



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Public Utility District No. 1 of Wahkiakum County

For the period January 1, 2021 through December 31, 2022

Published December 7, 2023

Report No. 1033644



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**Office of the Washington State Auditor
Pat McCarthy**

December 7, 2023

Board of Commissioners
Public Utility District No. 1 of Wahkiakum County
Cathlamet, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Public Utility District No. 1 of Wahkiakum County

January 1, 2021 through December 31, 2022

Board of Commissioners
Public Utility District No. 1 of Wahkiakum County
Cathlamet, 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 Wahkiakum County, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 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.

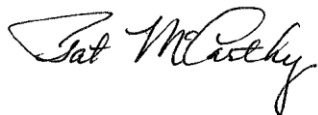
REPORT ON COMPLIANCE AND OTHER MATTERS

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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

November 27, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No. 1 of Wahkiakum County

January 1, 2021 through December 31, 2022

Board of Commissioners
Public Utility District No. 1 of Wahkiakum County
Cathlamet, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of Public Utility District No. 1 of Wahkiakum County, as of and for the years ended December 31, 2022 and 2021, 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 Wahkiakum County, as of December 31, 2022 and 2021, 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 November 27, 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

November 27, 2023

FINANCIAL SECTION

Public Utility District No. 1 of Wahkiakum County January 1, 2021 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022 and 2021

BASIC FINANCIAL STATEMENTS

Combining Statement of Net Position – 2022

Combining Statement of Net Position – 2021

Combining Statement of Revenues, Expenses and Changes in Fund Net Position – 2022

Combining Statement of Revenues, Expenses and Changes in Fund Net Position – 2021

Combining Statement of Cash Flows – 2022

Combining Statement of Cash Flows – 2021

Notes to Financial Statements – 2022 and 2021

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – 2022 and 2021

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2022
and 2021

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022 and 2021

Notes to Required Supplemental Information – Pension – 2022 and 2021

PUBLIC UTILITY DISTRICT NO. 1 OF WAHIAKUM COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis is designed to provide an overview of the financial activity of Public Utility District No. 1 of Wahkiakum County (the District) for the years ending December 31, 2022 and 2021. This discussion should be read in conjunction with the District's financial statements and the notes to the financial statements.

The District is a municipal corporation of the State of Washington established in 1937 to serve the citizens of Wahkiakum County. The District is governed by a three-member Board of Commissioners locally elected to six-year terms. The District operates an electric distribution system and three water systems.

Overview of the Financial Statements

In accordance with Generally Accepted Accounting Principles the District uses full accrual basis accounting where revenues are recognized when earned and expenses when incurred. The basic financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Fund Position, and the Statement of Cash Flows.

- The Statement of Net Position presents the District's assets, liabilities, deferred inflows/outflows and net position at year end. This statement provides information about the nature and the amount of investment in resources (assets/deferred outflows), and the District's obligations to creditors (liabilities/deferred inflows).
- The Statement of Revenues, Expenses, and Changes in Fund Net Position provides financial information relating to the District's revenues, expenses and equity. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction.
- The Statement of Cash Flows provides information pertaining to the District's cash receipts and disbursements throughout the year as well as funds provided from investing and financing activities.

The financial statements along with the notes to the financial statements and Management Discussion and Analysis should be used to provide an overview of the District's financial performance.

The following information provides analysis of the 2022 and 2021 condensed financial information:

Condensed Financial Information for December 31 (in thousands)

	2022	2021	Change
Current and Other Assets	4,538	4,356	182
Capital Assets, net	16,336	16,297	39
TOTAL ASSETS	20,874	20,652	222
Deferred Outflows of Resources	438	192	246
Current Liabilities	818	825	(7)
Non-current Liabilities	418	397	21
TOTAL LIABILITIES	1,236	1,222	14
Deferred Inflows of Resources	501	1,093	(592)
Net Position			
Net Investment in Capital Assets	16,336	16,297	39
Restricted	376	997	(621)
Unrestricted	2,864	1,235	1,629
TOTAL NET POSITION	19,575	18,529	1,046
Operating Revenues	5,412	5,195	217
Non-Operating Revenues	187	97	90
TOTAL REVENUES	5,599	5,292	307
Operating Expenses	(4,987)	(4,814)	173
Non-Operating Expenses	(47)	(22)	25
TOTAL EXPENSES	(5,034)	(4,836)	199
Income Before Contributions	565	456	109
Contributions	481	485	(6)
Change in Net Position	1,046	941	101
NET POSITION, BEGINNING OF YEAR	18,529	17,588	941
NET POSITION, END OF YEAR	19,576	18,529	1,042

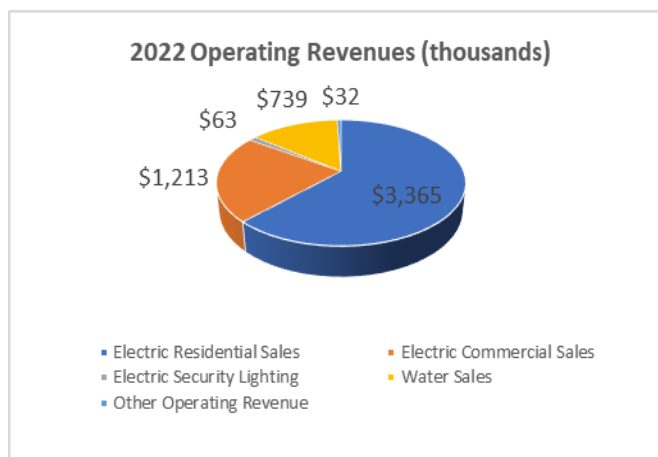
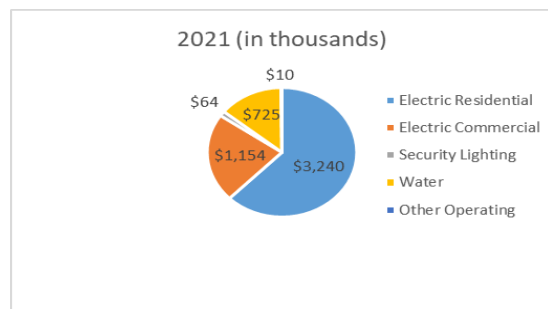
The following information provides analysis of the 2021 and 2020 condensed financial information:

Condensed Financial Information for December 31 (in thousands)

	2021	2020	Change
Current and Other Assets	4,356	2,804	1,552
Capital Assets, net	16,297	16,143	154
TOTAL ASSETS	20,652	18,947	1,705
Deferred Outflows of Resources	192	188	4
Current Liabilities	825	679	146
Non-current Liabilities	397	709	(312)
TOTAL LIABILITIES	1,222	1,388	(166)
Deferred Inflows of Resources	1,093	158	935
Net Position			
Net Investment in Capital Assets	16,297	16,143	154
Restricted	997	0	997
Unrestricted	1,235	1,445	(210)
TOTAL NET POSITION	18,529	17,588	941
Operating Revenues	5,195	4,957	238
Non-Operating Revenues	97	159	(62)
TOTAL REVENUES	5,292	5,116	176
Operating Expenses	(4,814)	(4,844)	(30)
Non-Operating Expenses	(22)	(90)	(68)
TOTAL EXPENSES	(4,836)	(4,934)	(99)
Income Before Contributions	456	182	274
Contributions	485	765	(280)
Change in Net Position	941	947	(6)
NET POSITION, BEGINNING OF YEAR	17,588	16,650	938
CHANGE IN ACCOUNTING PRINCIPLE	0	(8)	8
NET POSITION, END OF YEAR	18,529	17,588	941

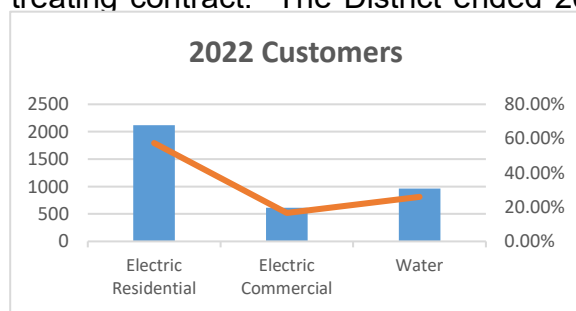
Financial Analysis and Summary

The financial position of the District remained strong throughout 2022 and 2021 experiencing increasing operating revenues. The District's operating revenues in 2022 (in thousands) were \$5,412 an increase of \$217 thousand from 2021's \$5,195 thousand which was an increase of \$239 thousand from 2020. Increase revenues can be attributed to cold winter temperatures causing increased electric



consumption. Rates for all systems remained stable with no increases throughout 2022. The major source of revenue for the District is metered electric and water sales, the majority of which comes from residential electric consumers.

Operating expenses (in thousands) in 2022 were \$4,988 and \$4,814 in 2021. The minor increase in expenses is attributed to increased operating and maintenance costs resulting from increased inflationary costs and the completion of a contracted pole testing and treating contract. The District ended 2022 with \$3.139 million in unrestricted cash, an increase of \$718 thousand over 2021's \$2.420 million which can be attributed to increased residential electric and water customer consumption and residential customer growth. The District experienced higher than normal new customer construction projects resulting in approximately 1.8% residential electric growth. This level of cash is enough to provide adequate assurance for meeting continuing cash flow needs.



The Electric System remains financially stable and continues to maintain infrastructure to ensure continued reliability for customers. The Puget Island Water System also remained stable financially throughout 2022 and 2021. The District purchases all water from the Town of Cathlamet for the Puget Island Water System as the result of an Interlocal Agreement which provides for annual rate-setting and true-up. The District continued working diligently to replace aging infrastructure for leak mitigation to ensure dependable metering of water distribution. Western Wahkiakum Water System and the Skamokawa Water System have small customer bases within large service territories with aging infrastructure. The District continues to maintain, repair and replace aging infrastructure for leak mitigation.

At December 31, 2022, the District's Unrestricted Net Position of \$2.864 million was an increase of \$1.628 million over 2021. This increase is the result of the District's net pension asset decreasing by \$620 thousand for 2022 and a decrease of \$646 thousand

in deferred inflows of resources relating to pensions. The District's position is adequate to meet the District's ongoing obligations to creditors and customers.

Capital Assets

The District's total capital assets as of December 31, 2022 were \$16.336 million and \$16,297 million as of December 31, 2021, net of depreciation. Construction Work in Progress was \$146 thousand as of December 31, 2022 and \$95 thousand at 2021 year end, an increase of \$51 thousand. Much of the work in progress amount is a District infrastructure recloser project and approximately one-third is attributable to customer growth. Throughout 2022 and 2021, the District experienced a significant increase in new customer construction in both the electric system and the water systems.

The District's Board of Commissioners annually approves a rate structure that ensures revenues meet expenses as well as continue to invest in infrastructure to provide affordable and reliable services to its customers. The District completed power pole testing in 2022. As a result approximately 40 poles were replaced throughout the year with plans to replace a number of more poles in 2023. The District replaced approximately 1,060 feet of underground primary conductor in ongoing infrastructure upgrades and completed more than 70 new customer installations. The District also replaced approximately 400 feet of water mainline on the Western Wahkiakum Water System in ongoing efforts for leak mitigation and infrastructure upgrades as well as completed approximately 14 new water customer installations. Pipe replacement projects, conductor replacement projects and pole replacements were performed by District staff.

Overall plant assets, net of depreciation, increased by \$193 thousand throughout 2022 and 2021. The Electric System is aggressively replacing aging infrastructure, adding many new poles and retiring old infrastructure. See Note 4 in the Notes to Financial Statements for additional information.

Economic Outlook

Supply chain issues and increased costs endured throughout 2022 and 2021. Lead times for poles, conductor, transformers, and electric and water meters continue to affect operations making inventory levels somewhat unpredictable.

Availability of vehicles has been challenging. The District is still awaiting delivery of a bucket truck originally budgeted for in 2021. The latest information estimates delivery in the fourth quarter of 2023.

The District's collection practices returned to normal as of January 1, 2022. The District continues to work with customers and offering payment plans and referrals for assistance.

District management will continue to monitor the economy and its impact on the District. Slower customer growth is anticipated in 2023 as a result of the increased cost of goods and rising interest rates.

Other Potentially Significant Matters

Through a pilot project with Wahkiakum West Television, the District completed installation of fiber optic cable in 2022 throughout a portion of Skamokawa, Washington. The pilot project was a result out of a feasibility study demonstrating Wahkiakum County residents' concerns with internet access as well as dissatisfaction with speed and reliability issues.

The District continues to participate in a Cooperative Agreement with the Town of Cathlamet, Wahkiakum County Port District No. 1 and the Wahkiakum Chamber of Commerce to develop and provide public Wi-Fi services for the enhancement of public communication and education.

In 2022 the District was awarded a Congressional Directed Spending/Environmental Protection Agency grant for a \$435,000 project to loop two mainlines on the Puget Island Water System. The grant will provide 60% funding. The project will be completed by District staff.

Additionally, in early 2023 the District was awarded a Washington State Department of Health grant to replace 4,000 feet of water mainline distribution pipe. This is a \$980,000 project with 84% loan forgiveness and will be completed by an outside contractor.

Contacting the District's Financial Management

The purpose of the District's annual financial report is to provide the District's ratepayers and other readers with an overview of the District's finances and to demonstrate accountability for the revenues received. Copies of this report can be obtained by contacting the District at: Public Utility District No. 1 of Wahkiakum County, P.O. Box 248, Cathlamet, WA 98612.

PUBLIC UTILITY DISTRICT NO. 1 OF WAHKIAKUM COUNTY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2022

<u>ASSETS</u>	<u>2022</u>
CURRENT ASSETS	
Cash and Cash Equivalents	3,139,016
Accounts Receivables (Net)	666,153
Due from Other Governments	41,274
Inventories	290,368
Prepayments	25,153
Total Current Assets	4,161,964
NON-CURRENT ASSETS	
Net Pension Asset	376,515
Capital Assets not being Depreciated	
Land	133,941
Construction in Progress	146,713
Capital Assets being Depreciated	
Plant	27,784,812
Machinery and Equipment	1,882,914
Less Accumulated Depreciation	(13,612,717)
Total Non-Current Assets	16,712,178
Total Assets	20,874,142
DEFERRED OUTFLOWS of RESOURCES	
Deferred Outflows Related to Pensions	377,457
Deferred Outflows Related to OPEB	35,238
Deferred Outflows Related to Asset Retirement Obligations	25,653
Total Deferred Outflows of Resources	438,348
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts Payable	310,452
Accrued Taxes	122,909
Customer Deposits	16,933
Other Current and Accrued Liabilities	49,042
Revenues Collected In Advance	195,404
Compensated Absences	123,011
Total Current Liabilities	817,751
NON-CURRENT LIABILITIES	
Future Assessments Liability	59,879
Compensated Absences	71,421
Net Pension Liability	216,290
OPEB Liability	35,099
Asset Retirement Obligation Liability	34,992
Total Non-Current Liabilities	417,681
Total Liabilities	1,235,432
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	387,435
Deferred Inflows Related to OBEB	113,574
Total Deferred Inflows of Resources	501,009
<u>NET POSITION</u>	
Investment in Capital Assets	16,335,663
Restricted for Pension	376,515
Unrestricted	2,863,871
Total Net Position	19,576,049

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

PUBLIC UTILITY DISTRICT NO. 1 OF WAHKIAKUM COUNTY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2021

<u>ASSETS</u>	<u>2021</u>
CURRENT ASSETS	
Cash and Cash Equivalents	2,420,434
Accounts Receivables (Net)	670,369
Due from Other Governments	8,518
Inventories	235,282
Prepayments	24,284
Total Current Assets	<u>3,358,887</u>
NON-CURRENT ASSETS	
Net Pension Asset	996,759
Capital Assets not being Depreciated	
Land	133,941
Construction in Progress	95,047
Capital Assets being Depreciated	
Plant	27,126,174
Machinery and Equipment	1,861,877
Less Accumulated Depreciation	<u>(12,920,022)</u>
Total Non-Current Assets	<u>17,293,776</u>
Total Assets	<u><u>20,652,663</u></u>
DEFERRED OUTFLOWS of RESOURCES	
Deferred Outflows Related to Pensions	127,074
Deferred Outflows Related to OPEB	41,100
Deferred Outflows Related to Asset Retirement Obligations	23,555
Total Deferred Outflows of Resources	<u>191,729</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts Payable	364,161
Accrued Taxes	113,335
Customer Deposits	20,270
Other Current and Accrued Liabilities	57,360
Revenues Collected In Advance	176,678
Compensated Absences	92,885
Total Current Liabilities	<u>824,689</u>
NON-CURRENT LIABILITIES	
Future Assessments Liability	74,213
Compensated Absences	94,303
Net Pension Liability	95,181
OPEB Liability	100,785
Asset Retirement Obligation Liability	32,400
Total Non-Current Liabilities	<u>396,882</u>
Total Liabilities	<u><u>1,221,571</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	1,033,840
Deferred Inflows Related to OBEB	59,549
Total Deferred Inflows of Resources	<u>1,093,389</u>
<u>NET POSITION</u>	
Investment in Capital Assets	16,297,017
Restricted for Pension	996,759
Unrestricted	1,235,656
Total Net Position	<u><u>18,529,432</u></u>

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

PUBLIC UTILITY DISTRICT NO. 1 OF WAHAKIYAKUM COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET POSITION
FOR THE YEAR ENDING DECEMBER 31, 2022

	<u>2022</u>
OPERATING REVENUES	
Utility Sales	5,380,661
Other Operating Revenues	<u>31,724</u>
Total Operating Revenues	5,412,385
OPERATING EXPENSES	
Power/Water Purchased for Resale	2,008,576
Operations	335,582
Maintenance	657,469
Depreciation	779,730
Customer Accounting	292,243
General Administration	559,043
Taxes	<u>355,010</u>
Total Operating Expenses	4,987,653
Utility Operating Income (Loss)	424,732
NON-OPERATING REVENUES	
Interest Income	47,274
Rental Income	26,160
Misc Non-Operating Income	<u>114,925</u>
Total Non-Operating Revenues	188,359
NON-OPERATING EXPENSES	
Costs and Expenses of Merchandising, Jobbing and Contract Work	47,041
Losses on Asset Disposal	<u>918</u>
Total Non-Operating Expenses:	47,959
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	565,132
CAPITAL CONTRIBUTIONS	481,485
CHANGE IN NET POSITION	1,046,617
TOTAL NET POSITION, JANUARY 1, 2022	18,529,432
TOTAL NET POSITION, DECEMBER 31, 2022	<u>19,576,049</u>

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

PUBLIC UTILITY DISTRICT NO. 1 OF WAHAKIYAKUM COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET POSITION
FOR THE YEAR ENDING DECEMBER 31, 2021

	<u>2021</u>
OPERATING REVENUES	
Utility Sales	5,185,013
Other Operating Revenues	<u>10,187</u>
Total Operating Revenues	5,195,200
OPERATING EXPENSES	
Power/Water Purchased for Resale	1,985,066
Operations	358,868
Maintenance	643,044
Depreciation	784,073
Customer Accounting	312,002
General Administration	394,740
Taxes	<u>336,698</u>
Total Operating Expenses	4,814,491
Utility Operating Income (Loss)	380,709
NON-OPERATING REVENUES	
Interest Income	2,024
Rental Income	25,395
Misc Non-Operating Income	<u>85,791</u>
Total Non-Operating Revenues	113,210
NON-OPERATING EXPENSES	
Costs and Expenses of Merchandising, Jobbing and Contract Work	22,280
Losses on Asset Disposal	<u>16,041</u>
Total Non-Operating Expenses:	38,321
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	455,598
CAPITAL CONTRIBUTIONS	485,384
CHANGE IN NET POSITION	940,982
TOTAL NET POSITION, JANUARY 1, 2021	17,588,450
TOTAL NET POSITION, DECEMBER 31, 2021	<u>18,529,432</u>

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

PUBLIC UTILITY DISTRICT NO. 1 OF WAHKIAKUM COUNTY
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Customers	5,366,852
Cash Received from Others	140,930
Cash Payments to Employees for Services	(895,550)
Cash Payments to Other Suppliers of Goods or Services	(3,581,482)
Other Cash Payments	(47,041)
Net Cash Provided (Used) by Operating Activities	<u>983,709</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Proceeds Received from Grants	25,408
New Cash Provided (Used) by Non-Capital Financing Activities	<u>25,408</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Grant Funding and Contributions	481,485
Acquisition, Construction, or Improvement of Capital Assets	(819,294)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(337,809)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	47,274
Net Cash Provided by Investing Activities	<u>47,274</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS:	718,582
BALANCES - BEGINNING OF THE YEAR	2,420,434
BALANCES - END OF THE YEAR	<u><u>3,139,016</u></u>

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

	2022
OPERATING INCOME	\$ 424,732
Depreciation	779,730
CHANGES IN OPERATING ASSETS AND LIABILITIES	
Decrease (Increase) in Net Accounts Receivables	(28,540)
Decrease (Increase) in Inventories	(55,086)
Decrease (Increase) in Prepaid Items	(869)
Decrease (Increase) in Other Current Assets	511,257
Increase (Decrease) in Payables	(53,709)
Increase (Decrease) in Compensated Absences	7,244
Increase (Decrease) in Other Current Liabilities	7,071
Increase (Decrease) in Taxes Payable	9,574
Increase (Decrease) in Items Related to Pensions	(666,692)
Increase (Decrease) in items Related to OPEB	(5,799)
Increase (Decrease) Future Assessments Liability	(14,334)
Increase (Decrease) in items Related to Asset Retirement Obligations	494
Non-Operating Income/Expense	68,636
Net Cash Provided by Operating Activities	<u><u>\$983,709</u></u>

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

PUBLIC UTILITY DISTRICT NO. 1 OF WAHKIAKUM COUNTY
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Customers	5,161,409
Cash Received from Others	61,950
Cash Payments to Employees for Services	(914,560)
Cash Payments to Other Suppliers of Goods or Services	(3,389,538)
Other Cash Payments	(22,280)
Net Cash Provided (Used) by Operating Activities	<u>896,981</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Proceeds Received from Grants	49,236
New Cash Provided (Used) by Non-Capital Financing Activities	<u>49,236</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Grant Funding and Contributions	485,384
Acquisition, Construction, or Improvement of Capital Assets	(954,249)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(468,865)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	2,024
Net Cash Provided by Investing Activities	<u>2,024</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS:	479,376
BALANCES - BEGINNING OF THE YEAR	1,941,058
BALANCES - END OF THE YEAR	<u><u>2,420,434</u></u>

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

	2021
OPERATING INCOME	\$ 380,709
Depreciation	784,073
CHANGES IN OPERATING ASSETS AND LIABILITIES	
Decrease (Increase) in Net Accounts Receivables	(33,791)
Decrease (Increase) in Inventories	(44,500)
Decrease (Increase) in Prepaid Items	2,803
Increase (Decrease) in Payables	63,699
Increase (Decrease) in Compensated Absences	(12,762)
Increase (Decrease) in Other Current Liabilities	77,794
Increase (Decrease) in Taxes Payable	3,514
Increase (Decrease) in Items Related to Pensions	(368,061)
Increase (Decrease) in items Related to OPEB	6,789
Increase (Decrease) Future Assessments Liability	(3,401)
Increase (Decrease) in items Related to Asset Retirement Obligations	445
Non-Operating Income/Expense	39,670
Net Cash Provided by Operating Activities	<u><u>\$896,981</u></u>

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

PUBLIC UTILITY DISTRICT NO. 1 OF WAHAKIACUM COUNTY

NOTES TO FINANCIAL STATEMENTS

For the years ending December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Public Utility District No. 1 of Wahkiakum County (The District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Reporting Entity

The District was incorporated in 1937 and operates under the laws of the state of Washington applicable to public utility districts.

As required by the generally accepted accounting principles, the financial statements present Public District No. 1 of Wahkiakum County (The District) which is engaged in the distribution and sale of electricity and water.

Basis of Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of RCW 43.09.

Measurement Focus, Basis of Accounting

The District's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

The District distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses 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 electric and water sales and services. Operating expenses for the District include the cost of sales and services, administrative expenses, maintenance and operational expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, certificates of deposit, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash resources of individual funds are invested directly into government securities with interest accruing for the benefit of the investing funds. The interest earned on these investments is prorated to the various funds. This policy covers all funds operated by the District.

For the purposes of the statement of cash flows, the District considers the Washington State Local Government Investment Pool cash. Investments in the State Investment Pool are classified as cash equivalents on the financial statements.

Certain Investments for the District are reported at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Likewise, some investments are reported at amortized costs.

The District's deposits are entirely covered by the Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

See Note 3, Deposits and Investments.

Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Unbilled service receivables are recorded at year end. Customer meters are read and billed monthly. Service rates are established by the District's elected Board of Commissioners. Bad debt expenses are debited and the accumulated provision for uncollectible accounts is credited with an amount that provides for losses on accounts receivable which may become uncollectible.

Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between the District and other governments that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as receivables/payables to other governments. A separate schedule of loans receivable/payable to other governments is furnished in a separate Note.

Inventories

Inventories consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories are valued by the average cost method which approximates the market value.

Restricted Assets and Liabilities

These accounts contain resources for pension assets shown as Restricted for Pension of \$376,515 in 2022 and \$996,759 in 2021.

Capital Assets See Note 4, Capital Assets

The District's distribution plant assets include utility poles, underground electrical lines, overhead electrical lines, substations, meters, transformers, water treatment facilities, water mains, and valves; and general plant assets include transportation equipment, power and testing equipment and office

equipment. Capital assets are defined by the District as assets with an initial cost of more than \$5,000 and an estimated useful life of five years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Costs relating to projects ultimately constructed are transferred to utility plant; charges that relate to abandoned projects are expensed.

Distribution plant assets and general plant assets of the District are depreciated using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Distribution Plant	10-40
General Plant	5-40

Compensated Absences

Compensated absences are absences for which employees will be paid, such as personal leave. All personal leave is accrued when incurred.

Personal leave, which may be accumulated up to a maximum of one hundred twenty (120) work days, is payable to the employee’s VEBA upon resignation, retirement, or death for represented employees and is payable to the employee or the employee’s VEBA for non-represented employees.

Future Assessments Liability

The Future Assessments Liability is the District’s contractual obligation under the Public Utility Risk Manager Services (PURMS) Interlocal Agreement of actuarially-based claims for the PURMS risk pools in which the District participates. The liability is incurred-but-not-reported claims in existence as of the end of the fiscal year based on an actuarial report.

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 net pension asset only.

See Note 7, Pension Plans.

Total Other Post Employment (OPEB) Liability

See Note 8, Defined Benefit Other Post Employment Benefit (OPEB Plans).

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits and funds donated to the District's Residential Energy Assistance Program.

Deferred Outflows of Resources and Deferred Inflows of Resources

A Deferred Outflows of Resources is a consumption of net position that are applicable to future periods. Deferred Inflow of Resources are acquisitions of net position in one period that are applicable to future periods. These are distinguished from assets and liabilities in the statement of net position. The District recognizes Deferred Outflows and Deferred Inflows related to pension liability, OPEB liability and Asset Retirement Obligations.

NOTE 2 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

A. Construction Commitments

The District has active projects as of December 31, 2022. The projects are primarily infrastructure upgrades.

At year end the District's commitments are as follows:

PROJECT	SPENT TO DATE	REMAINING COMMITMENT
Replace Infrastructure	\$ 99,985	\$ 12,114
Customer Line Extensions	\$ 46,728	\$ 142,691
Total	\$ 146,713	\$ 154,805

Of the committed balance of \$154,805, the majority of the costs will be paid by the customers requesting line extensions.

The District had active projects as of December 31, 2021. The projects are primarily infrastructure upgrades.

At the 2021 year end the District's commitments were as follows:

PROJECT	SPENT TO DATE	REMAINING COMMITMENT
Replace/Relocate Infrastructure	\$ 54,937	\$ 13,260
Customer Line Extensions	\$ 40,110	\$ 136,568
Total	\$ 95,047	\$ 149,828

Of the committed balance of \$149,828, the majority of the costs will be paid by the customers requesting line extensions.

B. Other Commitments

The District has entered into “net billing agreements” with Energy Northwest and BPA. Under terms of these agreements, the District has purchased a maximum of .235%, .328% and .203% of the capacity of Energy Northwest’s Nuclear Projects 1 and 2 and their 70% ownership share of Nuclear project 3, respectively and has sold this capacity to BPA. Under the Net Billing Agreements, BPA is unconditionally obligated to pay Energy Northwest the pro rata share of the total annual costs of each project, including debt service on revenue bonds issued to finance the projects, whether or not the projects are completed, operable or operating and notwithstanding the suspension reduction or curtailment of the projects’ outputs.

Nuclear Projects No. 1 and No. 3 (Satsop site) were terminated by the Energy Northwest Board in 1994, subject to repayment of the debt service on the outstanding revenue bonds. Nuclear Projects No. 2, Columbia Generating Station Nuclear Power Plant (Columbia), was completed and placed into operation in December 1984. It is owned by Energy Northwest and its participants. Columbia is a 1,190 MW boiling water nuclear reactor located on the Department of Energy’s Hanford Nuclear Reservation near Richland, Washington. The Project commenced Commercial operations in December 1984, and is currently operating under a 40-year Nuclear Regulatory Commission License.

The District is a preference customer of Bonneville Power Administration (BPA). In 2011 the District entered into a new Full Service Power Sales Agreement with the United States of America, Department of Energy, acting by and through BPA, commencing October 1, 2011 and terminating September 30, 2028.

An additional agreement with BPA, effective at 0000 hours on October 1, 2001, will provide full transmission and ancillary services to the District from BPA, specifically the Transmission Business Lines division of BPA. This full service transmission agreement expires at 12:00 midnight, September 30, 2031.

The District, because of the very rural nature of Wahkiakum County, continues to receive the benefits of a Low Density Discount (LDD) as mandated by the Pacific Northwest Electric Power Planning and Conservation Act due to our low system density.

Packwood Hydroelectric Project: The Packwood Hydroelectric Project is a 27 MW peaking resource located near Packwood Washington. It began commercial operation in June 1964. The District has one percent share in the project (there are different levels of ownership among the project’s participants). In 2011 the District entered into an agreement with Clallam Public Utility District for the sale and purchase of project output. The contract commenced October 1, 2011 and will terminate September 30, 2028.

In 1996 the Puget Island Water System modified an Interlocal Agreement with the Town of Cathlamet and now requires the District to purchase one hundred percent of its water supply for the Puget Island Water System from the Town through the year 2037. A summation segment of the Agreement is amended annually to set the purchase rate for the following calendar year true-up estimated expenses.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2022 was \$3,139,016; and cash on hand on December 31, 2021 was \$2,420,434.

B. Custodial Credit Risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District's would not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District has not adopted a policy that addresses deposit custodial risk; however, the District's deposits are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the District's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

Amounts held in Washington State banks approved by the Public Deposit Protection Commission (PDPC) are covered by federal depository insurance up to \$250,000 and by the PDPC for amounts over \$250,000. The PDPC constitutes a multiple financial institution collateral pool that provides for additional assessments against participants of the pool on a pro rata basis. Accordingly, the deposits covered by PDPC are considered to be insured.

Of the District's ending cash and cash equivalents of \$3,139,016, on December 31, 2022 and \$2,420,434 on December 31, 2021, \$0 is exposed to custodial credit risk because the investments are held by the District's brokerage firm, which is also the counterparty in those particular securities.

C. Investments

The District's funds are held in the custody of the Wahkiakum County Treasurer and funds that are not required for immediate expenditure may be invested in savings or time accounts in designated qualified public depositories or in certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; in bankers' acceptances purchased on the secondary market, in federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system or deposit such funds or any portion thereof in investment deposits as defined in RCW 39.58.010 secured by collateral in accordance with the provisions of chapters 39.58 and 39.59 RCW. Currently the District's funds are invested in the Washington State Treasurer's Investment Pool.

The District does not have a policy for custodial credit risk of investment securities. Further, the District is not subject to foreign currency risk or interest rate risk.

D. Investments in Local Government Investment Pool (LGIP)

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

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

E. Summary of Deposit and Investment Balances

Reconciliation of the District's deposit and investment balances as of December 31, 2022 is as follows:

Cash and Cash Equivalents	
Bank Depository and Checking Accounts	\$ 52,133
Deposits in Transit	12,643
Petty Cash	3,500
Local Government Investment Pool	<u>3,070,740</u>
	<u>\$ 3,139,016</u>

Reconciliation of the District's deposit and investment balances as of December 31, 2021 is as follows:

Cash and Cash Equivalents	
Bank Depository and Checking Accounts	\$ 68,728
Petty Cash	3,500
Local Government Investment Pool	<u>2,348,206</u>
	<u>\$ 2,420,434</u>

NOTE 4 – CAPITAL ASSETS

Utility plant activities for the year ended December 31, 2022 were as follows:

Plant Assets	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets Not Being Depreciated:				
Land	133,941	0	0	133,941
Construction Work in Progress:	95,047	743,546	(691,880)	146,713
Total Capital Assets Not Being Depreciated:	228,988	743,546	(691,880)	280,654
Capital Assets Being Depreciated:				
Distribution Plant:	27,126,174	741,728	(83,090)	27,784,812
General Plant:	1,861,877	30,673	(9,636)	1,882,914
Total Utility Plant Being Depreciated:	28,988,051	772,401	(92,726)	29,667,726
Less Accumulated Depreciation for:				
Distribution Plant:	(11,586,176)	(708,468)	78,314	(12,216,330)
General Plant:	(1,333,846)	(71,262)	8,721	(1,396,387)
Total Accumulated Depreciation:	(12,920,022)	(779,730)	87,035	(13,612,717)
Total Utility Plant Being Depreciated (net):	16,068,029	(7,329)	(5,691)	16,055,009
Total Utility Plant (net):	16,297,017	736,217	(697,571)	16,335,663

Utility plant activities for the year ended December 31, 2021 were as follows:

Plant Assets	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets Not Being Depreciated:				
Land	133,941	0	0	133,941
Construction Work in Progress:	43,494	792,074	(740,521)	95,047
Total Capital Assets Not Being Depreciated:	177,435	792,074	(740,521)	228,988
Capital Assets Being Depreciated:				
Distribution Plant:	26,365,085	866,979	(105,890)	27,126,174
General Plant:	1,841,480	49,435	(29,038)	1,861,877
Total Utility Plant Being Depreciated:	28,206,565	916,414	(134,928)	28,988,051
Less Accumulated Depreciation for:				
Distribution Plant:	(10,985,589)	(689,060)	88,473	(11,586,176)
General Plant:	(1,255,530)	(95,012)	16,696	(1,333,846)
Total Accumulated Depreciation:	(12,241,119)	(784,072)	105,169	(12,920,022)
Total Utility Plant Being Depreciated (net):	15,965,446	132,342	(29,759)	16,068,029
Total Utility Plant (net):	16,142,881	924,416	(770,280)	16,297,017

NOTE 5 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Net Pension Liability	95,181	121,109	--0--	216,290	--0--
OPEB Liability	100,785	--0--	65,686	35,099	--0--
Compensated Absences	187,188	7,244	--0--	194,432	123,011
Future Assessments Liability	74,213	--0--	14,334	59,879	--0--
Asset Retirement Obligation	32,400	2,592	--0--	34,992	--0--
Total Long-Term Liabilities	\$ 489,767	\$ 130,945	\$ 80,020	\$ 540,692	\$ 123,011

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2021	Additions	Reductions	Ending Balance 12/31/2021	Due Within One Year
Net Pension Liability	372,897	--0--	277,716	95,181	--0--
OPEB Liability	121,228	--0--	20,443	100,785	--0--
Compensated Absences	199,950	--0--	12,762	187,188	92,885
Future Assessments Liability	77,614	--0--	3,401	74,213	--0--
Asset Retirement Obligation	30,000	2,400	--0--	32,400	--0--
Total Long-Term Liabilities	\$ 801,689	\$ 2,400	\$ 314,322	\$ 489,767	\$ 92,885

NOTE 6 – ASSET RETIREMENT OBLIGATION

The District owns, operates and maintains three wells with an average estimated useful life of 55 years each and does not predict decommissioning any of the wells in the foreseeable future. In the event an event occurred requiring decommissioning the District would follow specific requirements within the Washington Administrative code (WAC) 173-160-381. The obligation, if needed, will be paid from operating revenue therefore no assets have been reserved to fund this obligation.

The District estimated the liability using an engineer's evaluation based on the size, depth and age of the wells. The estimated liability at December 31, 2022 is \$34,992 and the deferred outflow is \$25,653; and the estimated liability at December 31, 2021 was \$32,400 and the deferred outflow was \$23,555.

NOTE 7 – PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 216,290
Pension Assets	\$ 376,515
Deferred outflows of resources	\$ 377,457
Deferred inflows of resources	\$ 387,435
Pension expense/expenditures	\$ (27,274)

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 95,181
Pension Assets	\$ 996,759
Deferred outflows of resources	\$ 127,074
Deferred inflows of resources	\$1,033,840
Pension expense/expenditures	\$ (223,789)

State Sponsored Pension Plans

Substantially all District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the 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 2022 were as follows:

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

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 2022 were as follows:

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

The District's actual PERS plan contributions were \$47,588 to PERS Plan 1 and \$80,579 to PERS Plan 2/3 for the year ended December 31, 2022.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

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%

The District's actual PERS plan contributions were \$54,133 to PERS Plan 1 and \$90,131 to PERS Plan 2/3 for the year ended December 31, 2021.

2022 Actuarial Assumptions

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

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

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

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. TOSA 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 his or her lifetime.

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

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

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 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 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 his or her lifetime.

There were changes in methods and assumptions 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.

2022 Discount Rate

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

2021 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.

2022 Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (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.

2021 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 Office of the State Actuary (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.

2022 Estimated Rates of Return by Asset Class

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

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

2021 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%	

2022 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 7.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$ 288,960	\$ 216,290	\$ 152,865
PERS 2/3	\$ 443,396	\$ (376,515)	\$ (1,050,125)

2021 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	\$ 162,150	\$ 95,183	\$ 36,781
PERS 2/3	\$ (283,957)	\$ (996,759)	\$ (1,583,751)

Pension Plan Fiduciary Net Position

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

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

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

	Liability (or Asset)
PERS 1	\$ 216,290
PERS 2/3	\$ (376,515)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	.00779%	.00777%	.00002%
PERS 2/3	.01001%	.01015%	.00014%

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

At June 30, 2021, the District's reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 95,181
PERS 2/3	\$ (996,759)

At June 30, 2021, 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	.00717%	.00779%	.000062%
PERS 2/3	.00937%	.01001%	.00064%

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 Nonemployer Allocations* for all plans.

Pension Expense

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

	Pension Expense
PERS 1	\$ 98,940
PERS 2/3	\$ (126,214)
TOTAL	\$ (27,274)

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

	Pension Expense
PERS 1	\$ 4,422
PERS 2/3	\$ (228,211)
TOTAL	\$ (223,789)

2022 Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the District's 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	\$ 0	\$ (35,846)
Contributions subsequent to the measurement date	\$ 24,425	\$ 0
TOTAL	\$ 24,425	\$ (35,846)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	93,292	(8,523)
Net difference between projected and actual investment earnings on pension plan investments	0	(278,361)
Changes of assumptions	209,855	(54,948)
Changes in proportion and differences between contributions and proportionate share of contributions	9,014	(9,757)
Contributions subsequent to the measurement date	40,871	0
TOTAL	\$ 353,032	\$ (351,589)

TOTAL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	93,292	(8,523)
Net difference between projected and actual investment earnings on pension plan investments	0	(314,207)
Changes of assumptions	209,855	(54,948)
Changes in proportion and differences between contributions and proportionate share of contributions	9,014	(9,757)
Contributions subsequent to the measurement date	65,296	0
TOTAL	\$ 377,457	\$(387,435)

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

Year ended December 31:	PERS 1
2023	\$ (15,169)
2024	\$ (13,777)
2025	\$ (17,283)
2026	\$ 10,384
2027	0
Thereafter	0
Year ended December 31:	PERS 2/3
2023	\$ (88,182)
2024	\$ (77,445)
2025	\$ (92,469)
2026	\$ 128,994
2027	\$ 45,881
Thereafter	\$ 43,794

2021 Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the District's 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	\$ 0	\$ (105,621)
Contributions subsequent to the measurement date	\$ 24,446	\$ 0
TOTAL	\$ 24,446	\$ (105,621)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,411	\$ (12,219)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (833,056)
Changes of assumptions	\$ 1,457	\$ (70,786)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 10,908	\$ (12,158)
Contributions subsequent to the measurement date	\$ 41,852	\$ 0
TOTAL	\$ 102,628	\$ (928,219)

TOTAL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,411	\$ (12,219)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (938,677)
Changes of assumptions	\$ 1,457	\$ (70,786)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 10,908	\$ (12,157)
Contributions subsequent to the measurement date	\$ 66,298	\$0
TOTAL	\$ 127,074	\$(1,033,840)

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 as follows:

Year ended December 31:	PERS 1
2022	\$ (27,979)
2023	\$ (25,639)
2024	\$ (24,243)
2025	\$ (27,760)
2026	0
Thereafter	0
Year ended December 31:	PERS 2/3
2022	\$ (229,983)
2023	\$ (215,016)
2024	\$ (204,414)
2025	\$ (219,202)
2026	\$ (907)
Thereafter	\$ 2,078

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS – NO QUALIFYING TRUST

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2022.

OPEB Liability	\$ 35,099
Deferred Outflows of Resources	\$ 35,239
Deferred Inflows of Resources	\$ 113,572
OPEB Expenses/Expenditures	\$ 5,799

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2021.

OPEB Liability	\$ 100,785
Deferred Outflows of Resources	\$ 41,100
Deferred Inflows of Resources	\$ 59,549
OPEB Expenses/Expenditures	\$ 6,789

The District allows retirees and their spouses to participate in the District's defined benefit health, dental and vision coverage upon retirement at their own cost. Retirees are defined as those who are vested in the Public Employees Retirement System (PERS 1, PERS 2 or PERS 3) and leave the employ of the PUD by (a) retiring and immediately receive benefits under PERS; or (b) choosing not to receive benefits under PERS until such time as actuarial reductions to those benefits diminish. The employee and/or spouse is eligible for participation until reaching Medicare age. The employee pays the full premium.

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Employees covered by benefit terms: At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	27
Total	28

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	27
Total	27

The authority for this agreement is outlined in the union agreement between the District and the District's IBEW #77 represented employees. It is understood the cost of participation will be re-calculated annually and it is up to the participant to ensure all contributions are made timely.

Assumptions and Other Inputs

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The District's total OPEB liability of \$35,099 was measured as of December 31, 2022 with a valuation date of December 31, 2022. The Entry Age Normal actuarial cost method and the Level Dollar

amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

Discount Rate – Beginning of Measurement Year	2.06%
Discount Rate – End of Measurement Year	4.31%
Medical Trend Rates	9% reduced by .5% until base 5%
Inflation Rate	4.31%
Retirement Age	Age 62 with 20 years, but not later than 65 and 10 years
Turnover Table	T2

The source of the discount rate is the 20-Year Municipal Bond Index Rate.

Mortality rates were based on the RP-2014 Mortality with 2022 Improvement Rates. The Society for Actuaries publishes this document. 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.

The District's total OPEB liability of \$100,785 was measured as of December 31, 2021 with a valuation date of December 31, 2021. The Entry Age Normal actuarial cost method and the Level Dollar amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

Discount Rate – Beginning of Measurement Year	2.12%
Discount Rate – End of Measurement Year	2.06%
Medical Trend Rates	9% reduced by .5% until base 5%
Inflation Rate	2.06%
Retirement Age	Age 62 with 20 years, but not later than 65 and 10 years
Turnover Table	T2

The source of the discount rate is the 20-Year Municipal Bond Index Rate.

Mortality rates were based on the RP-2014 Mortality with 2021 Improvement Rates. The Society for Actuaries publishes this document. 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.

2022 Sensitivity Rates

Utilizing an entry age normal method, the following presents the total OPEB liability of the District calculated using the current healthcare cost trend of 9%, as well as what the OPEB liability would be if it were calculated using a discount rate that is one percent point lower (8 percent decreasing to 5 percent) or one percentage point higher (10 percent decreasing to 5 percent) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate 9%	1% Increase
Total OPEB Liability	\$ 36,402	\$ 35,099	\$ 30,927

The following presents the total OPEB liability of the District calculated using the discount rate of 2.75%, as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 33,475	\$ 35,099	\$ 37,019

2021 Sensitivity Rates

Utilizing an entry age normal method, the following presents the total OPEB liability of the District calculated using the current healthcare cost trend of 9%, as well as what the OPEB liability would be if it were calculated using a discount rate that is one percent point lower (8 percent decreasing to 5 percent) or one percentage point higher (10 percent decreasing to 5 percent) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate 9%	1% Increase
Total OPEB Liability	\$ 111,878	\$ 100,785	\$ 91,309

The following presents the total OPEB liability of the District calculated using the discount rate of 2.75%, as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.75%) or one percentage point higher (3.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 95,459	\$ 100,785	\$ 107,275

2022 Changes in the Total OPEB Liability

Medical/Dental/Vision OPEB	
Total OPEB Liability at December 31, 2021	\$ 100,785
Service Cost	3,360
Interest	2,076
Experience (Gain)/Loss	(23,676)
Changes of Assumptions	(47,446)
Net Change in OPEB Liability	(65,686)
Total OPEB Liability at December 31, 2022	\$ 35,099

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,181	\$ 69,853
Changes of assumptions	\$ 14,058	\$ 43,719
TOTAL	\$ 35,239	\$ 113,572

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2023	\$ (11,237)
2024	\$ (11,237)
2025	\$ (11,237)
2026	\$ (11,237)
2027	\$ (11,237)
Thereafter	\$ (22,148)

2021 Changes in the Total OPEB Liability

Medical/Dental/Vision OPEB	
Total OPEB Liability at December 31, 2020	\$ 121,228
Service Cost	\$ 6,565
Interest	\$ 2,570
Experience (Gain)/Loss	\$ (30,206)
Changes of Assumptions	\$ 628
Net Change in OPEB Liability	\$ (20,443)
Total OPEB Liability at December 31, 2021	\$ 100,785

At December 31, 2021, the District report deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,711	\$ 30,057
Changes of assumptions	\$ 16,390	\$ 29,492
TOTAL	\$ 41,100	\$ 59,549

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2022	\$ 2,346
2023	\$ 2,346
2024	\$ 2,346
2025	\$ 2,346
2026	\$ 2,346
Thereafter	\$ 6,714

NOTE 9 – RISK MANAGEMENT

The District is a member of the Public Utilities Risk Management Services (PURMS), Joint Liability Self-Insurance Fund. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, joint self-insuring, and contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on December 30, 1976 when public utility districts in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The program's general objectives are to formulate, develop, and administer, on behalf of the member public utilities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. PURMS members participate in one or more of the three risk pools: Liability Pool, Property Pool, and Health and Welfare Pool. The Pools operate independently of one another and all members do not participate in all Pools. The District participates in the Liability Pool, the Property Pool and the Health and Welfare Pool.

The Pools are funded through assessments of their current and former members based on assessment formulas outlined in the Self-Insurance Agreement. Members may withdraw from a pool on December 31st of any year by giving 90 days prior notice. Former members will remain forever responsible for their share of assessments for any unresolved, unreported, or in-process occurrences while they were members. Claims are filed with the Administrator, Pacific Underwriters, Seattle, Washington which serves as the PURMS' Administrator and provides claims adjustment and loss prevention services.

The Pools are governed by a Board of Directors comprised of one designated representative from each participating member. The Administrator and an elected Administrative Committee are responsible for conducting the business affairs of the Pools.

Liability Pool

PURMS maintains \$35 million, per occurrence, of excess general liability insurance coverage and \$35 million, per occurrence, of professional liability insurance. The Liability Pool has a \$1 million liability coverage limit per occurrence. An additional layer of excess liability insurance in the amount of \$65 million, per occurrence, over the first layer of \$35 million, is available for members who choose to participate. In 2022 all Liability Pool members participated in the second layer of excess liability coverage. The Liability Pool offers Directors and Officers (D&O) coverage and cyber risk coverage for subgroups of members of the Liability Pool who choose to participate in the coverage. For years ending December 31, 2022 and 2021, the D&O liability coverage was \$35 million excess of the coverage provided by the Liability Pool's \$1.0 million coverage limit and all members chose to participate in the coverage.

Liability Pool assessments to replenish the operating funds that have been expended are triggered automatically in accordance with the terms of the members' Interlocal Agreement and the Liability General Assessment Formula. As a general matter, the Liability Pool is funded to the amount of its designated liability pool balance, which in 2022 and 2021 was \$3.5 million. Of this amount, \$500,000 is used as operating funds to pay claims costs as they are incurred and ongoing Liability Pool operating expenses, including program administration. The remaining \$3 million of the designated balance is held by the Liability Pool to meet regulatory reserve requirements.

The total paid for liability claims in 2022 was \$1,260,869 including claims adjustment expenses, costs and attorneys' fees for defending claims but excluding Liability Pool Operational Expenses. The total paid for liability claims in 2021 was \$351,285 including claims adjustment expenses, costs and attorneys' fees for defending claims but excluding Liability Pool Operational Expenses.

As of December 31, 2022, there were 95 known incidents or unresolved liability claims pending against one or more members or former members of the Liability Pool. The total dollar amount of the risk posed by these Claims to such Members and to the Liability Pool itself is unknown and can only be estimated. The case reserves set by the Administrator for these claims, as of December 31, 2022, was \$237,969.

As of December 31, 2021, there were 69 known incidents or unresolved liability claims pending against one or more members or former members of the Liability Pool. The total dollar amount of the risk posed by these Claims to such Members and to the Liability Pool itself is unknown and can only be estimated. The case reserves set by the Administrator for these claims, as of December 31, 2021, was \$1,096,764.

Property Risk Pool

PURMS provides property insurance coverage for its members participating in the Property Risk Pool in accordance with the terms of the SIA. Under the SIA, from its inception in 1997 to the present, the Property Pool has had a self-insured retention of \$250,000 per property loss. PURMS also maintains excess property insurance in the amount of \$200 million, with excess coverage attaching at the \$250,000 property coverage limit for all property losses except those subject to increased retention level of \$750,000 for certain property risks. The property varies but for most claims the deductible is \$250.

The Property Pool is funded to the amount of its designated property pool balance, which in 2022 and 2021 was \$750,000. Of this amount, \$250,000 is used to pay claims costs as they are incurred and ongoing Property Pool's operating expenses, including program administration. The \$250,000 of operating funds is replenished by assessment of Property Pool members as outlined in the Self-Insurance Agreement. The remaining \$500,000 of the designated balance is held by the property pool to meet regulatory reserve requirements.

The total paid for property claims in 2022 was \$342,243 including claims adjustment expenses but excluding Property Pool operating expenses. As of December 31, 2022, there were 23 known incidents or unresolved property claims pending from the members of the Property Pool. The total dollar amount of the risk posed by these claims to the Property Pool is not precisely determinable and can only be estimated. The case reserves set by the Administrator for these claims, as of December 31, 2022, was \$136,089.

The total paid for property claims in 2021 was \$122,831 including claims adjustment expenses but excluding Property Pool operating expenses. As of December 31, 2021, there were 14 known

incidents or unresolved property claims pending from the members of the Property Pool. The total dollar amount of the risk posed by these claims to the Property Pool is not precisely determinable and can only be estimated. The case reserves set by the Administrator for these claims, as of December 31, 2021, was \$95,686.

Health & Welfare Risk Pool

PURMS provides health and welfare insurance coverage for the employees of each of its members participating in the Health & Welfare Risk Pool in accordance with the terms of the Health & Welfare Coverage of the SIA and the terms of each member's respective coverage booklet. The H&W Pool was established as one of PURMS' Risk Pools effective March 31, 2000.

The H&W Pool's operations are financed through monthly assessments of its participating Members in accordance with the H&W general assessment formula. Under the H&W assessment formula each member is assessed for: (a) the cost the H&W pool incurred during the preceding month for the H&W claims for such member's employees; and (b) for such member's share of shared H&W costs. Shared H&W Costs consist of administrative expenses incurred by the H&W pool, premiums for stop-loss insurance, PPO charges and shared H&W claims.

The exposure of each H&W Pool member to the H&W claims costs of its employees is limited by two different pairs of stop-loss points. The first pair of stop-loss points is established annually by the excess stop-loss insurance that the H&W Pool acquires and maintains for its members. These stop-loss points represent the dollar amounts at which the stop-loss insurance attaches and begins paying either the H&W claim costs relating to an individual employee's total medical claims for the year or the H&W claims costs of all employees of all members for the year. For both 2022 and 2021, the H&W pool individual stop-loss point was \$365,000 per individual. The H&W pool aggregate stop-loss point was \$27,793,900 for the combined H&W claims costs of the employees of all members of the H&W pool for 2022 and \$27,955,593 for 2021.

The total paid by the H&W Pool for H&W Claims Costs in 2022 was \$17,141,264 including shared health and welfare claims but excluding health and welfare pool operating expenses.

The total paid by the H&W Pool for H&W Claims Costs in 2021 was \$15,076,038 including shared health and welfare claims but excluding health and welfare pool operating expenses.

Workers' Compensation Insurance:

The District participates in the Washington State Department of Labor and Industries program for industrial accident insurance. Premiums are paid quarterly based on employee hours worked.

The District did not have settlements which exceed insurance coverage in the last three years.

Unemployment:

The District is self-insured for unemployment insurance and reimburses the State of Washington Department of Employment Security for any claims paid. There were no claims filed or paid in 2022 or in 2021.

NOTE 10 – CONTINGENCIES AND LITIGATIONS

The District has recorded in its financial statements all material liabilities. In the opinion of the management, the District's insurance policies (PURMS) are adequate to pay all known pending claims for 2022 or 2021.

NOTE 11 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021 and 2022. These measures included limitations on business operations, public events, gatherings, travel and in-person interactions.

The most significant impact has been the financial recovery of accounts receivable. The District has worked with customers to accommodate past due balances and offered long-term payment arrangements. The District returned to normal collection practices as of January 1, 2022 and continued to work with customers who entered into long-term payment arrangements for arrearages accrued through 2020 and 2021. The District applied for and received funds through a Washington State Department of Commerce – Energy Division Utility Residential Customer Arrearage grant. The funds made a significant impact on the amounts owing from customers with payment arrangements. Arrearage balances on all active accountholders are now paid in full.

Public Utility District No 1 of Wahkiakum County
Schedule of Changes in Total OPEB Liability and Related Ratios
For the year ended December 31, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
Total OPEB liability - beginning					
Service cost	\$ 100,785	\$ 121,228	134,387	72,989	77,393
Interest	3,360	6,565	7,861	9,083	5,700
Changes in benefit terms	2,076	2,570	3,696	2,795	2,554
Differences between expected and actual experience	0	0	0	0	0
Changes of assumptions	(23,676)	(30,206)	(32,275)	35,301	(8,254)
Benefit payments	(47,446)	628	7,559	14,219	(4,404)
Other changes	0	0	0	0	0
	0	0	0	0	0
Total OPEB liability - ending	<u>35,099</u>	<u>100,785</u>	<u>121,228</u>	<u>134,387</u>	<u>72,989</u>
Covered-employee payroll	\$ 1,291,786	\$ 1,267,538	\$ 1,152,846	\$ 1,044,257	\$ 992,782
Total OPEB liability as a % of covered-employee payroll	2.72%	7.95%	10.52%	12.87%	7.35%

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Public Utility District No 1 of Wahkiakum County
Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30
Last 10 Years*

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.776800%	\$ 216,290	\$ 1,279,225	16.91%	76.56%
2021	0.779400%	95,183	1,196,739	7.95%	88.74%
2020	0.007167%	253,034	1,090,549	23.20%	68.64%
2019	0.007238%	278,327	1,015,149	27.42%	67.12%
2018	0.007439%	332,228	989,290	33.58%	63.22%
2017	0.007579%	359,629	955,710	37.63%	61.24%
2016	0.007860%	422,119	935,759	45.11%	57.03%
2015	0.007988%	417,847	915,447	45.64%	59.10%
2014	0.008580%	432,222	939,433	46.01%	61.19%

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Public Utility District No 1 of Wahkiakum County
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30
Last 10 Years*

Year Ended June 30, .	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2022	0.000000%	\$ (376,515)	\$ 1,279,225	-29.43%	106.73%
2021	0.010006%	996,759	1,196,739	83.29%	120.29%
2020	0.009372%	119,863	1,090,549	10.99%	97.22%
2019	0.009340%	90,723	1,015,149	8.94%	97.77%
2018	0.009580%	163,570	989,290	16.53%	95.77%
2017	0.009748%	338,696	955,710	35.44%	90.97%
2016	0.010082%	507,621	935,759	54.25%	85.82%
2015	0.010316%	368,597	915,447	40.26%	89.20%
2014	0.011047%	223,300	939,433	23.77%	93.29%

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Public Utility District No 1 of Wahkiakum County

Schedule of Employer Contributions

PERS 1

As of December 31

Last 10 Fiscal Years*

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
	\$	\$	\$	\$	
2022	47,588	(47,588)	-	1,266,964	3.76%
2021	54,133	(54,133)	-	1,264,472	4.28%
2020	55,165	(55,165)	-	1,150,010	4.80%
2019	51,533	(51,533)	-	1,041,939	4.95%
2018	50,136	(50,136)	-	990,368	5.06%
2017	47,499	(47,499)	-	969,298	4.90%
2016	44,545	(44,545)	-	935,678	4.76%
2015	41,732	(41,732)	-	932,622	4.47%
2014	38,872	(38,872)	-	944,375	4.12%

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Public Utility District No 1 of Wahkiakum County

Schedule of Employer Contributions

PERS 2/3

As of December 31

Last 10 Fiscal Years*

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
	\$	\$	\$	\$	
2022	80,579	(80,579)	-	1,266,964	6.36%
2021	90,131	(90,131)	-	1,264,472	7.13%
2020	91,081	(91,081)	-	1,150,010	7.92%
2019	80,428	(80,428)	-	1,041,939	7.72%
2018	74,275	(74,275)	-	990,368	7.50%
2017	66,508	(66,508)	-	969,298	6.86%
2016	58,180	(58,180)	-	935,678	6.22%
2015	53,611	(53,611)	-	932,622	5.75%
2014	48,105	(48,105)	-	944,375	5.09%

*Until a full 10-year trend is compiled, only information for those years available is presented.

Public Utility District No 1 of Wahkiakum County
Notes to Required Supplemental Information - Pension

As of December 31
Last 10 Fiscal Years*

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the

Note 3: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

Note 4: Contribution rates

PERS 1

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	6/30/2021	12.97%
7/1/2021	8/31/2022	10.25% *
9/1/2022	Current	10.39%

* Employer contribution rate includes an administrative expense rate of 0.18%

PERS 2/3

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	6/30/2021	12.97%
7/1/2021	8/31/2022	10.25% *
9/1/2022	Current	10.39%

* Employer contribution rate includes an administrative expense rate of 0.18%

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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