Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Vera Water and Power

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

Published February 27, 2025

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Office of the Washington State Auditor
Pat McCarthy

February 27, 2025

Board of Directors
Vera Water and Power
Spokane Valley, Washington

Report on Financial Statements

Please find attached our report on the Vera Water and Power's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Vera Water and Power
January 1, 2023 through December 31, 2023

Board of Directors
Vera Water and Power
Spokane Valley, 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 the Vera Water and Power, 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 January 28, 2025.

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.

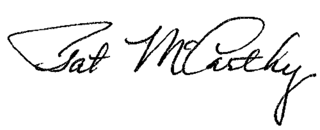
REPORT ON COMPLIANCE AND OTHER MATTERS

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, State Auditor

Olympia, WA

January 28, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Vera Water and Power
January 1, 2023 through December 31, 2023

Board of Directors
Vera Water and Power
Spokane Valley, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Vera Water and Power, 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 the Vera Water and Power, as of December 31, 2023, and the changes in financial position and, where applicable, 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2025 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

January 28, 2025

FINANCIAL SECTION

Vera Water and Power
January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2023

VERA WATER AND POWER

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The management of Vera Water and Power (the District) offers readers of these financial statements this overview and summary analysis of the financial activities of the District for the year ended December 31, 2023. This annual report consists of a series of financial statements: The Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows. This report provides information about the activities of the District and presents a longer-term view of the District's finances.

This section of the financial report is designed to assist the reader in focusing on significant financial activities and issues, as well as important changes in the District's financial position and results of operations. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's overall financial condition remains very strong with some improvement over the past year. Two of the District's financial policies are:

- Unrestricted cash balances will equal or exceed 200 days of operating expenses. When cash balances fall below 90% of the goal, a line item will be added to the annual budget to recover the deficit through rates, cost reductions, a bond sale or other actions as may be approved by the Board. When cash balances exceed 120% of the goal, an agenda item will be added to the annual budget presentation to discuss this balance and determine if a balance reduction through early debt repayment, capital projects, increasing restricted funds or some other action as approved by the Board should be taken.

- Debt Service coverage on senior lien debt shall be greater than 1.5 times the maximum annual debt service.

As of December 31, 2023, the District's unrestricted cash balances were 204 days of expenditures.

Unrestricted Cash and Cash Equivalents remained steady at $9.9 million in 2023 and $9.8 million in 2022.

As of December 31, 2023, the debt service coverage ratio is 4.35.

FINANCIAL HIGHLIGHTS (cont.)

Financial Ratio Benchmarking

Below are some other key financial ratios the District uses to gauge its financial condition.

Current Ratio	5.85
Debt to Assets	0.22
Debt to Equity	0.23
Retail Customers per Employee	337
Revenue per kWh - All Retail Customers	$ 0.085

THE STATEMENT OF NET POSITION AND CHANGES IN NET POSITION

The Statement of Net Position and the Statement of Revenues and Expenses and Changes in Fund Net Position report information about the District and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. All the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the District's net position and its changes. You can think of the District's net position - the difference between assets and liabilities - as a way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator as to whether its financial health is improving or deteriorating.

Our analysis below focuses on the net position and changes in net position of the District:

THE STATEMENT OF NET POSITION AND CHANGES IN NET POSITION (cont.)

Statement of Net Position
(In thousands)

	2023	2022
Current Assets	14,655	13,467
Capital Assets	64,814	65,484
Other Assets	3,154	1,801
Deferred Outflows - Pensions	987	1,147
Total Assets	**83,611**	**81,898**
Current Liabilities	2,507	2,730
Non-Current Liabilities	16,170	17,423
Deferred Inflows - Pensions	664	1,109
Total Liabilities	**19,341**	**21,262**
Net Position		
Invested in Capital Assets	50,218	49,861
Restricted	1,525	1,111
Unrestricted	12,528	9,664
Total Net Position	**64,270**	**60,636**

The following is a detail of capital assets for the last two years:

Capital Assets at Year-end
(In thousands)

	2023	2022
Utility Plant	101,548	97,146
Land	2,671	2,681
Transportation Equipment	3,653	3,555
Construction in Progress	259	3,069
Other Utility Plant	18	18
Less: Accumulated Depreciation	(43,335)	(40,986)
Total Utility Plant, net	**64,814**	**65,484**

Net capital assets fell to $64.8 million as of December 31, 2023.

THE STATEMENT OF NET POSITION AND CHANGES IN NET POSITION (cont.)

Capital Projects

Electric System

The District added approximately $752,000 and $750,000 in underground distribution additions and improvements in 2023 and 2022, respectively. In 2023, the District witnessed sustained growth, predominantly in the Morningside Area, characterized by the development of single-family homes and other areas with multi-family housing, such as apartment complexes. This trend marks a continuation of a six-year expansion phase, reflecting a robust real estate market and a demand for diverse housing options in the region.

Capital Expenditures in 2023

The District had several capital projects under construction during 2023; following is a highlight of these projects and approximate cost in 2023:

- Front Office Remodel – $789,000 – The front office remodel, completed in December 2023, has significantly enhanced workplace safety and customer service capabilities. The modernizations introduced are expected to streamline operations and foster a more efficient work environment. This strategic update aligns with contemporary standards and demonstrates a commitment to both employee well-being and customer satisfaction.
- Enterprise Software Replacement Project – $326,000 – Replacement of current software to increase efficiency, security, and reliability. Major software replacements include our customer information system, work order system, and general ledger system. Go-Live occurred in Q4 of 2023.
- Warehouse – $25,000 – Construction of new warehouse space to accommodate increased inventory and District size. The majority of construction was completed in Q1 of 2022, with some electrical and lighting portions remaining in 2023.
- Reservoir Overflow Project – $35,000 – Construction of an overflow system for our 4-million-gallon reservoir on Vera Crest Drive. This overflow system increased the safety of residents in the nearby area and improved system reliability. Asset was placed into service after final inspection in July 2023.

More detailed information about the District’s capital assets is presented in the notes to the financial statements.

THE STATEMENT OF NET POSITION AND CHANGES IN NET POSITION (cont.)

Debt

Below is a detail of the District's outstanding debt:

Outstanding Long-Term Debt (exclusive of current portion), at Year-End
(In thousands)

	2023	2022
Revenue and Refunding Bonds	$14,560	$15,550
Drinking Water Loan	$0	$36
Total	**$14,560**	**$15,586**

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND NET POSITION

Changes in Net Position
(In thousands)

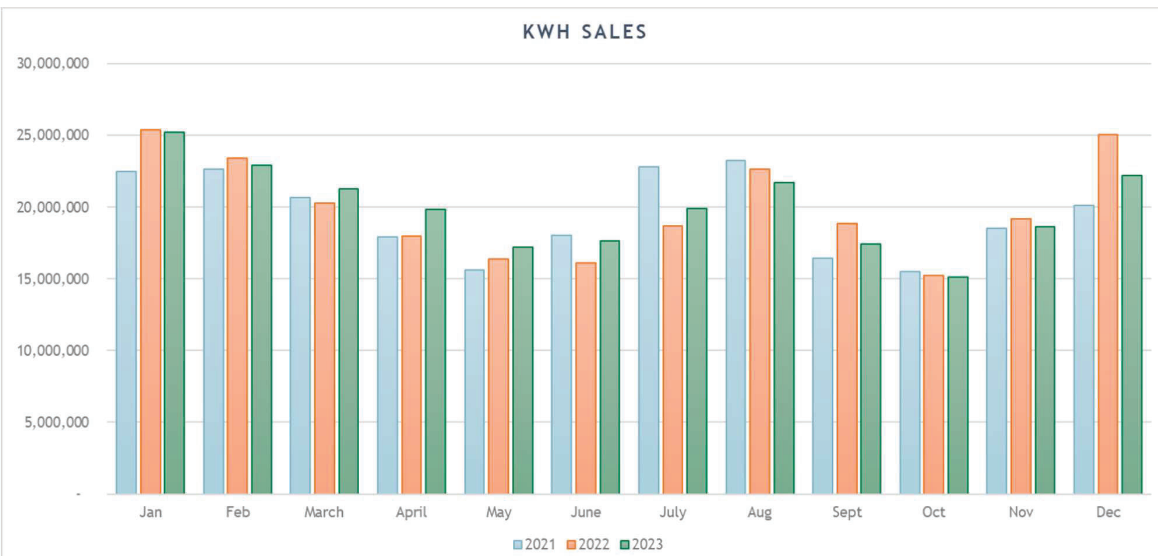
	2023	2022
OPERATING REVENUES	**24,303**	**23,807**
OPERATING EXPENSES	**20,709**	**21,230**
OPERATING INCOME	**3,594**	**2,576**
NONOPERATING REV. AND EXP.	**(11)**	**(377)**
INCOME BEFORE CONTRIBS. AND SPEC. ITEMS	**3,583**	**2,199**
Capital Contributions by Developers	888	389
Disposal of Sunacres Sewer Operations	(835)	0
Adjustment for Unclaimed Funds	(1)	3
INCREASE IN NET POSITION	**3,634**	**2,591**
TOTAL NET POSITION, beginning of year	**60,636**	**58,045**
TOTAL NET POSITION, end of year	**64,270**	**60,636**

STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND NET POSITION (cont.)

Electric Division Rates and Revenues

Effective October 1, 2023, the District implemented an 8.1% increase in electric rates across all customer classes. This adjustment reflects the broader economic trends affecting utilities nationwide, marked by notable inflationary pressures since the previous rate adjustment in 2021. The rate change is part of Vera's ongoing efforts to manage operational expenses and District growth, while maintaining reliable service.

Electric sales remained largely consistent at 239,014,000 kwh in 2023 as compared to 239,384,000 kwh in 2022. The consistency in KWH sales within the district can be attributed to the notably colder winter experienced in 2022-23, which likely led to increased heating demands. Concurrently, the district has seen a rise in energy efficiency, a result of both remodeling efforts and the incorporation of advanced energy-saving measures in new constructions. These factors combined have contributed to a stable pattern in energy consumption and sales.



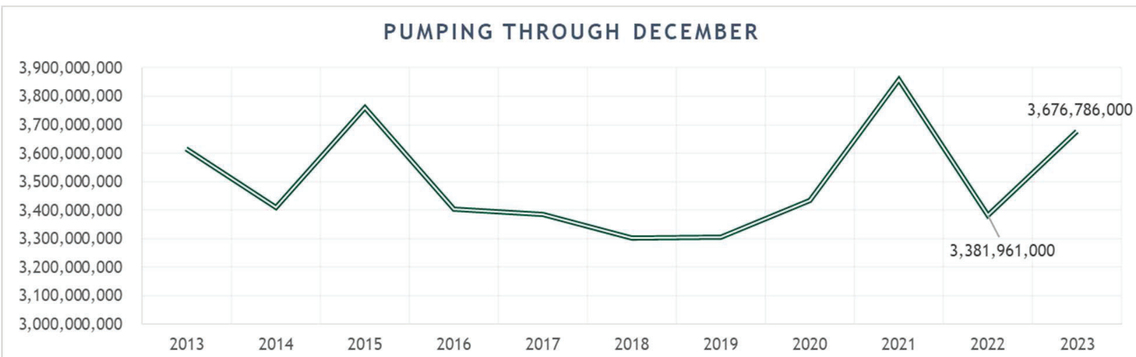
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND NET POSITION (cont.)

Water Division Rates and Revenues

Water Sales were $3,233,152 in 2023 versus $3,058,017 in 2022.

To maintain financial and operational viability, Vera increased the monthly water base charge effective March 1, 2022. There was no water rate increase in 2023.

The District pumped 3.7 billion gallons of water in 2023 and 3.4 billion in 2022. The following graph represents gallons of water pumped for the last 11 years. The variations from year to year are mostly weather dependent.



The number of the Water Division customers grew to 9,023 in 2023 from 8,992 in 2022.

STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND NET POSITION (cont.)

Contributions in Aid of Construction

The District capitalized Contributions in Aid of Construction of $888,249 and $388,999 for 2023 and 2022, respectively.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the General Manager at Vera Water and Power, P.O. Box 630, Spokane Valley, WA 99037.

VERA WATER AND POWER
Statement of Net Position
December 31, 2023

	2023
ASSETS AND DEFERRED OUTFLOWS	
CURRENT ASSETS:	
Cash and Cash Equivalents	9,858,777
Accounts Receivable - Customer and Other	2,264,150
Inventories	2,244,213
Prepayments and Other	288,262
TOTAL CURRENT ASSETS	**14,655,402**
NONCURRENT ASSETS:	
Debt Service Cash and Investments	9,255
Capital Assets:	
Utility Plant in Service	101,548,136
Land	2,670,594
Transportation Equipment	3,653,145
Construction in Progress	259,248
Other Utility Plant	18,370
Less: Accumulated Depreciation	(43,335,257)
Total Capital Assets (Net)	64,814,235
Unamortized Debt Discount	322,711
Unamortized Water and Electric System Study Costs	94,356
Regulatory Assets	1,535,733
Net Pension Asset	1,191,692
TOTAL NONCURRENT ASSETS	**67,967,982**
DEFERRED OUTFLOWS	
Pensions	987,488
TOTAL DEFERRED OUTFLOWS	**987,488**
TOTAL ASSETS AND DEFERRED OUTFLOWS	**83,610,871**

The accompanying notes are an integral part of the financial statements

VERA WATER AND POWER
Statement of Net Position
December 31, 2023

	2023
LIABILITIES AND DEFERRED INFLOWS	
CURRENT LIABILITIES:	
Accounts Payable	1,149,466
Interest Accrued	137
Bonds and Notes Payable, portion due within one year	36,472
Accrued Payroll and PTO Liability	1,305,131
Other Current and Accrued Liabilities	16,046
TOTAL CURRENT LIABILITIES	**2,507,252**
NONCURRENT LIABILITITES:	
Bonds and Notes Payable, portion due after one year	14,560,000
Unamortized Debt Premium	1,051,151
Net Pension Liability	558,768
TOTAL NONCURRENT LIABILITIES	**16,169,919**
DEFERRED INFLOWS	
Pensions	663,608
TOTAL DEFERRED INFLOWS	**663,608**
TOTAL LIABILITIES AND DEFERRED INFLOWS	**19,340,779**
NET POSITION	
Invested in capital assets, net of related debt	50,217,763
Restricted Net Assets:	
Debt Service	9,255
Pension	956,804
Unrestricted	13,086,271
TOTAL NET POSITION	**64,270,093**
TOTAL NET POSITION, LIABILITIES, AND DEFERRED INFLOWS	**83,610,871**

The accompanying notes are an integral part of the financial statements

VERA WATER AND POWER
Statement of Revenues and Expenses and Changes in Fund Net Position
For the Fiscal Year Ended December 31, 2023

	2023
OPERATING REVENUES	
Utility Sales	23,269,018
Other Operating Revenues	1,034,085
TOTAL OPERATING REVENUES	**24,303,103**
OPERATING EXPENSES:	
Cost of Purchased Power	8,713,614
General Operations & Maintenance	4,175,307
Cost of Pumping Water	591,329
Customer Services	2,407,653
General Administration	851,494
Depreciation & Amortization Expense	2,803,576
Taxes	945,947
Special Sales & Services Costs	220,377
TOTAL OPERATING EXPENSES	**20,709,297**
OPERATING INCOME	**3,593,806**
NONOPERATING REVENUES AND EXPENSES:	
Gain on Utility Plant Disposal	2,982
Interest Income	483,213
Interest Expense	(554,787)
Debt Discount Amortization Expense	(28,833)
Debt Premium Amortization Revenue	86,281
TOTAL NONOPERATING REVENUES AND EXPENSES	**(11,145)**
INCOME BEFORE CONTRIBUTIONS AND SPECIAL ITEMS	**3,582,662**
Capital Contributions by Developers	888,249
Disposal of Sunacres Sewer Operations	(835,241)
Adjustment for Unclaimed Funds	(1,195)
INCREASE IN NET POSITION	**3,634,475**
TOTAL NET POSITION, beginning of year	**60,635,618**
TOTAL NET POSITION, end of year	**64,270,093**

The accompanying notes are an integral part of the financial statements

VERA WATER AND POWER
Statement of Cash Flows
For the Year Ended December 31, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	23,861,707
Payments for purchased power	(8,713,614)
Payments to all other suppliers	(18,033,133)
Payments for payroll expenses	5,905,116
NET CASH PROVIDED BY OPERATING ACTIVITIES	**3,020,076**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for purchase of utility plant	(1,916,442)
Cost of application for public works loan	(9,993)
Payments to retire bond and loan principal	(1,026,472)
Disposal of Sunacres sewer operations	75,901
Interest paid	(555,061)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	**(3,432,067)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	483,213
NET CASH PROVIDED BY INVESTING ACTIVITIES	**483,213**
NET INCREASE IN CASH	**71,222**
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	9,796,810
CASH & CASH EQUIVALENTS, END OF YEAR	**9,868,032**

The accompanying notes are an integral part of the financial statements

VERA WATER AND POWER
Statements of Cash Flows
For the Year Ended December 31, 2023

	2023
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME	**3,593,806**
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and Amortization expense	2,803,576
Net changes in:	
Accounts Receivable - Customer and Other	(440,201)
Material and Supplies	(657,017)
Prepayments and Other	(1,502,544)
Accounts Payable	(317,190)
Accrued Liabilities	94,520
Pension Assets and Liabilities	(554,873)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,020,076
NONCASH INVESTING, CAPITAL & FINANCING ACTIVITIES:	
Capital contributions by developers	888,249

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vera Water and Power (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

a. Reporting Entity

The District is a quasi-municipal entity governed by an elected five-member board and operated under the laws of the State of Washington applicable to Irrigation Districts. As required by GAAP, management has considered all potential component units in defining the reporting entity. The District has no component units and operates three utility divisions (electric, water and sewer).

b. Measurement Focus, Basis of Accounting

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

The District statements are reported using the economic resources measurement focus and the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of the cash flows. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the appropriate funds.

The District has not accrued year end unbilled revenues. The District has recorded revenues based on total customer billings. The customer meters are read and billed at various times during the month. Actual energy usage in the current period may not be billed until the subsequent period. The District's management has determined that the amount of unbilled revenues would be immaterial to the financial statements taken as a whole.

Other operating revenues include the gains and losses from disposal of utility plant.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

The District distinguishes between operating revenues and expenses from non-operating revenues. Operating Revenues are revenues billed to customers of the District for usage of electricity, water, sewer, and streetlights. Other Operating Revenues are amounts billed for credit and collection fees, hookup fees and chargeable construction work orders. Operating Expenses for the District include purchased power, general maintenance and operations expense and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

c. Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

d. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. It is not the District's policy to invest all temporary cash surpluses. At December 31, 2023, the District was holding $9,868,032 in short-term residual investments of surplus cash.

2. Receivables

The District defines customer accounts receivable as amounts billed for utility services and construction billings.

The District has a lien on all property within its boundaries. Because of this lien, the District does not have a policy for estimating and/or writing off uncollectible accounts receivable. The District also may write off certain accounts resulting from pole-hits and other activities as they are deemed uncollectible, and where the lien does not apply.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

3. Inventories

Inventories consist of materials and supplies primarily used for the construction of utility plant. The cost is recorded as an expenditure or utility plant addition at the time individual inventory items are consumed.

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

4. Capital Assets

See note 4 regarding capitalization, depreciation, and retirement of Utility Plant.

5. Debt Service Cash & Investments

In accordance with bond resolutions, separate restricted funds are required to be established. The assets held in these funds restricted for debt service total $9,255 as of December 31, 2023.

Assets and liabilities shown as current in the accompanying Statement of Net Position exclude current maturities on revenue bonds and accrued interest thereon because debt service funds are provided for their payment. These funds are included in the deposits and investments detailed in the deposits and investments note 3.

6. Compensated Absences

All the District's full-time employees have a one leave bank system titled "Personal Time Off" (PTO). PTO is payable upon termination, retirement, or death. All vacation and sick pay is accrued when incurred in the proprietary fund financial statements. The PTO liability included in accrued payroll and PTO liability as of December 31, 2023 is $1,097,645.

7. Unamortized Debt Discount and Debt Premium

Costs relating to the sale of bonds are deferred and amortized over the lives of the various bond issues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

8. Pensions

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

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

9. Long-Term Debt

   See note 5 regarding Long-Term Debt.

2. THE DISTRICT'S POWER SUPPLY

The District, a statutory preference customer of the BPA, is entitled to the same preference rights as BPA's other preference customers and, as such, has priority to purchase power over BPA's non-preference customers. The District purchases power from BPA pursuant to a twenty-year "Full-Service Power Sales Agreement" which expires in 2028.

In December 2008, BPA signed new wholesale power contracts with its preference customers, including the District, and some investor-owned utilities. These new long-term contracts are effective from October 1, 2011 through September 30, 2028. The contracts deliver low-cost power sourced from federally owned, Northwest based, hydroelectric facilities for long durations. This provides customers with highly reliable power supply and BPA with highly predictable sources of revenue that will cover its costs to the U.S. Treasury.

Bonneville's rates include a Cost Recovery Adjustment Clause (CRAC) to allow BPA a temporary upward adjustment to power rates. The CRAC is triggered when accumulated and modified net revenues reach thresholds as established in the rate case. A Dividend Distribution Charge, which could reduce rates under certain circumstances, is also included.

2. THE DISTRICT'S POWER SUPPLY (cont.)

In 2022 and 2023, Bonneville implemented a Dividend Distribution Charge, which resulted in a monthly credit for the District on the purchased power bill. The total amount credited in 2023 was $1,686,089. These adjustments are designed to maintain financial stability and support various operational and environmental commitments.

The BPA contract gives the District a contract-defined right to purchase an amount of power at Tier 1 rates. Power at Tier 1 rates would be limited to the output of the existing resources of the federal system as of fiscal year 2011, together with limited potential additional resources, the amount of which is capped by contract. Tier 1 rates are expected to remain relatively low and stable because they recover the existing overhead of the federal system, which in aggregate, is expected to be a low-cost portfolio of generating resources.

As the District's load demand grew, it had the choice of purchasing this incremental need from BPA at Tier 2 rates or securing its own resources. Tier 2 rates are customarily set to cover the full cost of additional power purchased by BPA to meet additional loads. In order to respond to the Tier 2 requirement, the District joined NIES.

In May 2009, the following three legal entities were incorporated: Northwest Energy Supply Cooperative ("NESC"), NIES, and Northwest Energy Management Services ("NEMS"). The cooperatives joined NESC; and the municipals, PUD's, and special purpose districts (including the District) joined NIES; and the two organizations signed operating agreements with NEMS.

NIES has completed multiple market purchases to serve load placed by its members. Administrative costs, resource investigation costs and resource costs are allocated to members based on load placement. NESC and NIES separately sign contracts for resources that are added to the resource pools. The credit support of NESC and NIES remains separate to conform to underlying legal requirements.

The District has participated in several transactions between NIES and Shell Energy North America, L.P. (Shell) for the period beginning October 1, 2011, and ending September 30, 2023.

NIES and Shell executed a Master Power Purchase and Sale Agreement (PPA) to govern the power purchase and sale transactions between the parties. The remaining contracted, to serve the District's needs, MWh and Shell transaction price under these contracts are as follows:

Fiscal Year	MWh	Price
2023	1.000	35.00

Purchases are scheduled based on forecasted needs and market rate projections. In some cases, if load does not materialize, power purchased may need to be remarketed. If more load than forecasted is connected, additional purchases may be needed.

2. THE DISTRICT'S POWER SUPPLY (cont.)

The District's non-federal purchases with NIES ceased September 30, 2023 and continues through fiscal year 2028. Because of this, the District requested termination of its membership in NIES and the existing contracts with NIES and NEMS.

Pursuant to the terms of the Member Reimbursement Agreement (MRA) and the Joint Resource Planning and Acquisition Agreement (JRPAA) signed by the District, termination and withdrawal requires approval of two-thirds of the Board of Directors of NIES, along with the satisfaction of several conditions precedent to ensure no outstanding legal or financial obligations remain for the requesting member. As of October 31, 2023, NIES is not currently engaged in litigation and none of the NIES members providing notice of withdrawal, including the District, are subject to the terms of any Specific Resource Investigation, market purchases, or retain any outstanding financial obligations. On October 31, 2023, the NIES Board of Directors considered and approved the membership termination request for the District.

3. DEPOSITS & INVESTMENTS

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the District would not be able to recover the value of the investment or collateral securities. None of the District's deposits and investments are exposed to custodial credit risk. The District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The District does not have a deposit or investments policy.

Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. The District does not have a formal policy that addresses interest rate risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy that addresses credit risk.

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District does not have a formal policy for concentration of credit risk.

Investments in Local Government Investment Pool (LGIP)

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

3. DEPOSITS & INVESTMENTS (cont.)

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.

All the District's investments are insured, registered, or held by the District or its agent in the District's name. The District has funds invested in the State Treasurer's Local Government Investment Pool (LGIP), invested in a premium savings account at Washington Trust Bank and money market account at Mountain West Bank.

Below is a summary of Cash & Cash Equivalents and the carrying value of the District's investments as of December 31, 2023:

Statement of Net Position Classification	Washington Trust and Mountain West Bank	State Treasurer Investment Pool (LGIP)	Total Deposits and Investments
Cash & Cash Equivalents	1,002,315	8,856,462	9,858,777
Debt Service Cash and Investments		9,255	9,255
	1,002,315	8,865,717	9,868,032

All the District's investments carrying value approximate their market value as of December 31, 2023. There are no maturity restrictions to the deposits and investments held at the LGIP, Washington Trust Bank or Mountain West Bank.

4. UTILITY PLANT & DEPRECIATION

Major expenses for capital assets and major repairs that increase useful lives of the assets are capitalized. The District's management considers the nature and dollar amount of the item or project when capitalizing expenditures to Utility Plant. Maintenance, repairs, and minor renewals are expensed when incurred.

Utility plant in service and other capital assets are recorded at cost, where the historical cost is known. Where historical cost is not known, assets are recorded at estimated cost. Donations by developers and customers are recorded at the fair value at the date of donation.

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

4. UTILITY PLANT & DEPRECIATION (cont.)

Depreciation is computed on the straight-line method with useful lives of 5 to 70 years.

• Utility Infrastructure	40 - 50 Years
• Electric Altered Services and Meters	15 - 33 Years
• Office, Tools & Equipment	10 Years
• Computer System Equipment	5 - 10 Years
• Transportation Equipment	4 - 15 Years
• Pumps, Wells and Discharge Piping	70 Years
• Reservoirs	50 Years
• Water Mains, Hydrants	70 Years

Initial depreciation on utility plant is recorded in the year subsequent to purchase.

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

	2022 Balance	Increase	Decrease	2023 Balance
Utility plant not being depreciated:				
Land	2,681,475	6,263	(17,144)	2,670,594
Construction in progress	3,069,085	1,276,877	(4,086,714)	259,248
Total utility plant not being depreciated	**5,750,560**	**1,283,140**	**(4,103,858)**	**2,929,841**
Utility plant being depreciated:				
Utility Plant	97,146,097	6,066,746	(1,664,707)	101,548,136
Other Utility Plant	18,370	0	0	18,370
Transportation Equipment	3,554,551	143,827	(45,233)	3,653,145
Total utility plant being depreciated	**100,719,018**	**6,210,573**	**(1,709,940)**	**105,219,650**
Less: Accumulated Depreciation	(40,985,784)	(2,633,130)	283,657	(43,335,257)
Total utility plant being depreciated, net	**59,733,234**	**3,577,442**	**(1,426,283)**	**61,884,394**
TOTAL UTILITY PLANT, NET	**65,483,794**	**4,860,582**	**(5,530,141)**	**64,814,235**

All capital assets are depreciable except for Land and Construction in Progress. Construction in Progress represents expenditures to date on projects whose authorizations total $259,248 on December 31, 2023.

5. LONG-TERM DEBT

The annual requirements to amortize all debts outstanding as of December 31, 2023, including interest, are as follows:

	Total	Principal	Interest
2024	37,019	36,472	547
2025	1,552,225	1,025,000	527,225
2026	1,552,175	1,055,000	497,175
2027	1,557,900	1,095,000	462,900
2028	1,557,900	1,135,000	422,900
2029-2030	3,104,900	2,385,000	719,900
2031-2035	6,688,350	5,680,000	1,008,350
2036-2041	2,420,025	2,185,000	235,025
Total	**18,470,494**	**14,596,472**	**3,874,022**

The restricted assets of $9,255 as of December 31, 2023, represent debt reserve requirements of the District. There are several other limitations and restrictions contained in the various bond indentures. The District is in compliance with all limitations and restrictions.

During the year ended December 31, 2023, the following changes occurred in Non-Current Liabilities:

	Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
Bonds Payable	$15,550,000	$0	($990,000)	$14,560,000	$0
Drinking Water Loan	$36,472	$0	($36,472)	$0	$36,472
Total Long-Term Liabilities	**$15,586,472**	**$0**	**($1,026,472)**	**$14,560,000**	**$36,472**
Net Pension Liability	$699,294	$0	($140,527)	$558,768	
Unamortized Debt Premium	$1,137,432	$0	($86,281)	$1,051,151	
Total Non-Current Liabilities	**$17,423,199**	**$0**	**($1,253,280)**	**$16,169,919**	

There were no new bond issues in 2023.

6. PENSION PLANS

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	(558,768)
Pension assets	1,191,692
Deferred outflows of resources	987,488
Deferred inflows of resources	(663,608)
Pension expense/expenditures	(124,090)

State Sponsored Pension Plans

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits.

6. PENSION PLANS (cont.)

Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. 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		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**
July – August		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	**9.39%**	**6.00%**
September – December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	**9.53%**	**6.00%**

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

6. PENSION PLANS (cont.)

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

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

Contributions

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

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

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

6. PENSION PLANS (cont.)

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

* For employees participating in JBM, the contribution rate was 15.90%.
** For employees participating in JBM, the minimum contribution rate was 7.50%.

The District's actual PERS plan contributions were $146,392 to PERS Plan 1 and $284,391 to PERS Plan 2/3 for the year ended December 31, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

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

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation

6. PENSION PLANS (cont.)

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

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

6. PENSION PLANS (cont.)

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 the Net Pension Liability/(Asset)

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

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	780,640	558,767	365,124
PERS 2/3	1,296,108	$(1,191,962)	$(3,235,577)

* See Note 4.C of the DRS Participating Employer Financial Information report for the year ended June 30. Multiply the total net pension liability amounts for each applicable plan by your proportionate share for that plan.

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.

6. PENSION PLANS (cont.)

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 (or assets) as follows:

	Liability (or Asset)
PERS 1 - Asset	$0
PERS 2/3 - Asset	$1,191,692
PERS 1 - Liability	$558,767
PERS 2/3 - Liability	$0

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	. 025115%	.024478%	(.000637%)
PERS 2/3	. 028673%	.029075%	(.000402%)

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* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2023, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

6. PENSION PLANS (cont.)

Pension Expense

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

	Pension Expense
PERS 1	$(12,594)
PERS 2/3	$(111,496)
Total	$(124,090)

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 Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$0
Net difference between projected and actual investment earnings on pension plan investments	$0	$(63,031)
Changes of assumptions	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$66,441	$0
TOTAL	$66,441	$(63,031)

6. PENSION PLANS (cont.)

PERS Plan 2/3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$242,746	$(13,315)
Net difference between projected and actual investment earnings on pension plan investments	$0	$(449,102)
Changes of assumptions	$500,314	$(109,049)
Changes in proportion and differences between contributions and proportionate share of contributions	$33,796	$(29,112)
Contributions subsequent to the measurement date	$144,191	$0
TOTAL	$921,047	$(600,577)

All Plans in Total	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$242,746	$(13,315)
Net difference between projected and actual investment earnings on pension plan investments	$0	$(512,133)
Changes of assumptions	$500,314	$(109,049)
Changes in proportion and differences between contributions and proportionate share of contributions	$33,794	$(29,112)
Contributions subsequent to the measurement date	$210,632	$0
TOTAL	$987,488	$(663,608)

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

6. PENSION PLANS (cont.)

Year ended December 31:	PERS 1
2024	$(42,884)
2025	$(53,932)
2026	$ 33,253
2027	$ 531
2028	$ 0
Thereafter	$ 0

Year ended December 31:	PERS 2/3
2024	$(210,847)
2025	$(257,215)
2026	$ 370,719
2027	$ 136,835
2028	$ 133,194
Thereafter	$ 3,592

7. OTHER POST EMPLOYMENT BENEFITS – DEFINED CONTRIBUTION

Besides being a member of the Washington State Department of Retirement Systems (DRS), the District offers two additional benefits that may be considered Other Post Employment Benefit (OPEB). Both plans are defined contribution plans held in trusts. Contributions to the employee accounts are immediately and fully vested. The District, therefore, does not have an ongoing liability on termination of employment.

IRS Section 457 Plan:

The District offers all employees a Section 457 retirement investment plan (457 Plan). The plan allows for tax deferred contributions for retirement savings. The plan is administered by Lincoln Financial Group:

Lincoln Financial Group
P.O. Box 2248
Fort Wayne, IN 46801-2248
lfg.com

7. OTHER POST EMPLOYMENT BENEFITS – DEFINED CONTRIBUTION (cont.)

Contributions to the 457 Plan can be made through two funding mechanisms. Employees can choose to withhold an amount or percentage of their gross wages from payroll to contribute the 457 Plan. Additionally, employees subject to the District's union contract will receive an employer contribution up to 2.5% of the gross wages provided the employee contributes at least the same amount. Currently all employees subject to the union contract make at least this minimum contribution. All contributions are deposited into the employee's account in the 457 Plan each pay period.

Fees to maintain the 457 Plan are paid annually and are paid directly by the District. For 2023 the total fees are $720.

HRA Veba

The District provides all employees with a Section 105 Health Reimbursement Account plan (HRA). The plan allows for tax deferred contributions for medical expenses. The plan is administered by HRA Veba Trust:

HRA Veba Plan
PO Box 80587
Seattle, WA 98018
hraveba.org

Contributions to the plan can only be made by the District. Elective employee contributions are not allowed. The District contributes $45 per pay period for employee subject to the union contract. Other employees receive $22 per pay period. At year end, any employee with a personal time off (PTO) balance in excess of 1,000 hours will have the value of it cashed out to the employee's HRA. Additionally, on retirement the entire PTO balance is cashed out to the employee's HRA account.

Fees to maintain the HRA are paid from each employee's individual account. The District contributes, once annually, a $30 contribution to employee not covered by the union contract.

8. DEFERRED DEBITS (OR CREDITS)

In accordance with GAAP for regulated businesses, the District has deferred bond discounts of $322,711 and deferred bond premium of $1,051,151. These discounts and premiums are amortized using the costs method over the original life of bonds. The charges would have been included in net income for non-regulated business, but for rate-making purposes they are treated as applicable in the future.

9. RISK MANAGEMENT

The District maintains insurance against most normal hazards except for unemployment insurance where it has elected to be self-insured. Claims are processed by the District. The District does not have any material outstanding claims as of December 31, 2023. There were no claim settlements exceeding the District's insurance coverage in 2023.

10. INSURANCE POOL

Vera Water and Power is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. For the Pool's fiscal year ending August 31, 2023, there were 518 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris' program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials' Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a "claims made" coverage form. All other coverage is provided on an "occurrence" coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool's SIR up to the coverage maximum limit of liability.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

<u>10.</u> <u>INSURANCE POOL (cont.)</u>

The self-insured retention is:

- $1,000,000 self-insured retention on liability loss - the member is responsible for the first $1,000 of the amount of each claim, while Enduris is responsible for the remaining $999,000 on a liability loss.
- $250,000 self-insured retention on property loss - the member is responsible for the first $1,000 of the amount of each claim, while Enduris is responsible for the remaining $249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first $4,000 of the claim.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in process claims for the period they were a signatory to the Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

The Pool is governed by a Board of Directors which is comprised of seven board members. The Pool's members elect the Board, and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

<u>11.</u> <u>REGULATORY ASSETS AND LIABILITIES</u>

The utility follows regulatory accounting under GASB Statement No. 62 *Regulated Operations* for certain assets and liabilities. This allows the District to record revenues for future recognition and expenses for future rate recovery when they are included in customer rates.

The balance of regulatory assets as of December 31, 2023 was $1,535,733.

<u>12.</u> <u>DISPOSAL OF OPERATIONS</u>

On February 9, 2023, the District finalized the sale of the Sewer Division to Spokane County for $70,000. Previously, the District owned the Sun Acres Sewer System, which served 41 parcels of land within Spokane County. In 2015, the District and Spokane County agreed that the County would purchase and acquire the system once the District made certain improvements. The County took over operations of the facility approximately six years ago, and the District made the agreed upon improvements.

12. DISPOSAL OF OPERATIONS (cont.)

The sale transferred the ownership of the Sunacres Sewer System and provided the establishment of the County sewer service for the forty-one parcel owners located in the Sun Acres Development.

The Sunacres Operations had operating expenses of $6,348 and no operating revenues for the year ended December 31, 2023.

The continuing divisions absorbed some of the assets of the disposed division as follows:

- The Electric Division absorbed Fixed Assets of $401,347 and Current Assets of $823. This was for the installation of Electric Conduit in previous years.
- The Water Division absorbed $3,407 in Fixed Assets. This is for the costs associated with the installation of protective measures for water mains and related services in past years.

13. SEGMENT ACTIVITY – ENTERPRISE FUND

The District operates 3 utilities which are primarily financed by user charges. The key financial data for the year ended December 31, 2023 for these utilities are as follows:

Condensed Statement of Net Position:	ELECTRIC DIVISION	WATER DIVISION	SEWER DIVISION	INTER-DIVISION ACTIVITY	TOTAL UTILITY
Current & Other Assets	17,699,216	1,097,420	0		18,796,636
Total Capital Assets, Net	37,427,792	27,386,443	0		64,814,235
TOTAL ASSETS	**55,127,008**	**28,483,863**	**0**		**83,610,871**
Total Current Liabilities	2,109,198	398,054	0		2,507,252
Total Noncurrent Liabilities	9,995,870	6,837,657	0		16,833,527
TOTAL LIABILITIES	**12,105,068**	**7,235,711**	**0**		**19,340,779**
Net Invested in Capital Assets	28,950,434	21,267,329	0		50,217,763
Restricted Net Position	715,042	251,016	0		966,059
Unrestricted	13,356,464	(270,193)	0		13,086,271
TOTAL NET POSITION	**43,021,940**	**21,248,153**	**0**		**64,270,093**

12. SEGMENT ACTIVITY – ENTERPRISE FUND (cont.)

Condensed Statement of Revenues, Expenses and Changes in Net Position:	ELECTRIC DIVISION	WATER DIVISION	SEWER DIVISION	INTER-DIVISION ACTIVITY	TOTAL UTILITY
Utility Sales	20,324,981	3,233,152	0	(289,115)	23,269,018
Other Operating Revenues	681,505	373,076	0	(20,496)	1,034,085
TOTAL OPERATING REVENUES	**21,006,486**	**3,606,228**	**0**	**(309,611)**	**24,303,103**
Operating Expenses	15,586,354	2,627,669	1,309	(309,611)	17,905,721
Depreciation & Amortization Expense	2,043,243	755,293	5,039	0	2,803,576
TOTAL OPERATING EXPENSES	**17,629,598**	**3,382,962**	**6,348**	**(309,611)**	**20,709,297**
OPERATING INCOME (LOSS)	**3,376,888**	**223,266**	**(6,348)**	**0**	**3,593,806**
NONOPERATING REVENUES AND EXPENSES					
Gain (Loss) on Utility Plant Disposal	1,865	1,116	0	0	2,982
Interest & Net Debt Amortization Expense	(299,662)	(197,678)	0	0	(497,339)
Interest Income	435,134	48,079	0	0	483,213
TOTAL NONOPERATING REV. AND EXPENSES	**137,338**	**(148,483)**	**0**	**0**	**(11,145)**
INCOME BEFORE CONTRIBUTIONS AND SPECIAL ITEMS	**3,514,226**	**74,783**	**(6,348)**	**0**	**3,582,662**
Capital Contributions	0	888,249	0	0	888,249
Disposal of Sunacres Sewer Operations	28,697	0	(863,938)	0	(835,241)
Adjustment for Unclaimed Funds	(1,195)	0	0	0	(1,195)
Change in Net Position	**3,541,729**	**963,032**	**(870,286)**	**0**	**3,634,475**
Net Position, January 1, 2023	**39,480,211**	**20,285,120**	**870,286**	**0**	**60,635,618**
Total Net Position, December 31, 2023	**43,021,940**	**21,248,153**	**0**	**0**	**64,270,093**

12. SEGMENT ACTIVITY – ENTERPRISE FUND (cont.)

Condensed statement of cash flows:

	ELECTRIC DIVISION	WATER DIVISION	SEWER DIVISION	INTER-DIVISION ACTIVITY	TOTAL UTILITY
Net cash provided (used) by:					
Operating activities	2,205,573	811,060	(801)		3,015,832
Capital and related financing activities	(2,781,820)	(1,094,868)	448,865		(3,427,823)
Investing activities	435,134	48,079	0		483,213
Beginning cash and cash equivalents	10,252,172	(7,298)	(448,064)		9,796,810
Ending cash and cash equivalents	**10,111,060**	**(243,028)**	**0**		**9,868,032**

Vera Water and Power
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability / Asset
PERS 1
As of June 30, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.024478%	0.025115%	0.026697%	0.025581%	0.026764%	0.026497%	0.026199%	0.027026%	0.024619%
Employer's proportionate share of the net pension liability	558,767	699,294	326,033	903,147	1,029,171	1,183,365	1,243,163	1,451,423	1,287,803
TOTAL	558,767	699,294	326,033	903,147	1,029,171	1,183,365	1,243,163	1,451,423	1,287,803
Covered payroll	4,167,366	3,784,760	3,810,503	3,586,427	3,513,237	3,284,307	3,086,609	3,020,078	2,633,137
Employer's proportionate share of the net pension liability as a percentage of covered payroll	13.41%	18.48%	8.56%	25.18%	29.29%	36.03%	40.28%	48.06%	48.91%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

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

Vera Water and Power
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability / Asset
PERS 2/3
As of June 30, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.029075%	0.028673%	0.030282%	0.029223%	0.030579%	0.029942%	0.029752%	0.030557%	0.027679%
Employer's proportionate share of the net pension liability	-1,191,692	-1,063,419	-3,016,574	373,746	297,026	511,233	1,033,740	1,538,521	988,986
TOTAL	-1,191,692	-1,063,419	-3,016,574	373,746	297,026	511,233	1,033,740	1,538,521	988,986
Covered payroll	4,045,689	3,596,017	3,628,113	3,406,980	3,338,028	3,113,621	2,918,700	2,854,779	2,470,722
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-29.46%	-29.57%	-83.14%	10.97%	8.90%	16.42%	35.42%	53.89%	40.03%
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

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

Vera Water and Power
Required Supplementary Information
Schedule of Employer Contributions
PERS 1
As of December 31, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	146,392	22,170	20,955	23,021	22,851	22,025	20,205	18,637	16,787
Contributions in relation to the statutorily or contractually required contributions	146,392	22,170	20,955	23,021	22,851	22,025	20,205	18,637	16,787
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0
Covered payroll	4,343,831	3,964,753	3,764,506	3,717,115	3,561,689	3,398,507	3,189,000	2,962,734	2,950,722
Contributions as a percentage of covered payroll	3.4%	0.559%	0.557%	0.619%	0.642%	0.648%	0.634%	0.629%	0.569%

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

Vera Water and Power
Required Supplementary Information
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	284,391	386,215	408,554	449,751	434,662	411,115	361,601	313,189	283,573
Contributions in relation to the statutorily or contractually required contributions	284,391	386,215	408,554	449,751	434,662	411,115	361,601	313,189	283,573
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0
Covered payroll	4,343,831	3,749,701	3,580,382	3,536,123	3,383,802	3,225,716	3,020,149	2,796,328	2,786,625
Contributions as a percentage of covered payroll	6.5%	10.3%	11.4%	12.7%	12.8%	12.7%	12.0%	11.2%	10.2%

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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