Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Public Utility District No. 1 of Skamania County

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

Published January 22, 2024

Report No. 1034003

Office of the Washington State Auditor
Pat McCarthy

January 22, 2024

Board of Commissioners
Public Utility District No. 1 of Skamania County
Carson, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Public Utility District No. 1 of Skamania County's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Public Utility District No. 1 of Skamania County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

ALN	Program or Cluster Title
11.307	Economic Development Cluster – Economic Adjustment Assistance

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2022-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

2022-001 The District did not have adequate internal controls to ensure accurate financial reporting.

Background

District management, state and federal agencies, and the public rely on the information included in financial statements and reports to make decisions. District management is responsible for designing, implementing, and maintaining internal controls to ensure the District's financial statements, notes, and required schedules are prepared and presented fairly in accordance with generally accepted accounting principles (GAAP). These controls should also provide reasonable assurance regarding the reliability of the District's financial reporting.

State law (RCW 43.09.230) requires local governments to submit annual financial reports to the State Auditor's Office within 150 days of fiscal year-end. As part of the annual financial report, all local governments that spend federal funds must prepare a Schedule of Expenditures of Federal Awards (SEFA). Local governments that spend $750,000 or more in federal funds must receive a federal single audit.

Our audit identified deficiencies in the District's internal controls that hindered its ability to produce accurate financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses in internal controls, defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

We identified the following deficiencies in internal controls over the District's process for preparing its financial statements that, when taken together, represent a material weakness. Specifically, the audit found the District did not have internal control processes in place to:

- Ensure financial reporting was complete, accurate and in accordance with GAAP
- Properly evaluate how to report federal expenditures on the SEFA
- Perform an effective review to detect significant errors in the annual report submitted for audit

Cause of Condition

The District has not historically received federal grant awards. The staff responsible for preparing the financial statements lacked the technical knowledge and experience needed to accurately record federal grant transactions and prepare the SEFA.

Effect of Condition

The District's financial statements included errors that management did not identify before submitting them for audit. Our audit found the District overstated the SEFA by $2,920,733 due to including expenditures from prior years and other amounts that did not meet the reporting requirements.

Additionally, the District overstated grant revenues by $1,272,690 due to including amounts that should have been recorded as revenue in the prior year. Revenues and receivables were also overstated by $1,638,440 due to the District including amounts that did not meet the reporting requirements.

The District subsequently corrected these errors.

Recommendation

We recommend the District strengthen internal controls over financial statement preparation to ensure statements submitted for audit are accurate and comply with GAAP and Uniform Guidance. Specifically, we recommend the District dedicate sufficient resources to understanding reporting requirements, as well as ensure a knowledgeable person performs an effective review to identified errors or omissions in the annual report.

District's Response

The District acknowledges it inadvertently misstated the 2022 financial statement by incorrectly recording grant revenues and receivables. In response to your recommendation, the District will continue to review GAAP and Uniform Guidance related to federal grant and reporting requirements. Adequate time and resources will be allocated for a thorough review of the annual report.

Auditor's Remarks

We appreciate the District's response and commitment to resolving this finding. We thank it for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 502 – Basis for determining federal awards expended.

Title 2 CFR Part 200, Uniform Guidance, section 510, Financial statements, requires the auditee to prepare a schedule of expenditures of federal awards including the total federal awards expended during the period.

RCW 43.09.200, Local government accounting – Uniform system of accounting.

The *Budgeting, Accounting and Reporting System* (BARS Manual), 3.1.3, Internal Control

BARS Manual, 4.14.5, Expenditures of Federal Awards (Schedule 16)

Public Utility District No. 1
of Skamania County
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

This schedule presents the status of findings reported in prior audit periods.

Audit Period: 2021	**Report Ref. No.:** 1031539	**Finding Ref. No.:** 2021-001
Finding Caption: The District did not have adequate internal controls to ensure accurate financial reporting		
Background: The District did not properly record grant revenues and receivables in the correct period.		
Status of Corrective Action: (check one) ☐ Fully Corrected ☐ Partially Corrected ☒ Not Corrected ☐ Finding is considered no longer valid		
Corrective Action Taken: *The District will continue to review GAAP and Uniform Guidance related to reporting requirements. The District will prepare and allow adequate time for review of the annual financial report.*		

Audit Period: 2021	**Report Reference No.:** 1031539	**Finding Ref. No.:** 2021-002	**ALN(s):** 11.307
Federal Program Name and Granting Agency: Economic Adjustment Assistance Economic Development Administration, Department of Commerce		**Pass-Through Agency Name:** N/A	
Finding Caption: The District did not have adequate internal controls for ensuring compliance with federal wage rate requirements.			
Background: The District did not have adequate controls and did not collect weekly certified payroll reports from the contractor and its subcontractor as required.			
Status of Corrective Action: (check one)			
☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid
Corrective Action Taken: *The District will continue to review certified weekly payrolls. The District will move forward with initiating and documenting certified payroll requests. Requests will be made by email to ensure a record of request.*			

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 Skamania County
January 1, 2022 through December 31, 2022

Board of Commissioners
Public Utility District No. 1 of Skamania County
Carson, 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 Skamania County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 9, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit 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 opinion 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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001 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*.

DISTRICT'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

January 9, 2024

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

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

Board of Commissioners
Public Utility District No. 1 of Skamania County
Carson, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Public Utility District No. 1 of Skamania County, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2022. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy, State Auditor

Olympia, WA

January 9, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Board of Commissioners
Public Utility District No. 1 of Skamania County
Carson, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Public Utility District No. 1 of Skamania County, as of and for the year ended December 31, 2022, 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 Skamania County, as of December 31, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

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 opinion. 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2024 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

January 9, 2024

FINANCIAL SECTION

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

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Combined Statement of Net Position – 2022
Combined Statement of Revenues, Expenses and Changes in Net Position – 2022
Combined Statement of Cash Flows – 2022
Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – 2022
Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2022
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis is designed to provide our readers with an overview of the District's financial activity, identify changes in the District's financial position and to assist our readers in focusing on the significant financial issues.

OVERVIEW OF THE FINANCIAL STATEMENTS

Statement of Net Position: This statement presents information on all the District's Assets and Liabilities. This statement also provides the basis in evaluating the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses and Changes in Net Position: This statement provides a measurement of the District's operation and can also be used to determine whether the District has successfully recovered all its costs through usage rates and other charges.

Statement of Cash Flow: This statement reports cash receipts and cash payments resulting from operating, financing and investing activities.

Notes to Financial Statements: The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements including significant accounting policies, obligations and other financial matters of the District.

This discussion and analysis of the financial performance of the District provides a summary of the financial activities for the year ended December 31, 2022 compared to 2021.

CONDENSED STATEMENT OF NET POSITION

As of December 31,	2022	2021	Increase (Decrease) 2022-2021	% Change 2022-2021
Assets				
Currents and Other Assets	$ 18,794,438	$ 16,634,930	$ 2,159,508	13.0%
Capital Assets, net of depreciation	43,082,617	35,316,631	7,765,986	22.0%
Total Assets	61,877,055	51,951,561	9,925,494	19.1%
Deferred Outflows of Resources	1,372,216	695,707	676,509	97.2%
Total Assets and Deferred Outflow	63,249,271	52,647,268	10,602,003	20.1%
Liabilities				
Current and Other Liabilities	5,013,926	3,543,783	1,470,143	41.5%
Noncurrent Liabilities	8,676,229	8,718,147	(41,918)	-0.5%
Total Liabilities	13,690,155	12,261,930	1,428,225	11.6%
Deferred Inflows of Resources	1,897,977	3,574,219	(1,676,242)	-46.9%
Total Liabilities and Deferred Inflows	15,588,132	15,836,149	(248,017)	-2%
Net Position				
Net Investment in Capital Assets	36,337,941	27,738,980	8,598,961	31.0%
Restricted	1,771,290	3,318,267	(1,546,978)	-46.6%
Unrestricted	9,551,908	5,753,872	3,798,036	66.0%
Total Net Position	47,661,139	36,811,119	10,850,020	29.5%
Total Liabilities & Net Position	$ 63,249,271	$ 52,647,268	$ 10,602,003	20.1%

CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

For the Year Ended December 31,	2022	2021	Increase (Decrease) 2022-2021	% Change 2022-2021
Operating Revenue	$ 17,813,084	$ 16,114,266	$ 1,698,818	10.5%
Operating Expenses	13,595,466	12,675,876	919,590	7.3%
Net Operating Revenue	4,217,618	3,438,390	779,228	22.7%
Net Non Operating Revenue and Expense	5,611,191	1,884,884	3,726,307	197.7%
Income (Loss) Before Capital Contributions	9,828,809	5,323,274	4,505,535	84.6%
Capital Contributions	1,021,211	1,073,357	(52,146)	-4.9%
Change in Net Position	10,850,020	6,396,631	4,453,389	69.6%
Total Net Position, January 1	36,811,119	30,414,488	6,396,631	21.0%
Total Net Position, December 31	$ 47,661,139	$ 36,811,119	$ 10,850,020	29.5%

FINANCIAL ANALYSIS

Capital Assets
In 2022, the District's investment in capital assets net of depreciation increased by $8,598,961 (31.0%). The largest projects attributing to the increase was the North Bonneville Substation and Feeder Upgrade and AMI Meter Changeout project.

Long Term Debt
The District's long-term liabilities are revenue bonds and loans issued for capital improvements. Total long-term principal paid in 2022 was $2,166,905. This included the payoff amount of $1,467,931 for the 2018 Revenue Bond. The District issued a 2022 bond in January of 2022 with an initial draw in the amount of $1,980,200. Total long-term debt as of December 31, 2022 was $7,137,315. Additional information about the District's long-term liabilities is presented in Note 7 of the financial statements.

Operating Revenues
During 2022, the District's operating revenue from sales of electric and water increased 10.5%. The increase can be attributed to rate increases. Rate increases in 2022 were: Electric, 7.0%; Carson Water, 8.75%; Underwood Water, 8.0%.

Operating Expenses
Operating expenses increased 7.3% in 2022 when compared to 2021.

Non-Operating Revenues and Expenses
In 2022, the Districts non-operating revenues and expenses consist mainly of grant revenues, a tax levy, interest earnings and debt related expenses. In 2022, the significant source of the District's non-operating revenue was the EDA grant revenues followed by the tax levy. In 2022, the District recognized revenues of $5,241,875 from the Department of Commerce and $9,602 from FEMA.

Capital Contributions
Capital contributions decrease by $52,146 in 2022 when compared to 2021. The District recorded $754,707 in line extensions in 2022 compared to $710,113 in 2021. The District recorded $205,286 in water connection fees in 2022 compared to $157,850 in 2021.

Net Position
The largest portion of the District's net position is investment in capital assets. As of December 31, 2022, investment in capital assets was $36,337,941 (76.2%) of the District's net position.

As of December 31, 2022, the restricted portion of the District's net position was $1,771,290. The restricted portion of total net position represents resources that are subject to external restrictions. The restricted portion of the net position for pension asset is $959,610. The remainder restricted portion of total net position is comprised of the Bond Reserve Fund, the Debt Service Fund, and the accrued interest on bonds.

OTHER SIGNIFICANT MATTERS

Bond Covenants

In accordance with the District's financial policies and covenants within the District's bond resolutions, the District is required to maintain and collect rates and charges sufficient to provide the net revenue in any fiscal year in an amount equal to at least 1.25 times the annual debt service. The debt service coverage ratio was 6.90 as of December 31, 2022 and 5.92 for the period ending December 31, 2021. Net operating income before depreciation for 2022 and 2021 was $6,711,341 and $5,438,151 respectively. Debt service totaled $972,838 in 2022 and $917,981 in 2021.

Rates

The District increased the electric and water rates consistent to the cost of service study updated in September 2021. Increases were effective for all billing statements issued after January 1, 2022 (Resolution Number's 2780, 2781, and 2782). Rate increases for the electric and water systems are listed below:

	2021	2022
Electric	7.00%	7.00%
Carson Water	8.25%	8.75%
Underwood Water	13.00%	8.00%

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Manager of Finance and Administration, PO Box 500, Carson, WA 98610.

Public Utility District No. 1 of Skamania County
COMBINED STATEMENT OF NET POSITION
December 31, 2022

		2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	7,335,898
Customer Accounts Receivable, Net	$	2,774,510
Other Receivable	$	1,133,595
Taxes Receivable	$	13,917
Prepayments	$	362,151
Grant Receivable	$	2,605,809
Debt Service Fund-Restricted	$	67,606
Customer Deposit-Restricted	$	37,868
Materials & Supplies	$	1,871,678
Total Current Assets	**$**	**16,203,032**
NON CURRENT ASSETS		
Bond Fund-Restricted	$	715,647
Bond Reserve Fund-Restricted	$	765,444
Customer Deposit-Restricted	$	75,472
Unamortized Bond Insurance	$	24,488
Other Asset - Pension	$	959,610
Other Non Current Assets	$	50,745
Total Non Current Assets	**$**	**2,591,406**
CAPITAL ASSETS		
Utility Plant	$	60,049,570
Right to Use Asset	$	115,355
Construction Work in Progress	$	9,967,527
General Plant	$	4,150,536
Less: Accum Depreciation/Amortization	$	(31,200,371)
Total Capital Assets Net of Depreciation	$	43,082,617
Total Noncurrent Assets	**$**	**45,674,023**
Total Assets	**$**	**61,877,055**
DEFERRED OUTFLOW OF RESOURCES		
Deferred Outflows-Pension	$	978,714
Deferred Outflow-OPEB	$	84,938
Deferred Outflow-ARO	$	299,589
Deferred Outflows-Deferred Loss on Bond Refunding	$	8,975
Total Deferred Outflows of Resources	**$**	**1,372,216**
Total Assets and Deferred Outflows	**$**	**63,249,271**

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

Public Utility District No. 1 of Skamania County
COMBINED STATEMENT OF NET POSITION
December 31, 2022
LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	$	3,418,472
Compensated Absences	$	317,050
Customer Deposit	$	37,868
Accrued Taxes	$	339,112
Accrued Interest	$	21,176
Lease Liability	$	15,551
Other Current Liabilities	$	47,551
Unamortized Bond Premium	$	44,852
Current Portion - OPEB	$	50,965
Current Portion of Long-Term Debt	$	721,329
Total Current Liabilities	**$**	**5,013,926**
NON CURRENT LIABILITIES		
Accrued OPEB Liabilities	$	436,563
Pension Liability	$	554,006
Compensated Absences	$	171,548
Accrued Insurance	$	131,439
Customer Deposits	$	75,472
Lease Liability	$	36,686
CW Loan	$	73,970
Asset Retirement Obligation	$	320,043
Unamortized Bond Premium	$	534,482
Revenue Bonds	$	6,342,020
Total Noncurrent Liabilities	**$**	**8,676,229**
Total Liabilities	**$**	**13,690,155**
DEFERRED INFLOW OF RESOURCES		
Deferred Inflow-Pension	$	1,016,027
Deferred Inflow-OPEB	$	647,061
Deferred Inflow-Revenue	$	234,889
Total Deferred Inflow of Resources	**$**	**1,897,977**
Total Liabilities and Deferred Inflows	**$**	**15,588,132**
NET POSITION		
Net Investment in Capital Assets	$	36,337,941
Restricted for Debt Service	$	811,680
Restricted for Pension	$	959,610
Unrestricted	$	9,551,908
Total Net Position	**$**	**47,661,139**
Total Liabilities & Net Position	**$**	**63,249,271**

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

Public Utility District No. 1 of Skamania County
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

		2022
OPERATING REVENUES		
Electric Sales	$	15,586,845
Water Sales	$	1,939,711
Other Operating Revenue	$	231,731
Misc. Service Revenue	$	54,797
Total Operating Revenues	**$**	**17,813,084**
OPERATING EXPENSES		
Purchased Power	$	4,838,638
Maintenance & Operations	$	2,829,618
Customer Billing & Collection	$	846,427
Administrative & General Expense	$	2,086,730
Depreciation	$	2,021,925
Taxes	$	972,128
Total Operating Expenses	**$**	**13,595,466**
Operating Income/(Loss)	**$**	**4,217,618**
NONOPERATING REVENUES (EXPENSES)		
Taxes	$	656,968
Interest Income	$	26,317
Miscellaneous Non-Operating Revenue	$	(85,042)
Miscellaneous Non-Operating Revenue-Grant	$	5,251,477
Interest and Amortization	$	(238,529)
Total Nonoperating Revenues (Expenses)	**$**	**5,611,191**
Income (Loss) Before Capital Contributions	**$**	**9,828,809**
Capital Contributions	$	1,021,211
CHANGE IN NET POSITION	**$**	**10,850,020**
Net Position, beginning of year	**$**	**36,811,119**
Net Position, end of year	**$**	**47,661,139**

The accompanying notes are an integral part of the financial statements

Public Utility District No. 1 of Skamania County
COMBINED STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2022

		2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	17,123,577
Payments to suppliers for goods & services		(6,479,314)
Payments to employees for services		(3,398,527)
Taxes paid		(972,128)
Miscellaneous revenue		285,157
Net cash provided (used) by operating activities		6,558,765
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Misc. Non Operating Revenue		(82,716)
Grant Proceeds		-
Net cash provided (used) from noncaptial financing activities		(82,716)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to plant		(9,787,910)
Contributions from Customers		1,021,212
Capital Contributions-Grants		3,918,358
Loss on Refunding/Bond Insurance		(49,825)
Principal paid on long term debt		(186,995)
Interest paid on long term debt		(237,624)
Tax levy proceeds		659,482
Net cash provided (used) for capital financing activties		(4,663,302)
CASH FROM INVESTING ACTIVITIES		
Proceeds from earnings on investments		26,317
Net cash provided from investing activities		26,317
Net increase (decrease) in cash and cash equivalents		1,839,064
Cash and cash equivalents, beginning of year		7,158,873
Cash and cash equivalents, end of year	**$**	**8,997,937**

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

Reconciliation of operating income to net cash provided from operating activities		
Net Operating Income (loss)	$	4,217,054
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation/amortization		2,021,925
Other liabilities-OPEB/Pension		(561,160)
Other receivable		(739,406)
Accounts receivable		(402,978)
Inventory		(459,092)
Other		(15,531)
Accounts payable		1,415,652
Customer deposits		(40,835)
Taxes payable		26,129
Compensated absences		62,942
Prepayments		1,034,065
Net Cash Provided by Operating Activities	$	6,558,765

*For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The District operates as proprietary fund and applies all applicable Governmental Accounting Standards Board (GASB) Codification of Government Accounting and Financial Reporting. The following is a summary of the most significant policies.

A. Reporting Entity

Skamania County PUD is a municipal corporation established in 1938 by a vote of the people of Skamania County and exists under and by virtue of RCW 54 for the distribution and sale of electric energy and water. The District is governed by an elected three (3) member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Skamania County PUD has no component units. The District is engaged in distribution and sale of electricity serving Skamania County. The District also operates two water systems serving Carson and Underwood.

B. Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of RCW 43.09. The District's accounting records are also maintained using the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the Washington Budgeting, Accounting and Reporting System (BARS).

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Revenue derived from sale of electricity and water are recorded as operating revenue. Operating expenses for the District include the cost of selling of electricity and water, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds. Unbilled utility service receivables are estimated and recorded at year end.

C. Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. The District used significant estimates in recording unbilled utility service revenue, allowance for doubtful accounts and other contingencies at year end.

D. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the District considers petty cash, cash in all checking accounts and money market investment accounts with maturities of less than three months to be cash equivalents.

It is the District's policy to invest all temporary cash surpluses. At December 31, 2022, the treasurer was holding $3,629,265 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

E. Restricted Funds

In accordance with bond resolutions, separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including construction, debt service and other special reserve requirements. These funds are classified as current and noncurrent assets as appropriate. The District's restricted funds as of December 31, 2022 are as follows:

Restricted Funds	2022
Debt Service Fund	67,606
Bond Fund	715,647
Bond Reserve Fund	765,444
Customer Deposit	113,340
Total Restricted Funds	1,662,037

F. Accounts Receivable and Allowance for Uncollectable Accounts

Customer account receivables consist of amounts owed from individuals and organizations for goods and services including amounts owed for which billings have not been prepared. The District has established a reserve for uncollectible accounts based upon historical losses on gross revenues net of related debt write off and recoveries. All account receivable write offs are approved by the commissioners and are turned over to the collection agency. Amounts written off remain on the customer's accounts until it is deemed uncollectible by the collection agency.

G. Materials and Supplies

Materials and supplies are valued at average cost, which approximates the market value.

H. Utility Plant and Depreciation

See Note 5: Capital assets and Depreciation.

I. Compensated Absences and Termination Benefits

District employees are granted vacation leave in varying amounts. The District records unpaid leave for compensated absences as an expense and liability when incurred. Vacation pay is payable upon resignation, retirement or death. The total amounts of vacation accrued including tax and pension benefits as of December 31, 2022 was $360,613.

Employees have the option to accrue compensatory in lieu of receiving overtime. The District records the expense and liability at the appropriate overtime rate when incurred. Employees may accrue up to one hundred twenty (120) hours of compensatory time (the equivalent of sixty (60) hours of double time). Upon termination of employment with the District, employees will be paid for all unused compensatory time at the employee's regular rate of pay. The total amount of compensatory time accrued as of December 31, 2022 was $38,775.

GASB 16, *Accounting for Compensated Absences*, requires state and local government to accrue liabilities for compensated absences as the benefits are earned by employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement. The District's full time employees accrue 8 hours of sick leave a month and part time employees accrue sick leave based on full time equivalent (FTE). For employees who retire under the PERS program, the District policy allows 65 percent of the cash value of accrued sick leave balance at the time of employee's retirement to be deposited toward the employee's HRA/VEBA plan. Further, if an employee dies while on active employment, 100 percent cash value of the employee's sick leave is paid into his or her VEBA Plan. The District's sick leave liability is estimated based on retirement eligibility of employees. The current portion of the sick leave liability is based on employees anticipated to retire with in the next year. The total estimated sick leave liability including tax and pension benefits as of December 31, 2022 was $89,211.

J. Deferred Inflows and Outflows

Deferred inflows of resources represent an acquisition of assets that applies to a future period or periods and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred outflow of resources represents a consumption of assets that applies to a future period or periods and therefore will not be recognized as an outflow of resources until then.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions/deductions to and 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 has elected to use GASB's preferred method: the restricted net position is equal to the net pension asset.

L. Leases

Lease Liability consist of amounts recorded in compliance with GASB 87, *Leases.* The District has recorded the Lease Liability and associated Intangible, right to use, asset.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over the same useful lives as the asset category of the underlying assets. If the assets life is equivalent to the lease term, the District's right to use asset is amortized over the life of the lease from implementation through lease term end.

Key estimates and judgements related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

See Note 10 for more information.

M. Purchase Commitments

The District is a preference customer of Bonneville Power Administration (BPA) pursuant to federal legislation, which requires BPA to give preference and priority to public agencies and cooperatives in the distribution and marketing of federal power. The District signed a contract with BPA providing for power sales from BPA to the District beginning October 1, 2011 and terminating September 30, 2028. This Contract, a full requirements contract, provides for all of the District's power needs. The contract is at a preference rate.

The District is a board member utility of Washington Public Power Supply System (WPPSS; *now known as Energy Northwest*) and is a participant in WPPSS Nuclear Projects 1,2 and 3. The District has entered into "Net Billing Agreements" with WPPSS and Bonneville Power Administration (BPA). Under terms of these agreements, the District has purchased a maximum of 0.231 percent of the capability of WPPSS Nuclear Projects (WNP) No. 1, 0.547 percent of WNP No. 2, and 0.207 percent of WNP 3. The District has, in turn, sold this capability to BPA. Under the "Net Billing Agreements" BPA is unconditionally obligated to pay the District, and the District is unconditionally obligated to pay WPPSS, 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' output. WNP 1 and 3 have been terminated by action of the Supply System (WPPSS) Board.

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

At January 1, 2022, the District implemented the following GASB Statements:

GASB 87, *Leases.* This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the rights to use an underlying asset.

As a result of implementing this GASB, the District has recorded the Intangible, right to use asset of $115,355 and Lease Liability of $65,355, with respective accumulated amortization and reduction of lease liability in 2022 of $15,219 and $13,118. In addition, $1,763 was recorded as interest paid reflected within the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 3 – DISCLOSURE OF SEGMENT INFORMATION

The District operates an electric system and two water systems. The District maintains a separate accounting of all revenues, expenses, gains, losses, assets, and liabilities for each system. It depends solely on the revenue generated by each individual activity to pay its expenses and liabilities. Summary of financial information for each system for the years ended December 31, 2022 is presented below.

CONDENSED STATEMENT OF NET POSITION BY SEGMENT

As of December 31, 2022	Electric System	Carson Water System	Underwood Water System	TOTAL 2022
Assets				
Currents and Other Assets	$ 16,349,550	$ 1,231,327	$ 1,213,562	$ 18,794,438
Capital Assets, net of depreciation	34,904,242	5,217,309	2,961,066	43,082,617
Total Assets	51,253,791	6,448,636	4,174,628	61,877,055
Deferred Outflows	1,068,109	302,813	1,294	1,372,216
Total Assets and Deferred Outflows	52,321,900	6,751,449	4,175,922	63,249,271
Liabilities				
Current and Other Liabilities	4,526,353	354,144	133,428	5,013,926
Long Term Debt	6,220,336	1,663,587	792,307	8,676,229
Total Liabilities	10,746,689	2,017,731	925,735	13,690,155
Deferred Inflows	1,897,977	-	-	1,897,977
Total Liabilities and Deferred Inflows	12,644,666	2,017,731	925,735	15,588,132
Net Position				
Net Investment in Capital Assets	30,020,784	4,027,453	2,289,704	36,337,941
Restricted	1,753,947	12,083	5,260	1,771,290
Unrestricted	8,349,492	368,044	834,372	9,551,908
Total Net Position	40,124,223	4,407,580	3,129,336	47,661,139
Total Liabilities & Net Position	$ 52,768,889	$ 6,425,311	$ 4,055,071	$ 63,249,271

Note: Condensed Statement of Net Position exclude interfund payable and interfund receivable.

CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGE IN NET POSITION BY SEGMENT

For the Year Ended December 31, 2022	Electric System	Carson Water System	Underwood Water System	Total 2022
Operating Revenue	$ 15,865,627	$ 1,200,625	$ 746,832	$ 17,813,084
Operating Expenses	11,902,626	1,157,298	535,542	13,595,466
Net Operating Revenue	3,963,001	43,327	211,290	4,217,618
Net Non Operating Revenue and Expense	398,314	(27,064)	(11,536)	359,714
Other Income	5,251,477	-	-	5,251,477
Net Non Operating Revenue and Expense	5,649,791	(27,064)	(11,536)	5,611,191
Income (Loss) Before Capital Contributions	9,612,792	16,263	199,754	9,828,809
Capital Contributions	788,614	175,069	57,528	1,021,211
Change in Net Position	**10,401,406**	**191,332**	**257,282**	**10,850,020**
Total Net Position, January 1	29,722,813	4,216,249	2,872,057	36,811,119
Total Net Position, December 31	$ 40,124,219	$ 4,407,581	$ 3,129,339	$ 47,661,139

CONDENSED STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

	Electric System	Carson Water System	Underwood Water System	Total 2022
Net Cash provided (used) by:				
Operating Activities	$ 5,778,645	$ 468,497	$ 311,623	$ 6,558,765
Noncapital financing activities	(69,841)	(9,007)	(3,869)	(82,717)
Capital and related financing activities	(4,283,548)	(169,829)	(209,925)	(4,663,302)
Investing activities	22,485	2,930	901	26,316
Net Increase (Decrease) in cash and cash equivalents	1,447,741	292,591	98,730	1,839,063
Beginning Cash and Cash Equivalents	5,567,188	610,214	981,472	7,158,874
Ending Cash and Cash Equivalents	$ 7,014,929	$ 902,805	$ 1,080,202	$ 8,997,937

Interfund Activity
Year ended December 31, 2022

	2022
Electric Payable to Underwood Water	59,818
Underwood Water Payable to Carson Water	8,914
Underwood Water Payable to Electric	179,587
Electric Payable to Carson Water	105,422
Carson Water Payable to Electric	456,928
CW Debt Service Transferred to Electric	16,454
UW Debt Service Transferred to Electric	7,833

NOTE 4 – CASH AND DEPOSITS

The District's receipts and cash holdings are on deposit with the county treasurer. The county treasurer processes or maintains all of the District's deposits, disbursements and investments. Funds not required for immediate expenditures are invested in a money market account.

The District's cash holdings are deposited solely in interest bearing checking accounts entirely covered by Federal Depositary Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The District has not experienced any losses from any investments and believes its cash value is not exposed to any significant investment risk. The District's total cash, deposits, and investments as of December 31, 2022 are shown below.

CASH/DEPOSITS AND INVESTMENTS

	2022
Restricted Funds	1,662,037
General Funds	2,363,832
Revolving Fund	15,731
Special Funds	4,956,336
Total Deposits/Investments	8,997,936

NOTE 5 – CAPITAL ASSETS PLANT AND DEPRECIATION

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

Utility plant in service and other capital assets are recorded at cost where historical cost is known. Where historical cost is not known, assets are recorded at estimated cost. Donations by developers and customers are recorded at appraised value. Funds received from customer for construction are recorded as capital contributions.

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

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant. Charges that relate to abandoned project are expensed.

Capital assets are depreciated on the straight line and group life depreciation method over estimated lives as follows:

Buildings and Improvements	5-40 Years
Electric Plant-Distribution	10-33 Years
General Plant-Equipment	3-20 Years
General Plant-Transportation	5-10 Years
Water-Transmission and Distribution	6-40 Years

The following are changes in the District's capital assets for the year ended December 31, 2022.

Asset Description	Beg Balance 1/1/2022	Increase	Decrease	Ending Balance 12/31/2022
Capital Assets not being depreciated:				
Construction Work in Progress	$ 2,535,255	$ 10,074,094	$ 2,641,821	$ 9,967,528
Franchise and Consents	4,507	-	-	4,507
Organization	761	-	-	761
Land and Land Rights	86,070	-	-	86,070
Total	2,626,593	10,074,094	2,641,821	10,058,866
Capital Assets being depreciated:				
Utility Plant	58,078,353	2,397,220	474,912	60,000,661
General Plant	5,036,861	95,911	1,024,666	4,108,106
Right to Use Asset*	48,234	67,121	-	115,355
Total	63,163,448	2,560,252	1,499,578	64,224,122
Total Capital Assets	65,790,041	12,634,346	4,141,399	74,282,988
Accumulated Depreciation/Amortization	(30,488,057)	(2,213,230)	1,500,915	(31,200,372)
Net Capital Assets	$ 35,301,984	$ 10,421,116	$ (2,640,484)	$ 43,082,616

*Beginning balance restated for implementation of GASB 87, leases.

NOTE 6 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

On February 6, 2020, the District received a Financial Assistance Award from the Department of Commerce's Economic Development Administration (EDA). The initial award was for a $9.2 million dollar project: The North Bonneville Substation and Feeder Upgrade. In July 2022, the District was awarded an additional $2.3 million through an amendment. The EDA award will cover 80% of the costs up to $9.2 million. The District's share will be 20% of the overall cost of the project. A security agreement is in place granting EDA a security interest in all property acquired or to be acquired using award funds. The District further agreed that it will not, without the prior written approval of EDA, sell, trade or convey any interest whatsoever in such property subject to the EDA security interest; provided, however, that should EDA approve of the disposal of any property for purposes of acquiring a replacement. EDA's security interest must remain in effect throughout the useful life of the project which is determined to be 20 years. If property is disposed of or encumbered without EDA approval EDA may assert its interest in the property to recover the Federal share of the value of the property. The Federal share of the value of the property is that percentage of the current fair market value of the property attributed to the EDA participation in the project (after deducting actual and reasonable selling and fix-up expenses, if any, incurred to put the property into condition for sale). The Federal share excludes that value of the property attributable to acquisition or improvements before or after EDA's participation in the project and not included in project costs.

The District has active construction projects as of December 31, 2022. The projects include: The North Bonneville Substation and Feeder Upgrade, The Carson Water Treatment Plant Rebuild, and The AMI Meter Changeout.

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

Project	Spent to Date	Remaining Commitment
North Bonneville Substation & Distribution Line	$ 6,387,987	$ 2,556,245
Carson Water Treatment Plant	158,217	483,138
AMI Meter Changeout	849,508	4,333,584
	$ 7,395,713	$ 7,372,966

Of the committed balance of $7,372,966 the District will utilize the 2022 Bond Funds. As of December 31, 2022 the District had withdrawn $1,980,200 leaving a remaining balance of $7,529,510 available for withdrawal.

NOTE 7 – LONG TERM DEBT

In September 2015, the District issued a Revenue and Refunding Bond in the amount of $9,055,000 to refund the 2005 bond and for the construction of two electric substations, the construction of Carson Water reservoir and the Underwood Water new tank and pumping station.

The District has a covenant within the Bond Resolution that it will establish, maintain and collect rates and charges sufficient to pay the costs of maintenance and operation, pay principal and interest of all bonds, and to pay taxes and other assessments imposed on the system in an amount equal to at least 1.25 times the annual debt service.

The District resolution also provides that payments will be made into the Debt Service Fund in an amount sufficient to meet the next maturing installments of principal and interest.

In February 2005, Carson Water received $200,000 in loan from the Washington Investment Board (WIB) to help fund needed capital improvements. The annual interest is 2% payable in 20 years.

In 2006, the District secured a $50,000 loan from the Washington State Community Economic Revitalization Board (CERB) for Carson Water System. The annual interest is 1% payable in 20 years, initial monthly payments began in January 2015, five years from the receipt of loan funds.

In January 2022, the District issued a Revenue and Refunding Bond not to exceed $9,509,710 for purposes of refunding the District's outstanding 2018 Bond and funding capital improvements to the District's Electric System, Carson Water System and Underwood Water System. The District has withdrawn $1,980,200 as of 12/31/2022.

Bond premiums and insurance cost are amortized over the life of the bond using the straight-line method. Losses on the bond are deferred and amortized over the remaining life of the retired debt. Debt issuance costs are expensed in the period incurred in accordance with GASB Statement No. 65.

The following table is a summary of the District's long-term debt as of December 31, 2022.

Summary of Long Term Debt & Liabilities

	Year Issued	Amount Originally Issued	Beginning Balance 1/1/2022	Additions	Reductions	Balance as of 12/31/2022	Due Within One Year
Elec Rev. Bond	2015	$ 5,775,000	$ 3,700,000	$ -	$ 360,000	$ 3,340,000	$ 370,000
Elec Rev. Bond	2018	850,000	1,234,937	-	1,234,937	-	-
Elec Rev. Bond	2022	1,745,259	-	-	97,197	1,648,062	104,945
CW Rev. Bond	2015	2,215,000	1,405,000	-	140,000	1,265,000	145,000
UW Rev. Bond	2015	1,065,000	650,000	-	70,000	580,000	70,000
UW Rev. Bond	2018	250,000	232,994	-	232,994	-	-
UW Rev. Bond	2022	234,941	-	-	18,338	216,603	17,700
CW WIB Loan	2005	200,000	68,421	-	10,863	57,557	11,083
CW CERB Loar	2006	50,000	32,669	-	2,576	30,093	2,602
Bonds/Loans		$ 12,385,200	$ 7,324,021	$ -	$ 2,166,905	$ 7,137,315	$ 721,330
Other Long Term Liabilities							
Compensated Absenses			$ 425,656	$ 62,942	$ -	$ 488,598	$ 317,050
Unamortized Premiums			624,185	-	44,852	579,333	44,852
Customer Deposit			154,175	5,050	45,885	113,340	37,868
Asset Retirement Obligation			292,624	27,419	-	320,043	-
Lease Liability*			48,234	17,121	13,118	52,237	15,551
Pension Liability			239,802	314,204	-	554,006	-
OPEB			581,372	-	93,844	487,528	-
Total Other Long Term Liabilities			$ 2,366,048	$ 426,736	$ 197,699	$ 2,595,085	$ 415,321
Total Long Term Liabilities			$ 9,690,069	$ 426,736	$ 2,364,604	$ 9,732,400	$ 1,136,651

*Beginning balance restated from implementation of GASB 87, leases.

Notes: Compensated absenses include $89,211 estimated sick leave liability plus taxes and pension benefits. Current portion of compensated absenses is estimated to be used wilthin one year.

The annual requirements to amortize all debts outstanding as of December 31, 2022, including interests are as follows:

2015 & 2022 Revenue Bonds - Electric System

	2015 Bond		2022 Bond		Total
Year	Principal	Interest	Principal	Interest	
2023	$ 370,000	$ 138,500	$ 104,945	$ 28,867	$ 642,312
2024	390,000	123,700	118,406	31,784	663,891
2025	400,000	108,100	120,905	29,285	658,289
2026	180,000	92,100	123,455	26,732	422,287
2027	190,000	84,900	126,057	24,126	425,084
2028-2032	1,060,000	305,100	671,373	79,571	2,116,044
2033-2041	750,000	68,400	382,921	29,277	1,230,598
Total	$ 3,340,000	$ 920,800	$ 1,648,062	$ 249,643	$ 6,158,505

2015 Revenue Bond and Loans - Carson Water

	2015 Bond		WIB Loan		CERB Loan		Total
Year	Principal	Interest	Principal	Interest	Principal	Interest	
2023	$ 145,000	$ 52,450	$ 11,083	$ 1,059	$ 2,602	$ 301	$ 212,494
2024	145,000	46,650	11,306	835	2,628	275	206,694
2025	155,000	40,850	11,534	607	2,654	249	210,894
2026	70,000	34,650	11,767	374	2,680	222	119,694
2027	70,000	31,850	11,870	21	2,707	195	116,643
2028-2032	395,000	114,650	-	-	13,948	565	524,163
2033-2035	285,000	26,100	-	-	2,874	29	314,003
Total	$ 1,265,000	$ 347,200	$ 57,561	$ 2,895	$ 30,093	$ 1,836	$ 1,704,584

2015 & 2022 Revenue Bonds - Underwood Water System

	2015 Bond		2022 Bond		Total
Year	Principal	Interest	Principal	Interest	
2023	$ 70,000	$ 24,000	$ 17,700	$ 4,456	$ 116,156
2024	75,000	21,200	18,074	4,082	118,356
2025	80,000	18,200	18,455	3,701	120,356
2026	30,000	15,000	18,845	3,311	67,156
2027	30,000	13,800	19,243	2,913	65,956
2028-2032	170,000	49,800	102,482	8,298	330,579
2033-2035	125,000	11,475	21,805	343	158,623
Total	$ 580,000	$ 153,475	$ 216,603	$ 27,103	$ 977,181

NOTE 8 – PENSION PLANS

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

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(554,006)
Pension assets	$	959,610
Deferred outflows of resources	$	978,713
Deferred inflows of resources	$	(1,016,026)
Pension expense/expenditures	$	(83,943)

State Sponsored Pension Plans

Substantially all of the 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:

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%**

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the 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%**

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

The district's actual PERS plan contributions were $127,011 to PERS Plan 1 and $214,807 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

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

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

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

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

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

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

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

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	$ 740,144	$ 554,006	$ 391,550
PERS 2/3	$ 1,130,066	$ (959,610)	$ (2,676,411)

Pension Plan Fiduciary Net Position

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

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

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

	Liability (or Asset)
PERS 1	$ 554,006
PERS 2/3	(959,610)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.019636%	0.019897%	0.000261%
PERS 2/3	0.025231%	0.025874%	0.000643%

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.

Pension Expense

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

	Pension Expense
PERS 1	$ 253,857
PERS 2/3	$ (337,800)
TOTAL	$ (83,943)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$
Net difference between projected and actual investment earnings on pension plan investments	$	$ (91,815)
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$ 67,751	$
TOTAL	$ 67,751	$ (91,815)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 237,769	$ (21,723)

Net difference between projected and actual investment earnings on pension plan investments	$	$ (709,447)
Changes of assumptions	$ 534,850	$ (140,043)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 25,126	$ (52,999)
Contributions subsequent to the measurement date	$ 113,217	$
TOTAL	$ 910,962	$ (924,211)

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	$ (38,854)
2024	$ (35,290)
2025	$ (44,270)
2026	$ 26,599
2027	$
Thereafter	$

Year ended December 31:	PERS 2/3
2023	$ (228,323)
2024	$ (203,235)
2025	$ (238,928)
2026	$ 319,692
2027	$ 113,216
Thereafter	$ 111,111

NOTE 9 – PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1, on property values listed as of May 31st of the prior year. The county assessor establishes assessed values at 100 percent of fair market value. A revaluation of all property is required every four years.

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed monthly to the District by the county treasurer.

The District is permitted by law to levy up to $0.45 per $1,000 of assessed valuation for general District purposes.

The District may voluntarily levy taxes below the legal limit. Special levies approved by the voters are not subject to the above limitations.

Property taxes are recorded as receivables when levied. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

The District's property tax levies are listed below.

Property Tax Levy

Year	Assessed Value	Levy Rate Per Thousand	Total Levy Amount
2022	2,101,788,372	0.280052	588,609
2021	1,937,688,735	0.303769	588,609
2020	1,801,150,440	0.316597	570,239

NOTE 10 – LEASES

As of December 31, 2022, the District evaluated financial agreements that are potential leases in which the District serves as the lessee. As of December 31, 2022, the District had three lease payable contracts as follows:

General Description	Start Date	Term	Period Payment	Discount Rate
Land for Potable Water Reservoir	11/15/2022	40 years with four 40 year extensions District assumed it would exercise one extension	Paid in advance, once every 40 years. $50,000 paid upon commencement and $75,000 at next extension	5.98%
Antenna Tower	12/10/2013	3 years, with four 3 year extensions. This is on the 3rd extension and does not expect to enter into 4th term.	Monthly. $1,016 thru Feb 2023 increasing to $1,096 in March 2023	3.26%
Copy Machine	4/11/2022	3 years with no extensions	Monthly $306	8.4101%

The District's schedule of future payments included in the measurement of the lease payable is as follows:

	Principal	Interest	Combined
2023	$ 14,672	$ 1,994	$ 16,666
2024	15,483	1,344	16,827
2025	13,337	736	14,073
2026	(523)	523	-
2027	(554)	554	-
2028-2032	(3,310)	3,310	-
2033-2037	(4,425)	4,425	-
2038-2042	(5,916)	5,916	-
2043-2047	(7,910)	7,910	-
2048-2052	(10,575)	10,575	-
2053-2057	(14,139)	14,139	-
2058-2062	56,097	18,903	75,000
	$ 52,237	$ 70,329	$ 122,566

As of December 31, 2022 the net right to use assets is reporting at $100,733. During 2022, interest expense of $1,763 was reported.

NOTE 11 – RISK MANAGEMENT

Self-Insurance Fund

The District is a member of the Public Utility Risk Management Services Self-Insurance Fund (PURMS). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made according to the provisions of Chapter 54.16 RCW, and interlocal government agreements.

The Pool was formed on December 31, 1976 when certain Public Utility Districts (PUDs) in the State of Washington joined together by signing an Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2022, there were seventeen, seventeen, and twelve members in the Liability, Property, and Health & Welfare pools, respectively. The Pool provides liability, property, and health and welfare coverage for its members and their employees under an agreement entitled "PURMS Joint Self-Insurance Agreement" (SIA).

Liability Risk Pool

The Liability Pool has a self-insured retention (Liability Coverage Limit) of $1,000,000 per occurrence and excess liability insurance in the amount of $35 million in which all members must participate. The liability pool also offers an additional layer of Excess Liability Insurance coverage for those Members that choose to participate. For 2022, this additional Excess Liability Insurance layer was $65 million excess of $35 million and the Liability Pool's $1 million self-insured retention. Finally, the Liability Pool offers Public Officials liability coverage for a Subgroup of members of the Liability Pool who chose to participate in the coverage. For 2022, the Public Officials coverage was $35 million excess of the coverage provided by the liability Pool's $1 million Coverage Limit. This pool is financed through assessments of its members. These assessments occur at the beginning of each calendar year and at any time the Liability Pool Balance becomes $500,000 less than the Designated Liability Pool Balance, $3.5 million.

The total paid for Liability Claims in 2022 was $1,260,869 including claims adjustment expenses, i.e. costs and attorney's fees for defending claims (but excluding Liability Pool Operating Expenses). The annual automatic assessment issued at the beginning of January 2023, replenished the Liability Pool to its $3.5 million designated balance, as of December 31, 2022, under accrual accounting principles.

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 ("Pending Liability Claims"). The total amount of the risk posed by these Pending Liability Claims to such members and to the Liability Pool itself is not precisely determinable. However, the Case Reserve set by the Administrator for these Claims, as of December 31, 2022, was $237,969.

Because of the total dollar amount of the risk posed by the risk pool's "unpaid claims" liability is based on Case Reserves estimated by the administrator, and because the amount of "incurred but not-reported" claims ("IBNR Liability") is based on an actuarial report prepared by PURMS" retained actuary, this letter provides no opinion and makes no representation as to the risk the total "unpaid claims" liability at any confidence level poses to the solvency of the liability pool. However, as a contractual matter, since the PURMS interlocal agreement requires members participating in the liability pool to pay their liability assessments within thirty (30) days of the date they are issued, assuming that these assessment obligations of members are enforceable and that the members are at the time solvent and pay such assessments, the liability pool would have the assets to pay the "unpaid" claims" liability claims on behalf of its participating members for any reasonably foreseeable risk such claims pose to the property pool.

Property Risk Pool

PURMS provides property insurance coverage for its Members participating in the Property Risk Pool. The Property Pool has a self-insured retention (Property Coverage Limit) of $250,000 per Property Loss. PURMS also maintains Excess Property Insurance for its members in the Property Pool of $200 million over the $250,000 retention level. This pool is financed through assessments of its members. This pool is financed through assessments of its members. These assessments occur at the beginning of each calendar year and at any time the Property Pool Designated Balance becomes $250,000 less than the Designated Property Pool Balance, $750,000.

The total Property Claims in 2022 was $342,243, including claim adjusting expenses, i.e., costs and attorney's fees for defending claims (but excluding Property Pool Operating Expenses). The annual automatic assessment issued at the beginning of January 2023, replenished the Property Pool to its $750,000 Designated Balance, as of December 31, 2022 under accrual accounting principles.

As of December 31, 2022, there were 23 known incidents or unresolved property claims pending from one or more members of the property pool ("pending property claims"). The total dollar of the risk poses to the property pool by these pending claims in not precisely determinable. However, the reserves set by the administrator for these claims, as of December 31, 2022, was $136,089.

Because the total dollar amount of the risk posed by the property pool's "unpaid claims" liability is based on Case Reserves estimated by the Administrator, and because the amount of "incurred-but-not-reported" claims ("IBNR Liability") is based on an actuarial report prepared by PURMS' actuary, this letter provides no opinion and makes no representation as to the risk the total "unpaid claims" liability at any confidence level poses to the solvency of the property pool. However, as a contractual matter, since the PURMS interlocal agreement requires members participating in the property pool to pay their property assessments within thirty (30) days of the date they are issued, assuming that these assessment obligations of members are enforceable and that the members are at the time solvent and pay such assessments, the property pool would have the assets to pay the "unpaid claims" liability on behalf of its participating members for any reasonable foreseeable risk

<u>Health and Welfare Risk Pool</u>

PURMS provides health and welfare insurance coverage for the employees of its members participating in the Health and Welfare Risk Pool. The H&W Pools operations are financed through assessments of its members under the H&W General Assessment Formula. Each month, each member of the H&W Pool is assessed for the cost the H&W Pool incurred during the preceding month for the H&W Claims for such member's employees and for such member's share of Shared H&W Costs, including administrative expenses, 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 Stop-Loss Points. The first two Stop-Loss Points are 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 for an individual Employee's total medical claims for the year (H&W Pool Individual Stop Loss Point) or the H&W Claims Costs of all employees of all members for the year (H&W Pool Aggregate Stop Loss Point). For 2022, the H&W Pool Individual Stop-Loss Point was $365,000 per individual insured and the H&W Pool Aggregate Stop Loss Point was $22,793,900 for the combined H&W Claims Costs of all employees of all members of the H&W Pool.

Additionally, each H&W Pool Member's exposure to the H&W Claims Costs for its employees is further limited by another Stop-Loss point determined by the H&W Pool for its Members. Medical expenses that exceed the Member Stop-Loss Points become Shared H&W Claims and are assessed as Share H&W Costs which are paid by all H&W Pool Members. The Member Stop-Loss Points are calculated annually under the H&W Assessment Formula.

The total paid by H&W Pool for H&W Claims Costs in 2022 was $17,141,264 (including shared H&W Claims but excluding H&W Pool Operating Expenses).

The most recent Actuarial Report for the H&W Pool, dated February 10, 2023 estimated that the H&W Pool's incurred but not reported reserve liability for all H&W Pool Health Plans' Benefits (that is, all H&W Pool Members' medical, dental, vision and prescription drug benefits combined), as of December 31, 2022, was $1,207,077 (Total IBNR), the Claims Adjustment Expense (CAE) reserve is $36,212 and the total reserve with a 10% margin is $1,367,618. The report states that this number reflects the actuary's "… best estimates of the amount for which PURMS (i.e., the H&W Pool) would be liable if the benefit program had terminated on December 31, 2022. The net position of the H&W Pool as of December 31, 2022 was $1,775,090.

Under H&W assessment formula, the Monthly H&W Assessment of each Member pays for the H&W claims costs of the previous month and its allocation of Shared H&W costs to replenish the H&W Pool to the amount of the Designated H&W Poll Reserves.

Because the H&W Pool Program Liability is based on the Actuarial Report, and on the Administrator's calculations for prescription drug, dental and vision benefits, this provides no opinion and makes no representation as to the risk the known and IBNR Claims that make up that Program Liability pose to the solvency of the H&W Pool. However, as a contractual matter, since the interlocal agreement requires each Member participating in the H&W Pool to pay its H&W assessment on a monthly basis within (20) days of the date it is issued to fully replenish its share of the H&W Pool Reserves, assuming that these Assessments obligations of Members under the SIA are enforceable and that the Members are at the time solvent and pay such Assessments, the H&W Pool would have the assets to pay the Program Liability on behalf of each of its participating Members. Furthermore, this letter makes no representations relating to the solvency of any H&W Pool Member or its Health Plan, or the ability of the Member or Health Plan to pay its Assessments issued by H&W Pool.

NOTE 12 – CERTAIN ASSET RETIREMENT OBLIGATIONS

The District evaluated the assets of the Electric System, the Carson Water System, and the Underwood Water System for Asset Retirement Obligations (ARO). When reviewing the Electric System, the District did consider agreements with Energy Northwest related to the Columbia Generating Station, Nuclear Project #1, Nuclear Project #3 and Packwood Hydroelectric Project assets. It was determined these assets are not tangible assets to the District and therefore long-term liabilities related to asset retirement obligations are not included in the District's financials. Although the District will cover a portion of the costs if a facility was decommissioned, these costs would be recovered through rates charged to the District that may increase over time as a result of decommissioning costs. There are currently no plans to decommission or replace the assets. The District also considered the 580 distribution poles located within the electric system on Federal/State owned properties. The District does not own any transmission lines or power plants. The ARO is currently undeterminable as the District has no plans of retirement or removal of these assets. The retirement or removal would reduce the service territory.

The District did consider the Bear Creek Diversion Dam, Industrial Well, and Linde Well on the Carson Water System. The Bear Creek Diversion Dam is currently in good operating condition. The District would consider decommissioning in 20-30 years provided a replacement water source can be obtained. There are no current plans to decommission the Dam. Due to contractual obligations with the U.S. Department of Agriculture Forest Service to remove structures and restore the site, the District recognized an ARO in the amount of $240,997. Initial decommissioning estimated costs were received from Grayling Engineers and updated in 2022 using the Engineering News Record (ENR) index. Linde Well is an undeveloped well that is located on privately-owned land. Retirement costs are not likely as the lease agreement transfers ownership of the well upon termination. There are no immediate plans to decommission the Linde Well or Industrial Well. However, the District did recognize an ARO in the amount of $79,046 for the Industrial Well for decommissioning costs obligated by WAC 173-160-381. Initial decommissioning estimated costs were received from Grayling Engineers and updated in 2022 using the Engineering News Record (ENR) index. The Galligan Well, which provides source water for the Underwood system, was evaluated and there are no plans to retire or decommission the asset.

NOTE 13 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

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

Aggregate OPEB Amounts – All Plans		
OPEB liabilities	$	487,528
Deferred outflows of resources	$	84,938
Deferred inflows of resources	$	647,061
OPEB expenses/expenditures	$	50,965

The District provides the following OPEB plans:

Retiree VEBA Contribution Defined Benefit Plan
(explicit medical benefit)

The Plan is administered by the District as a single-employer defined benefit healthcare plan with a funding policy that is based on a pay-as-you-go basis. There are no assets accumulated in a qualifying trust.

All amendments to the Plan's benefits or funding policy, if any, would be implemented through board resolutions for non-union employees and negotiations with the International Brotherhood of Electrical Workers, Local Union 125 for union members.

Eligible Class of Employee	Employees with at least 15 years of service with the District as of February 16, 2019. Retirees will be required to sign annual attestation form sating they are not eligible to receive health benefits elsewhere.
Benefit Duration	Retirees with 15 to 19 years of service with the District as of February 16, 2019 are entitled up to 18 consecutive months of premium credits or until retiree reaches age 65. Retirees with 20 or more years of service with the District as of February 16, 2019 are entitled up to 54 consecutive months of premium credits or until retiree reaches age 65.
Benefit Amount	Monthly premium credit amount is $800/month, to be deposited to the retiree's VEBA account.

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active Employees	4
Total	7

Medical, Dental, and Vision Defined Benefit Plan
(implicit medical benefit)

The Plan is administered by the District as a single-employer defined benefit healthcare plan with a funding policy that is based on a pay-as-you-go basis. There are no assets accumulated in a qualifying trust.

All amendments to the Plan's benefits or funding policy, if any, would be implemented through board resolutions for non-union employees and negotiations with the International Brotherhood of Electrical Workers, Local Union 125 for union members.

Eligible Class of Employee	All classes of employees with 10 years of service with the District are eligible to continue Medical, Dental, and Vision coverage upon retirement. Retirees will be required to sign annual attestation form stating they are not eligible to receive health benefits elsewhere.
Dependent Eligibility	Qualified spouses, domestic partners, and children may qualify for coverage.
Benefit Duration	Coverage for retirees and eligible dependents may continue until the retiree is eligible to receive coverage outside of the District's plan (or until dependent children become ineligible).
Benefit Amount	There is an implicit subsidy with respect to retired employees

because the medical premium rates charged for coverage typically are less than actual expected retiree medical claims costs. This is due to medical premium rates being determined by blending both active employee and retiree experience.

Current Premiums

Medical Rates	Employee Only	Employee and Spouse	Employee and Child	Employee and Family	Medicare Rate
2022	$ 513.11	$ 1,026.22	$ 1,026.22	$ 1,539.33	$ 384.83

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active Employees	30
Total	35

Participant Statistics

	Explicit Benefit Eligible	Implicit Benefit Only	Total
Participate Statistics			
Active Participants			
Average Age	**51.2**	**42.7**	**43.9**
Average Service	**23.5**	**6.1**	**8.5**
Inactive Participates			
Average Age	**61.2**	**62.7**	**61.8**

Projected Benefit Payments

These projections are based on the census data, benefit provisions, and actuarial assumptions found in the Actuarial Valuation Report as of January 1, 2021 with a measurement date of December 31, 2022.

Fiscal Year Ending	Explicit Benefits	Implicit Benefits	Total
2021	$ 14,928	$ 35,997	$ 50,925
2022	30,301	42,388	72,689
2023	28,395	41,957	70,352
2024	23,872	33,517	57,389
2025	22,914	23,200	46,114
2026	6,824	27,791	34,615
2027	720	15,241	15,961

2028	1,120	18,835	19,955
2029	1,614	23,536	25,150
2030	2,233	11,216	13,449

Actuarial Methods and Assumptions

The District's engaged Independent Actuaries, Inc. to calculate the District's total OPEB liability for the fiscal year ending December 31, 2022. The District's net OPEB liability of $487,528 was measured as of December 31, 2022 with an actuarial valuation date of January 1, 2021. The Entry Age Normal Actuarial Cost Method was used in the calculation.

The total OPEB liability was determined using the following assumptions and methods:

I. Relevant Dates

Actuarial Valuation Date	January 1, 2021 Data was collected as of December 31, 2021 and benefits were valued as if the data was representative of data on January 1, 2021
Measurement Date	December 31, 2022
Fiscal Year Ends	December 31, 2022

II. Actuarial Cost Method — Entry Age Normal, level percent of salary.

III. Assumptions

Interest Rate for Discounting Future Liabilities	3.75% per year, based on all years discounted at municipal bond rate (based on corporate bond yields).
General Inflation	2.75% per year.
Payroll Growth	3.5% per year
Salary Merit Scale	Total payroll increase is overall payroll growth plus merit table below. Samples rates are as follows:

Service	PERS
0	6.00%
5	2.20%
10	0.70%
15	0.30%
20	0.10%
25	0.00%
26+	0.00%

Given that historical healthcare claims have consistently exceeded premiums in the self-insured plans, we have assumed different healthcare trend rates for premiums versus healthcare claims. The assumed increases for medical plan premiums are:

Year	Rate	Year	Rate
2021	Actual	2031	5.50%
2022	6.40%	2032	5.40%
2023	6.30%	2033	5.30%
2024	6.20%	2034	5.20%
2025	6.10%	2035	5.10%
2026	6.00%	2036	5.00%
2027	5.90%	2037	4.90%
2028	5.80%	2038	4.80%
2029	5.70%	2039	4.70%
2030	5.60%	2040	4.60%
		2041	4.50%

The assumed increases for the age-adjusted medical claim costs are:

Year	Rate	Year	Rate
2021	6.50%	2031	5.50%
2022	6.40%	2032	5.40%
2023	6.30%	2033	5.30%
2024	6.20%	2034	5.20%
2025	6.10%	2035	5.10%
2026	6.00%	2036	5.00%
2027	5.90%	2037	4.90%
2028	5.80%	2038	4.80%
2029	5.70%	2039	4.70%
2030	5.60%	2040	4.60%
		2041	4.50%

The initial rates in the tables above are based in part on the 2022 Segal Health Plan Cost Trend Survey. Rates are trended down in subsequent years in accordance with prevalent actuarial practice based in part on the Society of Actuaries – Getzen Long Term Healthcare Trends Resource Model, as updated October 2020.

The medical premium credit was assumed to stay the same in future years.

Mortality Rates

Active employees: PubG.H-2010 General Employee, sex distinct, projected fully generationally with scale MP-2017.

Survivors & Beneficiaries: PubG.H-2010 General Contingent Survivor, sex distinct, projected fully generationally with scale MP-2017.

Healthy Retirees: PubG.H-2010 General Healthy Retiree, sex distinct, projected fully generationally with scale MO-2017.

Disabled Retirees: PubG.H-2010 General Disabled Retiree, sex distinct, projected fully generationally with scale MP-2017.

Turnover Rates

Generally as developed for the valuation of benefits under Washington PERS. Examples of turnover rates are as follows:

Service	Male	Female
0	26.00%	30.00%
5	6.00%	7.00%
10	4.00%	4.00%
15	3.00%	3.00%
20	2.00%	2.00%
25	1.50%	1.50%
26+	1.00%	1.00%

Disability Rates

As developed for the valuation of benefits under Washington PERS. Sample rates are as follows:

Age	Male	Female
20	0.00%	0.00%
40	0.02%	0.01%
60	0.60%	0.24%
80	0.00%	0.00%

Retirement Rates

Employees with fewer than 30 years of service are assumed to retire with rates as follows:

Age	Plan 2	Plan 3
50	0.0%	0.0%
51	0.0%	0.0%
52	0.0%	0.0%
53	0.0%	0.0%
54	0.0%	0.0%
55	1.0%	1.0%
56	1.0%	1.0%
57	2.0%	1.0%
58	2.0%	1.0%
59	4.0%	2.0%
60	5.0%	2.0%
61	8.0%	6.0%
62	15.0%	12.0%
63	20.0%	12.0%
64	40.0%	20.0%
65	35.0%	35.0%

Employees with 30 or more years of service are assumed to retire with rates as follows:

	Hired Before 5/1/2013		Hired After 5/1/2013	
Age	Plan 2	Plan 3	Plan 2	Plan 3
50	0%	0%	0%	0%
51	0%	0%	0%	0%
52	0%	0%	0%	0%

53	0%	0%	0%	0%
54	0%	0%	0%	0%
55	8%	4%	1%	1%
56	8%	4%	2%	1%
57	8%	4%	3%	2%
58	8%	5%	3%	2%
59	10%	10%	6%	4%
60	15%	12%	10%	8%
61	20%	15%	12%	10%
62	40%	35%	20%	17%
63	30%	25%	25%	20%
64	35%	30%	35%	30%
65	45%	45%	45%	45%

Participation

The following percentages of current active employees are assumed to be enrolled in a medical plan at retirement:

100% of active eligible for District-paid medical benefits and currently enrolled in a medical plan.

80% of actives not eligible for District-paid medical benefits and currently enrolled in a medical plan.

Plan Enrollment

Current and future retirees are assumed to remain enrolled in the plan in which they are currently enrolled, if any.

Marital Status

70% of future retirees electing coverage are assumed to cover a spouse as well. Males are assumed to be three years older than their female spouses. Actual marital status and ages as of the valuation date are used for current retirees, if available.

Coverage of Eligible Children

We have assumed no impact of dependent children on the implicit subsidy.

Health Care Claims Costs

2021 claims costs for an age 64 retiree or spouse are assumed to be $12,472.

Aging Factors

Aging factors are used to adjust the age 64 per capita claims cost. Percentages shown below age 64 reduce the claim cost.

Attained Age	**Factor**
Under 40	4.00% per year
40-44	3.75% per year
45-49	3.50% per year
50-54	3.00% per year
55-64	3.25% per year

Dental and Vision Costs

We have assumed no implicit subsidy due to dental or vision costs.

Integration with Medicare

We have assumed no implicit subsidy for retired participants who are Medicare eligible.

Changes since Prior Valuation

The interest rate for discounting future liabilities was changed to reflect municipal bond rates as of the first Measurement Date.

Demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Washington PERS.

Sensitivity Rates

The following presents the total OPEB liability of the District calculated using the current healthcare trend rates, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Baseline Trend	1% Increase
Total OPEB Liability	$ 441,849	$ 487,528	$ 541,771
Change from Baseline	(45,679)	-	54,243

The following presents the total OPEB liability of the District calculated using the discount rate of 3.75 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current rate.

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB Liability	$ 519,354	$ 487,528	$ 457,500
Change from Baseline	31,826	-	(30,028)

Changes in the Total OPEB Liability

The District's total OPEB liability with a measurement date of 12/31/2022 was calculated with an actuarial valuation date of 1/1/2021. The District's Change's in Total OPEB Liability are as follows:

Medical, Dental, and Vision & Retiree VEBA Contribution Defined Benefit Plan(s)	
Total OPEB Liability at 01/01/2022	$ 581,372
Service Cost	24,055
Interest	11,382
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other input	(56,592)
Benefit payments	(72,689)
Total OPEB Liability at 12/31/2022	$ 487,528

The District's most recent valuation as of 1/1/2021 was a full actuarial valuation. There were no changes to the benefits terms that impacted the measurement of the total OPEB liability since the prior measurement date. The total OPEB expense recognized for the year ended 12/31/2022 was $50,965.

Other changes of assumption since prior valuation:

- The interest rate for discounting future liabilities was changed to reflect municipal bond rates as of the Measurement Date.

- Demographic assumptions were revised to match (as closely as possible) those developed in the most recent experience study for Washington PERS.

At December 31, 2022, the District reported 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	$ 4,728	$ 149,619
Changes of assumptions	$ 80,210	$ 497.442
Payments subsequent to the measurement date	$ 0	$ 0
TOTAL	$ 84,938	$ 647,061

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	$ (86,402)
2024	$ (86,402)
2025	$ (86,402)
2026	$ (86,402)
2027	$ (86,402)
Thereafter	$ (130,112)

PUBLIC UTILITY DISTRICT NO. 1 OF SKAMANIA COUNTY
Schedule of Changes in Total OPEB Liability and Related Ratios
Medical, Dental & Vision & Retiree VEBA Contribution Defined Benefit Plan(s)
For the year ended December 31, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	20XX	20XX	20XX	20XX	20XX
Total OPEB liability - beginning	$ 581,372	$ 663,716	$ 649,848	$ 1,236,896	$ 1,107,488					
Service cost	24,055	34,901	33,884	45,407	36,617					
Interest	11,382	18,512	18,276	41,641	34,666					
Changes in benefit terms	0	0	0	94,583	0					
Differences between expected and actual experience	0	(182,867)	0	7,880	98,638					
Changes of assumptions	(56,592)	98,034	0	(743,327)	(40,513)					
Benefit payments	(72,689)	(50,925)	(38,291)	(33,232)	0					
Other changes				0	0					
Total OPEB liability - ending	487,528	581,371	663,717	649,848	1,236,896					
Covered-employee payroll	2,826,026	2,730,460	3,077,060	2,877,166	2,809,981					
Total OPEB liability as a % of covered payroll	17.25%	21.29%	21.57%	22.59%	44.02%					

Notes to Schedule:

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

1. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

2. For the year ended December 31, 2022, there were no significant changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions in the calculation of the OPEB liability.

3. For the year ended December 31, 2021, there were no significant changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions in the calculation of the OPEB liability.

4. The changes of assumptions for the year ended December 31, 2019 reflect the following:
Total OPEB liability was calculated for the year ended December 31, 2019 using a full actuarial valuation in lieu of the Alternative Measurement Method used to calculate the liability for the year ended December 31, 2018.

5. The changes of benefits for the year ended December 31, 2019 reflect the following:
Effective February 16, 2019, retirees with 15 to 19 years of services are entitled up to 18 consecutive months of premium credits or until retiree reaches age 65. Retirees with 20 or more years of service with the District are entitled up to 54 consecutive months of premium credit or until retiree reaches age 65. Monthly premium credit amount is $800/month, to be deposited to the retiree's VEBA account.

SKAMANIA COUNTY PUBLIC UTILITY DISTRICT #1
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plan 1
As of June 30, 2022
Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015	20xx	20xx
Employer's proportion of the net pension liability (asset)	%	0.019897%	0.019636%	0.018752%	0.020308%	0.019660%	0.020558%	0.020866%	0.020470%		
Employer's proportionate share of the net pension liability	$	554,006	239,802	662,047	780,915	878,022	975,493	1,120,602	1,070,771		
Covered payroll	$	3,071,100	3,162,729	2,862,893	2,856,147	2,622,183	2,592,448	2,496,944	2,346,093		
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	18.04%	7.58%	23.13%	27.34%	33.48%	37.63%	44.88%	45.64%		
Plan fiduciary net position as a percentage of the total pension liability	%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%		

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

Note 1: Information Provided
The district implemented GASB 68 for the year end December 31, 2015, therfore there is not data available for years prior to 2015.

SKAMANIA COUNTY PUBLIC UTILITY DISTRICT #1
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plan 2-3
As of June 30, 2022
Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015	20xx	20xx
Employer's proportion of the net pension liability (asset)	%	0.025874%	0.025231%	0.024421%	0.026222%	0.025236%	0.026443%	0.026738%	0.026438%		
Employer's proportionate share of the net pension liability (asset)	$	(959,610)	(2,513,414)	312,331	254,705	430,882	918,768	1,346,237	944,645		
Covered payroll	$	3,071,100	3,162,729	2,862,893	2,856,147	2,622,183	2,592,448	2,496,944	2,346,093		
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-31.25%	-79.47%	10.91%	8.92%	16.43%	35.44%	53.92%	40.26%		
Plan fiduciary net position as a percentage of the total pension liability	%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%		

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

Note 1: Information Provided
The district implemented GASB 68 for the year end December 31, 2015, therfore there is not data available for years prior to 2015.

SKAMANIA COUNTY PUBLIC UTILITY DISTRICT #1
Schedule of Employer Contributions
Public Employee's Retirement System Plan 1
For the year ended December 31, 2022
Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015	20xx	20xx
Statutorily or contractually required contributions	$	124,832	132,132	145,829	139,923	137,776	133,784	115,046	105,632		
Contributions in relation to the statutorily or contractually required contributions	$	(124,832)	(132,132)	(145,829)	(139,923)	(137,776)	(133,784)	(115,046)	(105,632)		
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0		
Covered payroll	$	3,325,655	3,064,234	3,038,960	2,828,247	2,720,714	2,738,255	2,411,867	2,415,968		
Contributions as a percentage of covered payroll	%	3.75%	4.31%	4.80%	4.95%	5.06%	4.89%	4.77%	4.37%		

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

Note 1: Information Provided
The district implemented GASB 68 for the year end December 31, 2015, therfore there is not data available for years prior to 2015.

SKAMANIA COUNTY PUBLIC UTILITY DISTRICT #1
Schedule of Employer Contributions
Public Employee's Retirement System Plan 2-3
For the year ended December 31, 2022
Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015	20xx	20xx
Statutorily or contractually required contributions	$	211,513	219,697	240,686	218,269	204,059	185,954	150,260	135,539		
Contributions in relation to the statutorily or contractually required contributions	$	(211,513)	(219,697)	(240,686)	(218,269)	(204,059)	(185,954)	(150,260)	(135,539)		
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0		
Covered payroll	$	3,325,655	3,064,234	3,038,960	2,828,247	2,720,714	2,738,255	2,411,867	2,415,968		
Contributions as a percentage of covered payroll	%	6.36%	7.17%	7.92%	7.72%	7.50%	6.79%	6.23%	5.61%		

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

Note 1: Information Provided
The district implemented GASB 68 for the year end December 31, 2015, therfore there is not data available for years prior to 2015.

Public Utility District No. 1 of Skamania County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Economic Development Cluster								
ECONOMIC DEVELOPMENT ADMINISTRATION, COMMERCE, DEPARTMENT OF	Economic Adjustment Assistance	11.307		-	5,241,875	5,241,875	-	1, 2, 3
			Total Economic Development Cluster:	**-**	**5,241,875**	**5,241,875**	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4584-DR-WA	5,622	-	5,622	-	1, 2, 3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4593-DR-WA	3,980	-	3,980	-	1, 2, 3
			Total ALN 97.036:	**9,602**	**-**	**9,602**	-	
			Total Federal Awards Expended:	**9,602**	**5,241,875**	**5,251,477**	**-**	

The accompanying notes are an integral part of this schedule.

Skamania County
Public Utility District
No 1

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the district's financial statements. The district uses the accrual basis of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

This district has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Program Costs

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the district's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Public Utility District No. 1
of Skamania County
Post Office Box 500 • Carson, WA 98610
Phone (509) 427-5126 • Fax (509) 427-8416
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CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

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

This schedule presents the corrective action planned by the District for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number:	**Finding caption:**
2022-001	The District did not have adequate internal controls to ensure accurate financial reporting.

Name, address, and telephone of District contact person:
Meagan Mikkonen,
P.O. Box 500 – Carson, WA 98610,
509.219.0140

Corrective action the auditee plans to take in response to the finding:
The District will continue to review GAAP and Uniform Guidance related to reporting requirements. The District will prepare and allow adequate time for review of the annual financial report.

Anticipated date to complete the corrective action:
Effective immediately (December 2023)

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.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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