Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Public Utility District No 1 of Ferry County

For the period January 1, 2019 through December 31, 2021

Published April 27, 2023

Report No. 1032427

Office of the Washington State Auditor
Pat McCarthy

April 27, 2023

Board of Commissioners
Public Utility District No 1 of Ferry County
Republic, Washington

Report on Financial Statements

Please find attached our report on Public Utility District No 1 of Ferry County's financial statements.

We are issuing this report in order to provide information on the District's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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Public Utility District No 1 of Ferry County
January 1, 2019 through December 31, 2021

Board of Commissioners
Public Utility District No 1 of Ferry County
Republic, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Public Utility District No 1 of Ferry County, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 5, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted certain other matters that we will report to the management of the District in a separate letter dated April 17, 2023.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

April 5, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No 1 of Ferry County
January 1, 2019 through December 31, 2021

Board of Commissioners
Public Utility District No 1 of Ferry County
Republic, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of Public Utility District No 1 of Ferry County, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No 1 of Ferry County, as of December 31, 2021, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

April 5, 2023

FINANCIAL SECTION

Public Utility District No 1 of Ferry County
January 1, 2019 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

PUD No. 1 of Ferry County

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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 2021 the system served an average of 3,700 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

Net Position. Net Position. In 2021, the District's Net Position improved by $836.57 thousand; at year end it totaled approximately $19.22 million. $12.1 million of the Net Position is invested in Capital assets, $307.02 thousand are Restricted Assets, and $6.80 million are Unrestricted Assets.

Assets/Liabilities & Deferred Outflows/Deferred Inflows. The District's Total Assets increased by $2.14 million while District Liabilities decreased in 2021 by $24.20 thousand. There was an increase in all asset categories; Current Assets reflected an increase in value of about $503.30 thousand and the Capital Assets saw an increase of $188.91 thousand. The District now reflects a Net Pension Asset as well. Long-Term Liabilities declined in 2021 by $413.55 thousand since the District's Pension funds increased in value and are now recognized as a Net Pension Asset valued at $1.49 million. Year-end Accounts Payable increased causing Total Current Liabilities to increase to $1.23 million. These factors in combination with an increase to the Deferred Pension Inflows even though there was a reduction in Deferred Pension Outflows resulted in the above-mentioned increase to Net Position.

Cash and Cash Equivalents. District Cash and Cash Equivalents continued to rise to $3.72 million; a $450.52 thousand increase.

Revenues/Expenses. Operating Revenues increased by about $720.46 thousand during 2021. This was the result of an increase in total Energy Sales related to both an increase in local residential construction and an increased industrial usage in the area. While other Operating Revenues reflected only a minor change. Non-Operating Revenues also rose; an increase of about $122.82 thousand occurred. This was for the most part due to additional contributions to capital from the new construction previously mentioned. Operating Expenses also increased as the District saw an increase in its revenues but by only $101.22 thousand.

All these items combine to reflect a positive change in the District's overall financial position.

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

SELECTED FINANCIAL INFORMATION

	2021	2020	Increase (Decrease)
Total Capital Assets	12,106,877	11,917,968	188,909
Total Current Assets	8,727,001	8,223,695	503,306
Total Net Pension Asset	1,449,215	-	1,449,215
Total Assets	22,283,094	20,141,663	2,141,431
Total Deferred Outflows	190,956	207,811	(16,855)
Total Long-term Liabilities	495,185	908,732	(413,548)
Total Current Liabilities	1,231,251	841,907	389,344
Total Liabilities	1,726,436	1,750,639	(24,203)
Total Deferred Inflows	1,532,093	219,880	1,312,213
Net Investment in Capital Assets	12,106,877	11,917,968	188,909
Restricted Assets & Net Pension Asset	307,020	235,910	71,110
Unrestricted Assets	6,801,624	6,225,076	576,548
Total Net Position	19,215,521	18,378,954	836,567
Cash & Cash Equivalents	3,721,303	3,270,787	450,516
Total Energy Sales	7,161,842	6,515,483	646,358
Other Electric Revenue	142,340	68,238	74,102
Total Operating Revenues	7,304,181	6,583,721	720,460
Cost of Purchased Power	3,048,300	2,747,111	301,189
O&M Expenses	1,279,606	1,367,788	(88,182)
Customer Service Expenses	423,968	485,132	(61,164)
G&A, Taxes and Other Expenses	1,301,888	1,373,956	(72,068)
Depreciation and Amortization	892,524	871,076	21,448
Total Operating Expenses	6,946,286	6,845,063	101,223
Non-Operating Revenues	418,239	295,417	122,822
Income before Contributions, Special & Extraordinary Items and Transfers	22,395	55,331	(32,936)
Contributions	395,845	240,086	155,759
Prior Year Adjustments	60,431	-	60,431
Change in Net Position	776,135	33,804	742,331
Year End Net Position	19,215,520	18,378,954	836,566

See Note 3 Utility Plant and Depreciation for capital assets.

SIGNIFICANT LONG-TERM DEBT

As of December 31, 2021, the District had no long-term debt outstanding other than a capital lease obligation of $8,084 for a Xerox copier. See Note 5.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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 2020 the system served an average of 3,590 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

Net Position. In 2020, the District's Net Position improved by $33.8 thousand; at year end it totaled approximately $18.38 million.

Assets/Liabilities & Deferred Outflows/Deferred Inflows. The District's Total Assets decreased by $80.28 thousand while District Liabilities increased in 2020 by $84.75 thousand. Current Assets reflected an increase in value of about $148.80 thousand while the Capital Assets saw a decline of $229.08 thousand because of some retirements. Bothe Long-Term and Current Liabilities reflected an increase during 2020. These factors in combination with a decrease to the Deferred Pension Inflows and only a minor increase to Deferred Pension Outflows resulted in the above-mentioned marginal increase to Net Position.

Cash and Cash Equivalents. District Cash and Cash Equivalents continued to rise to $3.27 million; a $267.20 thousand increase.

Revenues/Expenses. Operating Revenues decreased by about $189.09 thousand during 2020. This was the result of a decrease in total Energy Sales, mostly related to pandemic restrictions imposed on local businesses. While other Operating Revenues remained constant from 2019 levels. Non-Operating Revenues also declined in addition to the Operating Revenues mentioned. A reduction of about $143.95 thousand occurred. This was for the most part a reduction in interest earned on District investments because of significant drops in market interest rates. Operating Expenses decreased slightly by only $3.67 thousand. The changes in the individual operating expense categories fluctuated.

The Board continued to pay strict attention to retail sales and monitor cost reserves throughout 2020. Because of the efforts of Commissioners and staff, the District's financial position continued to improve.

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

SELECTED FINANCIAL INFORMATION

	2020	2019	Increase (Decrease)
Total Capital Assets	11,917,968	12,147,046	(229,078)
Total Current Assets	8,223,695	8,074,892	148,803
Total Assets	20,141,663	20,221,938	(80,275)
Total Deferred Outflows	207,811	186,716	21,095
Total Long-term Liabilities	908,732	828,205	80,527
Total Current Liabilities	841,907	837,686	4,221
Total Liabilities	1,750,639	1,665,891	84,748
Total Deferred Inflows	219,880	397,614	(177,734)
Net Investment in Capital Assets	11,917,968	12,147,046	(229,078)
Restricted Assets	235,910	231,126	4,784
Unrestricted Assets	6,225,076	5,966,978	258,098
Total Net Position	18,378,954	18,345,150	33,804
Cash & Cash Equivalents	3,270,787	3,003,588	267,199
Total Energy Sales	6,515,483	6,640,735	(125,252)
Other Electric Revenue	68,238	132,078	(63,840)
Total Operating Revenues	6,583,721	6,772,813	(189,092)
Cost of Purchased Power	2,747,111	2,784,809	(37,698)
O&M Expenses	1,367,788	1,327,399	40,389
Customer Service Expenses	485,132	505,900	(20,768)
G&A, Taxes and Other Expenses	1,373,956	1,378,624	(4,668)
Depreciation and Amortization	871,076	851,996	19,080
Total Operating Expenses	6,845,063	6,848,728	(3,665)
Non-Operating Revenues	295,417	439,367	(143,950)
Income before Contributions, Special & Extraordinary Items and Transfers	55,331	139,208	(83,877)
Contributions	240,086	300,160	(60,074)
Special & Extraordinary Items	-	-	-
Transfers	-	-	-
Prior Year Adjustments	-	(62,853)	62,853
Change in Net Position	33,804	363,454	(329,650)
Year End Net Position	18,378,954	18,345,150	33,804

See Note 3 Utility Plant and Depreciation for capital assets.

SIGNIFICANT LONG-TERM DEBT

As of December 31, 2020, the District had no long-term debt outstanding. See Note 5.

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
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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 2019 the system served an average of 3,530 customers. 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 (net position) 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

Net Position. In 2019, the District's Net Position improved by $300.6 thousand; at year end it totaled approximately $18.35 million.

Assets/Liabilities & Deferred Outflows/Deferred Inflows. The District's Total Assets increased by $169.95 thousand while District Liabilities declined in 2019 by over $139.4 thousand. The change in the District Assets was a result of increases in Cash & Cash Equivalents as well as Notes Receivables and Accounts Receivables. The decline in liabilities consisted of a significant reduction to Pension Liability even though Current Liabilities reflected an increase. These factors in combination with an increase to the Deferred Pension Inflows resulted in the above-mentioned increase to Net Position.

Cash and Cash Equivalents. District Cash and Cash Equivalents continued to rise to $3.0 million; a $385.9 thousand increase.

Revenues/Expenses. Operating Revenues increased only slightly by about $18.8 thousand during 2019. This was the result of an increase to Energy Sales while other Operating Revenues remained constant from 2018 levels. Non-Operating Revenues increased by about $151.02 thousand. An increase to Interest Income from raising interest rates as well as an increase in Contributed Capital from increased construction both accounted for this. Operating Expenses also increased but by only $38.0 thousand. The District saw an increase to all operating expense categories which totaled approximately $130.26 thousand. However, they were offset by a decline of $92.29 thousand to Operations and Maintenance Expenses.

The Board continued to pay strict attention to retail sales and monitor cost reserves throughout 2019. Because of the efforts of Commissioners and staff, the District's financial position continued to improve.

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

SELECTED FINANCIAL INFORMATION

	2019	2018	Increase (Decrease)
Total Capital Assets	12,147,046	12,270,619	(123,573)
Total Current Assets	8,074,892	7,781,369	293,523
Total Assets	20,221,938	20,051,988	169,950
Total Deferred Outflows	186,716	186,397	319
Total Long-term Liabilities	828,205	1,013,519	(185,314)
Total Current Liabilities	837,686	791,780	45,906
Total Liabilities	1,665,891	1,805,299	(139,408)
Total Deferred Inflows	397,614	388,537	9,077
Net Investment in Capital Assets	12,147,046	12,235,209	(88,163)
Restricted Assets	231,126	508,063	(276,937)
Unrestricted Assets	5,966,978	5,301,277	665,701
Total Net Position	18,345,150	18,044,549	300,601
Cash & Cash Equivalents	3,003,588	2,617,686	385,902
Total Energy Sales	6,640,735	6,616,899	23,836
Other Electric Revenue	132,078	137,109	(5,031)
Total Operating Revenues	6,772,814	6,754,008	18,806
Cost of Purchased Power	2,784,809	2,774,414	10,395
O&M Expenses	1,327,399	1,419,688	(92,289)
Customer Service Expenses	505,900	464,125	41,775
G&A, Taxes and Other Expenses	1,378,624	1,305,467	73,157
Depreciation and Amortization	851,996	847,059	4,937
Total Operating Expenses	6,848,727	6,810,753	37,974
Non-Operating Revenues	439,367	288,343	151,024
Income before Contributions, Special & Extraordinary Items and Transfers	139,208	92,168	47,040
Contributions	300,160	196,175	103,985
Special & Extraordinary Items	-	-	-
Transfers	-	-	-
Prior Year Adjustments	(62,853)		(62,853)
Change in Net Position	363,454	231,598	131,856
Year End Net Position	18,345,150	18,044,549	300,601

See Note 3 Utility Plant and Depreciation for capital assets.

SIGNIFICANT LONG-TERM DEBT

As of December 31, 2019, the District had no long-term debt outstanding. See Note 5.

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

For the period ending December 31, 2021

Assets	2021
Current Assets	
Cash and Cash Equivalents	3,721,303
Receivables (Net)	
Notes Receivable	512,135
Accounts Receivable	967,267
Inventories	460,938
Prepayments	30,110
Other Current Assets	2,789,425
Restricted Assets	
Bond Reserve	600
Customer Deposits	165,613
Revolving Loan and Grant Fund	79,611
Total Current Assets	**8,727,001**
Assets Being Depreciated	
Leased Assets	11,493
Plant	26,761,461
Buildings	936,843
Machinery and Equipment	3,583,472
Assets Not Being Depreciated	
Land	200,204
Construction Work in Progress	50,232
Retirement Work in Progress	11,394
Less Accumulated Depreciation	
Less Accumulated Depreciation	(19,448,221)
Capital Assets (Net)	**12,106,877**
Net Pension Asset	1,449,215
Total Non-Current Assets	**13,556,092**
Deferred Outflows	
Pension Related Outflows	190,956
Total Deferred Outflows	**190,956**
Total Assets & Deferred Outflows	**22,474,050**

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

PUD No. 1 of Ferry County

Statement of Net Position

For the period ending December 31, 2021, Continued

Liabilities	
Current Liabilities	
Accounts Payable	830,471
Customer Deposits	165,613
Accrued Taxes	146,747
Accrued Payroll	88,421
Total Current Liabilities	**1,231,251**
Non-current Liabilities	
Compensated Absences	348,942
Net Pension Liability	138,158
Lease Obligation	8,084
Total Non-Current Liabilities	**495,185**
Deferred Inflows	
Pension Related Inflows	1,532,093
Total Deferred Inflows	**1,532,093**
Total Liabilities and Deferred Inflows	**3,258,529**
Net Position	
Net Investment in Capital Assets	**12,106,877**
Restricted Assets	**80,211**
Restricted Net Pension Assets	**226,809**
Unrestricted Assets	**6,801,624**
Total Net Position	**19,215,521**
Total Net Position and Liabilities	**22,474,050**

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

PUD No. 1 of Ferry County

Statement of Net Position

For the period ending December 31, 2020

Assets	2020
Current Assets	
Cash and Cash Equivalents	3,270,787
Receivables (Net)	
Notes Receivable	451,887
Accounts Receivable	992,920
Inventories	386,309
Prepayments	36,029
Other Current Assets	2,690,392
Restricted Assets	
Bond Reserve	600
Customer Deposits	159,462
Revolving Loan and Grant Fund	235,310
Total Current Assets	**8,223,695**
Assets Being Depreciated	
Leased Assets	11,493
Plant	26,052,422
Buildings	966,883
Machinery and Equipment	3,227,781
Assets Not Being Depreciated	
Land	200,484
Construction Work in Progress	40,944
Retirement Work in Progress	14,722
Less Accumulated Depreciation	
Less Accumulated Depreciation	(18,596,761)
Capital Assets (Net)	**11,917,968**
Total Non-Current Assets	**11,917,968**
Deferred Outflows	
Pension Related Outflows	207,811
Total Deferred Outflows	**207,811**
Total Assets & Deferred Outflows	**20,349,474**

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

PUD No. 1 of Ferry County

Statement of Net Position

For the period ending December 31, 2020 Continued

<u>Liabilities</u>	
Current Liabilities	
Accounts Payable	468,208
Customer Deposits	159,462
Accrued Taxes	136,278
Accrued Payroll	77,960
Total Current Liabilities	**841,907**
Non-current Liabilities	
Compensated Absences	325,190
Net Pension Liability	573,388
Lease Obligation	10,155
Total Non-Current Liabilities	**908,732**
Deferred Inflows	
Pension Related Inflows	219,880
Total Deferred Inflows	**219,880**
Total Liabilities and Deferred Inflows	**1,970,519**
<u>Net Position</u>	
Net Investment in Capital Assets	**11,917,968**
Restricted Assets	**235,910**
Unrestricted Assets	**6,225,076**
Total Net Position	**18,378,954**
Total Net Position and Liabilities	**20,349,474**

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

PUD No. 1 of Ferry County

Statement of Net Position

For the period ending December 31, 2019

Assets	**2019**
Current Assets	
Cash and Cash Equivalents	3,003,588
Receivables (Net)	
Notes Receivable	516,217
Accounts Receivable	1,110,833
Inventories	371,212
Prepayments	29,955
Other Current Assets	2,646,550
Restricted Assets	
Bond Reserve	600
Customer Deposits	165,412
Revolving Loan and Grant Fund	230,526
Total Current Assets	**8,074,892**
Assets Being Depreciated	
Plant	25,586,219
Buildings	953,220
Machinery and Equipment	3,251,718
Assets Not Being Depreciated	
Land	200,484
Construction Work in Progress	29,570
Retirement Work in Progress	0
Less Accumulated Depreciation	
Less Accumulated Depreciation	(17,874,166)
Capital Assets (Net)	**12,147,046**
Total Non-Current Assets	**12,147,046**
Deferred Outflows	
Pension Related Outflows	186,716
Total Deferred Outflows	**186,716**
Total Assets & Deferred Outflows	**20,408,655**

Notes to Financial Statements are an integral part of this statement

PUD No. 1 of Ferry County

Statement of Net Position

For the period ending December 31, 2019 Continued

Liabilities	
Current Liabilities	
Accounts Payable	454,227
Customer Deposits	165,412
Accrued Taxes	138,619
Accrued Payroll	79,428
Total Current Liabilities	**837,686**
Non-current Liabilities	
Compensated Absences	264,306
Net Pension Liability	563,899
Total Non-Current Liabilities	**828,205**
Deferred Inflows	
Pension Related Inflows	397,614
Total Deferred Inflows	**397,614**
Total Liabilities and Deferred Inflows	**2,063,504**
Net Position	
Net Investment in Capital Assets	**12,147,046**
Restricted Assets	**231,126**
Unrestricted Assets	**5,966,978**
Total Net Position	**18,345,150**
Total Net Position and Liabilities	**20,408,655**

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 period ending December 31, 2021

	2021
Total Energy Sales	7,161,842
Income from Plant Leased to Others	81,044
Other Revenue	61,296
Total Operating Revenue	**7,304,181**
Cost of Purchased Power	3,048,300
Operating Expense	418,263
Maintenance Expense	861,343
Customer Services	423,968
General & Administrative Services	898,749
Depreciation & Amortization Expense	892,524
Interest on Lease Obligation	343
Taxes Other than Income Taxes	402,796
Total Operating Expenses	**6,946,286**
Operating Income (Loss)	**357,896**
Income from Non-Utility Operations	686
Interest and Dividend Income	13,664
Gains/Losses from Disposition of Property	8,045
Contributed Capital	395,845
Interest on Long-term Debt	
Non-Operating Revenues (Expenses)	**418,239**
Change in Net Position	**776,135**
Total Net Position Beginning of Year	**18,378,954**
Prior Period Adjustments to Net Position (See Financial Notes)	**60,431**
Change in Net Position	**776,135**
Total Net Position End of Year	**19,215,521**

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 period ending December 31, 2020

	2020
Total Energy Sales	6,515,483
Income from Plant Leased to Others	9,098
Other Revenue	59,140
Total Operating Revenue	**6,583,721**
Cost of Purchased Power	2,747,111
Operating Expense	527,791
Maintenance Expense	839,997
Customer Services	485,132
General & Administrative Services	1,011,042
Depreciation & Amortization Expense	871,076
Interest on Lease Obligation	271
Taxes Other than Income Taxes	362,914
Total Operating Expenses	**6,845,333**
Operating Income (Loss)	**(261,613)**
Income from Non-Utility Operations	(339)
Interest and Dividend Income	56,490
Gains/Losses from Disposition of Property	(821)
Contributed Capital	240,086
Interest on Long-term Debt	
Non-Operating Revenues (Expenses)	**295,417**
Change in Net Position	**33,804**
Total Net Position Beginning of Year	**18,345,150**
Change in Net Position	**33,804**
Total Net Position End of Year	**18,378,954**

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 period ending December 31, 2019

	2019
Total Energy Sales	6,640,735
Income from Plant Leased to Others	67,910
Other Revenue	64,169
Total Operating Revenue	**6,772,814**
Cost of Purchased Power	2,784,809
Operating Expense	491,434
Maintenance Expense	835,965
Customer Services	505,900
General & Administrative Services	1,013,388
Depreciation & Amortization Expense	851,996
Interest on Short-term Debt	0
Taxes Other than Income Taxes	365,236
Total Operating Expenses	**6,848,727**
Operating Income (Loss)	**(75,914)**
Income from Non-Utility Operations	(650)
Interest and Dividend Income	132,742
Gains/Losses from Disposition of Property	7,115
Contributed Capital	300,160
Interest on Long-term Debt	0
Non-Operating Revenues (Expenses)	**439,367**
Change in Net Position	**363,454**
Total Net Position Beginning of Year	**18,044,549**
Prior Period Adjustments to Net Position (See Financial Notes)	**(62,853)**
Change in Net Position	**363,454**
Total Net Position End of Year	**18,345,150**

Notes to Financial Statements are an integral part of this statement

PUD No. 1 of Ferry County

Statement of Cash Flows

For the period ending December 31, 2021

	2021
Cash Flows from Operating Activities	
Receipts from Customers	7,180,039
Payments to Employees & Suppliers	(6,281,431)
Cash Flows from Operating Activities	898,608
Cash Flows from Capital & Related Financing Activities	
Proceeds from Grants	
Capital Contributions	395,845
Purchase of Capital Assets	(1,081,777)
Principal Paid on Capital Debt	-
Proceeds/Loss from Disposition of Property	8,045
Cash Flows from Capital & Related Financing Activities	(677,888)
Cash Flows from Investing Activities	
Interest and Dividends	13,664
Cash Out to Restricted Investment Funds	155,699
Cash Flows from Investing Activities	169,363
Net Increase (Decrease) in Cash & Cash Equivalents	390,084
Cash & Cash Equivalents Beginning of Year	3,270,787
Prior period Adjustments	60,431
Adjusted Cash & Cash Equivalents Beginning of Year	3,331,218
Cash & Cash Equivalents End of Year	3,721,303
Net Increase (Decrease) to Cash & Cash Equivalents	390,084

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

Statement of Cash Flows

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

For the period ending December 31, 2021

	2021
Operating Income	357,896
Adjustments to Reconcile Net Operating Revenues to Cash	
Provided (Used) by Operating Activities:	
Depreciation & Amortization Expense	892,524
Change in Operating Assets and Liabilities:	
Accounts Receivable	25,653
Materials & Supplies	(74,630)
Prepayments	5,919
Notes Receivable	(60,248)
Other Current Assets	(99,033)
Pensions	(1,884,445)
Deferred Outflow of Resources	16,855
Accounts Payable	362,263
Compensated Absences	23,753
Lease Obligation	(2,070)
Accrued Payroll & Accrued Taxes	20,930
Pensions	-
Deferred Inflows of Resources	1,312,213
Miscellaneous	1,029
Change in Assets and Liabilities	(351,812)
Net Cash Provided by Operating Activities	**898,608**

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

PUD No. 1 of Ferry County

Statement of Cash Flows

For the period ending December 31, 2020

	2020
Cash Flows from Operating Activities	
Receipts from Customers	6,830,507
Payments to Employees & Suppliers	(6,218,301)
Cash Flows from Operating Activities	612,205
Cash Flows from Capital & Related Financing Activities	
Proceeds from Grants	0
Capital Contributions	240,086
Purchase of Capital Asssets	(642,269)
Proceeds/Loss from Disposition of Property	(821)
Cash Flows from Capital & Related Financing Activities	(403,004)
Cash Flows from Investing Activities	
Interest and Dividends	62,782
Cash Out to Restricted Investment Funds	(4,785)
Cash Flows from Investing Activities	57,997
Net Increase (Decrease) in Cash & Cash Equivalents	267,199
Cash & Cash Equivalents Beginning of Year	3,003,588
Cash & Cash Equivalents End of Year	3,270,787
Net Increase (Decrease) to Cash & Cash Equivalents	267,199

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 period ending December 31, 2020

	2020
Operating Income	(261,613)
Adjustments to Reconcile Net Operating Revenues to Cash	
Provided (Used) by Operating Activities:	
Depreciation & Amortization Expense	871,076
Change in Operating Assets and Liabilities:	
Accounts Receivable	117,913
Materials & Supplies	(15,096)
Prepayments	(6,074)
Notes Receivable	64,331
Other Current Assets	(50,134)
Deferred Outflow of Resources	(21,095)
Accounts Payable	13,980
Compensated Absences	60,884
Lease Obligation	10,155
Accrued Payroll & Accrued Taxes	(3,809)
Pensions	9,489
Deferred Inflows of Resources	(177,734)
Miscellaneous	(68)
Change in Assets and Liabilities	2,742
Net Cash Provided by Operating Activities	**612,205**

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

PUD No. 1 of Ferry County

Statement of Cash Flows

For the period ending December 31, 2019

	2019
Cash Flows from Operating Activities	
Receipts from Customers	6,646,064
Payments to Employees & Suppliers	(6,214,111)
Cash Flows from Operating Activities	431,953
Cash Flows from Capital & Related Financing Activities	
Proceeds from Grants	0
Capital Contributions	300,160
Purchase of Capital Assets	(650,712)
Principal Paid on Capital Debt	(35,410)
Proceeds/Loss from Disposition of Property	7,115
Cash Flows from Capital & Related Financing Activities	(378,847)
Cash Flows from Investing Activities	
Interest and Dividends	132,414
Cash Out to Restricted Investment Funds	222,157
Cash Flows from Investing Activities	354,571
Net Increase (Decrease) in Cash & Cash Equivalents	407,678
Cash & Cash Equivalents Beginning of Year	2,617,686
Prior Period Adjustment	(21,776)
Adjusted Cash & Cash Equivalents Beginning of Year	2,595,910
Cash & Cash Equivalents End of Year	3,003,588
Net Increase (Decrease) to Cash & Cash Equivalents	407,678

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 period ending December 31, 2019

	2019
Operating Income	(75,914)
Adjustments to Reconcile Net Operating Revenues to Cash	
Provided (Used) by Operating Activities:	
Depreciation & Amortization Expense	851,996
Change in Operating Assets and Liabilities:	
Accounts Receivable	(153,855)
Materials & Supplies	21,428
Prepayments	1,692
Notes Receivable	(33,777)
Other Current Assets	54,780
Deferred Outflow of Resources	(319)
Accounts Payable	(69,024)
Compensated Absences	42,289
Accrued Payroll & Accrued Taxes	11,833
Pensions	(227,603)
Deferred Inflows of Resources	9,077
Miscellaneous	(650)
Change in Assets and Liabilities	(344,129)
Net Cash Provided by Operating Activities	**431,953**

Notes to Financial Statements are an integral part of this statement

January 1, 2021, through December 31, 2021

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Public Utility District No. 1 of Ferry County 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 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 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. The District was organized to provide utility services to its owners, the people who formed the District, on a nonprofit, cost-of-service basis. The Board of Commissioners consists of three elected officials and is responsible for the legislative and fiscal control of the District. 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 $1,000 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 between 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 expense, 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, 2020, 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

The District considers all cash investments (including restricted assets) to be cash equivalents.

D. Utility Plant and Depreciation-See Note 3

E. 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 persons 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 was a new loan in the amount of $182,000 issued from this fund in 2021 to the T.V. Association of Republic to install fiber cable to parts of Ferry County that is currently underserved. The restricted funds as of December 31, 2021 are listed below.

	2021
Bond Reserves	600
Customer Deposits	165,613
Revolving Loan and Grant Fund	79,611
Payables from Current Restricted Assets	-165,613
Total Restricted Funds	80,211

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 monies for future potential storm damages. 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 new no loan applications received during the year. Transportation and Operating Equipment Fund is for the sole purpose of future replacement needs in these areas. The funding comes from the sale of surplus equipment. The reserved funds as of December 31, 2021 are listed below.

	2021
Vacation, Sick Leave, and Storm Fund	2,500,000
High-Cost Line Extension Fund	288,454
Transportation & Operation Equip Fund	0
Total Reserved Funds	2,788,454

F. 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, 2021, the balance was $30,000. Please see Note 12 for additional information regarding the District's Receivables.

G. Inventories

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

H. Investments

The District investments are stated at fair market value as of December 31, 2021. The District does not have any derivatives. See Note 2.

I. 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 person 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, 2021, amounted to $ 348,942. The District has established a vacation, sick leave, and storm fund to fully cover these direct and estimated liabilities.

J. 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.

K. Construction Financing

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

L. 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 relative to this membership. See Note 11.

M. 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 last year, the year ending December 31, 2020, 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, 2020 and did not result in a restatement of the financial statements.

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 $ 4,786,938.

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	1,967,843	0	0

The State Investment Pool is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool, which is governed by the State Finance Committee and is administered by the State Treasurer. The pool is audited annually by the State Auditor General, an independently elected public official.

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 investments 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:

2021

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 banker's 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 $1,000 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 GAPP 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 has District 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, 2021

	Beginning Balance	Increase	Decrease	Ending Balance
Utility Plant Not Being Depreciated				
Land	200,484	-	280	200,204
Construction Work in Progress	40,944	716,625	707,337	50,232
Retirement Work in Progress	14,722	163,480	166,808	11,394
Total Utility Plant Not Being Depreciated	256,150	880,105	874,425	261,830
Utility Plant Being Depreciated				
Buildings	966,883	3,417	33,457	936,843
Equipment	3,227,781	356,059	368	3,583,472
Distribution Plant	24,422,344	818,862	111,583	25,129,622
All Other Utility Plant	147,691	-	-	147,691
Transmission Plant	1,493,880	1,760	-	1,495,640
Total Utility Plant Being Depreciated	30,258,579	1,180,098	145,409	31,293,268
Total Utility Plant	30,514,729	2,060,204	1,019,834	31,555,098
Less Accumulated Depreciation For:				
Transmission Plant	1,063,470	45,966	-	1,109,435
Distribution Plant	14,093,384	793,972	158,644	14,728,712
General Plant	1,712,048	48,623	27,038	1,733,633
Equipment	1,681,898	143,875	-	1,825,774
All other Plant	45,960	4,706	-	50,667
Total Accumulated Depreciation	18,596,761	1,037,142	185,682	19,448,221
Total Utility Plant Being Depreciated, Net	11,661,818	142,956	(40,273)	11,845,047
TOTAL UTILITY PLANT, NET	11,917,968	1,023,061	834,152	12,106,877

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 $ 50,232 as of December 31, 2021. (See Note 3 – Utility Plant and Depreciation regarding historical departure from GAAP)

NOTE 5 - LONG-TERM DEBT

During the year ended December 31, 2021, the District had no long-term debt to recognize. The following changes occurred in long-term Liabilities.

Liability Class	Beginning Balance 1/1/2021	Increase (Decrease) 2021	Balances Outstanding as of 12/31/21
Capital Lease Obligation	10,155	(2,071)	8,084
Compensated Absences	325,190	23,752	348,942
Net Pension Liability	573,388	(435,230)	138,158
Total Long-Term Liabilities	908,733	(413,549)	495,184

NOTE 6 – RESTRICTED ASSETS

The District's Balance Sheet reports $307,020 of restricted assets, including the restricted Net Pension asset, as of December 31, 2021.

NOTE 7 - PENSION & BENEFIT PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 138,158
Pension assets	$ 1,449,215
Deferred outflows of resources	$ 190,956
Deferred inflows of resources	$ 1,532,093
Pension expense (or income)	$ (346,867)

State Sponsored Pension Plans

Substantially all Public Utility District No. 1 of Ferry County's (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 obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or 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 member's 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 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**

PERS Plan 2/3 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 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 2021 were as reflected on the next page:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**12.97%**	**7.90%**
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	

Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**

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

The District's actual PERS plan contributions were $78,231 to PERS Plan 1 and $130,270 to PERS Plan 2 for the year ended December 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. 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 *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The 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.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020, Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to

determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

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 7.4 percent 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 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) 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

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, 2021 are summarized in the table below. The inflation component used to create the table is 2.2 percent 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	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 7.4 percent, 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 235,360	$ 138,158	$ 53,388
PERS 2/3	$ (412,853)	$ (1,449,215)	$ (2,302,659)

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, 2021, the District reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 138,158
PERS 2/3	$ (1,449,214)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.011053%	0.011313%	0.000260%
PERS 2/3	0.014321%	0.014548%	0.000227%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021, 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* for all plans except LEOFF 1.

Pension Expense

For the year ended December 31, 2021, the District's recognized pension expense as follows:

	Pension Expense (or Income)
PERS 1	$ (15,672)
PERS 2/3	$ (331,205)
TOTAL	$ (346,877)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, 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	$	$ 153,309
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$ 34,579	$
TOTAL	$ 34,579	$ 153,309

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 70,386	$ 17,766
Net difference between projected and actual investment earnings on pension plan investments	$	$ 1,211,204
Changes of assumptions	$ 2,118	$ 102,918
Changes in proportion and differences between contributions and proportionate share of contributions	$ 24,595	$ 46,895
Contributions subsequent to the measurement date	$ 59,278	$
TOTAL	$ 156,377	$ 1,378,783

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, 2022. 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
2022	$ (40,612)
2023	$ (37,215)
2024	$ (35,188)
2025	$ (40,294)
2026	$
Thereafter	$

Year ended December 31:	PERS 2/3
2022	$ (335,135)
2023	$ (313,373)
2024	$ (306,122)
2025	$ (324,926)
2026	$ (3,584)
Thereafter	$ 1,456

NOTE 8 - 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 2021, the District match consisted of $ 54,945.

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 9 - 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 $2,926 in payments during 2021.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

During 2021, the District increased prior year margin accounts by $60,431. The Selected Financial Information in the Management Discussion and Analysis section of this report properly reflects these adjustments as do the 2021 Financial Statements presented in this report.

$55,691 of these monies were to recognize Non-Operating Revenues and the associated Asset that was not presented on the District's 2020 Financial Statements. Pole line contact leases in 2020 were not originally included in the Revenues or Accounts Receivables for the year. Entries to correct this error and properly reflect then on the District's financials occurred in 2021.

In addition, the District received $4,740 of funding from FEMA and WA State Emergency Management as part of the reimbursement of expenses from the September 2020 High Wind and Fire Event. These dollars increase prior year margins in offsetting costs and expenses recognized in 2020. See Note 12 for further details.

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. Rather than pay monthly insurance premiums, the District has elected to self-insure 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 2021, the District had no such reimbursements and as of December 31, 2021 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 – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, colleges, and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they were leaving for an essential function. As this virus continues to spread, there have been numerous proclamations enacted by the Governor including a moratorium on disconnect of utility services. These measures remained in place throughout 2020 and most of 2021. During 2020, the District did see an increase in Accounts Receivable balances of over 90 days and this continued through 2021. As such, a close look was taken at the year-end balance for Allowance for Uncollectible Accounts. The full extent of any financial impact continues to be monitored.

In September of 2020, Ferry County experienced a high wind and fire event that caused some damages to the electric system. A Federal Disaster was declared for the county for Public Assistance under DR-4584-Washington-WA; the District is working with FEMA, the Federal Emergency Management Agency, to assist with costs related to emergency response and damages from these events. The cost estimates at year end 2020 were approximately $21,000. In September 2021, $4,740 was received for costs related to the Emergency Response that transpired in 2020. This represented Federal and State reimbursement of expenditures. The actual amounts determined allowable for reimbursement in damages is $68,544. This majority of the repair work is anticipated to occur in June 2022.

NOTE 13 – LEASE AGREEMENT

The District leases a copier from an external party. In accordance with GASB 87, the District has recorded a right-to-use asset and a lease liability based on the present value of expected payments over the term of the respective lease. Variable payments are excluded from the valuations unless they are fixed in substance. The District's lease is not subject to a residual value guarantee. The right -to-use asset is amortized over the shorter of the lease term or the underlying asset useful life. Right-to-use assets totaled $11,493 as of year-end December 31, 2021, and the related accumulated depreciation totaled $3,648.

As of December 31, 2021, the scheduled maturities of lease liabilities and related interest expenses are as follows:

Years Ended December 31:	Principal	Interest	Total
2022	2,149	265	2,414
2023	2,230	183	2,413
2024	2,315	99	2,414
2025	1,390	17	1,407
	$ 8,084	$ 564	$ 8,648

During the year ended December 31, 2021, the District paid $2,413 in variable lease payments not previously included in the measurement of the related lease liability.

January 1, 2020 through December 31, 2020

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Public Utility District No. 1 of Ferry County 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 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 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. The District was organized to provide utility services to its owners, the people who formed the District, on a nonprofit, cost-of-service basis. The Board of Commissioners consists of three elected officials and is responsible for the legislative and fiscal control of the District. 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 $1,000 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 between 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 expense, 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, 2020, 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 has been reflected as of January 1, 2020 and did not result in a restatement of the financial statements

C. Cash and Cash Equivalents

The District considers all cash investments (including restricted assets) to be cash equivalents.

D. Utility Plant and Depreciation-See Note 3

E. 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 persons 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 was a grant in the amount of $18,000 issued from this fund in 2020 to the Republic School District to upgrade the electrical service for the shop high school building. The restricted funds as of December 31, 2020 are listed below.

	2020
Bond Reserves	600
Customer Deposits	159,462
Revolving Loan and Grant Fund	235,310
Payables from Current Restricted Assets	-159,462
Total Restricted Funds	235,910

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 monies for future potential storm damages. 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 new no loan applications received during the year. Transportation and Operating Equipment Fund is for the sole purpose of future replacement needs in these areas. The funding comes from the sale of surplus equipment. The reserved funds as of December 31, 2020 are listed below.

	2020
Vacation, Sick Leave, and Storm Fund	2,500,000
High-Cost Line Extension Fund	189,421
Transportation & Operation Equip Fund	0
Total Reserved Funds	2,689,421

F. 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, 2020, the balance was $30,000. Please see Note 12 for additional information regarding the District's Receivables.

G. Inventories

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

H. Investments

The District investments are stated at fair market value as of December 31, 2020. The District does not have any derivatives. See Note 2.

I. 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 person 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. Compensated absences for leave as of December 31, 2020 amounted to $ 325,190. The District has established a vacation, sick leave, and storm fund to fully cover these direct and estimated liabilities.

J. Pensions

For purposes of measuring the net pension liability, 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.

K. Construction Financing

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

L. 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 relative to this membership. See Note 11.

M. 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 for the year ending December 31, 2020, 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 has been reflected as of January 1, 2020 and did not result in a restatement of the financial statements.

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 $ 3,548,814.

B. Investments

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

2020

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1-5
State Investment Pool	1,965,784	0	0
Washington Federal Certificate of Deposit	840,182	840,182	

The State Investment Pool is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool, which is governed by the State Finance Committee and is administered by the State Treasurer. The pool is audited annually by the State Auditor General, an independently elected public official.

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 investments in mutual funds to amounts needed for arbitrage purposes only.

Credit quality distribution for investments, with credit exposure as a percentage of total investments are as follows at year end:

2020

Investment Type	Rating	Percentage
State Investment Pool	Not Rated	70%
Washington Federal Certificate of Deposit	Not Rated	30%

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 banker's 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, 70% percent of the District's investments were held at the State Investment Pool and 30% were held in Certificates of Deposit. 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 $1,000 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 GAPP 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 has District 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, 2020

	Beginning Balance	Increase	Decrease	Ending Balance
Utility Plant Not Being Depreciated				
Land	200,484	-	-	200,484
Construction Work in Progress	29,570	477,520	466,146	40,944
Retirement Work in Progress	0	151,788	137,066	14,722
Total Utility Plant Not Being Depreciated	230,055	629,308	603,212	256,150
Utility Plant Being Depreciated				
Buildings	953,220	21,244	7,581	966,883
Equipment	3,251,718	85,651	109,588	3,227,781
Distribution Plant	23,975,496	580,282	133,434	24,422,344
All Other Utility Plant	136,198	11,493	-	147,691
Transmission Plant	1,474,525	19,355	-	1,493,880
Total Utility Plant Being Depreciated	29,791,157	718,024	250,603	30,258,579
Total Utility Plant	30,021,212	1,347,332	853,815	30,514,729
Less Accumulated Depreciation For:				
Transmission Plant	1,017,977	45,483	-	1,063,460
Distribution Plant	13,499,003	775,976	181,594	14,093,384
General Plant	1,773,907	45,937	107,796	1,712,048
Equipment	1,541,295	140,603	-	1,681,898
All other Plant	41,984	5,436	1,459	45,960
Total Accumulated Depreciation	17,874,166	1,013,434	290,849	18,596,751
Total Utility Plant Being Depreciated, Net	11,916,992	(295,410)	(40,246)	11,661,828
TOTAL UTILITY PLANT, NET	12,147,046	333,898	562,966	11,917,978

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 $ 26,222 as of December 31, 2020. (See Note 3 – Utility Plant and Depreciation regarding historical departure from GAAP)

NOTE 5 - LONG-TERM DEBT

During the year ended December 31, 2020, the District had no long-term debt to recognize. The following changes occurred in long-term Liabilities.

Liability Class	Beginning Balance 1/1/2020	Increase (Decrease) 2020	Balances Outstanding as of 12/31/20
Capital Lease Obligation	0	10,155	10,155
Compensated Absences	264,306	60,884	325,190
Net Pension Liability	563,899	9,489	573,388
Total Long-Term Liabilities	828,205	80,528	908,733

NOTE 6 – RESTRICTED ASSETS

The District's Balance Sheet reports $ 235,910 of restricted assets as of December 31, 2020.

NOTE 7 - PENSION & BENEFIT PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial reporting for Pensions for the year 2020:

Aggregate Pension Amounts - All Plans		
Pension Liabilities	$	(573,388)
Deferred Outflows of Resources	$	207,812
Deferred Inflows of Resources	$	(219,881)
Pension Expense (Revenues)	$	28,810

Substantially all Public Utilities District No. 1 of Ferry County's (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 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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

Plan Description

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.

Pension Benefits

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average financial compensation (AFC) times the member's years of service. The AFC is the average of the member's 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 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 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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January thru December 2020	12.86%	6.00%

The District's actual contributions to the PERS Plan 1 were $82,293 for the year ended December 31, 2020.

Pension Benefits

PERS Plan 2/3 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 for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive months. 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 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 was 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 Unfunded Actuarial Accrued Liability (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 2020 are as follows:

PERS Plan 2/3			
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**	**Employee 3**
January thru December 2019	12.86%	7.90%	Varies

The District's actual contributions to the PERS Plan 2/3 were $135,856 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed with a valuation date as of June 30, 2019, with the results rolled forward to June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the *2013—2018 Demographic Experience Study Report* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019 to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary Increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment Rate of Return:** 7.40%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status. 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 2019 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

There were minor changes in methods and assumptions since the last valuation, as follows:

> The demographic assumption was updated based on the results of the latest demographic experience study. The study is completed every six years and includes updates to a wide range of behavioral and demographic assumptions.
>
> Early Retirement Factors and Joint and-Survivor Factors used in the model were updated. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
>
> The method to updating certain data items that change annually was updated. Examples include the public safety duty-related death lump sum and Washington State average wage. These values have been set at 2018 and will be projected into the future using assumptions until the next Demographic Experience Study in 2025 is completed.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.40 percent. To determine that rate, an asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long- term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, whose rates include a component for the PERS 1 plan liabilities). Based on these 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 7.40 percent 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 7.40 percent was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expenses, including inflation) to develop each major asset class. Those expected returns make up one component of WSIBs capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to stimulate future investment returns at various future times. The long-term expected rate of return of 7.40 percent approximately equals the median of the stimulated investment returns over a 50-year time horizon, adjusted to remove, or dampen any short-term changes to WSIB's capital market assumptions (CMAs) that aren't expected over the entire 50-year measurement period.

Estimated Rates of Return by Asset Class

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, 2020, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of board economic inflation.

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
Inflation Component		2.20%

Portfolio Long-Term Expected Rate of Return	7.50%
Assumed Investment Expenses	-0.10%
Long-Term Expected Rate of Return, Net of Investment Expenses	7.40%

Sensitivity of the Net Pension Liability:

The table below presents the District's proportionate share of the net pension liability (NPL) calculated using the discount rate of 7.40 percent, 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 (6.40 percent) or 1-percentage point higher (8.40 percent) than the current rate.

	PERS Plan 1		
	1.00% Decrease (6.4%)	Current Discount Rate (7.4%)	1.00% Increase (8.4%)
Employer's Proportionate Share of the Net Pension Liability/(Asset)	$ 488,786	$ 390,231	$ 304,280

	PERS Plan 2/3		
Employer's Proportionate Share of the Net Pension Liability/(Asset)	1.00% Decrease (6.4%)	Current Discount Rate (7.4%)	1.00% Increase (8.4%)
	$ 1,139,655	$ 183,157	$ (604,518)

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, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2020, the District reported a total pension liability of $573,388 for its proportionate share of the net pension liabilities as follows:

	PERS Plan 1	PERS Plan 2/3	Total Plans
Ending net pension liability	$ 390,231	$ 183,157	$ 573,388

There were no employer or employee contributions payable to the Department of Retirement Systems at December 31, 2020.

At June 30, 2020, the District's proportionate share of the collective net pension liabilities were as follows:

	PERS Plan 1	PERS Plan 2/3
Proportionate Share	0.011053%	0.0143219%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2019, 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* for all plans.

Pension Expense

For the year ended December 31, 2020, the District recognized pension expense/(income) as follows:

	PERS Plan 1	PERS Plan 2/3	Total Plans
Pension Expense/(Revenue)	$ 19,170	$ 9,640	$ 28,810

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2021 and 2020.

At December 31, 2020, 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
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ -	$ 2,173
Contributions Subsequent to the Measurement Date	$ 41,612	$ -
Total	$ 41,612	$ 2,173

The average of the expected remaining service lives of all employees in PERS 1 that are provided with pensions through the System (active and inactive) determined at July 1, 2019, the beginning of the measurement period ended June 30, 2020, is 1 year.

	PERS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 65,568	$ 22,954
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ -	$ 9,302
Changes of Assumptions	$ 2,609	$ 125,112
Changes in Proportion and Difference Between Contributions and Proportionate Share of Contributions	$ 29,855	$ 60,340
Contributions Subsequent to the Measurement Date	$ 68,168	$ -
Total	$ 166,200	$ 217,708

The average of the expected remaining service lives of all employees in PERS 2/3 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019, the beginning of the measurement period ended June 30, 2020, is 7.20 years.

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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Years Ended December 31:	PERS Plan 1	PERS Plan 2
2021	$ (9,860)	$ (80,485)
2022	(310)	(22,652)
2023	3,008	(1,230)
2024	4,989	5,811
2025	-	(12,626)
Thereafter	-	(8,494)
	$ (2,173)	$ (119,676)

NOTE 8 - 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 2020, the District match consisted of $ 43,948.

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 9 - 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 $2,841 in payments during 2020.

NOTE 10 - 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. Rather than pay monthly insurance premiums, the District has elected to self-insure 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 2020, the District received notice of a potential claim related to the last quarter of the year. In 2021, $5,486 was paid on this claim.

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 11 – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, colleges, and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they were leaving for an essential function. As this virus continues to spread, there have been numerous proclamations enacted by the Governor including a moratorium on disconnect of utility services. These measures remained in place throughout 2020. It is unknown at this time how long they will continue. During 2020, the District did see an increase in Accounts Receivable balances of over 90 days and as such took a close look at the year-end balance for Allowance for Uncollectible Accounts. The full extent of any financial impact continues to be monitored.

In September of 2020, Ferry County experienced a high wind and fire event that caused some damages to the electric system. A Federal Disaster was declared for the county for Public Assistance under DR-4584-Washington-WA; the District has just begun working with FEMA, the Federal Emergency Management Agency, to assist with costs related to emergency response and damages from these events. The cost estimates are approximately $21,000. The actual amounts allowable for reimbursement have not been determined at this time.

NOTE 12 – LEASE AGREEMENT

The District leases a copier from an external party. In accordance with GASB 87, the District has recorded a right-to-use asset and a lease liability based on the present value of expected payments over the term of the respective lease. Variable payments are excluded from the valuations unless they are fixed in substance. The District's lease is not subject to a residual value guarantee. The right -to-use asset is amortized over the shorter of the lease term or the underlying asset useful life. Right-to-use assets totaled $11,493 at December 31, 2020, and the related accumulated depreciation totaled $1,459.

As of December 31, 2020, the scheduled maturities of lease liabilities and related interest expenses are as follows:

Years Ended December 31:	Principal	Interest	Total
2021	$ 2,070	$ 343	$ 2,413
2022	2,149	265	2,414
2023	2,230	183	2,413
2024	2,315	99	2,414
2025	1,390	17	1,407
	$ 10,154	$ 907	$ 11,061

During the year ended December 31, 2020, the District paid $1,149 in variable lease payments not previously included in the measurement of the related lease liability.

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

January 1, 2019 through December 31, 2019

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Public Utility District No. 1 of Ferry County 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 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 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. The District was organized to provide utility services to its owners, the people who formed the District, on a nonprofit, cost-of-service basis. The Board of Commissioners consists of three elected officials and is responsible for the legislative and fiscal control of the District. 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 $1,000 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 between 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 expense, 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

The District considers all cash investments (including restricted assets) to be cash equivalents.

D. Utility Plant and Depreciation-See Note 3

E. 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 persons 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 or grants during 2019 from this fund. The restricted funds as of December 31, 2019 are listed below.

	2019
Bond Reserves	600
Customer Deposits	165,412
Revolving Loan and Grant Fund	230,526
Payables from Current Restricted Assets	-165,412
Total Restricted Funds	231,126

Reserve Funds

The Utility's Board of Commissioners has created restrictions on asset use by ng 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 monies for future potential storm damages. 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 two new loans granted in 2019 for a total of $91,366. The Reserve Fund – Transportation and Operating Equipment is for the sole purpose of future replacement needs in these areas. The funding comes from the sale of surplus equipment. The reserved funds as of December 31, 2019 are listed below.

	2019
Vacation, Sick Leave, and Storm Fund	2,500,000
High-Cost Line Extension Fund	139,288
Transportation & Operation Equip Fund	0
Total Reserved Funds	2,639,288

F. 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, 2019, the balance was $30,000.

G. Inventories

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

H. Investments

The District investments are stated at fair market value as of December 31, 2019. The District does not have any derivatives. See Note 2.

I. 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.

Beginning in January 2018, 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 person 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. The District has established a vacation, sick leave, and storm fund to fully cover these direct and estimated liabilities.

Compensated absences for personal leave and sick leave as of December 31, 2019 amounted to $ 264,306.

J. Pensions

For purposes of measuring the net pension liability, 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.

K. Construction Financing

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

L. 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 relative to this membership. See Note 11.

M. 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.

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 $ 2,866,524.

B. Investments

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

2019

		Investment Maturities (in Years)	
Investment Type	**Fair Value**	**Less Than 1**	**1-5**
Federal Home Loan Bank	$ 99,934	$ 99,934	$ 0
Federal National Mortgage Association	99,895	99,895	0
RFCSP Strip Principal	207,172	207,172	0
State Investment Pool	1,953,319	0	0
Washington Federal Certificate of Deposit	818,619	0	818,619

The State Investment Pool is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool, which is governed by the State Finance Committee and is administered by the State Treasurer. The pool is audited annually by the State Auditor General, an independently elected public official.

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. Consistent with the system's securities lending policy, $ 407,001 was held by the counterparty that was acting as the system's agent in securities lending transactions.

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 investments in mutual funds to amounts needed for arbitrage purposes only.

Credit quality distribution for investments, with credit exposure as a percentage of total investments are as follows at year end:

2019

Investment Type	Rating	Percentage
Federal Home Loan Bank	AA+	3%
Federal National Mortgage Association	AA+	3%
RFCSP Strip Principal	AA+	7%
State Investment Pool	Not Rated	61%
Washington Federal Certificate of Deposit	Not Rated	26%

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 banker's 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, 6% was held in US Treasury securities, less than ten percent of the District's investments were held in a RFCSP Strip Principal, 61% at the State Investment Pool, and 26% was invested in certificates of deposit. 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.

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

Fair value measurements of the District's investments on December 31, 2019 included US Treasury securities valued at $407,001 based on quoted market prices of Level 1 inputs.

NOTE 3 - UTILITY PLANT AND DEPRECIATION

Capital assets are defined by the District as assets with initial individual cost of more than $1,000 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 GAPP 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 has District 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, 2019

	Beginning Balance	Prior Period Increase	Prior Period Decrease	Increase	Decrease	Ending Balance
Utility Plant Not Being Depreciated						
Land	200,484	-	-	-	-	200,484
Construction Work in Progress	68,353	-	-	597,943	636,725	29,570
Retirement Work in Progress	1,055	-	-	195,494	196,549	0
Total Utility Plant Not Being Depreciated	269,892	-	-	793,437	833,274	230,055
Utility Plant Being Depreciated						
Buildings	947,261	-	-	94,457	88,498	953,220
Equipment	3,308,518	-	109,609	91,650	38,840	3,251,718
Distribution Plant	23,437,747	-	-	707,731	169,982	23,975,496
All Other Utility Plant	136,198	-	-	-	-	136,198
Transmission Plant	1,473,269	-	-	1,256	-	1,474,525
Total Utility Plant Being Depreciated	29,302,993	-	109,609	895,094	297,320	29,791,157
Total Utility Plant	29,572,885	-	109,609	1,688,531	1,130,595	30,021,212
Less Accumulated Depreciation For:						
Transmission Plant	972,596			45,381	-	1,017,977
Distribution Plant	12,953,462			763,191	217,651	13,499,003
General Plant	1,775,125	187	37,001	58,079	22,483	1,773,907
Equipment	1,493,313	-	82,204	146,835	16,649	1,541,295
All other Plant	39,467			2,517	-	41,984
Total Accumulated Depreciation	17,233,963	187	119,204	1,016,004	256,783	17,874,166
Total Utility Plant Being Depreciated, Net	12,069,030	(187)	(9,595)	(120,910)	40,537	11,916,992
TOTAL UTILITY PLANT, NET	12,338,922	(187)	(9,595)	672,527	873,811	12,147,046

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 $ 29,570 as of December 31, 2019. (See Note 3 – Utility Plant and Depreciation regarding historical departure from GAAP)

NOTE 5 - LONG-TERM DEBT

In 2007-2008, The Washington State Community Revitalization Board (CERB) provided the District $39,400 in grant funds and a 0% interest loan of $354,600 payable in equal installments over ten years beginning in January 2010. The grant and loan funds were used to assist in financing the upgrade 7 ½ miles of distribution line to Columbia River Carbonates (CRC). In an agreement with CRC, CRC made a one-time payment of $60,000 and annual payments of $21,883 to the District which substantially offset the loan repayment. CRC represented a new industrial load for the District.

This long-term debt for the District was incurred solely for the construction of electrical lines to service the ultimate consumer. The final payment on this debt was made in 2019.

During the year ended December 31, 2019, the following changes occurred in long-term Liabilities.

ID Number & Class	Date Issued	Date to Mature	Interest Rate	Original Amount	Beginning Balance 1/1/2019	Increase (Decrease) 2019	Principal Paid in 2019	Balances Outstanding as of 12/31/2019	Due Within One Year
CERB	2008	2019	0.00%	354,600	35,410	50	35,460	-	-
Total Debt				354,600	35,410	50	35,460	-	-
Compensated Absences					222,017	42,289		264,306	
Net Pension Liability					791,502	(227,603)		563,899	
Total Long-Term Liabilities				354,600	1,048,929	(185,264)	35,460	828,205	-

NOTE 6 – RESTRICTED ASSETS

The District's Balance Sheet reports $ 231,126 of restricted assets as of December 31, 2019.

NOTE 7 - PENSION & BENEFIT PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial reporting for Pensions for the year 2019:

Aggregate Pension Amounts - All Plans		
Pension Liabilities	$	(563,899)
Deferred Outflows of Resources	$	186,716
Deferred Inflows of Resources	$	(397,614)
Pension Expense (Revenues)	$	(16,907)

All Public Utilities District No. 1 of Ferry County's (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 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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

Plan Description

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.

Pension Benefits

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average financial compensation (AFC) times the member's years of service. The AFC is the average of the member's 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 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January thru December 2019	12.83%	6.00%

The District's actual contributions to the PERS Plan 1 were $78,714 for the year ended December 31, 2019.

Pension Benefits

PERS Plan 2/3 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 for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive months. There is no cap on 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 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 Unfunded Actuarial Accrued Liability (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 2019 are as follows:

PERS Plan 2/3			
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**	**Employee 3**
January thru December 2019	12.83%	7.41%	0%

The District's actual contributions to the PERS Plan 2/3 were $123,224 for the year ended December 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date as of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007 – 2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018 to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary Increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- **Investment Rate of Return:** 7.40%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The modeling was updated to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- The COLA programming was updated to reflect legislation signed during the 2018 Legislative Session. This law provides PERS Plan 1 annuitants who are not receiving a basic minimum, alternative minimum, or temporary disability benefit with a one-time permanent 1.5 percent increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.40 percent. To determine that rate, an asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long- term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, whose rates include a component for the PERS 1 plan liabilities). Based on these 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 7.40 percent 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 7.40 percent was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expenses, including inflation) to develop each major asset class. Those expected returns make up one component of WSIBs capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to stimulate future investment returns at various future times. The long-term expected rate of return of 7.40 percent approximately equals the median of the stimulated investment returns over a 50-year time horizon, adjusted to remove, or dampen any short-term changes to WSIB's capital market assumptions (CMAs) that aren't expected over the entire 50-year measurement period.

Estimated Rates of Return by Asset Class

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, 2019, are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of board economic inflation.

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
Inflation Component		2.20%
Portfolio Long-Term Expected Rate of Return		7.50%
Assumed Investment Expenses		-0.10%
Long-Term Expected Rate of Return, Net of Investment Expenses		7.40%

Sensitivity of the Net Pension Liability:

The table below presents the District's proportionate share of the net pension liability (NPL) calculated using the discount rate of 7.40 percent, 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 (6.40 percent) or 1-percentage point higher (8.40 percent) than the current rate.

	PERS Plan 1		
	1.00% Decrease (6.4%)	Current Discount Rate (7.4%)	1.00% Increase (8.4%)
Employer's Proportionate Share of the Net Pension Liability/(Asset)	$ 532,366	$ 425,104	$ 332,040

	PERS Plan 2/3		
Employer's Proportionate Share of the Net Pension Liability/(Asset)	1.00% Decrease (6.4%)	Current Discount Rate (7.4%)	1.00% Increase (8.4%)
	$ 1,064,501	$ 138,795	$ (620,808)

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, Pension Expense, and Deferred Outflows of Resources and Deferred

Inflows of Resources Related to Pensions:

On December 31, 2018, the District reported a total pension liability of $791,502 for its proportionate share of the net pension liabilities as follows:

	PERS Plan 1	PERS Plan 2/3	Total Plans
Ending Net Pension Liability	$ 425,104	$ 138,795	$ 563,899

There were no employer or employee contributions payable to the Department of Retirement Systems on December 31, 2019.

On June 30, 2019, the District's proportionate share of the collective net pension liabilities were as follows:

	PERS Plan 1	PERS Plan 2/3
Proportionate Share	0.011055%	0.014289%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2019, 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* for all plans.

Pension Expense

For the year ended December 31, 2019, the District recognized pension expense/(revenue) as follows:

		PERS Plan 1		PERS Plan 2/3	Total Plans
Pension Expense/(Revenue)	$	(21,527)	$	4,620 $	(16,907)

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2020 and 2019, respectively. On December 31, 2019, 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	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$	-	$	28,401
Contributions Subsequent to the Measurement Date	$	39,590	$	-
Total	$	39,590	$	28,401

The average of the expected remaining service lives of all employees in PERS 1 that are provided with pensions through the System (active and inactive) determined at July 1, 2018, the beginning of the measurement period ended June 30, 2019, is 1 year.

	PERS 2/3			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference Between Expected and Actual Experience	$	39,765	$	29,840
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$	-	$	202,029
Changes of Assumptions	$	3,554	$	58,234
Changes in Proportion and Difference Between Contributions and Proportionate Share of Contributions	$	37,933	$	79,111
Contributions Subsequent to the Measurement Date	$	65,873	$	-
			$	369,213
Total	$	147,126		

The average of the expected remaining service lives of all employees in PERS 2/3 that are provided with pensions through the System (active and inactive employees) determined at July 1, 2018, the beginning of the measurement period ended June 30, 2019, is 7.10 years.

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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Years Ended December 31:	PERS Plan 1	PERS Plan 2
2020	$ (6,270)	$ (71,923)
2021	(14,851)	(108,321)
2022	(5,300)	(50,617)
2023	(1,980)	(29,243)
2024	-	(22,231)
Thereafter	-	(5,627)
	$ (28,401)	$ (287,961)

NOTE 8 - 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 provides a fifty-cent-for-one-dollar (50%) match of employee contributions. It is capped at two percent (2%) of employee regular straight-time wages. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In 2019, the District match consisted of $30,418.

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.

Subsequently, in April 2020, through the collective bargaining process, the District increased the cap on employee contributions from two percent (2%) to four percent (4%) of employee regular straight-time wages. This increase was extended to all District employees.

NOTE 9 - 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 $2,758 in payments during 2019.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

During 2020, the District decreased prior year margin accounts by $62,853. In addition, several Current Assets previously identified as "Restricted" have been recategorized as "Unrestricted." The Selected Financial Information in the Management Discussion and Analysis section of this report properly reflects these adjustments as do the 2019 Financial Statements presented in this report.

Most of these dollars were the result of an audit related to the District's Capital Assets. It was discovered that during 2008 and 2009 that the disposal of numerous capital assets was not properly accounted for. $109,609 of District equipment that was sold at auction or through the standard bid process was not accurately removed from the assets. Adjustments to properly remove these assets along with the respective accumulated depreciation in the amount of $102,250 occurred in 2019. The Utility Plant Activity report in Note 3 reflects these chances. Also identified was an asset in which depreciation was over accelerated in the amount of $16,955. This adjustment was made, and its value will depreciate correctly over the remaining life of the asset.

$31,760 of these monies were to reduce and correct the District's Unrealized Loss on Long-Term Investments so that Investments properly reflect at Fair Market Value and comply with GASB 72 which was also implemented by the District in 2015. The Unrealized Loss at 2018 year-end should have reflected as only $9,985; prior years were over stated by $21,776.
The District also identified errors in several Current Liability accounts that amounted to a net increase of $118.895. The adjustments were needed to properly reflect Accrued Taxes

and Accrued Payroll Liabilities.

In addition, the District received $78,394 of funding from FEMA and WA State Emergency Management as part of the final reimbursement of expenses from the July 2012 Windstorm Disaster.

Several funds identified in prior periods as restricted assets have been reclassified as unrestricted for the 2019 Financial Statements. These funds represent $2,639,288 of the District's Current Assets. Though management does not consider them to be available for general operations, there is no external enabling legislation that restricts them. The 2018 figures were restated to reflect this change in the Selected Financial Information provided in this report for comparative purposes. See Financial Note 1 Section E – Reserved Funds for details.

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. Rather than pay monthly insurance premiums, the District has elected to self-insure 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 2019, the District had no such reimbursements and as of December 31, 2019 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 – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, colleges, and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they were leaving for an essential function. As this virus continues to spread, there have been numerous proclamations enacted by the Governor including a moratorium on disconnect of utility services. The length of time these measures will be in place is unknown at this time. In 2019, the District's financial results were not impacted. During 2020, the District has seen no measurable impact to date, but the full extent of any financial impact continues to be monitored.

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2021 through December 31, 2021

State Sponsored Pension Plans

Schedule of Proportionate Share of the Net Pension Liability

PERS Plan 1

As of June 30, 2021

	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	0.011313%	0.011053%	0.011055%	0.011907%	0.013067%	0.011923%
Employer's proportionate share of the net pension liability	$138,158.20	$390,231.00	$425,104.00	$531,771.00	$620,039.00	$640,321.00
Employer's covered employee payroll	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2021 through December 31, 2021

State Sponsored Pension Plans

Schedule of Proportionate Share of the Net Pension Liability

PERS Plan 2/3

As of June 30, 2021

	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	0.014548%	0.014321%	0.014289%	0.015212%	0.016807%	0.015297%
Employer's proportionate share of the net pension liability	$1,449,215	$183,157	$138,795	$259,731	$583,963	$770,192
Employer's covered employee payroll	$1,828,404	$1,715,355	$1,594,368	$1,582,480	$1,601,512	$1,575,265
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	79.26%	10.68%	8.71%	16.41%	36.46%	48.89%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2020 through December 31, 2020

State Sponsored Pension Plans

Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 1
As of June 30, 2020

	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability	0.011923%	0.013067%	0.011907%	0.011055%	0.011053%
Employer's proportionate share of the net pension liability	$ 640,321	$ 620,039	$ 531,771	$ 425,104	$ 390,231
Employer's covered employee payroll	-	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	61.24%	63.22%	67.12%	68.64%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2020 through December 31, 2020

Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 2/3
As of June 30, 2020

	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability	0.015297%	0.016807%	0.015212%	0.014289%	0.014321%
Employer's proportionate share of the net pension liability	$770,192	$583,963	$259,731	$138,795	$183,157
Employer's covered employee payroll	1,575,265	1,601,512	1,582,480	1.594.368	1.715.355
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	48.89%	36.46%	16.41%	8.71%	10.68%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	90.97%	95.77%	97.77%	97.22%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2019 through December 31, 2019

State Sponsored Pension Plans

Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 1
As of June 30, 2019

	2015	2016	2017	2018	2019
Employer's proportion of the net pension liability	0.013941%	0.011923%	0.013067%	0.011907%	0.011055%
Employer's proportionate share of the net pension liability	$ 729,244	$ 640,321	$ 620,039	$ 531,771	$ 425,104
Employer's covered employee payroll	-	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2019 through December 31, 2019

Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 2/3
As of June 30, 2019

	2015	2016	2017	2018	2019
Employer's proportion of the net pension liability	0.017998%	0.015297%	0.016807%	0.015212%	0.014289%
Employer's proportionate share of the net pension liability	$643,079	$770,192	$583,963	$259,731	$138,795
Employer's covered employee payroll	1,483,366	1,575,265	1,601,512	1,582,480	1.594.368
Employer's proportionate share of the net pension liability as a percentage of the covered employee payroll	43.35%	48.89%	36.46%	16.41%	8.71%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2021 through December 31, 2021

State Sponsored Pension Plans

Schedule of Employer Contributions
PERS Plan 1
As of December 31, 2021

	2021	2020	2019	2018	2017	2016
Statutorily or contractually required contributions	$78,231.45	$82,293.00	$78,714.00	$80,093.00	$78,474.00	$75,140.00
Contributions in relation to the statutorily or contractually required contr	$78,231.45	$82,293.00	$78,714.00	$80,093.00	$78,474.00	$75,140.00
Contribution deficiency (excess)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Covered employer payroll	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2021 through December 31, 2021

State Sponsored Pension Plans

Schedule of Employer Contributions

PERS Plan 2/3

As of December 31, 2021

	2021	2020	2019	2018	2017	2016
Statutorily or contractually required contributions	$130,091	$135,856	$123,224	$118,676	$109,866	$98,139
Contributions in relation to the statutorily or contractually required contributions	$130,091	$135,856	$123,224	$118,676	$109,866	$98,139
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0
Covered employer payroll	$1,828,404	$1,715,355	$1,594,368	$1,582,480	$1,601,512	$1,575,265
Contributions as a percentage of covered employee payroll	7.12%	7.92%	7.73%	7.50%	6.86%	6.23%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2020 through December 31, 2020

State Sponsored Pension Plans

Schedule of Employer Contributions
PERS Plan 1
As of December 31, 2020

	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	$ 75,140	$ 78,474	$ 80,093	$ 78,714	$ 82,293
Contributions in relation to the statutorily or contractually required contributions	75,140	78,474	80,093	78,714	82,293
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employer payroll	$ -	$ -	- $	$ -	$ -
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2020 through December 31, 2020

Schedule of Employer Contributions
PERS Plan 2/3
As of December 31, 2020

	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	$ 98,139	$ 109,866	$ 118,676	$ 123,224	$ 135,856
Contributions in relation to the statutorily or contractually required contributions	98,139	109,866	118,676	123,224	135,856
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employer payroll	$ 1,575,265	$1,601,512	$ 1,582,480	$ 1,594,368	$1,715,355
Contributions as a percentage of covered employee payroll	6.23%	6.86%	7.50%	7.73%	7.92%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2019 through December 31, 2019

State Sponsored Pension Plans

Schedule of Employer Contributions
PERS Plan 1
As of December 31, 2019

	2015	2016	2017	2018	2019
Statutorily or contractually required contributions	$ 65,558	$ 75,140	$ 78,474	$ 80,093	$ 78,714
Contributions in relation to the statutorily or contractually required contributions	65,558	75,140	78,474	80,093	78,714
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employer payroll	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

FERRY COUNTY P.U.D. NO. 1
REQUIRED SUPPLEMENTAL INFORMATION

January 1, 2019 through December 31, 2019

Schedule of Employer Contributions
PERS Plan 2/3
As of December 31, 2019

	2015	2016	2017	2018	2019
Statutorily or contractually required contributions	$ 84,251	$ 98,139	$ 109,866	$ 118,676	$ 123.224
Contributions in relation to the statutorily or contractually required contributions	84,251	98,139	109,866	118,676	123.224
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	
Covered employer payroll	$ 1,483,366	$1,575,265	$ 1,601,512	$1,582,480	$1,594,368
Contributions as a percentage of covered employee payroll	5.68%	6.23%	6.86%	7.50%	7.73%

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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