Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Public Utility District No. 1 of Clallam County

For the period January 1, 2023 through December 31, 2023

Published July 1, 2024

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Office of the Washington State Auditor
Pat McCarthy

July 1, 2024

Board of Commissioners
Public Utility District No. 1 of Clallam County
Carlsborg, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Public Utility District No. 1 of Clallam 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 activities and condition.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

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Public Utility District No. 1 of Clallam County
January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Public Utility District No. 1 of Clallam 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 no 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
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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 Clallam County
January 1, 2023 through December 31, 2023

Board of Commissioners
Public Utility District No. 1 of Clallam County
Carlsborg, 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 Clallam County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 25, 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.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

June 25, 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 Clallam County
January 1, 2023 through December 31, 2023

Board of Commissioners
Public Utility District No. 1 of Clallam County
Carlsborg, 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 Clallam 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, 2023. 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, 2023.

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

Pat McCarthy, State Auditor

Olympia, WA

June 25, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No. 1 of Clallam County
January 1, 2023 through December 31, 2023

Board of Commissioners
Public Utility District No. 1 of Clallam County
Carlsborg, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Public Utility District No. 1 of Clallam County, as of and for the year ended December 31, 2023, 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 Clallam County, as of December 31, 2023, 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 June 25, 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

Pat McCarthy, State Auditor

Olympia, WA

June 25, 2024

FINANCIAL SECTION

Public Utility District No. 1 of Clallam County
January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

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Statement of Revenues, Expenses and Changes in Net Position – 2023
Statement of Cash Flows – 2023
Notes to the Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability (Asset) – PERS 1, PERS 2/3 – 2023
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2023
Schedule of Changes in Total OPEB Liability and Related Ratios – OPEB Retiree Medical Benefits – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2023
Notes to the Schedule of Expenditures of Federal Awards – 2023

The Management's Discussion and Analysis is designed to provide an overview and analysis of the financial activities of the Public Utility District No. 1 of Clallam County (District) for the year ended December 31, 2023. Information in this section should be used in conjunction with the basic financial statements and accompanying notes.

Overview of the Financial Statements

The District is a municipal corporation duly organized and existing under the laws of the State of Washington. The District operates and maintains three divisions: the Electric Division, the Water Division (consisting of nine water systems), and the Wastewater (Sewer) Division (consisting of four sewer systems). These three divisions are reported in a combined format in a single proprietary fund.

In accordance with the requirements set forth by the Governmental Accounting Standards Board (GASB), the District uses full accrual basis accounting in recognizing increases and decreases in economic resources where revenues are recognized when earned and expenses are recognized when incurred. The basic financial statements are comprised of:

- **Statement of Net Position:** This statement presents information on the District's assets, liabilities, deferred outflows and inflows of resources, and net position (equity) at year-end. Net position is separated into three categories: net investment in capital assets, net position–restricted and net position–unrestricted.
- **Statement of Revenues, Expenses and Changes in Net Position:** This statement reflects the transactions and events that have increased or decreased the District's total economic resources during the period. Revenues are summarized by major source. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction.
- **Statement of Cash Flows:** This statement reflects the sources and uses of cash separated into four categories of activities: operating, noncapital financing, capital and related financing, and investing. It provides insight into the District's ability to generate cash flow and to meet its obligations.

The notes to the financial statements, presented at the end of the basic financial statements, are considered to be an integral part of the District's presentation of financial position, results of operations, and changes in cash flow. The notes provide additional information that is necessary to obtain a full understanding of the data provided in the District's financial statements.

Condensed Statement of Net Position (in thousands)

	2023	2022	Increase (Decrease)	% Change
Assets and Deferred Outflows of Resources				
Current Assets	$ 75,732	$ 65,987	$ 9,745	14.8%
Capital Assets, net	188,944	183,298	5,646	3.1%
Other Assets	12,523	11,182	1,341	12.0%
Total Assets	277,199	260,467	16,732	6.4%
Deferred Outflows of Resources	4,578	4,577	1	0.0%
Liabilities and Deferred Inflows of Resources				
Current Liabilities	15,333	16,286	(953)	-5.9%
Noncurrent Liabilities	36,442	36,214	228	0.6%
Total Liabilities	51,775	52,500	(725)	-1.4%
Deferred Inflows of Resources	3,843	5,536	(1,693)	-30.6%
Net Position				
Net Investment in Capital Assets	152,622	147,373	5,249	3.6%
Restricted for:				
Debt Service	3,616	3,678	(62)	-1.7%
Rate Stabilization Fund*	-	4,145	(4,145)	-100.0%
Net Pension Asset	5,532	3,990	1,542	38.6%
Unrestricted	64,388	47,822	16,566	34.6%
Total Net Position	**$ 226,158**	**$ 207,008**	**$ 19,150**	**9.3%**

* Rate Stabilization no longer restricted due to change in financial policy in 2023.

Condensed Statement of Revenues, Expenses and Changes in Net Position (in thousands)

	2023	2022	Increase (Decrease)	% Change
Operating Revenues				
Utility Sales	$ 75,610	$ 78,018	$ (2,408)	-3.1%
Other	1,981	3,267	(1,286)	-39.4%
Non-Operating Revenues				
Interest Income	2,788	541	2,247	415.3%
Net Increase/(Decrease) in Fair Value of Investments	-	68	(68)	100.0%
Gain on Defeased Debt	-	354	(354)	100.0%
Other Income	2,303	754	1,549	205.4%
Total Revenues	82,682	83,002	(320)	-0.4%
Operating Expenses				
Purchased Resources	25,727	29,375	(3,648)	-12.4%
Operations, Maintenance, and Admin & General	23,498	23,558	(60)	-0.3%
Taxes and Depreciation Expense	15,777	15,535	242	1.6%
Non-Operating Expenses				
Interest Expense, Amortization, Debt Issuance/Defeasance	969	1,012	(43)	-4.2%
Other Expenses	84	413	(329)	-79.7%
Total Expenses	66,055	69,893	(3,838)	-5.5%
Income/(Loss) before Contributions	16,627	13,109	3,518	26.8%
Capital Contributions	2,523	2,603	(80)	-3.1%
Change in Net Position	19,150	15,712	3,438	21.9%
Beginning Net Position	207,008	191,296	15,712	8.2%
Ending Net Position	**$ 226,158**	**$ 207,008**	**$ 19,150**	**9.3%**

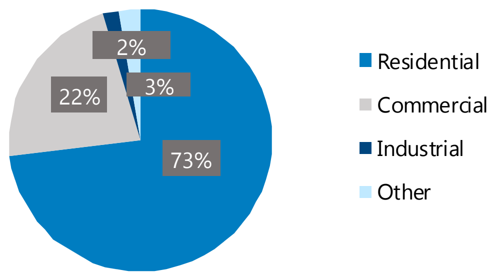
Financial Analysis

The District maintained a strong financial performance throughout 2023 despite warmer weather conditions impacting revenues and continuing challenges with rising costs in the wake of COVID-19 impacts. Over time, net position may serve as a useful indicator of an entity's financial position, and as the District met these challenges and optimized its financial resources, overall financial position and results of operations improved over 2022, with total net position increasing 9.3%. The following is a comparative analysis of the change in net position by major components of income and expense.

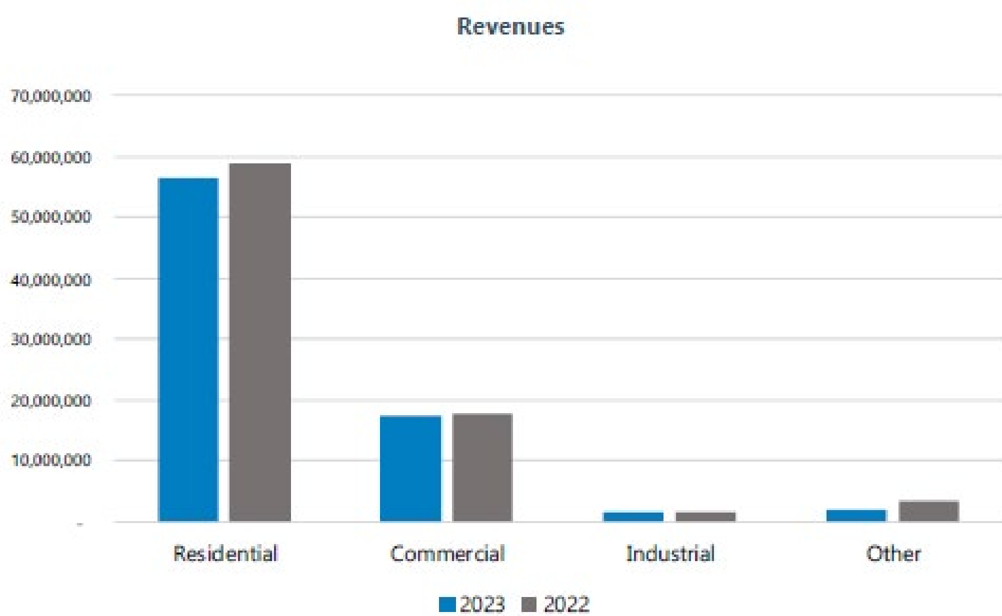
Operating Revenue

The District's operating revenues decreased in 2023 by 4.5% over 2022. In 2023, retail kWh sales for the Electric Division showed a decrease of 3.3% over 2022 while the Water Division had a 4.0% increase in cubic feet sold. Weather is the primary driver for energy usage within the District's service territory, and with warmer weather conditions in 2023 compared to 2022 registering at 1.71 degrees warmer on average over the heating months, total utility sales for the District decreased by $2.4 million despite increases in rates for the Water and Wastewater Divisions and a slight decrease in the kWh charge for the Electric Division. Decreases were seen over all retail rate classes as shown in the graph below except for industrial sales which held steady year over year. Residential customers make up the majority of the District's customer base attributing for 73% of operating revenues.

2023 Operating Revenues



Other operating revenue decreased year over year primarily due to a $1.4 million decrease in Energy Efficiency Incentive rebates provided by Bonneville Power Administrative (BPA) for conservation efforts. This decrease in 2023 was due to targets being met in 2022 for the rate period. The District's electric customers increased by 202 billable meters, water customers increased by 35 billable meters, and wastewater customers remained unchanged in 2023.



Non-Operating Revenue

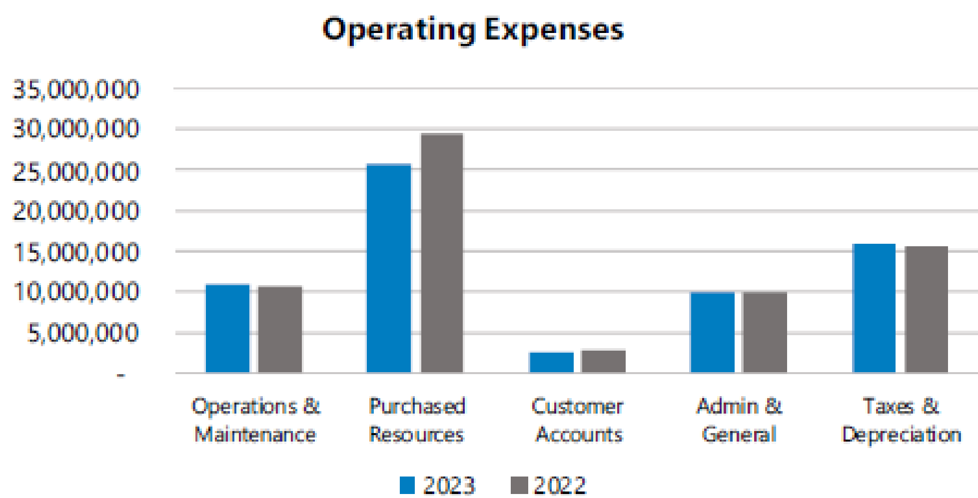
The District's non-operating revenue increased by $3.37 million in 2023. This increase was a result of two main factors. Interest income had a large increase year over year of $2.25 million due to an increase in funds invested and interest rates on investments improving throughout 2023. In addition, the District had

$1.89 million in miscellaneous grant revenue in 2023, a $1.43 million increase over 2022 primarily due to money received for storm events occurring in previous years as claims were finalized.

Operating Expenses

The District's operating expenses include purchased resources (power and water), operations and maintenance, customer accounts, taxes and depreciation, and administrative and general expenses. Purchased resources accounted for 40% of the District's operating expense in 2023 and is primarily made up of purchased power from BPA for the Electric Division providing 99.1% of its power purchases, and purchased water from the City of Port Angeles that services three of the Water Division's nine water systems.

During 2023, overall operating expenses decreased $3.5 million, a 5.1% decrease over 2022. The majority of this decrease was due to a decrease in energy purchases from BPA because of lower utility sales and credits on BPA billings due to BPA's positive operating results. This decrease was offset by minor increases in operations and maintenance, and administrative and general expenses due to a cost-of-living wage increase at the beginning of 2023 for non-represented employees and a renegotiated wage increase for represented line utility workers. Depreciation expense increased by $352 thousand in 2023 due to increases in utility plant in service for the Electric and Water Divisions. This was a 3.2% increase over 2022.



Non-Operating Expenses

Non-operating expenses decreased $372 thousand in 2023 primarily due to a loss on disposal of substation equipment recorded in 2022. In addition, interest expense decreased in 2023 by $43 thousand.

Capital Contributions

Revenue from capital contributions held steady in 2023 decreasing slightly by $80 thousand, a 3.1% decrease. The majority of the customer contributions were residential line extensions for individual customers for the Electric and Water Divisions. Along with contributions from individual customers, the Electric Division received some larger contributions for a development in Lavender Meadows in Sequim and a contribution for the work involving moving a line underground also in the Sequim area totaling $322 thousand.

Summary of Financial Position

In summary, the financial condition of the District improved during 2023 over 2022. The overall increase to net position for 2023 was $19.1 million leaving the District with an ending net position of $226 million.

District management monitors the effectiveness of its financial operations by evaluating the metrics of its Board adopted financial policy. The metrics of the policy provide benchmarks that foster financial stability and fiscal responsibility to the District's ratepayers. The financial metrics are as follows:

- Maintain operating cash reserves at or above 120 days cash on hand with a target of 180 days
- Maintain a Debt Service Coverage Ratio (DSCR) of 2.0x or greater
- Maintain a debt to asset ratio of 40% or less
- Maintain a rate stabilization fund equal to the District's minimum debt service coverage target of 1.25x

All metrics of the financial policy were met for 2023 and further support the objectives of the District's strategic plan.

There were no significant restrictions, commitments, or other limitations that would affect the availability of resources for future use in 2023 and 2022.

Capital Asset and Long-Term Debt Activity

Capital Assets

At the end of 2023, the District had total Net Capital Assets of $189 million, a 3.1% increase over 2022. Projects in the Electric Division included pole replacements, underground replacements and transmission rebuilds. Major projects capitalized for the Electric Division included the rebuild of the Forks 1 & 2 Substations capitalized at a cost of $1.9 million, the completion of a project to extend 3-phase to Lake Sutherland Road west of Port Angeles in the amount of $540 thousand, and completing an underground feeder tie in the Sequim area at a cost of $539 thousand. Capitalized projects for the Water Division included upgrades to water mains and services throughout all water systems. Major projects capitalized for the Water Division included the rebuild of an aging water main located in Clallam Bay/Sekiu for $785 thousand and the relocation of a main at the Bagley Creek Crossing capitalized at a cost of $565 thousand. Construction work in progress had a $330 thousand decrease for the year as major projects were capitalized. For the Electric Division, work moved forward on the installation of a switching station and for the Water Division, work continued on the Clallam Bay infrastructure replacement projects.

Capital Assets (in thousands)

	2023	2022	Increase (Decrease)	% Change
Land and Non-Depreciable Intangible Plant	$ 3,781	$ 3,774	$ 7	0.2%
Utility Plant in Service	343,975	329,396	14,579	4.4%
Construction Work In Progress	11,167	11,497	(330)	-2.9%
Accumulated Depreciation	(169,979)	(161,369)	(8,610)	5.3%
			-	
Total Net Capital Assets	$ 188,944	$ 183,298	$ 5,646	3.1%

Additional information on the District's capital assets is presented in Note 3.

Long-Term Debt

The District's long-term debt increased by 2.4% in 2023. This was an increase of $823 thousand. The Electric Division incurred no new debt in 2023 and continued to make payments on their outstanding bond issues.

The Water Division drew $4.4 million on its 2021 Public Works Board loan in 2023. The funds were used for infrastructure upgrades to the Clallam Bay/Sekiu area.

At the end of 2023, the District had $26.8 million in bonds outstanding including unamortized premiums and $8.9 million in drinking water loans outstanding.

Long-Term Debt (in thousands)

	2023	2022	Increase (Decrease)	% Change
Long-Term Debt	$ 35,671	$ 34,848	$ 823	2.4%

More detailed information regarding the District's long-term debt is presented in Note 8.

Bond Ratings

The District's credit rating was affirmed by Moody's at Aa3 during their last review in 2022.

Requests for Financial Information

Please direct questions relating to this financial report or additional financial information to the District's Controller at PO Box 1000, Carlsborg, WA 98324.

PUBLIC UTILITY DISTRICT #1 OF CLALLAM COUNTY

STATEMENT OF NET POSITION

As of December 31, 2023

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)		
Unrestricted Cash and Cash Equivalents	$	37,851,508
Restricted Debt Service Funds		2,119,465
Investments (Note 2)		12,652,418
Customer Accounts Receivable, Net		5,911,281
Other Accounts Receivable, Net		301,201
Accrued Unbilled Revenues		2,788,337
Inventory-Materials and Supplies		13,025,021
Prepayments		1,049,512
Interest Receivable		32,824
Total Current Assets		**75,731,567**
NONCURRENT ASSETS		
Cash and Cash Equivalents - Restricted Debt Service Reserve Funds (Note 2)		1,764,463
Investments (Note 2)		5,266,877
Note Receivable, Other		994,242
Net Pension Asset (Note 9)		4,405,961
Preliminary Surveys		91,819
Utility Plant (Note 3)		
Land and Non-depreciable Intangible Plant		3,780,684
Utility Plant in Service		343,190,020
Right-to-Use Assets		785,352
Construction Work in Progress		11,166,747
Less: Accumulated Depreciation		(169,979,012)
Total Utility Plant, Net		188,943,791
Total Noncurrent Assets		201,467,153
TOTAL ASSETS	**$**	**277,198,720**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow-Pension (Note 9)		3,611,280
Deferred Outflow-OPEB (Note 10)		841,646
Deferred Outflow-Loss on Refunding		124,735
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$**	**4,577,661**
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$	5,447,108
Customer Deposits		1,481,237
Accrued Taxes		1,753,680
Accrued Interest Payable		305,378
Other Credits and Liabilities, Current Portion (Note 7)		2,836,406
Total OPEB Liability, Current Portion (Note 10)		61,401
Revenue Bonds and Direct Borrowings, Current Portion (Note 8)		3,448,251
Total Current Liabilities		**15,333,461**
NONCURRENT LIABILITIES		
Revenue Bonds and Direct Borrowings (Note 8)		32,222,620
Other Credits and Liabilities (Note 7)		870,920
Total OPEB Liability (Note 10)		1,445,101
Net Pension Liability (Note 9)		1,902,954
Total Noncurrent Liabilities		**36,441,595**
TOTAL LIABILITIES	**$**	**51,775,056**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows-Pension (Note 9)		2,469,719
Deferred Inflows-OPEB (Note 10)		1,373,726
TOTAL DEFERRED INFLOWS OF RESOURCES	**$**	**3,843,445**
NET POSITION		
Net Investment in Capital Assets		152,621,669
Restricted For:		
Debt Service		3,616,130
Net Pension Asset		5,532,508
Unrestricted		64,387,573
TOTAL NET POSITION	**$**	**226,157,880**

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

PUBLIC UTILITY DISTRICT #1 OF CLALLAM COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended December 31, 2023

OPERATING REVENUES		
Utility Sales	$	75,609,631
Other Operating Revenues		1,980,779
TOTAL OPERATING REVENUES		**77,590,410**
OPERATING EXPENSES		
Purchased Power (Note 12)		25,446,689
Purchased Water (Note 12)		279,880
Systems Operations		5,236,470
Maintenance		5,800,810
Customer Accounting and Information		2,849,829
Administrative & General Expense		9,610,578
Taxes		4,271,991
Depreciation and Amortization on Capital Assets		11,504,869
TOTAL OPERATING EXPENSES		**65,001,116**
NET OPERATING INCOME		**12,589,294**
NON-OPERATING REVENUES AND EXPENSES		
Interest Income		2,788,426
Interest and Amortization on Long-Term Debt		(969,078)
Gain on Insurance Recovery		5,349
COVID-19 Non-Grant Revenue (Note 16)		77,460
COVID-19 Non-Grant Expense (Note 16)		(77,460)
Other Non-Operating Revenue (Expense)		167,911
Miscellaneous Grant Revenue (Note 15,16)		1,893,406
Gain/(Loss) on Sale/Retirement of Plant		151,300
TOTAL NON-OPERATING REVENUES AND EXPENSES		**4,037,314**
CAPITAL CONTRIBUTIONS		2,522,771
CHANGE IN NET POSITION		**19,149,379**
Net Position, Beginning of the Year		207,008,501
NET POSITION, ENDING	**$**	**226,157,880**

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

PUBLIC UTILITY DISTRICT #1 OF CLALLAM COUNTY

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 79,960,237
Cash Paid to Suppliers	(38,425,418)
Cash Paid to Employees	(16,757,140)
Taxes Paid	(4,341,740)
Other Cash Receipts/(Payments)	52,830
Net Cash Provided From Operating Activities	**20,488,769**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grant Revenue-Storm Damage Recovery	1,352,355
COVID-19 Non-Grant Revenue	77,460
COVID-19 Non-Grant Expense	(77,460)
Proceeds from Bank Rebates	26,874
Proceeds from Insurance Recovery	5,349
Note Receivable-NoaNet	(994,242)
Net Cash Provided by Noncapital Financing Activities	**390,336**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Utility Plant	(16,725,454)
Proceeds from Sale of Utility Plant	168,588
Principal Paid on Capital Debt	(3,279,213)
Interest Paid on Capital Debt	(1,111,763)
Principal and Interest Paid on Liability for Right-To-Use Assets	(289,191)
Contributions in Aid of Construction	1,977,167
Proceeds from Revenue Bond/Drinking Water Loans/Public Works Loan	4,365,416
Proceeds from Insurance Recovery	28,521
Grant Revenue-Storm Damage Recovery	831,428
Grant Revenue-Other	103,721
Net Cash Used by Capital and Related Financing Activities	**(13,930,780)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	2,755,734
Investments-Purchased	(6,827,889)
Net Cash Provided by Investing Activities	**(4,072,155)**
NET INCREASE (DECREASE) IN CASH	**2,876,170**
Cash and Cash Equivalents - Beginning of the Year	38,859,266
Cash and cash equivalents - End of the Year	**$ 41,735,436**

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

PUBLIC UTILITY DISTRICT #1 OF CLALLAM COUNTY

STATEMENT OF CASH FLOWS (CONTINUED)

Continued

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	$ 12,589,293
Adjustments to reconcile Operating Income To Net Cash Provided by Operating Activities	
Add (Deduct):	
Depreciation	11,504,869
Other Operating (Receipts) Payments	52,830
Change in Accounts Receivable	625,137
Change in Unbilled Revenues	1,718,691
Change in Other Receivables	92,784
Change in Materials	(3,453,813)
Change in Prepayments	369,682
Change in Deferred Charges	29,991
Change in Accounts Payable	(900,512)
Change in Customer Deposits	99,860
Change in Accrued Taxes	(69,749)
Change in Accrued Liabilities	99,078
Change in Other Post-Employment Benefits (OPEB)	(49,525)
Change in Pension Expense(Credit) (GASB 68)	(2,159,074)
Change in Unearned Revenues	(60,773)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 20,488,769**

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES

- Customer installed services brought into plant and included in Capital Contributions totaled $91,376 and had no effect on cash.
- Loss on disposal of plant included $17,576 with no cash effect in 2023

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

PUBLIC UTILITY DISTRICT #1 OF CLALLAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Public Utility District No. 1 of Clallam County (District) is a municipal corporation providing electric, water, and wastewater (sewer) service. The District was voted into existence on November 5, 1940. In July 1944 the District acquired electric facilities and began providing service. In the following year, the District began providing water service and in 1990 began providing sewer utility service.

The District is governed by a three-member board of elected commissioners and is comprised of an electric system, nine water systems, and four sewer systems. The accompanying combined financial statements include the financial position of the Electric, Water and Wastewater Divisions and the results of their operations. For the purpose of these statements, all interdivisional transactions for services rendered between the divisions have been eliminated upon consolidation.

As required by Generally Accepted Accounting Principles (GAAP), management has considered all potential component units in defining the reporting entity. The District has no component units. The following is a summary of the more significant accounting policies used in the preparation of the District's financial statements:

A. Basis of Accounting and Presentation

The accounting policies of the District conform to GAAP as applicable to proprietary funds of governments. The District adheres to the accounting standards and pronouncements of the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for governmental entities. The following GASB accounting statements were evaluated and adopted in 2023.

GASB Statement No. 94 – In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*. This standard provides clarification for accounting and financial reporting related to these type of arrangements by establishing definitions for PPPs and APAs and providing uniform guidance on accounting and financial reporting for these types of transactions. The District adopted the provisions of Statement No. 94 in 2023 although it had no impact to the District's reporting.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs).* The objective of this statement is to enhance consistency in accounting and financial reporting by requiring governmental entities to recognize a right-to-use subscription asset and corresponding subscription liability for such contracts with a specified term. The District adopted the provisions of GASB Statement No. 96 in 2023 and are reflected in the financial statements.

Accounting records are maintained in accordance with methods prescribed by the Washington State Auditor's Office under the authority of Revised Code of Washington (RCW) 43.09 and the Uniform System of Accounts for public utilities and licensees as published by the Federal Energy Regulatory Commission (FERC). The District uses the full accrual basis of accounting recognizing revenues when earned and expenses as incurred.

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the principal operations of the District. All other revenues and expenses are reported as non-operating revenues and expenses.

B. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of less than three months from the date of acquisition and are investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value due to market forces.

The District considers all deposits with the Washington State Treasurer's Local Government Investment Pool (LGIP) cash and cash equivalents. Since the pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

It is the District's policy to record investments at fair value. For various risks related to the investments see Note 2.

C. Restricted Assets

In accordance with bond resolutions, related agreements and the District's adopted financial policy, separate restricted accounts have been established. These assets are restricted for specific uses including bond reserve and debt service coverage. These are classified as current or noncurrent assets as appropriate. When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as needed. In 2023, the District's rate stabilization fund previously classified as restricted was moved to unrestricted due to a change in the District's financial policy.

D. Accounts Receivable

Management reviews accounts receivable and provides for estimated uncollectible accounts using the percentage-of-receivables method. This reserve percentage is reviewed annually for adequacy. Accounts deemed uncollectible after a required period of time are approved monthly by the Board of Commissioners for write-off. Customer accounts receivable is presented in the Statement of Net Position net of the provision for uncollectible account balance. The District's provision for uncollectible accounts was $90,722 as of December 31, 2023.

Customer accounts receivable contain credit balances for advance payments, primarily from Average Payment Plan residential customers. The total dollar amount of the credit balances was $694,956 at December 31, 2023 and has been reclassified as accounts payable.

E. Inventories

Inventories are valued at average cost.

F. Utility Plant and Depreciation

Utility Plant assets are recorded at cost and include both direct and indirect costs of construction or acquisition. The District's capitalization threshold for non-infrastructure plant is $5,000 with a useful life of greater than one year. All costs related to infrastructure are capitalized. The cost of maintenance and repairs is expensed as incurred; replacements and improvements are capitalized.

The District, beginning with the adoption of GASB Statement No. 87, *Leases* in 2022, has capitalized existing and new leases accordingly as Right-To-Use Lease Assets and amortizes them over the life of the lease. In addition, with the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* in 2023, the District has capitalized subscription-based IT software as Right-to-Use Subscription-Based IT Arrangements and amortizes them over the life of the subscription.

Composite depreciation rates are used for groups of infrastructure assets and, accordingly, no gain or loss is recorded on the retirement of an asset unless it represents a major retirement. Initial depreciation on utility plant is recorded in the month subsequent to purchase or completion of construction. Property, plant and equipment are depreciated based on the straight-line method over estimated useful lives with the ranges summarized in the table below.

Depreciation Ranges	
Electric Plant—Generation	20-25 Years
Electric Plant—Transmission	20-40 Years
Electric Plant—Distribution	15-40 Years
Electric Plant—General	3-50 Years
Electric Plant—Right-To-Use Lease Assets	2-10 Years
Electric Plant—Right-To-Use Subscription Assets	2-5 Years
Water Plant—Distribution	5-50 Years
Water Plant—General	2-40 Years
Wastewater Plant—Collection & Transmission	10-50 Years

As prescribed by FERC, utility plant assets are retired or otherwise disposed of at cost plus cost of removal less salvage and recorded to accumulated depreciation. For additional information on plant assets see Note 3.

G. <u>Leases</u>

When the District is a lessee in a non-cancellable lease of real property or equipment valued at $5,000 or more, it recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. At the commencement of a lease, the District measures the lease liability at a present value of payments expected to be made during the lease term and then reduces the liability when principal payments are made. The lease asset is also recorded at the present value of payments to be made after commencement plus any additional costs necessary to place the asset in service and is then amortized on a straight-line basis over the lease term. Lease assets are reported as noncurrent assets and lease liabilities are included with Other Credits and Liabilities on the Statement of Net Position. The District is currently a lessee of real properties and equipment.

In the case when the District is a lessor and the underlying assets are owned and have been recorded in noncurrent assets, a lease receivable is recorded and a new deferred inflow of resources representing future payments is recorded if the value of the receivable is $5,000 or more. Lease payments are comprised of the rental amount and interest income and as they are made, the lease receivable is reduced. The District is currently a lessor of real property and utility plant, but none of the agreements are subject to treatment under GASB 87.

If the interest rate charged by the lessor is not provided, or when the District is the lessor, the District's incremental borrowing rate is used as the discount rate. The lease term includes the non-cancellable period of the lease, including options to extend if reasonably expected to do so, and must be more than one year.

H. Subscription-Based Information Technology Arrangements (SBITAs)

When the District enters into software subscription agreements valued at $5,000 or more and lasting longer than one year, it recognizes a SBITA liability and a right-to-use SBITA asset in the financial statements. At the commencement of a SBITA, the District measures the liability at a present value of payments expected to be made during the agreement term and then reduces the liability when principal payments are made. The SBITA asset is also recorded at the present value of payments to be made after commencement plus any additional costs necessary to place the SBITA in service and is then amortized on a straight-line basis over the SBITA term. SBITA assets are reported with noncurrent assets and SBITA liabilities are included with Other Credits and Liabilities on the Statement of Net Position.

If the interest rate charged by the subscription vendor is not provided, the District's incremental borrowing rate is used as the discount rate. The SBITA term includes the non-cancellable period of the subscription, including options to extend, and must be more than one year.

I. Preliminary Survey Charges

Costs incurred for proposed projects are recorded as Preliminary Survey Charges pending the decision to move forward with the project. Charges related to projects ultimately constructed are transferred to utility plant; charges related to projects abandoned are charged to expense. The Preliminary Survey Charges are presented as noncurrent assets in the Statement of Net Position. As of December 31, 2023, the charges totaled $91,819. Major pending projects include a water storage project for the Evergreen water system and the Morse Creek diversion transfer in the Fairview water system.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting under this category:

- Deferred loss on refunding
- Deferred actuarial amounts related to pensions and other post-employment benefits

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred actuarial amounts related to pensions and other post-employment benefits

K. Compensated Absences

Employees earn Paid Time Off (PTO) as a benefit of their employment. The District presents accrued PTO in Other Credits and Liabilities on the Statement of Net Position. Employees earn PTO in accordance with length of employment, and per District policy, PTO may accumulate to no more than 1,000 hours and is payable upon separation of service. As of December 31, 2023, the District's PTO liability was $1,903,809. A Compensatory Time Bank (CTB) is available to all non-exempt employees and runs yearly from May 1 to April 30. Maximum accumulation in the CTB is 80 hours per year and is solely comprised of up to 40 overtime hours. Any hours remaining in the CTB at April 30 are cashed out at the employee's current rate of pay. The balance in the CTB at December 31, 2023 was $16,161.

L. Debt Premium and Discount

Original issue bond premiums and discounts relating to revenue bonds are amortized over the lives of the respective bond issues using the straight-line method. Unamortized premiums and discounts offset the debt outstanding balance. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities,* losses on debt refundings have been deferred and amortized over the shorter of the remaining life of the old or new debt.

M. Revenue Recognition and Unbilled Revenues

Revenues are based on monthly cyclical customer billings. This system of billing results in earned but unbilled revenues at year-end, which are included in the financial statements. Estimated earned but unbilled revenues were $2,788,337 as of December 31, 2023.

N. Capital Contributions

Capital contributions from customers consist mainly of line and service extension fees. They are typically recorded as advances for construction in Other Credits and Liabilities when received and reclassified to revenue when the related project is completed. The District also receives Capital Facilities and Capital Maintenance fees from Water Division customers that are recorded directly to capital contributions at the time customers sign up for service. The District reported capital contributions on the Statement of Revenues, Expenses and Changes in Net Position of $2,522,771 for the year ended December 31, 2023. In 2023, contributions reported by the Electric Division were $2,101,290. The Water Division had contributions of $413,739 and the Wastewater Division had contributions of $7,742.

O. Pensions

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

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

P. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Specific estimates include allowance for doubtful accounts, unbilled revenue, depreciation, and pension and other post-employment benefit obligations. Actual results may differ from those estimates.

Q. Federal and State Assistance

In 2023, the District was awarded funding from multiple agencies primarily for assistance with storm recovery and water infrastructure projects. Projects funded by grants were conducted on a cost reimbursement basis. These funds are shown in the Non-Operating Revenues and Expenses section of the Statement of Revenues, Expenses and Changes in Net Position. See Notes 15 and 16 for further information.

R. Significant Risks and Uncertainties

The District is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include interest rates, weather and natural disaster-related disruptions, collective bargaining labor disputes, changing local and national economic conditions, the financing and completion of significant capital projects, changing federal and state laws, regulations and requirements associated with operations and power procurement, and price risks inherent in the purchase of power.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Cash on hand at December 31, 2023 was $3,200. The carrying amount of the District's deposits was $41,732,236.

Custodial Credit Risk – For a deposit, this is the risk that, in the event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposits and certificates of deposit

(CD) are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The District does not have a deposit policy for custodial credit risk.

As required by state law, all District cash is deposited with Washington state banks and savings and loan institutions or invested in obligations of the U.S. Government or governmental agencies, the Washington State Local Government Investment Pool (LGIP), or other investments allowed by RCW 39.59. The District's Investment Policy prohibits investments in banker's acceptances and repurchase agreements.

Investments

The District's investments are subject to the following risks:

Interest Rate Risk – The risk that the District may face should interest rate variances affect the fair value of investments. The District's investment policy requires matching investment maturities with the anticipated cash flow requirements. The policy limits the weighted average maturity of the overall portfolio to three years or less without the prior written approval of the Treasurer excluding bond reserve funds.

As of December 31, 2023, the average maturity of the investments are as follows:

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years
Bank CDs	17,919,295	12,652,418	5,266,877
Total	$ 17,919,295	$ 12,652,418	$ 5,266,877

Concentration of Credit Risk – The risk of loss attributable to the magnitude of an investment in a single issuer. The District's investment policy requires diversification of investments by institution with the exception of the U.S. Treasury and the District's operating accounts.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's Investment Policy conforms with state law, which restricts investments of public funds to the following:

- Debt securities and obligations of the U.S. Treasury, U.S. government agencies and certain other U.S. government sponsored corporations
- CDs and other evidences of deposit at financial institutions qualified by the PDPC
- Investment-grade general obligation debt of state and local governments and public authorities
- Washington State Treasurer's Local Government Investment Pool (LGIP)

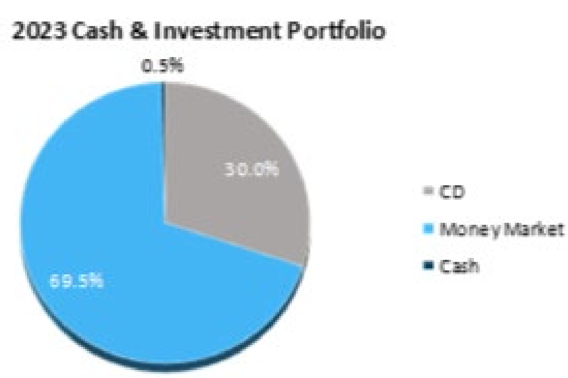
At December 31, 2023, the District held investments in bank CDs only. The District has a third-party safekeeping agreement for investments through U.S. Bank when such investments are in effect.

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

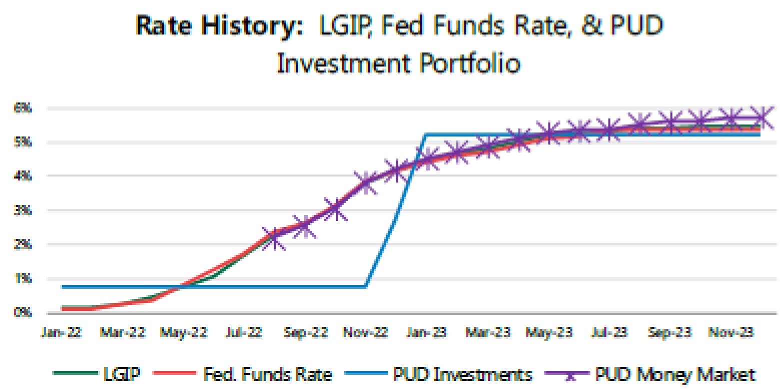
Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

As of December 31, 2023, District funds remained with local banks only. As illustrated by the graph entitled *Rate History: LGIP, Fed Funds Rate, & PUD Investment Portfolio*, rates started an upward climb in March of 2022. The District's investments have kept pace with rising interest rates through the continued utilization of bank money market accounts which were matching the performance of the LGIP. Similar to the LGIP, the money market accounts permit withdrawal of cash at any time without prior notice or penalty.



Some funds were invested in CDs in December 2022 and January 2023, which will reach maturity in 2024 and 2025 respectively. Initially these accounts provided higher interest earnings than the money market accounts, but over time the money market rate surpassed that of the CDs.



Fair Value – When applicable, the District's investments on the Statement of Net Position are adjusted to reflect available fair values as of the end of the year which are obtained from available financial industry valuation services. The calculation of realized gains and losses on investments is independent of the calculation of the change in the fair value of investments, and realized gains and losses in the current year include unrealized gains and losses from prior years. The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

All of the District's fair value measurements are classified as Level 1.

Summary of Deposits and Investment Balances

As of December 31, 2023, the District had $59,654,731 in deposits and investments.

Deposit or Investment Type	Maturities	Fair Value
Cash in Banks and Working Funds		41,735,436
Bank CD	2/26/2024	6,284,881
Bank CD	2/29/2024	3,183,721
Bank CD	2/29/2024	3,183,816
Bank CD	12/8/2025	5,266,877
Total		**$ 59,654,731**

Reconciliation of Statement of Net Position	
Unrestricted	
Cash and Cash Equivalents	37,851,508
Investments	17,919,295
Restricted	
Debt Service Fund	2,119,465
Debt Service Reserve Fund	1,764,463
Total	**$ 59,654,731**

NOTE 3 –UTILITY PLANT AND DEPRECIATION

Utility Plant activity for the year ending December 31, 2023, was as follows:

	Balance 12/31/2022	Increases	Decreases	Balance 12/31/2023
Electric Plant Assets				
Utility Plant Not Being Depreciated				
Land	**$ 3,233,138**	**$ 6,652**	**$ -**	**$ 3,239,790**
Construction Work In Progress	**7,091,675**	**9,259,955**	**(12,605,510)**	**3,746,120**
Utility Plant Being Depreciated				
Transmission	24,285,822	1,034,406	(165,699)	25,154,529
Distribution	200,218,147	13,779,697	(2,951,332)	211,046,512
General Plant	63,264,371	1,286,710	(489,983)	64,061,098
Right-To-Use Lease Assets	439,494	27,495	(7,857)	459,132
Right-To-Use Subscription-Based IT Arrangements	-	326,220		326,220
Other	225,880	-	-	225,880
Subtotal	**288,433,714**	**16,454,528**	**(3,614,871)**	**301,273,371**
Less Accumulated Depreciation				-
Transmission	(7,207,498)	(819,646)	167,592	(7,859,552)
Distribution	(108,591,786)	(7,535,404)	3,092,778	(113,034,412)
General Plant	(30,177,292)	(2,768,785)	542,096	(32,403,981)
Right-To-Use Lease Assets	(77,481)	(77,922)	5,238	(150,165)
Right-To-Use Subscription-Based IT Arrangements	-	(143,449)		(143,449)
Other	(36,997)	(8,856)	-	(45,853)
Total Accumulated Depreciation	**(146,091,054)**	**(11,354,062)**	**3,807,704**	**(153,637,412)**
Net Electric Plant	**$ 152,667,473**	**$ 14,367,073**	**$ (12,412,677)**	**$ 154,621,869**
Water Plant Assets				
Utility Plant Not Being Depreciated				
Land & Intangible Plant	**$ 509,789**	**$ -**	**$ -**	**$ 509,789**
Construction Work In Progress	**4,404,493**	**4,887,558**	**(1,872,103)**	**7,419,948**
Utility Plant Being Depreciated				
Transmission & Distribution	38,355,741	1,875,945	(199,491)	40,032,195
General Plant	1,660,491	62,459	-	1,722,950
Subtotal	**40,016,232**	**1,938,404**	**(199,491)**	**41,755,145**
Less Accumulated Depreciation				
Transmission & Distribution	(13,558,599)	(1,042,179)	123,101	(14,477,677)
General Plant	(1,150,970)	(125,527)	-	(1,276,497)
Total Accumulated Depreciation	**(14,709,569)**	**(1,167,706)**	**123,101**	**(15,754,174)**
Net Water Plant	**$ 30,220,945**	**$ 5,658,256**	**$ (1,948,493)**	**$ 33,930,708**

(continued from prior page)	Balance 12/31/2022	Increases	Decreases	Balance 12/31/2023
Wastewater Plant Assets				
Utility Plant Not Being Depreciated				
Land & Intangible Plant	**$ 31,105**	**$ -**	**$ -**	**$ 31,105**
Construction Work In Progress	**680**	**-**	**-**	**680**
Utility Plant Being Depreciated				
Collection and Transmission	946,856	-	-	946,856
Subtotal	**946,856**	**-**	**-**	**946,856**
Less Accumulated Depreciation				
Collection and Transmission	**(568,749)**	**(18,678)**	**-**	**(587,427)**
Net Wastewater Plant	**$ 409,892**	**$ (18,678)**	**$ -**	**$ 391,214**
Total Utility Plant				
Utility Plant Not Being Depreciated				
Land & Intangible Plant	**$ 3,774,032**	**$ 6,652**	**$ -**	**$ 3,780,684**
Construction Work In Progress	**11,496,848**	**14,147,512**	**(14,477,613)**	**11,166,747**
Utility Plant Being Depreciated				
Transmission-Electric/Sewer	25,232,678	1,034,406	(165,699)	26,101,385
Distribution-Electric/Water	238,573,888	15,655,642	(3,150,823)	251,078,707
General Plant-Electric/Water	64,924,862	1,349,169	(489,983)	65,784,048
Right-To-Use Lease Assets	439,494	27,495	(7,857)	459,132
Right-To-Use Subscription-Based IT Arrangements	-	326,220	-	326,220
Other-Electric	225,880	-	-	225,880
Subtotal	**329,396,802**	**18,392,932**	**(3,814,362)**	**343,975,372**
Less Accumulated Depreciation				
Transmission-Electric/Sewer	(7,776,247)	(838,324)	167,592	(8,446,979)
Distribution-Electric/Water	(122,150,385)	(8,577,582)	3,215,879	(127,512,088)
General Plant-Electric/Water	(31,328,262)	(2,894,312)	542,096	(33,680,478)
Right-To-Use Lease Assets	(77,481)	(77,922)	5,238	(150,165)
Right-To-Use Subscription-Based IT Arrangements	-	(143,449)	-	(143,449)
Other-Electric	(36,997)	(8,856)	-	(45,853)
Total Accumulated Depreciation	**(161,369,372)**	**(12,540,445)**	**3,930,805**	**(169,979,012)**
Total Combined Utility Plant, Net	**$ 183,298,310**	**$ 20,006,651**	**$ (14,361,170)**	**$ 188,943,791**

In compliance with GASB 87, the right-to-use lease asset category was added for FY 2022. Right-to-use assets include leases for the District's warehouse facility located in Port Angeles, billing equipment, land for a substation location and space on a building and cell tower for communications equipment.

In compliance with GASB 96, the right-to-use subscription-based IT arrangement category was added for FY 2023. These are in addition to owned computer systems software.

The District has historically accounted for accumulated depreciation as prescribed by the Federal Energy Regulatory Commission (FERC) where the book cost of utility property retired or otherwise disposed of together with removal costs less salvage is charged to accumulated depreciation. As a result of this accounting method, the decrease in accumulated depreciation for a given class of capital assets may exceed the decrease for those assets.

NOTE 4– CONSTRUCTION

The District had several major active construction projects in 2023.

Rebuild and Voltage Upgrade of the Port Angeles Central Feeder – In 2019, the District entered into an agreement with Bonneville Power Administration to complete a voltage upgrade of the Port Angeles Central Feeder converting it from 69kV to 115kV. The initial stage of this project included the rebuild of the District's Airport Substation which allowed it to operate at 115kV. Along with the substation rebuild completed in 2021, the District worked on upgrading the transmission line between the Airport Substation and the BPA's point of delivery in Port Angeles. This was completed in 2023 with the anticipation of constructing the new Liberty Switching Station in 2024. Materials for this construction were purchased in 2023. The Liberty Switching Station will create a loop feed to three substations west of Port Angeles, increasing reliability and allowing for transmission and substation maintenance without performing work while the equipment is energized or having lengthy outages.

Lake Sutherland 3-Phase Extension – In 2023, the District completed the second and final phase of the Lake Sutherland Road to East Beach Road overhead to underground conversion and 3 phase extension. This project increased reliability, added capacity and corrected voltage issues in that area.

Clallam Bay/Sekiu Water System – In 2023, the Water Division continued it's focus on system reliability and infrastructure upgrades in the Clallam Bay and Sekiu areas to mitigate aging infrastructure issues in those systems. Under phase 2 of the long-term plan, the District completed the replacement of 11,377 linear feet of water main, and replaced 16 fire hydrants and 48 water services.

Carlsborg Van Lan Well Project – The Water Division secured an ARPA Direct Grant Assistance Agreement with Clallam County for investments in water infrastructure in the Carlsborg water system. The funding was utilized to design and construct a water main connecting the existing Carlsborg water distribution system with a new groundwater well to provide improved water quality to customers. The overall project consists of three phases: to extend water distribution to the Van Lan well site, to develop the Van Lan well facility and to construct the blending and storage facilities in Carlsborg. The contract for construction of the phase one project of installing 3,400 linear feet of water main was executed in December 2023 with a 90 day construction window.

Advanced Metering Infrastructure (AMI) Upgrade – The District continued with its multi-year project to install AMI meters across District territory. The District is predominately utilizing radio frequency technology and remote disconnect functionality and has realized significant reductions in labor, improved responsiveness and increased productivity. As of the end of 2023, approximately 13,500 AMI meters had been installed with a projected total of 22,000 meters installed by the end of 2024.

NOTE 5-LEASE COMMITMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*, which the District adopted for reporting in its financial statements for the year ended December 31, 2022. The purpose of this statement is to enhance consistency in accounting and financial reporting by providing a methodology for identifying and reporting lease arrangements and obligations based on the principle that certain leases are financings of the right-to-use underlying asset.

The District is engaged in lease arrangements as both a lessor and lessee, however only certain agreements where the District is a lessee meet the qualifications of reporting under this statement. As a lessee, the District is required to recognize a lease liability and an intangible right-to-use lease asset for those agreements whose non-cancellable term is greater than one year at commencement and whose present value of expected payments to be made is equal to or greater than the District's $5,000 materiality threshold. The following table summarizes the balances of leased assets by major classes reported in Net Utility Plant as of December 31, 2023:

Amount of Lease Assets by Major Classes of Underlying Assets

	Beginning Balance 12/31/22	Additions	Reductions	Ending Balance 12/31/23
Asset Type				
Land	$ 6,523	$ -	$ -	$ 6,523
Buildings	425,114	-	-	425,114
Equipment	7,857	27,495	(7,857)	27,495
Total	$ 439,494	$ 27,495	$ (7,857)	$ 459,132
Less: Accumulated Amortization				
Land	$ (636)	$ (636)		$ (1,272)
Buildings	(73,988)	(73,988)		(147,976)
Equipment	(2,857)	(3,298)	5,238	(917)
Total	$ (77,481)	$ (77,922)	$ 5,238	$ (150,165)

Lessee Activities – The District is involved in two building leases, one land lease and one equipment lease as a lessee under this reporting. These leases have been recognized on the Statement of Net Position as a right-to-use asset and a lease liability. When calculating the lease liabilities in 2022, the District used its incremental borrowing rate of 1.81% based on its most recent bond issue.

The District is engaged in two building lease agreements. The first is with the Port of Port Angeles for a warehouse facility located in Port Angeles. This lease has a ten-year term running through December 2027 with the option to extend for two consecutive ten-year terms. These extension terms were not included in the calculation as the District is actively searching for a replacement property for the facility and intends to be out of the lease at the end of 2027. The second is for space occupied in a Department of Natural Resources (DNR) Ellis lookout tower which runs through February 2026. Total right-to-use assets and associated liabilities recorded in 2022 for these agreements was $425,114. In 2023, the District recorded amortization expense of

$73,988 and interest expense of $5,810 for the right-to-use buildings. At December 31, 2023, the lease liability was $292,136.

The District is party to a land lease agreement for its Neah Bay Substation site with the Makah Tribal Council. This agreement has a 25-year term and runs through March 2032. The District recorded a land right-to-use asset and corresponding lease liability in 2022 of $6,523. In 2023, the District recorded amortization expense of $636 and interest expense of $99 for the right-to-use land. At December 31, 2023, the lease liability was $5,350.

The District recorded one equipment lease agreement for its Pitney Bowes postage machine. Toward the end of 2023, the agreement for the postage machine was terminated and replaced with a new agreement with a term of five years. This created an asset modification & remeasurement of the cancelled agreement of $7,857. With the new agreement, the total right-to-use equipment asset at December 31, 2023 was $27,495. In 2023, the District recorded $3,298 in amortization expense and $139 in interest expense for the right-to-use equipment asset. Total lease liability was $26,061 at year end.

The following schedule presents future annual lease payments to maturity as of December 31, 2023:

Lease Liability Payments			
Years Ending December 31	Principal	Interest	Total Payments
2024	76,367	5,312	81,679
2025	79,701	3,905	83,606
2026	83,146	2,436	85,582
2027	76,988	904	77,892
2028	4,859	95	4,954
2029-2033	2,486	114	2,600
Total	**$ 323,547**	**$ 12,766**	**$ 336,313**

NOTE 6-SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* which the District implemented for their financial reporting effective January 1, 2023. The objective of this statement is to enhance consistency in accounting and financial reporting by requiring government entities to recognize a right-to-use subscription asset and corresponding subscription liability for such contracts that have a non-cancellable term greater than one year and whose present value of expected payments is equal to or greater than the entities materiality threshold.

The District has various subscription based IT agreements for cloud hosting fees, software subscription fees and enterprise services subscription fees with nine agreements falling into scope with this statement. At the commencement of the subscription term, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term using a discount rate equal to the

District's estimated incremental borrowing rate. The subscription right-to-use asset is measured as the initial subscription liability plus payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term plus capitalizable initial implementation costs before the subscription term begins. The subscription asset is amortized on a straight-line basis over the subscription term.

The subscription agreements recorded as of January 1, 2023 had contract terms ranging from 36 months to 60 months. Of the agreements that scoped in, the two largest material agreements were for the Microsoft Enterprise software subscription and the Computer Aided Design (AutoCAD) software subscription. The District recorded a total right-to-use asset and corresponding subscription liability in 2023 of $326,220. The District recorded amortization expense of $143,449 and interest expense of $3,031 for the right-to-use subscription asset. At December 31, 2023, the total lease liability was $115,191. No long-term liabilities were recorded due to prepayments made on these agreements. When calculating the lease liabilities in 2023, the District used its estimated incremental borrowing rate of 2.75%.

The following table summarizes the balances of SBITA assets reported in New Utility Plant as of December 31, 2023:

	Beginning Balance 12/31/22	Additions	Reductions	Ending Balance 12/31/23
Right-to-use Subscription Assets	$ -	$ 326,220	$ -	$ 326,220
Less: Accumulated Amortization	-	(143,449)		(143,449)
Net Subscription Assets	$ -	$ 182,771	$ -	$ 182,771

The following schedule represents future annual SBITA payments to maturity as of December 31, 2023:

	Subscription Liability Payments		
Years Ending December 31	Principal	Interest	Total Payments
2024	115,191	2,789	117,980

NOTE 7-OTHER CREDITS AND LIABILITIES

During the year ended December 31, 2023, the following changes occurred in other credits and liabilities:

Other Credits & Liabilities - Current	Beginning Balance 12/31/22	Additions	Reductions	Ending Balance 12/31/23
Electric System				
Compensated Absences	1,104,475	2,161,912	2,077,492	1,188,895
Accrued Payroll	724,285	13,416,675	13,389,949	751,011
Customer Advances for Construction	1,071,295	1,199,030	1,733,205	537,120
Contractor Retainage	58,369	18,173	62,069	14,473
Unearned Revenues	77,924	141,113	201,886	17,151
Lease Liabilities	70,792	11,380	5,805	76,367
Subscription Liabilities	-	115,191	-	115,191
Other Current Liabilities	7,323	52,102	40,796	18,629
Water System				
Compensated Absences	96,221	276,606	265,492	107,335
Customer Advances for Construction	27,152	59,060	79,712	6,500
Contractor Retainage	31,806	2,151	31,806	2,151
Other Current Liabilities	219	3,335	1,971	1,583
Wastewater System	-	-	-	-
Customer Advances for Construction	-	-	-	-
Other Current Liabilities	-	-	-	-
Total Other Credits & Liabilities - Current	$ 3,269,860	$ 17,456,728	$ 17,890,183	$ 2,836,406

Other Credits & Liabilities - Noncurrent	Beginning Balance 12/31/22	Additions	Reductions	Ending Balance 12/31/23
Electric System				
Compensated Absences	502,667	1,120,421	1,006,938	616,150
Lease Liabilites	299,665	28,968	81,453	247,180
Subscription Liabilities	-	-	-	-
Water System				
Compensated Absences	83,373	19,490	95,273	7,590
Total Other Credits & Liabilities - Noncurrent	$ 885,705	$ 1,168,879	$ 1,183,664	$ 870,920

NOTE 8-LONG-TERM DEBT

Current outstanding debt for the District is as follows:

	Original Issue Amount	Beginning Balance 12/31/22	Additions	Reductions	Ending Balance 12/31/23	Due Within One Year
Electric System						
2010 Electric Revenue Bonds 5.25% due 2011-2030	11,230,000	5,380,000	-	595,000	4,785,000	615,000
2014 Electric Revenue Bonds 5.0% due 2018-2034	14,225,000	1,435,000	-	700,000	735,000	735,000
2016 Electric Refunding Bonds 3.0%-4.0% due 2018-2028	8,080,000	4,760,000	-	725,000	4,035,000	750,000
2018 Electric Revenue Bonds 2.0%-5.0% due 2019-2038	9,170,000	7,895,000	-	350,000	7,545,000	365,000
2022 Electric Revenue Bonds 4.00% Due 2022 to 2034	6,935,000	6,935,000	-	-	6,935,000	-
Plus: Unamortized Premium		2,642,055	-	263,787	2,378,268	
Water System						
2005 Drinking Water Loan 1.0% due 2010-2025	3,535,000	544,294	-	181,431	362,863	181,432
2010 Drinking Water Loan 1.0% due 2015-2034	2,047,525	614,258	-	51,189	563,069	51,188
2011 Drinking Water Loan 1.5% due 2016-2035	2,673,267	1,216,336	-	93,564	1,122,772	93,564
2012 Drinking Water Loan 1.0% due 2018-2036	3,073,935	2,144,803	-	153,200	1,991,603	153,200
2016 Drinking Water Loan 1.5% due 2019-2038	649,935	427,635	-	26,727	400,908	26,727
2019 Public Works Board Loan 0.63% due 2021-2024	607,800	417,073	-	208,536	208,537	208,537
2021 Public Works Board Loan 0.94% due 2022-2041	7,100,000	-	4,365,416	160,565	4,204,851	233,603
Direct Placement						
2019 Water Revenue Bonds 3.0% due 2019-2033	570,000	437,000	-	34,000	403,000	35,000
Total Bonds & Loans Payable	$ 69,897,462	$34,848,454	$4,365,416	$3,542,999	$ 35,670,871	$ 3,448,251

Remaining scheduled payments, as of December 31, 2023, of principal and interest on long-term debt are as follows:

	Electric System Bonds		Water System Drinking Water Loans		Water System Direct Placement Bond		
Years Ending December 31	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	2,465,000	1,014,094	948,251	89,957	35,000	12,090	4,564,392
2025	2,365,000	909,725	739,714	83,680	36,000	11,040	4,145,159
2026	2,460,000	805,100	558,283	75,839	37,000	9,960	3,946,182
2027	2,550,000	696,525	558,283	69,795	38,000	8,850	3,921,453
2028	2,660,000	583,669	558,283	63,751	40,000	7,710	3,913,413
2029 - 2033	7,590,000	1,698,469	2,791,414	228,093	217,000	19,920	12,544,896
2034 - 2038	3,945,000	422,250	1,999,568	85,757	-	-	6,452,575
2039 - 2043	-	-	700,807	13,175	-	-	713,982
Total	$ 24,035,000	$ 6,129,832	$ 8,854,603	$ 710,047	$ 403,000	$ 69,570	$ 40,202,052

Electric and water debt payments were $3.3 million in principal and $1.1 million in interest in 2023.

As of December 31, 2023, the District has a total of $3.88 million in restricted assets related to bonded debt of the District. This represents debt service and debt service reserve funds as required by the bond covenants.

As a minimum requirement of the District's bond covenants, an annual net revenue to debt service ratio of 1.25 must be maintained. As of December 31, 2023, management believes the District is in compliance with all bond covenants including those regarding federal arbitrage.

Electric Debt

In December 2010, the District issued $11,230,000 in Electric Taxable Build America Bonds with a coupon rate of 5.25% maturing in years 2011 through 2030. These bonds are treated as qualified bonds subject to a credit payable from the U.S. Treasury equal to 35% of interest payable on each interest payment date. As a result of sequestration, the 35% credit was reduced by 5.7% to a rate of 33.005% for years 2021 through 2030. The bond proceeds were used to finance various capital additions to the electric system.

In October 2014, the District issued $14,225,000 in Electric Revenue Bonds with a coupon rate of 5% maturing in years 2018 through 2034. The bond proceeds were used to finance improvements to the electric system including the construction of or additions to three buildings: construction of a new administration building, an addition of an engineering space to the Carlsborg operations center, and construction of a new meter/substation shop.

In September 2021, the Board of Commissioners passed a resolution authorizing the defeasance of certain of the outstanding 2014 bonds maturing April 1, 2025 through April 1, 2034, and the issuance of new bonds to finance the capital improvement plan of the District. On January 4, 2022, the District defeased $9,770,000 of its 2014 bonds by making a cash contribution of $10,813,490 that was placed in an irrevocable trust for future debt service. The defeasance resulted in an economic gain of $354,501 for the District. The primary purpose of the defeasance was to lower the District's overall interest expense. Because the defeased portion of the 2014 bonds was placed in an irrevocable trust to provide for all future certain debt service payments, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of December 31, 2023, $9,770,000 of the bonds outstanding are considered defeased.

Defeased Bonds	Principal	Call Date
2014 Electric Revenue Bonds (2022 Defeasance)	$ 9,770,000	4/1/2024

In July 2016, the District issued $8,080,000 in Electric Revenue Bonds with a coupon rate ranging from 3% to 4% maturing in years 2018 through 2028. These funds were used to refund the District's 2008 Electric Revenue Bonds. The refunding of the 2008 bonds resulted in a loss of $356,015 which was recorded as a deferred outflow and a premium of $1,048,570 recorded as a noncurrent liability on the Statement of Net

Position both of which are being amortized over the life of the new bonds. The net present value savings to the District of this refunding was $770,202.

In August 2018, the District issued $9,170,000 in Electric Revenue Bonds with coupon rates ranging from 2% to 5% maturing in years 2019 through 2038. The bonds were issued at a premium of $1,048,601 and were used to finance certain improvements to the District's electric system including the construction of new operations and equipment buildings on the west end of Clallam County, the reconstruction of two substations, and the installation of circuit switchers and relays at the Port Angeles switching yard.

On February 3, 2022, the District issued $6,935,000 in Electric Revenue Bonds with a coupon rate of 4% maturing in years 2025 through 2034. The bonds were issued at a premium of $1,167,352. The bond proceeds were used to finance capital improvements to the electric system including special equipment procurement, Forks substation rebuilds and central warehouse restorations among other projects.

Water Debt

In 2005, the District entered into a State of Washington Drinking Water State Revolving Fund Loan with the Washington State Public Works Board in the amount of $3,535,000 at an interest rate of 1% and a term not to exceed 20 years. The final payment is due October 2025. The District closed out the loan in 2007 borrowing $3,444,447 of the available $3,535,000. Proceeds were used to replace an existing water treatment plant.

In March 2010, the District entered into a second loan agreement with the Washington State Public Works Board. The amount of the Drinking Water State Revolving Fund loan was $2,068,000 at 1% interest. The loan amount was amended to $2,047,525 in January, 2013. Upon completion of the project for which the funds were used in 2015, 50% of the principal was forgiven. The remaining balance is due in annual installments through 2034. The funds were used for the construction of wells in the lower portion of the District's Fairview water system.

In 2011, the District was awarded a third Drinking Water State Revolving Fund loan from the Washington State Public Works Board. The loan amount was $2,673,267 with an interest rate of 1.5%. The District executed this loan agreement in January 2013. The proceeds of this loan were used for work on the wells in the lower portion of the Fairview water system. Upon completion of the project in 2015, 30% of this loan's principal was forgiven. Repayment on this loan will be complete in 2035.

During 2012 the District was awarded a fourth Drinking Water State Revolving Fund loan from the Washington State Public Works Board. The loan amount was $3,073,935 with an interest rate of 1%. The District executed this loan agreement in February 2013. The proceeds of the loan were used to complete the construction of the two well sites in the Fairview water system and was designated to be used for a new pipeline and control valves. In 2016, the scope of work was amended to include the replacement of temporary booster pumps with a permanent solution also within the Fairview water system. Repayment of the loan will be made in annual installments through 2036.

In 2016, the District submitted an application for a fifth Drinking Water State Revolving Fund loan in the amount of $649,935. The loan was approved in February 2017 with an interest rate of 1.5%. The loan was used to fund the completion of the Deer Park Road Pumping project in the Fairview water system. Along with the draw for the loan origination fee in 2019, two draws were made on the available funds in 2020 for a total loan amount of $504,408. No further draws will be made on this loan and repayment will be made in annual installments through 2038.

In April 2019, the District issued $570,000 in Water System Revenue Bonds with an interest rate of 3% maturing December, 2033. This bond qualifies under GASB 88 as a direct placement bond. The proceeds were used to finance the replacement of a reservoir cover to the Gales Addition water reservoir, the replacement of a Wastewater lift station in the Sunshine Acres sewer system and other capital improvements.

In October 2019, the District acquired a loan from the Washington State's Public Works Board in the amount of $607,800 with an interest rate of 0.63%. The funds are being used for preconstruction activities for improvements to 19 water main projects and reservoir upgrades. The District began drawing on this loan in 2021 as preconstruction activities for the improvement projects commenced. The total amount drawn as of December 31, 2023 was $584,366 with repayment to be made through 2024.

The District applied for a 2021 Washington State Public Works Board loan in the amount of $6,600,000 that was executed in 2022. The loan amount was amended in March of 2023 to increase the total amount of the loan to $7,100,000. This loan has an interest rate of 0.94% with a 20-year term and will be used to fund an infrastructure upgrade project in the District's Sekiu and Clallam Bay service areas. As of the end of 2023, $4,365,416 was drawn on the loan and repayment will be made through 2041.

NOTE 9-PENSION PLANS

The following table represents the District's aggregate pension amounts for all state sponsored pension plans for the year ended December 31, 2023:

Aggregate Pension Amounts - All Plans	
Pension liability	$ (1,902,954)
Pension asset	4,405,961
Deferred outflows of resources	3,611,280
Deferred inflows of resources	(2,469,719)
Pension expense (income)	(657,638)

State Sponsored Pension Plans

Substantially all District full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), 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 DRS, a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1			
Actual Contribution Rates		**Employer**	**Employee**
January - June 2023:			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		3.85%	
Administrative Fee		0.18%	
	Total	**10.39%**	**6.00%**
July - August 2023:			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		2.85%	
Administrative Fee		0.18%	
	Total	**9.39%**	**6.00%**
September - December 2023:			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		2.97%	
Administrative Fee		0.20%	
	Total	**9.53%**	**6.00%**

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

<u>Contributions</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council, and are subject to change by the legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

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

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

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

The District's actual PERS plan contributions for the year ended December 31, 2023 were as follows:

PERS Plan Contributions	
PERS 1	$ -
PERS Plan 1 UAAL	521,202
PERS 2/3	980,234
TOTAL	$ 1,501,436

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic*

Experience Study and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (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, 2021. 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of 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	$2,658,570	$1,902,954	$1,243,478
PERS 2/3	$4,792,011	($4,405,961)	($11,962,677)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2023, the District reported its proportionate share of the net pension liabilities and assets as follows:

Pension Liability/(Asset)	
PERS 1	$ 1,902,954
PERS 2/3	$ (4,405,961)

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.085718%	0.083363%	-0.002355%
PERS 2/3	0.111786%	0.107497%	-0.004289%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations*.

Pension Expense

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

Pension Expense(Credit)	
PERS 1	$ (95,473)
PERS 2/3	(562,165)
TOTAL	$ (657,638)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan:	$ -	$ 214,661
Contributions subsequent to the measurement date:	229,675	-
Total:	**$ 229,675**	**$ 214,661**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:	$ 897,489	$ 49,228
Net difference between projected and actual investment earnings on pension plan investments:	-	1,660,432
Changes of Assumptions:	1,849,775	403,178
Changes in proportion and differences between contributions and proportionate share of contributions:	135,699	142,220
Contributions subsequent to the measurement date:	498,642	-
Total:	**$ 3,381,605**	**$ 2,255,058**

TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:	$ 897,489	$ 49,228
Net difference between projected and actual investment earnings on pension plan:	-	1,875,093
Changes of Assumptions:	1,849,775	403,178
Changes in proportion and differences between contributions and proportionate share of contributions:	135,699	142,220
Contributions subsequent to the measurement date:	728,317	-
Total:	**$ 3,611,280**	**$ 2,469,719**

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		PERS 1
2024	$	(146,047)
2025		(183,671)
2026		113,249
2027		1,808
2028		-
Thereafter		-
Total:	$	(214,661)

Year ended December 31:		PERS 2/3
2024	$	(832,813)
2025		(966,483)
2026		1,370,732
2027		510,983
2028		507,147
Thereafter		38,339
Total:	$	627,905

Deferred Compensation Plans

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457 permitting employees to defer a portion of their salary until future years. Qualified participants include all permanent full and part-time employees and those who have separated service but choose to keep their assets in the plan. The plan assets are held in trust for the exclusive benefit of plan participants and beneficiaries. The deferred compensation is not available to employees until separation from service through termination, retirement, death, or unforeseeable emergency. The defined contribution plan benefits depend solely on the amounts contributed to the plan plus investment earnings. There are no forfeitures of member assets. In 2023, employees made contributions to the Mission Square Retirement 457 plan in the amount of $549,982 and $346,471 to the Empower 457 plan.

The District offers a 401(a) deferred compensation match to its employees. The District contributes 50 cents for every dollar that the employee contributes to their individual 457 plan to the Clallam PUD 401(a) Match Plan up to 3% of gross straight time wages. Only straight time wages are eligible for the match with no overtime, ancillary or non-District pays being included. The employees are vested in the plan after 7 years of service with the District. The total contributed by the District to the 401(a) deferred compensation match plan in 2023 was $233,163.

In addition to the 401(a) deferred compensation match, the District provides 401(a) contributions to its employees, irrespective of their 457 contributions, an amount equal to the current percentage associated with Washington State's Long-Term Care Tax. For calendar year 2023, this percentage was equal to 0.58% of the employee's gross wages, and this contribution will be adjusted annually based on the current year's tax rate. The total contributed by the District in 2023 was $93,015.

The 401(a) plan is administered through Mission Square Retirement.

NOTE 10– OTHER POST-EMPLOYMENT BENEFITS

Other Post-Employment Benefits (OPEB) are benefits to retired employees beyond those provided by their pension plans. The following table represents the District's OPEB amounts subject to the requirements of GASB 75 for the year ended December 31, 2023:

2023	
OPEB Liabilities	$ (1,506,502)
OPEB Assets	-
Deferred Outflows of Resources	841,646
Deferred Inflows of Resources	(1,373,726)
OPEB Expense	(49,524)

General Information about the OPEB Plan

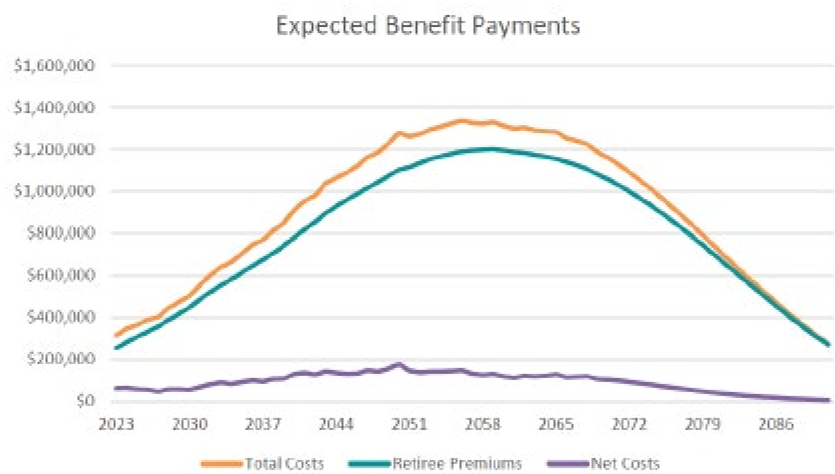
Plan Description - The District administers a single-employer defined benefit healthcare plan to eligible employees and their dependents. District employees are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plans 1, 2 and 3 of the PERS as follows:

- PERS 1: Employees are eligible for full retirement benefits after achieving age 60 with five years of service, age 55 with 25 years of service or having 30 years of service.
- PERS 2: Employees are eligible for full retirement benefits after achieving age 65 with five years of service. In addition, they are eligible for reduced benefits after achieving age 55 with 20 years of service.
- PERS 3: Employees are eligible for full retirement benefits after achieving age 65 with 10 years of service. In addition, they are eligible for reduced benefits after achieving age 55 with 10 years of service.

Coverage for the retired employee must be continuous from his/her active employment to retirement. Subsequent employment by the employee after retirement from the District will terminate the availability of coverage for that employee, provided provisions of the Continuation Omnibus Budget Reconciliation Act of 1985 (COBRA) are met. Spouse employment, which provides health coverage for a District retiree, will also terminate the availability of coverage under the District's health plan for the retiree, consistent with COBRA. Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical benefits after pension benefit commencement. Survivors of members who die prior to retirement are not eligible for medical benefits.

Benefits Provided - The insurance benefits offered to retirees are provided through the Public Utility Risk Management Services (PURMS) which covers both active and retired members. Such benefits include insurance coverage for medical, prescription drug, dental and vision. Retirees are required to pay the full amount of the premiums for their elected insurance coverage to the District on a monthly basis. In turn, the District pays PURMS for the cost of covered claims for those retirees. The District's explicit subsidy of the cost of claims paid over the premiums paid in by the retirees for 2023 was $61,189.

The retiree costs are being implicitly subsidized by the inclusion of active lives in calculating the average cost of the premiums. If retiree premiums were calculated based only on retiree health claims experience, the calculated value would be higher for non-Medicare retirees.



<u>Employees Covered by Benefit Terms</u>

As of December 31, 2023, the following employees were covered by the benefit terms:

2023	
Inactive employees or beneficiaries currently receiving benefit payments	74
Inactive employees entitled to but not yet receiving benefits	-
Active employees	160

Contributions - The OPEB relationship between the District and its retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the District and the plan members. This understanding is based on communications between the District and its employees and the historical pattern of practice in regard to the sharing of benefit cost. The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

<u>Total OPEB Liability</u>

The District's total OPEB liability was measured as of December 31, 2022, and was determined by an actuarial valuation dated January 1, 2023. The reporting date is December 31, 2023. GASB 75 allows a lag of up to one year between the measurement date and the reporting date with no adjustment required.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Actuarial Assumptions:

Methodology	Entry Age Actuarial Cost Method
Economic Inflation Rate	2.35%
Wage Growth Rate	3.25% = national inflation, regional price inflation differential component plus real wage growth. Promotion and longevity also considered.
Discount Rate	3.72% based on 20 year, general obligation municipal bonds with an average rating of AA/Aa or higher.
Disability	No disability rates are assumed.
Election Assumptions	65% of employees assumed to receive retiree benefits. 44% are assumed to elect medical, 92% dental and vision.

Healthcare Cost Trend

Trend from Year Ending	Post-65 Trend
2023-2024	7.90%
2024-2025	6.80%
2025-2026	6.40%
2026-2027	5.50%
2027-2028	5.30%
2028-2029	5.10%
2029-2030	5.00%
2030-2031	4.80%
2031-2032	4.60%
2032-2033	4.40%
2042-2043	4.10%
2052-2053	4.20%
2062-2063	4.20%
2072+	3.80%

Dental and Vision Cost Trend	0.0% in the first year. For 2024 and beyond, the lower of 4.00% and medical trend.

Assumptions for medical and dental and vision trends were updated for modeling based on a published report by the Society of Actuaries (SOA) on long-term medical trend using the "Getzen Model". The trend rates assume that over time, deductibles and out of pocket maximums will be periodically increased as medical trends increase.

Demographic assumptions regarding retirement, mortality, and turnover are based on the most recent pension valuation of the Public Employees Retirement System, a subset of the Washington State Retirement Systems.

Changes in Total OPEB Liability

Changes in Total OPEB Liability	Increase (Decrease) Total Liability
Balance as of December 31, 2021	$ 1,247,034
Changes for the year:	
Service cost	68,125
Interest on total OPEB liability	26,736
Effect of plan changes	-
Effect of economic/demographic gains or losses	609,299
Effect of assumptions changes or inputs	(409,961)
Expected benefit payments	(34,731)
Balance as of December 31, 2022	$ 1,506,502

Sensitivity Analysis

The following presents the total OPEB liability of the District, calculated using the discount rate of 3.72%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.72%) or 1 percentage point higher (4.72%) than the current rate:

	1% Decrease 2.72%	Discount Rate 3.72%	1% Increase 4.72%
Total December 31, 2022 OPEB Liability	$ 1,729,892	$ 1,506,502	$ 1,320,144

The following presents the total OPEB liability of the District, calculated using the current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates:

	1% Decrease	Current Trend Rates	1% Increase
Total December 31, 2022 OPEB Liability	$ 1,284,465	$ 1,506,502	$ 1,789,396

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the District recognized OPEB expense of $(49,524). At December 31, 2023, the District's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources based on the December 31, 2022 measurement date:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	$ 563,237	$ (567,678)
Changes of assumptions	217,008	(806,048)
Contributions made subsequent to measurement date	61,401	-
Total	$ 841,646	$ (1,373,726)

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

Measurement Period Ending December 31:	
2023	$ (82,984)
2024	(82,984)
2025	(82,984)
2026	(85,382)
2027	(102,406)
Thereafter	(156,742)
	$ (593,482)

NOTE 11– RISK MANAGEMENT

The District is a member of the Public Utility Risk Management Services (PURMS) Self-Insurance fund, a public entity risk pool organized December 30, 1976, pursuant to the provisions of the Revised Code of Washington, Chapter 54.16.200, and interlocal government agreements. PURMS operates under Ch. 48.62 RCW, and the program's general objectives are to formulate, develop, and administer, on behalf of the member public utilities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

PURMS consists of 19 members. The risks shared by the members are defined in the Self Insurance Agreement. PURMS consists of three pools for liability, property, and health and welfare coverage. The pools operate independently of one another, and all members do not participate in all pools. The District participates in the liability, property, and health and welfare pools.

The pools are governed by a Board of Directors comprised of one designated representative from each participating member. The business of the pools is conducted by Pacific Underwriters as Administrator, and an Administrative Committee comprised of a representative of each member.

The pools are fully funded by its current and former members. Members that withdraw from the fund are still responsible for their share of the assessments for occurrences while they were members. Likewise terminated members continue to receive coverage for the time they were members.

PURMS and its risk pools are audited annually by the State Auditor's Office. In addition, PURMS engages an independent qualified actuary on an annual basis to determine the claim financing levels, liabilities for unpaid claims, and claims adjustment expenses for the Liability and Property pools. Copies of these reports are provided to the Washington State Risk Manager's Office.

Settled claims for all risks have not exceeded coverage in any of the past three years.

Liability Risk Pool

The liability risk pool has a $1 million liability coverage limit per occurrence. In addition, the fund maintains $35 million of excess general liability insurance over the $1 million retention. A second layer of excess general liability insurance of $65 million is also maintained over the first excess layer of $35 million. The fund maintains $500,000 in directors and officer's liability coverage with excess coverage of $35 million.

Liability assessments are levied at the beginning of each calendar year to replenish the reserves to the designated reserve level or at any time during the year that the actual reserves drop to $500,000 less than the designated reserve level of $3.5 million. In 2023, the District paid $165,625 in interim assessments.

Property Risk Pool

The majority of the property in the property pool has a self-insured retention of $250,000 per property loss. Certain classes of property have higher retention requirements up to $750,000. In addition, the fund purchases $200 million of excess insurance over the $250,000 (or higher) retention level. The deductible varies, but for most classes of property it is $250.

The designated property pool reserve balance is $750,000. Property assessments are levied at the beginning of each calendar year to replenish the reserves to the designated level and at any time during the year that the actual reserves drop below $500,000. The District paid $68,140 during 2023 in interim assessments.

Health & Welfare Risk Pool

The District participates in the PURMS Health and Welfare Risk Pool. PURMS provides health and welfare insurance coverage for the employees of each of its members participating in the Health & Welfare Risk Pool ("H&W Pool") in accordance with the terms of the Health & Welfare Coverage of the SIA ("H&W Coverage") and the terms of each member's respective Coverage Booklet provided to its employees.

The H&W Pool's operations are financed by assessments of its participants. Each month, each participant of the H&W Pool is assessed for: (a) the cost the H&W Pool incurred during the preceding month for the H&W Claims for such member's employees ("H&W Claims Costs"); and (b) for such member's share of Shared H&W Costs. "Shared H&W Costs" consist of administrative expenses incurred by the H&W Pool, premiums for Stop-Loss Insurance, PPO Charges and Shared H&W Claims.

The exposure of each participant is limited by two different pairs of stop-loss points. For 2023, the Individual Stop Loss Point was $365,000 per employee and the Aggregate Stop Loss Point was $25,372,203 for the combined claims costs of the employees of all participants of the H&W Pool.

PURMS Notification to Risk Pool Members of their Respective Potential Future Assessment Shares of the "Claim Reserves Receivable"

Annually, PURMS informs each risk pool member of its share of the actuarially-based "Claims Reserves Receivable" for each risk pool in which it participates, determined in accordance with a 10-year look-back period. The District's shares of the Claims Reserve Receivable for each pool as of December 31, 2023 are as follows:

Claim Reserves Receivable	
Liability Pool	$207,908
Property Pool	$37,320
Health & Welfare Pool	$361,241

Unemployment

The District is self-insured for unemployment insurance and reimburses the State of Washington for any claims paid. There were $7,388 in unemployment claims paid for 2023.

NOTE 12– PURCHASED POWER AND WATER CONTRACTS

Bonneville Power Administration (BPA)

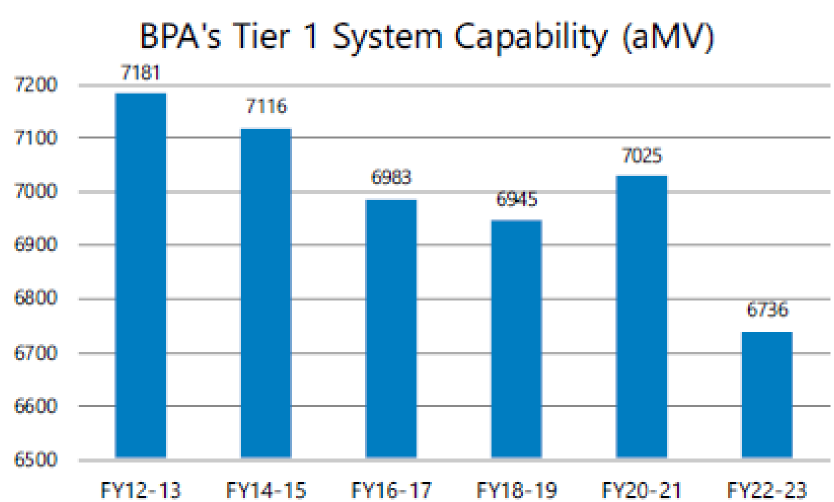
In 1937, the Bonneville Project Act (Act) created the BPA and directed it to market federally produced hydroelectric power to customers, giving preference and priority in power sales to public bodies and cooperatives. Public bodies include public utility districts, people's utility districts, tribal utilities, municipalities, and federal customers. The Act also authorized BPA to provide, construct, operate, maintain and improve transmission facilities to deliver federal power at cost. BPA is part of the U.S. Department of

Energy but is self-financing and receives no federal tax revenues. Costs are recovered by selling wholesale power, capacity, transmission, and related services at cost to utility, industrial, governmental, market and transmission customers inside and outside the region. About 28 percent of all power used in the Pacific Northwest is sold by BPA. Its resources, primarily hydroelectric, make BPA power nearly carbon free.

In 2009, the District executed a Load Following Regional Dialog Power Sales Agreement with BPA for the period beginning October 1, 2011 and expiring September 30, 2028. This contract works within BPA's Tiered Rate Methodology providing firm power necessary to meet the District's loads less generating resources. Under this contract, the District has a contractually-defined right to purchase an amount of power at "Tier 1" cost-based rates, also called the High-Water Mark (HWM). BPA conducts a study every two years to determine the Rate Period High Water Mark (RHWM) for each utility, distributing a percentage-based allocation of their Tier 1 system. As a BPA customer, the District has the right to have BPA meet their net requirement load (the District's load minus its own resources), but BPA will supply the net requirement load above the HWM at "Tier 2" market-based rates.

In order to establish rates for power and transmission services, a formal evidentiary hearing process, known as a rate case, is held every two years under the Regional Dialogue Power Sales Agreement with BPA. Through September 30, 2023, the District was operating under BPA's BP-22 rate case which saw a decrease in rates for all BPA customers. BPA attributed this to the effectiveness of their cost discipline. For the BP-24 rate case effective October 1, 2023 to September 30, 2025, a 0% overall average Tier 1 power and transmission rate increase was agreed upon. Again, BPA attributed this to the effectiveness of their cost discipline and also to higher market prices at times when surplus inventory was sold.

BPA revised their process for the BP-24 rate case by basing it on a newly adopted hydro generation forecast methodology and finalized their most recent biannual study to determine the allocation for the Tier 1 system on August 20, 2022. The BP-24 Tier 1 system increased 325 average megawatts (aMW) from the value of the BP-22 rate period which saw the District's RHWM increase from 72.523 aMW to 76.028 aMW.



In September 2021, the District elected to purchase Tier 2 power at the Short-Term rate for the 4th purchase period election (2025-2028) under the BPA contract. This was based on an estimate of the Above-RHWM load exposure which is determined from both assumptions on future RHWM's and a forecast of the total retail load for FY's 2025-2028.

Annual Amounts Priced at Tier 2 (aMW)		
BPA Fiscal Year	**2022**	**2023**
Tier 2 Short Term Obligation	3.579	3.732
Rate per MWh	$34.39	$32.99

Federal law requires BPA to recover all of its costs through the rates it charges its customers. BPA makes various filings with FERC to confirm that rates are sufficient to cover costs. Under BPA's adopted power and transmission rate provisions, its rates are subject to revision to enable BPA to recover its actual costs of service. The rate provisions for the Load-Following Service Product include a Cost Recovery Adjustment Clause (CRAC) and a Power or Transmission Reserves Distribution Clause (RDC). Also contained within the rate provisions is a Power Financial Reserves Policy Surcharge (FRP) which would increase the Tier 1 rates applied to the District when triggered. The FRP will trigger when BPA's forecasted net revenues are less than the FRP threshold for that applicable year by $5 million effective December 1 through September 30 of the applicable year. The Power FRP was not triggered in 2023.

At the end of 2022, a Power RDC was triggered due to the amount of financial reserves available for risk attributed to power services exceeding the upper limit of 120 days cash on hand. This increase in financial reserves was mainly driven by higher volumes of surplus sales due to favorable water conditions that resulted from a very cold and wet spring and higher electricity prices realized for surplus sales when compared to the sales of the previous year. This RDC was in the amount of $500 million and the Administrator determined that it was used as follows:

1) $350 million went towards a Power Dividend Distribution (a Power rate credit applied to December 2022 through September 2023 customer billings).
2) $100 million went towards debt reduction or revenue financing in FY 2023.
3) $50 million was used to address certain non-recurring maintenance needs of fish and wildlife mitigation.

The District received a credit of $4,449,119 on its January 2023 to September 2023 power bills. Because of the financial impact this distribution would have on the District, the Board of Commissioners passed a resolution in September 2022 for a decrease in electric rates effective with bills rendered on or after April 1, 2023. The rate decrease was for a 1% decrease to all kWh/energy charges.

At the end of 2023, a Power RDC was triggered based end-of-year financial results for FY 2023 resulting in a Power RDC in the amount of $285.4 million. The Administrator has determined that the Power RDC will be used as follows:

1) $165.4 million will be used as a Power Dividend Distribution (a Power rate credit applied to December 2023 through September 2024 customer bills).
2) $90 million will be used as a flexible debt reduction.
3) $30 million is designated as reserves not for risk for accelerated fish and wildlife mitigation.

The District received $271,247 in December 2023 from the BPA for this Power RDC.

To obtain needed transmission services, the District entered into a contract with BPA for network transmission services effective May 31, 1997, which provides adequate transmission capacity to meet the District's annual system peak load. The transmission contract expires on September 30, 2031.

Based on the amount of financial reserves available for risk attributed to BPA's transmission services at the end of FY 2022, the Transmission RDC was triggered resulting in a Transmission RDC amount of $63.1 million. The Administrator determined the following:

1) $16.4 million was used to hold BP-24 transmission rates at the levels adopted in the BP-22 rate proceedings.
2) $12.9 million reduced transmission rates through a Transmission Dividend Distribution applied to December 2022 through September 2023 billings.
3) $33.8 million covered Transmission's forecast cost increases in FY 2023.

At the end of 2023, another Transmission RDC was triggered based on end-of-year financial results for FY 2023 resulting in a Transmission RDC amount of $130.4 million. The Administrator determined the Transmission RDC will be used for the following purposes:

1) $50.4 million will be held as reserves for risk to reflect cost pressures that were not included in the BP-24 integrated program review process
2) $80 million will be used for flexible debt reduction.

With the end of the current BPA contract approaching, discussions regarding the next contract (Provider of Choice) are continuing. On December 12, 2023, BPA introduced the new contract billing methodology named Public Rates Design Methodology (PRDM) to replace the Tiered Rate Methodology (TRM) in the next contract. A series of workshops will be held to work through the rate design process finalizing in November 2024. The goal is to have all contracts fully executed by fall of 2025 for the contract period beginning in 2028.

Energy Northwest

Energy Northwest (formerly Washington Public Power Supply System [WPPSS]) is a Washington municipal corporation which has acted as a joint operating agency for various power supply initiatives in the Northwest.

Nuclear Projects 1, 2, and 3 - The District has entered into "net billing agreements" with Energy Northwest and BPA. Under terms of these agreements, the District has purchased a maximum of 1.157%, 1.769%, and 1.001% of the capability of Energy Northwest's Nuclear Project No. 1, Project No. 2 (Columbia Generating Station) and Energy Northwest's 70% ownership share of its Nuclear Project No. 3, respectively, and has sold this capability to BPA. Project No. 2, Columbia Generating Station, is operating while Projects No. 1 and 3 have been terminated. BPA is unconditionally obligated to pay the District, and the District is unconditionally obligated to pay Energy Northwest, the pro rata share of the total annual costs of each project. This includes the debt service on revenue bonds issued to finance the project whether the projects are completed, operable or operating and notwithstanding the suspension, reduction, or curtailment of the projects' output. The District's respective shares may be increased by not more than 25% upon default of other public agency participants.

Packwood Lake Hydroelectric Project - The District started as a 7% participant in Energy Northwest's 27.5 MW Packwood Project, located in the Cascade Mountains south of Mount Rainier. The Packwood Agreement with Energy Northwest obligates participants to pay annual costs and receive actual project output.

In 2011, the District signed agreements with Kittitas, Ferry, Skamania, and Wahkiakum PUD's acquiring their share of the project output and increasing its total share to 10.25%. The District brings its share of output to load. The District's cost for the share of output for participation in Packwood was $357,780 for 2023.

The District purchases Resource Support Services (RSS) from BPA contracted through the FY 2028 rate period to facilitate the integration of its Packwood Hydro generating resource.

Energy Independence Act (Initiative 937)

As defined by the Energy Independence Act (EIA), the District is a large utility (greater than 25,000 customers) in Washington State and is therefore subject to the requirements of the EIA. The District purchases renewable energy credits (REC) to comply with the Washington State Renewable Portfolio Standard (RPS), part of the Energy Independence Act signed into law in 2006 for implementation starting in 2012. A REC represents the legal rights to the renewable attributes associated with the generation of one MWh of qualified renewable energy.

For 2023, the State RPS mandated the District to purchase qualifying renewable resources or the equivalent RECs based on 15% of the total retail load, resulting in a compliance target of 100,475 MWh. The District has current and future contracts for the distribution of RECs with Bonneville Power Administration, Raft River Energy, and 3Degrees Group Inc. The qualifying fuel sources used for compliance are wind, incremental hydro and geothermal. The District recorded a total of $1,059,890 for the purchase of RECs to meet the 2023 compliance obligation.

Bonneville Environmental Foundation (BEF)- In October 2015, the District entered into a contract with BEF to purchase 11,000 RECs per year starting in 2022 and going through 2024. The contract price per REC is $6.25. All RECs received in 2023 were from Lime Wind Farm in Baker County, Oregon and Mountain Home Solar in Elmore County, Idaho.

Raft River Energy- On December 15, 2010, the District entered into a contract with Raft River Energy 1, LLC to purchase a 50,000 unit contingent share of their binary cycle geothermal power plant located in Cassia County, Idaho. The contingent share is based upon 49% of project output. The contract term started in 2018 and goes through 2034 with monthly deliveries of geothermal RECs at a price of $17 per REC.

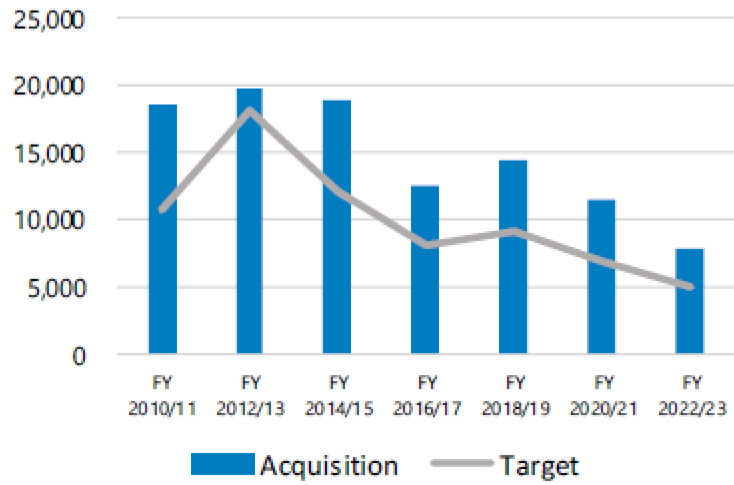
3Degrees Group Inc. – On November 20, 2018, the District entered into a contract with 3Degrees Group Inc. to purchase 50,000 firm RECs per year at a price of $4.35 per REC. The contract runs for three years from January 1, 2023 to December 31, 2025.

Conservation

Energy Efficiency Programs- The District has an agreement with BPA to participate in the Energy Efficiency Incentive (EEI) program. The EEI is a credit that is available to BPA regional wholesale power customers that take action to further conservation. Customer incentives paid by the District are reimbursed by BPA upon submission of qualifying invoices and documentation. EEI funding is provided over two-year rate periods. The determined amount by BPA for the District's EEI budget for FY 2022-2023 (October 1, 2021-September 30, 2023) was $1,409,263. In addition, the District received various allocations from other entities bringing the total available funding to $1,491,767. By the end of the rate period, the District had claimed all but $97,424. The District's energy savings program related expenditures in 2023 totaled $754,505. For the FY 2024-2025 rate period, (October 1, 2023-September 30, 2025), the District's total funding will be $1,610,719, comprised of BPA's determined amount and the rollover of the amount not claimed from the prior period.

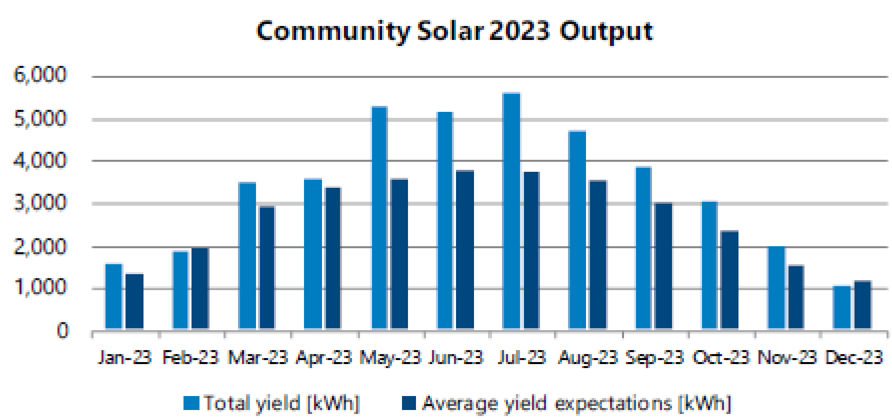
The Energy Independence Act requires qualifying utilities in Washington to conduct a Conservation Potential Assessment (CPA) evaluating all of the technically and economically feasible energy savings potential within the utility's service territory over a ten-year period. The utility then has to establish an energy savings target equal to one-fifth (1/5) of the ten-year potential and achieve energy savings greater than or equal to the target over the following two-year period. If the target is not achieved, the utility would be subject to fines. The savings shortfall rolls over to the following biennium and should be satisfied in addition to the newly established energy savings target. This process is repeated every even numbered year.

In August 2021, the District adopted a conservation target of 4,978 MWh for the 2022/23 biennium. During the biennium period, the District acquired 7,847 MWh of energy savings through local programs that include, but are not limited to, commercial LED lighting, ducted and ductless heat pumps, as well as window retrofits and heat pump water heaters. In November 2023, the District adopted a new conservation target of 6,429 MWh for the upcoming 2024/25 biennium.



Community Solar Program- In 2019, the District installed Clallam County's first community solar energy project. The 30-kilowatt solar array was built at a decommissioned substation site located in downtown Sequim, Washington and consisted of 2,000 "solar units" that were made available to District customers. 82 customers signed up for the program getting access to between 1 and 125 units each. Participants see their investment pay off over time in two ways: 1) a monthly credit on the customer's electric bill for electricity generated by the solar array based on their share of the project and 2) an annual Washington State production incentive based on the kWh that their unit(s) generate. The District is able to recover the costs of these payments through a Washington State Utility Tax Credit authorized by ESSB 5939, signed into law by Governor Inslee on June 30, 2017.

In 2023, the District paid out $5,880 in production incentive payments to the community solar program's 81 current participants and recovered that cost through an equal reduction in the District's state public utility tax payments. The project generated 41,940 kWhs in 2023.



With 573 home and commercial renewable energy systems installed throughout Clallam County through 2023, the District's customers have shown a great deal of interest in renewable energy. The District's community solar program helps customers who, for a number of reasons, cannot take advantage of solar energy at their homes.

City of Port Angeles Water Contract

The District is a party to a Wholesale Water Contract with the City of Port Angeles (City) through August 16, 2036. The rates are tied to the City's Residential Rate Structure. Gales Addition Reservoir is 89% of the cost per 100 cubic feet under the City's residential rate and the Baker Street Intertie is 85% of the cost per 100 cubic feet under the City's residential rate. Water rates for 2023 were as follows:

Gales Addition Reservoir - Rountree Intertie (High Zone)	
Jan 2023 - Dec 2023 billing cycle	$2.2437/100 cubic feet/month

Baker Street Intertie (Low Zone)	
Jan 2023 - Dec 2023 billing cycle	$2.1429/100 cubic feet/month

The District's purchased water expense under this contract was $279,880 in 2023. The City and the District are currently in the process of renegotiating the terms of this contract.

NOTE 13 – PARTICIPATION IN NORTHWEST OPEN ACCESS NETWORK, INC. (NoaNet)

The District, along with other Washington State public entities, is a member of Northwest Open Access Network, Inc. (DBA NoaNet), a Washington nonprofit mutual corporation. NoaNet was incorporated in February 2000 to provide a broadband communications backbone over public benefit fibers leased from BPA throughout Washington. The network began commercial operation in January 2001. The District's membership interest in NoaNet is 10.57%.

NoaNet recorded an increase in net position (unaudited) of $8,066,256 in 2023. In accordance with Generally Accepted Accounting Principles, a proportionate share of these gains has not been recorded by the District. The District also reports no investment or liability balances related to its NoaNet membership. NoaNet reserves the right to assess members to cover deficits from operations according to their percentage interest in NoaNet. There were no assessments in 2023.

In December 2020, current members of NoaNet entered into a Repayment Agreement to guarantee the 10-year, $24,775,000 Telecommunications Network Revenue Bonds (2020 Bonds) issued by NoaNet to finance capital improvements and other expenses, repay loans and a line of credit, fund a reserve account, and pay bond issuance costs. The 2020 Bonds became due beginning December 2021 through December 2030 with interest due semi-annually at rates ranging from 0.0591 percent to 2.120 percent.

The 2020 Bonds were issued and guaranteed by its members pursuant to RCW 54.16. Under the repayment agreement, each guarantor acknowledged and agreed that it is a guarantor of the payment of the principal and interest on the 2020 Bonds and is liable by assessment or otherwise to repay NoaNet for amounts due and owing with respect to such principal and interest up to each member's agreed upon percentage interest. The District's guarantee is 10% of the outstanding Bonds.

To the extent NoaNet's gross revenue is insufficient to pay principal and interest amounts when due, NoaNet shall bill each guarantor no less than 65 days in advance of each principal and interest payment date for its percentage share. Each guarantor has 30 days to pay after receipt of the bill. In the event of a failure by any guarantor to pay such amounts when due, the guarantor shall be subject to all remedies as contained in NoaNet's bylaws. Each guarantor shall remain obligated to pay its respective share of principal and interest on the 2020 Bonds when due, whether or not it remains a member of NoaNet. As of December 31, 2023, the District's outstanding guarantee on the 2020 Bonds is $1,772,500.

In 2022, NoaNet approached its members regarding a loan in the amount of approximately $10,400,000 to pay a pension liability as NoaNet moved employees to the PERS retirement system operated by the Washington State Department of Retirement Systems. The payment of the pension liability was necessary for NoaNet to continue its operations and fulfill its purpose to provide cost-effective high-speed communications to NoaNet members under its formative Interlocal Cooperative Agreement. The loan was executed in May 2023 with the District loaning an amount of $994,242. NoaNet will repay the principal balance in annual installments starting May 1, 2024 with an interest rate equal to the twelve-month average of the 30-day yield published by the Local Government Investment Pool (LGIP). Repayment on the loan will go through May 2034.

Financial statements for NoaNet may be obtained by writing to: Northwest Open Access Network, Chief Financial Officer, 7195 Wagner Way, Suite 104, Gig Harbor, WA 98335.

NOTE 14 – TELECOMMUNICATION SERVICES

The District has installed a fiber optic system in its service area for use by the electric utility. The District has connected its fiber optic system with NoaNet's fiber optic communications network and makes excess capacity available to retail internet service providers. The District recorded broadband revenues of $454,520 for the year ended December 31, 2023. The District recorded operations and maintenance expenses for broadband in the amount of $380,024 in 2023. The District has a total capital investment of $5,962,648 as of December 31, 2023, including an overall increase of $67,049 during 2023.

Broadband operations and capital activity for 2023 were as follows:

For Year Ending December 31, 2023	
Operating Revenue	
Wholesale fiber services to Governments	179,784
Wholesale fiber services to ISP's	1,200
Retail fiber services	267,254
Installation charges	6,282
Total Operating Revenues	**$ 454,520**
Operating Expenses	
Administrative and general	202,145
Repairs & Maintenance	15,036
Tower Lease	4,125
Interconnection Access	78,426
Other Operating expenses	80,292
Total Operating Expenses	**$ 380,024**
Non-Operating Revenue	
Customer Contributions	138,103
Capital Investment	
Current year change in plant	$ 67,049
Cumulative plant	$ 5,962,648

During 2023, the District was involved in some significant fiber build outs that were requested and funded by local internet service providers. Included in these were a three-mile fiber extension to a private community in the Carlsborg area to provide 10G internet service to customers at this location. There was also a 1.5-mile fiber extension to two new poles with wireless access points to an area north of Sequim where homes had been occluded by trees in the last few years. This extension will provide 10G internet service to approximately 78 homes in the area. A third area west of Port Angeles received a 2-mile fiber extension to provide 1G service (upgradable to 10G) to an RV Park including the office and 70 RV slots. This location has very little to no cell service which was the reason for the upgrade.

To work on efficiencies and maintenance of the District's fiber infrastructure, and to upgrade to 10G service potential at fiber nodes, the District is replacing older equipment with solid state, fanless 10G equipment. This was started in the winter of 2023 and will continue through the summer of 2024.

The District has been working to extend the fiber footprint for wireless internet service providers in the District's service area where applicable. With its priority to extend its services, the District has been looking for opportunities to get funding through grants. In 2022, the District applied for two matching grants: the Middle Mile grant with the National Telecommunications and Information Administration and a broadband infrastructure grant with the Washington State Broadband Office, but those grants were not realized. In

May 2023, Clallam County approached the District about managing their grant funded project to bring fiber to the home in the Joyce area west of Port Angeles. An interlocal agreement was signed in August 2023 between Clallam County and the District and work on the $20 million project is slated to be completed by October 2026.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation – Any pending or threatened lawsuits against the District are either adequately covered by insurance or would not materially affect the financial statements.

Clean Energy Transformation Act – The Clean Energy Transformation Act (CETA) was signed into law by Washington State Governor Jay Inslee on May 7, 2019. CETA imposes three major mandates on Washington utilities, including public utility districts. First, the legislation mandates that all coal-fired resources must be eliminated from the portfolio of generation resources used to serve Washington consumers by December 31, 2025. Second, all electricity sold at retail in Washington must be greenhouse gas neutral by January 1, 2030. Third, all electricity sold in Washington after January 1, 2045 must be produced either from renewable resources or non-emitting generators. Washington's abundant hydroelectric resources, which already provide much of the electricity consumed in the state, will provide the majority of the non-emitting resources to meet CETA's obligations.

CETA is a complex law requiring transformation of the essential service of providing electricity and the District is currently preparing for its financial impacts. In 2020, the District set aside monies in a "CETA Decarbonization Fund" to begin addressing the mandates of the legislation. The initial balance in that fund was $5,750,000 and the goal is to set aside an additional $575,000 each subsequent year to assess the merits of a project to maximize investment in renewable resources and non-emitting electric generation to meet CETA's long term planning goals.

The District revamped its existing low income assistance program in 2021 to meet the requirements of the legislation to make energy assistance programs and funding available to low income households. Priority must be given to low income households with a high energy burden and can include direct monetary assistance or conservation measures to reduce that energy burden. The District is working with a local Community Action Partnership (CAP) agency to accurately assess income levels of customers and ascertain energy burden and assistance need. Total paid to the agency for the 2022-2023 funding period was $397,286. Subsequent funding will be determined each budget period.

In order to mitigate rate impacts, the District initiated a CETA low income charge in 2021 on bills to non-low income and non-tribal customers. Total billed in 2023 was $400,899. The District will continue to evaluate the financial impacts of this low income assistance compliance and adjust this charge as needed.

Climate Commitment Act (CCA) – Washington State passed the Climate Commitment Act into law in 2021. The CCA is an economy-wide cap-and-invest program sometimes referred to as cap-and-trade. The program places a cap on total greenhouse gas (GHG) emissions for the state which reduces over time to reach Washington State's GHG emissions reduction goals. The program includes emissions associated with in-state electricity generation and electricity imports and went into effect January 1, 2023. Entities that fall under this act must report GHG emissions and surrender an allowance or use offset credits for every metric ton of carbon dioxide emissions.

Reports for GHG emissions are due each year by June 1st. Each electric utility producing at least 10,000 Metric Tons (MT) of emissions must report to Washington State's Department of Ecology. An entity only has a compliance obligation if their total GHG emissions are over a 25,000 MT threshold. The District's most current GHG calculation in 2022 resulted in 11,536 MT which puts the District well below the compliance obligation threshold.

Grant Awards – The District was the recipient of multiple grants in 2023 detailed as follows:

- **Federal Emergency Management Act (FEMA) -** The District has experienced storm events over the last several years that have been declared as disasters by the federal government. The District has been working with FEMA to apply for and receive public assistance to partially reimburse the cost of labor, material, contract labor and other expenses incurred to restore services and assets lost. The District finalized and closed out several FEMA claims in 2023 for storm events occurring from 2018 through 2022. Total federal funds received for these claims was $1.18 million and state matching funds were received in the amount of $116 thousand.

  The District experienced a winter storm in November-December 2021 that was declared for public assistance on January 27, 2022. The Water Division's damages related to this storm were significant. During the storm, a landslide occurred on Highway 112 causing a main break that essentially cut off the water supply to the Clallam Bay/Sekiu area. Over 3,000 feet of pipe was laid on top of the slide debris to restore water service until the slide site became more stable. These measures were temporary while an evaluation of a permanent repair solution for recovery was completed. The District currently has two outstanding projects open related to the repair of the damage. The first project is a hazard mitigation project to install a 200 kW diesel generator and transfer switch to prevent the flooding at the Hoko pump station site during future storm events. The District was awarded a lump sum amount of $237,500 for this mitigation project, $225,000 in federal funds and $12,500 in state funds. The work is still ongoing as of the end of 2023. The District continues work on the permanent repair solution for the damaged main. The District is working with FEMA to get a plan approved and to that end received an award for an architectural and engineering (A&E) project to complete work on the preliminary engineering to determine the best method of repair measures. The award was in the amount of $432,877 with $410,094 being federal and $22,783 being state funded.

- **Washington State Department of Ecology -** The District's Water Division was awarded a grant from the Washington State Department of Ecology in October 2023 for drought relief measures in the Island View water system. The grant was in the amount of $154,867 and will be used for 2023 water hauling operations, the purchase of a vehicle and tanks for hauling and storage, and the purchase of a water transfer pump. As of the end of December 2023, the District had expenditures for reimbursement totaling $33,037 for water hauling operations and the purchase of the tanks.

- **ARPA Funding** - In 2021, Clallam County, a Washington State political subdivision (County) was allocated by the U.S. Department of the Treasury approximately $15 million of federal stimulus funding from the American Rescue Plan Act (ARPA). In 2023, the District's Water Division was awarded a grant from Clallam County as a subrecipient in the amount of $775,000 to complete upgrades to water infrastructure in the Carlsborg water system. The District had expenditures related to this grant in 2023 in the amount of $147,353 with $88,721 received as of the end of 2023.
- **Bonneville Environmental Foundation** – The District received a matching grant in the amount of $15,000 from the Bonneville Environmental Foundation in 2023 to assist in the funding of a study conducted by the Smart Energy Power Alliance to analyze opportunities for distributed generation, improved resilience and enhanced service for disadvantaged/environmental justice communities.
- **Washington State Department of Commerce** – In December, 2023, the Washington State Department of Commerce awarded the District a grant in the amount of $128,000 for a Grid Modernization Project. The funds will be used for the design of a microgrid at the District's Sequim substation, including incorporating existing solar panels, electric vehicle chargers and communication assets. The project is slated to begin in 2024.

NOTE 16 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. The District implemented measures to mitigate operational and financial impacts to its employees and customers. While operations were for the most part back to normal in 2023, the District has felt the impact of COVID-19 in some significant ways regarding supply chain issues. In 2023, the District continued to see delayed lead-times with one of the biggest strains being the procurement of overhead transformers. In the fourth quarter, orders exceeding a year past due were finally received and operations previously halted were resumed. The District also saw unprecedented lead-times on wood poles. Pole replacements were restricted to emergency replacements only and the District placed multiple orders to ensure adequate stock levels for 2024. Unexpectedly, the pole orders have been received earlier than promised and crews have been released to complete all backlogged work with the poles.

Although 2023 brought more accurate lead-time estimations, the District did not see significant reductions in lead-times overall on critical items, including steel, fiberglass, plastics, and rubber goods. The District continues to manage long lead-times with extra awareness of future needs and strategic ordering to ensure operations can continue without delay. As of December 31, 2023 the District had the following orders committed:

• Special Equipment (transformers, meters, regulars)	$3.1 million
• Inventory (poles, cable, conduit and other)	$800 thousand
• Vehicles & Trailers	$2.5 million
• Miscellaneous items (computers, tools, services)	$200 thousand

ARPA Funding – As mentioned in note 15, in 2021, Clallam County, a Washington State political subdivision (County) was allocated by the U.S. Department of the Treasury approximately $15 million of federal stimulus funding from the American Rescue Plan Act (ARPA). In July, 2021, the District entered into a subrecipient agreement with the County whereby the County agreed to provide the District a total sum not to exceed $350,000 to be used for the provision of residential and commercial utility assistance. The District coordinated an application and certification process to comply with funding requirements and assist ratepayers in applying for grant assistance. In 2023, the District received the remaining balance available in the amount of $77,460 in ARPA assistance directly on behalf of qualifying ratepayers to apply towards past due account balances. The amount received is presented as COVID-19 Non-Grant Revenue in the Non-Operating section of the District's Statement of Revenues, Expenses, and Changes in Net Position, and the amount applied toward past due account balances is shown as COVID-19 Non-Grant Expense.

FEMA Funding - Along with the arrearage funding, the District received payment on two claims with the COVID-19 Public Assistance Program through FEMA for certain operating expenses incurred to facilitate compliance with COVID-19 related public health measures. These claims were approved and obligated in 2022 with the District receiving a total of $213,379 in January 2023.

NOTE 17 – SUBSEQUENT EVENTS

Effective February 5, 2024 Commissioner Jim Waddell lost his battle with cancer leaving an open seat for District 3. The District has 90 days to appoint a new commissioner and is currently in the process of reviewing candidates to fill his position.

NOTE 18 – DIVISION INFORMATION

Condensed Statement of Net Position by Division	Electric System	Water System	Wastewater System	Intercompany Eliminations	Total
Assets					
Current Assets	$ 68,879,930	$ 6,569,962	$ 292,105	$ (10,430)	$ 75,731,567
Utility Plant, net	154,621,869	33,930,708	391,214		188,943,791
Other Assets	12,099,158	496,396	-	(72,192)	12,523,362
Total Assets	235,600,957	40,997,066	683,319	(82,622)	277,198,720
Deferred Outflows of Resources	4,143,462	434,199	-	-	4,577,661
Total Assets and Deferred Outflows of Resources	$ 239,744,419	$ 41,431,265	$ 683,319	$ (82,622)	$ 281,776,381
Liabilities					
Current Liabilities	$ 14,115,577	$ 1,235,866	$ 9,052	$ (27,034)	$ 15,333,461
Noncurrent Liabilities	27,972,287	8,481,433	43,463	(55,588)	36,441,595
Total Liabilities	42,087,864	9,717,299	52,515	(82,622)	51,775,056
Deferred Inflows of Resources	3,503,908	339,537	-	-	3,843,445
Net Position					
Net Investment in Capital Assets	127,615,647	24,590,559	343,271	72,192	152,621,669
Restricted for:					
Debt Service	3,613,213	2,917	-	-	3,616,130
Net Pension Asset	5,018,387	514,121	-	-	5,532,508
Unrestricted	57,905,400	6,266,832	287,533	(72,192)	64,387,573
Total Net Position	194,152,647	31,374,429	630,804	-	226,157,880
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 239,744,419	$ 41,431,265	$ 683,319	$ (82,622)	$ 281,776,381

Condensed Statement of Revenues, Expenses and Changes in Net Position by Division

	Electric System	Water System	Wastewater System	Intercompany Eliminations	Total
Operating Revenues	$ 72,371,730	$ 5,319,620	$ 90,712	$ (191,652)	$ 77,590,410
Operating Expenses					
Purchased Resources	25,446,689	279,880	-	-	25,726,569
Operating, Maintenance, and Admin & General	21,147,428	2,483,558	58,353	(191,652)	23,497,687
Taxes	3,998,989	273,002	-	-	4,271,991
Depreciation	10,408,460	1,077,731	18,678	-	11,504,869
Operating Expenses	61,001,566	4,114,171	77,031	(191,652)	65,001,116
Net Operating Income	11,370,164	1,205,449	13,681	-	12,589,294
Non-Operating Revenues and Expenses					
Other Non-Operating Income (Expense)	3,879,298	1,118,227	13,142	(4,275)	5,006,392
Interest Expense	(869,136)	(102,657)	(1,560)	4,275	(969,078)
Total Non-Operating Income (Expense)	3,010,162	1,015,570	11,582	-	4,037,314
Capital Contributions	2,101,290	413,739	7,742	-	2,522,771
Change in Net Position	16,481,616	2,634,758	33,005		19,149,379
Net Position, Beginning	177,671,031	28,739,671	597,799	-	207,008,501
NET POSITION, ENDING	$194,152,647	$31,374,429	$ 630,804	$ -	$226,157,880

Condensed Statement of Cash Flows by Division

	Electric System	Water System	Wastewater System	Intercompany Eliminations	Total
Cash Flows from Operating Activities	$18,565,215	$1,892,225	$ 31,329	$ -	$20,488,769
Cash Flows from Noncapital Financing Activities	404,453	6,577		(20,694)	390,336
Cash Flows from Capital and Related Financing Activities	(13,762,849)	(190,384)	1,759	20,694	(13,930,780)
Cash Flows from Investing Activities	(4,374,794)	289,497	13,142	-	(4,072,155)
Net Increase (Decrease) in Cash	832,025	1,997,915	46,230	-	2,876,170
Cash and Cash Equivalents, Beginning of the Year	34,934,925	3,684,886	239,455		38,859,266
Cash and Cash Equivalents, End of the Year	$35,766,950	$5,682,801	$ 285,685	$ -	$41,735,436
Supplemental Disclosure of Noncash Activities					
Customer Installed Capital Contributions	$ 84,745	$ 6,631			$ 91,376
Loss on Disposal of Plant	8,123	9,453			17,576

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 1
As of June 30th (Last 10 Fiscal Years)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability:	0.083363%	0.085718%	0.086150%	0.087497%	0.092575%	0.093531%	0.101966%	0.103275%	0.102581%	0.104573%
Employer's proportionate share of the net pension liability:	$ 1,902,954	$ 2,386,704	$ 1,052,093	$ 3,089,117	$ 3,559,837	$ 4,177,126	$ 4,838,366	$ 5,546,354	$ 5,365,940	$ 5,267,914
Covered payroll:	$ 14,867,406	$ 13,992,944	$ 13,292,368	$ 13,059,363	$ 12,853,403	$ 12,223,134	$ 12,537,175	$ 11,996,769	$ 11,325,360	$ 11,153,818
Employer's proportionate share of the net pension liability as a percentage of covered payroll:	12.80%	17.06%	7.92%	23.65%	27.70%	34.17%	38.59%	46.23%	47.38%	47.23%
Plan fiduciary net position as a percentage of the total pension liability:	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 2/3
As of June 30th (Last 10 Fiscal Years)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability:	0.107497%	0.111786%	0.110678%	0.110817%	0.116566%	0.115295%	0.124233%	0.123539%	0.122737%	0.122887%
Employer's proportionate share of the net pension liability:	$ (4,405,961)	$ (4,145,898)	$ (11,025,310)	$ 1,417,286	$ 1,132,252	$ 1,968,560	$ 4,316,503	$ 6,220,091	$ 4,385,463	$ 2,483,990
Covered payroll:	$ 14,867,406	$ 13,992,944	$ 13,292,368	$ 12,926,986	$ 12,700,035	$ 11,958,974	$ 12,170,290	$ 11,573,312	$ 10,863,483	$ 10,632,142
Employer's proportionate share of the net pension liability as a percentage of covered payroll:	-29.64%	-29.63%	-82.94%	10.96%	8.92%	16.46%	35.47%	53.75%	40.37%	23.36%
Plan fiduciary net position as a percentage of the total pension liability:	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

Schedule of Employer Contributions
PERS 1
For Year Ended December 31st (Last 10 Fiscal Years)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$ 521,202	$ 535,789	$ 589,420	$ 632,914	$ 645,347	$ 643,990	$ 621,174	$ 599,504	$ 537,101	$ 506,167
Contributions in relation to the statutorily or contractually required contributions	521,202	535,789	589,420	632,914	645,347	643,990	621,174	599,504	537,101	506,167
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered payroll	$ 15,412,487	$ 14,253,190	$ 13,778,767	$ 13,079,402	$ 12,861,952	$ 12,595,366	$ 12,347,732	$ 12,247,603	$ 11,737,932	$ 10,996,146
Contributions as a percentage of covered payroll	3.38%	3.76%	4.28%	4.84%	5.02%	5.11%	5.03%	4.89%	4.58%	4.60%

Schedule of Employer Contributions
PERS 2/3
For Year Ended December 31st (Last 10 Fiscal Years)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$ 980,234	$ 906,520	$ 981,534	$ 1,030,384	$ 983,649	$ 931,320	$ 822,057	$ 763,048	$ 656,190	$ 514,521
Contributions in relation to the statutorily or contractually required contributions	980,234	906,520	981,534	1,030,384	983,649	931,320	822,057	763,048	656,190	514,521
Contribution deficiency (excess)		-	-	-	-	-	-	-	-	-
Covered payroll	$ 15,412,487	$ 14,253,190	$ 13,778,767	$ 13,009,921	$ 12,736,509	$ 12,416,720	$ 11,987,494	$ 11,904,039	$ 11,257,908	$ 10,652,582
Contributions as a percentage of covered payroll	6.36%	6.36%	7.12%	7.92%	7.72%	7.50%	6.86%	6.41%	5.83%	4.83%

OPEB Retiree Medical Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
For Measurement Period Ending December 31st (Last 10 Fiscal Years*)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Total OPEB liability-beginning	$ 1,247,034	$ 1,187,252	$ 2,104,120	$ 2,414,603	$ 1,911,804	$ 1,664,292
Service Cost	$ 68,125	$ 65,174	$ 110,286	$ 133,059	$ 100,159	$ 87,675
Interest on total OPEB liability	26,736	26,102	59,901	103,220	68,684	65,787
Changes of benefit terms	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	609,299	-	(814,494)	-	32,896	-
Effect of assumption changes or inputs	(409,961)	11,137	(215,668)	(485,955)	331,940	117,382
Expected benefit payments	(34,731)	(42,631)	(56,892)	(60,807)	(30,880)	(23,332)
Net change in total OPEB liability	$ 259,468	$ 59,781	$ (916,868)	$ (310,483)	$ 502,799	$ 247,512
Total OPEB liability-ending	$ 1,506,502	$ 1,247,034	$ 1,187,252	$ 2,104,120	$ 2,414,603	$ 1,911,804
Covered employee payroll	$ 14,253,190	$ 13,778,767	$ 13,079,402	$ 12,861,952	$ 12,595,366	$ 12,347,732
Total OPEB liability as a % of covered employee payroll	10.57%	9.05%	9.08%	16.36%	19.17%	15.48%

Notes to schedule

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is showing the years for which information is available.
* No assets are accumulated in a trust compliant with GASB codification P52.101 to pay related benefits.
* Changes of benefit terms: There are no changes in benefit terms.
* Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate, election, demographic and health assumptions each period.

Public Utility District No. 1 of Clallam County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

				Expenditures				
Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Clallam County)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	224,812	-	224,812	-	1, 2, 3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept - Emergency Management Division)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	# FEMA-4418-DR-WA Cat Z Management Costs PW#101 v.1	43,498	-	43,498	-	1, 2, 3, 4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept - Emergency Management Division)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	# FEMA-4593-DR-WA Cat Z Management Costs PW#90	10,471	-	10,471	-	1, 2, 3, 4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept - Emergency Management Division)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	# FEMA-4635-DR-WA Cat F Utilities PW#264	83,281	-	83,281	-	1, 2, 3, 4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept - Emergency Management Division)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	# FEMA-4635-DR-WA Cat F Utilities PW#128	139,028	-	139,028	-	1, 2, 3, 4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept - Emergency Management Division)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	# FEMA-4650-DR-WA Cat F Utilities PW#71	137,854	-	137,854	-	1, 2, 3, 4

The accompanying notes are an integral part of this schedule.

Public Utility District No. 1 of Clallam County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

				Expenditures				
Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept - Emergency Management Division)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	# FEMA-4650-DR-WA Cat Z Management Costs PW#101	7,659	-	7,659	-	1, 2, 3, 4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept - Emergency Management Division)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	# FEMA-4682-DR-WA Cat F Utilities PW#26	556,162	-	556,162	-	1, 2, 3, 4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept - Emergency Management Division)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	# FEMA-4682-DR-WA Cat Z Management Costs PW#32	5,847	-	5,847	-	1, 2, 3, 4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept - Emergency Management Division)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	# FEMA-4635-DR-WA Cat F Utilities Hoko Repair PW#234	16,172	-	16,172	-	1, 2, 3, 4
			Total ALN 97.036:	**999,972**	**-**	**999,972**	**-**	
			Total Federal Awards Expended:	**1,224,784**	**-**	**1,224,784**	**-**	

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

The 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 grant portion of the program costs. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or 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.

Note 4 – FEMA Awards

During 2018, the District experienced a storm that qualified for federal FEMA awards (DR 4418). Project Worksheet 101, had an award determination approved in 2023. The administrative expenditures related to the approved project were incurred in 2018-2022. Payment for Worksheet 101 was received by the District in 2023.

During Dec 2020-Jan 2021, the District experienced a storm that qualified for federal FEMA awards (DR 4593). Project Worksheet 90, had an award determination approved in 2023. The administrative expenditures related to the approved project were incurred in both 2021 and 2022. Payment for Worksheet 90 was received by the District in 2023.

During 2021, the District experienced a winter storm that qualified for federal FEMA awards (DR 4635). Eligible expenditures were submitted in four separate storm projects. Three Project Worksheets, 264, 128, and 234 had the award determinations approved in 2023. The expenditures related to the three approved projects incurred in both 2021 and 2022. Payment for the approved Worksheets was received by the District in 2023.

During 2021, the District experienced a storm that qualified for federal FEMA awards (DR 4650). Project Worksheets 71 and 101, had an award determination approved in 2023. The expenditures related to the approved projects incurred in both 2021 and 2022. Payment for both approved projects was received by the District in 2023.

During 2022, the District experienced a storm that qualified for federal FEMA awards (DR 4682). Project Worksheets 26 and 32, had an award determination approved in 2023. The expenditures related to the approved projects incurred in both 2022 and 2023. Payment for both approved projects was received by the District in 2023.

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

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