PUBLIC UTILITY DISTRICY NO. 1
OF JEFFERSON COUNTY, WASHINGTON

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

PUBLIC UTILITY DISTRICT NO. 1
OF JEFFERSON COUNTY, WASHINGTON

ANNUAL FINANCIAL REPORT

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Public Utility District No. 1 of Jefferson County, Washington which comprise the statement of net position as of December 31, 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Jefferson County, Washington (the District) as of December 31, 2022, and the respective 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the schedule of proportionate share of the net pension liability and the schedule of employer contributions on pages 39 through 40 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 7, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 7, 2023

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 Revised Code of Washington (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 20,500 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 4:00 p.m. The meeting's location, as well as recordings of past meetings, can be found at the PUD's website: www.jeffpud.org.

Contact information related to this report: Kevin Streett
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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, 2022.

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 2022 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.

District Highlights

Significant highlights of the District from 2021 to 2022 are as follows:

- Electric operating revenues increased $3,389 thousand from 2021 to 2022. Water operating revenues increased $327 thousand from 2021 to 2022. Broadband reported operating revenues of approximately $7 thousand in 2022.

- The total number of customers of the District increased from 25,559 in 2021 to 25,677 in 2022.

- The number of District employees increased from 57 in 2021 to 59 in 2022.

- Utility plant and construction work in progress increased $9.5 million from 2021 to 2022 due to the ongoing buildout of the fiber infrastructure.

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 it taxing authority to support the growth and expansion of broadband in Jefferson County.

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.

Financial Analysis

The following information provides analysis of the 2022 and 2021 comparative financial information provided in the following tables.

Condensed Statement of Net Position
Fiscal Years Ended December 31, 2022 and 2021

	December 31, 2022	December 31, 2021	'22 - '21 Change
Assets			
Current Assets	$ 21,784,341	$ 19,667,588	11%
Noncurrent Assets	4,734,891	6,048,298	-22%
Capital Assets	104,422,841	100,765,653	4%
Total Assets	$ 130,942,073	$ 126,481,539	4%
Deferred Outflows of Resources	$ 41,441,925	$ 42,514,065	-3%
Liabilities			
Current Liabilities	$ 11,881,615	$ 11,405,955	4%
Noncurrent Liabilities	90,284,484	94,642,180	-5%
Total Liabilities	$ 102,166,099	$ 106,048,135	-4%
Deferred Inflows of Resources	$ 1,765,581	$ 4,484,509	-61%
Net Position			
Net Investment in Capital Assets	$ 51,720,360	$ 43,912,893	18%
Restricted	1,378,585	1,570,603	-12%
Unrestricted	15,353,373	12,979,464	18%
Total Net Position	$ 68,452,318	$ 58,462,960	17%

Current Assets

Cash and cash equivalents - Cash accounts decreased approximately $4,837,530 from 2021 to 2022, primarily due to an increase in capital assets.

Receivables - Receivables increased by $2,818,142 in 2022 as compared to 2021. A portion of the increase is due to rate increases implemented during the year. The District also recorded a receivable in 2022 in the amount of $1,174,447 for amounts owed by the federal government for grant programs.

Material and supplies - Material and supplies increased $3,950,811 in 2022. The District is anticipating an increase in construction activity (broadband programs) and longer delays in receiving materials. The market has also seen abnormal increases in the cost of transformers and meters.

Prepaid expenses - The District had an increase in prepaid expenses of approximately $165,536.

Noncurrent Assets

Long-term portion of assessments receivable - Total assessments receivable was $295,955 as of December 31, 2022. This was an overall decrease of $155,040 from 2021 as customers paid on their assessments.

Nonutility property - This is comprised of $2,311,358 of land and two rental homes (Peterson Lake), less accumulated depreciation of $75,399 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 2022 increased by $9.5, net. Construction work in progress decreased by approximately $16 thousand. Accumulated depreciation increased by approximately $3.6 million primarily due to depreciation on plant in service.

See Note 3 - Utility Plant for additional information.

Current Liabilities

Power Bills Payable - Increased by approximately $199 thousand in 2022 as compared to 2021 due to cost of power and kwh purchased in November and December 2021 and 2022.

Accounts Payable - Decreased by $355 thousand due to the timing of vendor work and timing of payments.

Accrued Interest - Accrued interest at December 31, 2022, decreased $4,178 due to no new debt being drawn in 2022.

Customer deposits - Increased by $40 thousand as the District began to assess customer deposits after not requiring them prior to 2021.

Accrued Liabilities - Increased by approximately $271 thousand in 2022 as compared to 2021 due to receipts of materials where the invoice had not been received by year end, this is mostly related to broadband fiber.

Accrued Taxes - Accrued Taxes at December 31, 2022, increased $436 thousand due to rate increase impact on revenues and an additional month unpaid at year end on certain taxes.

Accrued Wages and Benefits - Accrued Wages and Benefits at December 31, 2022, increased $92 thousand due to an additional day of accrued payroll in 2022 as compared to 2021 and the timing of payments of certain other benefits.

Accrued Compensated Absences - Accrued Compensated Absences at December 31, 2022, increased $54 thousand due to additional unused PTO and payrate increases.

Current portion of long-term debt - This represents the total of principal payments due in 2023 for the Public Works Trust Fund debt, notes payable, and bonds payable.

Noncurrent Liabilities

Public Work Trust Fund and Drinking Water Loans - In 2022, $255,862 was paid on these loans.

Notes payable - Notes payable decreased by $3,781,941 as the PUD made required debt payments.

Bonds payable - Bonds payable decreased by $200,074 as the PUD made required debt payments. See Note 4 - Long-Term Debt for additional information.

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

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	December 31,		'22 - '21
	2022	2021	Change
Operating Revenues	$ 46,457,524	$ 42,308,586	10%
Nonoperating Revenues	696,661	1,048,691	-34%
Total Revenues	$ 47,154,185	$ 43,357,277	9%
Operating Expenses	$ 37,974,577	$ 37,477,869	1%
Nonoperating Expenses	2,809,674	2,832,418	-1%
Total Expenses	$ 40,784,251	$ 40,310,287	1%
Income Before Contributions	$ 6,369,934	$ 3,046,990	109%
Capital Contributions and Grants	3,619,424	1,704,435	112%
Change in Fund Net Position	$ 9,989,358	$ 4,751,425	110%
Net Position, Beginning of Year	58,462,960	53,711,535	9%
Net Position, End of Year	$ 68,452,318	$ 58,462,960	17%

Operating Revenues

Operating revenues in 2022 were $4,148,938 higher than 2021. Higher revenues were mostly related to rate increases implemented during the year.

Operating Expenses

Purchased power/water/broadband - Purchased power and water increased by $362 thousand in 2022. This cost increase is primarily due to the purchase of additional kilowatts of electrical power during 2022.

Operations and maintenance - Increased by approximately $254 thousand in 2022 as a result of more storms causing outages.

Administrative and general - Increased $181 thousand in 2022.

Taxes - Increased $180 thousand in 2022.

Depreciation and amortization - Increased $243 thousand in 2022.

Nonoperating Revenues/Expenses

Nonoperating revenues - In 2022, nonoperating revenues were $352 thousand lower than 2021. In 2022, the PUD started recording pole attachment revenues as operating revenues.

Nonoperating expenses - Interest expense decreased $140 thousand in 2022 due to the paydown of debt principal with no new debt.

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.

FINANCIAL STATEMENTS

PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON

Exhibit A

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	December 31, 2022
CURRENT ASSETS	
Cash and Cash Equivalents	$ 5,479,039
Receivables	
Accounts and Contracts, net	3,797,908
Unbilled Revenue	3,274,887
Federal Grants	1,174,447
Other	308,700
Materials and Supplies	7,388,255
Prepaid and Deferred Expenses	361,105
TOTAL CURRENT ASSETS	$ 21,784,341
NONCURRENT ASSETS	
Long-Term Portion of Assessments Receivable	$ 295,955
Nonutility Plant	2,235,959
Restricted Assets	
Cash	1,378,585
Investments	80,164
Net Pension Asset	744,228
Utility Plant	
Land and Land Rights	648,929
Utility and General Plant	158,278,212
Construction Work in Progress	13,803,403
Less: Accumulated Depreciated	(68,307,703)
Net Utility Plant	$ 104,422,841
TOTAL NONCURRENT ASSETS	$ 109,157,732
TOTAL ASSETS	$ 130,942,073
DEFFERED OUTFLOWS OF RESOURCES	
Excess Consideration Provided for Acquisition	$ 39,695,960
Deferred Pension Outflows	1,745,965
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 41,441,925
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 172,383,998

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES	
Power Bills Payable	$ 3,255,576
Accounts Payable	1,178,319
Accrued Interest	55,545
Customer Deposits	49,700
Accrued Liabilities	311,754
Accrued Taxes	1,426,884
Accrued Wages and Benefits	596,100
Accrued Compensated Absences	657,821
Current Portion of Long-Term Debt	4,349,916
TOTAL CURRENT LIABILITIES	$ 11,881,615
NONCURRENT LIABILITIES	
PWTF Loans Payable	$ 1,716,504
Notes Payable	85,956,818
Bonds Payable	2,611,162
TOTAL NONCURRENT LIABILIITES	$ 90,284,484
TOTAL LIABILIITES	$ 102,166,099
DEFERRED INFLOWS OF RESOURCES	
Deferred Pensions Inflows	$ 1,765,581
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 1,765,581
TOTAL LIABILITIES AND DEFFERED INFLOWS OF RESOURCES	$ 103,931,680

NET POSITION

NET POSITION	
Net Investment in Capital Assets	$ 51,720,360
Restricted	1,378,585
Unrestricted	15,353,373
TOTAL NET POSITION	$ 68,452,318
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 172,383,998

See accompanying notes to the financial statements.

PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON

Exhibit B

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

		December 31, 2022
OPERATING REVENUES		
Power Sales to Retail and Commercial Customers	$	42,278,903
Water Sales to Retail and Commercial Customers		3,219,373
Broadband Sales to Retail and Commercial Customers		105,105
Other Operating Revenues		854,143
Total Operating Revenues	$	46,457,524
OPERATING EXPENSES		
Purchased Power and Water and Broadband	$	16,803,458
Operations and Maintenance		6,027,511
Administration and General		5,996,209
Taxes		2,590,181
Depreciation and Amortization		6,557,218
Total Operating Expenses	$	37,974,577
NET OPERATING INCOME	$	8,482,947
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	$	77,669
Timber Harvest Tax and Other		618,992
Interest Expense		(2,691,982)
Other Nonoperating Expenses		(117,692)
Total Non-Operating Expenses	$	(2,113,013)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND FEDERAL GRANTS	$	6,369,934
Federal Grants		1,924,447
Capital Contributions		1,694,977
CHANGE IN NET POSITION	$	9,989,358
NET POSITION, BEGINNING OF YEAR		58,462,960
NET POSITION, END OF YEAR	$	68,452,318

See accompanying notes to the financial statements.

PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON

Exhibit C

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

		December 31, 2022
OPERATING ACTIVITIES		
Receipts From Customers	$	44,841,715
Payments to Suppliers		(28,528,216)
Payments to Employees and for Benefits		(7,461,188)
Net Change in Cash From Operating Activities	$	8,852,311
NON-CAPITAL FINANCING ACTIVITIES		
Other Nonoperating Expenses	$	(117,692)
Payments Received on Assessments		774,032
Net Change in Cash From Non-Capital Financing Activities	$	656,340
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	$	(9,891,465)
Cost of Removal and Credits		(235,343)
Principal Payments on Debt		(4,237,877)
Interest Paid		(2,696,160)
Capital Contributions		1,694,977
Federal Grants		750,000
Net Change in Cash From Capital and Related Financing Activities	$	(14,615,868)
INVESTING ACTIVITIES		
Receipts from Interest	$	77,669
Net Change in Cash From Investing Activities	$	77,669
CHANGE IN CASH AND CASH EQUIVALENTS - RESTRICTED AND UNRESTRICTED	$	(5,029,548)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR - RESTRICTED AND UNRESTRICTED		11,887,172
CASH AND CASH EQUIVALENTS - END OF YEAR - RESTRICTED AND UNRESTRICTED	$	6,857,624
Reconciliation of Operating Income to Net Cash From Operating Activities:		
Net Operating Revenues	$	8,482,947
Adjustments to Reconcile Net Operating Revenues to Net Cash From Operating Activities		
Depreciation and Amortization		6,557,218
Provision for Bad Debt		
(Increase) Decrease in Receivables		(1,643,695)
(Increase) Decrease in Materials and Supplies		(3,950,811)
(Increase) Decrease in Prepaid and Deferred Expenses		(165,536)
(Increase) Decrease in Investments		(12,114)
(Increase) Decrease in Deferred Outflows of Resources		(1,251,417)
(Increase) Decrease in Net Pension Asset		3,214,422
Increase (Decrease) in Accounts Payables		(553,381)
Increase (Decrease) in Customer Deposits		40,000
Increase (Decrease) in Accrued Liabilities		271,619
Increase (Decrease) in Accrued Taxes		435,761
Increase (Decrease) in Accrued Wages and Benefit		91,863
Increase (Decrease) in Accrued Compensated Absences		54,363
Increase (Decrease) in Deferred Inflows of Resources		(2,718,928)
Total Adjustments	$	369,364
Net Cash From Operating Activities	$	8,852,311

See accompanying notes to the financial statements.

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, 2022 was $3,274,887.

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.

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, 2022 was $198,083.

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

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 $62,521,725 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, 2022 were $2,323,557 and $22,825,765, respectively. No events have occurred leading to impairment evaluation per management as of December 31, 2022.

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.

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.

Future Adoption of New Accounting Pronouncements - GASB Pronouncements that have been issued but are not yet effective at December 31, 2022

GASB Statement No. 96, *Subscription-based Information Technology Arrangements (SBITA)*. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. 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.

Note 2 - Cash, Deposits, and Investments

Cash on hand at December 31, 2022 was $2,000. The carrying amount of the District's deposits was $6,855,624 and the bank balance was $6,601,409.

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, P.O. 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.

At December 31, 2022, the District had the following investments measured at fair value:

		Fair Value Measurements Using		
Investments by Fair Value Level	December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Patronage with Associated Organizations	$ 80,164	$		80,164
Total Investment Measured at Fair Value	$ 80,164	$ 0	$ 0	$ 80,164
Total Investments in Statement of Net Position	$ 80,164			

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.

Following is a summary of 2022 changes in capital assets:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Capital Assets, Not Being Depreciated					
Land	$ 552,326	$ 96,603	$	$	$ 648,929
Construction in Progress	13,819,406	2,909,876	(2,925,879)		13,803,403
Total Capital Assets, Not Being Depreciated	$ 14,371,732	$ 3,006,479	$ (2,925,879)	$ 0	$ 14,452,332
Depreciable Capital Assets					
Buildings	$ 2,316,800	$ 6,563,062	$	$	$ 8,879,862
Equipment - General Plant	9,920,189	305,922		125,403	10,100,708
Electric Distribution Plant	106,262,319		2,901,479	277,655	108,886,143
Water and Sewer Systems	30,387,099		24,400		30,411,499
Total Capital Assets Being Depreciated	$ 148,886,407	$ 6,868,984	$ 2,925,879	$ 403,058	$ 158,278,212
Less Accumulated Deprecation for:	64,735,291	4,388,774		816,362	68,307,703
Total Capital Assets Being Depreciated, Net	$ 84,151,116	$ 2,480,210	$ 2,925,879	$ (413,304)	$ 89,970,509
Total Capital Assets, Net	$ 98,522,848	$ 5,486,689	$ 0	$ (413,304)	$ 104,422,841

Total depreciation recorded during 2022 was $4,388,774, of which $4,218,215 was charged to expense and $170,559 was charged to clearing accounts. 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.

Note 4 - Long-Term Debt

Long-term debt of the District as of December 31, 2022 consists of RUS loans, Public Works Trust Fund (PWTF) and Drinking Water loans, private debt for the purchase of property, and Revenue Bonds. 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, 2022:

	Issue Date	Issue Amount	Outstanding December 31, 2022
Rural Utilities Services Federal Financing Bank Loan for the Acquisition of PSE Electrical Plant Assets			
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	$ 88,679,827
PUD-JEFF 001-002 - Quarterly P&I payments of $10,725 maturing December 2041 with interest at 3.308%	8/13	764,000	603,494
Total rural utilities services federal financing bank loan for the acquisition of PSE Electrical Plant assets			$ 89,283,321

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	Issue Date	Issue Amount	Outstanding December 31, 2022
Public Works Trust Fund and Drinking Water Loans			
PW-05-691-024: Beckett Pt. - Annual principal payments of $50,776 plus interest at 0.50% maturing July 2025	5/05	$ 948,924	$ 152,327
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	326,419
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	591,516
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	353,925
DM-13-952-177: Sparkling Water Treatment - Annual principal payments of $29,108 plus interest at 1.0% maturing October 2037.	4/14	582,162	548,178
Total public works trust fund and drinking water loans			$ 1,972,365

	Issue Date	Issue Amount	Outstanding December 31, 2022
Notes Payable			
Kala Point Water System - Annual principal payments of $50,000 with 0% interest maturing October 2024	10/12	$ 600,000	$ 50,000
Peterson Lake Loan - Monthly P&I payments of $14,329 maturing March 2026 with interest at 6%	3/06	2,000,000	506,561
Total Notes Payable			$ 556,561
Revenue Bonds for Water and Sewer Systems			
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	$ 633,000
Tri-Area (USDA) - Semi-Annual P&I payments of $82,831 with interest at 4.5% maturing April 2043.	4/03	3,043,250	2,189,153
Total Revenue Bonds for Water and Sewer Systems			$ 2,822,153
Total Long-Term Debt			$ 94,634,400

During the year ended December 31, 2022, the following changes occurred in the District's long-term debt:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Long-Term Debt					
RUS Loans	$ 92,870,425	$	$ 3,587,104	$ 89,283,321	$ 3,687,555
Public Works Trust Fund Loans	2,228,227		255,862	1,972,365	255,862
Notes Payable	751,398		194,837	556,561	195,508
Bonds Payable	3,022,227		200,074	2,822,153	210,991
	$ 98,872,277	$ 0	$ 4,237,877	$ 94,634,400	$ 4,349,916

Interest expense was $2,691,982 for the year ended December 31, 2022. Capitalized interest was $0 for the year ended December 31, 2022.

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, 2022.

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

	Electric System	Water System	Combined as of December 31, 2022
Principal			
2023	$ 3,687,555	$ 662,361	$ 4,349,916
2024 - 2028	19,912,784	2,034,171	21,946,955
2029 - 2033	22,672,963	960,537	23,633,500
2034 - 2038	25,825,142	871,763	26,696,905
2039 - 2043	17,184,877	795,360	17,980,237
2044 - 2045		26,887	26,887
	$ 89,283,321	$ 5,351,079	$ 94,634,400
Interest			
2023	$ 2,285,158	$ 150,464	$ 2,435,622
2024 - 2028	9,950,783	587,275	10,538,058
2029 - 2033	7,190,605	380,840	7,571,445
2034 - 2038	4,038,426	239,449	4,277,875
2039 - 2043	733,265	81,671	814,936
2044 - 2045		269	269
	$ 24,198,237	$ 1,439,968	$ 25,638,205
Total			
2023	$ 5,972,713	$ 812,825	$ 6,785,538
2024 - 2028	29,863,567	2,621,446	32,485,013
2029 - 2033	29,863,568	1,341,377	31,204,945
2034 - 2038	29,863,568	1,111,212	30,974,780
2039 - 2043	17,918,142	877,031	18,795,173
2044 - 2045		27,156	27,156
	$ 113,481,558	$ 6,791,047	$ 120,272,605

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 2022:

Aggregate Pension Amounts - All Plans	Amount
Pension Assets	$ 744,228
Deferred Outflows of Resources	1,745,965
Deferred Inflows of Resources	1,765,581
Pension Income	112,303

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

Public Employees' Retirement System (PERS) - PERS members include elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is 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 1,991 local participating employers. The PERS membership includes approximately 320,983 participants.

As of June 30, 2022, membership consisted of:

	Plan 1	Plan 2	Plan 3
Inactive Members or Beneficiaries Receiving Benefits	41,154	68,389	8,100
Inactive Members Entitled to but Not Yet Receiving Benefits	196	30,693	7,338
Active Members Vested	563	78,367	16,104
Active Members Nonvested	69	48,978	21,032
Total Plan Employees	41,982	226,427	52,574

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 2022 were as follows:

	Employer	Employee
Actual Contribution Rates January - August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
	10.25%	6.00%
Actual Contribution Rates September - December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
	10.39%	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.

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 2022 were as follows:

	Employer	Employee
Actual Contribution Rates January - August 2022		
PERS Plan 2	6.36%	6.36%
PERS Plan 2 UAAL	3.71%	
Administrative Fee	0.18%	
	10.25%	6.36%
Actual Contribution Rates September - December 2022		
PERS Plan 2	6.36%	6.36%
PERS Plan 2 UAAL	3.85%	
Administrative Fee	0.18%	
	10.39%	6.36%

	Employer	Employee
Actual Contribution Rates January - August 2022		
PERS Plan 3	6.36%	Varies
PERS Plan 3 UAAL	3.71%	
Administrative Fee	0.18%	
	10.25%	
Actual Contribution Rates September - December 2022		
PERS Plan 3	6.36%	6.00%
PERS Plan 3 UAAL	3.85%	
Administrative Fee	0.18%	
	10.39%	6.00%

The District's actual contributions to the plan were $223,541 to PERS Plan 1 and $381,112 to PERS Plans 2 and 3 for the year ended December 31, 2022.

Actuarial assumptions - The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' *Annual Comprehensive Financial Report* located on the DRS employer-resource GASB webpage. The actuarial assumptions used in the June 30, 2021, 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 2021 Actuarial Valuation Report.

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

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 ACFR, 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, 2022. 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.0%	1.5%
Tangible Assets	7.0%	4.7%
Real Estate	18.0%	5.4%
Global Equity	32.0%	5.9%
Private Equity	23.0%	8.9%
Total	100.0%	

Sensitivity of NPL - The table below presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Decrease (8.00%)
District's Net Pension Liability (Asset)			
PERS Plan 1	$ 1,356,267	$ 1,015,181	$ 717,492
PERS Plans 2 and 3	2,071,934	(1,759,409)	(4,907,099)

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, 2022, the District reported a total net pension asset of $744,228 for its proportionate share of the net pension liabilities as follows:

District's Net Pension Liability (Asset)	
PERS Plan 1	$ 1,015,181
PERS Plan 2 and 3	(1,759,409)
	$ (744,228)

At December 31, 2022, the District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share June 30, 2021	Proportionate Share June 30, 2022	Change in Porportion
District's Proportionate Share of Net Pension Liabilities			
PERS Plan 1	0.0341610%	0.0364600%	0.0022990%
PERS Plans 2 and 3	0.0439270%	0.0474390%	0.0035120%

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, 2022, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

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

District's Pension Expense (Benefit)	
PERS Plan 1	$ 465,877
PERS Plan 2 and 3	(578,180)
	$ (112,303)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 1		
Difference Between Expected and Actual Experience	$	$
Changes of assumptions		
Net Difference Between Projected and Actual Earnings on Plan Investments		(168,245)
Employer Contributions Subsequent to the Measurement Date		
Totals	$ 0	$ (168,245)

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 2 and 3		
Difference Between Expected and Actual Experience	$ 435,940	$ (39,828)
Changes of assumptions	980,627	(256,763)
Net Difference Between Projected and Actual Earnings on Plan Investments		(1,300,745)
Employer Contributions Subsequent to the Measurement Date	329,398	
Totals	$ 1,745,965	$ (1,597,336)

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Plan 1, 2 and 3		
Difference Between Expected and Actual Experience	$ 435,940	$ (39,828)
Changes of assumptions	980,627	(256,763)
Net Difference Between Projected and Actual Earnings on Plan Investments		(1,468,990)
Employer Contributions Subsequent to the Measurement Date	329,398	
Totals	$ 1,745,965	$ (1,765,581)

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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	PERS Plan 1	PERS Plans 2 and 3
2023	$ (71,198)	$ (400,791)
2024	(64,666)	(357,003)
2025	(81,122)	(433,540)
2026	48,741	595,721
2027		208,928
Thereafter		205,916

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 available to those members that choose to participate. The District has been participating in the second layer of excess liability insurance since January 1, 2018. The amount of the layer was $65 million in 2022. 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, 2022. The District was assessed $186,274 in 2022.

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 $94,289 in 2022.

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 $22,794,000 for 2022 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 60% 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.

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 $17,725,000 at December 31, 2022. The District's guarantee outstanding at December 31, 2022 was $1,772,500. Management does not expect to be called on this guarantee during 2023.

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 Jefferson County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

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 2022 was $.081467839 per $1,000 on an assessed valuation of $7,098,416,106 for a total regular levy portion of $578,293.

Note 11 - System Reporting

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

Assets and Deferred Outflows of Resources

		Electric		Water
Current Assets				
Cash and Cash Equivalent	$	4,505,810	$	973,229
Receivables				
Accounts and Contracts, net		3,585,317		212,591
Unbilled Revenue		3,073,076		201,811
Grants		1,174,447		
Other		307,888		812
Materials and Supplies		7,349,315		38,940
Prepaid Expenses		361,105		
Total Current Assets	$	20,356,958	$	1,427,383
Noncurrent Assets				
Long-Term Portion of Assessments Receivable	$		$	295,955
Nonutility Plant		85,358		2,150,601
Restricted Assets				
Cash		250		1,378,335
Investments		80,164		
Net Pension Assets		744,228		
Utility Plant				
Land and Land Rights		648,929		
Net Utility and General Plant		127,114,061		31,164,151
Construction Work in Progress		11,718,723		2,084,680
Less: Accumulated Depreciation		(54,258,842)		(14,048,861)
Net Utility Plan	$	85,222,871	$	19,199,970
Total Noncurrent Assets	$	86,132,871	$	23,024,861
Total Assets	$	106,489,829	$	24,452,244
Deferred Outflows of Resources				
Excess Consideration Provided for Acquisition	$	39,695,960	$	
Deferred Pension Outflows		1,745,965		
Total Deferred Outflows of Resources	$	41,441,925	$	0

PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON

NOTES TO FINANCIAL STATEMENTS

Liabilities, Deferred Inflows of Resources, and Net Position

		Electric		Water
Current Liabilities				
Power Bills Payable	$	3,255,576	$	
Accounts Payable		1,178,319		
Accrued Interest		3,129		52,416
Customer Deposits		49,500		200
Accrued Liabilities		311,754		
Accrued Taxes		1,426,884		
Accrued Wages and Benefits		596,100		
Accrued Compensated Absences		657,821		
Inter-Division Payables		4,534,071		(4,534,071)
Current Portion of Long-Term Debt		3,687,555		662,361
Total Current Liabilities	$	15,700,709	$	(3,819,094)
Noncurrent Liabilities				
PWTF Loans Payable	$		$	1,716,504
Notes Payable		85,595,766		361,052
Bonds Payable				2,611,162
Total Noncurrent Liabilities	$	85,595,766	$	4,688,718
Total Liabilities	$	101,296,475	$	869,624
Deferred Inflows of Resources				
Deferred Pension Inflows	$	1,765,581	$	
Total Deferred Inflows of Resources	$	1,765,581	$	0
Net Position				
Net Investment in Capital Assets	$	35,720,868	$	15,999,492
Restricted		250		1,378,335
Unrestricted		9,148,580		6,204,793
Total Net Position	$	44,869,698	$	23,582,620

PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON

NOTES TO FINANCIAL STATEMENTS

Statement of Revenues, Expenses, and Changes in Net Position

	Electric	Water
Operating Revenues		
Power Sales to Retail and Commercial Customers	$ 42,278,903	$
Water Sales to Retail and Commercial Customers		3,219,373
Broadband Sales to Retail and Commercial Customers	105,105	
Other Charges for Service	362,801	491,342
Total Current Assets	$ 42,746,809	$ 3,710,715
Operating Expenses		
Purchased Power and Water and Broadband	$ 16,663,183	$ 140,275
Operations and Maintenance	4,693,760	1,333,751
Administrative and General	5,197,497	798,712
Taxes	2,423,134	167,047
Depreciation and Amortization	5,727,342	829,876
Total Operating Expenses	$ 34,704,916	$ 3,269,661
Operating Income (Loss)	$ 8,041,893	$ 441,054
Nonoperating Revenues (Expenses)		
Interest Income	$ 4,713	$ 72,956
Timber Harvest Tax and Other	557,093	61,899
Interest Expense	(2,503,089)	(188,893)
Other Nonoperating Revenues (Expenses)	(125,547)	7,855
Total Nonoperating Revenues (Expenses)	$ (2,066,830)	$ (46,183)
Income (Loss) Before Capital Contributions and Grants	$ 5,975,063	$ 394,871
Capital Contributions and Grants	3,437,095	182,329
Change in Net Position	$ 9,412,158	$ 577,200
Accumulated Net Position		
Beginning of Year	35,457,540	23,005,420
End of Year	$ 44,869,698	$ 23,582,620

PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON

NOTES TO FINANCIAL STATEMENTS

Statement of Cash Flows

	Electric	Water
Cash Flows From Operating Activities		
Receipts from Customers	$ 41,215,523	$ 3,626,187
Payments to Suppliers	(27,424,414)	(1,103,802)
Payments to Employees and for Benefits	(6,122,485)	(1,338,699)
Net Cash from Operating Activities	$ 7,668,624	$ 1,183,686
Cash Flows from Noncapital Financing Activity		
Other Nonoperating Income	$ (125,547)	$ 7,855
Payments Received on Assessments	557,093	216,939
Inter-Division Payables (Receivables)	369,491	(369,491)
Net Cash from Noncapital Financing Activities	$ 801,037	$ (144,697)
Cash Flows from Capital and Related Financing Activity		
Acquisition and Construction of Capital Assets	$ (9,281,112)	$ (610,353)
Cost of Removal and Credits	(274,635)	39,293
Principal Payments on Debt	(3,587,105)	(650,772)
Interest Paid	(2,499,960)	(196,200)
Capital Contributions and Grants	2,262,648	182,329
Net Cash from Capital and Related Financial Activity	$ (13,380,164)	$ (1,235,703)
Cash Flows from Investing Activities		
Receipts from Interest	$ 4,713	$ 72,956
Net Cash from Investing Activities	$ 4,713	$ 72,956
Net Change in Cash and Cash Equivalents	$ (4,905,790)	$ (123,758)
Cash and Cash Equivalent at Beginning of Year - Restricted and Unrestricted	9,411,850	2,475,322
Cash and Cash Equivalent at End of Year - Restricted and Unrestricted	$ 4,506,060	$ 2,351,564
Cash and Cash Equivalent at End of Year Consist of		
Operating Cash and Cash Equivalents	$ 4,505,810	$ 973,229
Restricted Cash and Cash Equivalents	250	1,378,335
	$ 4,506,060	$ 2,351,564

NOTES TO FINANCIAL STATEMENTS

Reconciliation of Net Operating Revenue (Expenses) to Net Cash from Operating Activities				
Net Operating Revenues (Expenses)	$	8,041,893	$	441,054
Adjustments to Reconcile Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities				
Depreciation and Amortization		5,727,342		829,876
(Increase) Decrease in Receivables		(1,559,572)		(84,124)
(Increase) Decrease in Materials and Supplies		(3,948,094)		(2,718)
(Increase) Decrease in Prepaid and Deferred Expenses		(165,536)		
(Increase) Decrease in Investments		(12,114)		
(Increase) Decrease in Deferred Outflows of Resources		(1,251,417)		
(Increase) Decrease in Net Pension Asset		3,214,422		
Increase (Decrease) in Accounts Payables		(553,381)		
Increase (Decrease) in Customer Deposits		40,400		(402)
Increase (Decrease) in Accrued Liabilities		271,619		
Increase (Decrease) in Accrued Taxes		435,761		
Increase (Decrease) in Accrued Wages and Benefit		91,863		
Increase (Decrease) in Accrued Compensated Absences		54,366		
Increase (Decrease) in Deferred Inflows of Resources		(2,718,928)		
Total Adjustments	$	(373,269)	$	742,632
Net Cash from Operating Activities	$	7,668,624	$	1,183,686

Note 12 - Subsequent Events

The District has evaluated subsequent events through March 7, 2023, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2022, have been incorporated into these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON

RSI 1

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, LAST 10 FISCAL YEARS

PERS 1

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.036460%	0.034161%	0.029131%	0.034134%	0.029481%	0.026527%	0.026887%	0.024189%	0.020203%
Employer's Proportionate Share of the Net Pension Liability	$ 1,015,180	$ 417,186	$ 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	5,913,202	5,224,694	4,349,136	4,773,469	3,884,483	3,298,818	3,157,676	2,697,385	2,182,729
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	17.17%	7.98%	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	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

PERS 2 & 3

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.047439%	0.439270%	0.038204%	0.044046%	0.037680%	0.034121%	0.034416%	0.031244%	0.026012%
Employer's Proportionate Share of the Net Pension Liability	$ (1,759,409)	$ (4,375,836)	$ 488,607	$ 427,836	$ 643,352	$ 1,185,542	$ 1,732,818	$ 1,116,366	$ 525,796
Employer's Covered Payroll	5,913,202	5,269,074	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	-29.75%	-83.05%	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	106.73%	120.29%	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

RSI 2

SCHEDULE OF EMPLOYER CONTRIBUTIONS
AS OF JUNE 30, LAST 10 FISCAL YEARS

PERS 1

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or Contractually Required Contributions	$ 223,451	$ 254,457	$ 211,129	$ 244,756	$ 197,058	$ 181,068	$ 153,848	$ 134,157	$ 103,742
Contributions in Relation to the Statutorily or Contractually Required Contributions	(223,451)	(254,457)	(211,129)	(244,756)	(197,058)	(181,068)	(153,848)	(134,157)	(103,742)
Contributions Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 5,913,202	$ 5,750,566	$ 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	3.78%	4.42%	3.97%	5.68%	4.75%	4.91%	4.77%	4.43%	4.03%

PERS 2 & 3

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or Contractually Required Contributions	$ 381,112	$ 416,109	$ 351,949	$ 359,737	$ 290,746	$ 254,647	$ 200,938	$ 172,658	$ 128,454
Contributions in Relation to the Statutorily or Contractually Required Contributions	(381,112)	(416,109)	(351,949)	(359,737)	(290,746)	(254,647)	(200,938)	(172,658)	(128,454)
Contributions Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 5,913,202	$ 5,750,566	$ 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	6.45%	7.24%	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.

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
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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*

Independent Auditor's Report

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, 2022, 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, and have issued our report thereon dated March 7, 2023.

Report on Internal Control over Financial Reporting

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 7, 2023

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REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements Public Utility District No. 1 of Jefferson County, Washington (the District), which comprise the statement of net position as of December 31, 2022, and the related statements revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2023. In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, *and Grantees,* §1773.33, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the District's accounting and records to indicate that the District did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts.
Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements. In accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; see below:

Schedule of Deferred Debits and Deferred Credits

Deferred Debits		
Excess consideration provided for acquisition	$	39,695,960
Deferred pension outflows		1,745,965
Total	$	41,441,925
Deferred Credits		
Deferred Pension Inflows	$	1,765,581

Comply with the requirements for the detailed schedule of investments. – See note 2.

The purpose of this report is solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and the regulatory requirements for electric borrowers based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 7, 2023