

ANNUAL REPORT

Public Utility District No. 1 of Whatcom County

MCAG No. 1806

Submitted pursuant to RCW 43.09.230

To the

WASHINGTON STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED December 31, 2025

GOVERNMENT INFORMATION:

Official Mailing Address: PO Box 2308, Ferndale, WA 98248

Official Web Site Address: www.pudwhatcom.org

Official E-mail Address: info@pudwhatcom.org

Official Phone Number: (360) 384-4288

PREPARER INFORMATION and CERTIFICATION:

Preparer Name and Title: Annette Smith, Director of Finance

Contact Phone Number: (360) 384-4288 x111

Contact E-mail Address: annettesmith@pudwhatcom.org

I certify the 28th day of April 2026 that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Audit Contact or Preparer Signature:

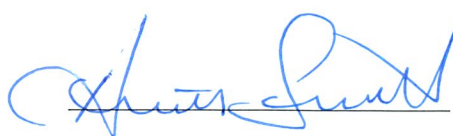


TABLE OF CONTENTS

- Management Discussion and Analysis (MD&A)
- Statement of Net Position
- Statements of Revenues, Expenses and Changes in Fund Net Position
- Statement of Cash Flows
- Notes to Financial Statements
 - Note 1 – Summary of Significant Accounting Policies
 - Note 2 – Accounting and Reporting Changes
 - Note 3 – Deposits and Investments
 - Note 4 – Capital Assets
 - Note 5 – Construction and Other Significant Commitments
 - Note 6 – Long-term Debt
 - Note 7 – Changes in Long-term Liabilities
 - Note 8 - Asset Retirement Obligations (ARO)
 - Note 9 – Restricted Component of Net Position
 - Note 10 – Interfund Balances and Transfers
 - Note 11 – Pension
 - Note 12 – Segment Information
 - Note 13 – Property Tax
 - Note 14 – Risk Management
 - Note 15 – Subsequent Events
- Required Supplementary Information

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2025

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 change in net position 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:

	2025	2024
ASSETS		
Current Assets	\$ 77,381,600	\$ 15,472,532
Non-Current Assets	1,143,884	626,210
Capital Assets (Net)	54,154,531	52,469,423
TOTAL ASSETS	\$ 132,680,015	\$ 68,568,166
DEFERRED OUTFLOW OF RESOURCES	\$ 37,500	\$ 12,500
LIABILITIES		
Current Liabilities	6,684,463	4,487,309
Non-Current Liabilities	72,243,296	15,273,321
TOTAL LIABILITIES	\$ 78,927,759	\$ 19,760,630
NET POSITION		
Net Investment in Capital Assets	38,734,720	35,522,152
Restricted for Debt Service	486,054	573,328
Unrestricted	14,568,983	12,724,555
TOTAL NET POSITION	\$ 53,789,757	\$ 48,820,035
Prior period adj		(177,332)
TOTAL NET POSITION	\$ 53,789,757	\$ 48,642,703

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2025

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

	2025	2024
REVENUES		
Operating Revenue	\$ 27,254,180	\$ 22,852,909
Nonoperating Revenue	2,792,481	1,181,804
TOTAL REVENUE	\$ 30,046,661	\$ 24,034,713
EXPENSES		
Operating Expenses	22,427,386	19,740,492
Nonoperating Expenses	2,913,053	1,020,487
TOTAL EXPENSES	\$ 25,340,440	\$ 20,760,978
INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS		
	\$ 4,706,221	\$ 3,273,734
Capital Contributions	263,500	18,060
CHANGE IN NET POSITION	\$ 4,969,721	\$ 3,291,794
BEGINNING NET POSITION		
	\$ 48,642,703	\$ 45,528,241
Adjustment - Change in Accounting Principle	177,332	(177,332)
ENDING NET POSITION	\$ 53,789,757	\$ 48,642,703

FINANCIAL POSITION

Analysis of Changes in Total Net Position from 2024-2025

For the twelve months ending December 31, 2025, the total net position of the District increased by approximately \$4,970,000 or 10%. Total assets increased by \$64,112,000, total deferred outflow of resources increased by \$25,000 and total liabilities increased by \$58,990,000 producing a net increase in net position.

The major components contributing to the increase in assets were an increase in Cash and Cash Equivalents of \$1,559,000 from timing of payments, an increase in Net Receivables of \$341,000 due primarily to rate increases, an increase in restricted cash and cash equivalents of \$59,994,000 due to the 2025 bond issue, an increase in Total Capital Assets Net of Depreciation of \$1,685,000, and an increase of the remaining assets of \$533,000.

Total deferred outflow of resources reflected activity of an asset retirement obligation. Deferred outflows increased by \$25,000.

The major components of the increase in total liabilities included an increase in Accounts Payables of \$49,000 due to timing of payments, a decrease of \$43,000 in short term Accrued Compensated Absences due to adjustments in the liability for compensated absences, an increase in Utility Taxes of \$131,000, a net increase in Asset Retirement Obligation of \$25,000, a net increase in the bonds principal and interest payable of \$58,781,000 due to debt service payments and the issue of the 2025 bonds, and a net increase of \$47,000 of the remaining liabilities.

Public Utility District No. 1 of Whatcom County
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2025

RESULTS OF OPERATIONS

Analysis of changes in Revenue, Expenses, and change in Net Position for 2024-2025

Income before Contributions, and Extraordinary Items increased from \$3,274,000 in 2024 to \$4,706,000 in 2025 (a \$1,432,000 increase). Operating Revenue increased by \$4,401,000. Operating expenses increased by \$2,687,000 primarily due to an increase in purchased power. Non-operating Revenue increased by \$1,611,000 primarily due to an increase in interest income. Non-operating Expenses reflected an overall increase of \$1,893,000 due to an increase in interest expense.

CAPITAL ASSETS

Analysis of Changes in Capital Assets from 2024-2025

During 2025, Total Capital Assets Net of Depreciation increased by \$1,685,000 and were comprised of an overall increase in non-depreciated assets, including Construction Work-in-Progress for \$1,719,000 (\$109,000 of Construction Work-in-Progress was expensed during 2025), and the following change in capital assets: the Industrial Water Utility increased by \$1,510,000, the Grandview Utility increased by \$15,000, the Electric Utility increased by \$173,000, an \$46,000 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 \$1,776,000. SEE Note 4, *Capital Assets*.

LONG-TERM DEBT

Analysis of Changes in Long-Term Debt from 2024-2025

During 2025, the District refinanced the 2013 LTGO bonds with the issuance of the 2025 LTGO Series B, reducing the indebtedness by \$3,030,000, 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, the District's indebtedness for the 2021 LTGO bonds decreased by \$1,160,000, and the District issued the 2025 LTGO Series A bonds, increasing the District's indebtedness by \$58,785,000 for a total overall long-term debt increase of \$54,411,000. SEE Note 6, *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, 2025

ASSETS**CURRENT ASSETS**

Cash & Cash Equivalents	
Cash	\$ 42,039
Whatcom County Investment Pool	14,878,250
Total Cash & Cash Equivalents	<u>14,920,289</u>
Receivables (Net):	
Customers	2,283,688
Other	(347)
Total Accounts Receivables (Net)	<u>2,283,341</u>
Restricted Cash & Cash Equivalents	60,114,299
Prepayments	63,671
TOTAL CURRENT ASSETS	<u>\$ 77,381,600</u>

NON-CURRENT ASSETS

Bond Issue Costs	705,017
Restricted Assets	
Investments - Bond Reserves	438,867
Capital Assets Not Being Depreciated	
Land	108,000
Easements	163,874
Construction in Progress	5,568,473
Capital Assets Being Depreciated:	
Buildings & Structures	26,256,732
Machinery & Equipment	50,128,961
Intangible	866,000
Leases	-
SBITA - Subscription Based IT Arrangements	-
Less Accumulated Depreciation	<u>(28,937,509)</u>
Total Capital Assets (Net)	<u>54,154,531</u>
TOTAL NONCURRENT ASSETS	<u>\$ 55,298,415</u>

TOTAL ASSETS**\$ 132,680,015****DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflow - ARO	37,500
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>\$ 37,500</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, 2025

LIABILITIES**CURRENT LIABILITIES**

Accounts Payable	\$ 1,695,843
Accrued Compensated Absences	276,602
Accrued Insurance Claims Reserve	40,349
Accrued Utility Taxes	360,799
Contractor Retainage	404,922
Asset Retirement Obligation	75,000
Bonds, Notes, and Loans Payable	
2016 LTGO Bond Principal - Current	142,762
2016 LTGO Bond Interest	508
2019 EDI Loan Principal - Current	38,569
2019 EDI Loan Interest	480
2021 LTGO Bond Principal - Current	1,210,000
2021 LTGO Bond Interest	30,950
2025 LTGO Bond Principal - Current	2,135,000
2025 LTGO Bond Interest	255,349
Deposits & Other Payables	17,330
TOTAL CURRENT LIABILITIES	<u>\$ 6,684,463</u>

NON-CURRENT LIABILITIES

Accrued Compensated Absences	282,703
Bonds, Notes, and Loans Payable	
2016 LTGO Bond Principal	148,762
2019 EDI Loan Principal	537,917
2021 LTGO Bond Principal	10,176,345
2025 LTGO Bond Principal	61,097,568
TOTAL NON-CURRENT LIABILITIES	<u>\$ 72,243,295</u>

TOTAL LIABILITIES**\$ 78,927,758****NET POSITION**

Net Investment in Capital Assets	38,734,720
Restricted for Debt Service	60,553,165
Unrestricted	(45,498,129)
TOTAL NET POSITION	<u>\$ 53,789,757</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, 2025

OPERATING REVENUE	
Utility Sales and Service Revenues	\$ 27,231,339
Other Operating Revenue	22,841
TOTAL OPERATING REVENUE	<u>\$ 27,254,180</u>
OPERATING EXPENSES	
Operations:	
Purchased Power	9,756,342
Water Purification	539,680
Taxes / Process / Delivery Costs	590,818
General Operations	1,415,477
Maintenance	2,369,617
Administration:	
General Administration	4,090,529
Planning and Development Expense	739,576
Depreciation Expense	2,015,597
Utility Tax Expense	909,750
TOTAL OPERATING EXPENSES	<u>\$ 22,427,386</u>
OPERATING INCOME (LOSS)	<u>\$ 4,826,794</u>
NONOPERATING REVENUE	
Lease Income	21,021
Grant Revenue	187,465
Assessment Income	74,784
Interest Income	2,415,883
Interest Fees	(30,686)
Connection Fee	16,000
Penalties	108,013
TOTAL NONOPERATING REVENUE	<u>\$ 2,792,481</u>
NONOPERATING EXPENSE	
Interest Expense	2,567,381
Amortization	69,062
Grant Expenses	180,226
Loss (Gain) on Property Disposal	96,385
TOTAL NONOPERATING EXPENSE	<u>\$ 2,913,053</u>
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	<u>\$ 4,706,221</u>
Capital Contributions (Connection Charges)	263,500
Special / Extraordinary Items	-
CHANGE IN NET POSITION	<u>\$ 4,969,721</u>
TOTAL NET POSITION - JANUARY 1st	<u>\$ 48,642,704</u>
Adjustment - Change in Accounting Principle	177,332
TOTAL NET POSITION - DECEMBER 31st	<u>\$ 53,789,757</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, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 26,999,316
Payments to suppliers	(16,633,777)
Payments to employees (Labor only)	(3,518,481)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 6,847,058</u>
 CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
Payments Received (Paid) for Non-operating work	149,865
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>\$ 149,865</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	61,705,452
Purchase of Capital Assets	(3,797,090)
Principal paid on Capital Debt	(3,023,948)
Interest paid on Capital Debt	(2,846,697)
Capital Contributions	263,500
Assessments Received for 2007 & 2016 debt payments	74,784
Issue costs of debt	(205,766)
Proceeds / (Funding) of Reserve Requirements	(13,933)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ 52,156,302</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>2,385,197</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ 2,385,197</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 <u>\$ 61,538,422</u>
 BALANCE BEGINNING OF YEAR	 <u>13,935,032</u>
BALANCE END OF YEAR	<u>\$ 75,473,454</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, 2025

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

Operating Income (Loss)	\$ 4,826,794
Adjustments to reconcile operating income to net cash	
Cash Provided (Used) by operating activities:	
Depreciation	2,015,597
Change in Assets and Liabilities:	
Decrease (Increase) in Net Accounts Receivable	(341,402)
Decrease (Increase) in Prepayments	(15,311)
Decrease (Increase) in Deferred Charges	(25,000)
Increase (Decrease) in Account Payable	48,980
Increase (Decrease) in Accrued Compensated Absences	167,100
Increase (Decrease) in Accrued Insurance Claims Reserve	(205)
Increase (Decrease) in Accrued Utility Taxes	131,046
Increase (Decrease) in Contractor Retainage	25,367
Increase (Decrease) in Asset Retirement Obligations	25,000
Increase (Decrease) in Deposits & Other Payables	(10,908)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 6,847,058

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, 2025

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 budgeted revenue. 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, 2025

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

The District considers cash and cash equivalents to be cash on hand, demand, deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. In addition, because the Whatcom County Investment Pool is sufficiently liquid to effectively allow for deposit and withdrawal of cash at any time without prior notice or penalty as if it were a demand deposit account, equity in the pool is also deemed to be a cash equivalent.

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

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds. 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 10, *Interfund Balances and Transfers*.

5. Restricted Assets and Liabilities

These accounts contain resources for debt service and bond proceeds. Specific debt service reserve requirements are described in Note 6, *Long Term Debt*.

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

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

For The Year Ended December 31, 2025

RESTRICTED RESERVE BALANCES	2025
Restricted Cash & Cash Equivalents	
2025 Bond proceeds remaining	\$ 60,067,111
LUD #2 Cash & Investments	47,187
Total Short-term Restricted Funds	<u>\$ 60,114,298</u>
 Bond Reserves	
2013 LTGO Bond Reserve	438,867
 TOTAL RESTRICTED RESERVE BALANCES	 <u>\$ 60,553,165</u>

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 & 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 its 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.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

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. 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 1440 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 13 floaters per year. Union employees are currently receiving 130 hours per year and are able to cash out unused hours anytime during the 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 11, *Pension Plan*.

11. Other Accrued Liabilities

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

12. Long-Term Debt See Note 6, *Long-Term Debt*.

NOTE 2 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

2024

- GASB 101 included changes to the reporting of Compensated Absences. It also resulted in a prior period adjustment.

12/31/2024		12/31/2024
Net Position as previously reported	Change in Accounting Principle due to GASB 101	Net Position
48,820,036	177,332	48,642,704

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

2025

1. The Telecom utility is still not producing operating revenue. All activity is allocated across existing utilities.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

The District does not have a deposit policy for custodial credit risk.

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.

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]

Investments are subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. The District does not have a formal policy that addresses interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy that addresses credit risk.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District does not have a formal policy for concentration of credit risk.

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. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. 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 479 days as of December 31, 2025. Short-term Whatcom County Investment Pool funds are classified as Cash and Cash Equivalents on the Statement of Net Position. Per the Whatcom County guidelines, a 90-day advanced notice must be given to the county for any withdrawal that exceeds \$5 million. If the District should choose to close their accounts, the County Treasurer will develop a reasonable distribution schedule for the withdrawal of the balance of the funds. Regardless of the size of the balance, all monies shall be distributed back to the District within one year.

Public Utility District No. 1 of Whatcom County
 NOTES TO FINANCIAL STATEMENT
 For The Year Ended December 31, 2025

As of December 31, 2025, the District had the following investments in the WCIP:

	2025	
	<i><u>Maturities</u></i>	<i><u>Amortized Cost</u></i>
INVESTMENTS		
Short-Term Investments		
Whatcom County Investment Pool	\$ 74,992,549	\$ 74,992,549
Non-Current		
Whatcom County Investment Pool	438,867	438,867
TOTAL INVESTMENTS	<u>\$ 75,431,416</u>	<u>\$ 75,431,416</u>

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ending December 31, 2025 was as follows:

	2025	2025 Activity		2025
	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
Grandview Water Utility	-	107,614	-	107,614
TOTAL EASEMENTS	56,260	107,614	-	163,874
CONSTRUCTION-IN-PROGRESS				
Industrial Water Utility	3,933,757	3,326,584	(1,773,333)	5,487,007
Grandview Water Utility	1,709	121,137	(122,846)	-
Electric Utility	22,107	260,274	(200,915)	81,466
General Utility & Office (Internal Services Utility)	-	91,504	(91,504)	-
TOTAL CONSTRUCTION-IN-PROGRSS	3,957,573	3,799,498	(2,188,599)	5,568,473
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 4,121,833	\$ 3,907,112	\$ (2,188,599)	\$ 5,840,347
CAPITAL ASSETS BEING DEPRECIATED				
BUILDINGS & STRUCTURES				
Industrial Water Utility	\$ 19,254,725	\$ 513,232	\$ -	\$ 19,767,957
Grandview Water Utility	345,311	-	-	345,311
Electric Utility	4,457,484	-	-	4,457,484
General Utility & Office (Internal Services Utility)	1,632,978	53,002	-	1,685,980
TOTAL BUILDINGS & STRUCTURES	25,690,499	566,234	-	26,256,732
MACHINERY & EQUIPMENT				
Industrial Water Utility	20,572,413	1,260,102	(263,753)	21,568,762
Grandview Water Utility	3,158,903	15,232	-	3,174,135
Electric Utility	21,848,379	200,915	(28,367)	22,020,927
General Utility & Office (Internal Services Utility)	3,326,635	38,502	-	3,365,137
TOTAL MACHINERY & EQUIPMENT	48,906,330	1,514,751	(292,120)	50,128,961
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	\$ 75,508,811	\$ 2,080,984	\$ (338,101)	\$ 77,251,694
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Structures	\$ (9,061,560)	\$ (537,294)	\$ -	\$ (9,598,854)
Machinery & Equipment	(17,276,687)	(1,435,004)	195,735	(18,515,955)
Intangible	(779,400)	(43,300)	-	(822,700)
Lease	(38,099)	-	38,099	-
SBITA	(5,474)	-	5,474	-
TOTAL ACCUMULATED DEPRECIATION	(27,161,220)	(2,015,597)	239,308	(28,937,509)
TOTAL CAPITAL ASSETS BEING DEPRECIATED (NET)	\$ 48,347,590	\$ 65,387	\$ (98,793)	\$ 48,314,184
TOTAL CAPITAL ASSETS, NET	\$ 52,469,423	\$ 3,972,499	\$ (2,287,392)	\$ 54,154,531

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

For The Year Ended December 31, 2025

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 \$109,000 in CWIP projects in 2025.

NOTE 5 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Construction Commitments

The District has active construction projects as of December 31, 2025. The projects include:

		2025	
	District Capital Project #	Spent Through 12/31/25	Remaining Commitment
Petrogas Valve/Meter	RW33	177,220	-
Water Treatment Plant 1 rebuild	RW38	4,921,453	104,500,000
WTP1 Screens	RW56	63,458	300,000
Turbidity Vault	RW58	28,328	-
Douglas Stop	RW61	212,094	150,000
Basin Enclosures	RW98	84,454	-
Ferfinery Substation	E22	51,987	-
Refinery Substation Capacity Upgrade	E28	15,088	-
Power to the Intertie	E31	14,390	-
TOTAL CONSTRUCTION IN PROGRESS		\$ 5,568,473	\$ 104,950,000

Of the Remaining Commitment balance of \$104,950,000, the District will be required to raise an estimated \$50,000,000 in future financing.

B. Other Commitments

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

PROJECT	SPENT TO DATE	REMAINING COMMITMENT
CDI250102 - Drafting Water Dept	\$ 35,948	\$ 64,053
CDI250101 - Drafting Electrict Dept	1,300	98,700
CDI250103 - Plant Intake and Screens	44,569	75,431
CDI250204 - Petrogas New Vault and valve	58,072	79,699
CDI250205 - WTP2 Basin Enclosure	35,735	89,480
CDI25026 - In line Generation Intertie	19,641	6,359
CNI WTP1 rebuilt	4,637,409	3,098,364
TOT083124 - P66 substn rebuild	59,131	52,869
	\$4,891,805	\$ 3,564,955

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

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 signed a new power supply contract with BPA the end of 2025 that will become effective October 1, 2028. This contract reflects years of regional collaboration, represents a historic accomplishment, and forges our continued relationship.

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 - 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
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	180,000
2021 LTGO Series B - Refunded the 2010 Series B bonds	2021-2030	0.94%	10,220,000	980,000
2025 LTGO Series A - Funds to start rebuild of WTP1	2025-2044	4.11%	57,625,000	1,350,000
2025 LTGO Series B - Refunded the 2013 bonds	2025-2032	4.11%	2,840,000	330,000

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

Year Ending December 31:	2016 LTGO BONDS		2021 LTGO BONDS		2025 LTGO BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2026	\$ 145,762	6,093	1,210,000	\$ 371,400	\$ 2,135,000	\$ 3,064,188
2027	145,762	3,046	1,250,000	323,000	2,245,000	2,957,438
2028			1,305,000	273,000	2,355,000	2,845,188
2029			1,355,000	220,800	2,475,000	2,727,438
2030			1,410,000	166,600	2,600,000	2,603,688
2031-2035			1,245,000	455,200	13,715,000	10,999,938
2036-2040			1,510,000	185,800	16,545,000	7,291,188
2041-2044					16,715,000	2,359,775
TOTAL	\$ 291,524	\$ 9,139	\$ 9,285,000	\$ 1,995,800	\$ 58,785,000	\$ 34,848,838

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

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
2026	\$ 38,567	\$ 5,765
2027	38,953	5,379
2028	39,343	4,990
2029	39,736	4,596
2030	40,133	4,199
2031-2035	206,768	14,893
2036-2040	172,983	4,346
TOTAL	\$ 576,483	\$ 44,168

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, 2025, the District has \$486,054 in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$486,054 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 \$300,663. Principal and interest paid for the current year and total Grandview assessment revenue were \$154,902 and \$74,784 respectively.

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

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

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

OPERATING REVENUE	2025	2024	2023
Utility Sales and Service Revenues	\$ 27,231,339	\$ 22,835,221	\$ 20,833,764
Other Operating Revenue	22,841	17,688	71
TOTAL OPERATING REVENUE	\$ 27,254,180	\$ 22,852,909	\$ 20,833,835
OPERATING EXPENSES			
Operations:			
Purchased Water	\$ -	\$ -	\$ -
Purchased Power	9,756,342	8,629,312	7,927,628
Water Purification	539,680	563,844	449,073
Taxes / Process / Delivery Costs	590,818	517,995	479,153
General Operations	1,415,477	1,039,298	1,023,986
Maintenance	2,369,617	2,307,549	1,315,077
Administration:			
General Administration	4,090,529	3,801,208	3,295,488
Planning and Development Expense	739,576	342,701	471,515
Depreciation Expense	2,015,597	1,798,877	1,771,877
Utility Tax Expense	909,750	739,708	677,724
TOTAL OPERATING EXPENSES	\$ 22,427,386	\$ 19,740,492	\$ 17,411,520
 OPERATING INCOME (LOSS)	 \$ 4,826,794	 \$ 3,112,417	 \$ 3,422,315
NONOPERATING REVENUE			
Lease Income	21,021	24,592	26,328
Grant Revenue	187,465	281,374	127,798
Assessment Income	74,784	97,723	133,247
Interest Income	2,415,883	575,809	343,889
Interest Fees	(30,686)	(7,269)	(6,597)
Connection Fee	16,000	17,680	75
Penalties	108,013	191,894	70,340
TOTAL NONOPERATING REVENUE	\$ 2,792,481	\$ 1,181,804	\$ 695,081
NONOPERATING EXPENSE			
Interest Expense	2,567,381	461,991	536,004
Amortization	69,062	25,584	21,330
Grant Expenses	180,226	345,797	37,233
Loss (Gain) on Property Disposal	96,385	187,115	72,877
Business Development	-	-	-
TOTAL NONOPERATING EXPENSE	\$ 2,913,053	\$ 1,020,487	\$ 667,444
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	 \$ 4,706,221	 \$ 3,273,734	 \$ 3,449,952
Capital Contributions (Connection Charges)	263,500	18,060	-
Special / Extraordinary Items	-	-	-
 BALANCE FOR DEBT SERVICE¹	 \$ 9,546,977	 \$ 5,480,523	 \$ 5,645,915
Outstanding 2016 Bonds	\$ 154,902	\$ 157,949	\$ 160,995
Less: LUD Assessment Payments	74,784	97,723	133,247
Net LUD Debt	80,118	60,225	27,748
Outstanding LTGO Bonds	5,715,742	2,496,112	2,495,530
TOTAL DEBT SERVICE	\$ 5,795,860	\$ 2,556,338	\$ 2,523,277
 BALANCE AVAILABLE FOR OTHER PURPOSES	 \$ 3,751,117	 \$ 2,924,185	 \$ 3,122,637
DEBT SERVICE COVERAGE	1.65	2.14	2.24

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

¹Excludes Depreciation, assessments, interest and amortization

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2025, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2025	Additions	Reductions	Ending Balance 12/31/2025	Due Within One Year
Bonds Payable					
General Obligation bonds	\$ 12,276,524	\$ 58,785,000	\$ (6,187,762)	\$ 64,873,762	\$ 3,490,762
Premiums	2,420,313	4,447,568	(318,968)	6,548,913	389,678
Discounts	-		-	-	-
Total Bonds Payable	14,696,837	63,232,568	(6,506,730)	71,422,675	3,880,440
Debt from Direct Borrowing	576,484		(38,567)	537,917	38,567
Leases	-		-	-	
Subscription Based Information	-		-	-	
Claims	-			-	
Compensated Absences*	250,337	32,366		282,703	
Business-type activity Long-term	\$ 15,523,658	\$ 63,264,934	\$ (6,545,297)	\$ 72,243,295	\$ 7,799,446

* GASB101 Prior period adjustment

NOTE 8 – ASSET RETIREMENT OBLIGATIONS (ARO)

The District, per the guidelines set forth by GASB 83, has identified 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. This tower was removed in the Fall of 2025.
- 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. It has recently been decided to decommission the Grandview fire well in 2026.

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

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

NOTE 9 – RESTRICTED COMPONENT OF NET POSITION

The District’s statement of net position reports \$60,553,165 of restricted component of net position for debt service, of which everything is restricted by enabling legislation.

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at December 31, 2025 were as follows:

		Due From					
		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service	Total
Due To	Industrial Water		\$ 752,216			\$ 3,474,487	\$ 4,226,703
	Grandview					23,024	23,024
	Electric					1,376,337	1,376,337
	Alcoa Fund					215,368	215,368
	Internal Service	2,232,694	41,492	1,055,290			3,329,476
	Total	\$ 2,232,694	\$ 793,708	\$ 1,055,290	\$ -	\$ 5,089,216	

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, 2025 were as follows:

		Transfer From					
		Industrial Water	Grandview	Electric	Alcoa Fund	Internal Service	Total
Transfer To	Industrial Water		\$ 55,754				\$ 55,754
	Grandview						-
	Electric	398,199					398,199
	Alcoa Fund						-
	Internal Service						-
	Total	\$ 398,199	\$ 55,754	\$ -	\$ -	\$ -	

The transfers all dealt with one utility paying back another utility for fixed assets or bond costs. In 2025, there were three transfers:

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

- \$55,754 activity on the interfund loan between Industrial Water and Grandview
- \$52,631 was transferred for the Industrial Water’s portion of current Electric construction projects.
- \$345,568 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 11 - 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 2025 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 renegotiated 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 2025, 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 2025 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>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>
<u>2019</u>	<u>6.00</u>	<u>2024</u>	<u>7.00</u>
<u>2020</u>	<u>6.25</u>	<u>2025</u>	<u>7.00</u>

Public Utility District No. 1 of Whatcom County
NOTES TO FINANCIAL STATEMENT
For The Year Ended December 31, 2025

NOTE 12 – SEGMENT INFORMATION

The District operated four proprietary segments and an Internal Services Fund in 2025. The following changes occurred in the District's segments during 2025:

A. INDUSTRIAL WATER UTILITY

In 2025 supply chain delays have stabilized for small or standardized materials; however larger equipment, such as pumps or motors, continue to have extended delivery timelines. The high head motor and pump rebuild work continued in 2025. Plant 1 continues to deteriorate rapidly, and maintenance costs are increasing accordingly. Again, pumps and motors, integral to PUD operations, have become one of the biggest challenges as many pumps are near the end of useful life and reliable subcontractors have become scarce. Engineering of the Plant 1 rebuild continues. Staff concern has become heightened as technical design has far outpaced regulatory permitting and design, with potential remedial technical redesign the upshot. As of Q1 2026, the Plant 1 rebuild project is expected to go out to bid in second or third quarter of 2027. Routine maintenance projects on Water Treatment Plants #1 and #2 are ongoing for the entire water system facilities including Intake pump and motor projects. Annual maintenance projects such as the pond cleaning, facilities painting, and mowing were accomplished.

B. GRANDVIEW WATER UTILITY

2025 saw a maintaining of consistent potable water delivery. The PUD completed the acquisition of a permanent easement enclosing the well head and existing Grandview-Northgate facilities. Initial construction activities will be to install a permanent fence and gate to secure the entire site. Most activities in 2025 were routine in nature, minus the installation of an RPBA (Reduced Pressure Backflow Assembly) and appurtenances in a needed location to ensure safe potable water delivery.

C. ELECTRIC UTILITY

The Electric Utility will continue maintenance activities for a resilient power supply including vegetation management, substation maintenance, and replacement of aging variable frequency drives. Staff has begun planning for replacing some H-frame wooden poles with steel monopoles, and capacitor bank replacement at the refinery substation.

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 2025, the Alcoa Services Fund did not contribute to any project. As of December 31, 2025, the remaining fund balance is \$44,936.

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, 2025

	403	411	473	481	490	500	ELIMINATION	DISTRICT TOTAL
	INDUSTRIAL WATER UTILITY	GRANDVIE W UTILITY	TELECOM UTILITY	ELECTRIC UTILITY	ALCOA SVCS	INTERNAL SERVICES FUND		
OPERATING REVENUE								
Utility Sales and Service Revenues	\$ 14,822,631	\$ 341,276	\$ -	\$ 12,283,875	\$ -	\$ -	\$ (216,444)	\$ 27,231,339
Other Operating Revenue	22,841	-	-	-	-	-	-	22,841
TOTAL OPERATING REVENUE	\$ 14,845,473	\$ 341,276	\$ -	\$ 12,283,875	\$ -	\$ -	\$ (216,444)	\$ 27,254,180
OPERATING EXPENSES								
Operations:								
Purchased Water	-	5,100	-	-	-	-	(5,100)	-
Purchased Power	573,150	6,054	-	9,177,138	-	-	-	9,756,342
Water Purification	536,319	3,360	-	-	-	-	-	539,680
Taxes / Process / Delivery Costs	-	-	-	590,818	-	-	-	590,818
General Operations	1,071,389	82,605	-	261,484	-	-	-	1,415,477
Maintenance	1,797,878	96,171	-	475,568	-	-	-	2,369,617
Administration								
General Administration	2,615,394	73,452	-	1,613,027	-	-	(211,344)	4,090,529
Planning and Development Expenses	683,116	468	-	55,993	-	-	-	739,576
Depreciation Expense	1,139,497	88,593	-	787,508	-	-	-	2,015,597
Utility Tax Expense	754,260	17,294	-	138,196	-	-	-	909,750
TOTAL OPERATING EXPENSES	\$ 9,171,002	\$ 373,096	\$ -	\$ 13,099,731	\$ -	\$ -	\$ (216,444)	\$ 22,427,386
OPERATING INCOME (LOSS)	\$ 5,674,470	\$ (31,820)	\$ -	\$ (815,856)	\$ -	\$ -	\$ -	\$ 4,826,794
NONOPERATING REVENUE								
Lease Income	21,021	-	-	-	-	-	-	21,021
Grant Revenue	108,077	175	-	79,213	-	-	-	187,465
Assessment Income	-	74,784	-	-	-	-	-	74,784
Interest Income	2,198,593	21,261	-	194,504	1,524	-	-	2,415,883
Interest Fees	(27,914)	(271)	-	(2,481)	(19)	-	-	(30,686)
Connection Fee	-	16,000	-	-	-	-	-	16,000
Penalties	108,013	-	-	-	-	-	-	108,013
TOTAL NONOPERATING REVENUE	\$ 2,407,790	\$ 111,950	\$ -	\$ 271,236	\$ 1,504	\$ -	\$ -	\$ 2,792,481
NONOPERATING EXPENSE								
Interest Expense	2,431,918	9,024	-	126,439	-	-	-	2,567,381
Amortization	63,052	1,532	-	4,478	-	-	-	69,062
Interfund Expense	342,445	55,754	-	(398,199)	-	-	-	-
Grant Expenses	97,109	174	-	82,943	-	-	-	180,226
Loss (Gain) on Property Disposal	76,921	-	-	19,464	-	-	-	96,385
Business Development	-	-	-	-	-	-	-	-
TOTAL NONOPERATING EXPENSE	\$ 3,011,445	\$ 66,484	\$ -	\$ (164,875)	\$ -	\$ -	\$ -	\$ 2,913,053
INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS	\$ 5,070,815	\$ 13,646	\$ -	\$ (379,745)	\$ 1,504	\$ -	\$ -	\$ 4,706,221
Capital Contributions	263,500	-	-	-	-	-	-	263,500
CHANGE IN NET POSITION	\$ 5,334,315	\$ 13,646	\$ -	\$ (379,745)	\$ 1,504	\$ -	\$ -	\$ 4,969,721
NET POSITION - JANUARY 1st	\$ 27,324,755	\$ 1,112,849	\$ -	\$ 20,079,566	\$ 258,799	\$ 44,067	\$ -	\$ 48,820,035
NET POSITION - DECEMBER 31st	\$ 32,659,070	\$ 1,126,495	\$ -	\$ 19,699,821	\$ 260,304	\$ 44,067	\$ -	\$ 53,789,757

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, 2025

	403	411	473	481	490	500	DISTRICT
	INDUSTRIAL	GRANDVIEW	TELECOM	ELECTRIC	ALCOA SVC	INTERNAL	TOTAL
	WATER UTILITY	UTILITY	UTILITY	UTILITY		SERVICES FUND	
ASSETS							
CURRENT ASSETS							
Cash & Cash Equivalents							
Cash	\$ (48,468)	\$ (1,880)	\$ -	\$ (66,237)	\$ 681	\$ 157,943	\$ 42,039
Whatcom County Investment Pool	9,247,721	309,290	-	5,334,774	44,255	(57,791)	14,878,250
Total Cash & Cash Equivalents	9,199,254	307,410	-	5,268,537	44,936	100,152	14,920,289
Receivables (Net):							
Customers	1,210,989	31,916	-	1,040,784	-	-	2,283,688
Other	(1,463)	-	-	1,232	-	(117)	(347)
Interfund Receivables	752,216	(752,216)	-	-	-	-	-
Interfund Transfers - Capital	1,600,297	(9,391)	-	513,147	215,368	(2,319,421)	-
Interfund Transfers - Employee	(358,505)	(9,076)	-	(192,100)	-	559,681	0
Total Accounts Receivables (Net)	3,203,535	(738,767)	-	1,363,063	215,368	(1,759,857)	2,283,341
Other Current Assets							
Restricted Cash & Cash Equivalents	60,067,111	47,187	-	-	-	-	60,114,299
Prepayments	-	-	-	-	-	63,671	63,671
TOTAL CURRENT ASSETS	\$ 72,469,900	\$ (384,170)	\$ -	\$ 6,631,600	\$ 260,304	\$ (1,596,033)	\$ 77,381,600
NON-CURRENT ASSETS							
Bond Issue Costs	651,178	3,321	-	50,517	-	-	705,017
Noncurrent Restricted Assets							
Investments - Bond Reserves	438,867	-	-	-	-	-	438,867
Capital Assets Not Being Depreciated							
Land	108,000	-	-	-	-	-	108,000
Easements	56,260	107,614	-	-	-	-	163,874
Construction in Progress	5,487,007	-	-	81,466	-	-	5,568,473
Capital Assets Being Depreciated:							
Buildings & Structures	19,767,957	345,311	-	4,457,484	-	1,685,980	26,256,732
Machinery & Equipment	21,568,762	3,174,135	-	22,020,927	-	3,365,137	50,128,961
Intangible	866,000	-	-	-	-	-	866,000
Less Accumulated Depreciation	(17,731,665)	(1,780,942)	-	(6,693,205)	-	(2,731,696)	(28,937,509)
Total Capital Assets (Net)	30,122,320	1,846,119	-	19,866,671	-	2,319,421	54,154,531
TOTAL NONCURRENT ASSETS	\$ 31,212,365	\$ 1,849,440	\$ -	\$ 19,917,189	\$ -	\$ 2,319,421	\$ 55,298,415
TOTAL ASSETS	\$ 103,682,265	\$ 1,465,270	\$ -	\$ 26,548,788	\$ 260,304	\$ 723,387	\$ 132,680,015
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Outflow - ARO	-	37,500	-	-	-	-	37,500
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ -	\$ 37,500	\$ -	\$ -	\$ -	\$ -	\$ 37,500

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Net Position

As of December 31, 2025

	403	411	473	481	490	500	DISTRICT
	INDUSTRIAL	GRANDVIEW	TELECOM	ELECTRIC	ALCOA	INTERNAL	TOTAL
	WATER	UTILITY	UTILITY	UTILITY	SVC	SERVICES	
	UTILITY					FUND	
LIABILITIES							
CURRENT LIABILITIES							
Accounts Payable	\$ 594,972	\$ 5,165	\$ -	\$ 1,007,289	\$ -	\$ 88,417	\$ 1,695,843
Accrued Compensated Absences	-	-	-	-	-	276,602	276,602
Accrued Insurance Claims Reserve	6,019	481	-	2,870	-	30,979	40,349
Accrued Utility Taxes	60,866	1,267	-	298,666	-	-	360,799
Contractor Retainage	125,864	-	-	278,438	-	620	404,922
Asset Retirement Obligation	-	75,000	-	-	-	-	75,000
Bonds, Notes, and Loans Payable							
2016 LTGO Bond - Current	-	142,762	-	-	-	-	142,762
2016 LTGO Bond - Interest	-	508	-	-	-	-	508
2019 EDI Loan - Current	38,569	-	-	-	-	-	38,569
2019 EDI Loan - Interest	480	-	-	-	-	-	480
2021 LTGO Bond - Current	912,594	-	-	297,406	-	-	1,210,000
2021 LTGO Bond - Interest	16,433	-	-	14,517	-	-	30,950
2025 LTGO Bond - Current	2,135,000	-	-	-	-	-	2,135,000
2025 LTGO Bond - Interest	255,349	-	-	-	-	-	255,349
Deposits & Other Payables	5,000	2,330	-	10,000	-	-	17,330
TOTAL CURRENT LIABILITIES	\$ 4,151,146	\$ 227,513	\$ -	\$ 1,909,187	\$ -	\$ 396,618	\$ 6,684,463
NON-CURRENT LIABILITIES							
Accrued Compensated Absences	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 282,703	\$ 282,704
Bonds, Notes, and Loans Payable							
2016 LTGO Bond Principal	-	148,762	-	-	-	-	148,762
2019 EDI Loan Principal	537,917	-	-	-	-	-	537,917
2021 LTGO Bond A&B Principal	5,236,565	-	-	4,939,780	-	-	10,176,345
2025 LTGO Bond A&B Principal	61,097,568	-	-	-	-	-	61,097,568
TOTAL NONCURRENT LIABILITIES	\$ 66,872,050	\$ 148,762	\$ -	\$ 4,939,780	\$ -	\$ 282,703	\$ 72,243,296
TOTAL LIABILITIES	\$ 71,023,195	\$ 376,275	\$ -	\$ 6,848,967	\$ -	\$ 679,321	\$ 78,927,759
NET POSITION							
Net Investment in Capital Assets	20,231,219	1,554,595	-	14,629,485	-	2,319,421	38,734,720
Restricted for Debt Service	60,505,978	47,187	-	-	-	-	60,553,165
Unrestricted	(48,078,127)	(475,287)	0	5,070,336	260,304	(2,275,354)	(45,498,129)
TOTAL NET POSITION	\$ 32,659,070	\$ 1,126,495	\$ -	\$ 19,699,821	\$ 260,304	\$ 44,067	\$ 53,789,757

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Cash Flows

As of December 31, 2025

	403 INDUSTRIAL WATER	411 GRANDVIEW	481 ELECTRIC	490 BPA-ALCOA ESCROW	500 INTERNAL SERVICE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 14,600,271	\$ 350,186	\$ 11,871,262	\$ -	\$ 177,597	\$ 26,999,316
Payments to suppliers	(3,620,097)	(177,180)	(9,896,978)	-	(2,939,522)	(16,633,777)
Payments to employees (Labor only)					(3,518,481)	(3,518,481)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 10,980,174	\$ 173,006	\$ 1,974,285	\$ -	\$ (6,280,406)	\$ 6,847,058
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from (to) Other Utilities	(4,648,102)	(157,617)	(1,349,193)	-	6,154,912	(0)
Payments Received for Non-operating work	237,111	16,000	79,213			332,324
Payments (Paid) for Non-operating work	(99,157)	(8)	(84,700)	-	1,406	(182,459)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	\$ (4,510,148)	\$ (141,625)	\$ (1,354,680)	\$ -	\$ 6,156,318	\$ 149,865
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from Capital Debt	61,705,452					61,705,452
Purchase of Capital Assets	(3,326,584)	(121,137)	(260,274)		(89,095)	(3,797,090)
Principal paid on Capital Debt	(2,594,991)	(145,763)	(283,194)			(3,023,948)
Interest paid on Capital Debt	(2,652,022)	(9,139)	(185,536)			(2,846,697)
Capital Contributions	263,500					263,500
Assessments Received for 2007 & 2016 debt payments		74,784				74,784
Issue costs of debt	(205,766)					(205,766)
Proceeds / (Funding) of Reserve Requirements	(13,933)					(13,933)
NET CASH PROVIDED / (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 53,175,657	\$ (201,255)	\$ (729,004)	\$ -	\$ (89,095)	\$ 52,156,302
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	2,172,454	20,998	193,545	1,504	(3,304)	2,385,197
NET CASH PROVIDED / (USED) FROM INVESTING ACTIVITIES	\$ 2,172,454	\$ 20,998	\$ 193,545	\$ 1,504	\$ (3,304)	\$ 2,385,197
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 61,818,137	\$ (148,877)	\$ 84,146	\$ 1,504	\$ (216,488)	\$ 61,538,422
BALANCE BEGINNING OF YEAR	7,887,095	503,474	5,184,391	43,432	316,640	13,935,032
BALANCE END OF PERIOD	\$ 69,705,232	\$ 354,597	\$ 5,268,537	\$ 44,936	\$ 100,152	\$ 75,473,454

Public Utility District No. 1 of Whatcom County

NOTES TO FINANCIAL STATEMENT

Statement of Cash Flows

As of December 31, 2025

	403	411	481	500	
	INDUSTRIAL WATER	GRANDVIEW	ELECTRIC	INTERNAL SERVICE	TOTAL
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH					
Operating Income (Loss)	\$ 5,674,470	\$ (31,820)	\$ (815,856)	\$ 0	\$ 4,826,794
Adjustments to reconcile operating income to net cash provided (used) by operating activity					
Depreciation	1,001,366	87,599	668,580	258,052	2,015,597
Decrease (Increase) in Net Accounts Receivable	12,269	(16,650)	(704)	(336,316)	(341,402)
Decrease (Increase) in Prepayments	-	-	-	(15,311)	(15,311)
Decrease (Increase) in Other Deferred Charges	12,500	(37,500)	-	-	(25,000)
Interfund Transfers	4,304,641	101,856	1,746,517	(6,153,014)	0
Increase (Decrease) in Account Payable	(68,902)	1,165	304,945	(188,229)	48,980
Increase (Decrease) in Accrued Compensated Absences	-	-	-	167,100	167,100
Increase (Decrease) in Accrued Insurance Claims Reserve	1,168	89	649	(2,111)	(205)
Increase (Decrease) in Accrued Utility Taxes	60,866	1,267	66,084	2,828	131,046
Increase (Decrease) in Contractor Retainage	34,704	-	4,070	(13,407)	25,367
Increase (Decrease) in Asset Retirement Obligation	(50,000)	75,000	-	-	25,000
Increase (Decrease) in Deposits & Other Payables	(2,908)	(8,000)	-	-	(10,908)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 10,980,174	\$ 173,006	\$ 1,974,285	\$ (6,280,406)	\$ 6,847,058

Public Utility District No. 1 of Whatcom County
 NOTES TO FINANCIAL STATEMENT
 For The Year Ended December 31, 2025

NOTE 13 - PROPERTY TAX

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

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

Whatcom County annually publishes the ‘Statement of Assessed Valuations, Tax Rates, and Taxes Levied Within the Various Taxing Districts of Whatcom County’. The District’s assessed value is equal to the Total Value of Taxable Property of Whatcom County. The District assessed valuation of taxable property for 2025 was \$60,632,418,725. 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 2025 or 2024.

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

NOTE 14 - RISK MANAGEMENT

In January 2002, the Public Utility District No.1 of Whatcom County became a member of the Public Utility Risk Management Services, [PURMS], a joint self-insurance fund. Its membership is comprised of 18 Public Utility Districts and NOANET, a Washington nonprofit mutual corporation providing broadband communications services.

The Public Utility Risk Management Services, Joint Self-Insurance Fund was organized as of December 30, 1976, pursuant to the provisions of the Revised Code of Washington, Chapter 54.16.200 and inter-local agreements. The program’s general objectives are to formulate, develop, and administer, on behalf of the member public utilities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The District is a member of the Liability and Property Pools. The risks shared by the members are defined in the member’s Self-Insurance Agreement. Both pools (liability and property) operate independently of one another. The Fund maintains assets from which liability claims against the member Districts and property losses of member Districts are paid and, through assessments of the members to replenish these assets, the members share joint liability among themselves for losses incurred. The Fund also purchases excess insurance for losses above the \$1,000,000 for liability and above \$250,000 for property.

The members, through the Fund, provide liability self-insurance for the first \$1 million of individual loss claims. Assessments for the liability pool are based upon a formula whose elements include: basic fees, historic claims experience and workers hours. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. In 2025, 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 2025 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, 2025

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 2025 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 \$300 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 \$40,349 (\$30,379 for the Liability Pool, \$9,970 for the Property Pool), compared to the 2024 share balance of \$40,554 (\$32,614 for the Liability Pool, \$7,940 for the Property Pool), a \$205 decrease.

A comprehensive 2025 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, 2025

Risk pool insurance premiums and pool assessments for the District were as follows for 2025 and 2024:

PURMS 2024

<u>LIABILITY</u>					
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%
3/21/2024	AEGIS	LIABILITY	\$10M EXCESS \$1M	15,315	0.02%
7/1/2024	AEGIS	LIABILITY	PROF LIAB [E&O] \$35M EXCESS \$500K	239,762	1.48%
8/13/2024	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	553,807	1.69%
10/29/2024	EVEREST NATIONAL	LIABILITY	FRONTING POLICY	5,000	1.48%
12/31/2024	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	504,212	1.70%
				\$ 6,030,231	1.19%
					\$ 71,663
<u>PROPERTY</u>					
4/10/2024	PROPERTY POLICIES	PROPERTY	\$200M EXCESS \$250K	2,349,360	2.38%
6/12/2024	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	257,935	3.02%
9/12/2024	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	265,202	3.02%
12/31/2024	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	75,435	5.25%
				\$ 2,947,932	2.57%
					\$ 75,668

PURMS 2025

<u>LIABILITY</u>					
1/7/2025	AEGIS	LIABILITY	LIAB \$35M EXCESS \$1M	3,951,201	
1/7/2025	AEGIS	LIABILITY	CYBER EXTEND DATE	34,195	
1/7/2025	EIM	LIABILITY	LIAB \$65M EXCESS \$36M	1,299,962	1.12%
2/7/2025	AEGIS	LIABILITY	CYBER \$10M EXCESS \$1M	368,100	0.33%
7/7/2025	AEGIS	LIABILITY	PROF LIAB [E&O] \$35M EXCESS \$500K	234,027	1.50%
1/2/2025	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	504,212	1.70%
6/10/2025	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	538,738	1.72%
9/4/2025	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	531,638	1.72%
11/25/2025	EVEREST NATIONAL	LIABILITY	FRONTING POLICY	5,000	1.50%
10/29/2025	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	609,407	1.72%
12/31/2025	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	226,770	1.72%
				\$ 8,303,250	1.32%
					\$ 109,624
<u>PROPERTY</u>					
4/10/2025	PROPERTY POLICIES	PROPERTY	\$300M EXCESS \$250K	2,505,890	2.68%
1/7/2025	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	75,435	5.25%
6/10/2025	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	330,147	5.24%
10/10/2025	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	256,098	4.60%
11/14/2025	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	270,694	4.60%
12/31/2025	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	89,016	4.60%
				\$ 3,527,280	3.31%
					\$ 116,821

NOTE 15 – SUBSEQUENT EVENTS

At the end of 2025, Chris Heimgartner, General Manager, gave notice of his planned retirement in June of 2026. The search for a new General Manager is in process. Also, Jon Sitkin, the District’s counsel of 25 years retired. Peter Ruffatto, an attorney from CSD Attorneys at Law, was appointed as the new counsel for the District.

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, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contribution Rate per Qualified Hour	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 6.50	\$ 6.25	\$ 6.00	\$ 5.75	\$ 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	\$ 14,560	\$ 13,520	\$ 13,000	\$ 12,480	\$ 11,960	\$ 11,440	\$ 11,440
# Covered Employees at 12/31	7	8	7	7	7	7	6	6	6	6
Actual Contributions	\$119,040	\$157,446	\$101,357	\$101,101	\$ 93,698	\$ 94,115	\$ 75,191	\$ 72,444	\$ 73,521	\$ 68,833
Covered-employee payroll	\$844,751	\$676,163	\$621,447	\$576,554	\$567,449	\$536,249	\$452,268	\$423,316	\$487,409	\$420,577
Contributions as a % of covered-employee payro	14.1%	23.3%	16.3%	17.5%	16.5%	17.6%	16.6%	17.1%	15.1%	16.4%

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