



PUD 1 crew working
mutual aid for Jefferson
PUD in snowstorm.



2022

ANNUAL REPORT

PUTTING GRANT FUNDING TO WORK AT PUD 1

2022 was a year of putting grant funds to work! Thanks to our partnership with Hood Canal Communications (HCC), Mason County, and Community Economic Revitalization Board (CERB), we were able to rebuild the pole line just south of Eldon all the way to Forest Drive, just across the Mason/Jefferson county line. HCC then strung fiber along the pole line and will work on connecting homes and businesses in 2023. This fiber buildout was facilitated through a combination of grant resources from the American Rescue Plan Act and CERB. HCC used those monies to leverage an additional \$14 million from the federal government and Washington State Broadband Office, which will allow them to continue to build out fiber to the north end of Brinnon in 2023 and 2024. Public-private partnerships are important when leveraging grant monies and also operational resources to help ensure that our communities have access to essential utility services, which now include broadband.



Contractors installing fiber along U.S. Hwy 101



In addition to the fiber project, PUD 1 obtained ARPA funding from the Mason County commissioners to construct upgrades to water systems in Agate Beach and Vuecrest. The PUD also successfully built out Phase 1 of Lake Arrowhead mainline and were awarded Drinking Water State Revolving Funds for Phase 2 (the rest of the development) and iron and manganese treatment for that system. The DWSRF has been a mainstay for PUD 1 in funding necessary water system improvements. In 2020 and 2021 we were awarded DWSRF for Canal View water system in Eldon, Ripplewood water system in Matlock, and Shadowood water system in Shelton. These water systems' plans and improvement projects spent most of 2022 in the engineering, design and approval processes. While the work on those projects hasn't been visible, they're all moving forward and should be put out to bid in 2023.

For the power side, our Washington State Emergency Management Division (EMD) office has been great to work with. Our local FEMA reps have helped us procure not only funding to reimburse our expenses after our major storms this year, but also to preemptively rebuild our power lines to make them more resilient against future disaster events. One such project that has completed the design and permitting process in 2022 is the Arnold's Way project.

This will relocate mainline off of a precarious stretch of U.S. Highway 101 just past Hoodsport and move it up on top of the hillside where it will be easier and safer to maintain and help avoid that section from being torn down by trees. The Arnold's Way project will be put out to bid in early 2023. We also received word in 2022 that a \$3.6 million FEMA Hazard Mitigation Grant Program request was tentatively approved. This funding will pay to install regulator banks in three additional areas of our electrical system as well as rebuild several trouble areas that see frequent outages and have old, undersized pole lines and copper wire. All of these pots of funding help us accomplish this necessary construction work to protect and harden our grid without sustaining a hit to our operating budget.

Inflation has really taken a toll on utilities across the United States and Mason PUD 1 is no exception. Transformers are priced as much as 300% more than they were in 2019 and can take over a year to get now. Same with our meters and other critical components of our system. Fuel prices and vehicle prices are also impacting our bottom line. The grant funding we've brought in to date has allowed us to absorb most of the inflation by paying for the Capital Work Plan projects that we still have to get done. In fact, for the water side, we were able to reduce our projected rates by an overall average of 2% when we passed our next three years of water rates in December. We hope to achieve the same savings in the power business when we set the next power rate schedule at the end of 2023.

When you already operate lean and scrutinize every budget line item, it's difficult to cut things out when unexpected emergencies and inflation put pressure on our ability to do our work. That's why PUD 1 wants to give a big thank you to the partners who have helped us achieve our grant success and kept our momentum going- the Mason County Commission, the folks at CERB, Dept. of Health, Dept. of Ecology, FEMA, HCC, and everyone else! We appreciate your support.



Kristin Masteller

Kristin Masteller
GENERAL MANAGER



Mike Sheetz

Mike Sheetz
BOARD PRESIDENT

YOUR PUD TEAM



PUD 1 RATEPAYERS

BOARD OF COMMISSIONERS

Commissioner
District 1
MIKE SHEETZ

Commissioner
District 2
RON GOLD

Commissioner
District 3
JACK JANDA

Legal Counsel
ROB JOHNSON

CPA Firm/Auditor
MIKE WITTENBERG

Executive Assistant
JULIE G.

GENERAL MANAGER

KRISTIN MASTELLER

ENGINEERING MANAGER

JAMES REYES

DIRECTOR OF BUSINESS SERVICES

KATIE ARNOLD

Credit/Collections Bookkeeper
LISA C. **JOYCE G.**

Customer Service Rep
TRISH M.
CASSANDRA S.

IT Contractor
**HOOD CANAL
COMMUNICATIONS**

WATER RESOURCE MANAGER

BRANDY MILROY

WATER SUPERINTENDENT

TJ GOOS

Lead Water System Operator
ROOSTER O.

Water Tech
COLE C.
JORDAN A.
ERIC J.

Engineering Tech
MARY B.

ELECTRIC SUPERINTENDENT

MATT ROLOW

Line Foreman
MIKE R.

Linemen
BARNEY B.
MIKE Y.
TIM B.

Apprentice
Linemen
LJ V.
RUDY G.

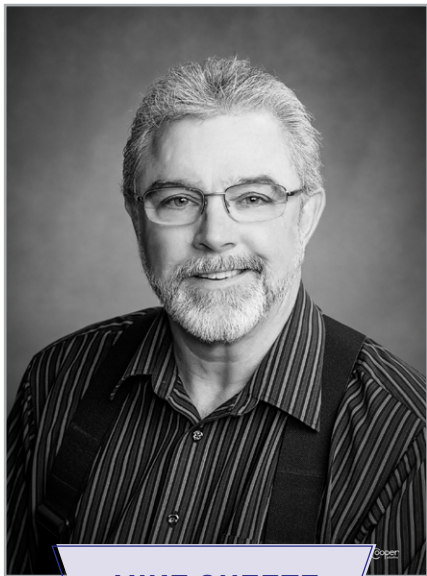
Meter Reader/UP
KOBE V.

Engineering Tech
RICK B.

Utility Person
REESE S.

Purchaser
RICH C.

PUD 1 COMMISSIONERS



MIKE SHEETZ

DISTRICT 1

(Union & Alderbrook)

Term: 2023-2028

Mike Sheetz finished his first term in 2022 and was reelected for a second term as Commissioner for the District. Contact Mike Sheetz at (360) 898-7934



RON GOLD

DISTRICT 2

(Skokomish Valley & West Union)

Term: 2021-2026

Ron Gold is currently serving his fourth term as Commissioner for the District. Contact Ron Gold at (360) 490-1560.



JACK JANDA

DISTRICT 3

(Potlatch to Jefferson Co.)

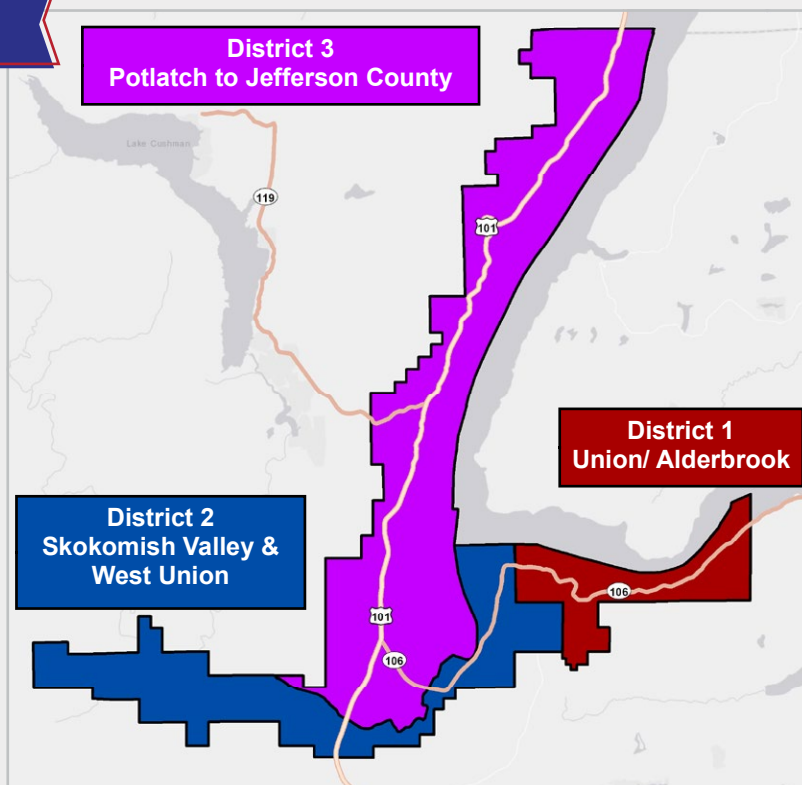
Term: 2019-2024

Jack Janda is currently serving his fourth term as Commissioner for the District. Contact Jack Janda at (360) 490-1800.

PUD 1 VOTING DISTRICTS

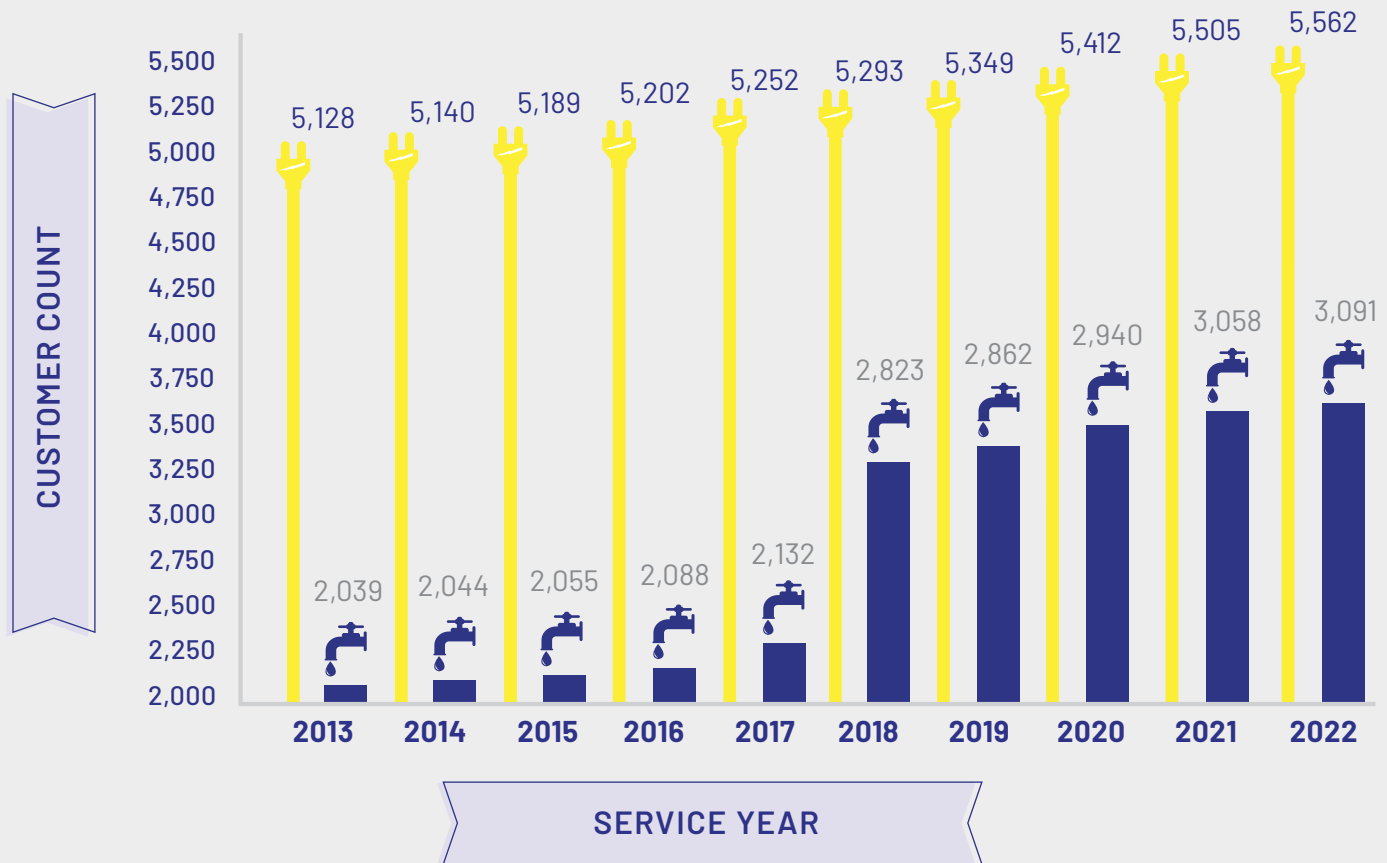
Mason County PUD No. 1 is a publicly owned entity governed by a Board of Commissioners elected by you, our ratepayers. The District is divided into three smaller voting districts and one commissioner is elected from each of these districts. They each serve a six-year term. The commission sets District policy, approves budgets and expenditures, as well as the strategic plan.

Board of Commissioner meetings are open to the public and held virtually and in person. Customers and members of the public are encouraged to attend board meetings, which are typically held the second and fourth Tuesdays of each month at 1:00 p.m. The information is listed on the PUD's homepage at www.mason-pud1.org or can be provided by calling the PUD office. Board packets and special meeting announcements are also posted on the homepage of the website for public viewing.



2022 QUICK STATS

WATER AND ELECTRIC CUSTOMER COUNTS



KILOWATTS SOLD

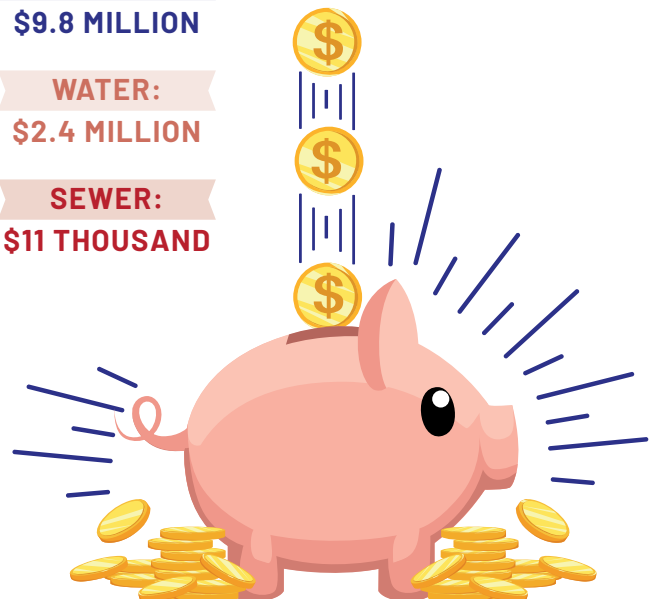


2022 OPERATING BUDGETS

ELECTRIC:
\$9.8 MILLION

WATER:
\$2.4 MILLION

SEWER:
\$11 THOUSAND



SAFETY & AWARDS



52,887

HOURS WORKED
IN 2022



1

REPORTABLE INCIDENTS,
ZERO DAYS OF TIME LOSS



1

3RD PLACE SAFETY
AWARD FROM NWPPA

NORTHWEST PUBLIC POWER ASSOCIATION'S EXCELLENCE IN COMMUNICATIONS AWARDS

(GROUP A <10,000 CUSTOMERS)



FIRST PLACE

Advertising Campaign Internal Communications -
Strategic Work Plan Social Media



SECOND PLACE

Special Publication
Annual Report

PNWS AMERICAN WATER WORKS ASSOCIATION'S EXCELLENCE IN COMMUNICATIONS AWARDS



American Water Works Association
Pacific Northwest Section

PUD 1 General Manager and Water Resources
Manager accept five PNWS-AWWA awards for
communications excellence.



CUSTOMER APPRECIATION



CUSTOMER APPRECIATION



CUSTOMER APPRECIATION



PUD 1 ELECTRIC



PUD 1 ELECTRIC

IMPROVING THE SYSTEM

Our annual work plans have an emphasis on rebuilding sections of aging underground line in problem areas, as well as completing overhead-to-underground conversions. One of our focuses for improving the system is on pole replacements. We still have utility poles from the 1940s in areas of our system. Thanks to fiber deployment and grant funds, we were able to replace several poles in 2022. 138 poles were replaced along U.S. Hwy 101 between Hama Hama Seafood and the end of Forest Drive as part of the Hood Canal Communications and PUD 1 Broadband Project this year. This was over \$1 million in new poles that were replaced entirely through grant funds.

The electric crew also completed several rebuilds of sections of line in problem areas. WaWa Point, Eells Hill Road, Colony Surf Divisions 5 & 6, and Galloway Lane were all completed in 2022, along with preparations to rebuild a new section of Bee Mill Road in 2023. The crew also undergrounded sections of line on Duckabush Road and Dosewallips Road to create clearance from overhead Bonneville Power Administration transmission lines, so BPA can start constructing new transmission soon.

We also implemented a more robust inspection and testing program this year. The goal is to have better monitoring of the system and equipment so we can stay ahead of any equipment failures or issues and plan for replacements.

NEW INFRASTRUCTURE

Substations are a big part of our focus in coming years. The **Manzanita Substation** activities have begun to start the design of the substation at the PUD's property on the corner of McReavy Rd. and Manzanita Drive in Union. It will replace the 60+ year old Union substation on Dalby Rd. This substation is being funded through operational revenue, meaning the PUD is not borrowing money to construct it. Most of the site prep and infrastructure leading to the substation has already been completed over the last several years. It is currently in the engineering and design phase with the goal to put it out to bid in 2023.

In 2022, we ordered the Manzanita substation transformer and regulator. This equipment takes up to 18-24 months to be delivered now, due to supply chain issues. We put them on order so they can be delivered when the Manzanita site is ready for them. The line crew also finished pulling in the large transmission cable for Manzanita.

We also got the ground cleared and environmental mitigation activities completed for the future **Jorstad Substation**. The Jorstad Substation will help with system redundancy and allow us to pick up load from the north and south ends of the highway when there is an issue at either Duckabush or Hoodsport substations. It also will enable us to take those substations offline for maintenance without outages.

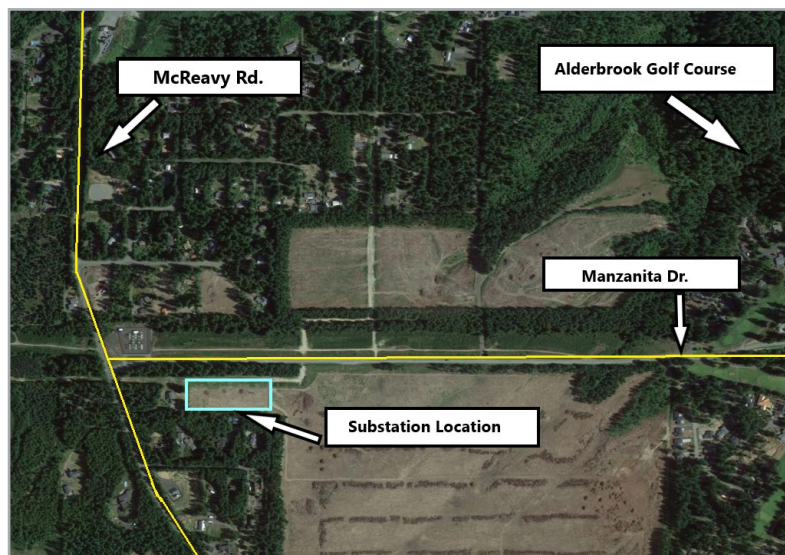
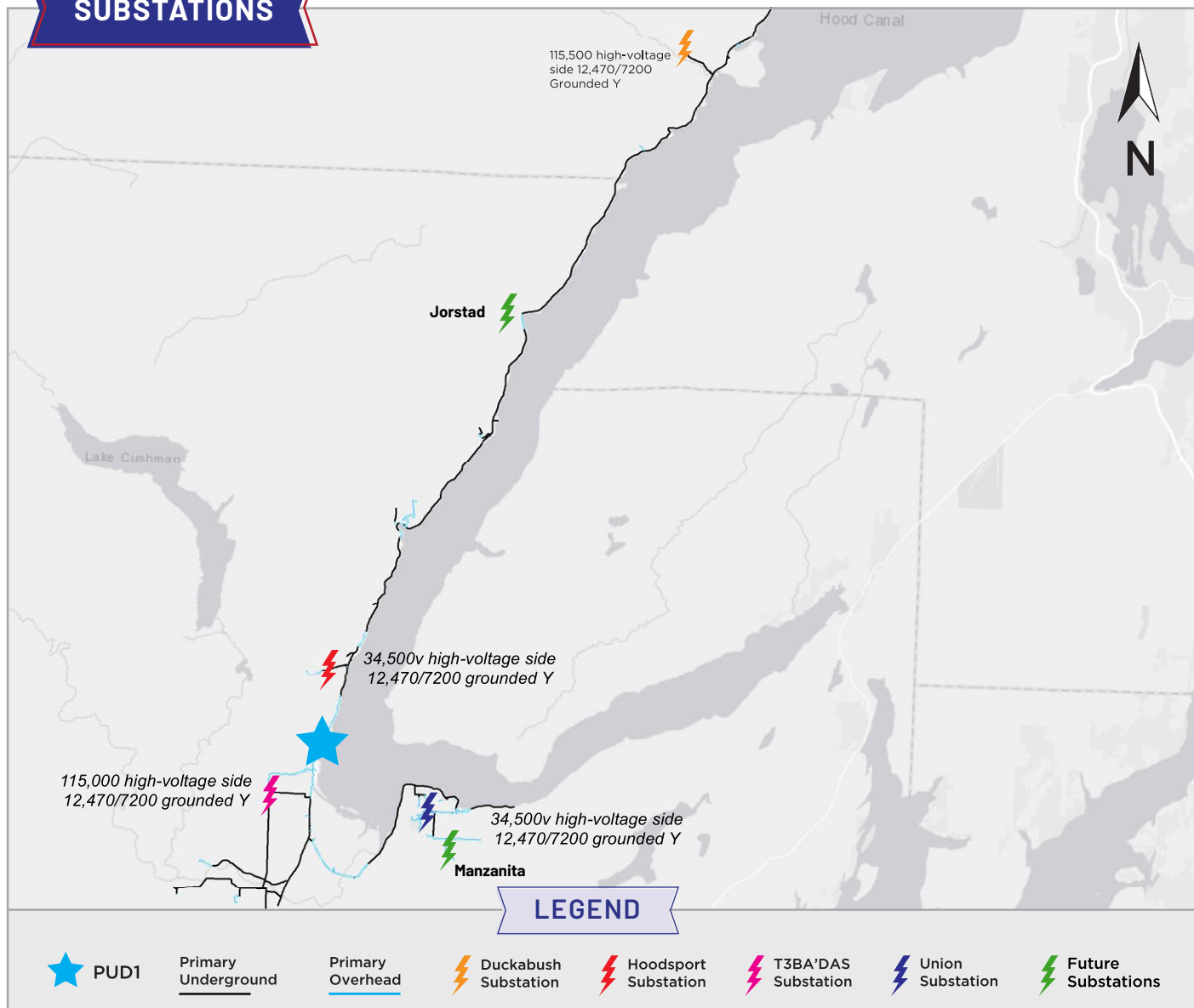
The PUD is actively working on federal appropriations and grant funding to help move the Jorstad Substation forward without impacting electric rates.

The PUD completed a 10-year substation plan to help schedule the sequence of substation milestones that need to occur over the next decade (i.e. purchasing of equipment, land procurement, upgrades, etc.) and also to make sure that we are budgeting for these things appropriately each year.

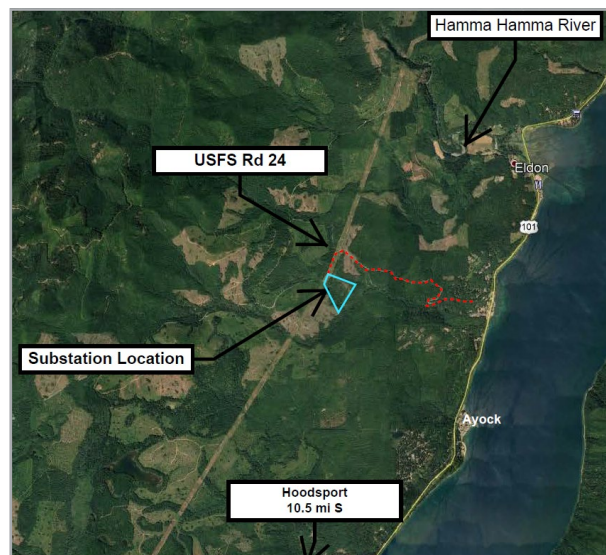


PUD 1 ELECTRIC

SUBSTATIONS



Future site for Manzanita Substation in Union.



Future site for Jorstad Substation in Lilliwaup.

PUD 1 ELECTRIC

VEGETATION MANAGEMENT

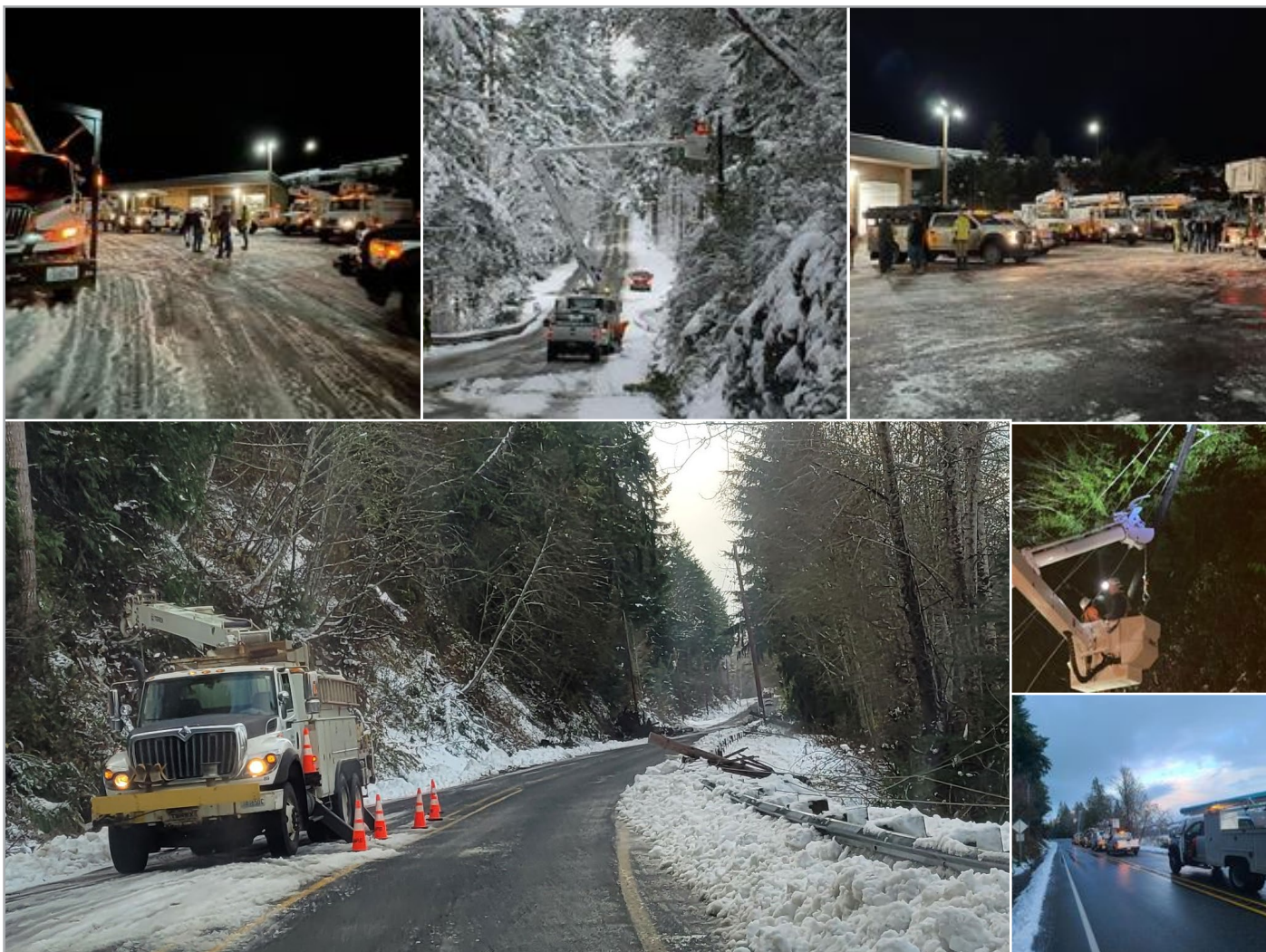
Working in the Olympic Rainforest and along the Hood Canal, we have some of the world's most pristine scenery as our daily backdrop, but it also creates challenges for electric reliability. The PUD is not able to underground most of the line along Highway 101 and the rainforest canopy hangs over cliffs above the power lines. Tree related outages are inevitable. That being said, the PUD has increased its budget and in-house efforts to trim back the vegetation and remove danger trees to help avoid nuisance outages and wildfires.

Contractors completed 10.6 miles of trimming along the power lines on Hwy 106 this year from E. Jenns Way in Union down to Hunter Farms. They also trimmed "hot spots" that have grown fast and are contacting lines on U.S. Hwy 101 as well as the areas where the new, taller poles raised the power lines higher into the canopy. The contractors also removed six major danger trees leaning over the lines.

Each year the PUD budgets for 1/7 of the system to be brushed and a separate amount for danger tree removal to be done by contractors, while the in-house crew focuses on the side roads and single tap lines. In 2022, the PUD applied for a \$3.6 million grant through the U.S. Forest Service for whole-system vegetation management and the procurement of a new highline bucket truck, chipper and saws. That grant will be announced in spring 2023.

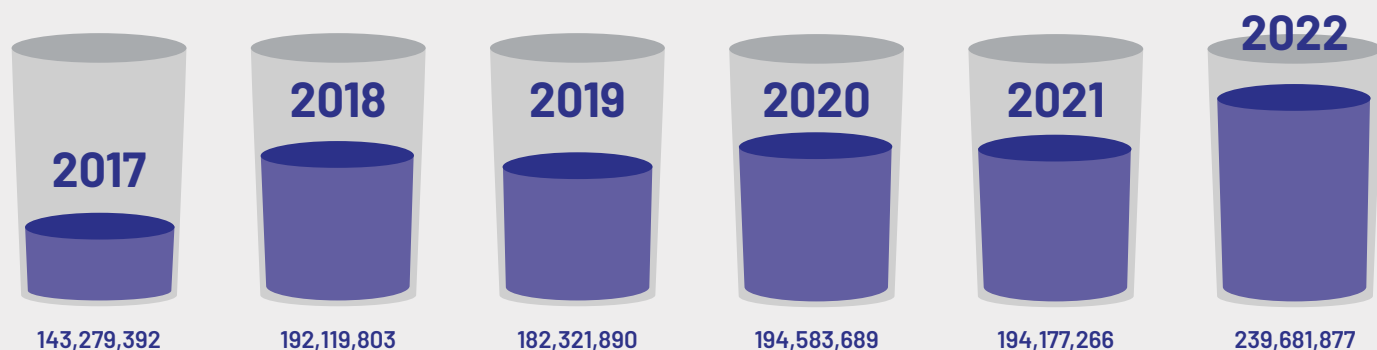
STORMS AND MUTUAL AID

The very first week and the last month of 2022 brought significant snow storms which caused substantial damage to the PUD 1 electrical system. Luckily, the Public Power community is always on standby to help out neighboring utilities that need assistance getting lines put back up and customers back in service. The City of McCleary, Jefferson PUD, Lewis PUD, Grays Harbor PUD, Mason PUD 3 and Clallam PUD have all dropped in to help us rebuild in 2022 and we are grateful for their friendship and assistance. We also sent our line crew to Jefferson PUD a few times this year to help them during significant storms that caused several day outages on their system.



PUD 1 WATER

GALLONS OF WATER SOLD



NEW SYSTEMS

Lakewood, a Group B water system in Shelton, joined PUD 1 this year, adding 9 connections and bringing the 2022 total of PUD-owned systems to 75. The PUD also manages two systems.

Group A systems have 15 or more service connections or serve 25 or more people at least 60 days out of the year. Group B systems are smaller than the Group A.

WATER SYSTEM PLANNING

Canyonwood Beach Part B water system plan was approved. **Lake Arrowhead** water system plan was completed and submitted to Department of Health for approval.

Bay East water system Iron and Manganese Removal Treatment was approved for the Drinking Water State Revolving Fund.

Canal View water system plan will be submitted to DOH in early 2023. The mainline and system improvements design is under way.

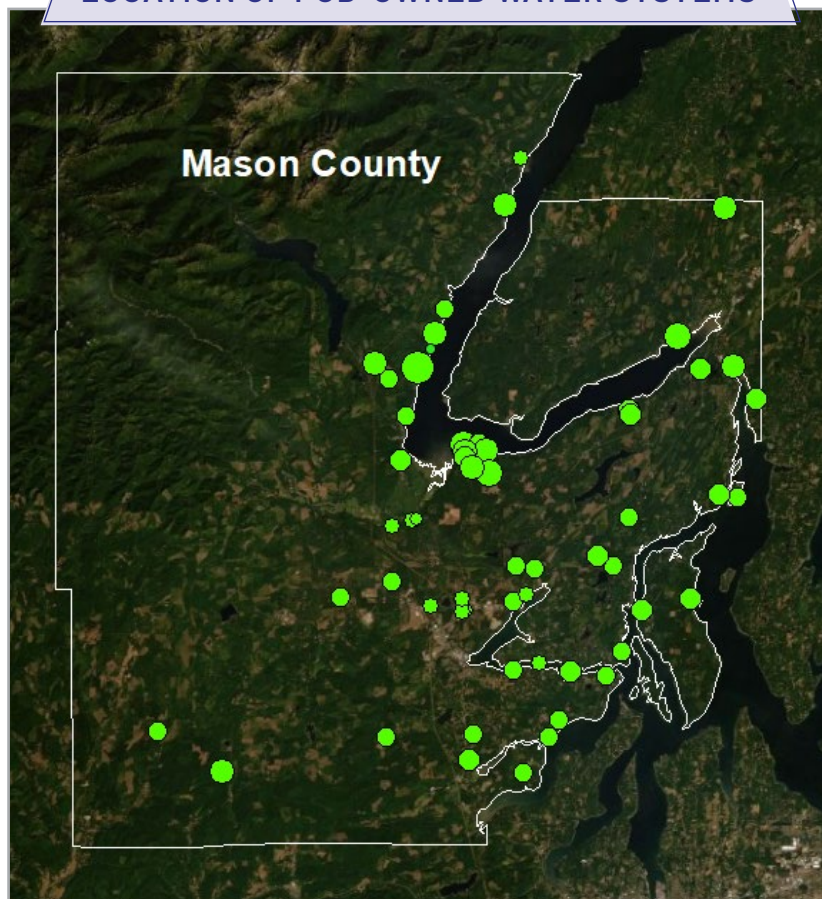
Highland Park water system design for a reservoir and booster station at our Manzanita Campus has been started.

Lake Arrowhead Iron and Manganese Removal Treatment design was approved by DOH. Will be going out to bid for this project early 2023. Phase 1 of mainline replacement was completed by the end of the summer. Phase 2 mainline replacement for the rest of the water system was approved for Drinking Water State Revolving Fund, and this is 50% loan forgiveness.

Ripplewood water system was approved for the whole system mainline replacement through Drinking Water State Revolving Fund, and this has 50% loan forgiveness.

For **Vuecrest**, we received an additional \$750,000 ARPA grant to fund the reservoir and booster station build on our newly acquired property. Will be going out to bid and construction sometime in 2023.

LOCATION OF PUD-OWNED WATER SYSTEMS



PUD 1 WATER



WATER PROJECTS

Much like the electric business, the water side also struggles with aging infrastructure that needs to be upgraded and replaced. To ensure compliance with state drinking water regulations, the PUD has prioritized several projects to reduce distribution system leakage, ensure maintenance and safety of our reservoirs and pump houses, while continuing to put out the regular day-to-day fires with emergency leak repairs, adverse sample results, and keep up on our maintenance schedule. Our water technicians responded to 814 service calls in addition to their scheduled projects. That's a 9% increase over 2021.

Agate Beach Phase 2 Reservoir and Booster Station design was approved by DOH. When put out to bid, bids were double the original engineer's estimate. This project is funded by an ARPA grant from the Mason County Commission.

Over 100 feet of mainline was replaced in **Alderbrook** water system and over 600 feet in **Union** water system.

A failing 3-inch Pressure Reducing Valve (PRV) was replaced with a 6" PRV in **Union** water system.

Arcadia Estates and **Bellwood A & B** water systems had backup generators installed at their pump houses to ensure water service during outages.

300 feet of mainline was installed along the northern portion of Main Street and tied into the existing mainline on E State Route 106 in **Union**.

Replaced 3 failing well pumps at **Union Ridge**, **Viewcrest Beach**, and **Vuecrest**.

Replaced 2 failing source meters at **Holiday Beach** and **Bel Aire Cove**.

Repaired 15+ leaks in various water systems.

Six well house were painted at **Bel Aire Cove**, **Canal Mutual**, **Cherry Park**, **Lakewood Heights**, **Rhododendron Place**, and **Ripplewood**.

Lake Arrowhead's 2,500 feet of mainline replacement was completed at the end of the summer.

Arcadia Estates, **Bayshore**, **Canal Beach Tracts**, **Holiday Beach**, **Island Lake Manor**, **Lake Arrowhead**, **Mt. View**, and **Union Ridge** reservoirs were cleaned and inspected.

RENEWABLE ENERGY PROJECTS

SOLAR POWER

The PUD hosts two community solar projects on the PUD's main campus.



Community Solar I was commissioned in 2016. It's 19.25 kw in size and produced over 20,412 kilowatt hours of renewable energy in 2022, equating to a combined total of \$1,555.69 in bill credits. There are 122 customers that participate in this project.



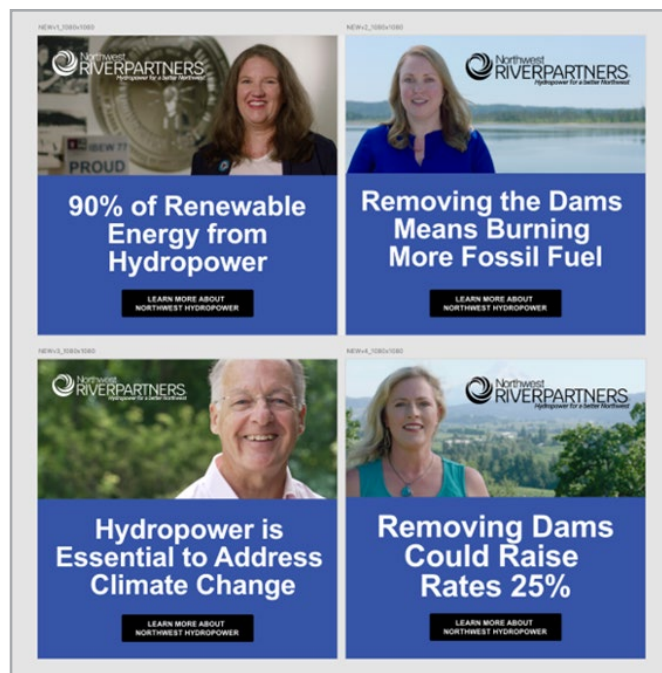
Community Solar II was commissioned in 2020. It's just over 53 kw in size and produced just shy of 41,255 kilowatt hours of renewable energy in 2022. 42 customers are general participants in this project, earning a total of \$3,340.78 in combined total bill credits for the year. 10 customers are part of the low-income portion of this project and received a combined total of \$1,134.00 in bill credits.

In addition to our community solar projects, 39 of our customers have their own rooftop solar arrays, with a nameplate capacity of over 394 kilowatts.

RENEWABLE ENERGY PROJECTS

HYDRO POWER

The PUD also has three small, privately owned hydroelectric generators on our system. The largest of the three systems sold over 5.7 megawatts of clean, renewable hydropower back to the PUD in 2022. Hydropower is the crucial piece of the energy puzzle to meet Washington's Clean Energy Standards goal to be carbon free by 2045.



2021 FUEL MIX SUMMARY*



HYDRO 85.62%



NUCLEAR 10.23%



COAL 0%



OTHER 3.74%



NATURAL GAS 0%



BIOMASS 0%



WIND 0.41%

*2021's data reported at the end of 2022.

FINANCE AND ADMINISTRATION

CUSTOMER SERVICE

Our customer service team continued to focus on connecting customers with assistance throughout 2022. Though the disconnect moratorium was lifted in September of 2021, many of the PUD's customers continued to struggle to catch up. Thanks to the continued work of our team and our partnerships with the Community Action Council, OlyCAP, Crossroads Housing, A Gift for Special Children, Love INC., the Skokomish Tribe, and others, by the end of 2022, nearly all customers who were affected financially by COVID were current on their bills.

QUICK STATS

\$98,809.22 was disbursed to customers for bill assistance including: **\$18,422.38** in ARPA funding, **\$52,187.71** in LIHEAP / LIWAP assistance, **\$8,784** in T-RAP assistance, and **\$19,415.13** from other various programs to help low-income households and those struggling with COVID-19 related financial hardships.

\$50,450 in energy rebates were issued in 2022 to customers who made approved upgrades to their homes and businesses.

\$11,075 was paid out in bill credits to **2,215** participants who chose to receive paperless statements. By going paperless, these customers saved the PUD just over **\$22,000** in printing and shipping costs. We split those savings with the participating customers by applying a \$5 bill credit in October.

\$7,558.66 was donated by generous PUD 1 customers in 2022 to help **50** low-income households with their power and water bills.

\$6,030.47 was issued in bill credits to customers who participate in the two Community Solar projects. **\$5,523.75** in state incentives were also paid for the Community Solar II project.

FINANCIAL POLICIES

The Board of Commissioners sets the financial policies for the District with recommendations from the District Auditor, District Treasurer and General Manager. Several financial policies have been implemented with the COSA and recommendations from the Washington State Auditor's Office. Here are a few highlights:

Reserve Funding

Funding of 5 days of cash-on-hand annually, to reach the policy goal of 90 days. These operating reserve funds are invested in the Local Government Investment Pool (LGIP) and earned an average of 1.65% in 2022. By the end of 2022, the interest rate was at 4.12% which is significantly higher, as the Federal Reserve started their control to help reduce inflation. The purpose of this cash-on-hand is to provide cash flow to the PUD in the instance of an economic recession, like we have seen in 2020/2021 with the pandemic, or major storm events like we saw at the beginning of 2022. It ensures that the PUD's power bill to BPA can be paid, that we can make payroll for our employees, keep our fleet rolling, and purchase necessary materials and supplies, even when we are not able to collect revenue for an extended period of time.

Funding of Debt Reserves- 1% of the budgeted revenue is earmarked specifically toward paying down the District's long-term debt. This funding, in addition to the interest earned by investing the balances in the LGIP, will help the District pay off its debt almost 10 years sooner than the original amortization schedule, creating a savings of about \$464,700 in interest expense, or about 4% of our operating budget.

Debt Policy

The purpose of this policy is to ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth comprehensive guidelines for the issuance and management of all financings of the District. Adherence to the policy is essential to ensure that the District maintains a sound debt position and protects the credit quality of its obligations.

Investment Policy

This policy directs the PUD to: invest public funds in a manner which will minimize risk, meet daily cash flow demands, conform to all state and local statutes governing the investment of public funds, and provide a market rate of return though budgetary and economic cycles.

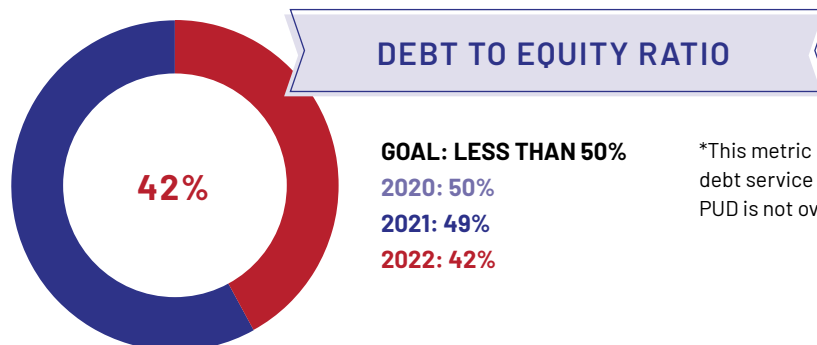
FINANCE AND ADMINISTRATION

LGIP INVESTMENT ACTIVITY 2022

	1/1/2022	Transfer In	Interest Earned	Transfers Out	12/31/2022
TOTAL ALL FUNDS	\$5,898,362.50	\$3,367,474.18	\$93,665.63	-\$3,425,120.27	\$5,934,382.04



*Cash on hand was down overall at the end of 2021, due to customer account arrearages and awaiting reimbursements from FEMA and DOH for projects the PUD cash flowed up front.



*This metric helps us track our debt service to ensure that the PUD is not overleveraged.



*Must keep TIER at or above 1.25 to comply with bond covenants.



*Must maintain DSC at or above 1.25 to comply with bond covenants.

FINANCE AND ADMINISTRATION

GRANTS

The District vigorously pursues grants and low-cost financing to assist in tackling capital improvement and strategic workplan projects. This includes funding from Department of Health, Department of Ecology, FEMA, Bonneville Power Administration, and other grant makers. In 2022, the PUD was awarded \$3,151,397 in grants and reimbursements to offset operations and capital expenditures, with an additional \$18 million in the queue.

- In 2022, the District moved forward with two of the grant applications that were submitted in November of 2021. Both will receive 50% subsidy (principal forgiveness) for a total grant award of **\$1.6 million**. One additional water capital project was submitted to Department of Health's Drinking Water State Revolving Fund program in November 2022, totaling **\$813,594**. At the end of the year, the District had not yet received word on whether the project would be funded and what percentage of principal forgiveness the project would receive. With the additional funding put into the DWSRF program, we are hopeful that all projects will be funded at 100% subsidy (principal forgiveness).
- **One** project submitted to FEMA in the Spring of 2022 is moving through the review process and we are hopeful to receive an award by the end of 2023. This estimated amount of the grant is just over **\$3.6 million** for a System Wide Resiliency project to replace overhead and underground lines, as well as convert certain sections of overhead to underground. Another **\$8 million** grant for Water Resiliency was submitted to the FEMA BRIC program in the Fall of 2022. As of the end of the year, the District had not yet received word on funding.
- **\$566,488.46** was also submitted to FEMA for disaster declaration events, which will result in a reimbursement of **\$538,164.03** to the PUD's general fund to offset both General and Administrative costs (G&A) as well as Operations & Maintenance costs (O&M). This will likely happen within the first 6 months of 2023.
- In 2021, the PUD partnered with a local ISP and received an award of **\$797,040** from CERB, for fiber deployment along the 101 corridor. The District received an additional **\$227,093** in 2022 for this project, making the total award **\$1,024,133**.
- **\$750,00** in ARPA funding was received from Mason County to fund the final phase of the Vuecrest Storage Upgrade.
- The PUD received **\$7,815.27** in reimbursement from Department of Labor and Industries for participating in the Stay at Work program to keep injured workers on the job instead of collecting payments to be off work.

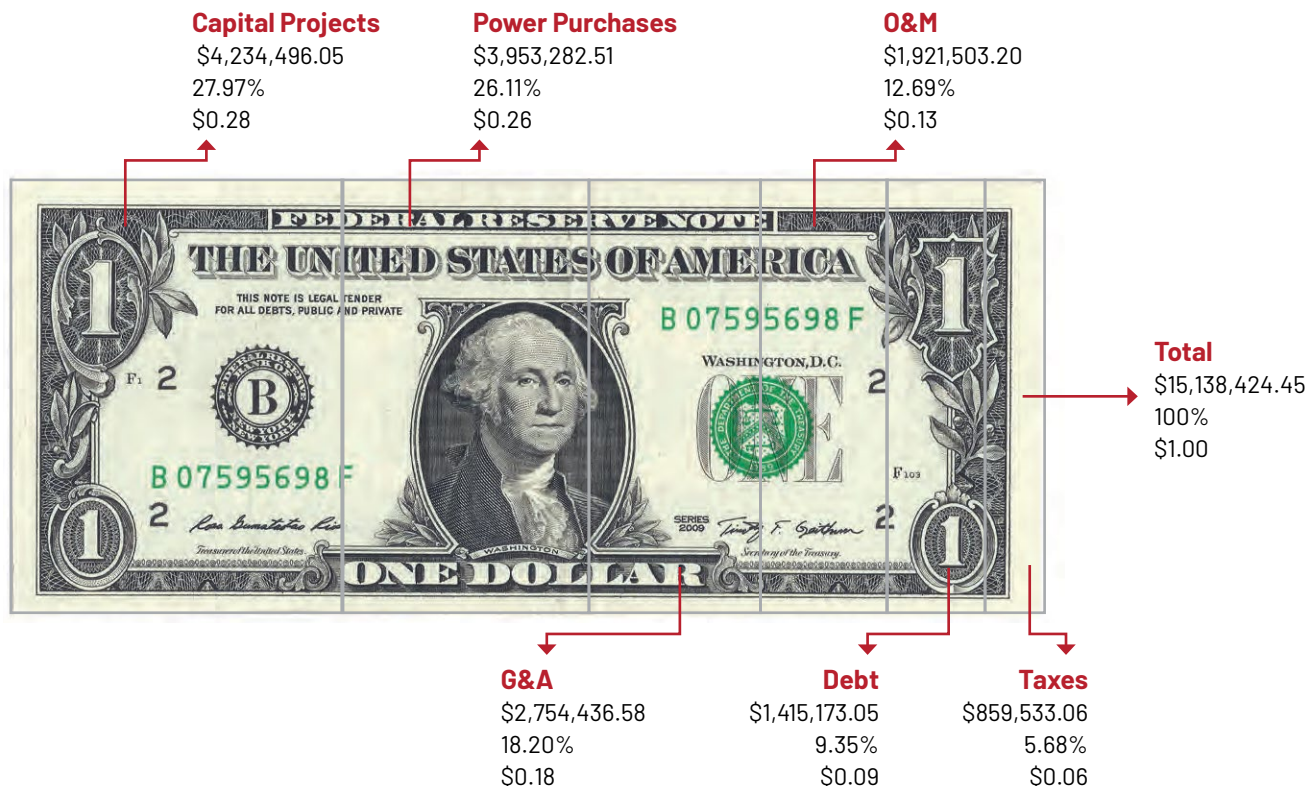
MEMBERSHIPS

Where we focus our participation and find value in our association:

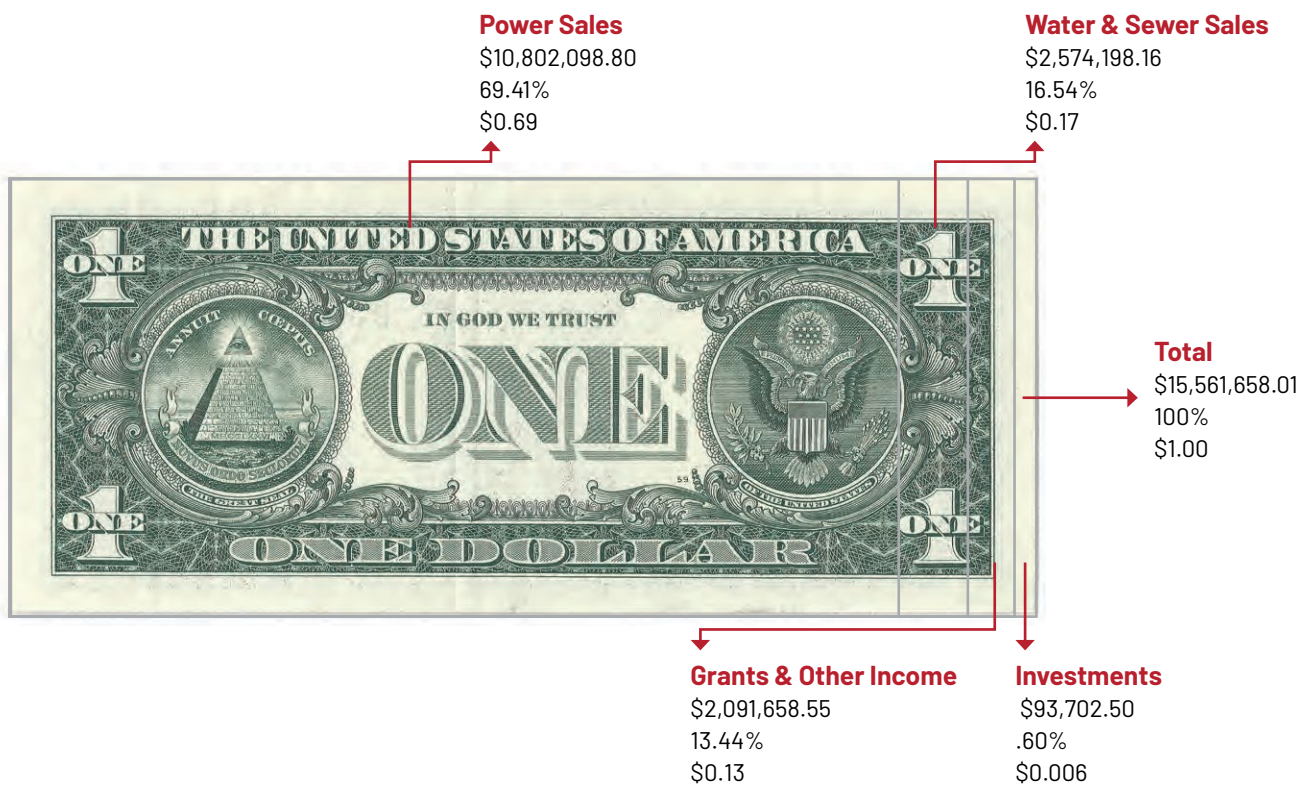
American Public Power Association	Public Power Council
Washington Public Utility Districts Association	Washington Public Agencies Group
Northwest Public Power Association	Mason County Economic Development Council
Water Resource Inventory Area (WRIA 14b & 16)	KristmasTown Kiwanis
Northwest RiverPartners	American Water Works Association - PNW Section
Evergreen Rural Water Association	Washington Water Utilities Council
Western Electricity Coordinating Council	Washington Association of Water and Sewer Districts
Energy Northwest	

FINANCE AND ADMINISTRATION

HOW PUD 1 SPENDS A DOLLAR OF ITS REVENUE



SOURCE OF PUD 1'S REVENUES



STATUS OF THE BUDGET

MASON COUNTY PUBLIC UTILITY DISTRICT #1 OVERVIEW OF THE STATUS OF BUDGET 2022 STATUS OF BUDGET AS OF DECEMBER 31, 2022

	2022 Actuals	2022 Budget	% of Annual Budget
Revenue	13,825,628.00	12,438,582.00	111%
Expenditures			
Distribution Operating & Maintenance	2,055,110.00	2,201,966.00	93%
Energy Services	3,953,283.00	3,787,960.00	104%
General & Administrative	2,774,100.00	2,793,128.00	99%
Tax, Depreciation, & Interest	3,051,042.00	3,060,347.00	100%
TOTAL EXPENDITURES	11,833,535.00	11,843,401.00	104%
NET OPERATING MARGINS	1,992,093.00	595,181.00	335%

The District's total revenue was 11% higher, collecting \$1,387,046 more than what was budgeted for 2022. A few key factors that played into the additional revenue collected include the following components:

1. Kilowatt hour sales (kWh) increased substantially from 2021 to 2022. In 2021, the total kWh sales were just over 81.7 million, while in 2022, total sales were just over 86.3 million, for an overall increase of just at 4.6 million kWh. The District continued to have growth in 2022, with a total of 129 new services connected in 2022. The weather also played a role in the increased kWh sales in 2022, with a warmer than expected summer, and the cold snaps in January and February, as well as November and December.
2. The PUD received grant income to assist with various electric and water projects, as well as assistance with customer arrearages due to COVID related hardships. The total amount of grant funding received for customer arrearages in 2022 was \$220,000.
3. Other non-operating revenues increased due to continued growth in the water department's system development fees collected for new water system connections. The LGIP investment rate also increased substantially in 2022. At the beginning of the year, the average monthly rate was just over .02% and at the end of the year, it was just over 4.12%.

The District's operating expenses include purchased power, transmission and distribution, customer services, and administrative and general expenses. The Distribution Operating & Maintenance ended the year just over 1% of what was budgeted for 2021. The Energy Services (purchased power costs) was 10% higher than the 2021 budget. With the growth in new services, as well as the above average weather-related events, power costs increased as the customer's energy consumption increased. The General & Administrative expenses ended the year right at budget.

STATUS OF THE BUDGET

HOW IS THE NET OPERATING MARGIN ALLOCATED?

The Net Operating Margin for 2022 ended at \$1.99 million, which is \$1.39 million higher than the 2022 budget. It's important for the District's commission and customers to understand what the Net Operating Margin is used for. The income statement does not include the principal portion of the District's debt service, or any of the designated reserve funding approved through the budget. It also only includes a portion of the capitalized construction work plan, which is depreciated over a period of time. Here are the key components of how the Net Operating Margin is allocated:

1. At the end of 2022, the District invested just over \$4.2 million in capital assets. The investment includes land, distribution, general plant, and equipment. The total increase in the District's investment from 2021 to 2022 was 7%.
2. The District plans to construct the Manzanita Substation in 2025 without adding additional debt to the District's portfolio. Because the District plans to pay for the substation through general cash flow, and not debt, the District has determined that it needs to fund a designated reserve with \$342,000 each year. As of the end of 2022, the balance in the fund is just under \$1.8 million.
3. At the end of 2022, the District had \$13.5 million in outstanding debt, an overall decrease of \$923,659. With the 2022 budget, the District approved 1% of the overall rate increase to go specifically towards paying down long-term debt. With that 1%, the District was able to fund \$183,965 into the debt reserves fund. With the 1% funding of the reserves each year, in conjunction with the interest earned on the balance of the funds, being invested in the LGIP, the District plans to be able to pay off its debt by 2030, which is nearly ten years earlier than the debt tables shows.
4. The District has a policy goal to reach 90 days general cash on hand, not including the designated reserves, by 2025. To reach this goal, the District budgeted to fund five days a year, which equates to approximately \$152,000 annually that is set aside. Cash on Hand is a savings account, of sorts, that ensures that the District can continue to make payroll and cover operating expenses if there is a catastrophic event or severe economic downturn that limits the PUD's ability to collect revenue. In this case, the board-set policy goal is to be able to cash flow operations for up to three months.

REQUESTS FOR INFORMATION

This financial synopsis is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report should be directed Katie Arnold, District Treasurer at N. 21971 Hwy. 101, Shelton, WA 98584 or (360) 877-5249.

CONTINUE READING FOR 2020 AND 2021 AUDITED FINANCIALS.



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Public Utility District No. 1 of Mason County

For the period January 1, 2020 through December 31, 2021

Published February 6, 2023

Report No. 1031986



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

February 6, 2023

Board of Commissioners
Public Utility District No. 1 of Mason County
Shelton, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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INDEPENDENT AUDITOR'S REPORT

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

Public Utility District No. 1 of Mason County January 1, 2020 through December 31, 2021

Board of Commissioners
Public Utility District No. 1 of Mason County
Shelton, 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 Mason County, as of and for the years ended December 31, 2021 and 2020, 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 31, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

January 31, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No. 1 of Mason County January 1, 2020 through December 31, 2021

Board of Commissioners
Public Utility District No. 1 of Mason County
Shelton, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of Public Utility District No. 1 of Mason County, as of and for the years ended December 31, 2021 and 2020, 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 Mason County, as of December 31, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

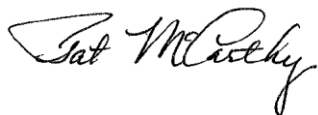
- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining,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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

January 31, 2023

FINANCIAL SECTION

Public Utility District No. 1 of Mason County January 1, 2020 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis – 2021
Management Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021
Statement of Net Position – 2020
Statement of Revenues, Expenses and Changes in Fund Net Position – 2021
Statement of Revenues, Expenses and Changes in Fund Net Position – 2020
Statement of Cash Flows – 2021
Statement of Cash Flows – 2020
Notes to Financial Statements – 2021
Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2021
Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2021
Schedule of Changes in Total OPEB Liability and Related Ratios – OPEB – 2021

Mason County Public Utility District #1

Management Discussion and Analysis

December 31, 2021

As Management of Mason County PUD #1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending December 31, 2021, with additional comparative data for 2020.

Overview of the Financial Statements

The following Management Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements and accompanying notes, and if applicable, any other supplementary information required as part of the basic financial statements.

In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), the District's financial statements employ the full-accrual basis of accounting, where the revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the appropriate fund(s).

The basic financial statements, presented for the year ended December 31, 2021, are comprised of:

- **Statement of Net Position:** The Statement of Net Position presents information on the District's assets, liabilities, deferred outflows and inflows of resources, and net position (equity) of the District at year-end. The net position section is separated into three categories: net investment in capital assets, net position – restricted, and net position – unrestricted.
- **Statement of Revenue, Expenses, and Changes in Fund Net Position:** This statement provides detail on the revenues and expenses for the year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through user fees and other charges.
- **Statement of Cash Flows:** The Statement of Cash Flows provides information on the sources and uses of cash separated into three categories of activities: operating, capital and related financing, and investing.

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

Financial Analysis

The District's assets and deferred outflows exceeded liabilities and deferred inflows by just under \$31 million at the close of fiscal year 2021. Net position over time may serve as a useful indicator of a government's financial position.

Condensed Financial Information for December 31, 2021 and 2020 (In Thousands)

Statement of Net Position	2021	2020	% Change
Current Assets and Special Funds	9,198	8,749	6%
Net Capital Assets	39,912	39,164	2%
Net Pension Asset	1,907	0	100%
Deferred Outflow of Resources	786	862	-9%
Total Assets	51,803	48,775	7%
Current Liabilities	2,414	1,836	32%
Non-Current Liabilities	15,968	17,489	-9%
Total Liabilities	18,382	19,325	-5%
Deferred Inflows of Resources	2,243	505	345%
Net Investments in Capital Assets	26,457	25,485	4%
Restricted for Customer Deposits	54	40	35%
Restricted for Debt Service	957	909	6%
Restricted for Net Pension Asset	145	0	100%
Unrestricted	3,565	2,510	42%
Total Net Position	31,178	28,945	8%

The largest portion of the District's net position (85 percent) reflects investments in capital assets (land, buildings, substations, water infrastructure, wellhouses and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers. Although the District's investments in capital assets are reported net of related debt, it's important to note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

4 percent of the District's net position reflects resources that are subject to external restrictions on how they may be used. Specifically restricted for debt service payments and customer deposits. The remaining 11 percent is unrestricted and may be used to meet the District's ongoing obligations.

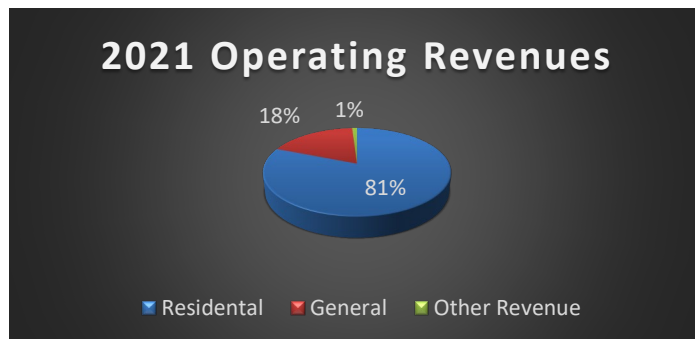
The District's overall net position increased by just over \$2.2 million from the prior fiscal year. The reasons for this increase are discussed in the following sections.

Statement of Revenues, Expenses and Change in Net Position

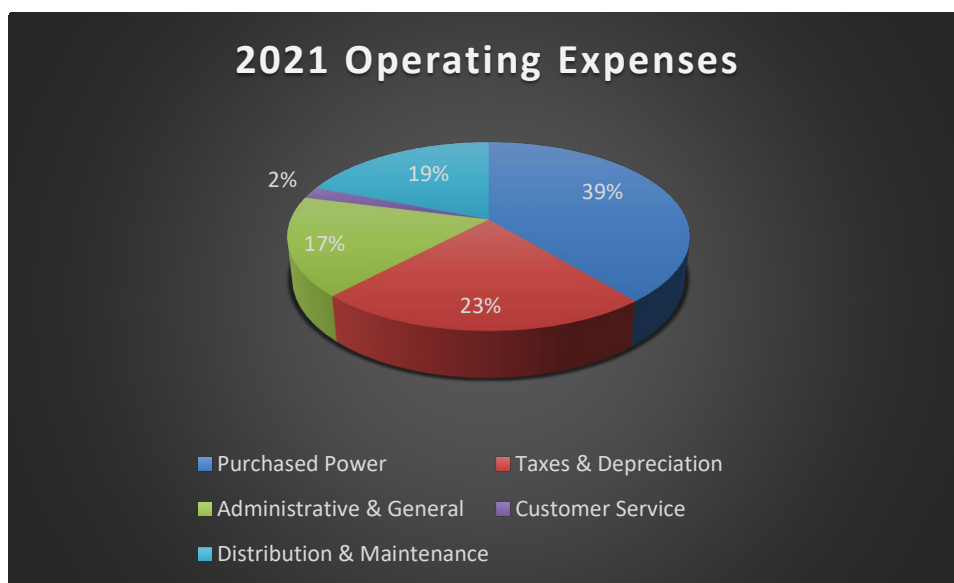
	2021	2020	% Change
Operating Revenues	12,387	11,393	9%
Operating Expenses	(10,162)	(9,179)	11%
Net Operating Income	2,225	2,214	1%
Non-Operating Revenues	611	286	114%
Non-Operating Expenses	(555)	(574)	-4%
Net Operating Revenue (Expenses)	56	(287)	120%
Change In Net Position	2,281	1,927	19%
Net Position - Beginning of Year	28,945	27,018	8%
Net Position - End of Year	31,178	28,945	8%

The District's total operating revenue increased by \$994 thousand dollars from 2020 to 2021 to \$12.4 million. Kilowatt hour sales increased substantially with 2021's total at 81.8 million kWh's as compared to 2020's total of 77.2 million kWh's. The District had record growth in 2021, with a total of 101 new services connected. The weather also played a role in the increased kWh sales with a record breaking heat wave in June, and then the cold snap we had in November and December. Other non-operating revenues increased primarily due system development fees collected for new water system connections as the Water department also saw record growth, with 108 new service connections and an overall increase of \$135 thousand in system development fees over 2020. The District received grant income to assist with various electric and water projects, as well as assistance with customer arrearages due to COVID related hardships. The total amount of grant funding received in 2021 was \$189,500.

In 2021, the District's revenue was primarily residential, making up 81% of the overall revenue for 2021, with general covering 18%, and the remaining 1% made up of other miscellaneous revenue, including street lights.



The District's operating expenses include purchased power, transmission and distribution, customer services, and administrative and general expenses. Overall, the operating expenses increased by \$982 thousand dollars from 2020 to 2021. Approximately 39% of the District's operating expenses are derived from purchased power, with \$378 thousand dollars in additional power cost in 2021. The increased cost of power correlates to the increase in new service connections, and the extreme weather events. The distribution operating and maintenance increased by \$742 thousand dollars in 2021. Because of the delay in projects in 2020, the District budgeted additional vegetation management, summer temp crews and maintenance projects in 2021.



In summary, despite the state of the economy and the continued uncertainty with the COVID-19 Pandemic, the overall financial condition of the District improved from 2020 to 2021. Staff worked extremely hard to monitor costs and the cash flow very closely to ensure that the District remained financially stable, while also working to catch up from the previous year.

Capital Asset and Long-Term Debt Activity

At the end of 2021, the District invested just over \$1.9 million in capital assets. The investment includes land, distribution, general plant, and equipment. The total increase in the District's investment from 2020 to 2021 was 3%.

Capital Assets (in thousands)

	2021	2020	% Change
Land	1,215	1,054	16%
Plant in Service	56,708	54,660	4%
Construction Work in Progress	660	1,182	-45%
Total Capital Assets	58,584	56,897	3%

Construction in progress saw a decrease of 56%. The District has construction bond funds that had been reserved specific to projects that the District was able to contract out in the Fall / Winter of 2020 and those projects were completed in 2021. More detailed information about the District's construction work in progress is presented in Note 4 to the financial statements.

Long Term Debt – At the end of 2021, the District had \$14.5 million in outstanding debt, an overall decrease of \$845 thousand. The District did not acquire new debt in 2021 and is actively working towards paying its debt off faster than the amortization schedules show. In 2021, the District allocated 1% of its revenue from rates towards paying down long-term debt. The additional 1% funded each year will allow the District to pay off its current debt 5-10 years faster. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

Requests for Information

The financial reports are designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report should be directed to the District Accountant at N. 21971 Hwy. 101, Shelton, WA 98584.

Mason County Public Utility District #1

Management Discussion and Analysis

December 31, 2020

As Management of Mason County PUD #1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending December 31, 2020, with additional comparative data for 2019.

Overview of the Financial Statements

The following Management Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements and accompanying notes, and if applicable, any other supplementary information required as part of the basic financial statements.

In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), the District's financial statements employ the full-accrual basis of accounting, where the revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the appropriate fund(s).

The basic financial statements, presented for the year ended December 31, 2020, are comprised of:

- **Statement of Net Position:** The Statement of Net Position presents information on the District's assets, liabilities, deferred outflows and inflows of resources, and net position (equity) of the District at year-end. The net position section is separated into three categories: net investment in capital assets, net position – restricted, and net position – unrestricted.
- **Statement of Revenue, Expenses, and Changes in Fund Net Position:** This statement provides detail on the revenues and expenses for the year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through user fees and other charges.
- **Statement of Cash Flows:** The Statement of Cash Flows provides information on the sources and uses of cash separated into three categories of activities: operating, capital and related financing, and investing.

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

Financial Analysis

The District's assets and deferred outflows exceeded liabilities and deferred inflows by just under \$29 million at the close of fiscal year 2020. Net position over time may serve as a useful indicator of a government's financial position.

Condensed Financial Information for December 31, 2020 and 2019 (In Thousands)

Statement of Net Position	2020	2019	% Change
Current Assets and Special Funds	8,749	9,588	-9%
Net Capital Assets	39,164	37,526	5%
Deferred Outflow of Resources	862	427	102%
Total Assets	48,775	47,541	3%
Current Liabilities	1,836	1,897	-4%
Non-Current Liabilities	17,489	17,815	-2%
Total Liabilities	19,325	19,712	-2%
Deferred Inflows of Resources	505	809	-38%
Net Investments in Capital Assets	25,485	24,401	5%
Restricted for Customer Deposits	40	83	52%
Restricted for Debt Service	909	960	-6%
Unrestricted	2,510	1,574	60%
Total Net Position	28,945	27,018	8%

The largest portion of the District's net position (88 percent) reflects investments in capital assets (land, buildings, substations, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers. Although the District's investments in capital assets are reported net of related debt, it's important to note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

4 percent of the District's net position reflects resources that are subject to external restrictions on how they may be used. Specifically restricted for debt service payments and customer deposits. The remaining 8 percent is unrestricted and may be used to meet the District's ongoing obligations.

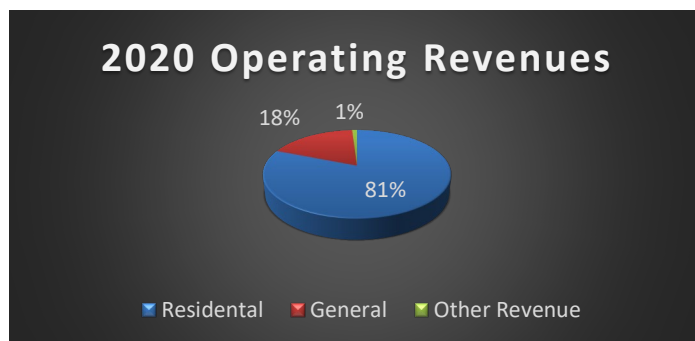
The District's overall net position increased by just over \$1.9 million from the prior fiscal year. The reasons for this increase are discussed in the following sections.

Statement of Revenues, Expenses and Change in Net Position

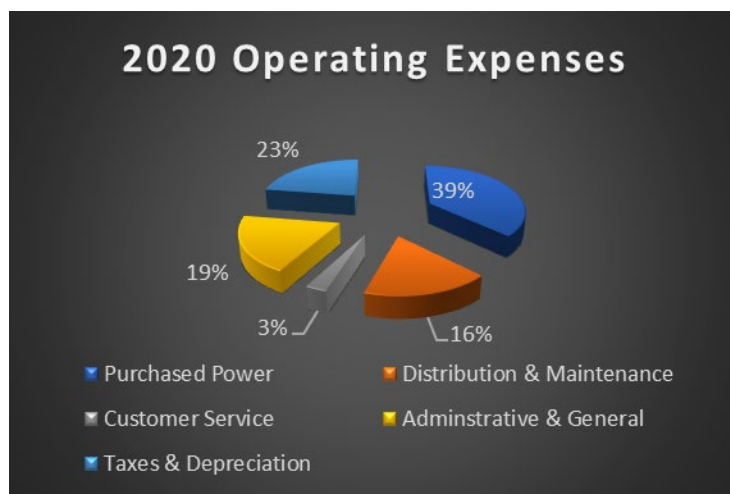
	2020	2019	% Change
Operating Revenues	11,393	11,083	3%
Operating Expenses	(9,179)	(9,358)	-2%
Net Operating Income	2,214	1,725	29%
Non-Operating Revenues	286	414	-31%
Non-Operating Expenses	(574)	(643)	-11%
Net Operating Revenue (Expenses)	(287)	(229)	26%
Change In Net Position	1,927	1,497	29%
Net Position - Beginning of Year	27,018	25,521	6%
Net Position - End of Year	28,945	27,018	8%

The District's total revenue increased by \$182 thousand dollars from 2019 to 2020 to \$11.6 million. With the COVID-19 Pandemic, Commissioners voted to delay the planned electric rate increase that was set to take effect April 1, 2020 an entire year, to April 1, 2021. Water's irrigation rate schedule was also delayed a year. With the disconnect and late-fee moratorium, the District also saw a decrease in revenues for disconnecting and reconnecting customers, as well as the late fees for arrearages. While the District does not budget these specific revenue sources as an operating revenue to rely on for paying its expenditures, it did play a part in the decreased revenue received in 2020 as compared to 2019. Other non-operating revenues increased primarily due to an increase in system development fees collected for new water system connections. Despite the Pandemic, the growth for new connections started circulating through in the Fall of 2020 and has continued into 2021. In addition, the District's invested funds with the Local Government Investments Pool (LGIP) saw the rate of return decreasing significantly from 2019 at 1.8% at the end of 2019 down to .20% at the end of 2020 which resulted in a decrease of just over \$40,000 in investment interest due to the rate decrease.

In 2020, the District's revenue was primarily residential, making up 81% of the overall revenue for 2020, with general covering 18%, and the remaining 1% made up of other miscellaneous revenue, including street lights.



The District's operating expenses include purchased power, transmission and distribution, customer services, and administrative and general expenses. Overall, the operating expenses decreased by \$179 thousand dollars from 2019 to 2020. Approximately 39% of the District's operating expenses are derived from purchased power, with \$46 thousand dollars in additional power cost in 2020. The distribution operating and maintenance decreased by \$394 thousand dollars in 2020, due to the COVID-19 Pandemic. With the delayed rate increase, management reviewed the 2020 budget and cut costs, such as the summer temp crews, travel and training, equipment purchases, tree trimming etc. to help offset the revenue shortfall.



In summary, despite the state of the economy and the uncertainty with the COVID-19 Pandemic, the overall financial condition of the District improved from 2019 to 2020. Staff worked extremely hard to cut costs and monitor the cash flow very closely to ensure that the District remained financially stable.

Capital Asset and Long-Term Debt Activity

At the end of 2020, the District invested just over \$2.7 million in capital assets. The investment includes land, distribution, general plant, and equipment. The total increase in the District's investment from 2019 to 2020 was 6%.

Capital Assets (in thousands)

	2020	2019	% Change
Land	1,054	1,046	1%
Plant in Service	54,660	51,898	6%
Construction Work in Progress	1,182	1,119	6%
Total Capital Assets	56,897	54,064	6%

Construction in progress saw an increase of just over 6%. The District has construction bond funds that had been reserved specific to projects that the District was able to contract out in the Fall / Winter of 2020. More detailed information about the District's construction in work is presented in Note 4 to the financial statements.

Long Term Debt – At the end of 2020, the District had \$15.3 million in outstanding debt, an overall decrease of \$826 thousand. The District did not acquire new debt in 2020 and is actively working towards paying its debt off faster than the amortization schedules show. In 2020, the District allocated 1% of its revenue from rates towards paying down long-term debt. The additional 1% funded each year will allow the District to pay off its current debt 5-10 years faster. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

Requests for Information

The financial reports are designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report should be directed to the District Accountant at N. 21971 Hwy. 101, Shelton, WA 98584.

Mason County PUD #1
Statement of Net Position
December 31, 2021

ASSETS:

Current Assets:

Cash and Cash Equivalents		
Cash & Working Funds	\$	1,425,881
Investments	\$	4,288,681
Accounts Receivable (net)	\$	1,155,267
Accounts Receivable (other)	\$	337,008
Inventories	\$	976,617
Prepayments	\$	3,068

TOTAL CURRENT ASSETS	\$	8,186,522
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Noncurrent Assets:

Restricted Assets		
Debt Service Reserves	\$	956,654
Customer Deposits	\$	55,460
Net Pension Asset	\$	1,907,050
Total Noncurrent Assets	\$	2,919,164

Capital Assets Not Being Depreciated:

Construction In Progress	\$	660,575
Land & Land Rights	\$	1,215,244
Total Capital Assets Not Being Depreciated	\$	1,875,820

Capital Assets Being Depreciated:

Distribution	\$	43,210,572
General Plant	\$	10,136,409
Transmission	\$	3,361,470
Less: Accumulated Depreciation	\$	(18,672,197)
Total Capital Assets Being Depreciated (Net)	\$	38,036,254

Total Capital Assets	\$	39,912,074
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TOTAL NONCURRENT ASSETS	\$	42,831,238
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TOTAL ASSETS	\$	51,017,759
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Deferred Outflows Of Resources:

Outflows of Resources Relating to ARO's	\$	24,250
Outflows of Resources Relating to OPEB	\$	492,807
Outflows of Resources Relating to Pensions	\$	268,829
TOTAL OUTFLOWS OF RESOURCES:	\$	785,886

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	51,803,645
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The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD #1
Statement of Net Position
December 31, 2021

LIABILITIES

Current Liabilities:

Accounts Payable	\$	1,072,373
Consumer Deposits	\$	54,267
Current Portion of Bonds, Notes and Loans Payable	\$	820,791
Current Portion of OPEB Liability	\$	46,010
Other Current Liabilities	\$	<u>420,952</u>

TOTAL CURRENT LIABILITIES	\$	2,414,393
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Noncurrent Liabilities:

Accrued Vacation And Holidays	\$	528,851
Asset Retirement Obligations	\$	24,250
Long Term Debt - Loans	\$	3,201,423
Long Term Debt - Bonds	\$	10,448,658
OPEB	\$	1,582,817
Net Pension Liability	\$	<u>182,001</u>

TOTAL NONCURRENT LIABILITIES	\$	<u>15,967,999</u>
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TOTAL LIABILITIES	\$	18,382,392
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Deferred Inflows of Resources:

Deferred Inflows Related to OPEB	\$	211,995
Deferred Inflows Related to Pensions	\$	<u>2,030,863</u>

TOTAL DEFERRED INFLOWS OF RESOURCES	\$	<u>2,242,858</u>
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NET POSITION

Net Investments in Capital Assets	\$	26,457,164
Restricted for Customer Deposits	\$	54,267
Restricted for Debt Service	\$	956,654
Restricted for Net Pension Asset	\$	145,016
Unrestricted	\$	<u>3,565,294</u>

TOTAL NET POSITION	\$	<u>31,178,394</u>
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TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$	<u><u>51,803,645</u></u>
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The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD #1
Statement of Net Position
December 31, 2020

ASSETS:

Current Assets:

Cash and Cash Equivalents		
Cash & Working Funds	\$	1,787,792
Investments	\$	3,983,157
Accounts Receivable (net)	\$	1,117,753
Accounts Receivable (other)	\$	145,673
Inventories	\$	764,299
Prepayments	\$	913
TOTAL CURRENT ASSETS	\$	7,799,587

Noncurrent Assets:

Restricted Assets		
Debt Service Reserves	\$	909,388
Customer Deposits	\$	40,381
Total Restricted Assets	\$	949,769

Capital Assets Not Being Depreciated:

Construction In Progress	\$	1,182,750
Land & Land Rights	\$	1,054,213
Total Capital Assets Not Being Depreciated	\$	2,236,963

Capital Assets Being Depreciated:

Distribution	\$	41,381,883
General Plant	\$	9,987,377
Transmission	\$	3,290,836
Less: Accumulated Depreciation	\$	(17,732,752)
Total Capital Assets Being Depreciated (Net)	\$	36,927,344

Total Capital Assets	\$	39,164,307
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TOTAL NONCURRENT ASSETS	\$	40,114,076
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TOTAL ASSETS	\$	47,913,663
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Deferred Outflows Of Resources:

Outflows of Resources Relating to ARO's	\$	18,630
Outflows of Resources Relating to OPEB	\$	557,439
Outflows of Resources Relating to Pensions	\$	285,833
TOTAL OUTFLOWS OF RESOURCES:	\$	861,902

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	48,775,565
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The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD #1
Statement of Net Position
December 31, 2020

LIABILITIES

Current Liabilities:

Accounts Payable	\$	627,800
Consumer Deposits	\$	39,188
Current Portion of Bonds, Notes and Loans Payable	\$	818,313
Current Portion of OPEB	\$	124,556
Other Current Liabilities	\$	<u>361,911</u>

TOTAL CURRENT LIABILITIES	\$	1,971,768
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Noncurrent Liabilities:

Accrued Vacation And Holidays	\$	512,244
Asset Retirement Obligations	\$	18,630
Long Term Debt - Loans	\$	3,394,725
Long Term Debt - Bonds	\$	11,102,931
OPEB	\$	1,573,818
Net Pension Liability	\$	<u>751,200</u>

TOTAL NONCURRENT LIABILITIES	\$	<u>17,353,548</u>
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TOTAL LIABILITIES	\$	19,325,316
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Deferred Inflows of Resources:

Deferred Inflows Related to OPEB	\$	193,998
Deferred Inflows Related to Pensions	\$	<u>311,113</u>

TOTAL DEFERRED INFLOWS OF RESOURCES	\$	<u>505,111</u>
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NET POSITION

Net Investments in Capital Assets	\$	25,484,799
Restricted for Customer Deposits	\$	40,381
Restricted for Debt Service	\$	909,388
Unrestricted	\$	<u>2,510,570</u>

TOTAL NET POSITION	\$	<u>28,945,138</u>
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TOTAL NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$	<u><u>48,775,565</u></u>
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The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD No. 1
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2021

OPERATING REVENUES:

Sales - Residential	\$	9,974,358
Sales - General	\$	2,089,639
Sales - Street Lights	\$	35,250
Other Revenues	\$	<u>287,698</u>
Total Operating Revenues	\$	12,386,944

OPERATING EXPENSES:

Cost of Purchased Power	\$	3,901,831
Transmission Expense	\$	5,550
Distribution & Maintenance Expense	\$	1,991,037
Customer Service Expense	\$	183,692
General Administration	\$	1,740,632
Depreciation & Amortization	\$	1,607,200
Taxes	\$	<u>779,371</u>
Total Operating Expenses	\$	<u>10,209,313</u>

OPERATING INCOME	\$	2,177,631
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NON-OPERATING REVENUE(EXPENSES):

Revenue from Merchandising/Jobbing and Contract Work	\$	121,183
Costs and Expenses Merchandising Jobbing and Contract work	\$	(33,655)
Interest and Dividend Income	\$	7,952
Interest Expense and Related Charges	\$	(521,701)
Other Non-Operating Revenues	\$	<u>481,846</u>
Total Non-Operating Revenues(Expenses)	\$	<u>55,625</u>

CHANGE IN NET POSITION	\$	2,233,256
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Total Net Position	January 1, 2021	\$	<u>28,945,138</u>
Total Net Position	December 31, 2021	\$	<u><u>31,178,394</u></u>

The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD No. 1
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2020

OPERATING REVENUES:

Sales - Residential	\$	9,284,008
Sales - General	\$	1,926,913
Sales - Street Lights	\$	41,020
Other Revenues	\$	<u>141,611</u>
Total Operating Revenues	\$	11,393,552

OPERATING EXPENSES:

Cost of Purchased Power	\$	3,526,032
Transmission Expense	\$	5,235
Distribution & Maintenance Expense	\$	1,224,410
Customer Service Expense	\$	189,201
General Administration	\$	2,008,957
Depreciation & Amortization	\$	1,509,740
Taxes	\$	<u>715,789</u>
Total Operating Expenses	\$	<u>9,179,364</u>

OPERATING INCOME	\$	2,214,188
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NON-OPERATING REVENUE(EXPENSES):

Revenue from Merchandising/Jobbing and Contract Work	\$	67,074
Costs and Expenses Merchandising Jobbing and Contract work	\$	(23,599)
Interest and Dividend Income	\$	29,348
Interest Expense and Related Charges	\$	(550,290)
Other Non-Operating Revenues	\$	<u>190,035</u>
Total Non-Operating Revenues(Expenses)	\$	<u>(287,432)</u>

CHANGE IN NET POSITION	\$	1,926,756
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Total Net Position	January 1, 2020	\$	<u>27,018,382</u>
Total Net Position	December 31, 2020	\$	<u><u>28,945,138</u></u>

The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD #1
Statement of Cash Flows
For the Year Ended December 31, 2021

CASH FLOWS from OPERATING ACTIVITIES:

Receipts from Customers	\$ 12,386,944
Payments to Suppliers	\$ (4,807,858)
Payments to Employees	<u>\$ (3,655,117)</u>
Net Cash Provided(used) by Operating Activities	<u>\$ 3,923,969</u>

CASH FLOWS from CAPITAL FINANCING ACTIVITIES:

Proceeds from Capital Debt	\$ -
Purchases of Capital Assets	\$ (2,549,165)
Principal Paid on Capital Debt	\$ (845,098)
Interest Paid on Capital Debt	<u>\$ (521,701)</u>
Net cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (3,915,963)</u>

CASH FLOWS from INVESTING ACTIVITIES

Interest and Dividends	
Net Cash Provided by Investing Activities	<u>\$ 7,952</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 15,958
Cash and Cash Equivalents Balances - Beginning of Year	<u>\$ 6,710,718</u>
Cash and Cash Equivalents Balances - End of Year	<u><u>\$ 6,726,676</u></u>

The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD #1
Statement of Cash Flows
For the Year Ended December 31, 2021

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

Operating Income (Loss)	\$	2,177,631
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	\$	1,607,200
Other Deductions		
Change In Assets and Liabilities		
Accounts and Other Payable	\$	582,460
Inventories	\$	(212,318)
Prepayments	\$	(2,155)
Receivables - Net	\$	<u>(228,849)</u>
Net Cash Provided by Operating Activities	\$	<u><u>3,923,969</u></u>

The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD #1
Statement of Cash Flows
For the Year Ended December 31, 2020

CASH FLOWS from OPERATING ACTIVITIES:

Receipts from Customers	\$ 11,266,807
Payments to Suppliers	\$ (3,898,150)
Payments to Employees	<u>\$ (3,627,509)</u>
Net Cash Provided(used) by Operating Activities	<u>\$ 3,741,148</u>

CASH FLOWS from CAPITAL FINANCING ACTIVITIES:

Proceeds from Capital Debt	\$ -
Purchases of Capital Assets	\$ (3,235,857)
Principal Paid on Capital Debt	\$ (826,147)
Interest Paid on Capital Debt	<u>\$ (550,290)</u>
Net cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (4,612,294)</u>

CASH FLOWS from INVESTING ACTIVITIES

Interest and Dividends	
Net Cash Provided by Investing Activities	<u>\$ 29,348</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (841,798)
Cash and Cash Equivalents Balances - Beginning of Year	<u>\$ 7,552,516</u>
Cash and Cash Equivalents Balances - End of Year	<u><u>\$ 6,710,718</u></u>

The Accompanying Notes Are An Integral Part Of This Statement

Mason County PUD #1
Statement of Cash Flows
For the Year Ended December 31, 2020

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

Operating Income (Loss)	\$	2,214,188
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	\$	1,509,740
Other Deductions	\$	(10,051)
Change In Assets and Liabilities		
Accounts and Other Payable	\$	34,401
Inventories	\$	(80,315)
Prepayments	\$	(10,063)
Receivables - Net	\$	<u>83,248</u>
Net Cash Provided by Operating Activities	\$	<u><u>3,741,148</u></u>

The Accompanying Notes Are An Integral Part Of This Statement

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements of 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

Public Utility District No. 1 of Mason County (the PUD) was incorporated on November 6, 1934 and operates under the laws of the state of Washington applicable to a public utility.

The PUD is a special purpose government and provides electric, water, and sewer services to the general public. The PUD is primarily supported through user charges (or where the governing body has decided that periodic determination of net income is needed).

An elected 3-member board of commissioners governs the PUD. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The PUD has no component units.

B. Basis of Accounting and Presentation

The accounting records of the PUD are maintained in accordance with methods prescribed by the United States Department of Agriculture, Rural Utilities Services (RUS) and the State Auditor under the authority of Chapter 43.09 RCW. The PUD uses the Uniform System of Accounts – Electric, RUS Bulletin 1767B-1.

The PUD uses the full-accrual basis of accounting, where the revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the appropriate fund(s).

The PUD distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the PUD's principal ongoing operations. The principal operating revenues of the PUD are charges to customers for power, water, and sewer. Operating expenses for the PUD include cost of operations and maintenance, administrative and customer service, depreciation, taxes and debt amortization. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

C. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the PUD's policy to invest all temporary cash surpluses, in excess of the operating reserve in the Washington State Treasurer's Investment Pool. At December 31, 2021, the

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

treasurer was holding \$5,245,334 in short term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents, restricted assets, and investments in various funds.

For the purposes of the Statement of Cash Flows, the PUD considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments – See Note 2, Deposits and Investments.

3. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Notes and contract receivables consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered.

The PUD writes off accounts deemed to be uncollectible to the bad debt expense account.

4. Inventories

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

Inventories are expensed using the FIFO reporting method, where the inventory acquired first is expensed, over time.

5. Restricted Assets

These accounts contain resources for debt service and customer deposits. Specific debt service reserve requirements are described in Note 8, Long-Term Debt.

The restricted assets of the district are composed of the following:

Cash and Investments – Debt Service	\$956,654
Cash and Investments – Customer Deposits	\$55,460

6. Capital Assets and Depreciation – See Note 3.

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. The PUD accrues unpaid leave for compensated absences as an expense and liability when incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Vacation pay, which may be accumulated up to 1200 hours, is payable upon resignation, retirement, or death.

8. Pensions

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

These accounts consist of accrued wages and accrued employee benefits.

10. Long-Term Debt – See Note 8.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2021 was \$6,726,676.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository institution, the district would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are entirely covered by Federal Depository Insurance (FDIC) or by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Therefore, there are no policy and no custodial credit risks.

B. Investments

The district is a participant in the Local Government Investment Pool, authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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 GASB 79 for external investment 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 rates on participant withdrawals.

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

The PUD measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2021, the district had the following investments measured at fair value:

Investments by Fair Value Level	12/31/2021	Fair Value Measurement Using		
		Quoted Price in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Class A Equity Investment	\$ 10,000	\$ 10,000	\$ -	\$ -
<hr/>				
Investments measured at amortized cost				
State Local Government Investment Pool (LGIP)	\$ 5,245,334			
<hr/>				
Total Investments in Statement of Net Position	\$ 5,255,334			

NOTE 3- CAPITAL ASSETS AND DEPRECIATION

Capital assets are defined by the PUD as assets with individual costs of more than \$2,500 and an estimated useful life in excess of 1 year.

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

Utility Plant in Service (and other capital assets) are recorded at cost (where the historical costs are known) or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 10 to 36 years.

Capital asset activity for the year ended December 31, 2021 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Utility Plant Not Being Depreciated				
Land	\$ 1,054,213	\$ 161,031	\$ 0	\$ 1,215,244
Construction in Progress	\$ 1,182,750	\$ 3,180,322	\$ (3,702,497)	\$ 660,575
Total Utility Plant Not Being Depreciated	\$ 2,236,963	\$ 3,341,353	\$ (3,702,497)	\$ 1,875,820
Utility Plant Being Depreciated				
Distribution and Transmission Plant	\$ 44,672,719	\$ 2,441,227	\$ (541,904)	\$ 46,572,042
General Plant	\$ 9,987,377	\$ 697,115	\$ (548,083)	\$ 10,136,409
Total Utility Plant Being Depreciated	\$ 54,660,096	\$ 3,138,342	\$ (1,089,987)	\$ 56,708,451
Less Accumulated Depreciation	\$ (17,732,752)	\$ 863,133	\$ (1,802,578)	\$ (18,672,197)
Total Utility Plant Being Depreciated (Net)	\$ 36,927,344	\$ 4,001,475	\$ (2,892,565)	\$ 38,036,254
Total Utility Plant (Net)	\$ 39,164,307	\$ 7,342,828	\$ (6,595,062)	\$ 39,912,074

NOTE 4-CONSTRUCTION IN PROGRESS

Construction in progress represents costs on projects for which authorizations total \$660,575. Of the committed balance of \$660,575, the PUD will be required to raise \$0.00 in future financing.

NOTE 5 – PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$182,001
Pension assets	\$1,907,050
Deferred outflows of resources	\$268,829
Deferred inflows of resources	\$2,030,863
Pension expense/expenditures	\$463,818

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

NOTE 5 – PENSION PLANS (Continued)

adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

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

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor

NOTE 5 – PENSION PLANS (Continued)

and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2021		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

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

The district's actual PERS plan contributions were \$103,386 to PERS Plan 1 and \$172,293 to PERS Plan 2/3 for the year ended December 31, 2021.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

NOTE 5 – PENSION PLANS (Continued)

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

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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

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

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

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

NOTE 5 – PENSION PLANS (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	310,048	182,001	70,330
PERS 2/3	(543,282)	(1,9070,050)	(3,030,115)

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.

NOTE 5 – PENSION PLANS (Continued)

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

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

	Liability (or Asset)
PERS 1	\$182,001
PERS 2/3	(\$1,907,050)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	.014456%	.014903%	(.000447)%
PERS 2/3	.018830%	.019144%	(.000314)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans 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 2021, 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.

Pension Expense

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

	Pension Expense
PERS 1	\$17,651
PERS 2/3	\$446,167
TOTAL	\$463,818

NOTE 5 – PENSION PLANS (Continued)**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2021, the district's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$(201,960)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$47,230	\$
TOTAL	\$47,230	\$(201,960)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$92,623	\$(23,379)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(1,593,847)
Changes of assumptions	\$2,787	\$(135,432)
Changes in proportion and differences between contributions and proportionate share of contributions	\$45,224	\$(76,245)
Contributions subsequent to the measurement date	\$80,967	\$
TOTAL	\$221,600	\$(1,828,903)

Deferred outflows of resources related to pensions resulting from the district's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2022	\$(53,499)
2023	\$(49,025)
2024	\$(46,355)
2025	\$(53,081)
2026	\$
Thereafter	\$

NOTE 5 – PENSION PLANS (Continued)

Year ended December 31:	PERS 2/3
2022	\$(460,365)
2023	\$(421,729)
2024	\$(393,069)
2025	\$(415,725)
2026	\$(8,297)
Thereafter	\$916

NOTE 6 – DEFERRED COMPENSATION PLAN

The PUD offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the State of Washington. The plan, available to eligible employees, permits them to defer a portion of their salary until future years. The assets held in the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 7 – RISK MANAGEMENT

The PUD purchases their liability insurance from Federated Rural Insurance Corporation. The PUD maintains a \$2,000,000 all-risk blanket with a \$10,000,000 umbrella policy. No insurance settlements have exceeded insurance coverage in the past 3 years. The risk of loss to the PUD is covered by:

- Liability coverage in the amount of \$12,000,000. This covers general liability, property damage, automobile coverage, personal injury, medical payments, and valuable papers.
- Employee dishonesty, money, and securities in the amount of \$4,000,000.
- Directors, Officers and Managers Liability and Corporate Indemnification Policy in the amount of \$1,000,000.
- Workers Compensation Insurance of \$100,000.
- Public Official Bond for the Treasurer in the amount of \$1,000,000.

NOTE 8 – LONG-TERM DEBT**Long-Term Debt**

The District issues a combination of RUS Bonds and Revenue Bonds for both electric and water divisions. The Bonds were purchased for electrical distribution, transmission and special equipment replacement and additions. They include wire, transformers, meters, conduit, and poles, and other electrical equipment. PWTF and Water Bond Loans were purchased for water distribution, transmission and meter replacement and additions, including piping, pumps, well houses, reservoirs, wells and many other water related equipment.

NOTE 8 – LONG TERM DEBT (Continued)

The revenue bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Electric System RUS Revenue Bonds	2045	2.853%	3,880,000	119,385
Electric System Revenue Bonds 2014	2014-2033	3.00%	3,585,000	165,000
Electric System Revenue Bonds 2018	2019-2038	4.00%	6,730,000	255,000
Water System Revenue Bonds 2018	2032	3.44%	3,000,000	180,000

Revenue bond debt service requirements to maturity are as follows:

Calendar Year Ending December 31, 2021:

Year	Principal	Interest	Total
2022	799,668	510,436	1,310,104
2023	820,668	484,349	1,305,017
2024	872,514	473,321	1,345,835
2025	863,668	426,830	1,290,498
2026-2030	4,637,367	1,642,049	6,279,416
2031-2035	3,797,349	758,656	4,556,005
2036-2040	1,951,923	208,892	2,160,815
2041-2045	455,782	28,935	484,717
TOTAL	\$14,198,939	\$4,533,468	\$18,732,407

Debt issuance costs are expensed in the period incurred and bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium.

At December 31, 2021 the District has \$518,208 available in debt service funds to service the revenue bonded debt. Restricted assets contain \$956,654 in reserves required by bond indentures.

On June 6th, 2014, the PUD issued a \$3,585,000 bond for refinancing the RUS debt of 5%. The bonds bear an average interest rate of 2% to 5% and will be redeemed over the next 20 years. This bond replaces the RUS debt that was to be amortized over the next 28 years. The total savings over the next 20 years is \$874,000. The bond was sold at a premium of \$55,251.50 and has a current balance of \$2,510,000 and a maturity date of December 01, 2033.

On July 24, 2018, the PUD issued \$6,730,000 in revenue bonds to pay off the \$3,000,000 Key Bank Line of Credit and use the remaining funds for infrastructure construction. The bonds bear an average interest rate of 4%, sold at a premium of \$268,331.25, and has a current balance of \$6,025,000, with a maturity

NOTE 8 – LONG TERM DEBT (Continued)

date of December 01, 2038. These revenue bonds are tax-exempt and must follow the federal arbitrage regulations. The arbitrage yield for these bonds is 3.358627%.

On April 27, 2018, the PUD issued a \$3,000,000 bond to purchase 32 water systems from Thurston County PUD for \$1,191,357.80, with the remaining funds to be used for infrastructure improvements. The bond bears an interest rate of 3.44%, with a maturity date of 12/01/2032. The balance of the bond at yearend is \$2,296,000. These revenue bonds are tax-exempt and must follow the federal arbitrage regulations. The arbitrage yield for these bonds is 3.4395%.

The PUD has Public Works Trust Fund Loans (PWTF) for its water systems. The PWTF interest rate averages 1% over 20 years.

At December 31, 2021 the balance of the PWTF Loans was \$622,094, detailed as follows:

<u>System</u>	<u>Balance</u>	<u>Maturity</u>	<u>Loan Number</u>
Arcadia Estates Water	\$20,200	10/01/2025	PW-05-691-034
Canal Tracts Water	\$37,254	10/01/2025	PW-05-691-037
Canal Mutual Water	\$82,198	07/01/2027	PW-07-962-302
Hoodspout Water	\$182,941	10/01/2029	PW-99-65199-035
Madrona Beach	\$35,242	10/01/2030	DR-09-952-070
Hood Canal Water	\$264,259	10/01/2031	PC12-951-081

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2018 Water Revenue Bonds	2,470,000		174,000	2,296,000	180,000
2014 Revenue Bonds	2,665,000		155,000	2,510,000	165,000
2014 Bond Premium	38,675		2,763	35,912	2,763
RUS Loans	2,865,230		119,385	2,745,845	119,385
PWTF Loans	756,131		134,037	622,094	80,284
2018 Electric Revenue Bonds	6,270,000		245,000	6,025,000	255,000
2018 Bond Premium	250,931		14,913	236,018	18,360
Total Long-Term Debt	15,315,967	0.00	845,098	14,470,869	820,792

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
2018 Water Revenue Bonds	2,470,000		174,000.00	2,296,000.00	180,000
2014 Revenue Bonds	2,665,000		155,000	2,510,000	165,000
2014 Bond Premium	38,675		2,763	35,912	2,763
2018 Electric Revenue Bonds	6,270,000		245,000	6,270,000	255,000
2018 Bond Premium	250,931		14,913	236,018	18,360
Total bonds payable	11,694,606	-	591,676	11,102,930	621,123
Loans Payable					
RUS Loans	2,865,230		119,385	2,745,845	119,385
PWTF Loans	756,131		134,037	622,094	80,284
Total loans payable	3,621,361	-	253,422	3,367,939	199,669
Pension/OPEB Obligations	2,449,574		638,746	1,810,828	46,010
Compensated Absences	512,214	16,637		528,851	
Asset Retirement Obligations	18,360	5,890	-	24,250	
Total Long-Term Liabilities	18,296,145	22,527	1,483,844	16,834,828	866,802

NOTE 10 – CONTINGENCIES AND LITIGATION

The PUD has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved, but where, based on available information, management believes it is probably that the PUD will have to make payment. In the opinion of management, the PUD's insurance policies are adequate to pay all known or pending claims.

The PUD participates in a number of federal-and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. PUD management believes that such disallowances, if any, will be immaterial.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

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

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$1,628,827
OPEB assets	\$0.00
Deferred outflows of resources	\$492,807
Deferred inflows of resources	\$211,995
OPEB expense/expenditures	\$137,637

The PUD belongs to the State of Washington's Public Employees Benefits Board (PEBB), a single employer defined benefit plan, which provides medical and dental through private health insurance plans to eligible retirees. Retiree benefit provisions are established by Commission resolution.

Employees are eligible for reimbursement of medical and dental coverage provided that they retire from active employment with the PUD with 15 or more years of service. Employee retiree coverage continues for a maximum of 10 years. The elected Commissioners are eligible for payment of post-retirement benefits based on 18 years of service. They are not eligible for a percentage of employment by year and must serve 18 years to receive 54 percent for 10 years. The PUD funding policy and status is a pay as you go and there are no assets that accumulate in a qualifying trust. The PUD pays employees a portion of the premium cost based on years of service at retirement according to the following schedule:

<u>Years of Service</u>	<u>District Percentage</u>	<u>Years of Service</u>	<u>District Percentage</u>
15	45%	23	69%
16	48%	24	72%
17	51%	25	75%
18	54%	26	78%
19	57%	27	81%
20	60%	28	84%
21	63%	29	87%
22	66%	30 or More	100%

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

Participants	
Active Employees	28
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Inactive Employees Currently Receiving Benefits	6
TOTAL	34
Average Ages	
Active Employees	45.5
Inactive Employees Entitled to But Not Yet Receiving Benefits	----
Inactive Employees Currently Receiving Benefits	64.8
Average Service	
Active Employees	11.4

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of 12/31/2020	\$1,698,374
Changes for the year:	
Service Cost	\$71,549
Interest on Total OPEB Liability	31,577
Changes of benefit terms	0
Difference Between Expected & Actual Experience	0
Changes of Assumptions and Other Inputs	(48,117)
Contributions – Employer	0
Contributions - Active & Inactive Employees	0
Net Investment Income	0
Benefit Payments ⁽²⁾	(124,556)
Administrative Expenses	0
Other Changes	<u>0</u>
Net Changes	(\$69,548)
Balances as of 12/31/2021	\$1,628,827

(1) Includes the Implicit Rate Subsidy.

Menard consulting prepared the actuarial valuation on January 1, 2021, for 2020, using the alternative measurement method, and then a subsequent roll-forward calculation for the year ended 2021. The following assumptions were updated, to comply with GASB 75.

- The Discount Rate and Actuarial Cost Method were changed to comply with the GASB 75 standard.
- The mortality assumption was changed from the RP-2014 Combined Annuitant Mortality Table for males and females to the PubG.H-2010 Mortality Table – General.
- The plan is funded on a pay as you go basis and there are no assets accumulated in a qualifying trust.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(Continued)

OPEB Expense

Service Cost	\$70,194
Interest on Service Cost	<u>1,355</u>
Total	\$71,549
Interest Cost	31,577
Difference Between Expected & Actual Experience	10,153
Changes of Assumptions and Other Inputs	<u>24,59</u>
Total	\$137,637

Deferred Outflows/Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected & Actual Experience	\$78,727	\$0
Changes of Assumptions	414,080	211,995
Net Difference Between Projected & Actual Earnings on OPEB Plan Investments	<u>0</u>	<u>0</u>
Total	\$492,807	\$211,995

For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in the table above that will be recognized in the employer's OPEB expense.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(Continued)

Future Deferred Outflows/Inflows of Resources

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

Fiscal Year Ending:	Outflows	Inflows
December 31, 2022	64,631	30,119
December 31, 2023	64,631	30,119
December 31, 2024	64,631	30,119
December 31, 2025	64,631	30,119
December 31, 2026	64,631	30,119
December 31, 2027	64,631	30,119
December 31, 2028	60,242	22,922
December 31, 2029	44,777	4,970
December 31, 2030	0	3,387

Significant Assumptions

Health Care Trend Rates	
Initial Health Care Cost Trend Rate	
- HMO Medical Plan	6.00%
- PPO Medical Plan	6.50%
- Dental HMO Plan	3.00%
- Dental PPO Plan	2.50%
- Vision Plan	2.00%
Ultimate Health Care Cost Trend Rate	
- Medical Plans	4.50%
- Dental & Vision Plans	Constant for all years
Fiscal Year the Ultimate Rate is Reached Additional	Fiscal Year 2035
Information	
Valuation Date	January 1, 2022
Measurement Date	December 31, 2021
Actuarial Cost Method	Entry Age Normal (AMM)
Discount Rate	2.25%
Inflation Rate	3.00%
Salary Rate Increase	3.50%
Covered Payroll	\$1,997,349
Total OPEB Liability as a Percentage of Covered Payroll	78.79%

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(Continued)

Discount Rate

The District does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

A rate of 2.25% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of December 31, 2021.

Difference Between Expected & Actual Experience

Total OPEB Liability, Actual Experience	\$1,628,827
Total OPEB Liability, Expected Experience	<u>1,610,746</u>
Difference	\$18,081
Average Expected Remaining Service Lives	9.68 years
<u>Amortization Schedule</u>	
Fiscal Years 2020 - 2028:	\$8,844
Fiscal Year 2029:	\$8,033

Changes of Assumption

<u>Change in Discount Rate</u>	
Total OPEB Liability, New Assumption	\$1,628,827
Total OPEB Liability, Prior Assumption	<u>1,698,374</u>
Difference	\$69,547
Average Expected Remaining Service Lives	9.68 years
<u>Amortization Schedule</u>	
Fiscal Years 2020 - 2028:	\$26,004
Fiscal Year 2029:	\$23,621

<u>Change in Trend Rates</u>	
Total OPEB Liability, New Assumption	\$1,628,827
Total OPEB Liability, Prior Assumption	<u>1,698,374</u>
Difference	\$69,547
Average Expected Remaining Service Lives	9.68 years
<u>Amortization Schedule</u>	
Fiscal Years 2020 - 2028:	\$5,795
Fiscal Year 2029:	\$5,264

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(Continued)

Change in Mortality Assumption

Total OPEB Liability, New Assumption	\$1,628,827
Total OPEB Liability, Prior Assumption	<u>1,698,374</u>
Difference	\$69,547
Average Expected Remaining Service Lives	9.68 years

Amortization Schedule

Fiscal Years 2020 - 2028:	\$5,887
Fiscal Year 2029:	\$5,348

Other Changes

Total OPEB Liability, New	\$1,628,827
Total OPEB Liability, Prior	<u>1,698,374</u>
Difference	\$69,547
Average Expected Remaining Service Lives	9.68 years

Amortization Schedule

Fiscal Years 2020 - 2028:	\$2,765
Fiscal Year 2029:	\$2,512

Net Difference Between Projected & Actual Earnings on OPEB Plan Investments

Not applicable.

The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 – percentage point lower (14.31%) or 1 – percentage point higher (-11.72%) than the current rate.

Health Care Trend			
	<u>1% Increase</u>	<u>Valuation Rate</u>	<u>1% Decrease</u>
Total OPEB Liability	\$1,861,947	\$1,628,827	\$1,437,889
Change	14.31%		(11.72%)

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(Continued)

The following presents the total OPEB liability of the District calculated using the discount rate of 2.25 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (-8.66%) or 1-percentage point higher (9.54%) than the current rate.

Discount Rate			
	<u>1% Increase</u>	<u>Valuation Rate</u>	<u>1% Decrease</u>
Total OPEB Liability	\$1,487,791	\$1,698,374	\$1,784,187
Change	(8.66%)		9.54%

NOTE 12 –ASSET RETIREMENT OBLIGATIONS (ARO)

The District has identified two asset retirement obligations within its water department. The first ARO is a well located in the Twanoh Terrace water system. This well was damaged in 2001, due to the Nisqually Earthquake. Within the next five years, the Twanoh Terrace system will be consolidated with the Twanoh Heights water system, and will then share the well currently used only by Twanoh Heights. At that time, the Twanoh Terrace well will be decommissioned, pursuant to WAC 173-160-381, regulated by Department of Ecology. The second ARO is a well located in the Lake Arrowhead water system. Well 1 was abandoned due to ground water influence. The District has plans in the next 10 years to decommission the well, pursuant to WAC 173-160-381, regulated by Department of Ecology. The District contracted with an engineering firm to determine the cost of the obligations, which was established using the current value. There are no legally required funding provisions associated with these ARO's, and because the cost to decommission these wells are nominal, the District does not have assets restricted for payment of the liabilities.

NOTE 13 – COVID -19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay at home unless they are leaving for an essential function.

On March 13, 2020, the District closed its facilities to the public. Departments were also split into two teams, with an alternating work schedule of one week on and one week off, to limit the exposure to the virus. Because the PUD is considered an essential business, it was important that groups were isolated so that in the event of an exposure, one team would still be available to provide service. The employees who are at home on their off week are considered on call and must be available to return to work, if needed.

On July 1, 2020, the District worked to get administrative staff setup to work remotely from home, with one Customer Service Representative in the office, rotating each week, in order to process mail and take payments. The line and water crews were also brought back full time. On August 1, 2021 the office reopened to the public, and our administrative staff changed to a rotating schedule with two in the office and two working from home. As of December 31, 2021 the office remains open to the public and the administrative staff planned to fully return to the office on April 1, 2022.

The Commissioners voted to delay the impending electric rate increase that was set to take effect April 1, 2020, with a new effective date of April 1, 2021. The Commissioners also voted to delay the water rate increase that would normally take effect January 1, 2021, to April 1, 2021.

On September 30, 2021 the moratorium on disconnects for non-pay ended. The District continued to work with customers on long-term payment plans, while also directing them to the various agencies that provided assistance specifically for COVID related hardships in addition to tenant utility assistance and the regular LIHEAP and newly funded LIWAP programs.

NOTE 14 - SEGMENT REPORTING				
	2021	2021	2021	
	Electric	Water	Sewer	TOTALS
CURRENT ASSETS				
Cash and Cash Equivalents				
Cash & Working Funds	\$ 798,327	\$ 623,359	\$ 4,195	\$ 1,425,881
Investments	\$ 3,848,857	\$ 409,274	\$ 30,550	\$ 4,288,681
Accounts Receivable - Net Sales	\$ 955,962	\$ 199,251	\$ 54	\$ 1,155,267
Accounts Receivable - Other	\$ 941,351	\$ (584,239)	\$ (20,104)	\$ 337,008
Inventories	\$ 808,075	\$ 159,232	\$ 9,310	\$ 976,617
Prepayments	\$ 2,305	\$ 763	\$ -	\$ 3,068
Total Current Assets	\$ 7,354,877	\$ 807,639	\$ 24,005	\$ 8,186,522
NON-CURRENT ASSETS				
Restricted Assets				
Debt Service	\$ 956,654	\$ -	\$ -	\$ 956,654
Customer Deposits	\$ 42,598	\$ 12,862	\$ -	\$ 55,460
Total Restricted Assets	\$ 999,252	\$ 12,862	\$ -	\$ 1,012,114
Net Pension Assets	\$ 1,907,050			\$ 1,907,050
Capital Assets Not Being Depreciated				
Land and Land Rights	\$ 977,691	\$ 237,553	\$ -	\$ 1,215,244
Construction in Progress	\$ 229,691	\$ 430,825	\$ 59	\$ 660,575
Capital Assets Being Depreciated				
Transmission	\$ 3,361,470	\$ -	\$ -	\$ 3,361,470
Distribution	\$ 28,798,285	\$ 14,332,212	\$ 80,075	\$ 43,210,572
General Plant	\$ 7,483,327	\$ 2,641,580	\$ 11,502	\$ 10,136,409
Less: Accumulated Depreciation	\$ (13,712,844)	\$ (4,940,487)	\$ (18,866)	\$ (18,672,197)
Total Capital Assets Being Depreciated (Net)	\$ 25,930,238	\$ 12,033,305	\$ 72,711	\$ 38,036,254
Total Capital Assets	\$ 27,137,620	\$ 12,701,683	\$ 72,770	\$ 39,912,074
Total Non-Current Assets	\$ 30,043,922	\$ 12,714,545	\$ 72,770	\$ 42,831,238
Total Assets	\$ 37,398,799	\$ 13,535,046	\$ 96,776	\$ 51,017,759
Outflows of Resources Relating to ARO's	\$ -	\$ 24,250	\$ -	\$ 24,250
Outflows of Resources Relating to Pensions	\$ 268,829	\$ -	\$ -	\$ 268,829
Outflows of Resources Relating to OPEB	\$ 492,807	\$ -	\$ -	\$ 492,807
Total Outflows of Resources	\$ 761,636	\$ 24,250	\$ -	\$ 785,886
Total Assets and Deferred Outflows of Resources	\$ 38,160,435	\$ 13,559,296	\$ 96,776	\$ 51,803,645
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 1,072,316	\$ 58	\$ -	\$ 1,072,373
Consumer Deposits	\$ 41,519	\$ 12,748	\$ -	\$ 54,267
Bonds, Notes and Loans Payable	\$ 560,507	\$ 260,284	\$ -	\$ 820,791
Current Portion OPEB	\$ 46,010	\$ -	\$ -	\$ 46,010
Other Current Liabilities	\$ 419,783	\$ 1,169	\$ -	\$ 420,952
Total Current & Accrued Liabilities	\$ 2,140,135	\$ 274,258	\$ -	\$ 2,414,393
Non-Current Liabilities:				
Accrued Vacation and Holidays	\$ 528,851	\$ -	\$ -	\$ 528,851
Asset Retirement Obligations	\$ -	\$ 24,250	\$ -	\$ 24,250
Long Term Debt - Loans	\$ 2,659,613	\$ 541,810	\$ -	\$ 3,201,423
Long Term Debt - Bonds	\$ 8,332,658	\$ 2,116,000	\$ -	\$ 10,448,658
OPEB	\$ 1,582,817	\$ -	\$ -	\$ 1,582,817
Net Pension Liability	\$ 182,001	\$ -	\$ -	\$ 182,001
Total Non-Current Liabilities	\$ 13,285,939	\$ 2,682,060	\$ -	\$ 15,967,999
Total Liabilities	\$ 15,426,074	\$ 2,956,318	\$ -	\$ 18,382,392
Deferred Inflow Related to Pensions	\$ 2,030,863	\$ -	\$ -	\$ 2,030,863
Deferred Inflow Related to OPEB	\$ 211,995	\$ -	\$ -	\$ 211,995
Total Inflows of Resources	\$ 2,242,858	\$ -	\$ -	\$ 2,242,858
Net Position				
Net Investments in Capital Assets	\$ 16,207,271	\$ 10,177,123	\$ 72,770	\$ 26,457,164
Restricted for Customer Deposits	\$ 41,519	\$ 12,862	\$ -	\$ 54,381
Restricted for Debt Service	\$ 956,654	\$ -	\$ -	\$ 956,654
Restricted for Net Pension Asset	\$ 145,016	\$ -	\$ -	\$ 145,016
Unrestricted	\$ 3,141,043	\$ 400,131	\$ 24,005	\$ 3,565,178
Total Net Position	\$ 20,491,503	\$ 10,590,115	\$ 96,776	\$ 31,178,394
TOTAL NET POSITION, LIABILITIES AND DEFERRED	\$ 38,160,435	\$ 13,546,434	\$ 96,776	\$ 51,803,645

NOTE 14 - SEGMENT REPORTING (CONTINUED)									
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION					2021	2021	2021		
					ELECTRIC	WATER	SEWER		TOTAL
OPERATING REVENUES									
Sales - Residential					\$ 7,589,948	\$ 2,374,954	\$ 9,455		\$ 9,974,358
Sales - General					\$ 2,089,639	\$ -	\$ -		\$ 2,089,639
Sales - Street Lights					\$ 35,250	\$ -	\$ -		\$ 35,250
Miscellaneous Other Revenues					\$ 267,096	\$ 20,602	\$ -		\$ 287,698
Total Operating Revenues					\$ 9,981,933	\$ 2,395,556	\$ 9,455		\$ 12,386,944
OPERATING EXPENSES									
Cost of Purchased Power					\$ 3,762,237	\$ 139,007	\$ 587		\$ 3,901,831
Transmission Expenses					\$ 5,550	\$ -	\$ -		\$ 5,550
Distribution & Maintenance Expense					\$ 1,365,336	\$ 623,182	\$ 2,519		\$ 1,991,037
Customer Service Expense					\$ 122,531	\$ 61,162	\$ -		\$ 183,692
Administrative and General					\$ 1,049,646	\$ 685,957	\$ 5,028		\$ 1,740,632
Depreciation					\$ 1,094,893	\$ 512,306	\$ -		\$ 1,607,200
Taxes					\$ 652,659	\$ 126,348	\$ 364		\$ 779,371
Total Operating Expenses					\$ 8,052,852	\$ 2,147,962	\$ 8,499		\$ 10,209,313
NET OPERATING INCOME					\$ 1,929,080	\$ 247,595	\$ 956		\$ 2,177,631
NON-OPERATING REVENUE (EXPENSES)									
Revenue from Merchandising, Jobbing And Contract Work					\$ 51,076	\$ 70,107	\$ -		\$ 121,183
Costs and Expenses of Merchandising, Jobbing and Contract Work					\$ (21,200)	\$ (12,455)	\$ -		\$ (33,655)
Interest and Dividend Income					\$ 7,479	\$ 441	\$ 32		\$ 7,952
Other Revenues					\$ 146,579	\$ 335,267	\$ -		\$ 481,846
Interest on Long-Term Debt					\$ (431,998)	\$ (89,702)	\$ -		\$ (521,701)
Total Non-Operating Revenue (Expenses)					\$ (248,065)	\$ 303,658	\$ 32		\$ 55,625
Change In Net Position					\$ 1,681,015	\$ 551,253	\$ 988		\$ 2,233,256
Total Net Posisiton January 1					\$ 18,810,487	\$ 10,038,863	\$ 95,788		\$ 28,945,138
Total Net Position December 31					\$ 20,491,503	\$ 10,590,116	\$ 96,776		\$ 31,178,394

NOTE 14 SEGMENT REPORTING (CONTINUED)		2021	2021	2021	
		Electric	Water	Sewer	TOTALS
Net Cash Provided(used) by Operating Activities		\$ 2,778,777	\$ 1,145,020	\$ 173	\$ 3,923,969
Net cash Provided (Used) by Capital and Related Financing Activities		\$ (2,575,117)	\$ (1,340,673)	\$ (173)	\$ (3,915,963)
Net Cash Provided by Investing Activities		\$ 7,479.00	\$ 441	\$ 32	\$ 7,952
Net Increase (Decrease) in Cash and Cash Equivalents		\$ 211,139	\$ (195,213)	\$ 32	\$ 15,958
Cash and Cash Equivalents Balances - Beginning of Year		\$ 5,435,297	\$ 1,240,707	\$ 34,713	\$ 6,710,718
Cash and Cash Equivalents Balances - End of Year		\$ 5,646,436	\$ 1,045,494	\$ 34,745	\$ 6,726,676

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statements of 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

Public Utility District No. 1 of Mason County (the PUD) was incorporated on November 6, 1934 and operates under the laws of the state of Washington applicable to a public utility.

The PUD is a special purpose government and provides electric, water, and sewer services to the general public. The PUD is primarily supported through user charges (or where the governing body has decided that periodic determination of net income is needed).

An elected 3-member board of commissioners governs the PUD. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The PUD has no component units.

B. Basis of Accounting and Presentation

The accounting records of the PUD are maintained in accordance with methods prescribed by the United States Department of Agriculture, Rural Utilities Services (RUS) and the State Auditor under the authority of Chapter 43.09 RCW. The PUD uses the Uniform System of Accounts – Electric, RUS Bulletin 1767B-1.

The PUD uses the full-accrual basis of accounting, where the revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized, and long-term liabilities are accounted for in the appropriate fund(s).

The PUD distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the PUD's principal ongoing operations. The principal operating revenues of the PUD are charges to customers for power, water, and sewer. Operating expenses for the PUD include cost of operations and maintenance, administrative and customer service, depreciation, taxes and debt amortization. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

C. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the PUD's policy to invest all temporary cash surpluses, in excess of the operating reserve in the Washington State Treasurer's Investment Pool. At December 31, 2020, the

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

treasurer was holding \$4,882,545 in short term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents, restricted assets, and investments in various funds.

For the purposes of the Statement of Cash Flows, the PUD considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments – See Note 2, Deposits and Investments.

3. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Notes and contract receivables consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered.

The PUD writes off accounts deemed to be uncollectible to the bad debt expense account.

4. Inventories

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

Inventories are expensed using the FIFO reporting method, where the inventory acquired first is expensed, over time.

5. Restricted Assets

These accounts contain resources for debt service and customer deposits. Specific debt service reserve requirements are described in Note 8, Long-Term Debt.

The restricted assets of the district are composed of the following:

Cash and Investments – Debt Service	\$909,388
Cash and Investments – Customer Deposits	\$40,381

6. Capital Assets and Depreciation – See Note 3.

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. The PUD accrues unpaid leave for compensated absences as an expense and liability when incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Vacation pay, which may be accumulated up to 1200 hours, is payable upon resignation, retirement, or death.

8. Pensions

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

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

10. Long-Term Debt – See Note 8.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2020 was \$6,710,718.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository institution, the district would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are entirely covered by Federal Depository Insurance (FDIC) or by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Therefore, there are no policy and no custodial credit risks.

B. Investments

The district is a participant in the Local Government Investment Pool, authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

requirements set forth by the GASB 79 for external investment 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 rates on participant withdrawals.

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

The PUD measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2020, the district had the following investments measured at fair value:

Investments by Fair Value Level	12/31/2020	Fair Value Measurement Using		
		Quoted Price in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Class A Equity Investment	\$ 10,000	\$ 10,000	\$ -	\$ -
<hr/>				
Investments measured at amortized cost				
State Local Government Investment Pool (LGIP)	\$ 4,882,545			
<hr/>				
Total Investments in Statement of Net Position	\$ 4,892,545			

NOTE 3- CAPITAL ASSETS AND DEPRECIATION

Capital assets are defined by the PUD as assets with individual costs of more than \$2,500 and an estimated useful life in excess of 1 year.

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

Utility Plant in Service (and other capital assets) are recorded at cost (where the historical costs are known) or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation expense is charged to operations to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 10 to 36 years.

Capital asset activity for the year ended December 31, 2020 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Utility Plant Not Being Depreciated				
Land	\$ 1,046,551	\$ 7,662	\$ 0	\$ 1,054,213
Construction in Progress	\$ 1,119,368	\$ 4,075,506	\$ (4,012,124)	\$ 1,182,750
Total Utility Plant Not Being Depreciated	\$ 2,165,919	\$ 4,083,168	\$ (4,012,124)	\$ 2,236,963
Utility Plant Being Depreciated				
Distribution and Transmission Plant	\$ 43,732,237	\$ 1,340,115	\$ (399,633)	\$ 44,672,719
General Plant	\$ 8,165,460	\$ 1,845,368	\$ (23,451)	\$ 9,987,377
Total Utility Plant Being Depreciated	\$ 51,897,697	\$ 3,185,483	\$ (423,084)	\$ 54,660,096
Less Accumulated Depreciation	\$ (16,537,701)	\$ 758,727	\$ (1,953,778)	\$ (17,732,752)
Total Utility Plant Being Depreciated (Net)	\$ 35,359,996	\$ 3,944,210	\$ (2,376,862)	\$ 36,927,344
Total Utility Plant (Net)	\$ 37,525,915	\$ 8,027,378	\$ (6,388,986)	\$ 39,164,307

NOTE 4-CONSTRUCTION IN PROGRESS

Construction in progress represents costs on projects for which authorizations total \$1,182,750. Of the committed balance of \$1,182,750, the PUD will be required to raise \$0.00 in future financing.

NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$751,200
Pension assets	\$0.00
Deferred outflows of resources	\$285,834
Deferred inflows of resources	\$311,112
Pension expense/expenditures	\$12,004

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor

and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

* For employees participating in JBM, the contribution rate was 19.75%.

The District's actual PERS plan contributions were \$109,937 to PERS Plan 1 and \$181,484 to PERS Plan 2/3 for the year ended December 31, 2020.

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA)

reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$639,274	\$510,375	\$397,962
PERS 2/3	\$1,498,477	\$240,825	(\$794,853)

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, 2020, the district reported a total pension liability of \$751,200 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$510,375
PERS 2/3	\$240,825

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	.015613%	.014456%	(.001157%)
PERS 2/3	.020167%	.018830%	(.001337%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans 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 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, 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 2020, 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.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the district recognized pension expense as follows:

	Pension Expense
PERS 1	(\$22,356)
PERS 2/3	\$10,352
TOTAL	(\$12,004)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$86,212	(\$30,181)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$12,230)
Changes of assumptions	\$3,430	(\$164,504)
Changes in proportion and differences between contributions and proportionate share of contributions	\$49,919	(\$101,354)
Contributions subsequent to the measurement date	\$90,824	
TOTAL	\$230,385	(\$308,270)

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(\$2,842)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$55,449	
TOTAL	\$55,449	(\$2,842)

Deferred outflows of resources related to pensions resulting from the district's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 2/3
2021	(\$115,228)
2022	(\$39,186)
2023	(\$11,020)
2024	\$17,350
2025	(\$4,800)
Thereafter	(\$15,825)
TOTAL	(\$168,709)

Year ended December 31:	PERS 1
2021	(\$12,895)
2022	(\$406)
2023	\$3,935
2024	\$6,524
2025	\$0.00
Thereafter	\$0.00
TOTAL	(\$2,842)

NOTE 6 – DEFERRED COMPENSATION PLAN

The PUD offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the State of Washington. The plan, available to eligible employees, permits them to defer a portion of their salary until future years. The assets held in the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 7 – RISK MANAGEMENT

The PUD purchases their liability insurance from Federated Rural Insurance Corporation. The PUD maintains a \$2,000,000 all-risk blanket with a \$10,000,000 umbrella policy. No insurance settlements have exceeded insurance coverage in the past 3 years. The risk of loss to the PUD is covered by:

- Liability coverage in the amount of \$12,000,000. This covers general liability, property damage, automobile coverage, personal injury, medical payments, and valuable papers.
- Employee dishonesty, money, and securities in the amount of \$4,000,000.
- Directors, Officers and Managers Liability and Corporate Indemnification Policy in the amount of \$1,000,000.
- Workers Compensation Insurance of \$100,000.
- Public Official Bond for the Treasurer in the amount of \$1,000,000.

NOTE 8 – LONG-TERM DEBT

Long-Term Debt

The District issues a combination of RUS Bonds and Revenue Bonds for both electric and water divisions. The Bonds were purchased for electrical distribution, transmission and special equipment replacement and additions. They include wire, transformers, meters, conduit, and poles, and other electrical equipment. PWTF and Water Bond Loans were purchased for water distribution, transmission and meter replacement and additions, including piping, pumps, well houses, reservoirs, wells and many other water related equipment.

NOTE 8 – LONG TERM DEBT (continued)

The revenue bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Electric System RUS Revenue Bonds	2045	2.853%	3,880,000	89,538
Electric System Revenue Bonds 2014	2014-2033	3.00%	3,585,000	155,000
Electric System Revenue Bonds 2018	2019-2038	4.00%	6,730,000	245,000
Water System Revenue Bonds 2018	2032	3.44%	3,000,000	174,000

Revenue bond debt service requirements to maturity are as follows:

Calendar Year Ending December 31, 2020:

Year	Principal	Interest	Total
2021	800,637	515,778	1,316,415
2022	799,668	510,436	1,310,104
2023	820,668	484,349	1,305,017
2024	872,514	473,321	1,345,835
2025	863,668	426,830	1,290,498
2026-2030	4,637,367	1,642,049	6,279,416
2031-2035	3,797,349	758,656	4,556,005
2036-2040	1,951,923	208,892	2,160,815
2041-2045	482,567	28,935	511,502
TOTAL	\$15,026,361	\$5,049,246	\$20,075,607

Debt issuance costs are expensed in the period incurred and bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium.

At December 31, 2020 the District has \$459,574 available in debt service funds to service the revenue bonded debt. Restricted assets contain \$909,388 in reserves required by bond indentures.

On June 6th, 2014, the PUD issued a \$3,585,000 bond for refinancing the RUS debt of 5%. The bonds bear an average interest rate of 2% to 5% and will be redeemed over the next 20 years. This bond replaces the RUS debt that was to be amortized over the next 28 years. The total savings over the next 20 years is \$874,000. The bond was sold at a premium of \$55,251.50 and has a current balance of \$2,665,000 and a maturity date of December 01, 2033.

On July 24, 2018, the PUD issued \$6,730,000 in revenue bonds to pay off the \$3,000,000 Key Bank Line of Credit and use the remaining funds for infrastructure construction. The bonds bear an average interest rate of 4%, sold at a premium of \$268,331.25, and has a current balance of \$6,270,000, with a maturity

NOTE 8 – LONG TERM DEBT (continued)

date of December 01, 2038. These revenue bonds are tax-exempt and must follow the federal arbitrage regulations. The arbitrage yield for these bonds is 3.358627%.

On April 27, 2018, the PUD issued a \$3,000,000 bond to purchase 32 water systems from Thurston County PUD for \$1,191,357.80, with the remaining funds to be used for infrastructure improvements. The bond bears an interest rate of 3.44%, with a maturity date of 12/01/2032. The balance of the bond at yearend is \$2,470,000. These revenue bonds are tax-exempt and must follow the federal arbitrage regulations. The arbitrage yield for these bonds is 3.4395%.

The PUD has Public Works Trust Fund Loans (PWTF) for its water systems. The PWTF interest rate averages 1% over 20 years.

At December 31, 2020 the balance of the PWTF Loans was \$756,131, detailed as follows:

<u>System</u>	<u>Balance</u>	<u>Maturity</u>	<u>Loan Number</u>
Lake Arrowhead Water	\$44,914	10/01/2021	PW-00-65120-013
Pirates Cove Water	\$11,104	10/01/2021	PW-00-65120-022
Arcadia Estates Water	\$25,250	10/01/2025	PW-05-691-034
Canal Tracts Water	\$46,568	10/01/2025	PW-05-691-037
Canal Mutual Water	\$95,897	07/01/2027	PW-07-962-302
Hoodspout Water	\$203,267	10/01/2029	PW-99-65199-035
Madrona Beach	\$38,446	10/01/2030	DR-09-952-070
Hood Canal Water	\$290,685	10/01/2031	PC12-951-081

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2018 Water Revenue Bonds	2,639,000		169,000	2,470,000	174,000
2014 Revenue Bonds	2,820,000		155,000	2,665,000	155,000
2014 Bond Premium	41,438		2,763	38,675	2,763
RUS Loans	2,984,615		119,385	2,865,230	89,538
PWTF Loans	890,168		134,037	756,131	137,099
2018 Electric Revenue Bonds	6,505,000		235,000	6,270,000	245,000
2018 Bond Premium	261,894		10,963	250,931	14,913
Total Long-Term Debt	16,142,115	0.00	826,148	15,315,967	818,313

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
2018 Water Revenue Bonds	2,639,000.00		169,000.00	2,470,000.00	174,000.00
2014 Revenue Bonds	2,820,000		155,000	2,665,000	155,000
2014 Bond Premium	41,438		2,763	38,675	2,763
2018 Electric Revenue Bonds	6,505,000		235,000	6,270,000	245,000
2018 Bond Premium	261,894		10,963	250,931	14,913
Total bonds payable	12,267,332	-	572,726	11,694,606	591,676
Loans Payable					
RUS Loans	2,984,615		119,385	2,865,230	89,538
PWTF Loans	890,168		134,037	756,131	137,099
Total loans payable	3,874,783	-	253,422	3,621,361	226,637
Pension/OPEB Obligations	2,068,179	426,460	45,065	2,449,574	124,556
Compensated Absences	426,862	85,382		512,244	
Asset Retirement Obligations	6,000	12,630	-	18,630	
Total Long-Term Liabilities	18,643,156	524,472	871,213	18,296,415	942,869

NOTE 10 – CONTINGENCIES AND LITIGATION

The PUD has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved, but where, based on available information, management believes it is probable that the PUD will have to make payment. In the opinion of management, the PUD's insurance policies are adequate to pay all known or pending claims.

The PUD participates in a number of federal-and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. PUD management believes that such disallowances, if any, will be immaterial.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2020:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$1,698,374
OPEB assets	\$0.00
Deferred outflows of resources	\$557,439
Deferred inflows of resources	\$193,998
OPEB expense/expenditures	\$130,500

The PUD belongs to the State of Washington’s Public Employees Benefits Board (PEBB), a single employer defined benefit plan, which provides medical and dental through private health insurance plans to eligible retirees. Retiree benefit provisions are established by Commission resolution.

Employees are eligible for reimbursement of medical and dental coverage provided that they retire from active employment with the PUD with 15 or more years of service. Employee retiree coverage continues for a maximum of 10 years. The elected Commissioners are eligible for payment of post-retirement benefits based on 18 years of service. They are not eligible for a percentage of employment by year and must serve 18 years to receive 54 percent for 10 years. The PUD funding policy and status is a pay as you go and there are no assets that accumulate in a qualifying trust. The PUD pays employees a portion of the premium cost based on years of service at retirement according the following schedule:

<u>Years of Service</u>	<u>District Percentage</u>	<u>Years of Service</u>	<u>District Percentage</u>
15	45%	23	69%
16	48%	24	72%
17	51%	25	75%
18	54%	26	78%
19	57%	27	81%
20	60%	28	84%
21	63%	29	87%
22	66%	30 or More	100%

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(continued)

Employees covered by benefit terms – At December 31, 2020, the following employees were covered by the benefit terms:

Participants	
Active Employees	28
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Inactive Employees Currently Receiving Benefits	<u>6</u>
TOTAL	34
Average Ages	
Active Employees	45.5
Inactive Employees Entitled to But Not Yet Receiving Benefits	----
Inactive Employees Currently Receiving Benefits	64.8
Average Service	
Active Employees	11.4

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of 12/31/2019	\$1,281,728
Changes for the year:	
Service Cost	\$51,887
Interest on Total OPEB Liability	39,131
Changes of benefit terms	0
Difference Between Expected & Actual Experience	87,628
Changes of Assumptions and Other Inputs	373,411
Contributions – Employer	0
Contributions - Active & Inactive Employees	0
Net Investment Income	0
Benefit Payments ⁽²⁾	(162,809)
Administrative Expenses	0
Other Changes	<u>27,399</u>
Net Changes	\$416,646
Balances as of 12/31/2020	\$1,698,374

(1) Includes the Implicit Rate Subsidy.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(continued)

Menard consulting prepared the actuarial valuation on January 1, 2021, for 2020, using the alternative measurement method. The following assumptions were updated, to comply with GASB 75.

- The Discount Rate and Actuarial Cost Method were changed to comply with the GASB 75 standard.
- The mortality assumption was changed from the RP-2014 Combined Annuitant Mortality Table for males and females to the PubG.H-2010 Mortality Table – General.
- The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

OPEB Expense

Service Cost	\$50,249
Interest on Service Cost	<u>1,638</u>
Total	\$51,887
Interest Cost	39,131
Difference Between Expected & Actual Experience	10,153
Changes of Assumptions and Other Inputs	<u>29,329</u>
Total	\$130,500

Deferred Outflows/Inflows of Resources

At December 31, 2020, the district reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected & Actual Experience	\$88,880	\$0
Changes of Assumptions	468,559	193,998
Net Difference Between Projected & Actual Earnings on OPEB Plan Investments	<u>0</u>	<u>0</u>
Total	\$557,439	\$193,998

For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in the table above that will be recognized in the employer's OPEB expense.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(continued)

Future Deferred Outflows/Inflows of Resources

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

Fiscal Year Ending:	Outflows	Inflows
December 31, 2021	\$64,631	\$25,150
December 31, 2022	64,631	25,150
December 31, 2023	64,631	25,150
December 31, 2024	64,631	25,150
December 31, 2025	64,631	25,150
December 31, 2026	64,631	25,150
December 31, 2027	64,631	25,150
December 31, 2028	60,242	17,952
December 31, 2029	44,777	0

Significant Assumptions

Health Care Trend Rates	
Initial Health Care Cost Trend Rate	
- HMO Medical Plan	6.00%
- PPO Medical Plan	6.50%
- Dental HMO Plan	3.00%
- Dental PPO Plan	2.50%
- Vision Plan	2.00%
Ultimate Health Care Cost Trend Rate	
- Medical Plans	4.50%
- Dental & Vision Plans	Constant for all years
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2035
Additional Information	
Valuation Date	January 1, 2020
Measurement Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal (AMM)
Discount Rate	1.93%
Inflation Rate	3.00%
Salary Rate Increase	3.50%

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

(continued)

Funded Ratio	0.00%
(Fiduciary Net Position as a percentage of Total OPEB Liability)	
Covered Payroll	\$1,997,349
Total OPEB Liability as a Percentage of Covered Payroll	85.03%

Discount Rate

The District does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

A rate of 1.93% is used, which is the S&P Municipal Bond 20 Year High-Grade Rate Index as of December 31, 2020.

Difference Between Expected & Actual Experience

Total OPEB Liability, Actual Experience	\$1,698,374
Total OPEB Liability, Expected Experience	<u>1,610,746</u>
Difference	\$87,628
Average Expected Remaining Service Lives	9.91 years

Amortization Schedule

Fiscal Years 2020 - 2028: \$8,844
Fiscal Year 2029: \$8,033

Changes of Assumption

<u>Change in Discount Rate</u>	
Total OPEB Liability, New Assumption	\$1,698,374
Total OPEB Liability, Prior Assumption	<u>1,440,714</u>
Difference	\$257,660
Average Expected Remaining Service Lives	9.91 years

Amortization Schedule

Fiscal Years 2020 - 2028: \$26,004
Fiscal Year 2029: \$23,621

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(continued)

Change in Trend Rates

Total OPEB Liability, New Assumption	\$1,698,374
Total OPEB Liability, Prior Assumption	<u>1,640,956</u>
Difference	\$57,418
Average Expected Remaining Service Lives	9.91 years

Amortization Schedule

Fiscal Years 2020 - 2028:	\$5,795
Fiscal Year 2029:	\$5,264

Change in Mortality Assumption

Total OPEB Liability, New Assumption	\$1,698,374
Total OPEB Liability, Prior Assumption	<u>1,640,042</u>
Difference	\$58,332
Average Expected Remaining Service Lives	9.91 years

Amortization Schedule

Fiscal Years 2020 - 2028:	\$5,887
Fiscal Year 2029:	\$5,348

Other Changes

Total OPEB Liability, New	\$1,698,374
Total OPEB Liability, Prior	<u>1,670,975</u>
Difference	\$27,399
Average Expected Remaining Service Lives	9.91 years

Amortization Schedule

Fiscal Years 2020 - 2028:	\$2,765
Fiscal Year 2029:	\$2,512

Net Difference Between Projected & Actual Earnings on OPEB Plan Investments

Not applicable.

NOTE 11 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS
(continued)

The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 4.5 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 – percentage point lower (9.63%) or 1 – percentage point higher (-8.69%) than the current rate.

Health Care Trend			
	<u>1% Increase</u>	<u>Valuation Rate</u>	<u>1% Decrease</u>
Total OPEB Liability	\$1,550,708	\$1,698,374	\$1,861,879
Change	(8.69%)		9.63%

The following presents the total OPEB liability of the District calculated using the discount rate of 1.93 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (-11.46%) or 1-percentage point higher (13.97%) than the current rate.

Discount Rate			
	<u>1% Increase</u>	<u>Valuation Rate</u>	<u>1% Decrease</u>
Total OPEB Liability	\$1,935,606	\$1,698,374	\$1,503,795
Change	13.97%		(11.46%)

The ending balance reported as of December 31, 2019 for the 2020 actuary is \$9,814 more than what the District reported that same year on its financial statements and subsequent notes to the financial statements. The District has its actuary performed every two years and in the odd year, it amortizes the amounts for deferred inflows, outflows and OPEB expense. Because of this, there was a difference in amounts reported.

NOTE 12 –ASSET RETIREMENT OBLIGATIONS (ARO)

The District has identified two asset retirement obligations within its water department. The first ARO is a well located in the Twanoh Terrace water system. This well was damaged in 2001, due to the Nisqually Earthquake. Within the next five years, the Twanoh Terrace system will be consolidated with the Twanoh Heights water system, and will then share the well currently used only by Twanoh Heights. At that time, the Twanoh Terrace well will be decommissioned, pursuant to WAC 173-160-381, regulated by Department of Ecology. The second ARO is a well located in the Lake Arrowhead water system. Well 1 was abandoned due to ground water influence. The District has plans in the next 10 years to decommission the well, pursuant to WAC 173-160-381, regulated by Department of Ecology. The District contracted with an engineering firm to determine the cost of the obligations, which was established using the current value.

There are no legally required funding provisions associated with these ARO's, and because the cost to decommission these wells are nominal, the District does not have assets restricted for payment of the liabilities.

NOTE 13 – COVID -19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay at home unless they are leaving for an essential function.

On March 13, 2020, the District closed its facilities to the public. Departments were also split into two teams, with an alternating work schedule of one week on and one week off, to limit the exposure to the virus. Because the PUD is considered an essential business, it was important that groups were isolated so that in the event of an exposure, one team would still be available to provide service. The employees who are at home on their off week are considered on call and must be available to return to work, if needed.

On July 1, 2020, the District worked to get administrative staff setup to work remotely from home, with one Customer Service Representative in the office, rotating each week, in order to process mail and take payments. The line and water crews were also brought back full time. As of December 31, 2020, the remote work schedule for administrative staff remains in place. The District's facilities are still closed to the public until at such time management and the board decide it is safe to reopen.

The Commissioners voted to delay the impending electric rate increase that was set to take effect April 1, 2020, with a new effective date of April 1, 2021. The Commissioners also voted to delay the water rate increase that would normally take effect January 1, 2021, to April 1, 2021. Due to this rate increase deferral, the District anticipates a 2% revenue reduction of approximately \$150,000. Staff has reviewed the 2020 budget to make necessary cuts to the budgeted expenditures to help offset the loss in revenue. Staff is monitoring the cash flow of the District, and continues to work with customers to setup payment plans for all past due accounts, once the Governor has lifted the moratorium on disconnects.

The length of time these measures will be in place, and the full extent of the financial impact on the District is unknown at this time.

NOTE 14 - SEGMENT REPORTING				
	2020	2020	2020	
	Electric	Water	Sewer	TOTALS
CURRENT ASSETS				
Cash and Cash Equivalents				
Cash & Working Funds	\$ 957,434	\$ 826,163	\$ 4,195	\$ 1,787,792
Investments	\$ 3,549,709	\$ 402,930	\$ 30,518	\$ 3,983,157
Accounts Receivable - Net Sales	\$ 932,356	\$ 185,343	\$ 54	\$ 1,117,753
Accounts Receivable - Other	\$ 275,618	\$ (111,949)	\$ (17,996)	\$ 145,673
Inventories	\$ 611,859	\$ 131,249	\$ 21,191	\$ 764,299
Prepayments	\$ 913	\$ -	\$ -	\$ 913
Total Current Assets	\$ 6,327,889	\$ 1,433,736	\$ 37,962	\$ 7,799,587
NON-CURRENT ASSETS				
Restricted Assets				
Debt Service	\$ 909,388	\$ -	\$ -	\$ 909,388
Customer Deposits	\$ 28,766	\$ 11,615	\$ -	\$ 40,381
Total Restricted Assets	\$ 938,154	\$ 11,615	\$ -	\$ 949,769
Capital Assets Not Being Depreciated				
Land and Land Rights	\$ 878,515	\$ 175,698	\$ -	\$ 1,054,213
Construction in Progress	\$ 838,793	\$ 343,898	\$ 59	\$ 1,182,750
Capital Assets Being Depreciated				
Transmission	\$ 3,290,836	\$ -	\$ -	\$ 3,290,836
Distribution	\$ 27,849,043	\$ 13,467,711	\$ 65,129	\$ 41,381,883
General Plant	\$ 7,677,481	\$ 2,298,394	\$ 11,502	\$ 9,987,377
Less: Accumulated Depreciation	\$ (13,262,446)	\$ (4,451,441)	\$ (18,865)	\$ (17,732,752)
Total Capital Assets Being Depreciated (Net)	\$ 25,554,914	\$ 11,314,664	\$ 57,766	\$ 36,927,344
Total Capital Assets	\$ 27,272,222	\$ 11,834,260	\$ 57,825	\$ 39,164,307
Total Non-Current Assets	\$ 28,210,376	\$ 11,834,260	\$ 57,825	\$ 40,114,076
Total Assets	\$ 34,538,265	\$ 13,279,611	\$ 95,787	\$ 47,913,663
Outflows of Resources Relating to ARO's	\$ -	\$ 18,630	\$ -	\$ 18,630
Outflows of Resources Relating to Pensions	\$ 285,833	\$ -	\$ -	\$ 285,833
Outflows of Resources Relating to OPEB	\$ 557,439	\$ -	\$ -	\$ 557,439
Total Outflows of Resources	\$ 843,272	\$ 18,630	\$ -	\$ 861,902
Total Assets and Deferred Outflows of Resources	\$ 35,381,537	\$ 13,298,241	\$ 95,787	\$ 48,775,565
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 626,237	\$ 1,563	\$ -	\$ 627,800
Consumer Deposits	\$ 27,687	\$ 11,501	\$ -	\$ 39,188
Bonds, Notes and Loans Payable	\$ 507,214	\$ 311,099	\$ -	\$ 818,313
OPEB	\$ 124,556	\$ -	\$ -	\$ 124,556
Other Current Liabilities	\$ 360,358	\$ 1,553	\$ -	\$ 361,911
Total Current & Accrued Liabilities	\$ 1,646,052	\$ 325,716	\$ -	\$ 1,971,768
Non-Current Liabilities:				
Accrued Vacation and Holidays	\$ 512,244	\$ -	\$ -	\$ 512,244
Asset Retirement Obligations	\$ -	\$ 18,630	\$ -	\$ 18,630
Long Term Debt - Loans	\$ 2,775,693	\$ 619,032	\$ -	\$ 3,394,725
Long Term Debt - Bonds	\$ 8,806,931	\$ 2,296,000	\$ -	\$ 11,102,931
OPEB	\$ 1,573,818	\$ -	\$ -	\$ 1,573,818
Net Pension Liability	\$ 751,200	\$ -	\$ -	\$ 751,200
Total Non-Current Liabilities	\$ 14,419,886	\$ 2,933,662	\$ -	\$ 17,353,548
Total Liabilities	\$ 16,065,938	\$ 3,259,378	\$ -	\$ 19,325,316
Deferred Inflow Related to Pensions	\$ 311,113	\$ -	\$ -	\$ 311,113
Deferred Inflow Related to OPEB	\$ 193,998	\$ -	\$ -	\$ 193,998
Total Inflows of Resources	\$ 505,111	\$ -	\$ -	\$ 505,111
Net Position				
Net Investments in Capital Assets	\$ 16,090,064	\$ 9,336,910	\$ 57,825	\$ 25,484,799
Restricted for Customer Deposits	\$ 28,766	\$ 11,615	\$ -	\$ 40,381
Restricted for Debt Service	\$ 909,388	\$ -	\$ -	\$ 909,388
Unrestricted	\$ 1,782,270	\$ 690,338	\$ 37,962	\$ 2,510,570
Total Net Position	\$ 18,810,488	\$ 10,038,863	\$ 95,787	\$ 28,945,138
TOTAL NET POSITION, LIABILITIES AND DEFERRED	\$ 35,381,537	\$ 13,298,241	\$ 95,787	\$ 48,775,565

NOTE 14 - SEGMENT REPORTING (CONTINUED)						
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION			2020 ELECTRIC	2020 WATER	2020 SEWER	TOTAL
OPERATING REVENUES						
Sales - Residential			\$ 7,098,844	\$ 2,176,295	\$ 8,869	\$ 9,284,008
Sales - General			\$ 1,926,913	\$ -	\$ -	\$ 1,926,913
Sales - Street Lights			\$ 41,020	\$ -	\$ -	\$ 41,020
Miscellaneous Other Revenues			\$ 127,503	\$ 14,108	\$ -	\$ 141,611
Total Operating Revenues			\$ 9,194,281	\$ 2,190,403	\$ 8,869	\$ 11,393,552
OPERATING EXPENSES						
Cost of Purchased Power			\$ 3,389,997	\$ 135,485	\$ 550	\$ 3,526,032
Transmission Expenses			\$ 5,235	\$ -	\$ -	\$ 5,235
Distribution & Maintenance Expense			\$ 783,862	\$ 439,992	\$ 556	\$ 1,224,410
Customer Service Expense			\$ 143,382	\$ 45,819	\$ -	\$ 189,201
Administrative and General			\$ 1,324,744	\$ 680,120	\$ 4,093	\$ 2,008,957
Depreciation			\$ 1,034,928	\$ 473,007	\$ 1,805	\$ 1,509,740
Taxes			\$ 602,471	\$ 112,976	\$ 342	\$ 715,789
Total Operating Expenses			\$ 7,284,619	\$ 1,887,399	\$ 7,346	\$ 9,179,364
NET OPERATING INCOME			\$ 1,909,662	\$ 303,004	\$ 1,523	\$ 2,214,188
NON-OPERATING REVENUE (EXPENSES)						
Revenue from Merchandising, Jobbing And Contract Work			\$ 26,097	\$ 40,977	\$ -	\$ 67,074
Costs and Expenses of Merchandising, Jobbing and Contract Work			\$ (12,210)	\$ (11,389)	\$ -	\$ (23,599)
Interest and Dividend Income			\$ 27,341	\$ 1,815	\$ 192	\$ 29,348
Other Revenues			\$ 6,705	\$ 183,330	\$ -	\$ 190,035
Interest on Long-Term Debt			\$ (453,265)	\$ (97,025)	\$ -	\$ (550,290)
Total Non-Operating Revenue (Expenses)			\$ (405,332)	\$ 117,708	\$ 192	\$ (287,432)
Change In Net Position			\$ 1,504,330	\$ 420,711	\$ 1,715	\$ 1,926,756
Total Net Posisiton January 1			\$ 17,311,399	\$ 9,612,512	\$ 94,471	\$ 27,018,382
Total Net Position December 31			\$ 18,815,729	\$ 10,033,223	\$ 96,186	\$ 28,945,138

NOTE 14 SEGMENT REPORTING (CONTINUED)		2020	2020	2020	
		Electric	Water	Sewer	TOTALS
Net Cash Provided(used) by Operating Activities		\$ 2,822,369	\$ 916,171	\$ 2,608	\$ 3,741,148
Net cash Provided (Used) by Capital and Related Financing Activities		\$ (3,328,360)	\$ (1,281,327)	\$ (2,608)	\$ (4,612,294)
Net Cash Provided by Investing Activities		\$ 27,341.00	\$ 1,815.00	\$ 192	\$ 29,348
Net Increase (Decrease) in Cash and Cash Equivalents		\$ (478,650)	\$ (363,340)	\$ 192	\$ (841,798)
Cash and Cash Equivalents Balances - Beginning of Year		\$ 5,913,947	\$ 1,604,048	\$ 34,521	\$ 7,552,516
Cash and Cash Equivalents Balances - End of Year		\$ 5,435,297	\$ 1,240,707	\$ 34,713	\$ 6,710,718

Required Supplementary Information

Mason County PUD #1
Schedule of Employer Contributions
As of December 31, 2021
Last 30 Fiscal Years *

	2021		2020		2019		2018		2017		2016		2015		2014		2013	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3
Statutory or contractually required contribution	103,386	172,293	309,937	381,484	105,246	164,262	103,465	153,243	91,298	126,046	92,567	120,913	-	190,334	-	160,398	8,335	125,330
Contributions in relation to the statutory or contractually required contributions	(103,386)	(172,293)	(109,937)	(181,484)	(105,246)	(164,262)	(103,465)	(153,243)	(91,298)	(126,046)	(92,567)	(120,913)	-	(190,334)	-	(163,398)	(8,335)	(125,330)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Covered employer payroll	2,426,159	2,426,159	2,291,460	2,291,460	2,127,984	2,127,984	2,043,194	2,043,194	1,861,852	1,861,852	1,941,779	1,941,779	1,956,229	1,956,229	63,803	1,774,135	102,109	1,531,525
Contributions as a percentage of covered employee payroll	4%	7%	5%	8%	5%	8%	5%	8%	5%	7%	5%	6%	0%	10%	9%	9%	8%	8%

*As this is a newly adopted standard, information is only available for the last 9 years

Mason County PUD #1
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2021
Last 30 Fiscal Years

	2021		2020		2019		2018		2017		2016		2015		2014	
	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3	PERS 1	PERS 2/3
Employer's Proportion of Net Pension Liability	0.014903%	0.019144%	0.014456%	0.018830%	0.015613%	0.020167%	0.01080%	0.018068%	0.014642%	0.018836%	0.016798%	0.021523%	0.016220%	0.020952%	0.017656%	0.019682%
Employer's Proportionate Share of Net Pension Asset	182,001	1,907,050.00	510,375	240,825	600,375	195,690	628,818	308,495	694,774	654,461	902,132	1,083,666	848,457	748,627	889,429	397,844
Covered Payroll	2,299,864	2,299,864	2,206,124	2,206,124	2,110,364	2,110,364	1,957,988	1,957,988	2,007,654	2,007,654	2,008,066	2,008,066	-	1,871,695	112,638	1,694,622
Employer's Proportionate Share of Net Pension Liability as a Percentage of Covered Employee Payroll	8%	83%	23%	11%	28%	9%	32%	16%	35%	33%	45%	54%	0%	40%	789.63%	23.48%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.74%	120.29%	68.64%	97.22%	67.12%	97.77%	63.22%	95.77%	61%	91%	57%	86%	59.10%	89.20%		

*As this is a newly adopted standard, information is only available for the last 9 years

Mason County PUD No 1
Schedule of Changes in Total OPEB Liability and Related Ratios

OPEB

For the year ended December 31, 2021
Last 10 Fiscal Years*

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total OPEB liability - beginning	\$ 1,374,458	\$ 1,281,728	\$ 1,281,728	\$ 1,698,374						
Service cost	49,285	0	51,887	0						
Interest	48,477	0	39,131	0						
Changes in benefit terms	0	0	0	0						
Differences between expected and actual experience	14,022	0	87,628	(8,844)						
Changes of assumptions	(238,452)	(9,814)	373,411	(37,686)						
Benefit payments	(85,349)	0	(162,809)	-						
Other changes	119,287	0	27,399	(2,765)						
Total OPEB liability - ending	1,281,728	1,271,914	1,698,374	\$ 1,649,079						
Covered-employee payroll	1,963,561	2,127,984	1,997,349	2,493,378						
Total OPEB liability as a % of covered payroll	65.28%	59.77%	85.03%	66%						

Notes to Schedule:

- * Until a full 10-year trend is compiled, only information for those years available is presented.
- ** No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.
- *** The ending balance reported as of December 31, 2019 for the 2020 actuary is \$9,814 more than what the District reported that same year on its financial statements and subsequent notes to the financial statements. The District has its actuary performed every two years and in the odd year, it amortizes the amounts for deferred inflows, outflows and OPEB expense. Because of this, there was a difference in amounts reported.

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