Annual Report

PUD #1 of Ferry County

MCAG No. 1778

Submitted pursuant to RCW 43.09.230

To the

Office of the State Auditor

For the fiscal year ended December 31, 2022

Certified correct this 30th day of May 2023 to the best of my knowledge:

Steve VanSlyke, Manager
686 S Clark Ave.
P.O. Box 1039
Republic, WA 99166
fcpud.com

Prepared by Susan R. Nush, Auditor

Office Phone: 509-775-3325
Office Fax: 509-775-3326
E-mail: snush@fcpud.com

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

The following discussion and analysis is designed to provide an overview of Public Utility District No. 1 of Ferry County's (the District) financial activity, to assist the public in focusing on the significant financial issues facing the District, and to identify changes in the District's financial position.

The District is a municipal corporation of the State of Washington and was established in 1936 and began operations in 1945. At that time, the system served 300 customers. In 2022 the system served an average of 3,735 meters. The District is an electricity-only utility with distribution and limited 34.5 KV transmission system. The District purchases all electricity from the Bonneville Power Administration (BPA) as a full-requirements customer. A three-member Board of Commissioners locally elected to six-year terms governs the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report includes this Management's Discussion and Analysis, Basic Financial Statements with accompanying notes, and Supplemental Information. The District conforms to generally accepted accounting principles as applicable to proprietary funds of public utility districts operated in the State of Washington. The District uses the Uniform Systems of Accounts as prescribed by the United States Department of Agriculture Rural Utilities Service (RUS). The District's financial statements are presented on an accrual basis of accounting. Accrual accounting recognizes revenues when earned and expenses when they are incurred, regardless of when cash is received or paid.

- The *Statement of Net Position* presents information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity at year end. It also provides information about the nature and amounts of investment in resources (assets) and the District's obligations to its creditors (liabilities).

- The *Statement of Revenue, Expenses and Changes in Net Position* accounts for the year's revenue and expense transactions. This statement measures the District's operations over the past year and may be used to determine if the District has been successful in recovering its costs through rates and other charges.

- The *Statement of Cash Flows* provides information on the District's cash receipts and disbursements during the year. This statement reports changes in cash resulting from operations, investing, and financing activities.

- The *Notes to the Financial Statements* provide additional information that is an integral part of the financial statements. This information includes the disclosure of significant accounting policies, financial activities, risks, commitments, obligations, and subsequent events.

- The *Required Supplemental Information* provides additional information on the District's state pension plan. It includes information about the District's Proportionate Share of the Net Pension Liability of the full plan as well as the District's contributions to the plan.

FINANCIAL ANALYSIS OF THE DISTRICT

Results of operations are primarily impacted by changes in rates, retail load, net power supply costs, conservation activities, and rate stabilization decisions. Retail rates remained unchanged in 2022.

Net Position. In 2022, the District's Net Position improved by over $665,000 from 2021; at year end it totaled approximately $19,880,000. The District held $12,318,000 in Capital Assets, $639,409 in Restricted Assets (including Restricted Funds such as Consumer Deposits, a Bond Reserve Fund, and an economic development Revolving loan fund as well as the District's Net Pension account) and $6,923,000 in Unrestricted Assets (such as Receivables, Inventories, Prepayments, as well as reserved funds for personal leave, storm repairs, and high-cost line extensions.)

	2022	2021	Increase (Decrease)
Net Investment in Capital Assets	12,318,080	12,106,877	211,203
Restricted Assets & Net Pension Asset	639,409	307,020	332,389
Unrestricted Assets	6,923,061	6,801,624	121,437
Total Net Position	19,880,549	19,215,521	665,028

Assets and Deferred Outflows. Though the District's Capital Assets and Current Assets increased in value by $211,000 and $80,000 respectively, long-term assets reflected a $598,000 decline in value. This decline was due to a $889,000 decrease in the value of the District's PERS2 Net Pension Asset. Fortunately, it was offset by a newly reported $291,000 Long-term Lease Receivable. The Pension-related Deferred Outflow increased by $375,000 to offset this overall loss in asset values; thus, total assets including the deferred outflows increased by $68,000.

	2022	2021	Increase (Decrease)
Total Capital Assets	12,318,080	12,106,877	211,202
Total Current Assets	8,806,594	8,727,001	79,592
Total Non-Current Asset & Net Pension Asset	851,659	1,449,215	(597,556)
Total Assets	21,976,332	22,283,094	(306,761)
Total Deferred Outflows	566,038	190,956	375,081

Cash and Cash Equivalents. District Cash and Cash Equivalents decreased by $301,000 to $3,420,000. This includes the District's checking and interest-bearing accounts. This reduction in funds is insignificant since it represents only 3.4% of the Districts Total Current Assets.

	2022	2021	Increase (Decrease)
Cash & Cash Equivalents	3,420,119	3,721,303	(301,183)

Liabilities & Deferred Inflows. Liabilities increased slightly in the amount of $42,000 in 2022. Though Long-Term liabilities increased by $206,000, they were offset by Current Liabilities that decreased by $163,000. The District saw increases to the PERS1 Net Pension Liability and Compensated Absences; $185,000 and $20,000, respectively. The reduction in Current Liabilities was mostly from a drop in Accounts Payable. Deferred Inflows from Pensions dropped by $930,000 which combined with the increase of the newly reported $291,000 Capital Lease Deferral for a $639,000 reduction to Total Deferred Inflows.

	2022	2021	Increase (Decrease)
Total Long-term Liabilities	700,827	495,185	205,643
Total Current Liabilities	1,068,353	1,231,251	(162,898)
Total Liabilities	1,769,181	1,726,436	42,744
Total Deferred Inflows	892,640	1,532,093	(639,452)

Revenues. Operating Revenues increased by about $843,000 during 2022. This was the result of an increase in total Energy Sales related to both continued residential construction in the service territory and increased commercial and industrial usage. Residential sales rose by $303,000, Industrial sales rose by $481,000, and Commercial sales rose slightly by $56,000. While other Operating Revenues such as Connection Fees, Meter Reading Fees, Late Fees, and Rental Fees only reflected a minor change overall. **Non-Operating Revenues** also reflected an increase during 2022 of about $68,000. The increase was a result of the District's investments earning additional interest compared to 2021.

Capital Contributions for new construction projects decreased by about $58,000 from the high levels in 2021.

	2022	2021	Increase (Decrease)
Total Energy Sales	7,999,458	7,161,842	837,616
Other Electric Revenue	148,136	142,340	5,797
Total Operating Revenues	8,147,594	7,304,181	843,413
Non-Operating Revenues	90,581	22,395	68,186
Contributions	340,864	395,845	(54,981)

Expenses. Operating Expenses rose significantly during 2022. The District saw increases of nearly $970,000. All expense categories reflected increases as the nation saw rising inflation and increased costs of goods and services.

	2022	2021	Increase (Decrease)
Cost of Purchased Power	3,342,389	3,048,300	294,089
O&M Expenses	1,498,771	1,279,606	219,165
Customer Service Expenses	592,421	423,968	168,453
G&A, Taxes and Other Expenses	1,564,183	1,301,888	262,295
Depreciation and Amortization	918,100	892,524	25,575
Total Operating Expenses	7,915,863	6,946,286	969,578

Overall, operating revenues exceeded expenses producing a $232,000 Operating Income for 2022 while Non-Operating sources and Contributions totaling $431,000 added to the increase of $663,000 in the District's overall financial position.

The following *Selected Financial Information* provides a two-year comparison of the key financial information for the District discussed above.

SELECTED FINANCIAL INFORMATION

	2022	2021	Increase (Decrease)
Total Capital Assets	12,318,080	12,106,877	211,202
Total Current Assets	8,806,594	8,727,001	79,592
Total Non-Current Assets & Net Pension Asset	851,659	1,449,215	(597,556)
Total Assets	21,976,332	22,283,094	(306,761)
Total Deferred Outflows	566,038	190,956	375,081
Total Long-term Liabilities	700,827	495,185	205,643
Total Current Liabilities	1,068,353	1,231,251	(162,898)
Total Liabilities	1,769,181	1,726,436	42,744
Total Deferred Inflows	892,640	1,532,093	(639,452)
Net Investment in Capital Assets	12,318,080	12,106,877	211,203
Restricted Assets & Net Pension Asset	639,409	307,020	332,389
Unrestricted Assets	6,923,061	6,801,624	121,437
Total Net Position	19,880,549	19,215,521	665,028
Cash & Cash Equivalents	3,420,119	3,721,303	(301,183)
Total Energy Sales	7,999,458	7,161,842	837,616
Other Electric Revenue	148,136	142,340	5,797
Total Operating Revenues	8,147,594	7,304,181	843,413
Cost of Purchased Power	3,342,389	3,048,300	294,089
O&M Expenses	1,498,771	1,279,606	219,165
Customer Service Expenses	592,421	423,968	168,453
G&A, Taxes and Other Expenses	1,564,183	1,301,888	262,295
Depreciation and Amortization	918,100	892,524	25,575
Total Operating Expenses	7,915,863	6,946,286	969,578
Non-Operating Revenues	90,581	22,395	68,186
Income before Contributions, Special & Extraordinary Items and Transfers	322,312	380,291	(57,981)
Contributions	340,864	395,845	(54,981)
Prior Year Adjustments	1,852	60,431	(58,579)
Change in Net Position	663,176	776,135	(112,959)
Year End Net Position	19,880,549	19,215,520	665,028

See Note 3 Utility Plant and Depreciation for capital assets.

SIGNIFICANT LONG-TERM DEBT

As of December 31, 2022, the District had no significant long-term debt outstanding. See Note 5 and Note 6.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's ratepayers, investors, and other readers with a general overview of the District's finances and to show the District's accountability for money it receives. If you have questions about this report or need additional information, contact the District's Auditor at Public Utility District No. 1 of Ferry County, P.O. Box 1039, Republic, WA 99166.

PUD No. 1 of Ferry County

Statement of Net Position

As of December 31, 2022

Assets	2022
Current Assets	
Cash and Cash Equivalents	3,420,119
Receivables (Net)	
Notes Receivable	448,618
Accounts Receivable	1,093,301
Lease Receivable	3,697
Inventories	735,656
Prepayments	33,042
Other Current Assets	2,821,547
Restricted Assets	
Bond Reserve	600
Customer Deposits	151,763
Revolving Loan and Grant Fund	98,250
Total Current Assets	**8,806,594**
Assets Being Depreciated	
Leased Assets	17,086
Plant	27,551,177
Buildings	948,056
Machinery and Equipment	3,727,796
Assets Not Being Depreciated	
Land	200,204
Construction Work in Progress	75,095
Retirement Work in Progress	15,931
Less Accumulated Depreciation	
Less Accumulated Depreciation	(20,217,265)
Capital Assets (Net)	**12,318,080**
Long-Term Lease Receivable	291,411
Net Pension Asset	560,248
Total Non-Current Assets	**13,169,739**
Deferred Outflows	
Pension Related Outflows	566,038
Total Deferred Outflows	**566,038**
Total Assets & Deferred Outflows	**22,542,370**

PUD No. 1 of Ferry County

Statement of Net Position

As of December 31, 2022 Continued

Liabilities	2022
Current Liabilities	
Accounts Payable	663,810
Customer Deposits	151,763
Accrued Taxes	164,418
Accrued Payroll	85,596
Current Portion of Long-Term Debt	2,764
Other Current Liabilities	2
Total Current Liabilities	**1,068,353**
Non-current Liabilities	
Compensated Absences	369,105
Net Pension Liability	323,488
Lease Obligation	8,235
Total Non-Current Liabilities	**700,827**
Deferred Inflows	
Capital Lease Deferred Inflows	290,697
Pension Related Deferred Inflows	601,943
Total Deferred Inflows	**892,640**
Total Liabilities and Deferred Inflows	**2,661,821**
Net Position	
Net Investment in Capital Assets	**12,318,080**
Restricted Assets	**98,850**
Restricted Net Pension Assets	**540,559**
Unrestricted Assets	**6,923,061**
Total Net Position	**19,880,549**
Total Net Position and Liabilities	**22,542,370**

Notes to Financial Statements are an integral part of this statement.

PUD No. 1 of Ferry County

Statement of Revenue, Expenses, and Changes in Net Position

For the year ended December 31, 2022

	2022
Total Energy Sales	7,999,458
Income from Plant Leased to Others	83,269
Other Revenue	64,868
Total Operating Revenue	**8,147,594**
Cost of Purchased Power	3,342,389
Operating Expense	516,786
Maintenance Expense	981,985
Customer Services	592,421
General & Administrative Services	1,113,903
Depreciation & Amortization Expense	918,100
Taxes Other than Income Taxes	450,279
Total Operating Expenses	**7,915,863**
Operating Income (Loss)	**231,731**
Income from Non-Utility Operations	2,052
Interest and Dividend Income	91,615
Gains/Losses from Disposition of Property	0
Interest & Amortization on Long-term Lease Obligation	(3,086)
Non-Operating Revenues (Expenses)	**90,581**
Income (Loss) before Capital Contributions	**322,312**
Capital Contributions	340,864
Change in Net Position	**663,176**
Total Net Position Beginning of Year	**19,215,520**
Prior Period Adjustments to Net Position (See Financial Notes)	**1,852**
Change in Net Position	**663,176**
Total Net Position End of Year	**19,880,549**

Notes to Financial Statements are an integral part of this statement.

PUD No. 1 of Ferry County

Statement of Cash Flows

For the year ended December 31, 2022

	2022
Cash Flows from Operating Activities	
Receipts from Customers	7,778,244
Payments to Employees & Suppliers	(7,369,929)
Cash Flows from Operating Activities	408,316
Cash Flows from Capital & Related Financing Activities	
Proceeds from Grants	65,523
Capital Contributions	275,341
Purchase of Capital Assets	(1,129,302)
Principal & Interest Paid on Capital Lease Obligations	2,917
Proceeds/Loss from Disposition of Property	0
Cash Flows from Capital & Related Financing Activities	(785,520)
Cash Flows from Investing Activities	
Interest and Dividends	92,808
Cash Out to Restricted Investment Funds	(18,639)
Cash Flows from Investing Activities	74,169
Net Increase (Decrease) in Cash & Cash Equivalents	(303,035)
Cash & Cash Equivalents Beginning of Year	3,721,303
Prior period Adjustments	1,852
Adjusted Cash & Cash Equivalents Beginning of Year	3,723,155
Cash & Cash Equivalents End of Year	3,420,119
Net Increase (Decrease) to Cash & Cash Equivalents	(303,035)

Notes to Financial Statements are an integral part of this statement.

PUD No. 1 of Ferry County

Statement of Cash Flows

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

For the year ended December 31, 2022

	2022
Operating Income	231,731
Adjustments to Reconcile Net Operating Revenues to Cash	
Provided (Used) by Operating Activities:	
Depreciation & Amortization Expense	918,100
Change in Operating Assets and Liabilities:	
Accounts Receivable	(126,034)
Materials & Supplies	(274,718)
Prepayments	(2,932)
Notes Receivable	63,517
Other Current Assets	(33,316)
Lease Receivable	(295,108)
Net Pension Assets	1,074,296
Deferred Outflow of Resources - Pensions	(375,081)
Accounts Payable	(166,660)
Accrued Payroll & Accrued Taxes	14,846
Compensated Absences	20,162
Lease Obligations	(3,086)
Deferred Inflows of Resources - Pensions & Capital Leases	(639,452)
Miscellaneous Non-Operating	2,052
Change in Assets and Liabilities	(741,515)
Net Cash Provided by Operating Activities	**408,316**

Notes to Financial Statements are an integral part of this statement.

January 1, 2022, through December 31, 2022

These notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to proprietary funds of public utility districts operated in the State of Washington. (See note 3 – Utility Plant and Depreciation regarding historical departure from GAAP.) The following is a summary of the more significant policies:

A. Reporting Entity.

Public Utility District No. 1 of Ferry County is a municipal corporation of Washington State established in 1936 and it began operations in 1945. The District was organized to provide utility services to its owners, the people who formed the District, on a nonprofit, cost-of-service basis. It operates under the laws of the state of Washington applicable to municipal utilities. The District is governed by an elected three-member Board of Commissioners and is operated by various management personnel as prescribed by Chapter 54 RCW - Public Utility Districts. The financial statements include all funds of the District over which the Board of Commissioners exercises operating control.

B. Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The District uses the Uniform System of Accounts as prescribed by the United States Department of Agriculture Rural Utilities Service (RUS).

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases of greater than $5,000 are capitalized and long-term liabilities are accounted for in the appropriate funds. Unbilled service receivables are not material and are not accrued.

The District distinguishes operating revenues and expenses from non-operating ones. Operating revenues and expenses 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 electricity energy sales. The district also recognizes as operating revenue utility plant leased to others, and other revenue. Operating expenses for the district include cost of purchased power, operating expenses, maintenance expenses, customer service expenses, general and administration expenses, depreciation and amortization expenses, and taxes. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

With respect to proprietary activities, the District has elected to apply all applicable GASB pronouncements.

Effective for the year ending December 31, 2022, the District adopted GASB

Statement No. 87, Leases, (GASB 87). This statement supersedes GASB Statement No. 62 and establishes new requirements for calculating the reporting of the District's lease activities. The adoption of GASB 87 did not result in a restatement of the financial statements.

C. Cash and Cash Equivalents

It is the District's policy to invest all temporary cash surpluses. The District considers all cash investments, including restricted assets, to be cash equivalents.

D. Capital Assets

Capital assets are defined by the District as assets with initial individual cost of more than $5,000 and an estimated useful life in excess of five years.

Major expenses for capital assets, including capital leases and major repairs that increase useful life expectancy are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Utility plant in service and other capital assets are recorded at cost where the historical cost is known. Where historical cost is not known, assets are recorded at estimated cost. Donated capital assets are recorded at acquisition value at the date of donation. Contributions by customers are recorded at estimated value as contributions in aid of construction. The District records depreciation on assets acquired by contributions. See Note 3 for additional information.

E. Utility Plant and Depreciation-See Note 3

F. Restricted Funds

In accordance with debt covenants, grantors, contributors, and certain laws and regulations from external agencies, separate restricted funds may be required to be established. The assets held in these funds are designated for specific uses. There is one bond reserve kept for the annual debt service payment for the District's BIA land lease. Customer deposits are required by law to be available for refund. A Revolving Loan and Grant Fund was established for economic development and is overseen by a board that generally consists of the elected Commissioners of the District and three other people representing customers of the District. The Revolving Loan and Grant Fund can only be used for loans or grants for economic development projects as per the RCW establishing these funds. There were no new loans issued from this fund in 2022. The restricted funds as of December 31, 2022, are listed below.

	2022
Bond Reserves	600
Customer Deposits	151,763
Revolving Loan and Grant Fund	98,250
Payables from Current Restricted Assets	(151,763)
Total Restricted Funds	98,850

Reserved Funds

The Utility's Board of Commissioners has created restrictions on asset use by creating reserve funds. Though not imposed externally as the assets noted above, they are assets designated for specific use only. These funds are reflected as Other Current Assets since they are reserved for such specific use and would require board action to change the designated use. The Vacation, Sick Leave, and Storm Fund was established by Board resolution as a way of "self-insuring" against leave liabilities and major catastrophes. Use of this Fund requires specific Board approval. The Board's goal is to have funding at a level to ensure adequate money for future potential storm damage. The current monies in this fund are $2,500,000. The High-Cost Line Extension Fund was designated for low interest loans to customers for high-cost line extensions by resolution in 2014; there were no new loan applications received during the year. The reserved funds as of December 31, 2022, are listed below.

	2022
Vacation, Sick Leave, and Storm Fund	2,500,000
High-Cost Line Extension Funds	321,770
Total Reserve Funds	2,821,770

G. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services. Once a year, the Board of Commissioners authorizes the write-off of the uncollectible receivable accounts. In addition, the District annually assesses future uncollectable accounts and maintains an allowance for them. As of December 31, 2022, the balance of $30,000 was deemed reasonable. Please see Note 15 for additional information regarding District Receivables.

H. Inventories

Inventories are valued at average cost, which approximates the market value.

I. Investments

The District investments are stated at fair market value as of December 31, 2022. The District does not have any derivatives. See Note 2.

J. Compensated Absences

The District offers a single personal leave bank to be used for vacation, sick and/or family leave purposes. The District accrues its direct liability for personal leave benefits as they are earned by the employee and places a limitation of 1200 hours on the potential leave accumulation. For employees hired on or after April 1, 2011, the accrued Personal Leave shall not exceed 700 hours.

As required by Washington State RCW 49.46.210 and WAC 296-128-600 thru 296-128-770, all part-time or seasonal employees not qualifying for the District's personal leave, now accrue paid sick leave at one hour of paid leave for every 40 hours worked.

The costs of both benefit accruals are expensed monthly as employee payroll overhead and adjusted to current wage scales. Compensated absences for leave as of December 31, 2022, amounted to $369,105. The District has established a vacation, sick leave, and storm fund to fully cover these direct and estimated liabilities.

K. Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the District includes the net pension asset only and the related deferred outflows and deferred inflows.

L. Construction Financing

The District has no cost sharing agreement or other long-term financing agreements currently in place.

M. Purchase Commitments

The District is a full-requirements preference customer of the Bonneville Power Administration (BPA) which operates under the authority of the U.S. Department of Energy. The BPA supplies the sole source of the District's power under a contract agreement that was approved by the District's Board of Commissioners October 1, 2011, and continuing through September 30, 2028.

The District is a member of Energy Northwest (formerly known as Washington Public Power Supply System) and has participant rights and obligations related to this membership. See Note 10.

N. Other Contingencies

The District is subject to various claims, possible legal actions, and other matters arising out of the normal course of business. When it is possible to make a reasonable estimate of the District's liability with respect to probable claims, an appropriate provision is made. Although the ultimate outcome of litigation against the District cannot be determined, management intends to continually defend all claims against the District and believes the District is adequately reserved for all known events.

Effective as of the year ending December 31, 2022, the District adopted GASB Statement No. 87, Leases, (GASB 87). This statement supersedes GASB Statement No. 62 and establishes new requirements for calculating the reporting of the District's lease activities. The adoption of GASB 87 was reflected as of January 1, 2022, and did not result in a restatement of the financial statements.

O. Leases – Lessee and Lessor

The District reports leases as defined by GASB 87. Leases are long-term contracts that convey control of the right-to-use another entity's non-financial asset as specified in a contract for a period of time in exchange or exchange-like transactions. The lease term includes the noncancellable periods of the lease, plus any additional periods covered by either the District or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the District and the lessor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term. For lease arrangements with a maximum possible term of 12 months or less at commencement, the District recognizes expense or revenue based on the provisions of the contract. For lease contracts that have a noncancellable term greater than 12 months, the District reports the contract if at commencement the calculated present value of future payments is considered material; the District recognizes $5,000 as material for this purpose. For leases that meet the above threshold, the District reports a lease liability and a right-to-use asset when they are the lessee and reports a lease receivable and a deferred inflow when they are the lessor. (See Note 14 & Note 15)

P. Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Q. Net Position

GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC currently insures the first $250,000 of the District's deposits at each financial institution. Deposit balances over $250,000 are insured by the collateral pool. State statutes provide for additional amounts to be assessed on a pro rata basis to financial institutions in the collateral pool if the pool's funds would be insufficient to cover a loss. As of year-end, the carrying amount of the District's demand deposits was $4,490,841.

B. Investments

At year end, the District had the following investments and maturities:

Investment Type	Fair Value	Less Than 1	1-5
State Investment Pool	2,000,861	0	0

Investments in Local Government Investment Pool (LGIP). The District is a voluntary participant in the State Investment Pool or Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.go"

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including commercial paper and bonds issued by the State or any local government in the State, which have, at the time of investment, one of the three highest ratings of a nationally recognized rating agency. The District further limits its holdings in commercial paper to 10% of the portfolio and 10% per issuer, and local government bonds to 25% of the portfolio and 10% per issuer. At year end, the District held no investments in commercial paper or local government bonds. Additionally, the District limits its investment in mutual funds to amounts needed for arbitrage purposes only.

Credit quality distribution for investments, with credit exposure as a percentage of total investments (total investments include certificates of deposit, which are not represented in this table), are as follows at year end:

2022

Investment Type	Rating	Percentage
State Investment Pool	Not Rated	100%

Concentration of Credit Risk. The District diversifies its investments by security type and institution.

- 100% of the District's portfolio may be invested in US Treasury notes, bonds or certificates, US Government sponsored corporations, or the State investment pool.
- 50% of the portfolio may be invested in certificates of deposit with no more than 10% held by any one issuer and not exceeding 20% of the issuer's net worth.
- 25% of the portfolio may be invested in bankers' acceptances (10% per issuer), State or local government bonds (10% per issuer) and repurchase agreements (25% per dealer).
- 10% of the portfolio may be invested in commercial paper and other authorized investments.

At year end, 100% percent of the District's investments were held at the State Investment Pool. Such concentration is permitted by the District's investment policy.

Fair Value. The District has adopted GASB Statement No. 72, *Fair Value Measurement and Application*; investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

NOTE 3 - UTILITY PLANT AND DEPRECIATION

Capital assets are defined by the District as assets with initial individual cost of more than $5,000 and an estimated useful life in excess of five years.

Major expenses for capital assets, including capital leases and major repairs that increase useful life expectancy are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Prior to 2011, the District historically accounted for its assets using USDA's Rural Utilities

Services (RUS) reporting guidelines. Customer contributions in aid of construction were not included in the recorded cost of plant assets following these RUS guidelines. This method of accounting for Utility Plant capital assets is a departure from generally accepted accounting principles (GAAP). Per GAAP accounting regulations Utility Plant should be recorded at full cost and depreciated over its useful life. This departure from GAAP has resulted in an understatement of the District's Utility Plant and thus an understatement to the correlating accumulated depreciation expense accounts. To give perspective on the effect of this departure, the 2009 contributions in aid totaled $124,332 and in 2010 $220,211. In 2007 & 2008 during higher construction years the contribution dollars amounted to $382,395 and $582,971, respectively. Since 2011, the District has accounted for its assets using the GAAP regulations. Though the differences in these two accounting methods would be considered immaterial, a disclosure of this departure is required.

The original cost of operating property retired or otherwise disposed of and the cost of removal, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Capital assets are depreciated using the straight-line method within useful life guidelines as established by the Rural Utilities Service.

Assets	Estimated Life-Years
Buildings	33.33
Equipment-Shop	16.67
Transportation	10.00
Computer Hardware	6.25
Distribution-Poles	25.03
Transmission Plant	36.39

PUD No. 1 of Ferry County

Utility Plant Activity

For the period ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Utility Plant Not Being Depreciated				
Land	200,204	-	-	200,204
Construction Work in Progress	50,232	587,723	562,861	75,095
Retirement Work in Progress	11,394	159,189	154,651	15,931
Total Utility Plant Not Being Depreciated	261,830	746,912	717,512	291,230
Utility Plant Being Depreciated				
Buildings	936,843	11,213	-	948,056
Equipment	3,583,472	153,284	8,960	3,727,796
Distribution Plant	25,129,622	1,005,647	217,544	25,917,726
All Other Utility Plant	147,691	5,593	-	153,284
Transmission Plant	1,495,640	1,922	309	1,497,253
Total Utility Plant Being Depreciated	31,293,268	1,177,659	226,813	32,244,114
Total Utility Plant	31,555,098	1,924,571	944,325	32,535,344
Less Accumulated Depreciation For:				
Transmission Plant	1,109,435	45,988	-	1,155,424
Distribution Plant	14,728,712	820,087	284,934	15,263,866
General Plant	1,733,633	51,700	3,001	1,782,332
Equipment	1,825,774	138,299	4,362	1,959,711
All other Plant	50,667	6,085	819	55,932
Total Accumulated Depreciation	19,448,221	1,062,160	293,116	20,217,265
Total Utility Plant Being Depreciated, Net	11,845,047	115,499	(66,303)	12,026,850
TOTAL UTILITY PLANT, NET	12,106,877	862,411	651,209	12,318,080

Notes to Financial Statements are an integral part of this statement.

NOTE 4 – CONSTRUCTION WORK IN PROGRESS

Construction in progress, representing expenditures to date on projects which are not fully completed for electrical plant or unitized to plant accounts, totals $ 75,094.55 as of December 31, 2022. (See Note 3 – Utility Plant and Depreciation regarding historical departure from GAAP)

NOTE 5 - LONG-TERM DEBT

During the year ended December 31, 2022, the District had no long-term debt to recognize.

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES.

The following changes occurred in long-term Liabilities.

Liability Class	Beginning Balance 1/1/2022	Decrease 2022	Increase 2022	Balances Outstanding as of 12/31/22
Capital Lease Obligation	8,084	5,442	5,593	8,235
Compensated Absences	348,942	199,547	219,709	369,105
Pension Liability	138,158	138,158	323,488	323,488
Total Long-Term Liabilities	495,185	343,147	548,790	700,828

*This is only any PERS Pension Liability and not the Net Pension Liability (Asset) of both PERS accounts.

NOTE 7 – RESTRICTED ASSETS

The District's Statement of Net Position reports $639,409 of restricted assets, including the Restricted Net Pension asset valued at $540,559 as of December 31, 2022.

NOTE 8 - PENSION & BENEFIT PLANS

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 323,488
Pension assets	$ 560,248
Deferred outflows of resources	$ 566,038
Deferred inflows of resources	$ 601,943
Pension expense (or income)	$ (36,177)

State Sponsored Pension Plans

Substantially all District full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.
The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the members' 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**

* For employees participating in JBM, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the members' average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.36%**
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.36%**

* For employees participating in JBM, the contribution rate was 15.90%.

The district's actual PERS plan contributions were $ 72,328 to PERS Plan 1 and $122,430 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019, Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020, AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/Asset)

The table below presents the District's proportionate share* of the net pension liability calculated using the discount rate of 7%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$ 432,175	$ 323,488	$ 228,629
PERS 2/3	$ 659,766	($ 560,248)	($ 1,562,567)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the District reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 323,488
PERS 2/3	($ 560,248)

At June 30, 2022, the District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.011313%	0.011618%	0.000305%
PERS 2/3	0.014548%	0.015106%	0.000558%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations*.

Pension Expense

For the year ended December 31, 2022, the District recognized pension expense as follows:

	Pension Expense (or Income)
PERS 1	$ 155,143
PERS 2/3	($ 191,320)
TOTAL	($ 36,177)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$
Net difference between projected and actual investment earnings on pension plan investments	$	($ 53,611)
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$ 37,396	$
TOTAL	$ 37,396	($ 53,611)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 138,816	($ 12,683)
Net difference between projected and actual investment earnings on pension plan investments	$	($414,196)
Changes of assumptions	$ 312,261	($ 81,761)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 15,018	($ 39,692)
Contributions subsequent to the measurement date	$ 62,546	$
TOTAL	$ 528,642	($ 548,332)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1		Year ended December 31:	PERS 2/3
2023	($ 22,687)		2023	($ 132,531)
2024	($ 20,606)		2024	($ 124,765)
2025	($ 25,849)		2025	($ 144,469)
2026	$ 15,531		2026	$ 188,980
2027	$ 0		2027	$ 66,021
Thereafter	$ 0		Thereafter	$ 64,530

NOTE 9 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with The Great West Life Assurance Co. of Denver, Colorado. The plan, available to eligible employees, permits them to defer a portion of their compensation until future years. The District has historically provided a fifty-cent-for-one-dollar (50%) match of employee contributions which were capped at two percent (2%) of employee regular straight-time wages. In April 2020, through the collective bargaining process, the District increased the cap from two percent (2%) to four percent (4%) of employee regular straight-time wages.

This increase was extended to all District employees. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In 2022, the District match consisted of $ 55,757.

Compensation deferred under the plan and all income attributable to the plan is solely the property of the employee. The District's rights to this property have been amended to exclude these funds from the claims of the District's general creditors.

The District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor in the implementation of this plan on the behalf of the District's employees.

NOTE 10 - CONTRACTS WITH ENERGY NORTHWEST

Energy Northwest (ENW), formerly Washington Public Power Supply System (WPPSS), is a Washington municipal corporation operating as a Joint Operating Agency comprised of 27 public utilities and municipalities from numerous regions. throughout the state of Washington. (This venture is defined as a Joint Operating Agency, as described in RCW 43.52 – Operating Agencies.)

A. Energy Northwest Nuclear Project No. 2

Nuclear Project No. 2, Columbia Generating Station Nuclear Power Plant (Columbia) was completed and placed in operation on December 13, 1984. It is owned by Energy Northwest and its participants and operated by Energy Northwest. The plant is a 1,207gross MW boiling water nuclear power station located on the Department of Energy's Hanford Reservation north of Richland, Washington. It is currently operating under a Nuclear Regulatory Commission license renewed in May of 2012 for an additional 20 years, extending operation through 2043. All output is provided to the Bonneville Power Administration at the cost of production under a formal net billing agreement in which BPA pays the costs of maintaining and operating the facility.

B. Packwood Lake Hydroelectric Project

The District is a participant in Energy Northwest's Packwood Project, located in the Cascade Mountains south of Mount Rainier. In late 2011, the District signed an agreement with Public Utility District #1 of Clallam County for the sale and purchase of project output and associated environmental attributes. The rights to the District's 1% share of the project are assigned to Clallam County through 2028. In return, Clallam will pay the District's share of project costs directly to ENW, a 10% mark-up of the costs to the District and $15 for each REC provided to Clallam from this assignment. The District received $3,117 in payments during 2022.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

In 2022 the District received $1,853 of funding from FEMA and WA State Emergency Management as part of the reimbursement for Category Z costs from the September 2020 High Wind and Fire Event. These dollars increase prior year margins in offsetting general and administration expenses recognized in 2020 and 2021. See Note 13 for further details.

NOTE 12 - RISK MANAGEMENT

The District maintains an all-risk blanket coverage policy with the Federated Rural Electric Insurance Corporation insuring against most normal hazards and liabilities. It also maintains a commercial umbrella policy, and officers, directors, managers, and corporate indemnification coverage with the same carrier.

Workers compensation insurance coverage is provided by the District through the State of Washington Department of Labor and Industries. This coverage provides medical care and wage replacement for people injured at work without requiring the claimant to prove employer fault.

Rather than pay monthly insurance premiums, the District has elected to be a reimbursable employer for unemployment insurance purposes. Claims are filed with, and processed by, the State of Washington Employment Security Department and, upon authentication and payment, are reimbursed by the District. In other words, ESD is paid back for any benefits they pay to the District's separated employees. In 2022, the District had no such reimbursements and as of December 31, 2022, estimated liability for potential claims was minimal.

The District, with six other public utility districts, is a member of the Central Washington Public Utilities Unified Insurance Program and Trust, which is a self-insurance program providing medical, dental, life insurance, disability insurance, and similar benefits to member employees and families. Formed by a Declaration of Trust and an Interlocal Agreement under RCW Chapter 39.34, the trust is administered by a board of trustees consisting of an appointed trustee from each of the seven-member districts. Additional information may be obtained by contacting the District.

NOTE 13 – FEDERAL ASSISTANCE

In September of 2020, Ferry County experienced a high wind and fire event that caused damage to the electric system. A Federal Disaster was declared for the county for Public Assistance under DR-4584-Washington-WA; the District worked with FEMA, the Federal Emergency Management Agency, to assist with costs related to emergency response and damages from these events. Emergency repair costs incurred in 2020 were previously reimbursed. Cost estimates were used to determine a fixed amount award granted to the District in the amount of $65,523 for permanent repairs. The majority of these repairs occurred in June 2022, and the funds were received in November 2022.

NOTE 14 – LEASES -LESSEE

For the year ended 12/31/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

As of 12/31/2022, Public Utility District No. 1 of Ferry County had 2 active leases. The leases have payments that range from $201 per month to $600 annually and interest rates that range from 1.3050% to 3.7250%. As of 12/31/2022, the total combined value of the lease liability is $10,999, the total combined value of the short-term lease liability is $2,764. The combined value of the right to use assets, as of 12/31/2022 of $11,248 with accumulated amortization of $6,396 is included within the Lease Class activities table found below. The leases had $1,891.10 of Variable Payments and $72.42 of Other Payments, not included in the Lease Liability, within the Fiscal Year.

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end Lease Asset Value	Accumulated Amortization
Land	5,593	559
Computer Equipment	5,655	5,837
Total Leases	11,248	6,396

Principal and Interest Requirements to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	2,764	249	3,013
2024	2,856	158	3,013
2025	1,939	69	2,008
2026	555	45	600
2027	562	38	600
2028 - 2031	2,324	76	2,400

NOTE 15 – LEASES - LESSOR

For the year ended 12/31/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

As of 12/31/2022, Public Utility District No. 1 of Ferry County had 1 active lease. The lease has a receipt of $9,125 and interest rate of 1.8393%. As of 12/31/2022, the total value of the lease receivable is $295,108, the total value of the short-term lease receivable is $3,697, and the value of the deferred inflow of resources is $290,697. The lease had no Variable or Other Receipts, which were not included in the Lease Receivable, within the Fiscal Year.

Principal and Interest Expected to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	3,697	5,428	9,125
2024	3,765	5,360	9,125
2025	5,203	5,291	10,494
2026	5,299	5,195	10,494
2027	5,397	5,097	10,494
2028 - 2032	33,318	23,874	57,193
2033 - 2037	45,384	20,387	65,771
2038 - 2042	59,934	15,703	75,637
2043 - 2047	77,406	9,577	86,983
2048 - 2051	55,704	2,112	57,816

FERRY COUNTY P.U.D. NO. 1

Schedule of Proportionate Share of the Net Pension Liability

PERS Plan 1

As of June 30, 2022

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.011618%	0.011313%	0.011053%	0.011055%	0.011907%	0.013067%	0.011923%	0.013941%
Employer's proportionate share of the net pension liability (asset)	$323,488	$138,158	$390,231	$425,104	$531,771	$620,039	$640,321	$729,244
Employer's covered employee payroll	$1,925,000	$1,828,404	$1,715,355	$1,594,368	$1,582,480	$1,601,512	$1,575,265	$1,483,366
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	16.80%	7.56%	22.75%	26.66%	33.60%	38.72%	40.65%	49.16%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:
This schedule is to show information for 10 years. There are not 10 years of data available. The District will continue to accumulate data until 10 years are presented.

FERRY COUNTY P.U.D. NO. 1

Schedule of Proportionate Share of the Net Pension Liability

PERS Plan 2/3

As of June 30, 2022

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.015106%	0.014548%	0.014321%	0.014289%	0.015212%	0.016807%	0.015297%	0.017998%
Employer's proportionate share of the net pension liability (asset)	-$560,248	-$1,449,215	$183,157	$138,795	$259,731	$583,963	$770,192	$643,079
Employer's covered employee payroll	$1,925,000	$1,828,404	$1,715,355	$1,594,368	$1,582,480	$1,601,512	$1,575,265	$1,483,366
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	-29.10%	-79.26%	10.68%	8.71%	16.41%	36.46%	48.89%	43.35%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

This schedule is to show information for 10 years. There are not 10 years of data available. The District will continue to accumulate data until 10 years are presented.

FERRY COUNTY P.U.D. NO. 1

Schedule of Employer Contributions

PERS Plan 1

For the year ended December 31st

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$72,328	$78,231	$82,293	$78,714	$80,093	$78,474	$75,140	$65,558
Contributions in relation to the statutorily or contractually required	$72,328	$78,231	$82,293	$78,714	$80,093	$78,474	$75,140	$65,558
Contribution deficiency (excess)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Covered employer payroll	$1,925,000	$1,828,404	$1,715,355	$1,594,368	$1,582,480	$1,601,512	$1,575,265	$1,483,366
Contributions as a percentage of covered employee payroll	3.76%	4.28%	4.80%	4.94%	5.06%	4.90%	4.77%	4.42%

Notes to Schedule:

This schedule is to show information for 10 years. There are not 10 years of data available. The District will continue to accumulate data until 10 years are presented.

FERRY COUNTY P.U.D. NO. 1

Schedule of Employer Contributions

PERS Plan 2/3

For the year ended December 31st

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$122,430	$130,270	$135,856	$123,224	$118,676	$109,866	$98,139	$84,251
Contributions in relation to the statutorily or contractually required contributions	$122,430	$130,270	$135,856	$123,224	$118,676	$109,866	$98,139	$84,251
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0
Covered employer payroll	$1,925,000	$1,828,404	$1,715,355	$1,594,368	$1,582,480	$1,601,512	$1,575,265	$1,483,366
Contributions as a percentage of covered employee payroll	6.36%	7.12%	7.92%	7.73%	7.50%	6.86%	6.23%	5.68%

Notes to Schedule:

This schedule is to show information for 10 years. There are not 10 years of data available. The District will continue to accumulate data until 10 years are presented.