Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Public Utility District No. 1 of Asotin County

For the period January 1, 2022 through December 31, 2022

Published December 26, 2023

Report No. 1033811

Office of the Washington State Auditor
Pat McCarthy

December 26, 2023

Board of Commissioners
Public Utility District No. 1 of Asotin County
Clarkston, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Public Utility District No. 1 of Asotin County
January 1, 2022 through December 31, 2022

Board of Commissioners
Public Utility District No. 1 of Asotin County
Clarkston, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Public Utility District No. 1 of Asotin County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted certain other matters that we will report to the management of the District in a separate letter dated December 19, 2023.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

December 8, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No. 1 of Asotin County
January 1, 2022 through December 31, 2022

Board of Commissioners
Public Utility District No. 1 of Asotin County
Clarkston, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Public Utility District No. 1 of Asotin County, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Asotin County, as of December 31, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

December 8, 2023

FINANCIAL SECTION

Public Utility District No. 1 of Asotin County
January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis

The following Management Discussion and Analysis is designed to provide an overview of the Asotin County Public Utility District's (District) financial activities for the year ended December 31, 2022. This discussion should be read in conjunction with the District's financial statements and notes to the financial statements.

The District owns and operates a public water system with approximately 7,563 connections to customers in Asotin County covering twenty square miles. The District also owns and operates the Port of Wilma water system in Whitman County which serves approximately thirty commercial and industrial customers. The District provides sanitary sewer collection to 1,490 customers. The District's office and main shop are located in Clarkston, Washington.

Basic Financial Statements

The Statement of Net Position presents the District's assets, deferred outflows, liabilities, and deferred inflows, with the balance reported as net position. The Statement of Net Position provides information about the nature and amount of investment in resources (assets), and the obligations to creditors (liabilities). The net position increases when revenues exceed expenses. The Statement of Revenue, Expenses and Changes in Fund Net Position reports the revenues and expenses during the periods indicated. The Statement of Cash Flow provides information about the District's cash receipts and payments from operations, as well as funds provided in investing and financing activities. The notes to the financial statements provide additional information that is essential to fully understanding the figures provided in the financial statements.

Financial Analysis and Summary

The District's overall financial condition remains stable. The District has been very careful with the resources that have been provided by rate revenue because there is very little growth potential projected for revenues from new customers. Slow growth in costs have provided revenue stability for the District and rate stability for customers while allowing the District to meet its obligations and provide for capital improvement.

The District's consumption rate increased from $1.10 to $1.15, and the meter base rate increased $1.00 across meter sizes ¾" to 2", $2.00 for 3" to 6" meters, and $4.00 for 8"meters during 2022. The District is continuing to use current rates to fund asset expansion. This plan is possible because significant amounts of debt have been retired and the combined revenues between the water and wastewater system will be adequate to cover identified improvements.

Current and other assets were relatively stable over 2022 with a decrease of $697 thousand, most of which is attributable to the decrease in Net Pension Asset. Inventory increased $269 thousand or 132%. This is because the District received authorization from the board to bid and purchase much of the inventory forecasted to be used in 2023, so as not to delay construction. Capital assets increased $940 thousand as a result of current year land and infrastructure additions offset by depreciation.

Short-term liabilities increased $376 thousand, or 170% in 2022, $313 thousand of which relate to an increase in Accounts Payable. The District began construction of significant assets this year.

Of outstanding payables, $184 thousand are related to capital outlay. Long-term liabilities increased by $141 thousand due to an increase in Net Pension Liability, resulting from the State's actuarial valuation. Deferred inflows of resources decreased because of the decreases in the deferred inflows related to Net Pension Assets.

CONDENSED COMPARATIVE STATEMENT OF NET POSITION
As of December 31, 2022 and 2021
(In thousands)

	2022	2021	Change
Assets			
Current and other assets	$ 4,449	$ 5,146	$ (697)
Capital assets, net of depreciation	23,266	22,326	940
Total Assets	27,715	27,472	243
Deferred outflows of resources	1,146	833	313
Liabilities			
Other liabilities	597	221	376
Long-term liabilities	1,835	1,694	141
Total Liabilities	2,432	1,915	517
Deferred inflows of resources	568	1,386	(818)
Net Position			
Net investment in capital assets	23,266	22,327	939
Restricted	379	1,202	(823)
Unrestricted	2,216	1,475	741
Total net position	$ 25,861	$ 25,004	$ 857

The largest portion of the District's net position is the classification Net Investment in Capital Assets. This classification reflects the District's investment in capital assets (land, intangible assets such as easements and water rights, buildings, plant, and equipment) less any remaining related debt. The District uses its capital assets to provide services to its customers. The classification Net Investment in Capital Assets increased by approximately $939 thousand in 2022, as assets were added at a greater rate than depreciation.

The remainder of the District's net position is made up of restricted and unrestricted net position. The unrestricted net position may be used to meet the District's ongoing obligations to customers and creditors, while the restricted net position are a reflection of the Districts' proportionate share of the State of Washington's Pension Assets. Unrestricted net position increased $741 thousand in 2022.

CONDENSED COMPARATIVE STATEMENT OF CHANGES IN FUND NET POSITION
For the year ended December 31, 2022 and 2021
(In thousands)

	2022	2021	Change
Operating revenues			
Metered and Wastewater sales	$ 5,610	$ 5,928	$ (318)
Other operating	457	578	(121)
Non-operating revenues - other	9	-	9
Non-operating revenues -disposal of assets	(26)	(228)	202
Total revenues	6,050	6,278	(228)
Operating expenses			
Operation	2,000	1,853	147
Maintenance	221	1,164	(943)
Customer Services	412	341	71
General Administration	1,835	475	1,360
Depreciation	464	475	(11)
Excise and B&O Taxes	261	247	14
Total expenses	5,193	4,555	638
Change in net position	857	1,723	(866)
Net Position, beginning of year	25,004	23,281	1,723
Net Position, end of year	$ 25,861	$ 25,004	$ 857

Change in net position after non-operating revenues and expenses was $857 thousand in 2022, which is $866 thousand less than the change in net position for 2021. Total revenues decreased by $228 thousand, mainly due to a decrease in metered and wastewater sales which occurred because of the increased rainfall in 2022. Expenditures increased by $638 thousand mainly due to an increase in general admin, which includes pension liability and other operating expenses. The increase in operating expenses is due to an increase in salaries and other general operations.

The net utility operating income before non-operating revenues and expenses was $874 thousand as compared to $2 million in 2021. The operating income decreased by approximately $1.1 million between 2021 and 2022, for the reasons mentioned above.

Capital Assets

The District's total capital assets as of December 31, 2022 were $23.3 million, net of depreciation. Funds for capital construction are provided for through a combination of installation charges and cash flow from revenues. See Note 3 of the accompanying notes to the financial statements for further detail related to capital asset activity.

Economic Outlook and Currently Known Facts

In 2022, the District consumptive meter charge increased by $1.10-$1.15 across meter sizes. The District has projected a 5% increase in rates over the next three years to fund utility operations and future projects identified in the water system plan. The District continues to strive to reduce its capital debt and use current resources to fund capital acquisition.

On December 28, 2022, the District entered into a city sewer system operator agreement with the City of Clarkston that begins on April 1, 2023. The District will begin billing customers, take revenue directly from customers and be responsible for transmission and treatment costs. This will increase revenues and expenditures during 2023.

Requests for Information

This financial report is designed to provide the District's customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about the report or need additional information, contact the District's General Manager at:

Public Utility District No. 1 of Asotin County
Attention: General Manager
P.O. Box 605
Clarkston, WA 99403

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2022

		2022
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	3,162,339
Investments		
Accounts Receivable, net		433,090
Materials Inventory		472,227
TOTAL CURRENT ASSETS		4,067,656
Noncurrent Assets:		
Workers Compensation Deposit		1,548
Net Pension Asset		379,119
Capital Assets Not Being Depreciated		174,715
Capital Assets Being Depreciated		23,091,667
TOTAL NONCURRENT ASSETS		23,647,049
TOTAL ASSETS	$	27,714,705
DEFERRED OUTFLOWS OF RESOURCES		
Amounts related to Asset Retirement Obligations		686,390
Amounts Related to Pensions		416,864
Amounts Related to OPEB		43,225
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	1,146,479

The Notes to the Financial Statements are an integral part of this statement

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2022

		2022
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	396,475
Wages Payable		44,813
Customer Deposits		50,799
Compensated Absences - Current		33,998
Other Current Liabilities		30,606
Total Other Post Employment Benefits Liability - Current Portion		40,769
TOTAL CURRENT LIABILITIES		597,460
Noncurrent Liabilities:		
Compensated Absences		305,982
Claims Liability Payable		74,909
Total Other Post Employment Benefits Liability		230,233
Asset Retirement Obligation		1,006,171
Net Pension Liability		217,654
TOTAL NONCURRENT LIABILITIES		1,834,949
TOTAL LIABILITIES	$	2,432,409
DEFERRED INFLOWS OF RESOURCES		
Amounts Related to Pensions		409,279
Amounts Related to OPEB		158,502
TOTAL DEFERRED INFLOWS OF RESOURCES	$	567,781
NET POSITION		
Net Investment in Capital Assets		23,266,382
Restricted for Net Pension		379,119
Unrestricted		2,215,493
TOTAL NET POSITION	$	25,860,994

The Notes to the Financial Statements are an integral part of this statement

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2022

		2022
OPERATING REVENUES		
Metered and Wastewater Sales	$	5,610,250
Other Operating Revenues		457,496
Total Operating Revenue		6,067,746
OPERATING EXPENSES		
Operation Expense		
General Operations		1,704,019
Power Purchased for Resale		10,321
Cost of Energy		285,808
Maintenance		220,675
Customer Services		412,302
General Administration		1,835,338
Depreciation and Amortization		464,091
Excise and B&O Taxes		261,127
Total Operating Expenses		5,193,682
OPERATING INCOME (LOSS)		874,064
NONOPERATING REVENUES (EXPENSES)		
Interest Income		8,959
Gain (Loss) on Sale and/or Disposition Property		(26,245)
Total Nonoperating Revenues (Expenses)		(17,286)
CHANGE IN NET POSITION		856,778
TOTAL NET POSITION, January 1, 2022		25,004,216
TOTAL NET POSITION, December 31, 2022	$	25,860,994

The Notes to the Financial Statements are an integral part of this statement

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

		2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	6,087,004
Payments to Suppliers		(2,605,817)
Payments to Employees		(2,154,572)
Payments for Taxes		(261,127)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,065,488
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Note Receivable		-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets		(1,245,551)
Proceeds from the Sale of an Asset		0
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(1,245,551)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments		8,959
NET CASH PROVIDED BY INVESTING ACTIVITIES		8,959
NET INCREASE IN CASH AND CASH EQUIVALENTS		(171,104)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,333,443
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	3,162,339
RECONCILIATION TO NET POSITION		
Cash and Cash Equivalents		3,162,339
TOTAL CASH AND CASH EQUIVALENTS	$	3,162,339

The Notes to the Financial Statements are an integral part of this statement

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Utility Operating Income	$	874,064
Adjustments to Reconcile Net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation Expense		464,091
Amortization Expense		10,725
(Increase) Decrease in Receivables		19,258
(Increase) Decrease in Inventories		(268,701)
Increase (Decrease) in Current Payables		113,885
Increase (Decrease) in Accrued Payroll		(545)
Increase (Decrease) in Pension Items		(156,706)
Increase (Decrease) in Accrued Employee Benefits		9,417
Increase (Decrease) in Asset Retirement Obligation		-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	1,065,488

Noncash Investing, Financing and Capital Activities

Capital assets financed through accounts payable	$	184,443

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Public Utility District No. 1 of Asotin County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Reporting Entity. Public Utility District No. 1 of Asotin County was formed in 1984 and began operation in April, 1987, and operates under the laws of the state of Washington applicable to public utility districts. The District is a municipal corporation that provides residential and commercial water service, wastewater service and limited electrical service within Asotin County, Washington. A three-member board governs the District. As required by 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 records of the District are maintained in accordance with methods prescribed by the State Auditor, under the authority of Chapter 43.09 RCW. The District uses the uniform system of accounts for Class A water utilities prescribed by the National Association of Regulatory Commissioners (NARUC).

The District's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are derived from its charges to customers for water supply and distribution. Operating expenses include cost of providing services and maintenance, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, Fund Balance, Net Position

Cash and Cash Equivalents. The District's cash and cash equivalents are considered to be cash on hand, certificates of deposit, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For the purposes of the statement of cash flows, the District classifies the Washington State Local Government Investment Pool as cash. Investments in the State Investment Pool are classified as cash equivalents on the financial statements.

Investments All investments of the District are reported at amortized cost.

Interest is recognized in non-operating revenues as earned. Changes in the fair value of investments are also included in non-operating revenues (expenses). Unrealized gains and losses are recognized on the books as of the statement of net position date. A detailed listing is shown in Note 2, Deposits & Investments.

Receivables. Accounts receivable includes current balances due on utility services billed and other receivables. An allowance for uncollectible accounts is provided based upon historical collection experience. The basis for Unbilled Accounts Receivable is accounts that were billed in January 2023 for service that was provided in December 2022.

Accounts receivable as of December 31, 2022, are as follows:

Receivables:	
Utility Service	$ 359,077
Unbilled Accounts Receivable	75,000
Allowance for Uncollectible Accounts	(987)
Total	$ 433,090

Materials Inventory. Inventories for the District consist of supplies held for consumption. The cost is recorded as an expense at the time individual inventory items are consumed. Plant materials and supplies are valued at the first-in, first-out average cost which approximates the market value.

Capital Assets and Depreciation. Capital Assets are defined by the District as assets with initial individual cost of more than $10,000 and an estimated useful life in excess of 3 years, and include property, plant equipment and infrastructure assets. Such assets are recorded at historical cost. Donations by developers are recorded at acquisition value at the date of donation. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Normal maintenance and repairs are accounted for as expenses when incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The original cost of utility plant retired or otherwise disposed of is removed from the plant account; accumulated depreciation is charged with the accumulated depreciation relating to the asset sold, and the net gain or loss on disposal is credited or charged to income. The gain (loss) from disposition of utility property account is maintained so that the transactions and details underlying each gain or loss are readily identifiable. See Note 3, Capital Assets.

Depreciation is computed on the straight-line method over the estimated useful lives of the asset as follows:

	Useful Life
Organizational and franchise costs	5-50 years
Buildings and improvements	50 years
Wells and distribution system	50-100 years
Equipment	5+ years

Compensated Absences. Compensated absences are absences for which employees will be paid. All personal leave is accrued when incurred. Personal leave pay, which may be accumulated up to a maximum of 1,200 hours, is payable upon resignation, retirement or death. See Note 4, Long-term Debt.

Other Current Liabilities. Other accrued liabilities include accrued payroll taxes and withholdings, and use taxes.

Claims Liability Payable. Claims Liability Payable represent future assessments to the District due to the PURMS insurance pool to meet minimum reserve requirements of the pool. At December 31, 2022, the claims liability payable was $74,909.

Long-term Debt. See Note 4, Long-term Debt.

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.

For purposes of calculating the restricted net position related to the net pension asset, the District includes the net pension asset only.

Total Other Post Employment Benefits Liability. See Note 6, Other Post Employment Benefits.

Asset Retirement Obligation. See Note 8, Asset Retirement Obligation.

Deferred Outflows of Resources and Deferred Inflows of Resources. A Deferred Outflow of Resources is a consumption of net position that is applicable to future periods. Deferred Inflows of Resources are acquisitions of net position in one period that are applicable to future periods. These are distinguished from assets and liabilities in the statement of net position. The District recognizes Deferred Outflows and Deferred inflows related to pension liability, asset retirement obligations and other post-employment benefits (OPEB) liability.

2. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

The District's deposits are entirely covered by the Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of December 31, 2022, the District's cash and cash equivalents are as follows:

Cash and cash equivalents:		
Bank depository and checking accounts	$	2,548,689
Petty Cash		450
Local Government Investment Pool		613,200
Total cash and cash equivalents	$	3,162,339

Deposits:

Custodial credit risk (deposits). Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The District has not adopted a policy that addresses deposit custodial risk; however, the District's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the District's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

Amounts held in Washington State banks approved by the Public Deposit Protection Commission (PDPC) are covered by federal depository insurance up to $250,000 and by the PDPC for amounts over $250,000. The PDPC constitutes a multiple financial institution collateral pool that provides for additional assessments against participants of the pool on a pro rata basis. Accordingly, the deposits covered by PDPC are considered to be insured.

Investments

The District does not have a policy for custodial credit risk of investment securities. Further, the District is not subject to foreign currency risk or interest rate risk. The District is currently invested in the Washington State Local Government Investment Pool (LGIP).

Investments Measured at Amortized Cost
As of December 31, 2022, the District had the following investments at amortized cost:

Investment	Maturities		Total
State Investment Pool (LGIP)	NA	$	613,200
Total		$	613,200

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

3. CAPITAL ASSETS

Utility plant activity for the year ended December 31, 2022 was as follows:

CAPITAL ASSETS	Beginning Balance	Increase	Decrease	Ending Balance
Utility plant not being depreciated				
Land	$ 174,715	$ -	$ -	$ 174,715
Total utility plant not being depreciated	174,715	-	-	174,715
Utility plant being depreciated				
Buildings and improvements	1,586,576	-	-	1,586,576
Wells, distribution system and infrastructure	28,587,383	1,329,331	85,574	29,831,140
Equipment	1,987,697	100,663	-	2,088,360
Total utility plant being depreciated	32,161,656	1,429,994	85,574	33,506,076
Less accumulated depreciation for:				
Buildings and improvements	792,454	37,760	-	830,214
Wells, distribution system and infrastructure	8,189,859	263,101	59,329	8,393,631
Equipment	1,027,334	163,230	-	1,190,564
Total accumulated depreciation	10,009,647	464,091	59,329	10,414,409
Total utility plant being depreciated, net	22,152,009	965,903	26,245	23,091,667
Total utility plant, net	$ 22,326,724	$ 965,903	$ 26,245	$ 23,266,382

4. LONG-TERM DEBT

A summary of changes in long-term debt is as follows:

	Balance 1/1/2022	Increase	Decrease	Balance 12/31/2022	Due within one year
Compensated Absences	$ 322,781	$ 339,980	$ 322,781	$ 339,980	$ 33,998
Claims Liability	89,878	-	14,969	74,909	-
Other Post Employment Benefits	278,035	-	7,033	271,002	40,769
Asset Retirement Obligation	947,013	59,158	-	1,006,171	-
Pension Liability	114,686	102,968	-	217,654	-
Total long-term debt	$ 1,752,393	$ 502,106	$ 344,783	$ 1,909,716	$ 74,767

5. PENSIONS

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ 217,654
Pension assets	379,119
Deferred outflows of resources	416,864
Deferred inflows of resources	409,279
Pension expense/expenditures	(48,874)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

<u>Contributions</u>

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for fiscal year 2022 were as follows:

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

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

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

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

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

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for fiscal year 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2**
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**
September - December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.39%**	**6.36%**

The District actual PERS plan contributions were $48,804 to PERS Plan 1 and $82,813 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS 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:** 7.00%

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

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.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	290,783	217,654	153,830
PERS 2/3	446,462	(379,119)	(1,057,386)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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

At June 30, 2022, the District reported its proportionate share of the net pension liabilities or assets as follows

Plan	Liability or Asset
PERS 1	$ 217,654
PERS 2/3	(379,119)

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

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.00939%	0.00782%	-0.00157%
PERS 2/3	0.01207%	0.01022%	-0.00185%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

Pension Expense

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

	Pension Expense
PERS 1	$ 64,055
PERS 2/3	(112,929)
TOTAL	(48,874)

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
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (36,072)
Contributions subsequent to the measurement date	22,450	-
TOTAL	$ 22,450	$ (36,072)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 93,937	$ (8,582)
Net difference between projected and actual investment earnings on pension plan investments	-	(280,285)
Changes of assumptions	211,307	(55,328)
Changes in proportion and differences between contributions and proportionate share of contributions	51,537	(29,012)
Contributions subsequent to the measurement date	37,633	-
TOTAL	$ 394,414	$ (373,207)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 93,937	$ (8,582)
Net difference between projected and actual investment earnings on pension plan investments	-	(316,357)
Changes of assumptions	211,307	(55,328)
Changes in proportion and differences between contributions and proportionate share of contributions	51,537	(29,012)
Contributions subsequent to the measurement date	60,083	-
TOTAL	$ 416,864	$ (409,279)

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

Year ended December 31:	PERS 1	PERS 2/3
2023	$ (15,265)	$ (82,133)
2024	(13,864)	(73,360)
2025	(17,392)	(94,280)
2026	10,450	134,893
2027	-	50,635
Thereafter	-	47,818

6. OTHER POST EMPLOYMENT BENEFITS

The following table represents the aggregate Other Post Employment Benefits (OPEB) other than pension amounts for the District's plan for the year 2022.

Aggregate OPEB amounts - All Plans		
OPEB Liabilities	$	271,002
Deferred outflows of resources		43,225
Deferred inflows of resources		158,502
OPEB Expense		20,612

Plan Description:

The District pays medical premiums under a single-employer defined benefit Other Post Employment Benefit plan.

This plan pays medical premiums of qualified retirees for one to three years from the date of retirement, depending on length of service. Additionally, all employees and spouses are eligible to retain medical coverage in PURMS after retirement. The employees and spouses electing to remain in PURMS pay their own premiums; however, coverage results in an implicit subsidy paid by the District through its rates for health care premiums through the pool.

As of year-end, there are 37 active District employees which may be eligible for continuing medical benefits, and one retired employee which is receiving these benefits. There are no retirees eligible but not receiving benefits.

There are no assets accumulated in a trust for this plan. This OPEB plan does not issue a stand-alone financial report nor is it included in the report of another entity.

Contributions:

This plan is not currently funded. The District policy is based on the pay as you go method. The benefit is 100% covered at the current year's premiums, which are paid by the District, with the exception of retiree-elected PURMS medical, which is paid for by the retiree. The implicit cost of allowing retired employees and spouse to retain PURMS coverage (implicit subsidy) is considered the contribution made by the District for that benefit. During the year, the District's implicit subsidy was $2,460.

Actuarial Methods and Assumptions:
The total OPEB liability was determined using the most recent actuarial valuation completed in 2022 with a valuation date of December 31, 2022.

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, inflation and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation. Actuarial calculations reflect a long-term perspective.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

Valuation Date	12/31/2022
Actuarial Cost Method	Entry Age Normal
Discount rate - Beginning of Measurement Year	2.25%
Discount rate - End of Measurement Year	4.31%
Healthcare Trend Rates	6.00%
Amortization Period - Level Dollar	9

Actuarial assumptions are developed consistent with the 2007-2012 Experience Study performed by the Office of the State Actuary. The source of the discount rate is the 20 Year AA Municipal Index Rate. Mortality rates were based on the RP-2014 report with 2021 Improvement rates. The Society of Actuaries publishes this document. Retirement was assumed to be at a minimum age 60 with 10+ years of service or minimum age 55 with age plus years of service of 80, with 100% election of PURMS coverage pre-65 and 0% election of PURMS coverage after age 65.

Sensitivity Rates

The following presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 6.0 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.0) or 1-percentage point higher (7.0%) that the current rate.

Health Care Trend Rate Sensitivity

1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
$ 252,648	$ 271,002	$ 291,958

The following presents the total OPEB liability of the District calculated using the discount rate of 4.31 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.31%) or 1-percentage point higher (5.31%) than the current rate.

Discount Rate Sensitivity

1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
$ 292,543	$ 271,002	$ 252,535

Changes in the Total OPEB Liability

At the measurement date December 31, 2022, the changes in the total OPEB liability are as follows:

		2022
Service cost	$	27,118
Interest Cost		5,914
Experience Gain/Loss		24,828
Changes in assumptions		(62,433)
Benefit payments		(2,460)
Net change in total OPEB liability		(7,033)
Total OPEB liability - beginning		278,035
Total OPEB liability - ending	$	271,002

The District reported $20,612 as OPEB expense for the calendar year 2022.

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 OPEB from the following:

		Deferred outflows of resources		Deferred inflows of resources
Difference between expected and actual experience	$	23,162	$	(101,798)
Changes of Assumptions		20,063		(56,704)
Total	$	43,225	$	(158,502)

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

Year ended December 31:		
2023	$	(12,420)
2024		(12,420)
2025		(12,420)
2026		(12,420)
2027		(12,419)
Therafter		(53,176)
	$	(115,277)

7. RISK MANAGEMENT

Self-Insurance Fund

The District is a member of the Public Utility Risk Management Services Self-Insurance Fund (PURMS). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management service to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement (Pool or Liability Pool) was made pursuant to the provisions of Chapter 54.16 RCW, and interlocal government agreements. The Pool was formed on December 31, 1976, when certain Public Utility Districts (PUDs) in the State of Washington joined together by signing an Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2022, there were 21, 18, and 12 members in the Liability, Property, and Health & Welfare pools, respectively. The Pool provides liability, property, and health and welfare insurance coverage for its members and their employees under an agreement entitled "PURMS Joint Self-Insurance Agreement" (SIA).

Liability Risk Pool

The Liability Pool is financed through assessments of its participating members (Liability Assessment) in accordance with the terms of the Liability General Assessment Formula. Liability Assessments are levied at the beginning of each calendar year to replenish the Liability Pool to the Designated Liability Pool Balance. In addition, Liability Assessments are levied at any time during the year that the actual Liability Pool Balance becomes $500,000 less than the Designated Liability Pool Balance.

For 2022, the Designated Liability Pool Balance was $3,500,000. As a result, as of December 31, 2022, the Liability Pool maintained cash reserves of $2,118,236 to pay for operating expenses and liability claims. The Liability Coverage Limit was $1,000,000 per occurrence as of December 31, 2022.

As of December 31, 2022 there were 95 known incidents or unresolved Liability Claims pending against one or members or former members of the Liability Pool. The total risk posed by these claims to such members and to the Liability Pool itself is unknown but the reserves set by the Administrator for these claims were $237,969.

Property Risk Pool

PURMS provides property insurance coverage for its members participating in the Property Risk Pool in accordance with the terms of the SIA. Under the SIA, the Property Pool has had a self-insured retention (or Property coverage Limit) of $250,000 per property loss.

At all times, PURMS maintains Excess Property Insurance for its members in the Property Pool. For 2022, the amount of the Excess Property Insurance was $200,000,000, with excess coverage attaching at the $250,000 Property Coverage Limit for all Property Losses except those subject to increased retention levels for certain property risks.

In accordance with Washington State regulatory requirements applicable to public entity risk pools, on an annual basis, PURMS engages an independent qualified actuary to determine the claim financing levels and liabilities for unpaid claims and claims adjustments expense for the

Liability Pool. A copy of the Liability Pool Actuarial Report is provided to the Washington State Risk Manager and made available to the Washington State Auditor's Office.

As of December 31, 2022 there were 23 known property claims pending from members of the property pool. The total risk posed by these claims to such members and to the Property Pool itself is unknown and can only be estimated. The reserves set by the Administrator for these claims were $136,089.

Health & Welfare Risk Pool

PURMS provides health and welfare insurance coverage for the employees of each of its members participating in the Health & Welfare Risk Pool (H&W Pool) in accordance with the terms of the SIA and the terms of each member's respective coverage booklet provided to its employees. The H&W Pool was established as one of PURMS' risk pools effective March 31, 2000.

Under the H&W assessment formula, each month, each member of the H&W Pool is assessed for (a) the cost the H&W Pool incurred during the preceding month for the H&W claims for such member's employees; and (b) for such member's share of Shared H&W Costs. Shared H&W Costs are administrative expenses incurred by the H&W Pool, premiums for stop-loss insurance, PPO charges, and Shared H&W Claims.

The exposure of each H&W Pool Member to the H&W Claims Costs of its employees is limited by two different stop-loss points. The first is established annually by the Excess Stop-Loss Insurance that the H&W Pool acquires and maintains for its members. For 2020 the H&W Pool Individual Stop Loss Point was $365,000 per employee and the H&W Pool Aggregate Stop Loss Point was $22,793,900 for the combined H&W Claims Costs of the employees of members of the H&W Pool.

As of December 31, 2022, reserves of $1,775,090 for prescription drug, dental and vision benefits was set aside by the Administrator of the pool to cover the actuarially estimated program liability of $1,207,077.

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

There has been no reduction in insurance coverage from the previous year and there have been no settlements in excess of the District's insurance coverage in any of the three preceding years.

Short-term Disability

The District self-insures for short-term disability for all employees who are medically removed from duty for reasons not associated with employment. The District compensates the employee for 70% of their wages after a qualifying period of 40 hours' missed work. In 2022, there were no hours of short-term disability used.

8. ASSET RETIREMENT OBLIGATION (ARO)

As of December 31, 2022 the District owns, operates, and maintains seven wells having an average estimated useful life remaining of 66 years that it does not foresee decommissioning in the future; however, in the event that the District were to decommission these wells there are specific decommissioning requirements within the Washington Administrative code (WAC) 173-160-381.

The District obtained an engineering estimate of potential decommissioning costs, adjusted for inflation, which supports the Districts reported ARO liability at December 31, 2022, of $1,006,171 and a deferred outflow of $686,390. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

9. SUBSEQUENT EVENTS

On December 28, 2022, the District entered into a city sewer system operator agreement with the City of Clarkston that begins on April 1, 2023. The District will begin billing customers, take revenue directly from customers and be responsible for transmission and treatment costs. No consideration is given by the District and there is no exchange like transaction.

ASOTIN COUNTY PUD
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 1
As of June 30
Last Nine Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.007817%	$ 217,654	$ 1,409,149	15.45%	76.56%
2021	0.009391%	114,686	1,334,579	8.59%	88.74%
2020	0.008689%	306,769	1,317,723	23.28%	68.48%
2019	0.008362%	321,549	1,279,216	25.14%	67.12%
2018	0.010011%	447,095	1,234,911	36.20%	63.22%
2017	0.009248%	438,825	1,165,547	37.65%	61.24%
2016	0.009169%	492,418	1,116,898	44.09%	57.03%
2015	0.008853%	463,094	1,014,362	45.65%	59.10%
2014	0.008660%	436,252	962,773	45.31%	61.19%

ASOTIN COUNTY PUD
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 2/3
As of June 30
Last Nine Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.010222%	$ (379,112)	$ 1,409,149	-26.90%	106.73%
2021	0.012071%	(1,202,466)	1,334,579	-90.10%	120.29%
2020	0.011257%	143,971	1,317,723	10.93%	97.22%
2019	0.010793%	104,837	1,279,216	8.20%	97.77%
2018	0.012800%	218,549	1,234,911	17.70%	95.77%
2017	0.011896%	413,329	1,165,547	35.46%	90.97%
2016	0.011734%	590,798	1,116,898	52.90%	85.82%
2015	0.011428%	408,329	1,014,362	40.25%	89.20%
2014	0.011149%	225,362	962,773	23.41%	93.29%

ASOTIN COUNTY PUD
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Employer Contributions
PERS 1
For the Year Ended December 31, 2022
Last Nine Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 48,804	$ (48,804)	$ -	$ 1,302,082	3.75%
2021	59,154	(59,154)	-	1,381,108	4.28%
2020	62,569	(62,569)	-	1,304,447	4.80%
2019	64,067	(64,067)	-	1,296,863	4.94%
2018	65,018	(65,018)	-	1,284,040	5.06%
2017	58,505	(58,505)	-	1,193,878	4.90%
2016	54,691	(54,691)	-	1,146,569	4.77%
2015	43,205	(43,205)	-	974,637	4.43%
2014	44,007	(44,007)	-	1,069,473	4.11%

ASOTIN COUNTY PUD
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Employer Contributions
PERS 2/3
For the Year Ended December 31, 2021
Last Nine Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2022	$ 82,813	$ (82,813)	$ -	$ 1,302,082	6.36%
2021	98,483	(98,483)	-	1,381,108	7.13%
2020	103,314	(103,314)	-	1,304,447	7.92%
2019	100,186	(100,186)	-	1,296,863	7.73%
2018	96,304	(96,304)	-	1,284,040	7.50%
2017	81,923	(81,923)	-	1,193,878	6.86%
2016	71,431	(71,431)	-	1,146,569	6.23%
2015	55,388	(55,388)	-	974,637	5.68%
2014	54,491	(54,491)	-	1,069,473	5.10%

ASOTIN COUNTY PUD

Notes to Required Supplemental Information - Pension

As of December 31

Last Nine Years

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available for years prior to 2014. Eventually, the schedules will show ten years of data.

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

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues.* Covered payroll includes all payroll on which a contribution is based.

Note 4: Contribution rates

Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21%	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	8/31/2020	12.86%	
9/1/2020	6/30/2021	12.97%	
7/1/2021	8/31/2022	10.25%	
9/1/2022	current	10.39%	*

* Employer contribution rate includes an administrative expense rate of 0.18%

PERS 2/3

From this Date	Through this Date	Rate	
9/1/2013	6/30/2015	9.21%	
7/1/2015	6/30/2017	11.18%	
7/1/2017	8/31/2018	12.70%	
9/1/2018	6/30/2019	12.83%	
7/1/2019	8/31/2020	12.86%	
9/1/2020	6/30/2021	12.97%	
7/1/2021	8/31/2022	10.25%	
9/1/2022	current	10.39%	*

* Employer contribution rate includes an administrative expense rate of 0.18%

ASOTIN COUNTY PUD
REQUIRED SUPPLEMENTARY INFORMATION - Other Post Employment Benefits (OPEB)
Schedule of Changes in Total Liability and Related Ratios
For the Year Ended December 31
Last Five Calendar Years

Total OPEB liability	2022	2021	2020	2019	2018
Service cost	$ 27,118	20,960	20,729	2,195	7,441
Interest	5,914	5,054	8,353	6,721	5,436
Changes of benefit terms	-	-	-	191,798	-
Differences between expected and actual experience	24,828	-	(29,417)	(112,565)	1,700
Changes of assumptions or other inputs	(62,433)		25,413	2,213	(3,808)
Benefit payments	(2,460)	(19,661)	(19,246)	-	-
Net change in total OPEB liability	(7,033)	6,353	5,832	90,362	10,769
Total OPEB liability beginning	278,035	271,682	265,850	175,488	164,719
Total OPEB liability ending	$ 271,002	278,035	271,682	265,850	175,488
Covered employee payroll	1,481,566	1,294,479	1,406,441	1,341,718	1,289,112
Total OPEB liability as a percentage of covered employee payroll	18.3%	21.5%	19.3%	19.8%	13.6%

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	3.83%
2019	3.26%
2020	1.93%
2021	2.25%
2022	4.31%

2. The District implemented GASB 75 in 2018, therefore no data is presented before then. Eventually, ten years of data will be presented.

3. There are no assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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