

Certified Public Accountants  
& Consultants



**Public Utility District No. 1  
of Jefferson County, Washington  
December 31, 2020**  
Financial Statements

**Public Utility District No. 1  
of Jefferson County, Washington**

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## Independent Auditor's Report

Board of Commissioners  
Public Utility District No. 1 of Jefferson County, Washington  
Port Townsend, Washington

### Report on the Financial Statements

We have audited the accompanying financial statements of Public Utility District No. 1 of Jefferson County, Washington (the District) which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility 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; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Jefferson County, Washington, as of December 31, 2020, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 and the schedule of proportionate share of the net pension liability and the schedule of employer contributions on pages 44 through 45 be presented to supplement the basic financial statements. Such information, 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 a report dated March 15, 2021 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, grant agreements, and other matters. The purpose of that report is solely 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 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.

*Jackson Thornton & Co. PC*

Franklin, Tennessee

March 15, 2021

**Independent Auditor's 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***

Board of Commissioners  
Public Utility District No. 1 of Jefferson County, Washington  
Port Townsend, Washington

We have audited, in accordance with the 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 Jefferson County, Washington (the District), which comprise the statement of net position as of December 31, 2020, and the statement of revenues, expenses, and changes in net position, and the statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated March 15, 2021.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 in the first paragraph of this section 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 may exist that have not been identified.

**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.

*Jackson Thornton & Co. PC*

Franklin, Tennessee  
March 15, 2021

**Public Utility District No. 1 of Jefferson County, Washington  
Management's Discussion and Analysis  
December 31, 2020**

**Information about the District**

Public Utility District #1 of Jefferson County, Washington (the District or the PUD) is a municipal corporation of the State of Washington as authorized under RCW 54. The District provides electricity, water, and sewer utility services for the residents of Jefferson County, Washington. Additionally, the PUD conserves the water and power resources of the State in support of its authorized purpose. The District was formed in 1940 but did not provide any utility service until 1981, with the formation of Local Utility District #1. Initially providing water service, the District later received citizens' approval for sewer operations, and most recently, in 2008, the Jefferson County citizens voted to authorize the District to become its electrical provider. In 2013, the District purchased the electrical assets/infrastructure of Puget Sound Energy, Inc. in Eastern Jefferson County. The PUD now serves over 4,800 water connections, 360 sewer connections, and 19,700 electrical connections throughout Eastern Jefferson County

The District operates under the authority of RCW 54. It is governed by a three-member elected Board of Commissioners that appoints a General Manager to oversee the District's daily operations. The PUD Board of Commissioners holds its regular scheduled meetings on the first and third Tuesday of each month starting at 5:00 pm. The meeting's location, as well as recordings of past meetings, can be found at the PUD's website: [www.jeffpud.org](http://www.jeffpud.org).

Contact information related to this report:

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**Public Utility District No. 1 of Jefferson County, Washington**  
**Management's Discussion and Analysis**  
**December 31, 2020**

**Management's Discussion and Analysis**

As management of Jefferson County PUD #1 (the District), we are providing the District's financial statements and narrative overview and analysis of the financial activities of the District for the calendar year ended December 31, 2020. 2020 was the seventh full year that the District has owned and operated the electrical facilities in Eastern Jefferson County. As a result of the acquisition, the PUD's annual budget went from approximately \$2,000,000 to over \$41,000,000, staffing increased from 10 to over 45 employees, and the number of customers has increased from 4,000 water connections to an additional 19,700 electrical connections.

The following Management's Discussion and Analysis is intended to provide a summary of District highlights to serve as an introduction to the District's basic financial statements, the notes to the financial statements and other supplementary information required as part of the basic financial statements.

Statements included in this Annual Financial Report for 2020 are:

The statement of net position presents information on the District's assets, liabilities, and deferred outflows and inflows of resources. This statement provides information about the amount of investments in resources (assets), the obligations to creditors (liabilities), and items for which the recognition of these assets and liabilities are deferred to a later time period (deferred inflows and outflows of resources). The net position increases when revenues exceed expenses.

The statement of revenues, expenses, and changes in net position reports the revenues and expenses during the years indicated. 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 its costs through user fees and other charges.

The statement of cash flows provides information about the District's cash receipts and payment of operating expenses, as well as, funds provided and used in investing and financing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the operating results provided in the basic financial statements.



**Public Utility District No. 1 of Jefferson County, Washington**  
**Management's Discussion and Analysis**  
**December 31, 2020**

**District Highlights**

On April 1, 2013, the PUD purchased all of the electrical assets of Puget Sound Energy, Inc., (PSE) in Eastern Jefferson County. 2019 was the sixth full year of the operational and financial ownership of the nearly \$76,000,000 of assets, over 18,500 new electrical customers, and the maintenance and operations of an aged electrical system. The PUD's annual budget and revenues increased from roughly \$2,000,000 in 2012 to over \$40,000,000 in 2020. The PUD's accounting system transitioned from a cash basis to a government accrual system conforming with Federal Energy Regulatory Commission (FERC) and Rural Utilities Service (RUS) accounting requirements. As a result of the increased requirements, the PUD has had to review and adapt its organization, management, and support systems.

**Completion and Implementation of Electrical Rate Increase**

After considerable planning and discussion, the PUD Board of Commissioners approved an electrical rate increase to begin March 2018 and a water rate increase to begin May 2018.

**Overview of the Financial Statements**

The District is a municipal corporation with financial activities in the areas of electric, water, and sewer. In addition to its enterprise role, the PUD uses its taxing authority to support general fund goals of water and power conservation.

In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), the District's financial statements employ the accrual basis of accounting in recognizing increases and decreases in economic resources. Accrual accounting recognizes all revenues when earned and expenses when incurred during the year, regardless of when cash is received or paid.

The District's basic financial situation, shown on a comparative format, is presented in the Condensed Statement of Net Position. The Statement shows that despite the travails of acquiring and start-up of a totally new electrical utility with all of the required coordination, expenses, expectations, and legal hurdles, the District has managed to not only maintain but has improved its financial situation.

**Public Utility District No. 1 of Jefferson County, Washington  
Management's Discussion and Analysis  
December 31, 2020**

**Financial Analysis**

The following information provides analysis of the 2020 and 2019 comparative financial information provided in the following tables.

**Condensed Statement of Net Position**

	<u>2020</u>	<u>2019</u>	<u>'20 - '19 Change</u>
Current assets	\$ 17,763,637	\$ 20,795,913	-15%
Noncurrent assets	4,346,138	5,602,020	-22%
Capital assets	<u>97,200,654</u>	<u>92,113,476</u>	6%
Total assets	<u>119,310,429</u>	<u>118,511,409</u>	1%
Deferred outflows of resources	<u>44,870,692</u>	<u>47,080,861</u>	-5%
Current liabilities	9,662,464	10,447,590	-8%
Noncurrent liabilities	<u>100,381,586</u>	<u>104,712,977</u>	-4%
Total liabilities	<u>110,044,050</u>	<u>115,160,567</u>	-4%
Deferred inflows of resources	<u>425,536</u>	<u>981,935</u>	-57%
Net investment in capital assets	38,571,161	31,786,360	21%
Restricted	3,604,025	4,639,019	-22%
Unrestricted	<u>11,536,349</u>	<u>13,024,389</u>	-11%
Total net position	<u>\$ 53,711,535</u>	<u>\$ 49,449,768</u>	9%

**Current Assets**

**Cash and cash equivalents** - Cash accounts decreased approximately \$3,600,000 from 2019 to 2020, primarily due to an increase in capital assets.

**Receivables** - Receivables increased by \$200,000 in 2020 as compared to 2019. The increase is due to higher sales in 2020. In 2019, the District recorded \$2,502,333 in accrued utility revenues for unrecorded electric and water sales occurring in December 2019 which were booked at the time of billing customers in January 2019. In 2020, this amount was increased by \$35,341 to a total of \$2,536,674 at December 31, 2020.

**Material and supplies** - Material and supplies increased \$400,000 in 2020. The District is anticipating an increase in construction activity and longer delays in receiving materials.

**Prepaid expenses** - The District had an increase in prepaid expenses of approximately \$7,000.

**Public Utility District No. 1 of Jefferson County, Washington**  
**Management's Discussion and Analysis**  
**December 31, 2020**

**Noncurrent Assets**

**Long-term portion of assessments receivable** - Total assessments receivable was \$671,177 as of December 31, 2020. This was an overall decrease of \$250,000 from 2019 as customers paid on their assessments.

**Nonutility property** - This is comprised of \$2,225,000 of land and two rental homes (Peterson Lake), less accumulated depreciation of \$49,600 which was acquired for conserving state water resources and the protection of the Chimacum Water Basin.

**Restricted assets** - The District maintains cash accounts which are restricted for making payment on certain debt obligations.

**Net utility plant** - Capital improvements in 2020 increased by \$7.1 million. Construction work in progress increased by approximately \$700,000. Accumulated depreciation increased by approximately \$2.9 million primarily due to depreciation on electric plant in service.

See Note 3 - Utility Plant for additional information.

**Current Liabilities**

**Accounts payable** - Decreased by approximately \$900,000 in 2020 as compared to 2019 due to timing of payables.

**Customer deposits** - No change.

**Accrued liabilities** - Accrued liabilities at December 31, 2020 increased \$150,000.

**Current portion of long-term debt and capital lease** - This represents the total of principal payments due in 2020 for the Public Works Trust Fund debt, notes payable, and bonds payable.

**Noncurrent Liabilities**

**Public Work Trust Fund and Drinking Water Loans** - In 2020, \$260,000 was paid on these loans.

**Notes payable** - Notes payable decreased by \$3,600,000 as the PUD made required debt payments.

**Bonds payable** - Bonds payable decreased by \$170,000 as the PUD made required debt payments.

See Note 4 - Long-Term Debt for additional information.

**Other noncurrent liabilities** - Other noncurrent liabilities is comprised of the long-term liability for vacation, sick leave, and other compensated absences.

**Net pension liability** - This liability represents the District's proportionate share of collective pension liability. See Note 5 - Pension Plans for additional information.

**Public Utility District No. 1 of Jefferson County, Washington  
Management's Discussion and Analysis  
December 31, 2020**

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	<u>2020</u>	<u>2,019</u>	<u>'20 - '19 Change</u>
Operating revenues	\$ 40,521,317	\$ 41,111,708	-1%
Nonoperating revenues	1,167,192	984,548	19%
Total revenues	<u>41,688,509</u>	<u>42,096,256</u>	-1%
Operating expenses	35,908,145	35,359,721	2%
Nonoperating expenses	2,938,168	3,044,396	-3%
Total expenses	<u>38,846,313</u>	<u>38,404,117</u>	1%
Income before contributions	2,842,196	3,692,139	-23%
Capital contributions	1,419,571	1,588,187	-11%
Change in net position	<u>4,261,767</u>	<u>5,280,326</u>	-19%
Net position - beginning of year	<u>49,449,768</u>	<u>44,169,442</u>	12%
Net position - end of year	<u>\$ 53,711,535</u>	<u>\$ 49,449,768</u>	9%

**Operating Revenues**

Operating revenues in 2020 were \$600,000 less than 2019. Lower revenues were mostly related to weather.

**Operating Expenses**

**Purchased power/water** - Purchased power and water decreased by \$400,000 in 2020. This cost decrease is primarily due to Bonneville Power Administration rate changes related to our purchased power invoices.

**Operations and maintenance** - Increased by approximately \$450,000 in 2020 as a result of more storms causing outages and more right of way clearing.

**Administrative and general** - Increased \$450,000 in 2020 due to additional personnel and additional supplies in response to the pandemic.

**Taxes** - Decreased \$20,000 in 2020.

**Depreciation and amortization** - Increased \$170,000 in 2020.

**Public Utility District No. 1 of Jefferson County, Washington  
Management's Discussion and Analysis  
December 31, 2020**

**Nonoperating Revenues/Expenses**

**Nonoperating revenues** - In 2020, nonoperating revenues were \$180,000 higher than 2019. In 2020, the PUD received reimbursement for December 2018 Windstorm from FEMA.

**Nonoperating expenses** - Interest expense decreased \$105,000 in 2020 due to the paydown of debt principal.

**Contacting the District**

This financial report is designed to provide the District's ratepayers, debt holders, and other readers with a general overview of the District's finances and to show the District's accountability for money it receives. If you have any questions about this report or need additional information, contact the District's General Manager, Kevin Streett at Public Utility District No. 1 of Jefferson County, Washington, 310 Four Corners Road, Port Townsend, Washington 98368.

**Public Utility District No. 1  
of Jefferson County, Washington  
Statement of Net Position  
December 31, 2020**

**Assets and Deferred Outflows of Resources**

**Current Assets**

Cash and cash equivalents	\$ 9,326,898
Receivables	
Accounts and contracts, net	5,512,773
Other	408,049
Materials and supplies	2,382,297
Prepaid expenses	133,620
Total current assets	17,763,637

**Noncurrent Assets**

Long-term portion of assessments receivable	671,177
Nonutility plant	2,264,878
Restricted assets	
Cash	3,604,025
Investments	70,936
Utility plant	
Land and land rights	539,626
Utility plant	146,552,511
Construction work in progress	9,377,012
Less accumulated depreciation	(61,533,373)
Net utility plant	94,935,776
Total noncurrent assets	101,546,792
Total assets	119,310,429

**Deferred Outflows of Resources**

Excess consideration provided for acquisition	44,343,074
Deferred pension outflows	527,618
Total deferred outflows of resources	44,870,692

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

## Liabilities, Deferred Inflows of Resources, and Net Position

### Current Liabilities

Accounts payable	\$ 3,809,700
Accrued liabilities	1,744,694
Current portion of long-term debt	<u>4,108,070</u>
Total current liabilities	<u>9,662,464</u>

### Noncurrent Liabilities

PWTF loans payable	2,228,227
Notes payable	93,614,041
Bonds payable	3,022,229
Net pension liability	<u>1,517,089</u>
Total noncurrent liabilities	<u>100,381,586</u>
Total liabilities	<u>110,044,050</u>

### Deferred Inflows of Resources

Deferred pension inflows	<u>425,536</u>
Total deferred inflows of resources	<u>425,536</u>

### Net Position

Net investment in capital assets	38,571,161
Restricted	3,604,025
Unrestricted	<u>11,536,349</u>
Total net position	<u>\$ 53,711,535</u>

**Public Utility District No. 1  
of Jefferson County, Washington  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2020**

<b>Operating Revenues</b>	
Power sales to retail and commercial customers	\$ 37,654,793
Water sales to retail and commercial customers	2,482,513
Other charges for service	384,011
Total operating revenues	<u>40,521,317</u>
<b>Operating Expenses</b>	
Purchased power and water	14,799,531
Operations and maintenance	9,165,136
Administrative and general	3,447,757
Taxes	2,302,106
Depreciation and amortization	6,193,615
Total operating expenses	<u>35,908,145</u>
<b>Net Operating Income</b>	4,613,172
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	122,040
Timber harvest tax and other	618,524
Interest expense	(2,938,168)
Other nonoperating revenues	426,628
Total nonoperating expenses	<u>(1,770,976)</u>
<b>Income Before Capital Contributions</b>	2,842,196
<b>Capital Contributions</b>	<u>1,419,571</u>
<b>Change in Net Position</b>	4,261,767
<b>Accumulated Net Position</b>	
Beginning of the year	<u>49,449,768</u>
End of year	<u><u>\$ 53,711,535</u></u>

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



**Public Utility District No. 1  
of Jefferson County, Washington  
Statement of Cash Flows  
For the Year Ended December 31, 2020**

<b>Cash Flows From (Used For) Operating Activities</b>	
Receipts from customers	\$ 40,169,780
Payments to suppliers	(28,052,660)
Payments to employees	<u>(3,705,678)</u>
Net cash from operating activities	<u>8,411,442</u>
 <b>Cash Flows From (Used For) Noncapital Financing Activity</b>	
Other nonoperating income	1,045,152
Payments received on assessments	<u>241,712</u>
Net cash from noncapital financing activities	<u>1,286,864</u>
 <b>Cash Flows From (Used For) Capital and Related Financing Activity</b>	
Acquisition and construction of capital assets	(8,689,560)
Principal payments on debt	(4,021,181)
Interest paid	(2,938,168)
Capital contributions	<u>1,151,896</u>
Net cash used for capital and related financing activities	<u>(14,497,013)</u>
 <b>Cash Flows From (Used For) Investing Activities</b>	
Receipts from interest	<u>101,216</u>
Net cash from investing activities	<u>101,216</u>
 <b>Net Decrease in Cash and Cash Equivalents</b>	 (4,697,491)
 <b>Cash and Cash Equivalents at Beginning of Year - Restricted and Unrestricted</b>	 <u>17,628,414</u>
<b>Cash and Cash Equivalents at End of Year - Restricted and Unrestricted</b>	<u>\$ 12,930,923</u>
 <b>Cash and Cash Equivalents at End of Year Consist of</b>	
Operating cash and cash equivalents	\$ 9,326,898
Restricted cash and cash equivalents	<u>3,604,025</u>
	<u>\$ 12,930,923</u>

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

**Public Utility District No. 1  
of Jefferson County, Washington  
Statement of Cash Flows  
For the Year Ended December 31, 2020**

**Reconciliation of Net Operating Revenues (Expenses) to  
Net Cash Provided by Operating Activities**

Net operating revenues	\$ 4,613,172
Adjustments to reconcile net operating revenues to net cash provided by operating activities	
Depreciation and amortization	6,193,615
Provision for bad debt	101,150
(Increase) decrease in receivables	(320,187)
(Increase) decrease in materials and supplies	(404,356)
(Increase) decrease in prepaid expenses	(6,828)
Increase (decrease) in payables	(894,836)
Increase (decrease) in customer deposits	(132,500)
Increase (decrease) in accrued liabilities	<u>(737,788)</u>
Total adjustments	<u>3,798,270</u>
Net cash provided by operating activities	<u><u>\$ 8,411,442</u></u>

**Noncash Investing, Capital, and Financing Activities**

Contribution in aid of construction	\$ 267,675
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The accompanying notes are an integral part of these financial statements.

**Public Utility District No. 1  
of Jefferson County, Washington  
Notes to Financial Statements  
December 31, 2020**

**Note 1 - Summary of Significant Accounting Policies**

Reporting entity - Public Utility District No. 1 of Jefferson County, Washington (the District or the PUD) is a municipal corporation governed by an elected, three-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity.

The District's reporting entity consists of two primary operating systems. The Electric System distributes electricity to residential and other consumers in Jefferson County. The Water System includes nine separate Class A systems and four separate Class B systems. The District is required by various financing and contractual arrangements to report separately on each system and maintain each system as a separate segment with separate obligations.

Basis of accounting and presentation - The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governmental utilities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has applied all applicable GASB pronouncements. Accounting records are maintained in accordance with methods prescribed by the State Auditor under the authority of Revised Code of Washington, Chapter 43.09; the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for the Electric System, and the Uniform System of Accounts for Class A and B Water Utilities prescribed by the National Association of Regulatory Utility Commissioners (NARUC) for the Water System.

A summary of other significant accounting policies used in the preparation of the financial statements follows.

Revenue recognition and unbilled revenue - The Electric System and Water System utilize the accrual basis of accounting where revenues are recognized as earned on rates established by the District's Board of Commissioners. The District follows the industry practice of estimating unbilled revenues for energy delivered to customers between their last respective meter reading date and December 31. This estimate is then recorded as unbilled revenue for the current year. The related accrued balance as of December 31, 2020 was \$2,536,673.

The District distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as related to the sale of electric or water services to customers and to other services that are usually provided under standard rate schedules or by contractual arrangements. Operating expenses for the District include the cost of sales and services, administrative expenses, utility taxes, and depreciation on capital assets. Nonoperating revenues and expenses include property tax revenues, preliminary public power study costs, regional studies, assessment revenues and expenses, interest income and expense, and timber sales not usually directly related to the provision of electric, water, or sewer service.

Recognition of electric and water revenue - The PUD distributes electric power to consumers in Washington. Electric revenue and the related cost of power purchased are recognized when electricity is used by the ultimate consumer. Water sales are recognized when water is used by the ultimate consumer.

Taxes - The PUD collects various privilege and utility taxes from its customers on behalf of the State of Washington. Revenue is presented gross of taxes collected in the statement of revenues, expenses, and changes in net position. Taxes are presented under operating expenses in the statement of revenues, expenses, and changes in net position.

**Public Utility District No. 1  
of Jefferson County, Washington  
Notes to Financial Statements  
December 31, 2020**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Receivables and allowance for uncollectible accounts - All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Assessments receivable represent the future amounts due on improvement district assessments. Management reviews accounts receivable on a regular basis to determine if any receivables will potentially be uncollectible. The allowance for uncollectible accounts includes amounts estimated through an evaluation of specific accounts, based on the best available facts and circumstances, of customers who may be unable to meet their financial obligations, and a reserve based on historical experience of accounts with balances of greater than 90 days past due. The allowance for uncollectible balances as of December 31, 2020 was \$150,015.

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

Cash includes cash on hand, demand deposits, and certain short-term investments held in the Jefferson County Treasury. The Jefferson County Treasurer acts as the Treasurer of the District and as such invests cash in excess of current requirements in various interest-bearing securities, which are disclosed as part of the District's investments.

Restricted assets - In accordance with bond resolutions, related agreements, and laws, separate restricted accounts have been established. These assets are restricted for specific uses including debt service, bond reserve, and capital additions and are classified as current or noncurrent assets, as appropriate.

Because of certain bond covenants, the District is required to establish and maintain prescribed amounts of resources (cash and investments) that can be used only to service outstanding debt. These required reserves are maintained by the County Treasurer in restricted funds attributable to each debt instrument.

Materials and supplies - Materials and supplies are valued at weighted average cost.

Capital assets and depreciation - Property, plant, and equipment are stated at cost. Assets with a useful life of more than one year and a cost of more than \$1,000 are capitalized. Where cost could not be determined from available records, estimated historical cost was used to record the estimated value of the assets. Donated assets are recorded at their acquisition value at the date of transfer.

Depreciation of exhaustible capital assets used by the District is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position. Depreciation has been provided over the estimated useful lives using the composite rate or straight-line method.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings	28 - 50 years
Equipment	5 - 28 years
Electric, water, and sewer systems	25 - 53 years
Office and computer equipment	5 - 20 years

**Public Utility District No. 1  
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**Note 1 - Summary of Significant Accounting Policies (continued)**

Excess consideration provided for acquisition - Excess consideration provided for the acquisition of electric plant assets is classified as a deferred outflow of resources on the statement of net position in accordance with GASB Statement 69. The deferred outflow of \$62,571,725 is being amortized over the useful life of the assets at a rate of 3.72% per year. Amortization expense and accumulated amortization for the year ended December 31, 2020 were \$2,323,558 and \$18,178,651, respectively. No events have occurred leading to impairment evaluation per management as of December 31, 2020.

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 value.

Net position - The District's net position is classified as follows:

*Net Investment in Capital Assets* reflects the District's total investment in capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition or construction of capital assets.

*Restricted Net Position* includes amounts that are constrained by provisions imposed by external parties and cannot be used for normal operations.

*Unrestricted Net Position* are amounts that do not meet the definition of either net investment in capital assets or restricted net position and are used for normal operations.

Property tax revenues - Property taxes are levied and collected by the Jefferson County Treasurer. They are recognized as revenue when levied to the property owners.

Vacation, sick leave, and other compensated absences - District employees are entitled to certain compensated absences based on their length of employment and subject to one of two union agreements. With minor exceptions, compensated absences either vest or accumulate when they are earned. For union and nonunion employees who qualify for paid time off, PTO, they will be paid 100 percent of hours earned up to a limit of 504 hours at the time of separation from employment. Union employees who qualify for vacation will be paid 100 percent of earned hours, up to 45 days (360 hours), at the time of separation from employment. Union employees who qualify for sick leave will be paid up to 90 days of accrued leave at 10 percent of their current hourly rate at the time of separation from employment. For sick leave in excess of 90 days, the District will value the leave at 100 percent of their current hourly rate and apply towards the employee's HRA VEBA account.

Postemployment health care benefits - The District does not provide postemployment health care benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the District.

Income taxes - The District is a governmental entity under the laws of the State of Washington and therefore no provision for income taxes has been made in the accompanying financial statements.

**Public Utility District No. 1  
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December 31, 2020**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Accounting estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant risks and uncertainties - The District is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include weather and natural-disaster-related disruptions; collective bargaining labor disputes; changing local and national economic conditions; reliability standards issued by the North American Electric Reliability Corporation; federal government regulations and changing federal and state laws; and the financing and completion of significant capital projects.

**Adoption of New Accounting Pronouncements - GASB Pronouncements that have been issued and were effective for the District's year ended December 31, 2020**

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period.

The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. This Statement also simplifies accounting for interest cost incurred before the end of a construction period. This Statement is effective for reporting periods beginning after December 15, 2019. The District has evaluated and determined that there is no capitalized interest for the year ended December 31, 2020 and thus, GASB 89 has no impact on the financial statements.

**Future Adoption of New Accounting Pronouncements - GASB Pronouncements that have been issued but are not yet effective at December 31, 2020**

GASB Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2021.

The District will implement the new GASB pronouncements in the year no later than the required effective date. The District has not yet determined if the above listed new GASB pronouncements will have a significant financial impact to the District or in issuing its financial statements.

**Public Utility District No. 1  
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**Note 2 - Cash, Deposits, and Investments**

Cash on hand at December 31, 2020 was \$2,900. The carrying amount of the District's deposits was \$12,828,023 and the bank balance was \$12,796,777.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. All of the District's bank deposits are covered by federal depository insurance (FDIC) and/or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

In accordance with the District's Financial Policy, the Jefferson County Treasurer (Treasurer) acts as the treasurer for the District and, as such, fully invests funds not needed for current operations.

Investments in Local Government Investment Pool (LGIP) - The District is a participant in the Local Government Investment Pool (LGIP). The LGIP was 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 requirements set forth by the GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

The District 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: 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.

**Public Utility District No. 1  
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At December 31, 2020, the District had the following investments measured at fair value:

<b>Investments by Fair Value Level</b>	<b>December 31, 2020</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Patronage with associated organizations	\$ 70,936			\$ 70,936
Total investments measured at fair value	70,936	\$ -	\$ -	\$ 70,936
Total investments in statement of net position	<u>\$ 70,936</u>			

**Note 3 - Utility Plant**

Utility plant in service and other capital assets are recorded at cost when the historical cost is known. For electric plant purchased in 2010, assets were recorded at estimated cost with an adjustment for fair value in excess of historical cost recorded as a plant acquisition adjustment. Costs include labor, materials, overhead, capitalized interest, and related indirect costs. For electric utility plant assets, the District follows the directive under the Rural Utilities Service (RUS) Bulletin 1767B-2, *Work Order Procedure*, when capitalizing assets. Depreciation expense is computed using the composite rate method over useful lives of 25 to 50 years. For water utility and other assets, the District capitalizes assets with costs in excess of \$1,000. Depreciation expense is computed using the straight-line method employing useful lives of 5 to 53 years. Repairs are charged to operating expenses.

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

Preliminary costs incurred for proposed projects are deferred pending construction of the asset and included in construction work in process. Costs relating to projects ultimately constructed are transferred to utility plant, whereas charges that relate to abandoned projects are expensed.



**Public Utility District No. 1  
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Notes to Financial Statements  
December 31, 2020**

**Note 3 - Utility Plant (continued)**

Following is a summary of 2020 changes in capital assets:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land	\$ 450,623	\$ 89,003		\$ 539,626
Construction in progress	8,687,960	9,170,268	\$ (8,481,216)	9,377,012
Total capital assets, not being depreciated	<u>9,138,583</u>	<u>9,259,271</u>	<u>(8,481,216)</u>	<u>9,916,638</u>
Capital assets, being depreciated				
Buildings	1,638,014	678,786		2,316,800
Office/computer equipment	985,237	333,473		1,318,710
Equipment	106,185,077	6,970,845	(851,151)	112,304,771
Water and sewer systems	30,597,116	20,375	(5,262)	30,612,229
Total capital assets, being depreciated	<u>139,405,444</u>	<u>8,003,480</u>	<u>(856,413)</u>	<u>146,552,511</u>
Less accumulated depreciation	<u>(58,620,572)</u>	<u>(3,220,253)</u>	<u>307,452</u>	<u>(61,533,373)</u>
Total capital assets, being depreciated, net	<u>80,784,872</u>	<u>4,783,227</u>	<u>(548,961)</u>	<u>85,019,138</u>
Capital assets, net	<u>\$ 89,923,455</u>	<u>\$ 14,042,497</u>	<u>\$ (9,030,177)</u>	<u>\$ 94,935,776</u>

Total depreciation and amortization recorded during 2020 was \$3,870,057. Per the requirements of the Uniform System of Accounts, vehicle depreciation is charged to clearing accounts and then spread to operations, maintenance and construction accounts based on where the vehicle was used. It is not expensed to depreciation expense.

**Public Utility District No. 1  
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Notes to Financial Statements  
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**Note 4 - Long-Term Debt**

Long-term debt of the District as of December 31, 2020 consists of Revenue Bonds, private debt for the purchase of property, and Public Works Trust Fund (PWTF) and Drinking Water loans. Revenues of the District are pledged to pay related debt. RUS loans are secured by a pledge of all assets of the District. Additionally, all revenue bonds require a portion of cash and cash equivalents to be reserved for future debt retirement. The Jefferson County Treasurer has established sufficient reserves and District management believes that the District is in compliance with all debt covenants. The District has no arbitrage liability with respect to bond issuances. The following tables summarize the District's long-term debt obligations as of December 31, 2020:

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Outstanding December 31, 2020</u>
<b>Rural Utilities Services Federal Financing Bank Loan for the Acquisition of PSE Electrical Plant Assets</b>			
PUD-JEFF 001-001 - Quarterly P&I payments of \$1,482,454 maturing December 2041 with interest at 2.603%.	3/13	\$ 114,743,000	\$ 95,697,432
PUD-JEFF 001-002 - Quarterly P&I payments of \$10,725 maturing December 2041 with interest at 3.308%.	8/13	764,000	<u>647,551</u>
Total rural utilities services federal financing bank loan for the acquisition of PSE Electrical Plant assets			<u>96,344,983</u>

**Public Utility District No. 1  
of Jefferson County, Washington  
Notes to Financial Statements  
December 31, 2020**

**Note 4 - Long-Term Debt (continued)**

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Outstanding December 31, 2020</u>
<b>Public Works Trust Fund and Drinking Water Loans</b>			
PW-00-65120-008: Snow Creek Ranch - Annual principal payments of \$8,272 plus interest 2.5% maturing October 2021.	3/03	\$ 157,168	\$ 8,272
PW-05-691-024: Beckett Pt - Annual principal payments of \$50,776 plus interest at 0.50% maturing July 2025.	5/05	948,924	253,879
PW-05-691-025: Marrowstone Island - Annual principal payments of \$108,806 plus interest at 0.50% maturing July 2025.	6/06	2,000,000	544,032
DM10-952-018: Sparling Well/Quimper - Annual principal payments of \$26,887 plus interest at 1.0% maturing October 2044. \$803,750 of debt was forgiven in 2016.	8/11	1,607,500	645,291
DM12-952-091: Kala Point - Annual principal payments of \$27,225 plus interest at 1.0% maturing October 2035. \$544,500 of debt was forgiven in 2016.	11/12	1,089,000	408,375
DM13-952-177: Sparling Water Treatment - Annual principal payments of \$29,108 plus interest at 1.0% maturing October 2037.	4/14	582,162	<u>632,512</u>
Total public works trust fund and drinking water loans			<u>2,492,361</u>

**Public Utility District No. 1  
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Notes to Financial Statements  
December 31, 2020**

**Note 4 - Long-Term Debt (continued)**

	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Outstanding December 31, 2020</u>
<b>Notes Payable</b>			
Kala Point Water System - Annual principal payments of \$50,000 with 0% interest maturing October 2024.	10/12	\$ 600,000	\$ 150,000
Peterson Lake Loan - Monthly P&I payments of \$14,329 maturing March 2026 with interest at 6%.	3/06	2,000,000	<u>772,708</u>
Total notes payable			<u>922,708</u>
<b>Revenue Bonds for Water and Sewer Systems</b>			
LUD 14: Marrowstone Island - Serial Bonds \$102,000 - \$173,000 due through March 2026 with interest at 5.70% - 6.75%.	3/09	2,000,000	898,000
Tri-Area (USDA) - Semi-annual P&I payments of \$82,381 with interest at 4.5% maturing April 2043.	4/03	3,043,250	<u>2,314,515</u>
Total revenue bonds for water and sewer systems			<u>3,212,515</u>
Total long-term debt			<u>102,972,567</u>
<b>Other Long-Term Liabilities</b>			
Pension liability			<u>1,517,089</u>
Total other long-term liabilities			<u>1,517,089</u>
Total long-term liabilities			<u>\$ 104,489,656</u>

**Public Utility District No. 1  
of Jefferson County, Washington  
Notes to Financial Statements  
December 31, 2020**

**Note 4 - Long-Term Debt (continued)**

During the year ended December 31, 2020, the following changes occurred in the District's long-term debt:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<b>Long-Term Debt</b>					
RUS loans	\$ 99,749,818		\$ 3,404,835	\$ 96,344,983	\$ 3,474,557
Public Works Trust Fund loans	2,756,493		264,132	2,492,361	264,134
Notes payable	1,094,302		171,594	922,708	179,093
Bonds payable	3,393,134		180,619	3,212,515	190,286
Total long-term debt	106,993,747		4,021,180	102,972,567	4,108,070
<b>Other Long-Term Liabilities</b>					
Pension liability	1,995,984		478,895	1,517,089	
Total other long- term liabilities	1,995,984		478,895	1,517,089	
Total long-term liabilities	<u>\$ 108,989,731</u>	<u>\$ -</u>	<u>\$ 4,500,075</u>	<u>\$ 104,489,656</u>	<u>\$ 4,108,070</u>

Interest expense was \$2,938,168 for the year ended December 31, 2020. Capitalized interest was \$0 for the year ended December 31, 2020.

Lines of credit - The District has an available unsecured line of credit with NRUCFC on which it may borrow up to \$5,000,000. No balance was outstanding at December 31, 2020.

**Public Utility District No. 1  
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Notes to Financial Statements  
December 31, 2020**

**Note 4 - Long-Term Debt (continued)**

Scheduled maturities and interest on long-term debt are as follows:

	<u>Electric System</u>	<u>Water System</u>	<u>Combined as of December 31, 2020</u>
<b>Principal</b>			
2021	\$ 3,474,557	\$ 633,513	\$ 4,108,070
2022 - 2026	18,921,424	2,983,236	21,904,660
2027 - 2031	21,524,187	919,735	22,443,922
2032 - 2036	24,511,178	959,578	25,470,756
2037 - 2041	27,913,637	818,465	28,732,102
2042 - 2044		313,057	313,057
	<u>\$ 96,344,983</u>	<u>\$ 6,627,584</u>	<u>\$ 102,972,567</u>
<b>Interest</b>			
2021	\$ 2,498,156	\$ 224,053	\$ 2,722,209
2022 - 2026	15,410,279	794,722	16,205,001
2027 - 2031	8,339,381	431,270	8,770,651
2032 - 2036	5,352,390	297,965	5,650,355
2037 - 2041	1,949,931	147,847	2,097,778
2042 - 2044		12,059	12,059
	<u>\$ 33,550,137</u>	<u>\$ 1,907,916</u>	<u>\$ 35,458,053</u>
<b>Total</b>			
2021	\$ 5,972,713	\$ 857,566	\$ 6,830,279
2022 - 2026	34,331,703	3,777,958	38,109,661
2027 - 2031	29,863,568	1,351,005	31,214,573
2032 - 2036	29,863,568	1,257,543	31,121,111
2037 - 2041	29,863,568	966,312	30,829,880
2042 - 2044		325,116	325,116
	<u>\$ 129,895,120</u>	<u>\$ 8,535,500</u>	<u>\$ 138,430,620</u>

**Public Utility District No. 1  
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**Note 5 - Pension Plans**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions*, for the year 2020:

<u>Aggregate Pension Amounts - All Plans</u>	<u>Amount</u>
Pension liabilities	\$ 1,517,089
Pension assets	
Deferred outflows of resources	527,618
Deferred inflows of resources	425,536
Pension expense/expenditures	98,794

State sponsored pension plans - Substantially all of the District's full-time and qualifying part-time employees participate in one of the 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, Washington 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://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 composed 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.

The PERS serves approximately 2,082 local participating employers. The PERS membership includes approximately 309,939 participants.

As of June 30, 2020 membership consisted of:

	<u>Plan 1</u>	<u>Plan 2</u>	<u>Plan 3</u>
Inactive members or beneficiaries receiving benefits	44,359	59,453	6,438
Inactive members entitled to but not yet receiving benefits	310	28,860	6,509
Active members vested	1,078	79,541	15,686
Active members nonvested	103	44,372	23,230
Total	<u>45,850</u>	<u>212,226</u>	<u>51,863</u>

**Public Utility District No. 1  
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**Note 5 - Pension Plans (continued)**

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. 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 nonduty 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.

PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. 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:

	<b>Employer</b>	<b>Employee</b>
<b>Actual Contribution Rates January - August 2020</b>		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative fee	0.18%	
	12.86%	6.00%
 <b>Actual Contribution Rates September - December 2020</b>		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative fee	0.18%	
	12.97%	6.00%

PERS Plans 2 and 3 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 Plans 2 and 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 Plans 2 and 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:

1. With a benefit that is reduced by 3% for each year before age 65; or
2. With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.



**Public Utility District No. 1  
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**Note 5 - Pension Plans (continued)**

PERS Plans 2 and 3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5% 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 Plans 2 and 3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plans 2 and 3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% 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 10 years of service; or after five years of service if 12 months of that service is 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% and escalate to 15% 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.

PERS Plans 2 and 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 Plans 2 and 3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plans 2 and 3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

**PERS Plan 2**

	<u>Employer</u>	<u>Employee</u>
<b>Actual Contribution Rates January - August 2020</b>		
PERS Plan 2	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative fee	0.18%	
	<u>12.86%</u>	<u>7.90%</u>
<b>Actual Contribution Rates September - December 2020</b>		
PERS Plan 2	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative fee	0.18%	
	<u>12.97%</u>	<u>7.90%</u>

**Public Utility District No. 1  
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Notes to Financial Statements  
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**Note 5 - Pension Plans (continued)**

**PERS Plan 3**

	<u>Employer</u>	<u>Employee</u>
<b>Actual Contribution Rates January - August 2020</b>		
PERS Plan 3	7.92%	Varies
PERS Plan 1 UAAL	4.76%	
Administrative fee	0.18%	
	<u>12.86%</u>	
<b>Actual Contribution Rates September - December 2020</b>		
PERS Plan 3	7.92%	Varies
PERS Plan 1 UAAL	4.87%	
Administrative fee	0.18%	
	<u>12.97%</u>	

The District's actual contributions to the plan were \$211,129 to PERS Plan 1 and \$351,949 to PERS Plans 2 and 3 for the year ended December 31, 2020.

Actuarial assumptions - The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' *Comprehensive Annual Financial Report* located on the DRS employer-resource GASB webpage. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of the 2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2019 Actuarial Valuation Report.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019 to June 30, 2020, 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	7.40%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (eg, active, retiree, or survivor), as our base table. The Office of the State Actuary (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. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year, throughout their lifetime.

**Public Utility District No. 1  
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**Note 5 - Pension Plans (continued)**

Discount rate - The discount rate used to measure the total pension liability was 7.40% for all plans. 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 the assumptions described in OSA certification letter within the DRS CAFR, the pension plan's 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 7.40% was used to determine the total liability.

Long-term expected rate of return - OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided. The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

Estimated rates of return by asset class - The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020. The inflation component used to create the table is 2.20% and represents the WSIB's most recent long-term estimate of broad economic inflation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Fixed income	20.0%	2.2%
Tangible assets	7.0%	5.1%
Real estate	18.0%	5.8%
Global equity	32.0%	6.3%
Private equity	23.0%	9.3%
Total	<u>100.0%</u>	

Sensitivity of NPL - The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4%, 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%) or 1 percentage point higher (8.4%) than the current rate.

	<u>1.00% Decrease (6.40%)</u>	<u>Current Discount Rate (7.4%)</u>	<u>1.00% Increase (8.4%)</u>
District's net pension liability			
PERS Plan 1	\$ 1,288,232	\$ 1,028,482	\$ 801,953
PERS Plans 2 and 3	3,040,246	488,607	(1,612,668)

**Public Utility District No. 1  
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Notes to Financial Statements  
December 31, 2020**

**Note 5 - Pension Plans (continued)**

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.

At December 31, 2020, the District reported a total pension liability of \$1,517,089 for its proportionate share of the net pension liabilities as follows:

District's net pension liability	
PERS Plan 1	\$ 1,028,482
PERS Plans 2 and 3	488,607
	<u>\$ 1,517,089</u>

At December 31, 2020, the District's proportionate share of the collective net pension liabilities was as follows:

	<u>Proportionate Share June 30, 2019</u>	<u>Proportionate Share June 30, 2020</u>	<u>Change in Proportion</u>
District's proportionate share of net pension liability			
PERS Plan 1	0.0313434%	0.0291310%	-0.0022124%
PERS Plans 2 and 3	0.0440460%	0.0382040%	-0.0058420%

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*.

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

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

District's pension expense (benefit)	
PERS Plan 1	\$ 49,654
PERS Plans 2 and 3	49,140
	<u>\$ 98,794</u>

Assumption changes - OSA updated their demographic assumptions based on the results of their latest demographic experience study. This study is completed every six years and includes updates to a wide range of behavioral and demographic assumptions. Please see OSA's 2013-2018 Demographic Experience Study for more details, [leg.wa.gov/osa](http://leg.wa.gov/osa).

OSA updated the Early Retirement Factors and Joint-and-Survivor Factors used in their model. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement. These factors match the ones that DRS implemented on October 1, 2020.

**Public Utility District No. 1  
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Notes to Financial Statements  
December 31, 2020**

**Note 5 - Pension Plans (continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>PERS Plan 1</b>		
Differences between expected and actual experience		
Changes of assumptions		
Net differences between projected and actual earnings on plan investments		\$ (5,726)
Employer contributions subsequent to the measurement date		
Totals	\$ -	\$ (5,726)
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>PERS Plans 2 and 3</b>		
Differences between expected and actual experience	\$ 174,914	\$ (61,234)
Changes of assumptions	6,960	(333,761)
Net differences between projected and actual earnings on plan investments		(24,814)
Employer contributions subsequent to the measurement date	345,744	
Totals	\$ 527,618	\$ (419,809)
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>PERS Plan 1, 2, and 3</b>		
Differences between expected and actual experience	\$ 174,914	\$ (61,234)
Changes of assumptions	6,960	(333,761)
Net differences between projected and actual earnings on plan investments		(30,540)
Changes in proportion and difference between contributions and proportionate share of contributions		
Employer contributions subsequent to the measurement date	345,744	
Totals	\$ 527,618	\$ (425,535)

**Public Utility District No. 1  
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Notes to Financial Statements  
December 31, 2020**

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 ending 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:

<u>Year Ended December 31</u>	<u>PERS Plan 1</u>	<u>PERS Plans 2 and 3</u>
2021	\$ (25,986)	\$ (202,699)
2022	(817)	(48,418)
2023	7,929	8,728
2024	13,148	43,992
2025		(17,645)
Thereafter		(21,894)

**Note 6 - Insurance and Risk Management**

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

PURMS consists of 18 members and NoaNet, a governmental entity consisting of local governments. The risks shared by the members are defined in the Self Insurance Agreement (SIA). PURMS consists of three pools for liability, property, and health and welfare coverage.

The pools operate independently of one another and all members do not participate in all pools. The District participates in the liability, property, and health and welfare pools.

The pools are governed by a Board of Directors comprised of one designated representative from each participating member. The administrator and elected Administrative Committee conduct the business of the pools.

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

Each of the PURMS Risk Pools is audited annually by the State Auditor's Office. In addition, as required by State regulations, PURMS provides annual financial reports to the State Risk Manager reflecting the claims and administrative expenses of the Risk Pools, and periodically, the State Risk Manager performs its own audit of PURMS' Risk Pools.

Liability risk pool - The liability risk pool has a \$1 million liability coverage limit per occurrence. In addition, the fund maintains \$35 million, per occurrence, of excess general liability insurance and \$35 million, per occurrence, of professional liability insurance over the \$1 million retention. A second layer of excess general liability insurance of \$65 million, per occurrence, over the first layer of \$35 million is also purchased. The amount of the second layer was increased from \$50 million to \$65 million in 2020. The fund maintains \$35 million of excess coverage for public officials, with a \$500,000 retention. The deductible is \$250.

Liability assessments are levied at the beginning of each calendar year to replenish the reserves to the designated level or at any time during the year that the actual reserves drop to \$500,000 less than the designated level. The designated reserve level was \$3.5 million at December 31, 2020. In addition, PURMS can make a contingent reserve assessment to fund a claim that is expected to exceed the \$1 million reserve.

**Public Utility District No. 1  
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Notes to Financial Statements  
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In 2020 there was one such assessment. In 2020 the District was assessed \$154,612 for general/premium assessments and \$44,660 for the contingent reserve assessment.

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

The designated property pool reserve balance is \$750,000. Property assessments are levied at the beginning of each calendar year to replenish the reserves to the designated level and at any time during the year that the actual reserves drop below \$500,000. The District was assessed \$70,477 in 2020.

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

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

The exposure of each participant is limited by two different pairs of stop-loss points. The Individual Stop-Loss Point was \$365,000 and the Aggregate Stop-Loss Point was \$27,956,000 for 2020 for the combined Claims Costs of the employees of all participants of the H&W Pool.

Insurance settlements have not exceeded insurance coverage in the past three years.

**Note 7 - Commitments and Contingencies**

Power supply contracts - The District has a power purchase contract with the Bonneville Power Administration (BPA) to provide the District's power supply through September 30, 2028.

Union contract - The District employs approximately 70% of its workforce under collective bargaining agreements. The contract with IBEW Local 77 covers the electrical operations and expires in May 2023. The office and water staff are covered under a contract with Local Labor 252 which ends in December 2024.

Federal and state programs - The District participates in a number of federal and state assisted programs. These grants are subject to audit, which could result in requests for reimbursement to the grantor agencies for disallowed expenditures. District management believes that such disallowances, if any, will be immaterial.

**Note 8 - Participation in Northwest Open Access Network, Inc. (NoaNet)**

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

**Public Utility District No. 1  
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The District has guaranteed up to 10% of NoaNet's long-term debt. The guarantee expires upon the earlier of the debt repayment or July 1, 2025. NoaNet's outstanding debt was \$24,775,000 at December 31, 2020. The District's guarantee outstanding at December 31, 2020 was \$2,477,500. Management does not expect to be called on this guarantee during 2021.

**Note 9 - Interfund Activity**

The District records its own consumption of electric and water utility services as retail sales and operating expense. Both revenues and expenses are reported on the statement of revenues, expenses, and changes in net position and on the condensed statement of revenues, expenses, and changes in net position. The amounts are not material.

**Note 10 - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

**Property Tax Calendar**

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January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments are due.
May 31	Assessed value of property established for next year's levy at 100% of market value.
October 31	Second installments are due.

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The District is part of the county's taxing authorities and receives up to \$0.45 per \$1,000 of assessed valuation for general government services.

The District's portion of the regular levy for 2020 was \$.0941304114 per \$1,000 on an assessed valuation of \$5,988,145,402 for a total regular levy portion of \$563,667.



**Public Utility District No. 1  
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Notes to Financial Statements  
December 31, 2020**

**Note 11 - System Reporting**

Summary financial information for each business-type activity system is presented below.

**Assets and Deferred Outflows of Resources**

	<b>Electric</b>	<b>Water</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,546,751	\$ 780,147
Receivables		
Accounts and contracts, net	5,219,271	293,502
Other	422,171	(14,122)
Materials and supplies	2,363,967	18,330
Prepaid expenses	133,620	
Total current assets	16,685,780	1,077,857
<b>Noncurrent Assets</b>		
Long-term portion of assessments receivable		671,177
Nonutility plant	89,477	2,175,401
Restricted assets		
Cash	47,467	3,556,558
Investments	70,936	
Utility plant		
Land and land rights	539,626	
Utility plant	115,702,719	30,849,792
Construction work in progress	8,167,065	1,209,947
Less accumulated depreciation	(48,981,157)	(12,552,216)
Net utility plant	75,428,253	19,507,523
Total noncurrent assets	75,636,133	25,910,659
Total assets	92,321,913	26,988,516
<b>Deferred Outflows of Resources</b>		
Excess consideration provided for acquisition	44,343,074	
Deferred pension outflows	527,618	
Total deferred outflows of resources	44,870,692	

**Public Utility District No. 1  
of Jefferson County, Washington  
Notes to Financial Statements  
December 31, 2020**

**Note 11 - System Reporting (continued)**

**Liabilities, Deferred Inflows of Resources, and Net Position**

	<b>Electric</b>	<b>Water</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 3,809,700	\$
Inter-division payables/(receivables)	2,693,732	(2,693,732)
Accrued liabilities	1,678,256	66,438
Current portion of long-term debt	3,474,557	633,513
Total current liabilities	11,656,245	(1,993,781)
<b>Noncurrent Liabilities</b>		
PWTF loans payable		2,228,227
Notes payable	92,870,426	743,615
Bonds payable		3,022,229
Net pension liability	1,517,089	
Total noncurrent liabilities	94,387,515	5,994,071
Total liabilities	106,043,760	4,000,290
<b>Deferred Inflows of Resources</b>		
Deferred pension inflows	425,536	
Total deferred inflows of resources	425,536	
<b>Net Position</b>		
Net investment in capital assets	23,515,821	15,055,340
Restricted	47,467	3,556,558
Unrestricted	7,160,021	4,376,328
Total net position	\$ 30,723,309	\$ 22,988,226

**Public Utility District No. 1  
of Jefferson County, Washington  
Notes to Financial Statements  
December 31, 2020**

**Note 11 - System Reporting (continued)**

**Statement of Revenues, Expenses, and Changes in Net Position**

	<u>Electric</u>	<u>Water</u>
<b>Operating Revenues</b>		
Power sales to retail and commercial customers	\$ 37,654,793	
Water sales to retail and commercial customers		\$ 2,482,513
Other charges for service	257,525	126,486
Total operating revenues	<u>37,912,318</u>	<u>2,608,999</u>
<b>Operating Expenses</b>		
Purchased power and water	14,717,058	82,473
Operations and maintenance	7,880,487	1,284,649
Administrative and general	2,554,567	893,190
Taxes	2,174,860	127,246
Depreciation and amortization	5,497,554	696,061
Total operating expenses	<u>32,824,526</u>	<u>3,083,619</u>
<b>Operating Income (Loss)</b>	5,087,792	(474,620)
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	49,016	73,024
Timber harvest tax and other	482,216	136,308
Interest expense	(2,701,573)	(236,595)
Other nonoperating revenues	416,862	9,766
Total nonoperating expenses	<u>(1,753,479)</u>	<u>(17,497)</u>
<b>Income (Loss) Before Capital Contributions</b>	3,334,313	(492,117)
<b>Capital Contributions</b>	<u>1,219,980</u>	<u>199,591</u>
<b>Change in Net Position</b>	4,554,293	(292,526)
<b>Accumulated Net Position</b>		
Beginning of the year	26,169,016	23,280,752
End of year	<u>\$ 30,723,309</u>	<u>\$ 22,988,226</u>

**Public Utility District No. 1  
of Jefferson County, Washington  
Notes to Financial Statements  
December 31, 2020**

**Note 11 - System Reporting (continued)**

**Statement of Cash Flows**

	<b>Electric</b>	<b>Water</b>
<b>Cash Flows From (Used For) Operating Activities</b>		
Receipts from customers	\$ 37,595,148	\$ 2,574,632
Payments to suppliers	(26,284,593)	(1,768,067)
Payments to employees	(3,079,883)	(625,795)
Net cash from operating activities	8,230,672	180,770
<b>Cash Flows From (Used For) Noncapital Financing Activity</b>		
Other nonoperating income	899,078	146,074
Payments received on assessments		241,712
Inter-division payables (receivables)	3,709,744	(3,709,744)
Net cash from (used for) noncapital financing activities	4,608,822	(3,321,958)
<b>Cash Flows From (Used For) Capital and Related Financing Activity</b>		
Acquisition and construction of capital assets	(8,153,930)	(535,630)
Principal payments on debt	(3,404,835)	(616,346)
Interest paid	(2,701,573)	(236,595)
Capital contributions	952,305	199,591
Net cash used for capital and related financing activities	(13,308,033)	(1,188,980)
<b>Cash Flows From (Used For) Investing Activities</b>		
Receipts from interest	28,192	73,024
Net cash from investing activities	28,192	73,024
<b>Net Decrease in Cash and Cash Equivalents</b>	(440,347)	(4,257,144)
<b>Cash and Cash Equivalents at Beginning of Year - Restricted and Unrestricted</b>	9,034,565	8,593,849
<b>Cash and Cash Equivalents at End of Year - Restricted and Unrestricted</b>	\$ 8,594,218	\$ 4,336,705
<b>Cash and Cash Equivalents at End of Year Consist of</b>		
Operating cash and cash equivalents	\$ 8,546,751	\$ 780,147
Restricted cash and cash equivalents	47,467	3,556,558
	\$ 8,594,218	\$ 4,336,705

**Public Utility District No. 1  
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Notes to Financial Statements  
December 31, 2020**

	<u>Electric</u>	<u>Water</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities</b>		
Net operating revenues (expenses)	\$ 5,087,792	\$ (474,620)
Adjustments to reconcile net operating revenues (expenses) to net cash provided by operating activities		
Depreciation and amortization	5,533,554	660,061
Provision for bad debt	87,800	13,350
(Increase) decrease in receivables	(308,770)	(11,417)
(Increase) decrease in materials and supplies	(404,356)	
(Increase) decrease in prepaid expenses	(6,828)	
Increase (decrease) in payables	(894,836)	
Increase (decrease) in customer deposits	(132,200)	(300)
Increase (decrease) in accrued liabilities	(731,484)	(6,304)
Total adjustments	<u>3,142,880</u>	<u>655,390</u>
Net cash provided by operating activities	<u>\$ 8,230,672</u>	<u>\$ 180,770</u>

**Note 12 - Subsequent Events**

The District has evaluated subsequent events through March 15, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2020, have been incorporated into these financial statements.

**Required Supplementary Information**

**Public Utility District No. 1  
of Jefferson County, Washington  
Schedule of Proportionate Share of the Net Pension Liability  
As of June 30, Last 10 Fiscal Years**

	<b>PERS 1</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	0.029131%	0.034134%	0.029481%	0.026527%	0.026887%	0.024189%	0.020203%
Employer's proportionate share of the net pension liability	\$ 1,028,482	\$ 1,312,573	\$ 1,316,631	\$ 1,258,727	\$ 1,443,959	\$ 1,265,310	\$ 1,017,736
Employer's covered payroll	4,349,136	4,773,469	3,884,483	3,298,818	3,157,676	2,697,385	2,182,726
Employer's proportionate share of the net pension liability as a percentage of covered payroll	23.65%	27.50%	33.89%	38.16%	45.73%	46.91%	46.63%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%
	<b>PERS 2 &amp; 3</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	0.038204%	0.044046%	0.037680%	0.034121%	0.034416%	0.031244%	0.026012%
Employer's proportionate share of the net pension liability	\$ 488,607	\$ 427,836	\$ 643,352	\$ 1,185,542	\$ 1,732,818	\$ 1,116,366	\$ 525,796
Employer's covered payroll	4,435,619	4,827,756	3,925,909	3,363,002	3,208,763	2,773,498	2,239,050
Employer's proportionate share of the net pension liability as a percentage of covered payroll	11.02%	8.86%	16.39%	35.25%	54.00%	40.25%	23.48%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

\* Data is presented for those years for which the information is available

**Public Utility District No. 1  
of Jefferson County, Washington  
Schedule of Employer Contributions  
As of June 30, Last 10 Fiscal Years**

	<b>PERS 1</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily or contractually required contributions	\$ 211,129	\$ 244,756	\$ 197,058	\$ 181,068	\$ 153,848	\$ 134,157	\$ 103,742
Contributions in relation to the statutorily or contractually required contributions	<u>(211,129)</u>	<u>(244,756)</u>	<u>(197,058)</u>	<u>(181,068)</u>	<u>(153,848)</u>	<u>(134,157)</u>	<u>(103,742)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,317,132	\$ 4,309,843	\$ 4,144,460	\$ 3,688,452	\$ 3,225,327	\$ 3,025,349	\$ 2,571,386
Contributions as a percentage of covered payroll	3.97%	5.68%	4.75%	4.91%	4.77%	4.43%	4.03%
	<b>PERS 2 &amp; 3</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily or contractually required contributions	\$ 351,949	\$ 359,737	\$ 290,746	\$ 254,647	\$ 200,938	\$ 172,658	\$ 128,454
Contributions in relation to the statutorily or contractually required contributions	<u>(351,949)</u>	<u>(359,737)</u>	<u>(290,746)</u>	<u>(254,647)</u>	<u>(200,938)</u>	<u>(172,658)</u>	<u>(128,454)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,317,132	\$ 4,309,843	\$ 4,144,460	\$ 3,688,452	\$ 3,225,327	\$ 3,025,349	\$ 2,571,386
Contributions as a percentage of covered payroll	6.62%	8.35%	7.02%	6.90%	6.23%	5.71%	5.00%

\* Data is presented for those years for which the information is available