-WO2-P1 Rebuild	1,984,278	1,258,542
PSE240108	2,010	17,790
TOT240308 - P66 Substn improvements	6,529	105,471
TOT240201 - Allans Rd Structure	13,325	4,473
	$ 2,244,950	**$ 1,491,783**

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 2024.

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	410,000
2013 LTGO - Funding to complete the Water Plant 2 rebuild	2014-2032	2.66%	6,025,000	315,000
2016 LTGO - Advanced refunded 2007 Water Revenue Bond	2018-2027	2.09%	1,457,628	145,763
2021 LTGO Series A - Funding for substation rebuilds	2021-2040	0.94%	4,580,000	175,000
2021 LTGO Series B - Refunded the 2010 Series B bonds	2021-2030	0.94%	10,220,000	940,000

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

Year Ending December 31:	2013 LTGO BONDS		2016 LTGO BONDS		2021 LTGO BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
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	370,000	80,200			1,305,000	273,000
2029	385,000	65,400			1,355,000	220,800
2030-2034	1,250,000	101,400			2,385,000	550,600
2035-2039					1,455,000	244,000
2040					325,000	13,000
TOTAL	**$ 3,030,000**	**$ 570,600**	**$ 437,287**	**$ 18,279**	**$ 10,445,000**	**$ 2,413,600**

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
2025	$ 38,186	$ 6,147
2026	38,567	5,765
2027	38,953	5,379
2028	39,343	4,990
2029	39,736	4,596
2030-2034	204,721	16,941
2035-2039	215,164	6,498
TOTAL	**$ 614,669**	**$ 50,315**

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, 2024, the District has $573,328 in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain $573,328 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 $455,566. Principal and interest paid for the current year and total Grandview assessment revenue were $157,949 and $97,723 respectively.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2024

The Historical Operating Results for Debt Service Coverage are as follows:

Historical Operating Results
December-24

	2024	2023	2022
OPERATING REVENUE			
Utility Sales and Service Revenues	$ 22,835,221	$ 20,833,764	$ 20,544,909
Other Operating Revenue	17,688	71	637
TOTAL OPERATING REVENUE	**$ 22,852,909**	**$ 20,833,835**	**$ 20,545,546**
OPERATING EXPENSES			
Operations:			
Purchased Water	$ -	$ -	$ -
Purchased Power	8,629,312	7,927,628	8,741,657
Water Purification	563,844	449,073	389,854
Taxes / Process / Delivery Costs	517,995	479,153	515,598
General Operations	1,039,298	1,023,986	934,514
Maintenance	2,307,549	1,315,077	1,326,504
Administration:			
General Administration	3,801,208	3,295,488	3,120,077
Planning and Development Expense	342,701	471,515	471,786
Depreciation Expense	1,798,877	1,771,877	1,826,718
Utility Tax Expense	739,708	677,724	623,828
TOTAL OPERATING EXPENSES	**$ 19,740,492**	**$ 17,411,520**	**$ 17,950,536**
OPERATING INCOME (LOSS)	**$ 3,112,417**	**$ 3,422,315**	**$ 2,595,010**
NONOPERATING REVENUE			
Lease Income	24,592	26,328	23,196
Grant Revenue	281,374	127,798	435,590
Assessment Income	97,723	133,247	115,250
Interest Income	575,809	343,889	151,255
Interest Fees	(7,269)	(6,597)	(5,849)
Connection Fee	17,680	75	150
Penalties	191,894	70,340	70,439
TOTAL NONOPERATING REVENUE	**$ 1,181,804**	**$ 695,081**	**$ 790,031**
NONOPERATING EXPENSE			
Interest Expense	461,991	536,004	606,087
Amortization	25,584	21,330	23,489
Grant Expenses	345,797	37,233	248,326
Loss (Gain) on Property Disposal	187,115	72,877	46,499
Business Development	-	-	241,588
TOTAL NONOPERATING EXPENSE	**$ 1,020,487**	**$ 667,444**	**$ 1,165,988**
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	**$ 3,273,734**	**$ 3,449,952**	**$ 2,219,053**
Capital Contributions (Connection Charges)	18,060	-	-
Special / Extraordinary Items	-	-	-
BALANCE FOR DEBT SERVICE [1]	**$ 5,480,523**	**$ 5,645,915**	**$ 4,560,097**
Outstanding 2016 Bonds	$ 157,949	$ 160,995	$ 164,042
Less: LUD Assessment Payments	97,723	133,247	115,250
Net LUD Debt	60,225	27,748	48,792
Outstanding LTGO Bonds	2,496,112	2,495,530	2,496,070
TOTAL DEBT SERVICE	**$ 2,556,338**	**$ 2,523,277**	**$ 2,544,862**
BALANCE AVAILABLE FOR OTHER PURPOSES	**$ 2,924,185**	**$ 3,122,637**	**$ 2,015,235**
DEBT SERVICE COVERAGE	**2.14**	**2.24**	**1.79**

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

[1] Excludes Depreciation, assessments, interest and amortization

NOTE 8 – LEASES (LESSEES)

As of December 31, 2024, 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	$ (36,511)	$ (1,588)	$ -	$ (38,099)

The lease is fully amortized at this point.

NOTE 9 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

As of December 31, 2024, 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)	(2,628)	-	(5,474)
Net Subscription Asset	**5,036**	**(2,628)**	**-**	**2,409**

As of December 31, 2024, there were no further principal and interest requirements.

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31,2024, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2024	Additions	Reductions	Ending Balance 12/31/2024	Due Within One Year
Bonds Payable					
General Obligation bonds	$ 13,912,287		$ (1,635,763)	$ 12,276,524	$ 1,635,763
Premiums	2,583,189		(162,876)	2,420,313	162,876
Discounts	(285)		285	-	-
Total Bonds Payable	16,495,191	-	(1,798,354)	14,696,837	
Debt from Direct Borrowing	614,670		(38,186)	576,484	38,186
Leases	1,695		(1,695)	-	
Subscription Based Information Technology Arrangements (SBITA)	3,939		(3,939)	-	
Claims				-	
Compensated Absences				-	
Business-type activity Long-term Liabilities	$ 17,115,495	$ -	$ (1,842,174)	$ 15,273,321	$ 1,836,825

NOTE 11 – 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 $50,000. Since the removal of equipment would affect the City of Ferndale emergency communications, the date for removal is now moved to the end of 2025. AT&T was having difficulties getting a permit from the City of Ferndale. The liability was increased to $50,000.
- 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. In 2024 the structure was removed down to the concrete and secured.
- 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.

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 12 – RESTRICTED COMPONENT OF NET POSITION

The District's statement of net position reports $573,328 of restricted component of net position for debt service, of which everything is restricted by enabling legislation.

NOTE 13 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at December 31, 2024 were as follows:

		Due From					
		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service	**Total**
Due To	Industrial Water		$ 761,462			$3,429,726	**$4,191,188**
	Grandview					22,703	**22,703**
	Electric					1,337,799	**1,337,799**
	Alcoa Fund					215,368	**215,368**
	Internal Service	2,016,519	37,296	855,607			**2,909,422**
	Total	**$2,016,519**	**$ 798,758**	**$855,607**	**$ -**	**$5,005,595**	

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, 2024 were as follows:

		Transfer From					
		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service	**Total**
Transfer To	Industrial Water		$ 55,891				**$ 55,891**
	Grandview						**-**
	Electric	690,379					**690,379**
	Alcoa Fund						**-**
	Internal Service						**-**
	Total	**$ 690,379**	**$ 55,891**	**$ -**	**$ -**	**$ -**	

The transfers all dealt with one utility paying back another utility for fixed assets or bond costs. In 2024, there were three transfers:

- $55,891 activity on the interfund loan between Industrial Water and Grandview
- $343,792 was transferred for the Industrial Water's portion of current Electric construction projects.
- $346,587 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.

NOTE 14 – EXTRAORDINARY AND/OR SPECIAL ITEMS

No Extraordinary and/or special items were recorded in 2024.

NOTE 15 - 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 is established with 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 2024 rate of District contribution to the employee is 9.39% 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 seven 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, was renegotiate in 2024 and expires at the end of 2027. 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 2024, 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 2024 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:

2015	$ 5.50	**2020**	$ 6.25
2016	5.50	**2021**	6.50
2017	5.50	**2022**	6.50
2018	5.75	**2023**	7.00
2019	6.00	**2024**	7.00

NOTE 16 – SEGMENT INFORMATION

The District operated four proprietary segments and an Internal Services Fund in 2024. The following changes occurred in the District's segments during 2024:

A. INDUSTRIAL WATER UTILITY

In 2024 supply chain delay issues began to ease, however the increasing material costs have become entrenched and elevated costs appear standardized. Annual maintenance projects such as the pond cleaning and mowing were accomplished. The high head motor and pump rebuild work continued in 2024. Plant 1 continues to deteriorate rapidly, and maintenance costs are increasing accordingly. Replacement of the plant has been approved by the Commission and LTGO Bonds have been issued. Engineering pace has increased and the project is expected to go out to bid in second or third quarter of 2026. Routine maintenance projects on Water Treatment Plants #1 and #2 are ongoing for the entire water system facilities including SCADA PLC upgrade projects.

B. GRANDVIEW WATER UTILITY

2024 saw a maintaining of consistent potable water delivery. Multiple unplanned repairs were performed on both the customer and PUD owned portions of line. The perimeter of the PUD potable well was secured with a temporary fencing structure to comply with regulations. Activities to engage the purchase of the land surrounding the well head have progressed and an offer will be made in 2025.

C. ELECTRIC UTILITY

The Electric Utility has completed the installation of the Ferndale Pump Substation adjacent to Plant 1. There were many challenges during construction and closeout activities continue, however, the substation has now been online multiple months. Electric Utility staff will now begin activities to assist in engineering activities to prepare for tying the substation to the developing Plant 1 replacement plan. Staff will continue maintenance activities for a resilient power supply including vegetation management, substation maintenance, and replacement of aging variable frequency drives.

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 2024, the Alcoa Services Fund did not contribute to any project. As of December 31, 2024, the remaining fund balance is $43,432.

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, 2024

	403 INDUSTRIAL WATER UTILITY	411 GRANDVIEW UTILITY	473 TELECOM UTILITY	481 ELECTRIC UTILITY	490 ALCOA SVCS	500 INTERNAL SERVICES FUND	ELIMINATION	DISTRICT TOTAL
OPERATING REVENUE								
Utility Sales and Service Revenues	$ 11,671,288	$ 299,850	$ -	$ 10,986,793	$ -	$ -	$ (122,711)	$ 22,835,221
Other Operating Revenue	11,697	45	-	5,946	-	-		17,688
TOTAL OPERATING REVENUE	**$ 11,682,985**	**$ 299,895**	**$ -**	**$ 10,992,739**	**$ -**	**$ -**	**$ (122,711)**	**$ 22,852,909**
OPERATING EXPENSES								
Operations:								
Purchased Water	-	4,211		-	-	-	(4,211)	-
Purchased Power	538,568	697	-	8,090,046	-	-		8,629,312
Water Purification	562,773	1,071	-	-	-	-		563,844
Taxes / Process / Delivery Costs	-	-	-	517,995	-	-		517,995
General Operations	839,654	54,089	-	145,555	-	-		1,039,298
Maintenance	1,836,298	37,359	-	433,892	-	-		2,307,549
Administration								
General Administration	2,384,068	21,883	-	1,513,758	-	-	(118,500)	3,801,208
Planning and Development Expenses	330,437	-	-	12,265	-	-		342,701
Depreciation Expense	1,166,912	87,890	-	544,075	-	(0)		1,798,877
Utility Tax Expense	587,299	15,244	-	137,164	-	-		739,708
TOTAL OPERATING EXPENSES	**$ 8,246,010**	**$ 222,443**	**$ -**	**$ 11,394,750**	**$ -**	**$ (0)**	**$ (122,711)**	**$ 19,740,492**
OPERATING INCOME (LOSS)	**$ 3,436,975**	**$ 77,453**	**$ -**	**$ (402,010)**	**$ -**	**$ 0**	**$ -**	**$ 3,112,417**
NONOPERATING REVENUE								
Lease Income	24,592	-	-	-	-	-		24,592
Grant Revenue	33,889	227	-	247,257	-	-		281,374
Assessment Income	-	97,723	-	-	-	-		97,723
Interest Income	341,460	21,877	-	210,701	1,771	-	-	575,809
Interest Fees	(4,790)	512	-	(2,967)	(25)	-		(7,269)
Connection Fee	-	17,680	-	-	-	-		17,680
Penalties	191,894	-	-	-	-	-		191,894
TOTAL NONOPERATING REVENUE	**$ 587,046**	**$ 138,021**	**$ -**	**$ 454,992**	**$ 1,746**	**$ -**	**$ -**	**$ 1,181,804**
NONOPERATING EXPENSE								
Interest Expense	310,214	11,933	-	139,844	-	-	-	461,991
Amortization	15,221	1,678	-	8,685	-	-		25,584
Interfund Expense	634,488	55,891	-	(690,379)	-	-		-
Grant Expenses	42,725	234	-	302,838	-	-		345,797
Loss (Gain) on Property Disposal	96,945	6	-	90,164	-	-		187,115
Business Development	-	-	-	-	-	-		-
TOTAL NONOPERATING EXPENSE	**$ 1,099,593**	**$ 69,741**	**$ -**	**$ (148,847)**	**$ -**	**$ -**	**$ -**	**$ 1,020,487**
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	**2,924,428**	**$ 145,732**	**$ -**	**$ 201,829**	**$ 1,746**	**$ 0**	**-**	**$ 3,273,734**
Capital Contributions	8,452	72	-	9,536	-	-		18,060
Extraordinary Items	-	-	-	-	-	-		-
CHANGE IN NET POSITION	**$ 2,932,880**	**$ 145,805**	**$ -**	**$ 211,364**	**$ 1,746**	**$ 0**	**$ -**	**$ 3,291,794**
NET POSITION - JANUARY 1st	**$ 24,391,875**	**$ 967,044**	**$ -**	**$ 19,868,202**	**$ 257,054**	**$ 44,067**		**$ 45,528,241**
NET POSITION - DECEMBER 31st	**$ 27,324,755**	**$ 1,112,849**	**$ -**	**$ 20,079,566**	**$ 258,799**	**$ 44,067**		**$ 48,820,035**

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, 2024

	403 INDUSTRIAL WATER UTILITY	411 GRANDVIEW UTILITY	473 TELECOM UTILITY	481 ELECTRIC UTILITY	490 ALCOA SVC	500 INTERNAL SERVICES FUND	DISTRICT TOTAL
ASSETS							
CURRENT ASSETS							
Cash & Cash Equivalents							
Cash	$ (142,362)	$ 3,396	$ -	$ (164,425)	$ 681	$ 326,925	$ 24,214
Whatcom County Investment Pool	7,576,657	379,550	-	5,348,816	42,751	(10,285)	13,337,490
Total Cash & Cash Equivalents	7,434,295	382,946	-	5,184,391	43,432	316,640	13,361,704
Receivables (Net):							
Customers	1,042,970	20,638	-	879,551	-	-	1,943,159
Other	(1,836)	-	-	616	-	-	(1,219)
Interfund Receivables	761,462	(761,462)	-	-	-	-	-
Interfund Transfers - Capital	1,690,737	(8,741)	-	591,014	215,368	(2,488,378)	-
Interfund Transfers - Employee	(277,530)	(5,853)	-	(108,822)	-	392,205	0
Total Accounts Receivables (Net)	3,215,804	(755,418)	-	1,362,359	215,368	(2,096,172)	1,941,940
Other Current Assets							
Restricted Cash & Cash Equivalents	-	120,528		-	-	-	120,528
Prepayments	-	-	-	-	-	48,361	48,361
Other							
TOTAL CURRENT ASSETS	**$ 10,650,099**	**$ (251,944)**	**$ -**	**$ 6,546,750**	**$ 258,799**	**$ (1,731,172)**	**$ 15,472,532**
NON-CURRENT ASSETS							
Bond Issue Costs	114,543	4,982	-	53,885	-	-	173,410
Noncurrent Restricted Assets							
Investments - Bond Reserves	452,800	-	-	-	-	-	452,800
Capital Assets Not Being Depreciated							
Land	108,000	-	-	-	-	-	108,000
Easements	56,260	-	-	-	-	-	56,260
Construction in Progress	3,933,757	1,709	-	22,107	-	-	3,957,573
Capital Assets Being Depreciated:							
Buildings & Structures	19,254,725	345,311	-	4,457,484	-	1,632,978	25,690,499
Machinery & Equipment	20,572,413	3,158,903	-	21,848,379	-	3,326,635	48,906,330
Intangible	866,000	-	-	-	-	-	866,000
Lease	-	-	-	-	-	38,099	38,099
SBITA - Subscription Based IT Arrangements	-	-	-	-	-	7,883	7,883
Less Accumulated Depreciation	(16,917,131)	(1,693,343)	-	(6,033,530)	-	(2,517,217)	(27,161,220)
Total Capital Assets (Net)	27,874,024	1,812,581	-	20,294,441	-	2,488,378	52,469,423
TOTAL NONCURRENT ASSETS	**$ 28,441,367**	**$ 1,817,563**	**$ -**	**$ 20,348,326**	**$ -**	**$ 2,488,378**	**$ 53,095,633**
TOTAL ASSETS	**$ 39,091,466**	**$ 1,565,620**	**$ -**	**$ 26,895,075**	**$ 258,799**	**$ 757,206**	**$ 68,568,166**
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Outflow - ARO	12,500	-	-	-	-	-	12,500
TOTAL DEFERRED OUTFLOW OF RESOURCES	**$ 12,500**	**$ -**		**$ -**	**$ -**	**$ -**	**$ 12,500**

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Net Position

As of December 31, 2024

	403 INDUSTRIAL WATER UTILITY	411 GRANDVIEW UTILITY	473 TELECOM UTILITY	481 ELECTRIC UTILITY	490 ALCOA SVC	500 INTERNAL SERVICES FUND	DISTRICT TOTAL
LIABILITIES							
CURRENT LIABILITIES							
Accounts Payable	$ 663,874	$ 4,000	$ -	$ 702,344	$ -	$ 276,646	$ 1,646,863
Accrued Employee Payable	-	-	-	-	-	392,205	392,205
Accrued Insurance Claims Reserve	4,850	392	-	2,222	-	33,090	40,554
Accrued Utility Taxes	-	-	-	232,581	-	(2,828)	229,753
Contractor Retainage	91,160	-	-	274,368	-	14,027	379,556
Asset Retirement Obligation	50,000	-	-	-	-	-	50,000
Bonds, Notes, and Loans Payable							
2013 LTGO Bond - Current	330,000	-	-	-	-	-	330,000
2013 LTGO Bond - Interest	10,100	-	-	-	-	-	10,100
2016 LTGO Bond - Current	-	145,763	-	-	-	-	145,763
2016 LTGO Bond - Interest	-	762	-	-	-	-	762
2019 EDI Loan - Current	38,187	-	-	-	-	-	38,187
2019 EDI Loan - Interest	512	-	-	-	-	-	512
2021 LTGO Bond - Current	876,806	-	-	283,194	-	-	1,160,000
2021 LTGO Bond - Interest	19,355	-	-	15,461	-	-	34,817
Deposits & Other Payables	7,908	10,330	-	10,000	-	-	28,238
TOTAL CURRENT LIABILITIES	**$ 2,092,753**	**$ 161,247**	**$ -**	**$ 1,520,171**	**$ -**	**$ 713,139**	**$ 4,487,309**
NON-CURRENT LIABILITIES							
Bonds, Notes, and Loans Payable							
2013 LTGO Bond Principal	2,880,417	-	-	-	-	-	2,880,417
2016 LTGO Bond Principal	-	291,524	-	-	-	-	291,524
2019 EDI Loan Principal	576,484	-	-	-	-	-	576,484
2021 LTGO Bond A&B Principal	6,229,556	-	-	5,295,339	-	-	11,524,895
TOTAL NONCURRENT LIABILITIES	**$ 9,686,458**	**$ 291,524**	**$ -**	**$ 5,295,339**	**$ -**	**$ 0**	**$ 15,273,321**
TOTAL LIABILITIES	**$ 11,779,211**	**$ 452,771**	**$ -**	**$ 6,815,509**	**$ -**	**$ 713,139**	**$ 19,760,630**
NET POSITION							
Net Investment in Capital Assets	16,942,573	1,375,294	-	14,715,908	-	2,488,378	35,522,152
Restricted for Debt Service	452,800	120,528	-	-	-	-	573,328
Unrestricted	9,929,382	(382,973)	0	5,363,658	258,799	(2,444,311)	12,724,555
TOTAL NET POSITION	**$ 27,324,755**	**$ 1,112,849**	**$ -**	**$ 20,079,566**	**$ 258,799**	**$ 44,067**	**$ 48,820,035**

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
Statement of Cash Flows
As of December 31, 2024

	403 INDUSTRIAL WATER	411 GRANDVIEW	481 ELECTRIC	490 BPA-ALCOA ESCROW	500 INTERNAL SERVICE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	$ 11,501,372	$ 261,522	$ 10,582,693	$ -	$ 269,486	$ 22,615,074
Payments to suppliers	(3,656,526)	(85,318)	(8,489,989)	-	(2,487,101)	(14,718,935)
Payments to employees (Labor only)					(2,996,257)	(2,996,257)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ 7,844,846**	**$ 176,203**	**$ 2,092,704**	**$ -**	**$ (5,213,872)**	**$ 4,899,882**
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from (to) Other Utilities	$ (3,788,942)	$ (106,122)	$ (1,774,380)	$ -	$ 5,669,443	$ -
Payments Received for Non-operating work	250,376	17,907	247,257			515,541
Payments (Paid) for Non-operating work	(46,810)	(252)	(307,429)	-	4,176	(350,315)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	**$ (3,585,376)**	**$ (88,467)**	**$ (1,834,551)**	**$ -**	**$ 5,673,619**	**$ 165,226**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	$ (2,158,858)	$ (28,615)	$ (398,446)		$ (297,521)	$ (2,883,441)
Lease of Capital Assets					(1,695)	(1,695)
Subscription based IT Assets					(3,939)	(3,939)
Principal paid on Capital Debt	(1,543,790)	(145,763)	(334,017)			(2,023,570)
Interest paid on Capital Debt	(419,529)	(12,186)	(198,777)			(630,491)
Capital Contributions	8,452	72	9,536			18,060
Assessments Received for 2007 & 2016 debt payments		97,723				97,723
NET CASH PROVIDED / (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	**$ (4,113,725)**	**$ (88,768)**	**$ (921,704)**	**$ -**	**$ (303,156)**	**$ (5,427,352)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	$ 339,597	$ 22,398	$ 211,018	$ 1,746	$ (6,219)	$ 568,540
NET CASH PROVIDED / (USED) FROM INVESTING ACTIVITIES	**$ 339,597**	**$ 22,398**	**$ 211,018**	**$ 1,746**	**$ (6,219)**	**$ 568,540**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**$ 485,343**	**$ 21,367**	**$ (452,533)**	**$ 1,746**	**$ 150,372**	**$ 206,295**
BALANCE BEGINNING OF YEAR	7,401,752	482,107	5,636,924	41,686	166,268	13,728,737
BALANCE END OF PERIOD	**$ 7,887,095**	**$ 503,474**	**$ 5,184,391**	**$ 43,432**	**$ 316,640**	**$ 13,935,032**

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
Statement of Cash Flows
As of December 31, 2024

	403 INDUSTRIAL WATER	411 GRANDVIEW	481 ELECTRIC	490 BPA-ALCOA ESCROW	500 INTERNAL SERVICE	TOTAL
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CA						
Operating Income (Loss)	$ 3,436,975	$ 77,453	$ (402,010)	$ -	$ -	$ 3,112,417
Adjustments to reconcile operating income to net cash provided (used) by operating activity						
Depreciation	1,053,558	86,921	416,188	-	242,210	1,798,877
Decrease (Increase) in Net Accounts Receivable	(268,513)	(21,252)	(150,311)	-	188,233	(251,842)
Decrease (Increase) in Prepayments	-	-	-	-	64,645	64,645
Decrease (Increase) in Other Deferred Charges	82,500	-	-	-	-	82,500
Interfund Transfers	3,152,850	50,217	2,462,950	-	(5,666,017)	-
Increase (Decrease) in Account Payable	485,986	(3,331)	(263,748)	-	72,375	291,282
Increase (Decrease) in Accrued Employee Payable	-	-	-	-	(119,542)	(119,542)
Increase (Decrease) in Accrued Insurance Claims Reserve	(2,997)	(238)	(1,189)	-	(6,355)	(10,779)
Increase (Decrease) in Accrued Utility Taxes	-	-	14,044	-	(2,828)	11,215
Increase (Decrease) in Contractor Retainage	48,886	(9,885)	6,782	-	13,407	59,190
Increase (Decrease) in Asset Retirement Obligation	(140,000)	-	-	-	-	(140,000)
Increase (Decrease) in Deposits & Other Payables	(4,400)	(3,683)	10,000	-	-	1,918
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 7,844,846**	**$ 176,203**	**$ 2,092,704**	**$ -**	**$ (5,213,872)**	**$ 4,899,882**

NOTE 17 - 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 2024 was $60,022,119,698. 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 2024 or 2023.

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

NOTE 18 - 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 2024, 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 2024 was $65 million excess of the $36 million.

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 2024 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 $40,554 ($32,614 for the Liability Pool, $7,940 for the Property Pool), compared to the 2023 share balance of $51,333 ($38,636 for the Liability Pool, $12,697 for the Property Pool), a $10,779 decrease.

A comprehensive 2024 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

Risk pool insurance premiums and pool assessments for the District were as follows for 2024 and 2023:

PURMS 2023

LIABILITY						
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%	45,798
1/6/2023	BEAZLEY	LIABILITY	$5M EXCESS $1M	398,190	0.48%	6,101
5/19/2023	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	506,643	1.70%	8,596
6/20/2023	AEGIS	LIABILITY	PROF LIAB [E&O] $35M EXCESS $500K	239,690	1.50%	3,594
6/28/2023	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	1,109,138	1.65%	18,320
12/1/2023	EVEREST NATIONAL	LIABILITY	FRONTING POLICY AND BEAZLEY EXTENS	5,000	1.50%	75
10/20/2023	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	583,371	1.71%	9,987
12/31/2023	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	218,799	1.70%	3,716
				$ 7,114,904	**1.35%**	**$ 96,188**
PROPERTY						
4/5/2023	PROPERTY POLICIES	PROPERTY	$200M EXCESS $250K	2,307,888	2.35%	54,160
5/4/2023	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	317,540	3.03%	9,627
10/20/2023	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	270,213	3.03%	8,184
12/31/2023	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	199,212	2.72%	5,421
				$ 3,094,853	**2.50%**	**$ 77,392**

PURMS 2024

LIABILITY						
1/5/2024	AEGIS	LIABILITY	LIAB $35M EXCESS $1M	3,602,275		
1/5/2024	EIM	LIABILITY	LIAB $65M EXCESS $36M	1,109,860	1.06%	49,862
3/21/2024	AEGIS	LIABILITY	$10M EXCESS $1M	15,315	0.02%	227
7/1/2024	AEGIS	LIABILITY	PROF LIAB [E&O] $35M EXCESS $500K	239,762	1.48%	3,556
8/13/2024	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	553,807	1.69%	9,381
10/29/2024	EVEREST NATIONAL	LIABILITY	FRONTING POLICY	5,000	1.48%	74
12/31/2024	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	504,212	1.70%	8,564
				$ 6,030,231	**1.19%**	**$ 71,663**
PROPERTY						
4/10/2024	PROPERTY POLICIES	PROPERTY	$200M EXCESS $250K	2,349,360	2.38%	55,916
6/12/2024	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	257,935	3.02%	7,789
9/12/2024	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	265,202	3.02%	8,002
12/31/2024	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	75,435	5.25%	3,960
				$ 2,947,932	**2.57%**	**$ 75,668**

NOTE 19 – SUBSEQUENT EVENTS

On February 25, 2025, the District issued bonds to refinance the 2013 bonds and to fund the Water Treatment 1 rebuild. Series A, the plant rebuild, totaled $57,625,000. Series B, the 2013 refinance totaled $2,840,000.

At the end of 2024, Whatcom county transitioned to a new computer system. This somewhat effected the District's cash flow. All transfers needed to be dated by December 20th. Any activity that came in, was held until the migration was complete.

MCAG NO. 1806

Public Utility District No. 1 of Whatcom County
REQUIRED SUPPLEMENTARY INFORMATION
Western Conference of Teamsters Pension Plan
Schedule of Employer Contributions
For The Year Ended December 31, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contribution Rate per Qualified Hour	$ 7.00	$ 7.00	$ 7.00	$ 6.50	$ 6.25	$ 6.00	$ 5.75	$ 5.50	$ 5.50	$ 5.50
Annual Maximum Hours	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080
Maximum Annual Contribution per Employee	$ 14,560	$ 14,560	$ 14,560	$ 13,520	$ 13,000	$ 12,480	$ 11,960	$ 11,440	$ 11,440	$ 11,440
# Covered Employees at 12/31	8	7	7	7	7	6	6	6	6	6
Actual Contributions	$ 157,446	$ 101,357	$ 101,101	$ 93,698	$ 94,115	$ 75,191	$ 72,444	$ 73,521	$ 68,833	$ 73,194
Covered-employee payroll	$ 676,163	$ 621,447	$ 576,554	$ 567,449	$ 536,249	$ 452,268	$ 423,316	$ 487,409	$ 420,577	$ 407,579
Contributions as a % of covered-employee pay	23.3%	16.3%	17.5%	16.5%	17.6%	16.6%	17.1%	15.1%	16.4%	18.0%

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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