

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, 2023

Certified correct this 29th day of May 2024 to the best of my knowledge:

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MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

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 2023 the system served an average of about 3,770 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 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 during 2023.

Net Position. In 2023, the District's Net Position continued to improve; at year end it totaled approximately \$21,044,000. The District held \$12,291,000 in Capital Assets, \$857,500 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 \$7,895,000 in Unrestricted Assets (such as Receivables, Inventories, Prepayments, as well as reserved funds for personal leave, storm repairs, and high-cost line extension loans.)

	2023	2022	Increase (Decrease)
Net Investment in Capital Assets	12,290,644	12,318,080	(27,436)
Restricted Assets & Net Pension Asset	857,578	639,409	218,169
Unrestricted Assets	<u>7,895,409</u>	<u>6,923,061</u>	<u>972,348</u>
Total Net Position	<u>21,043,631</u>	<u>19,880,549</u>	<u>1,163,082</u>

Assets and Deferred Outflows. The District's Total Assets and Deferred Outflows increased by over \$822,000 during 2023. Depreciable assets declined slightly in value, about \$27,000, while Current Asset values increased by \$906,000. In addition, long-term assets reflected a \$23,000 increase in value. Cash and Cash Equivalents, Inventories, Prepayments, and reserved funds all increased in value contributing to the large change in Current Assets. Receivables declined only slightly to offset the increase. The Pension-related Deferred Outflow decreased by \$79,000 so it reduced the overall increase in value to \$822,000, as mentioned above.

	2023	2022	Increase (Decrease)
Total Capital Assets	12,290,644	12,318,080	(27,436)
Total Current Assets	9,712,778	8,806,594	906,184
Total Non-Current Asset & Net Pension Asset	874,782	851,659	23,123
Total Assets	22,878,203	21,976,332	901,871
Total Deferred Outflows	486,421	566,038	(79,617)

Cash and Cash Equivalents. District Cash and Cash Equivalents increased by \$912,000 to \$4,332,000. This includes the District's checking and interest-bearing accounts. This represents an increase of 9.4% in the Districts Total Current Assets.

	2023	2022	Increase (Decrease)
Cash & Cash Equivalents	4,332,123	3,420,119	912,004

Liabilities & Deferred Inflows. All categories in this section saw reductions in 2023. Both Current Liabilities and Long-Term liabilities decreased; \$42,000 and \$22,000, respectively. Deferred Inflows from Pensions dropped by \$267,000 which combined with the decrease of \$10,200 in Capital Lease Deferral, reflected as a reduction in Total Deferred Inflows of \$277,000. The reduction in Current Liabilities was mostly from a drop in Accounts Payable. The Long-Term Liabilities has some fluctuation; an increase in Compensated Absences value of \$52,000 while the PERS1 Net Pension Liability and the Lease Obligations combined for a decrease of \$73,000.

	2023	2022	Increase (Decrease)
Total Long-term Liabilities	679,052	700,827	(21,776)
Total Current Liabilities	1,026,136	1,068,353	(42,217)
Total Liabilities	1,705,187	1,769,181	(63,993)
Total Deferred Inflows	615,805	892,640	(276,835)

Revenues. Operating Revenues decreased by about \$237,000 during 2023. This was mostly from a decline in total Energy Sales. All rate classes reflected a total reduction of 5.8 MWh consumed this year; residential, commercial, and industrial. Residential sales saw the largest overall decline in sales at \$110,000. Commercial and Industrial sales were down by \$55,000 and \$67,000, respectively. Other Operating Revenues such as Connection Fees, Meter Reading Fees, Late Fees, and Rental Fees only reflected a minor reduction. Though sales were down, **Non-Operating Revenues** reflected an increase

during 2023 mostly due to rising interest rates. The District's investments earned an additional \$203,000 in interest compared to 2022. **Capital Contributions** related to new construction also rose by \$93,000.

	2023	2022	Increase (Decrease)
Total Energy Sales	7,766,752	7,999,458	(232,706)
Other Electric Revenue	144,359	148,136	(3,778)
Total Operating Revenues	7,911,111	8,147,594	(236,483)
Non-Operating Revenues	289,734	90,581	199,153
Contributions	433,368	340,864	92,504

Expenses. Operating Expenses declined during 2023. The District saw a reduction of nearly \$445,000. The most significant was in Cost of Purchased Power. In addition to purchasing less Mega Watt hours, BPA provided a Power Dividend Distribution Credit throughout the year. This credit amounted to a \$538,000 reduction in power costs to the District. Other expense categories continued for the second year to reflect increases in costs as the nation saw rising inflation and increased costs of goods and services.

	2023	2022	Increase (Decrease)
Cost of Purchased Power	2,707,553	3,342,389	(634,836)
O&M Expenses	1,626,066	1,498,771	127,295
Customer Service Expenses	635,196	592,421	42,774
G&A, Taxes and Other Expenses	1,554,025	1,564,183	(10,158)
Depreciation and Amortization	948,292	918,100	30,192
Total Operating Expenses	7,471,131	7,915,863	(444,733)

Overall, operating revenues exceeded expenses producing a \$440,000 Operating Income for 2023 while Non-Operating and Contribution sources totaling \$723,000 added to the increase of \$1,163,000 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

	2023	2022	Increase (Decrease)
Total Capital Assets	12,290,644	12,318,080	(27,436)
Total Current Assets	9,712,778	8,806,594	906,184
Total Non-Current Asset & Net Pension Asset	874,782	851,659	23,132
Total Assets	22,878,203	21,976,332	901,871
Total Deferred Outflows	486,421	566,038	(79,617)
Total Long-term Liabilities	679,052	700,827	(21,776)
Total Current Liabilities	1,026,136	1,068,353	(42,217)
Total Liabilities	1,705,187	1,769,181	(63,993)
Total Deferred Inflows	615,805	892,640	(276,835)
Net Investment in Capital Assets	12,290,644	12,318,080	(27,436)
Restricted Assets & Net Pension Asset	857,578	639,409	218,169
Unrestricted Assets	7,895,409	6,923,031	972,348
Total Net Position	21,043,631	19,880,549	1,163,082
Cash & Cash Equivalents	4,332,123	3,420,119	912,004
Total Energy Sales	7,766,752	7,999,458	(232,706)
Other Electric Revenue	144,359	148,136	(3,778)
Total Operating Revenues	7,911,111	8,147,594	(236,483)
Cost of Purchased Power	2,707,553	3,342,389	(634,836)
O&M Expenses	1,626,066	1,498,771	127,295
Customer Service Expenses	635,196	592,421	42,774
G&A, Taxes and Other Expenses	1,554,025	1,564,183	(10,158)
Depreciation and Amortization	948,292	918,100	30,192
Total Operating Expenses	7,471,131	7,915,863	(444,733)
Non-Operating Revenues	289,734	90,581	199,153
Income before Contributions, Special, & Extraordinary Items and Transfers	729,714	322,312	407,402
Contributions	433,368	340,864	92,504
Prior Year Adjustments	-	1,852	(1,852)
Change in Net Position	1,163,082	663,176	499,906
Year End Net Position	21,043,631	19,880,549	1,163,082

See Note 3 Utility Plant and Depreciation for capital assets.

SIGNIFICANT LONG-TERM DEBT

As of December 31, 2023, the District had no significant outstanding long-term debt. See Note 5 for the District's long-term liabilities.

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, 2023

<u>Assets</u>	<u>2023</u>
<u>Current Assets</u>	
Cash and Cash Equivalents	4,332,123
Receivables (Net)	
Notes Receivable	393,882
Accounts Receivable	950,989
Lease Receivable	3,765
Inventories	863,430
Prepayments	41,907
Other Current Assets	2,869,383
Restricted Assets	
Bond Reserve	600
Customer Deposits	137,300
Revolving Loan and Grant Fund	119,399
Total Current Assets	9,712,778
 Assets Being Depreciated	
Leased Assets	17,086
Plant	28,342,664
Buildings	960,243
Machinery and Equipment	3,861,664
Assets Not Being Depreciated	
Land	200,204
Construction Work in Progress	35,076
Retirement Work in Progress	10,742
Less Accumulated Depreciation	
Less Accumulated Depreciation	(21,137,035)
Capital Assets (Net)	12,290,644
 Long-Term Lease Receivable	287,645
Net Pension Asset	587,136
Total Non-Current Assets	13,165,425
 Deferred Outflows	
Pension Related Outflows	486,421
Total Deferred Outflows	486,421
 Total Assets & Deferred Outflows	23,364,624

PUD No. 1 of Ferry County
Statement of Net Position
As of December 31, 2023 Continued

<u>Liabilities</u>	<u>2023</u>
Current Liabilities	
Accounts Payable	643,439
Customer Deposits	137,300
Accrued Taxes	160,142
Accrued Payroll	82,395
Current Portion of Long-Term Debt	2,856
Other Current Liabilities	4
Total Current Liabilities	<u>1,026,136</u>
Non-current Liabilities	
Compensated Absences	420,631
Net Pension Liability	253,041
Lease Obligation	5,380
Total Non-Current Liabilities	<u>679,052</u>
Deferred Inflows	
Capital Lease Deferred Inflows	280,497
Pension Related Deferred Inflows	335,308
Total Deferred Inflows	<u>615,805</u>
Total Liabilities and Deferred Inflows	2,320,993
<u>Net Position</u>	
Net Investment in Capital Assets	12,290,644
Restricted Assets	119,999
Restricted Net Pension Assets	737,580
Unrestricted Assets	7,895,409
Total Net Position	<u>21,043,631</u>
Total Net Position and Liabilities	<u><u>23,364,624</u></u>

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, 2023

	<u>2023</u>
Total Energy Sales	7,766,752
Income from Plant Leased to Others	83,476
Other Revenue	60,883
Total Operating Revenue	<u>7,911,111</u>
Cost of Purchased Power	2,707,553
Operating Expense	524,739
Maintenance Expense	1,101,327
Customer Services	635,196
General & Administrative Services	1,100,026
Depreciation & Amortization Expense	948,292
Taxes Other than Income Taxes	453,999
Total Operating Expenses	<u>7,471,131</u>
Operating Income (Loss)	439,980
Income from Non-Utility Operations	1,088
Interest and Dividend Income	294,339
Gains/Losses from Disposition of Property	(2,693)
Interest & Amortization on Long-term Lease Obligation	(3,000)
Non-Operating Revenues (Expenses)	<u>289,734</u>
Income (Loss) before Capital Contributions	729,714
Capital Contributions	433,368
Change in Net Position	<u><u>1,163,082</u></u>
Total Net Position Beginning of Year	19,880,549
Change in Net Position	<u><u>1,163,082</u></u>
Total Net Position End of Year	21,043,631

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, 2023

	<u>2023</u>
Cash Flows from Operating Activities	
Receipts from Customers	8,071,486
Payments to Employees & Suppliers	<u>(6,937,599)</u>
Cash Flows from Operating Activities	1,133,887
 Cash Flows from Capital & Related Financing Activities	
Proceeds from Grants	-
Capital Contributions	433,368
Purchase of Capital Assets	(920,856)
Principal & Interest paid on Capital Lease Obligations	(2,762)
Proceeds/Loss from Disposition of Property	<u>(2,693)</u>
Cash Flows from Capital & Related Financing Activities	(492,943)
 Cash Flows from Investing Activities	
Interest and Dividends	292,210
Cash Out to Restricted Investment Funds	<u>(21,149)</u>
Cash Flows from Investing Activities	271,061
 Net Increase (Decrease) in Cash & Cash Equivalents	<u><u>912,004</u></u>
 Cash & Cash Equivalents Beginning of Year	3,420,119
Prior period Adjustments	<u>-</u>
Adjusted Cash & Cash Equivalents Beginning of Year	3,420,119
Cash & Cash Equivalents End of Year	<u>4,332,123</u>
Net Increase (Decrease) to Cash & Cash Equivalents	912,004

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, 2023

	<u>2023</u>
Operating Income	439,980
Adjustments to Reconcile Net Operating Revenues to Cash Provided (Used) by Operating Activities:	
Depreciation & Amortization Expense	948,292
Change in Operating Assets and Liabilities:	
Accounts Receivable	142,312
Materials & Supplies	(127,774)
Prepayments	(8,865)
Notes Receivable	54,736
Other Current Assets	(45,706)
Lease Receivable	3,697
Net Pension Asset	(97,335)
Deferred Outflow of Resources - Pensions	79,617
Accounts Payable	(20,372)
Accrued Payroll & Accrued Taxes	(7,476)
Compensated Absences	51,527
Lease Obligations	(3,000)
Deferred Inflows of Resources - Pensions & Capital Leases	(276,835)
Miscellaneous Non-Operating	1,088
Change in Assets and Liabilities	(254,385)
Net Cash Provided by Operating Activities	1,133,887

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

FERRY COUNTY P.U.D. NO. 1
NOTES TO THE FINANCIAL STATEMENTS

January 1, 2023, through December 31, 2023

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.

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 2023. The restricted funds as of December 31, 2023 are listed below.

	<u>2023</u>
Bond Reserves	600
Customer Deposits	137,300
Revolving Loan and Grant Fund	119,399
Payables from Current Restricted Assets	<u>(137,300)</u>
Total Restricted Funds	<u>119,999</u>

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, 2023 are listed below.

	<u>2023</u>
Vacation, Sick Leave, and Storm Fund	2,500,000
High-Cost Line Extension Funds	<u>367,476</u>
Total Reserve Funds	<u>2,867,476</u>

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, 2023, the balance was kept at \$30,000. Please see Note 13 for additional information regarding the District's 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, 2023. 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, 2023, amounted to \$ 420,631. 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.

O. Leases

Leases (Lessee and Lessor) and Subscription-Based Information Technology Arrangements (SBITA) The District reports leases and SBITAs as defined by GASB 87 and GASB 96, respectively. 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. SBITA is defined as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The lease or subscription term includes the noncancellable periods of the lease or SBITA, 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 or subscription term. For lease and SBITA 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 and SBITA 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 a lessee and reports a lease receivable and a deferred inflow when a lessor. (See Note 12 and Note 13)

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 \$ 3,283,946.

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	4,172,152	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.gov

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:

2023

<u>Investment Type</u>	<u>Rating</u>	<u>Percentage</u>
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:

<u>Assets</u>	<u>Estimated Life-Years</u>
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, 2023

	Beginning			Ending
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Utility Plant Not Being Depreciated				
Land	200,204	-	-	200,204
Construction Work in Progress	75,095	668,201	708,220	35,076
Retirement Work in Progress	15,931	146,457	151,647	10,742
Total Utility Plant Not Being Depreciated	291,230	814,659	859,867	246,022
Utility Plant Being Depreciated				
Buildings	948,056	14,608	2,421	960,243
Equipment	3,727,796	138,767	4,899	3,861,664
Distribution Plant	25,917,726	908,724	160,800	26,665,651
All Other Utility Plant	153,284	44,382	8,498	189,168
Transmission Plant	1,497,253	7,678	-	1,504,931
Total Utility Plant Being Depreciated	32,244,114	1,114,161	176,618	33,181,657
Total Utility Plant	32,535,344	1,928,819	1,036,485	33,427,679
Less Accumulated Depreciation For:				
Transmission Plant	1,155,424	45,833	-	1,201,257
Distribution Plant	15,263,866	846,627	177,889	15,932,603
General Plant	1,782,332	59,209	4,445	1,837,096
Equipment	1,959,711	145,022	-	2,104,733
All other Plant	55,932	5,413	-	61,346
Total Accumulated Depreciation	20,217,265	1,102,104	182,334	21,137,035
Total Utility Plant Being Depreciated, Net	12,026,850	12,056	(5,716)	12,044,622
TOTAL UTILITY PLANT, NET	12,318,080	826,715	854,151	12,290,644

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 \$35,076 as of December 31, 2023. (See Note 3 – Utility Plant and Depreciation regarding historical departure from GAAP)

NOTE 5 - LONG-TERM DEBT

During the year ended December 31, 2023, the District had no long-term debt to recognize.

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2023, the following changes occurred in long-term Liabilities.

Liability Class	Beginning Balance 1/1/2023	Increase 2023	Decrease 2023	Balances Outstanding as of 12/31/23
Capital Lease Obligation	8,235		2,856	5,380
Compensated Absences	369,105	261,710	210,184	420,631
Pension Liability	323,488	253,041	323,488	253,041
Total Long-Term Liabilities	700,828	514,751	536,527	679,052

NOTE 7– RESTRICTED ASSETS

The District's Balance Sheet reports \$857,578 of restricted assets, including the restricted Net Pension Asset, as of December 31, 2023.

NOTE 8 - PENSION & BENEFIT PLANS

The following table represents the aggregate pension amounts for all plans for the year 2023:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$253,041
Pension assets	\$587,136
Deferred outflows of resources	\$486,421
Deferred inflows of resources	\$335,306
Pension expense (or income)	(\$89,378)

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 local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – June 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%
July – August 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6.00%
September - December 2023		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.53%	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 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. 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 rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer	Employee*
January – June 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.36%
July – August 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6.36%
September - December 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.53%	6.36%

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

The district's actual PERS plan contributions were \$ 67,795 to PERS Plan 1 and \$127,179 to PERS Plan 2/3 for the year ended December 31, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. 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 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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 service-based salary increase.
- **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, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

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, 2023. 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	\$353,517	\$253,041	\$165,349
PERS 2/3	\$638,581	(\$587,136)	(\$1,549,141)

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, 2023, the District reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$253,041
PERS 2/3	(\$587,136)

At June 30, 2023, the District’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.011618	0.011085	0.000533
PERS 2/3	0.015106	0.014325	0.000781

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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 Nonemployer Allocations* for all plans except LEOFF 1.

In fiscal year 2023, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

For the year ended December 31, 2023, the District recognized pension expense as follows:

	Pension Expense (or Income)
PERS 1	(\$19,537)
PERS 2/3	(\$69,842)
TOTAL	(\$89,378)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, 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	\$	(\$28,544)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$29,214	\$
TOTAL	\$29,214	(\$28,544)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$119,599	(\$6,560)
Net difference between projected and actual investment earnings on pension plan investments	\$	(\$221,268)
Changes of assumptions	\$246,500	(\$53,727)
Changes in proportion and differences between contributions and proportionate share of contributions	\$27,665	(\$25,206)
Contributions subsequent to the measurement date	\$63,444	\$
TOTAL	\$457,208	(\$306,762)

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, 2024. 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
2024	(\$19,420)		2024	(\$111,982)
2025	(\$24,423)		2025	(\$130,426)
2026	\$15,059		2026	\$186,078
2027	\$240		2027	\$69,486
2028	\$0		2028	\$67,828
Thereafter	\$0		Thereafter	\$6,019

NOTE 9 – PENSION - 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 provides a fifty-cent-for-one-dollar (50%) match of employee contributions which are capped at four percent (4%) of employee regular straight-time wages. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In 2023, the District match consisted of \$ 60,441.

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 – CONTRACTUAL AGREEMENTS 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 \$3,340 in payments during 2023.

NOTE 11 - 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 2023, the District had no such reimbursements and as of December 31, 2023, 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 12 – LEASES - LESSEE

For the year ended 12/31/2023, 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 12/31/2023, 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 12/31/2023, the total combined value of the lease liability is \$8,235, the total combined value of the short-term lease liability is \$2,856. The combined value of the right to use asset, as of 12/31/2023 of \$9,059 with accumulated amortization of \$9,145 is included within the Lease Class activities table found below. The leases had \$1,991 of Variable Payments and \$49 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	1,119
Computer Equipment	3,466	8,026
Total Leases	9,059	9,145

Principal and Interest Requirements to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	2,856	158	3,013
2025	1,939	69	2,008
2026	555	45	600
2027	562	38	600
2028	570	30	600
2029 - 2031	1,754	46	1,800

NOTE 13 – LEASES - LESSOR

For the year ended 12/31/2023, 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 12/31/2023, Public Utility District No. 1 of Ferry County had 1 active lease. The lease had a receipt of \$9,125 and an interest rate of 1.8393%. As of 12/31/2023, the total value of the lease receivable is \$291,411, the total value of the short-term lease receivable is \$3,765, and the value of the deferred inflow of resources is \$280,497. The lease had no Variable or Other Receipts within the Fiscal Year.

Principal and Interest Expected to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
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	5,496	4,998	10,494
2029 - 2033	35,505	23,261	58,767
2034 - 2038	48,029	19,552	67,582
2039 - 2043	63,118	14,600	77,719
2044 - 2048	81,223	8,153	89,377
2049 - 2051	38,374	1,087	39,461

FERRY COUNTY P.U.D. NO. 1

Schedule of Proportionate Share of the Net Pension Liability PERS Plan 1 As of June 30, 2023 Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.011085%	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)	\$253,041	\$323,488	\$138,158	\$390,231	\$425,104	\$531,771	\$620,039	\$640,321	\$729,244
Employer's covered employee payroll	\$1,999,672	\$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	12.65%	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	80.16%	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, 2023
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.014325%	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)	\$ (587,136)	\$ (560,248)	\$ (1,449,215)	\$ 183,157	\$ 138,795	\$ 259,731	\$ 583,963	\$ 770,192	\$ 643,079
Employer's covered employee payroll	\$1,999,672	\$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	-29.36%	-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	107.02%	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 year ended December 31st

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or contractually required contributions	\$67,795	\$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	<u>\$67,795</u>	<u>\$72,328</u>	<u>\$78,231</u>	<u>\$82,293</u>	<u>\$78,714</u>	<u>\$80,093</u>	<u>\$78,474</u>	<u>\$75,140</u>	<u>\$65,558</u>
Contribution deficiency (excess)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Covered employer payroll	\$1,999,672	\$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	3.39%	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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily or contractually required contributions	\$127,179	\$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	\$127,179	\$122,430	\$130,270	\$135,856	\$123,224	\$118,676	\$109,866	\$98,139	\$84,251
Contribution deficiency (excess)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Covered employer payroll	\$1,999,672	\$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%	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.