Report of Independent Auditors
and Financial Statements
with Supplementary Information

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

December 31, 2022 and 2021

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# Report of Independent Auditors

The Board of Commissioners
Public Utility District No.1 of Okanogan County, Washington

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of the Public Utility District No.1 of Okanogan County, Washington (the District), which comprise the statements of net position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

### *Emphasis of Matter*

As discussed in Note 1 of the financial statements, the District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, effective January 1, 2021. The financial statements have been retroactively restated in accordance with the requirements of the new accounting standard. Our opinion is not modified with respect to this matter.

### *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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 management's discussion and analysis, schedule of proportionate share of net pension liability, and schedule of employer contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the comparative results of operations and debt service coverage, customer statistical data, and other financial data but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2023 on our consideration of Public Utility District No. 1 of Okanogan County, Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Public Utility District No. 1 of Okanogan County, Washington's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Utility District No. 1 of Okanogan County, Washington's internal control over financial reporting and compliance.

Moss Adams LLP

Everett, Washington
June 12, 2023

# Management's Discussion and Analysis

The following discussion and analysis is designed to assist the reader in focusing on the significant financial issues, provide an overview of Public Utility District No. 1 of Okanogan County's (the District's) financial activity, and identify changes in the District's financial position during 2022 and 2021. The information presented here should be considered in conjunction with the financial statements as a whole, including the footnotes and other supplementary information that is provided.

The District, a municipal corporation of the state of Washington, was established in 1936 and began operations in 1945. The District is governed by a three-member board of commissioners locally elected to six-year terms. The District operates both electric and telecommunications systems that are accounted for in a single proprietary fund.

**Overview of the Financial Statements**

The financial statements include the management's discussion and analysis and financial statements with accompanying notes. In accordance with standards issued by the Governmental Accounting Standards Board (GASB), the District's financial statements are presented on an accrual basis of accounting, which recognizes revenues when earned and expenses when incurred, regardless of when cash is received or paid.

The basic financial statements are presented as of and for the years ended December 31, 2022 and 2021, and consist of:

**Statements of net position** – The statements of net position present information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end. These statements also provide information about the nature and amounts of investments in resources (assets) and the District's obligations to its creditors (liabilities).

**Statements of revenues, expenses, and changes in net position** – The statements of revenues, expenses, and changes in net position account for the year's revenue and expense transactions. These statements measure the District's operations over the past two years and may be used to determine whether the District has been successful in recovering its costs through rates and other charges.

**Statements of cash flows** – The statements of cash flows provide information on the District's cash receipts and disbursements during the year. The statements report changes in cash resulting from operations, investing, and capital and related financing activities.

The notes to the financial statements provide additional information that is an integral part of the financial statements. This information includes the disclosure of significant accounting policies, financial activities, risks, commitments, and obligations.

**Selected Financial Information**

| | December 31, | | |
|---|---|---|---|
| | 2022 | *As Restated 2021 | 2020 |
| ASSETS | | | |
| Current and other assets | $ 72,529,126 | $ 70,660,416 | $ 67,912,722 |
| Net utility plant | 135,849,866 | 129,165,392 | 114,937,136 |
| Total assets | 208,378,992 | 199,825,808 | 182,849,858 |
| DEFERRED OUTFLOWS OF RESOURCES | 2,798,225 | 954,769 | 1,177,435 |
| Total assets and deferred outflows of resources | $ 211,177,217 | $ 200,780,577 | $ 184,027,293 |
| LIABILITIES | | | |
| Current liabilities | $ 16,071,819 | $ 12,801,695 | $ 11,262,928 |
| Long-term debt | 57,964,893 | 59,711,689 | 61,583,812 |
| Other long-term liabilities | 1,631,615 | 853,053 | 2,903,355 |
| Total liabilities | 75,668,327 | 73,366,437 | 75,750,095 |
| DEFERRED INFLOWS OF RESOURCES | 4,316,877 | 8,816,882 | 1,059,008 |
| NET POSITION | | | |
| Net investment in capital assets | 76,137,242 | 67,580,066 | 51,169,220 |
| Restricted | 18,331,998 | 27,662,973 | 40,374,205 |
| Unrestricted | 36,722,773 | 23,354,219 | 15,674,765 |
| Total net position | 131,192,013 | 118,597,258 | 107,218,190 |
| Total liabilities, deferred inflows of resources, and net position | $ 211,177,217 | $ 200,780,577 | $ 184,027,293 |

* The District's 2021 Statement of Net Position was restated for the impacts of the implementation of GASB Statement No 87.

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2022 | *As Restated 2021 | 2020 |
| REVENUE | | | |
| Operating | | | |
| Operating revenues | $ 67,246,283 | $ 59,636,214 | $ 54,745,392 |
| Operating expenses | 55,279,418 | 48,251,418 | 49,004,766 |
| Net operating income | 11,966,865 | 11,384,796 | 5,740,626 |
| Nonoperating | | | |
| Interest income | (2,439,491) | (2,580,230) | (1,995,985) |
| Other income and expense | 1,071,578 | 507,983 | (346,489) |
| Net nonoperating revenues (expenses) | (1,367,913) | (2,072,247) | (2,342,474) |
| Contributed capital | 1,995,803 | 2,066,519 | 1,214,361 |
| CHANGE IN NET POSITION | 12,594,755 | 11,379,068 | 4,612,513 |
| NET POSITION, beginning of period | 118,597,258 | 107,218,190 | 102,605,677 |
| NET POSITION, end of period | $ 131,192,013 | $ 118,597,258 | $ 107,218,190 |

* The District's 2021 Statement of Net Position was restated for the impacts of the implementation of GASB Statement No 87.

**Financial Highlights**

During 2022, the District's overall financial position stayed positive with an increase in retail electric load of 4%. The increase in retail sales was driven by increases in residential and general service loads. The District's service area experienced abnormal winter weather in November and December 2022. On November 6 there was a winter storm with early snowfall which resulted in approximately $782,000 cost for system repairs which has been submitted for FEMA reimbursement. In December all-time records for peak energy usage and overall energy use were set.

The large increase in the District's customer accounts receivable is primarily due to a billing error in the PGE power agreement with Douglas County PUD. At the end of 2022, it was discovered that there had been a billing error in the PGE power agreement with Douglas PUD. Management estimated that as of December 31, 2022, $2,459,000 will be recoverable from PGE based on calculations and verified transactions for January, February, March and December 2022. The remaining months in 2022 as well as any adjustments for 2021 will be accounted for when they are verified.

On February 16, 2021, the District called its remaining 2010A Bonds. These bonds had a maturity date of December 1, 2021, and a principal amount of $630,000. The early payoff of these bonds resulted in interest cost savings of about $22,000 for the District. It also allowed for a reduction in the Debt Service Reserve Fund of $372,960, which meant freeing up restricted funds for the District to use as unrestricted funds.

The District implemented a rate increase to retail customers effective April 1, 2022, resulting in an average 3.75% revenue increase. The cost of power between 2020 and 2021 was also analyzed resulting in a cost of power adjustment of 3.07% which was also effective April 1, 2022.

Wholesale energy sales increased in volume, and the average price per kilowatt-hour increased. As a result, the District's wholesale revenues were up 59.8%. The District's net position increased $12.6 million compared with an increase in net position in 2021 of $11.4 million.

The adoption of GASB Statement No. 87, Leases, established a lease receivable, right-to-use assets, lease receivable and lease deferred inflows, as described in Note 4 to the financial statements.

The following is an analysis of key financial factors with an emphasis on changes between 2022 and 2021:

**Cash and investments** – The District had cash and investments totaling $50,954,251 and $50,481,144, as of December 31, 2022, and 2021, respectively. As noted in Note 1 to the financial statements, investments in the amount of $18,704,353 are considered restricted as of December 31, 2022. The funds are restricted as follows: $342,275 for debt service payments, $1,571,540 for bond reserve requirements, $2,700,000 for customer deposits and compensated absences, $1,406,003 for vehicle replacement reserve, $6,000,000 is restricted in a rate stabilization fund, and $6,684,535 for the 2020 bond construction fund. A total of $12,374,040 was drawn from 2020 Bond Construction Fund for large ongoing capital projects which include the Enloe Dam Safety Project, the Okanogan to Brewster transmission line rebuild, substation power transformer replacements, Tonasket Substation improvements, and other capital improvements

In January 2022, the Board of Commissioners passed a Resolution to replenish the Rate Stabilization Fund to its fully funded level of $6,000,000. In September 2022, the Board passed a Resolution to incrementally increase the Vehicle Replacement Fund from $1,000,000 to $2,000,000.

**Utility plant** – Net utility plant increased $6,684,474 or 5.2%, during 2022, compared with an increase of $14,228,256, or 12.4%, during 2021 as restated from $14,042,648 due to adoption of GASB 87, Leases. A summary of utility plant in service is included in Note 3 to the financial statements.

**Long-term debt** – As of December 31, 2022, the District had $55,025,000 in revenue bonds outstanding, compared with $55,025,000 as of December 31, 2021. During 2021 and 2022 the District did not issue additional revenue bonds. The decrease in revenue bonds outstanding was a result of scheduled debt payments made during 2022. In 2022, the District paid off the 2016 refunding bonds. During 2020, the District had issued $40 million revenue bonds to fund projected capital outlays and to pay off the 2010 RUS Note as well as repay the line of credit.

**Net operating revenues** – The District recorded revenues from operations of $67,246,283, which was $11,966,865 more than operating expenses of $55,279,418 during 2022, in comparison with 2021, when operating revenues exceeded operating expenses by $11,384,796 as restated. In 2020, operating revenues exceeded operating expenses by $5,740,626.

**Operating revenue** – Revenues from the retail sale of electricity increased by 11.2%, from $49,357,210 in 2021 to $54,864,559 during 2022, compared with an increase in retail sales in 2021 of 6.7%. The increase during 2022 was due to the effect of the 3.75% rate increase and the cost of power adjustment of 3.07% that went into effect April 1, 2022, as well as a 4% load increase.

During 2022, revenue from wholesale sales of electricity increased by 59.8%, from $3,867,948 in 2021 to $6,181,920. The increase in revenue from wholesale sales of electricity was due to an increase in the average price per kilowatt-hour and an increase in volume. In 2021, wholesale electricity increased 9.2% from $3,542,929 in 2020 to $3,867,948.

In 2022, wholesale telecommunications revenue decreased 5.1% to $3,068,608 compared with $3,233,798 as restated in 2021 and $3,182,638 in 2020. Although the customer base showed a slight increase, the decrease in revenue during 2022 was due to a decreased unit cost for wavelength services.

**Operating expenses** – Operating expenses increased by $7,028,000, or 14.6%, from $48,251,418 in 2021 as restated from $48,255,370 to $55,279,418 in 2022 in comparison to a decrease in operating expenses during 2021 of 1.5%. The 2022 increase in operating expenses is due in large part to higher administrative and general expenses and increased cost of power.

**Rates** – During 2022, the District implemented rate adjustments for all service classes representing a 3.75% revenue increase effective April 1, 2022. The District passes through increases in contracted power costs to its customers using a cost of power adjustment (COPA). The COPA was recalculated resulting in a cost of power adjustment of 3.07% which was also effective April 1, 2022.

**Significant Capital Assets**

The District continues to invest in wholesale telecommunications infrastructure. As of December 31, 2022, the District has invested a total of $16,734,152 in wholesale telecommunications plant in service, which is an increase of $631,509 over year-end 2021. The District's telecommunications network is connected to the Northwest Open Access Network, a fiber optic system that is member owned. The network is currently utilized by eight local retail service providers, supporting over 3,800 end-user customers.

The District is the current owner of the Enloe Hydroelectric Dam, a small nonoperating hydroelectric project on the Similkameen River near Oroville, Washington. On July 9, 2013, the Federal Energy Regulatory Commission (FERC) issued the District a new 50-year operating license.

The primary 2020 Enloe Dam safety work included completing the geotechnical site investigation, to advance engineering design to 60%. In addition, the majority of the necessary environmental permits were obtained. In 2021, the District accepted a Phase 2 Amendment, to the Design-Build Contract, from the Max J. Kuney Company for the Enloe Dam Safety Repair and Maintenance project, with a Guaranteed Maximum Price of $6,996,688, plus sales tax. The Phase 2 Amendment included 90% engineering designs, securing all project permits, and construction. Construction was completed and successfully reached substantial completion on July 20, 2022.

Additionally, the comprehensive dam safety inspection successfully occurred in September 2022. The main findings from the inspection are that the dam's appearance remains more or less the same as was observed in 1950, and no emergency measures are needed to ensure safe operations in the near term. There were features identified during the inspection that may require an update to the stability modeling analysis. That will be subject to the discretion of the Washington State Department of Ecology's Dam Safety Department.

In 2020, the District experienced the Cold Springs Fire. This fire started September 6, 2020, near Omak, Washington, and spread quickly due to strong winds and low relative humidity. Total acres burned in Okanogan County were approximately 190,000. District damage included 27 miles of distribution line and 89 poles, 18 miles of transmission line and 175 poles, and 20,000 feet of fiber optic line. Federal disaster declaration for the Cold Springs Fire was issued February 4, 2021. The District's estimated eligible costs are about $5.4 million with 75% federally reimbursable and 12.5% state reimbursable. The District has reflected a loss in the 2020 financial statements amounting to $1,593,944 due to forced premature retirement of plant property units destroyed by the 2020 Cold Springs Fire. No FEMA funds were received in 2021. In 2022, the District received $121,290.

During 2020 and 2021, the District updated its equity management plan and performed a cost-of-service study. As part of the process four projects were identified which the District plans to fund with the 2020 debt issuance. The equity management plan further identifies a 10-year capital plan and a strategy including a combination of reserves, rate adjustments, and additional borrowing to fund the projects.

The Okanogan to Brewster transmission line was completed and energized in June of 2022.

Substation power transformers have been replaced in Oroville, Omak, and Okanogan. Each substation has two power transformers in operation. Construction of the Tonasket substation has begun. Most major equipment and material are on site. It is anticipated that the construction of the new substation will be completed in the fall of 2023. The Tonasket substation will have two power transformers when substation construction is complete.

The Omak substation is scheduled to have two 115KV breakers and relays installed in 2024. Equipment purchase and design will take place in 2023.

Design of the Okanogan-Twisp transmission line is in progress and is scheduled to be completed by year end 2023. The design is for larger conductor and steel pole construction. Material purchase is scheduled for 2025 and construction is scheduled for 2026. This will include the rebuild of the Loup Loup Substation.

Design of the Tonasket-Oroville transmission line is in progress and is scheduled to be completed by year end 2023. The design is for replacement of existing wood pole construction to new steel pole construction. Material purchase and partial construction is scheduled for 2026.

Additional information is contained in the notes to the financial statements. Please refer to Note 3, Utility Plant, and Note 5, Long-Term Debt.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's ratepayers, investors, 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 questions about this report or need additional information, contact the District's Director of Finance at Public Utility District No. 1 of Okanogan County, P.O. Box 912, Okanogan, WA 98840, or phone (509) 422-3310.

Janet Crossland
Director of Finance/Auditor

# Financial Statements

# Public Utility District No. 1 of Okanogan County, Washington
## Statements of Net Position
## December 31, 2022 and 2021

| | 2022 | *As Restated 2021 |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | |
| CURRENT ASSETS | | |
| Cash and temporary investments | | |
| Cash and cash equivalents | $ 30,692,263 | $ 19,890,195 |
| Temporary investments | 1,557,635 | 1,329,353 |
| Accounts receivable, less allowance for doubtful accounts of $25,000 for 2022 and 2021 | 7,748,478 | 4,103,180 |
| Unbilled revenue | 4,713,562 | 3,690,117 |
| Materials and supplies | 4,361,564 | 3,194,282 |
| Current lease receivable | 427,991 | 208,718 |
| Prepayments and other | 531,825 | 698,886 |
| Total current assets | 50,033,318 | 33,114,731 |
| RESTRICTED ASSETS | | |
| Cash and investments | | |
| Bond reserve and debt service | 1,913,815 | 1,928,762 |
| Board-designated reserve and other | 10,106,003 | 8,274,259 |
| Bond construction funds | 6,684,535 | 19,058,575 |
| Total restricted assets | 18,704,353 | 29,261,596 |
| UTILITY PLANT, at cost | | |
| Plant in service | 223,691,164 | 212,192,668 |
| Construction work in progress | 15,198,803 | 16,964,274 |
| | 238,889,967 | 229,156,942 |
| Less accumulated depreciation and amortization | 103,200,305 | 100,177,158 |
| Right-to-use lease assets | 315,306 | 257,365 |
| Less accumulated amortization | 155,102 | 71,757 |
| Net utility plant | 135,849,866 | 129,165,392 |
| OTHER ASSETS | | |
| Conservation loans and notes receivable | 8,289 | 41,084 |
| Long-term lease receivable | 1,092,557 | 522,957 |
| Net pension asset | 2,690,609 | 7,720,048 |
| Total other assets | 3,791,455 | 8,284,089 |
| Total assets | 208,378,992 | 199,825,808 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows related to pensions | 2,798,225 | 929,850 |
| Loss on refunding of debt | - | 24,919 |
| Total deferred outflows of resources | 2,798,225 | 954,769 |
| Total assets and deferred outflows of resources | $ 211,177,217 | $ 200,780,577 |

* The District's 2021 Statement of Net Position was restated for the impacts of the implementation of GASB Statement No 87.

See accompanying notes.

# Public Utility District No. 1 of Okanogan County, Washington
## Statements of Net Position
## December 31, 2022 and 2021

| | 2022 | *As Restated 2021 |
|---|---|---|
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | | |
| CURRENT LIABILITIES | | |
| Accounts payable | $ 9,264,443 | $ 6,306,788 |
| Accrued compensated absences | 2,105,250 | 2,005,202 |
| Accrued taxes | 1,538,202 | 1,286,340 |
| Customer deposits | 798,223 | 582,746 |
| Customer prepayments | 486,303 | 624,422 |
| Accrued bond interest | 210,192 | 214,695 |
| Current lease liability | 84,206 | 71,175 |
| Current portion of long-term debt | 1,585,000 | 1,710,327 |
| Total current liabilities | 16,071,819 | 12,801,695 |
| LONG-TERM DEBT | | |
| Revenue bonds | 53,440,000 | 55,025,000 |
| Bond issue premium | 4,537,483 | 4,705,598 |
| Bond issue discount | (12,590) | (18,909) |
| Total long-term debt | 57,964,893 | 59,711,689 |
| LONG-TERM LIABILITIES | | |
| Long-term lease liability | 78,523 | 117,052 |
| Net pension liability | 1,553,092 | 736,001 |
| Total long-term liabilities | 1,631,615 | 853,053 |
| Total liabilities | 75,668,327 | 73,366,437 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferred inflows | 2,816,743 | 8,095,488 |
| Lease deferred inflows | 1,500,134 | 721,394 |
| Total deferred inflows of resources | 4,316,877 | 8,816,882 |
| NET POSITION | | |
| Net investment in capital assets | 76,137,242 | 67,580,066 |
| Restricted | 18,331,998 | 27,662,973 |
| Unrestricted | 36,722,773 | 23,354,219 |
| Total net position | 131,192,013 | 118,597,258 |
| Total liabilities, deferred inflows of resources, and net position | $ 211,177,217 | $ 200,780,577 |

* The District's 2021 Statement of Net Position was restated for the impacts of the implementation of GASB Statement No 87

See accompanying notes.

# Public Utility District No. 1 of Okanogan County, Washington
## Statements of Revenues, Expenses, and Changes in Net Position
## Years Ended December 31, 2022 and 2021

| | 2022 | *As Restated 2021 |
|---|---|---|
| OPERATING REVENUES | | |
| Electric - retail | $ 54,864,559 | $ 49,357,210 |
| Electric - wholesale | 6,181,920 | 3,867,948 |
| Telecommunications | 3,068,608 | 3,233,798 |
| Other operating revenues - Electric | 2,815,550 | 2,971,831 |
| Other operating revenues - Telecommunications | 315,646 | 205,427 |
| Total operating revenues | 67,246,283 | 59,636,214 |
| OPERATING EXPENSES | | |
| Cost of power | 30,571,192 | 26,734,443 |
| Transmission | 86,940 | 63,191 |
| Distribution | 7,993,155 | 7,207,980 |
| Telecommunications | 1,589,327 | 1,361,003 |
| Customer accounts | 1,483,558 | 1,500,621 |
| Customer service and information | 436,213 | 700,036 |
| Administration and general | 3,483,127 | 1,584,569 |
| Depreciation and amortization | 6,224,436 | 6,034,912 |
| Taxes | 3,411,470 | 3,064,663 |
| Total operating expenses | 55,279,418 | 48,251,418 |
| Net operating revenues | 11,966,865 | 11,384,796 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest income | 358,614 | 109,564 |
| Grant revenue | 211,670 | 9,422 |
| Interest on long-term debt | (2,439,491) | (2,580,230) |
| Gain (loss) on disposition of property | 100,442 | (21,504) |
| Other revenue | 400,852 | 410,501 |
| Net nonoperating revenues (expenses) | (1,367,913) | (2,072,247) |
| CONTRIBUTED CAPITAL | 1,995,803 | 2,066,519 |
| CHANGE IN NET POSITION | 12,594,755 | 11,379,068 |
| ACCUMULATED NET POSITION | | |
| Beginning of year | 118,597,258 | 107,218,190 |
| End of year | $ 131,192,013 | $ 118,597,258 |

* The District's 2021 Statement of Net Position was restated for the impacts of the implementation of GASB Statement No 87.

See accompanying notes.

# Public Utility District No. 1 of Okanogan County, Washington
## Statements of Cash Flows
## Years Ended December 31, 2022 and 2021

| | 2022 | *As Restated 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | $ 62,815,680 | $ 59,029,645 |
| Payments to suppliers and employees | (48,184,348) | (42,909,413) |
| Net change in cash from operating activities | 14,631,332 | 16,120,232 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets, net | (12,832,866) | (20,096,443) |
| Cash contributions in aid of construction | 1,995,803 | 2,066,519 |
| Proceeds from grants | 211,670 | 9,422 |
| Scheduled payments on debt | (1,710,327) | (2,279,801) |
| Interest paid on debt | (2,576,340) | (2,678,855) |
| Interest paid on leases | (4,532) | (6,570) |
| Interest received on leases | 36,938 | 25,108 |
| Cash received as refund on interest on Build America Bonds | 399,752 | 410,501 |
| Net change in cash from capital and related financing activities | (14,479,902) | (22,550,119) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (18,426,473) | (18,295,855) |
| Sales and maturities of investments | 28,755,435 | 32,351,756 |
| Interest on investments | 321,676 | 84,457 |
| Net change in cash from investing activities | 10,650,638 | 14,140,358 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 10,802,068 | 7,710,471 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 19,890,195 | 12,179,724 |
| End of year | $ 30,692,263 | $ 19,890,195 |
| RECONCILIATION OF NET OPERATING REVENUES TO CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net operating revenues | $ 11,966,865 | $ 11,384,796 |
| Adjustments to reconcile net operating revenues to net cash from operating activities | | |
| Depreciation and amortization | 6,224,436 | 6,034,912 |
| Pension outflows / inflows | (1,300,590) | (2,699,033) |
| Cash from changes in operating assets and liabilities | | |
| Receivables | (3,655,431) | 92,239 |
| Unbilled revenue | (1,023,445) | (719,092) |
| Materials and supplies | (1,167,282) | 174,807 |
| Prepayments and other | 28,943 | (250,112) |
| Conservation loans and notes receivable | 32,795 | 60,542 |
| Accounts payable | 2,957,655 | 2,231,355 |
| Accrued compensation, benefits, customer deposits, and taxes | 567,386 | (190,182) |
| NET CHANGE IN CASH FROM OPERATING ACTIVITIES | $ 14,631,332 | $ 16,120,232 |
| SUPPLEMENTAL DISCLOSURES | | |
| Gain (loss) on disposition of property | $ 100,442 | $ (21,504) |

See accompanying notes.

## Note 1 – Summary of Significant Accounting Policies

**Organization** – Public Utility District No. 1 of Okanogan County (the District) is a municipal corporation governed by an elected three-member board of commissioners. The District owns, operates, and maintains an electric distribution system incorporating both electrical and telecommunications facilities and equipment. Financial information for both divisions is presented as a single proprietary fund.

**Reporting entity** – For financial reporting purposes, the District includes activities over which it exercises oversight responsibility. As required by generally accepted accounting principles (GAAP), management has considered all potential component units in defining the reporting entity. The District has no component units.

**Basis of accounting and presentation** – The accounting policies of the District conform to GAAP as applicable to proprietary funds of governmental units. The District adheres to the accounting standards and pronouncements of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for governmental entities and uses the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts.

**New accounting standards** – In June 2017, the GASB issued Statement No. 87, *Leases*, which establishes revised standards on lease accounting and financial reporting. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use lease asset, Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The statement is effective for financial statements for fiscal years beginning after June 15, 2021. The District has adopted GASB 87 effective January 1, 2021. Refer to additional disclosure information in Note 4.

The District's 2021 statement of net position and statement of revenues, expenses, and changes in net position were restated for the impacts of the required retroactive implementation of GASB Statement No. 87. The impacts of restating the District's 2021 financial statements are presented in the following tables:

| | Restated 2021 | 2021 Balance as Previously Reported |
|---|---|---|
| OPERATING REVENUES | | |
| Telecommunications | $ 3,233,798 | $ 3,409,958 |
| Other operating revenues | 2,971,831 | 2,974,698 |
| Other operating revenues - Telecommunications | 205,427 | 41,226 |
| Total operating revenues | 59,636,214 | 59,651,040 |
| OPERATING EXPENSES | | |
| Cost of power | 26,734,443 | 26,735,325 |
| Telecommunications | 1,361,003 | 1,418,291 |
| Administration and general | 1,584,569 | 1,602,109 |
| Depreciation and amortization | 6,034,912 | 5,963,154 |
| Total operating expenses | 48,251,418 | 48,255,370 |
| Net operating revenues | 11,384,796 | 11,395,670 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest income | 109,564 | 84,457 |
| Interest on long-term debt | (2,580,230) | (2,573,659) |
| Net nonoperating revenues (expenses) | (2,072,247) | (2,090,783) |
| CHANGE IN NET POSITION | 11,379,068 | 11,371,406 |
| ACCUMULATED NET POSITION | | |
| Beginning of year | 107,218,190 | 107,218,190 |
| End of year | 118,597,258 | 118,589,596 |

| | | Restated 2021 | | 2021 Balance as Previously Reported |
|---|---|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| CURRENT ASSETS | | | | |
| Current lease receivable | $ | 208,718 | $ | - |
| UTILITY PLANT, at cost | | | | |
| Right-to-use lease assets | | 257,365 | | - |
| Less accumulated depreciation and amortization | | 71,757 | | - |
| Net utility plant | | 129,165,392 | | 128,979,784 |
| OTHER ASSETS | | | | |
| Long-term lease receivable | | 522,957 | | - |
| Total other assets | | 8,284,089 | | 7,761,132 |
| Total assets | | 199,825,808 | | 198,908,525 |
| Total assets and deferred outflows of resources | | 200,780,577 | | 199,863,294 |

| | | Restated 2021 | | 2021 Balance as Previously Reported |
|---|---|---|---|---|
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | | | | |
| CURRENT LIABILITIES | | | | |
| Current lease liability | $ | 71,175 | $ | - |
| Total current liabilities | | 12,801,695 | | 12,730,520 |
| LONG-TERM LIABILITIES | | | | |
| Long-term lease liability | | 117,052 | | - |
| Total long-term liabilities | | 853,053 | | 736,001 |
| Total liabilities | | 73,366,437 | | 73,178,210 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Lease deferred inflows | | 721,394 | | - |
| Total deferred inflows of resources | | 8,816,882 | | 8,096,488 |
| NET POSITION | | | | |
| Net investment in capital assets | | 67,580,066 | | 67,582,685 |
| Unrestricted | | 23,354,219 | | 23,343,938 |
| Total net position | | 118,597,258 | | 118,589,596 |
| Total liabilities, deferred inflows of resources, and net position | | 200,780,577 | | 199,864,294 |

In May 2020, GASB issued Statement No. 96, *Subscription Based Information Technology Arrangements*. The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SIBTAs). The statement is effective for financial statements for fiscal years beginning after June 15, 2022. The District is currently evaluating the financial statement impact of adopting this statement on its financial statements.

**Cash and cash equivalents** – The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Investments and restricted assets** – The District records investments at fair value in accordance with GASB 72. The District's investment portfolio consists both of fully insured, interest-bearing institutional deposits with terms of one year or less and federal loan and mortgage securities where fair value can deviate from face/par value. For information on fair market value at year-end December 31, 2022 and 2021, see Note 2.

In accordance with board resolutions and bond covenants, a number of separate funds have been established, and cash and investments held in these funds are restricted for special uses as follows:

| | 2022 | 2021 |
|---|---|---|
| Rate stabilization fund | $ 6,000,000 | $ 4,574,259 |
| Employee compensated absences fund | 2,000,000 | 2,000,000 |
| Customer deposit fund | 700,000 | 700,000 |
| Sinking funds - 2010 bonds | 161,276 | 161,505 |
| Vehicle replacement fund | 1,406,003 | 1,000,000 |
| Sinking funds - 2016 bonds | - | 67,060 |
| Sinking funds - 2020 bonds | 180,999 | 128,657 |
| Bond reserve fund | 1,571,540 | 1,571,540 |
| 2020 Construction fund | 6,684,535 | 19,058,575 |
| | $ 18,704,353 | $ 29,261,596 |

**Accounts receivable and allowance for doubtful accounts** – The District renders billings for electrical consumption, sales, and services and for wholesale power and telecommunications sales and services on a monthly basis. Management reviews accounts receivable for collectability on a regular basis, and an allowance for uncollectible accounts is established based on evaluation of specific accounts and historical experience. If the account is determined to be uncollectible, it is turned over to the local credit bureau for collection.

**Materials and supplies** – Materials and supplies provide for additions, maintenance, and repairs to the utility plant and are valued at weighted-average cost.

**Utility plant and depreciation** – Utility plant in service and other capital assets are recorded at cost when the historical cost is known. When historical cost is not known, assets are recorded at estimated fair value. Costs include labor, materials, overhead, and related indirect costs. The District capitalizes assets with cost in excess of $5,000. Depreciation expense is computed using the straight-line method employing useful lives of 4 to 50 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.

**Leases** – As a lessee, the District recognizes a lease liability and an intangible right-to-use asset for lease liabilities with an estimated annual payment of $5,000 or more, unless the lease is considered short-term, or transfers ownership of the underlying assets. The lease liability is initially measured based on the present value of payments expected to be made during the lease term, using the District’s incremental borrowing rate if the interest rate is not provided. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized using the straight-line basis over its useful life. The District monitors changes in circumstances that would require it to recognize a lease liability and a right-to-use asset if certain changes occur that are expected to significantly increase the materiality of the lessor agreements.

As a lessor, the District recognizes a lease receivable and deferred inflows of resources for lease receivables with estimated annual payments of $5,000 or more. The lease receivable is measured using the present value of the lease payments expected to be received for the lease term, based on the District’s incremental borrowing rate. Amortization of the discount on the lease receivables is reported as interest revenue. Deferred inflows of revenues are recognized as lease revenue on a straight-line basis over the term of the lease. The District monitors changes in circumstances that would require it to recognize a lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly increase the materiality of the lessor agreements.

**Unamortized loss on refunding of debt** – The difference between the cost to refund outstanding debt and the carrying value of bonds decreased by refunding bonds is deferred and amortized over the shorter of the remaining term of the refunded bonds or the term of the refunding bonds, using the straight-line method and recorded as deferred outflow of resources.

**Compensated absences** – The District accrues unpaid personal leave benefit amounts as earned. Accrued personal leave is payable in full upon resignation, termination, retirement, or death.

**Net position** – Net position consists of the following:

*Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation, less outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This component consists of net position on which constraints are placed as to its use. Constraints include those imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or through enabling legislation. Balances currently classified as restricted by enabling legislation include the rate stabilization fund, employee compensated absences fund, customer deposit fund, bond principal and interest (net of accrued interest) due in the upcoming year, the debt service reserve fund and the net pension asset net of related deferred outflows and deferred inflows.

*Unrestricted* – Unrestricted net position components are those that do not meet the definition of “restricted” or “net investment in capital assets.”

**Revenue recognition** – The District recognizes revenue as earned on a monthly basis based on rates established by the District’s board of commissioners. Because the customer meters are read and billed at various times during each month, the District estimates unbilled revenues for energy delivered to customers between their last respective cycle billing date and December 31, and it records that amount as unbilled revenue for the current year.

**Revenues and expenses** – The District distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses are derived directly from the provision of wholesale and retail electrical generation, transmission, and distribution sales and service and from providing wholesale telecommunications sales and service. Revenues and expenses ancillary to these purposes are treated as nonoperating.

**Contributed capital** – Contributions in aid of construction are District-mandated customer connection charges used to fund construction of system properties necessary to extend service to a new customer. These payments are recognized in nonoperating revenue as contributed capital when the associated facilities are constructed or acquired.

**Accounting estimates** – The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts 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.

**Reclassifications** – Certain reclassifications have been made to the balances represented in prior-year financial statements to conform to the current-year presentation.

**Pensions** – For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state-sponsored pension plans and additions to/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 by the plan.

**Significant risk 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; fish and other Endangered Species Act issues; Environmental Protection Agency regulations; federal government regulations or orders; deregulation of the electrical industry; concentration risk in the form of Wells Hydroelectric Project (Note 11); and, market risks inherent in buying and selling of power, a commodity with inelastic demand characteristics and minimal storage capability.

## Note 2 – Deposits and Investments

The District held the following cash and investments at December 31:

| | 2022 | 2021 |
|---|---|---|
| Cash and temporary investments | | |
| Cash deposits | $ 30,692,263 | $ 19,890,195 |
| Money market accounts | 500,000 | 500,000 |
| Local government investment pool | 1,057,635 | 829,353 |
| Total cash and temporary investments | $ 32,249,898 | $ 21,219,548 |
| Restricted cash and investments | | |
| Restricted cash & cash equivalents | | |
| Money market accounts | $ 8,006,003 | $ 3,889,259 |
| Local government investment pool | 8,598,350 | 20,987,337 |
| Bank certificates of deposit | - | 3,985,000 |
| Total restricted cash | 16,604,353 | 28,861,596 |
| Restricted investments | | |
| U.S. Treasuries | 2,100,000 | 400,000 |
| Total restricted investments | 2,100,000 | 400,000 |
| Total restricted cash and investments | $ 18,704,353 | $ 29,261,596 |

**Custodial credit risk** – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments. All District deposits and investments are either insured, registered, or held by the District or its agents in the District's name and are intended to be held to maturity.

**Credit risk** – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. As required by state law, all investments of District funds are obligations of the U.S. government, bankers' acceptances, deposits in the Washington State Treasurer's Local Government Investment Pool, or deposits with Washington State banks and savings and loan institutions. All deposits are either entirely covered by the Federal Deposit Insurance Corporation or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

**Interest rate risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages this risk by laddering investments and maintaining a variety of investments.

**Investments** – The District holds investments that are measured at fair value. The District categorized its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments in an external government investment pool, such as the Local Government Investment Pool (LGIP), are not subject to reporting within the level hierarchy.

The following tables show the District's investments measured at fair value as of December 31, 2022 and 2021:

| | Total as of December 31, 2022 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments by fair value level | | | | |
| U.S. agency securities | | | | |
| U.S. Treasury Bond | $ 1,200,000 | $ - | $ 1,200,000 | $ - |
| Federal Farm Credit Bank | 400,000 | - | 400,000 | - |
| Federal Home Loan Bank | 500,000 | - | 500,000 | - |
| Total | $ 2,100,000 | $ - | $ 2,100,000 | $ - |

| | Total as of December 31, 2021 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments by fair value level | | | | |
| U.S. agency securities | | | | |
| Federal Home Loan Bank | $ 400,000 | $ - | $ 400,000 | $ - |
| Total | $ 400,000 | $ - | $ 400,000 | $ - |

## Note 3 – Utility Plant

Capital asset activity for the years ended December 31, 2022 and 2021, was as follows:

| | Balance January 1, 2022 (Restated) | Additions | Retirements and Transfers | Balance December 31, 2022 |
|---|---|---|---|---|
| Intangible plant | $ 92,297 | $ - | $ - | $ 92,297 |
| Generation plant | 588,394 | - | - | 588,394 |
| Transmission plant | 25,685,745 | 7,740,785 | (1,934,069) | 31,492,461 |
| Distribution plant | 135,295,299 | 5,016,423 | (532,959) | 139,778,763 |
| General plant | 33,795,746 | 775,263 | (198,456) | 34,372,553 |
| Telecommunications plant | 16,102,643 | 859,073 | (227,564) | 16,734,152 |
| Right-to-use lease assets | 257,365 | 57,941 | - | 315,306 |
| Acquisition adjustment | 632,544 | - | - | 632,544 |
| | 212,450,033 | 14,449,485 | (2,893,048) | 224,006,470 |
| Construction work in progress | 16,964,274 | 13,069,237 | (14,834,708) | 15,198,803 |
| Total utility plant | 229,414,307 | 27,518,722 | (17,727,756) | 239,205,273 |
| Accumulated depreciation | (100,177,158) | (6,560,688) | 3,537,541 | (103,200,305) |
| Accumulated amortization lease assets | (71,757) | (83,345) | - | (155,102) |
| Net utility plant | $ 129,165,392 | $ 20,874,689 | $ (14,190,215) | $ 135,849,866 |

| | Balance January 1, 2021 | Additions | Retirements and Transfers | Balance December 31, 2021 (Restated) |
|---|---|---|---|---|
| Intangible plant | $ 92,297 | $ - | $ - | $ 92,297 |
| Generation plant | 588,394 | - | - | 588,394 |
| Transmission plant | 25,041,485 | 911,901 | (267,641) | 25,685,745 |
| Distribution plant | 129,435,876 | 7,078,553 | (1,219,130) | 135,295,299 |
| General plant | 33,804,018 | 433,882 | (442,154) | 33,795,746 |
| Telecommunications plant | 15,762,458 | 855,024 | (514,839) | 16,102,643 |
| Right-to-use lease assets | - | 257,365 | - | 257,365 |
| Acquisition adjustment | 632,544 | - | - | 632,544 |
| | 205,357,072 | 9,536,725 | (2,443,764) | 212,450,033 |
| Construction work in progress | 5,998,737 | 20,182,585 | (9,217,048) | 16,964,274 |
| Total utility plant | 211,355,809 | 29,719,310 | (11,660,812) | 229,414,307 |
| Accumulated depreciation | (96,418,673) | (6,467,200) | 2,708,715 | (100,177,158) |
| Accumulated amortization lease assets | - | (71,757) | - | (71,757) |
| Net utility plant | $ 114,937,136 | $ 23,180,353 | $ (8,952,097) | $ 129,165,392 |

During 2022, large projects that contributed to plant additions was the Okanogan to Brewster transmission line ($7.4 million), substation power transformer upgrades ($1 million) and the Enloe Dam penstock reconstruction ($2.5 million) The Okanogan to Brewster transmission line was completed and capitalized during 2022.

During 2020, the District experienced significant infrastructure damage due to wildfire. The District has completed the replacement of the damaged electrical distribution and fiber optic systems. The most significant damage was to the District’s Okanogan to Brewster transmission line, which was already scheduled to be replaced in 2023. The project was completed during 2022.

Plant-in-service balances presented above include non-depreciable land of $1,299,690 and $1,299,690 as of December 31, 2022 and 2021, respectively.

## Note 4 – Leases

### District as a lessee

The District is a lessee for various noncancelable leases. The District entered into lease agreements to lease office equipment, right-of-way access, dark fiber, and wireless sites.

The right to use asset activity for the District for years ended December 31, 2022 and 2021, was as follows:

| | January 1, 2022 Beginning Balance | Increases | Decreases | December 31, 2022 Ending Balance |
|---|---|---|---|---|
| Leased assets | | | | |
| Leased office equipment | $ 64,464 | $ - | $ - | $ 64,464 |
| ROW | 21,234 | - | - | 21,234 |
| Dark fiber | 171,667 | - | - | 171,667 |
| Wireless sites | - | 57,941 | - | 57,941 |
| Total | 257,365 | 57,941 | - | 315,306 |
| Less accumulated amortization | | | | |
| Leased office equipment | 16,563 | 16,563 | - | 33,126 |
| ROW | 506 | 506 | - | 1,012 |
| Dark fiber | 54,688 | 54,688 | - | 109,376 |
| Wireless sites | - | 11,588 | - | 11,588 |
| Total | 71,757 | 83,345 | - | 155,102 |
| Net lease assets | $ 185,608 | $ (25,404) | $ - | $ 160,204 |

| | January 1, 2021 Beginning Balance | Increases | Decreases | December 31, 2021 Ending Balance |
|---|---|---|---|---|
| Leased assets | | | | |
| Leased office equipment | $ - | $ 64,464 | $ - | $ 64,464 |
| ROW | - | 21,234 | - | 21,234 |
| Dark fiber | - | 171,667 | - | 171,667 |
| Wireless sites | - | - | - | - |
| Total | - | 257,365 | - | 257,365 |
| Less accumulated amortization | | | | |
| Leased office equipment | - | 16,563 | - | 16,563 |
| ROW | - | 506 | - | 506 |
| Dark fiber | - | 54,688 | - | 54,688 |
| Wireless sites | - | - | - | - |
| Total | - | 71,757 | - | 71,757 |
| Net lease assets | $ - | $ 185,608 | $ - | $ 185,608 |

**Office Equipment Leases**

The District leases ten multifunction printers under two long-term noncancelable lease agreements. The agreements have a term of five years, expiring in 2024 and 2025. The District used the District's incremental borrowing rate of 2.9%, based on the true interest cost from the 2020 bond issuance. During the years ended December 31, 2022 and 2021, the District made lease payments of $17,538.

**Enloe Dam BLM Right of Way**

The District was issued a Right-of-Way grant from the Bureau of Land Management that allows the PUD a right-of-way to construct, operate, maintain, and terminate an access road and small parking area at the Enloe Dam. The agreement has a term of 45 years, beginning June 11, 2018. The right-of-way expires in 2063. The District used the District's incremental borrowing rate of 2.9%, based on the true interest cost from the 2020 bond issuance. The District is required to make annual payments of $882.

**Dark Fiber Leases**

The District leases dark fiber under a master services agreement. The agreements have a term of five and six years, beginning in 2018 and 2019. The leases expire in 2023 and 2024. The District used the District's incremental borrowing rate of 2.9%, based on the true interest cost from the 2020 bond issuance. The District is required to make monthly payments of $4,774.

**Wireless Sites**

The District leases wireless sites under various agreements. The agreements have a term of five years, beginning in May 2022. The site leases expire in 2027. The District used the District's incremental borrowing rate of 2.9%, based on the true interest cost from the 2020 bond issuance. The District is required to make annual payments of $12,262.

The future minimum lease payments are as follows for the years ended December 31:

| | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 84,206 | $ 3,763 | $ 87,969 |
| 2024 | 33,183 | 1,893 | 35,076 |
| 2025 | 13,595 | 1,274 | 14,869 |
| 2026 | 12,221 | 923 | 13,144 |
| 2027 | 314 | 568 | 882 |
| 2028–2032 | 1,714 | 2,696 | 4,410 |
| 2033–2037 | 1,978 | 2,432 | 4,410 |
| 2038–2042 | 2,283 | 2,127 | 4,410 |
| 2043–2047 | 2,635 | 1,775 | 4,410 |
| 2048–2052 | 3,041 | 1,369 | 4,410 |
| 2053–2057 | 3,509 | 901 | 4,410 |
| 2058–2062 | 4,050 | 360 | 4,410 |
| | $ 162,729 | $ 20,081 | $ 182,810 |

**District as a lessor**

**Dark fiber** – The District leases dark fiber under an IRU fiber lease agreement. The agreement held a term of five years, beginning May 1, 2022. The lease expires in 2027. The District used an interest rate of 2.9%, based on the true interest cost from the 2020 bond issuance. The District recognized lease revenue of $293,611 and $164,201 and interest income of $34,058 and $20,848 during years ended December 31, 2022 and 2021.

**Pole attachments** – The District also leases pole attachments under various lease agreements. The agreements hold a term of three and five years. The District used an interest rate of 2.9%, based on the true interest cost from the 2020 bond issuance. The District recognized lease revenue of $86,497 and $48,843 and interest income of $2,880 and $4,260 during years ended December 31, 2022 and 2021, respectively.

**Note 5 – Long-Term Debt**

During 2010, the District issued $9,105,000 in 10-year Series A bonds with interest rates ranging from 2.00% to 4.50%, and $23,355,000 in 30-year Series B taxable Build America Bonds with interest rates ranging between 1.095% and 6.046%. The Build America Bond interest is payable when due but is subject to federal subsidy rebates of 35%. Subsequent to the time of bond issuance, the Build America Bond interest rebates have become subject to federal financial sequestration policies that have eroded their benefit by an initial high of 8.7% to the current low of 5.9%. From this issuance, $5,285,000 was used to defease the 2002 bonds, which were fully repaid in 2011. The remaining $27,175,000 of the new debt was earmarked for capital projects. This debt is subject to certain covenants.

Late in 2016, the District made the decision to exercise the option of redeeming its outstanding 2003 Series A Parity Bonds through the issuance of a direct-placement junior-lien refunding bond. The 2016 Junior Lien Refunding Revenue Bond was placed with Key Government Finance, Inc. at an interest rate of 1.82% and was to be repaid over the exact same term as the 2003 Series A Bonds that it replaced. Final installments of principal and interest were made in 2022.

During 2020, the District issued $32,815,000 in tax exempt Series A Bonds with a 4% coupon rate and $2,585,000 in Series B (Taxable) Refunding Bonds with interest rates ranging from .875% to 2.6%. A portion of the Series A Bonds was used to repay a $2,300,000 outstanding Line of Credit amount that was used to purchase the Chicken Creek Substation and the 2020 Series B Bond proceeds were used to repay the USDA RUS Note, outstanding in the amount of $2,538,162. The bond carries a debt covenant requiring the District to maintain net revenues in each fiscal year that are at least equal to 1.25 times the annual debt service on all outstanding net revenue bonds.

Total long-term debt principal outstanding at December 31, 2022, is $55,025,000, for which substantially all revenues of the District are pledged as security.

The following are changes in long-term debt for the years ended December 31, 2022 and 2021:

| | Balance January 1, 2022 | Additions | Payments/ Amortization | Balance December 31, 2022 | Current Portion |
|---|---|---|---|---|---|
| 2010 revenue bonds | $ 20,730,000 | $ - | $ (730,000) | $ 20,000,000 | $ 765,000 |
| 2016 refunding bond - direct placement | 790,327 | - | (790,327) | - | - |
| 2020 Revenue Bonds | 35,215,000 | - | (190,000) | 35,025,000 | 820,000 |
| Unamortized bond premium | 4,705,598 | - | (168,115) | 4,537,483 | - |
| Unamortized bond discount | (18,909) | - | 6,319 | (12,590) | - |
| Total long-term debt | $ 61,422,016 | $ - | $ (1,872,123) | $ 59,549,893 | $ 1,585,000 |

| | Balance January 1, 2021 | Additions | Payments/ Amortization | Balance December 31, 2021 | Current Portion |
|---|---|---|---|---|---|
| 2010 revenue bonds | $ 22,050,000 | $ - | $ (1,320,000) | $ 20,730,000 | $ 730,000 |
| 2016 refunding bond - direct placement | 1,565,128 | - | (774,801) | 790,327 | 790,327 |
| 2020 Revenue Bonds | 35,400,000 | - | (185,000) | 35,215,000 | 190,000 |
| Unamortized bond premium | 4,873,714 | - | (168,116) | 4,705,598 | - |
| Unamortized bond discount | (25,229) | - | 6,320 | (18,909) | - |
| Total long-term debt | $ 63,863,613 | $ - | $ (2,441,597) | $ 61,422,016 | $ 1,710,327 |

The annual debt service payment requirements (principal and interest) on debt outstanding as of December 31, 2022, are as follows:

| | 2020(A) Bonds | | 2020(B) Bonds | | 2010 Bonds | | |
|---|---|---|---|---|---|---|---|
| | Interest | Principal | Interest | Principal | Interest | Principal | Total |
| 2023 | $ 1,306,275 | $ 630,000 | $ 45,710 | $ 190,000 | $ 1,170,313 | $ 765,000 | $ 4,107,298 |
| 2024 | 1,281,075 | 660,000 | 43,525 | 195,000 | 1,130,747 | 805,000 | 4,115,347 |
| 2025 | 1,254,675 | 685,000 | 40,990 | 195,000 | 1,089,113 | 845,000 | 4,109,778 |
| 2026 | 1,227,275 | 710,000 | 38,163 | 200,000 | 1,045,409 | 890,000 | 4,110,847 |
| 2027 | 1,191,775 | 745,000 | 34,363 | 200,000 | 993,825 | 925,000 | 4,089,963 |
| 2028-2032 | 5,368,975 | 4,330,000 | 102,443 | 1,075,000 | 4,122,462 | 5,165,000 | 20,163,880 |
| 2033-2037 | 4,374,675 | 5,315,000 | 4,030 | 155,000 | 2,472,779 | 6,240,000 | 18,561,484 |
| 2038-2042 | 3,222,875 | 6,465,000 | - | - | 534,466 | 4,365,000 | 14,587,341 |
| 2043-2047 | 1,832,063 | 7,860,000 | - | - | - | - | 9,692,063 |
| 2048-2050 | 396,500 | 5,415,000 | - | - | - | - | 5,811,500 |
| | $ 21,456,163 | $ 32,815,000 | $ 309,224 | $ 2,210,000 | $ 12,559,114 | $ 20,000,000 | $ 89,349,501 |

**Note 6 – Retirement and Deferred Compensation Plans**

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

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

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

The following table represents the aggregate pension amounts for all plans for the years ended December 31:

| Aggregate Pension Amounts - All Plans | | |
|---|---|---|
| | 2022 | 2021 |
| Net pension liability | $ 1,553,092 | $ 736,001 |
| Net pension asset | (2,690,609) | (7,720,048) |
| Deferred outflows of resources | 2,798,225 | 929,850 |
| Deferred inflows of resources | 2,816,743 | 8,095,488 |
| Pension expense (benefit) | (341,610) | (1,691,014) |

**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.

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

**Contributions**

The PERS Plan 1-member contribution rate is established by state statute at 6%. The employer contribution rate is developed by the Office of the State Actuary 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:

| PERS Plan 1<br>Actual Contribution Rates | Employer | Employee |
|---|---|---|
| January through August 2022 | 10.25% | 6.00% |
| September through December 2022 | 10.39% | 6.00% |

The District's actual contributions to the plan were $0 for both years ended December 31, 2022 and 2021.

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

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

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 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 Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the consumer price index), 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 ten 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.

**Contributions**

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability (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 Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

| PERS Plan 2/3 Actual Contribution Rates | Employer 2/3 | Employee 2 | Employee 3 |
|---|---|---|---|
| January through August 2022 | 10.25% | 6.36% | Varies |
| September through December 2022 | 10.39% | 6.36% | Varies |

The District's actual contributions to the plan were $976,037 and $1,023,930 for the years ended December 31, 2022 and 2021, respectively.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DR'S 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 were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 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.

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

- Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity

- Investment rate of return: 7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status (e.g., active, retiree or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis, meaning that each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019, Actuarial Valuation Report (AVR); however, OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

**Discount Rate**

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

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions 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 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

| Asset Class | Target Allocation | Percent Long-Term Expected Real Rate of Return Arithmetic |
|---|---|---|
| Fixed income | 20% | 1.50% |
| Tangible assets | 7% | 4.70% |
| Real estate | 18% | 5.40% |
| Global equity | 32% | 5.90% |
| Private equity | 23% | 8.90% |
| | 100% | |

**Sensitivity of Net Pension Liability (Asset)**

The table below presents the District's proportionate share of the Net Pension Liability (Asset) calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the PL/PA would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

| | 1% Decrease (6.0%) | Current Discount Rate (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| PERS 1 | $ 2,074,910 | $ 1,553,092 | $ 1,097,668 |
| PERS 2/3 | 3,168,545 | (2,690,609) | (7,504,275) |

**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.

**Net Pension Liability (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2022, the District reported its proportionate share of the net pension liabilities as follows:

| | Liability (Asset) | |
|---|---|---|
| | 2022 | 2021 |
| PERS 1 | $ 1,553,092 | $ 736,001 |
| PERS 2/3 | (2,690,609) | (7,720,048) |

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

| | Proportionate Share 6/30/22 | Proportionate Share 6/30/21 | Change in Proportion |
|---|---|---|---|
| PERS 1 | 0.055779% | 0.060267% | -0.004488% |
| PERS 2/3 | 0.072547% | 0.077498% | -0.004951% |

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.*

**Pension Expense**

For the years ended December 31, 2022 and 2021, the District recognized pension expense as follows:

| | Pension Expense (Benefit) 2022 | Pension Expense (Benefit) 2021 |
|---|---|---|
| PERS 1 | $ 592,977 | $ 51,530 |
| PERS 2/3 | (934,586) | (1,742,544) |

**Deferred Outflows of Resources and Deferred Inflows of Resources**

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

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Net difference between projected and actual investment earnings on pension plan investments | - | (257,393) |
| Changes of assumptions | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | 188,175 | - |
| | $ 188,175 | $ (257,393) |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 666,670 | $ (60,909) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (1,989,187) |
| Changes of assumptions | 1,499,643 | (392,660) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 129,206 | (116,594) |
| Contributions subsequent to the measurement date | 314,531 | - |
| | $ 2,610,050 | $ (2,559,350) |

| Combined PERS 1 and PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 666,670 | $ (60,909) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (2,246,580) |
| Changes of assumptions | 1,499,643 | (392,660) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 129,206 | (116,594) |
| Contributions subsequent to the measurement date | 502,706 | - |
| | $ 2,798,225 | $ (2,816,743) |

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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | PERS 1 | PERS 2/3 | Combined |
|---|---|---|---|
| 2023 | $ (108,923) | $ (654,611) | $ (763,534) |
| 2024 | (98,931) | (548,606) | (647,537) |
| 2025 | (124,105) | (647,460) | (771,565) |
| 2026 | 74,566 | 924,795 | 999,361 |
| 2027 | - | 337,921 | 337,921 |
| Thereafter | - | 324,130 | 324,130 |
| | $ (257,393) | $ (263,831) | $ (521,224) |

**Deferred compensation plans** – The District offers its employees two deferred compensation plan options created in accordance with Internal Revenue Code Section 457, covering all eligible employees of the District, as defined in the plan documents. These plans allow employees to defer a portion of their salary until future years. Plan assets are held in trust for the exclusive benefit of the plan participants and their designated beneficiaries and are not subject to the claims of the District's general creditors. Deferred compensation funds are not available to employees until retirement, termination, death, or unforeseeable emergency.

Additionally, the District adopted a 401(a) defined contribution plan (the 401(a) Plan) effective January 1, 2000. Participation in the 401(a) Plan is open to eligible employees of the District as defined in the plan document. The District makes matching contributions to the 401(a) Plan at a rate of 50% of the employee's contribution to their 457 deferred compensation plan. The match is capped at 4% of gross wages for nonexempt employees and 6% of gross wages for exempt employees. During 2022 and 2021, the District contributed $156,188 and $233,259, respectively, to the 401(a) Plan.

**VEBA plan** – In August 2005, the District implemented a voluntary employees' beneficiary association (VEBA) plan designed to provide limited employer funding on a tax-free basis for employee medical premiums and benefits for all eligible employees of the District, as defined in the plan document. The District's current VEBA contribution rate is $150 per month per employee for all employees having met the annual qualification requirements. And an additional monthly contribution of $50 per month, which is not subject to the wellness program requirements. Plan assets, although under District control, are held in trust for the exclusive benefit of the plan participants and their designated beneficiaries and are not subject to the claims of the District's general creditors. During 2022 and 2021, the District contributed $218,600 and $219,600, respectively, to the VEBA plan.

**Note 7 – Self Insurance**

The District is a member of Public Utility Risk Management Services Joint Self Insurance Fund (the Fund). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to form together into or join an organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. The Fund was formed on December 31, 1976, when certain Washington Public Utility Districts signed an agreement to pool their self-insured losses and jointly purchase insurance and administrative services. There are currently 19 active members in the Fund.

The Fund operates three separate insurance pools: the Liability Pool, the Property Pool, and the Health and Welfare Pool. Fund members may belong to one, two, or all three pools according to their insurance needs. The Liability Pool insures on a $1,000,000 self-insured retention with a $250 deductible. Coverage is on an occurrence basis. In addition, the Liability Pool purchases excess general liability and excess public official liability coverage. The Property Pool operates on a $250,000 self-insured retention in most cases, with a $75,000 deductible on listed major generating units and a $250 deductible on all other listed items of property. Coverage is on an occurrence basis and the Property Pool purchases excess property coverage above the self-insured retention level. The Health and Welfare Pool is funded by paid claims reimbursement from the member generating the claim and by pooled assessment for administration and excess stop-loss insurance coverage. In all pools, members are assessed as necessary to maintain designated minimum pool balances. Because the Fund is a cooperative program, there is joint liability among the participants of each pool. The District participates in only the Liability and Property Pools. In 2022 and 2021, the District contributed $53,951and $35,102, respectively, to the Liability Pool and $46,951 and $29,491, respectively, to the Property Pool. Should any member terminate its affiliation with the Fund, it remains financially responsible to the Fund for any unresolved, unreported, and in-process claims for the period that it was a signatory to the agreement.

Self-insured retentions are fully funded by current and former members and claims settlements have rarely exceeded retention levels resulting in escalation to excess coverage policies. Claims are processed by Pacific Underwriters Corporation, P.O. Box 68787, Seattle, WA 98168, a private entity contracted to perform administrative, claims adjustment, and loss prevention services, and which also compiles an annual financial report for the Fund. The Fund is governed by a board of directors that consists of one designated representative from each participating member. The Fund administrator and an elected six-member administrative committee (on which a District representative currently serves) are responsible for business decision-making and conducting the daily business affairs of the Fund.

## Note 8 – Conservation Programs

The District has historically offered a variety of energy conservation programs. These have included both residential and commercial weatherization loan programs, energy-use efficiency programs, and residential and commercial energy audits. Loan programs provided five-year loans of up to $10,000 to residential customers and up to $25,000 to commercial enterprises for qualifying conservation measures. Due to the satisfactory achievement of the loan program's intended purposes and declining utilization, as of October 31, 2019, the District made the decision to terminate the issuance of new loans and let the outstanding ones run their normal repayment course. The District carried loan balances receivable of $8,289 and $41,084 on December 31, 2022 and 2021, respectively, and incurred net general conservation program costs of $43,420 and $(167,031), respectively, in those fiscal years, which were charged to operations.

## Note 9 – Telecommunications

The District has recognized the necessity of a modern and reliable communications infrastructure in managing its core electric distribution function and now operates and maintains a telecommunications network providing these services for internal use. Additionally, it provides wholesale telecommunications services, in accordance with Washington State law, to qualified retail merchants who, in turn, provide services to end users in the District's service territory.

Condensed telecom revenue/expenditure, assets/liabilities, and net position information follows:

| | 2022 | *As Restated 2021 |
|---|---|---|
| Operating revenues | $ 3,384,254 | $ 3,439,225 |
| Operating expenses | (2,603,782) | (2,347,034) |
| Nonoperating revenues | 143,329 | 150,274 |
| Nonoperating expenses | (50,072) | (55,912) |
| Change in net position | $ 873,729 | $ 1,186,553 |
| Total assets | $ 11,182,989 | $ 9,811,156 |
| Total liabilities | (3,585,100) | (3,086,225) |
| Total net position | $ 7,597,889 | $ 6,724,931 |

**Note 10 – Energy Northwest**

ENW Nuclear Project Nos. 1, 2, and 3 – The District has entered into "net billing agreements" with Energy Northwest (ENW, formerly Washington Public Power Supply System) and the Bonneville Power Administration (BPA). Under terms of these agreements, the District has purchased a maximum of .255% and 1.042% of the capability of ENW's Nuclear Project Nos. 1 and 2, respectively, and .143% of the capability of ENW's 70% ownership share of its Nuclear Project No. 3 and has assigned this capability to BPA. BPA is unconditionally obligated to pay the District, and the District is unconditionally obligated to pay ENW, the pro rata share of the total annual costs of each project, including debt service on revenue bonds issued to finance the projects, whether or not the projects are completed, operable, or operating and notwithstanding the suspension, reduction, or curtailment of the projects' output.

Nuclear Project Nos. 1 and 3 were approximately 63% and 75% complete, respectively, and had both been in a state of extended construction delay for many years, with all systems being maintained in condition to resume construction at any time. However, on May 13, 1994, the ENW full board of directors voted to declare termination of both projects. At this juncture, there has been no resolution concerning the final dispensation of the assets and liabilities associated therewith.

Nuclear Project No. 2 was completed and placed in operation on December 13, 1984.

The District's net billing obligations in 2022 (2022 ENW Budget Year) and 2021 (2021 ENW Budget Year) were as follows:

| **ENW Fiscal 2022 Budget Year** | No. 1 | No. 2 | No. 3 | Total |
|---|---|---|---|---|
| Annual budget | $ 20,882,000 | $ 430,172,000 | $ 27,744,000 | $ 478,798,000 |
| District's share | 0.00255 | 0.01042 | 0.00143 | |
| District's net billing obligation | 53,249 | 4,482,392 | 39,674 | 4,575,315 |
| **ENW Fiscal 2021 Budget Year** | | | | |
| Annual budget | $ 23,333,000 | $ 399,216,000 | $ 25,589,000 | $ 448,138,000 |
| District's share | 0.00255 | 0.01042 | 0.00143 | |
| District's net billing obligation | 59,499 | 4,159,831 | 36,592 | 4,255,922 |

**Hanford Project** – In accordance with agreements between ENW, BPA, and 76 participants and between ENW and the U.S. Department of Energy (DOE), ENW constructed the Hanford Project, which began commercial operation in 1966 with a capacity of approximately 860 MW.

Pursuant to an exchange agreement entered into between the District, ENW, and BPA, the District had purchased 0.424% of the output of the Hanford Project and is obligated to pay ENW the same percentage of the annual costs.

Under an exchange agreement with the other participants in the Hanford Project, BPA had acquired the capability of the Hanford Project, including the District's share, in exchange for power from BPA. A decision was made in February 1988 by the DOE to maintain the project in a "cold standby" mode of operation.

ENW has evaluated alternative energy uses for the plant to no avail. Current options include a transfer to DOE for removal and site restoration, or removal and site restoration by ENW. At this time, it is unknown what the eventual disposition of the Hanford Project will be. ENW has reduced the project's assets to net realizable value and accrued the estimated cost of removal and site restoration.

**Nine Canyon Wind Project** – On October 1, 2001, the District entered into a power purchase agreement with ENW for output from the Nine Canyon Wind Project. The original project consisted of 37 wind turbines, with an aggregate generating capacity of approximately 48 MW, and was launched into commercial operation in fall 2002. During 2003, a second phase of the project was completed, adding an additional 12 turbines, and bringing the project capacity up to about 63.7 MW. During 2006, a third phase of the project was completed, adding an additional 14 turbines, and bringing the current total project capacity up to about 96 MW.

The District is currently one of 10 public utility Districts participating in the power purchase agreements for project output. The District purchased a 25% share of the generation output from Phases 1 and 2 and no output at all from Phase 3, bringing its combined share of total project output to 16.61%. The District is committed to paying its pro rata share of debt service on the Nine Canyon Wind Project Revenue Bonds issued by ENW for Phases 1 and 2. A bond refunding/reissuance process commenced in 2004 and completed in 2005, thereby establishing the District's estimated liability for project bond principal at $23,312,500. That amount could escalate to as much as $29,140,625 after a step-up provision that could trigger in the event that other purchasers defaulted on their contractual obligations. The District pays its share of the ongoing project operational costs through monthly power purchase agreement assessment invoices, which were consistently $220,021 throughout 2021 and half of 2022. In July 2022, payments decreased to $176,016.

Financial and operating information regarding Energy Northwest may be obtained from Energy Northwest at PO Box 968, Richland, WA 99352.

## Note 11 – Other Power Supply Agreements

**Wells Hydroelectric Project** – Since the initial construction of the Wells Hydroelectric Project, the District has been a party to a power sales contract governing the apportionment of the project output. The District's current share of the total output from Wells Hydroelectric Project is 9.4%, which represents 46.10% and 40.45% of the District's total power purchases in 2022 and 2021, respectively. During the 1980s, both the District and Public Utility District No. 1 of Douglas County (Douglas PUD) contested several provisions of the 1963 agreement and sought resolution of the disputed issues in Chelan County Superior Court. Disputes between the parties were resolved with a Memorandum of Understanding signed on August 5, 1991, requiring the two Districts to negotiate a new power sale contract commencing in September 2018 and extending for an additional 50 years. Negotiations on this contract concluded with the placement of the final signatures on May 15, 2017. The terms of the contract will allow the District's portion of the project output to grow relative to its increasing loads until peaking at a 30% share. The District's annual contractual purchases are to be priced at its respective output percentage multiplied by the actual annual Wells Project cost of production and operation. The District expended $6,697,373 and $5,345,936 on Wells power purchases in 2022 and 2021, respectively.

At the end of 2022, it was discovered that there had been a billing error in the PGE power agreement with Douglas PUD. As of December 31, 2022, the District recorded an estimated receivable for a recoverable amount of $2,459,000 that had been calculated and verified for January, February, March, and December 2022.

**Enloe Hydroelectric Project** – Enloe Dam related activities pursued during 2019 included updating the Dam Safety Plan and the analysis of proposed options to dewater and closely inspect the face and toe of the dam. In 2022, this was accomplished by refurbishing/rebuilding the original dam gates and penstocks to divert the entire river flow around the spillway. This option allows for recurrent future inspections as changing regulations may dictate. The comprehensive inspection was successfully completed in September 2022 without safety incident, and in compliance with applicable permits. The main finding from the inspection is that no emergency measures are needed to ensure safe operations in the near term. There were features identified in the inspection that may require an update to the stability modeling analysis. This will be subject to the discretion of the Washington State Department of Ecology's Safety Department

**Note 12 – Northwest Open Access Network**

The District is a member of Northwest Open Access Network (NoaNet), a nonprofit mutual corporation formed by the District in collaboration with several other public utilities in the state of Washington. NoaNet was incorporated in February 2000 to facilitate the construction of a communications backbone to accommodate the increasing broadband needs of the member utilities and their customers. The NoaNet network began commercial operation in early 2001.

As of December 31, 2016, NoaNet had a $13 million line of credit with Wells Fargo Bank with an outstanding balance of $9,350,638. In early 2017, they established a new banking relationship with Washington Trust Bank creating new accounts through which they retired all outstanding Wells Fargo debt. The balances owed on those accounts at December 31, 2019, were $13,378,841. In April 2020, NoaNet issued $24,775,000 of Revenue Bonds to retire the pervious loans and lines of credit and to fund future capital expenditures. The principal outstanding balance of the bonds at December 31, 2022, is $20,135,000.

The District's ownership interest in NoaNet was 8.04% as of December 31, 2022 and 2021. During 2022, NoaNet incurred a net loss from operations of $1,536,504. This operating loss partially offset by interest revenue but increased by interest expense, reduced net position of $43,058,719 in 2021 to $41,419,643 in 2022. NoaNet financial results for 2022 are estimated; however, any variance will not have a material impact on the District's financial position.

Financial and operating information regarding NoaNet may be obtained from the NoaNet Financial Center, 5802 Overlook Ave NE, Tacoma, WA 98422.

**Note 13 – Pending Litigation**

**Claims** – The District is involved in various minimal claims arising in the normal course of business. The District does not believe that the ultimate outcome of these matters will have a material adverse impact on its financial position.

### Note 14 – Subsequent Events

In May 2023, the District and eight other NoaNet members committed to loan amounts to enable NoaNet to move employees to the PERS retirement system. NoaNet's pension liability owed to its employees and former employees is approximately $10,400,000. Lending members provided financing so that Nonet can continue providing effective high-speed communications to the lending members and all NoaNet members. The District loaned to NoaNet $1,000,000 and the repayment of this loan will be over ten years with interest per the Northwest Open Access Network Member Loan Agreement dated April 27, 2023.

# Required Supplementary Information

# Public Utility District No. 1 of Okanogan County, Washington
## Schedule of Proportionate Share of the Net Pension Liability (Asset)
## As of June 30

| | 2022 | | 2021 | | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 |
| Employer's proportion of the net pension liability | 0.055779% | 0.072547% | 0.060267% | 0.077498% | 0.055957% | 0.072542% | 0.058123% | 0.075089% | 0.058358% | 0.074584% |
| Employer's proportionate share of the net pension liability (asset) | $ 1,553,092 | $ (2,690,609) | $ 736,001 | $ (7,720,048) | $ 1,975,584 | $ 927,771 | $ 2,235,036 | $ 729,369 | $ 2,606,288 | $ 1,273,455 |
| Employer's covered payroll | $ - | $ 9,035,029 | $ - | $ 9,264,319 | $ - | $ 8,470,172 | $ - | $ 8,163,393 | $ - | $ 7,786,739 |
| Employer's proportionate share of the net pension liability as a percentage of covered payroll | 0.00% | -29.78% | 0.00% | -83.33% | 0.00% | 10.95% | 0.00% | 8.93% | 0.00% | 16.35% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 78.24% | 100.86% | 88.74% | 120.29% | 68.64% | 97.22% | 67.12% | 97.77% | 63.22% | 95.77% |

| | 2017 | | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|---|
| | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 |
| Employer's proportion of the net pension liability | 0.058231% | 0.074901% | 0.066079% | 0.084448% | 0.070364% | 0.089705% | 0.064331% | 0.081669% |
| Employer's proportionate share of the net pension liability (asset) | $ 2,763,106 | $ 2,602,452 | $ 3,548,754 | $ 4,251,890 | $ 3,680,691 | $ 3,205,211 | $ 3,240,704 | $ 1,650,825 |
| Employer's covered payroll | $ - | $ 7,343,270 | $ 5,720 | $ 7,944,672 | $ 44,842 | $ 7,961,648 | $ 44,854 | $ 7,052,508 |
| Employer's proportionate share of the net pension liability as a percentage of covered payroll | 0.00% | 35.44% | 62041.15% | 53.52% | 8208.13% | 40.26% | 7225.01% | 23.41% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 61.24% | 90.97% | 57.03% | 85.82% | 59.10% | 89.20% | 61.19% | 93.29% |

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

# Public Utility District No. 1 of Okanogan County, Washington
## Schedule of Employer Contributions as of December 31

| | 2022 | | 2021 | | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 |
| Statutorily or contractually required contributions | $ - | $ 976,037 | $ - | $ 1,023,930 | $ - | $ 1,194,948 | $ - | $ 1,075,451 | $ - | $ 1,023,302 |
| Contributions in relation to the statutorily or contractually required contributions | - | (976,037) | - | (1,023,930) | - | (1,194,948) | - | (1,075,451) | - | (1,023,302) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ - | $ 9,476,472 | $ - | $ 8,839,175 | $ - | $ 9,262,672 | $ - | $ 8,372,377 | $ - | $ 8,030,219 |
| Contributions as a percentage of covered payroll | 0.00% | 10.30% | 0.00% | 11.58% | 0.00% | 12.90% | 0.00% | 12.85% | 0.00% | 12.74% |

| | 2017 | | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|---|
| | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 | PERS 1 | PERS 2/3 |
| Statutorily or contractually required contributions | $ - | $ 892,670 | $ - | $ 816,064 | $ 2,282 | $ 810,707 | $ 4,125 | $ 729,692 |
| Contributions in relation to the statutorily or contractually required contributions | - | (892,670) | - | (816,064) | (2,282) | (810,707) | (4,125) | (729,692) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ - | $ 7,464,551 | $ - | $ 7,299,320 | $ 24,388 | $ 7,873,743 | $ 44,789 | $ 7,922,822 |
| Contributions as a percentage of covered payroll | 0.00% | 11.96% | 0.00% | 11.18% | 9.36% | 10.30% | 9.21% | 9.21% |

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

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# Report of Independent Auditors 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*

The Commissioners
Public Utility District No.1 of Okanogan County, 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 the Public Utility District No.1 of Okanogan County, Washington (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated June 12, 2023.

## Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Everett, Washington
June 12, 2023

# Supplementary Information (Unaudited)

# Public Utility District No. 1 of Okanogan County, Washington
## Comparative Results of Operations and Debt Service Coverage (Unaudited)

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 (Restated) | 2020 | 2019 | 2018 |
| OPERATING REVENUES | | | | | |
| Electric - retail | $ 54,864,559 | $ 49,357,210 | $ 46,271,092 | $ 45,810,067 | $ 44,579,946 |
| Electric - wholesale | 6,181,920 | 3,867,948 | 3,542,929 | 3,880,384 | 3,983,254 |
| Telecommunications | 3,068,608 | 3,233,798 | 3,182,638 | 2,831,472 | 2,978,557 |
| Other operating revenue | 3,131,196 | 3,177,258 | 1,748,733 | 1,773,699 | 1,753,999 |
| Total operating revenues | 67,246,283 | 59,636,214 | 54,745,392 | 54,295,622 | 53,295,756 |
| OPERATING EXPENSES | | | | | |
| Cost of power | 30,571,192 | 26,734,443 | 25,358,054 | 28,755,100 | 25,801,958 |
| Electric operations and maintenance | 8,080,095 | 7,271,171 | 8,010,424 | 7,624,606 | 7,756,304 |
| Telecommunications operations and maintenance | 1,589,327 | 1,361,003 | 1,373,914 | 1,098,606 | 1,020,591 |
| Customer accounting and information | 1,919,771 | 2,200,657 | 1,907,293 | 2,036,620 | 2,222,937 |
| Administration and general | 3,483,127 | 1,584,569 | 3,412,951 | 3,667,110 | 3,334,670 |
| Depreciation and amortization | 6,224,436 | 6,034,912 | 6,035,441 | 6,678,205 | 6,245,405 |
| Taxes | 3,411,470 | 3,064,663 | 2,906,689 | 2,871,178 | 2,848,487 |
| Total operating expenses | 55,279,418 | 48,251,418 | 49,004,766 | 52,731,425 | 49,230,352 |
| Net operating revenue (expense) | 11,966,865 | 11,384,796 | 5,740,626 | 1,564,197 | 4,065,404 |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest income | 358,614 | 109,564 | 212,312 | 310,680 | 223,663 |
| Grant revenue | 211,670 | 9,422 | 624,265 | 883,862 | - |
| Contributed capital | 1,995,803 | 2,066,519 | 1,214,361 | 891,735 | 1,097,953 |
| Interest on long-term debt | (2,439,491) | (2,580,230) | (1,995,985) | (1,571,559) | (1,155,089) |
| Other revenue | 400,852 | 410,501 | 410,066 | 408,978 | 407,454 |
| Other expenses | 100,442 | (21,504) | (1,593,132) | 7,824 | (334,482) |
| Net nonoperating revenues (expenses) | 627,890 | (5,728) | (1,128,113) | 931,520 | 239,499 |
| CHANGE IN NET ASSETS | $ 12,594,755 | $ 11,379,068 | $ 4,612,513 | $ 2,495,717 | $ 4,304,903 |
| DEBT SERVICE COVERAGE ADJUSTMENTS | | | | | |
| Interest charges | $ 2,439,491 | $ 2,580,230 | $ 1,995,985 | $ 1,571,559 | $ 1,155,089 |
| Depreciation and amortization | 6,224,436 | 6,034,912 | 6,035,441 | 6,678,205 | 6,245,405 |
| Capital grant | (211,670) | (9,422) | (624,265) | (883,862) | - |
| Total debt service coverage adjustments | 8,452,257 | 8,605,720 | 7,407,161 | 7,365,902 | 7,400,494 |
| AVAILABLE FOR DEBT SERVICE | $ 21,047,012 | $ 19,984,788 | $ 12,019,674 | $ 9,861,619 | $ 11,705,397 |
| TOTAL DEBT SERVICE | $ 4,286,665 | $ 4,981,078 | $ 3,397,541 | $ 3,633,836 | $ 3,633,836 |
| DEBT SERVICE COVERAGE | 4.91 | 4.01 | 3.54 | 2.71 | 3.22 |

See report of independent auditors.

# Public Utility District No. 1 of Okanogan County, Washington
## Customer Statistical Data (Unaudited)

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 (Restated) | 2020 | 2019 | 2018 |
| ACTIVE CUSTOMER ACCOUNTS | | | | | |
| Residential | 17,972 | 17,871 | 17,579 | 17,407 | 17,302 |
| General service | 2,652 | 2,623 | 2,580 | 2,554 | 2,534 |
| Industrial | 2 | 2 | 2 | 2 | 2 |
| Irrigation and frost control | 1,326 | 1,325 | 1,328 | 1,339 | 1,342 |
| Street lighting | 20 | 20 | 20 | 20 | 20 |
| Sales for resale | 1 | 1 | 1 | 6 | 4 |
| Telecommunications | 17 | 18 | 17 | 18 | 17 |
| Total active customer accounts | 21,990 | 21,860 | 21,527 | 21,346 | 21,221 |
| REVENUES BILLED | | | | | |
| Residential | $ 30,727,665 | $ 26,182,514 | $ 24,444,809 | $ 24,493,870 | $ 23,036,243 |
| General service | 18,418,145 | 16,989,497 | 16,144,059 | 16,235,571 | 16,186,787 |
| Industrial | 950,041 | 920,067 | 917,284 | 843,628 | 930,751 |
| Irrigation and frost control | 4,613,917 | 5,113,202 | 4,620,876 | 4,093,531 | 4,281,503 |
| Street lighting | 154,791 | 151,930 | 144,064 | 143,467 | 144,662 |
| Sales for resale | 6,181,920 | 3,867,948 | 3,542,929 | 3,880,384 | 3,983,254 |
| Telecommunications | 3,068,608 | 3,233,798 | 3,182,638 | 2,831,472 | 2,978,557 |
| Other operating revenue | 3,131,196 | 3,177,258 | 1,748,733 | 1,773,699 | 1,753,999 |
| Total revenues billed | $ 67,246,283 | $ 59,636,214 | $ 54,745,392 | $ 54,295,622 | $ 53,295,756 |
| ENERGY CONSUMED (kWh) | | | | | |
| Residential | 332,675,615 | 298,243,687 | 292,912,046 | 300,094,519 | 290,653,707 |
| General service | 234,341,348 | 227,371,838 | 221,477,264 | 225,008,623 | 228,247,611 |
| Industrial | 14,057,630 | 14,598,650 | 14,431,000 | 13,442,950 | 14,993,620 |
| Irrigation and frost control | 61,792,135 | 75,923,751 | 69,795,516 | 61,495,725 | 65,125,700 |
| Street lighting | 372,041 | 372,499 | 371,596 | 373,131 | 373,799 |
| Sales for resale | 130,810,000 | 107,696,000 | 208,353,000 | 175,730,742 | 220,928,000 |
| Total energy consumed (kWh) | 774,048,769 | 724,206,425 | 807,340,422 | 776,145,690 | 820,322,437 |
| AVERAGE ANNUAL REVENUE PER CUSTOMER | | | | | |
| Residential | $ 1,710 | $ 1,465 | $ 1,391 | $ 1,407 | $ 1,331 |
| General service | 6,945 | 6,477 | 6,257 | 6,357 | 6,388 |
| Industrial | 475,021 | 460,034 | 458,642 | 421,814 | 465,376 |
| Irrigation and frost control | 3,480 | 3,859 | 3,480 | 3,057 | 3,190 |
| Street lighting | 7,740 | 7,597 | 7,203 | 7,173 | 7,233 |
| Sales for resale | 6,181,920 | 3,867,948 | 3,542,929 | 646,731 | 995,814 |
| Telecommunications | 180,506 | 179,655 | 187,214 | 157,304 | 175,209 |
| Total annual average revenue per customer | $ 3,058 | $ 2,728 | $ 2,462 | $ 2,544 | $ 2,511 |
| AVERAGE ANNUAL kWh PER CUSTOMER | | | | | |
| Residential | 18,511 | 16,689 | 16,663 | 17,240 | 16,799 |
| General service | 88,364 | 86,684 | 85,844 | 88,100 | 90,074 |
| Industrial | 7,028,815 | 7,299,325 | 7,215,500 | 6,721,475 | 7,496,810 |
| Irrigation and frost control | 46,600 | 57,301 | 52,557 | 45,927 | 48,529 |
| Street lighting | 18,602 | 18,625 | 18,580 | 18,657 | 18,690 |
| Total annual average kWh per customer | 29,275 | 28,227 | 27,848 | 28,159 | 28,273 |

# Public Utility District No. 1 of Okanogan County, Washington
## Other Financial Data (Unaudited)

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2022 | 2021 (Restated) | 2020 | 2019 | 2018 |
| COST OF POWER | | | | | |
| Bonneville Power Administration | $ 14,925,891 | $ 15,903,631 | $ 16,236,105 | $ 16,719,466 | $ 16,709,206 |
| Douglas County PUD - Wells Hydroelectric Project | 6,697,373 | 5,345,936 | 4,511,153 | 3,831,803 | 3,985,033 |
| Energy NW - Nine Canyon Wind Project | 2,736,161 | 2,984,799 | 2,979,572 | 2,971,731 | 2,969,117 |
| Other cost of power, including market purchases | 6,211,767 | 2,500,077 | 1,631,224 | 5,232,100 | 2,138,602 |
| Total cost of purchased power | $ 30,571,192 | $ 26,734,443 | $ 25,358,054 | $ 28,755,100 | $ 25,801,958 |
| ENERGY RESOURCES MWh | | | | | |
| Bonneville Power Administration | 384,854 | 395,868 | 400,885 | 427,782 | 466,664 |
| Douglas County PUD - Wells Hydroelectric Project | 352,691 | 309,452 | 372,609 | 295,759 | 318,123 |
| Energy NW - Nine Canyon Wind Project | 32,682 | 39,804 | 41,567 | 32,195 | 38,805 |
| Other cost of power, including market purchases | 39,352 | 19,946 | 26,922 | 51,865 | 22,475 |
| Total energy resources MWh | 809,579 | 765,070 | 841,983 | 807,601 | 846,067 |
| AVERAGE COST PER MWh | | | | | |
| Bonneville Power Administration | $ 38.78 | $ 40.17 | $ 40.50 | $ 39.08 | $ 35.81 |
| Douglas County PUD - Wells Hydroelectric Project | 18.99 | 17.28 | 12.11 | 12.96 | 12.53 |
| Energy NW - Nine Canyon Wind Project | 83.72 | 74.99 | 71.68 | 92.30 | 76.51 |
| Other cost of power, including market purchases | 157.85 | 125.34 | 60.59 | 100.88 | 95.15 |
| Average cost per MWh (all resources) | $ 37.76 | $ 34.94 | $ 30.12 | $ 35.61 | $ 30.50 |
| PEAK DEMAND MW | 180 | 180 | 170 | 161 | 156 |
| NET UTILITY PLANT | $ 135,849,866 | $ 129,165,392 | $ 114,937,136 | $ 112,563,273 | $ 110,383,214 |
| EMPLOYEE DATA | | | | | |
| Full-time employees | 90 | 86 | 91 | 93 | 93 |
| Total employees | 90 | 86 | 91 | 93 | 93 |

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