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, 2025 through December 31, 2025

Published June 11, 2026

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Office of the Washington State Auditor
Pat McCarthy

June 11, 2026

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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INDEPENDENT AUDITOR'S REPORT

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

Public Utility District No. 1 of Asotin County
January 1, 2025 through December 31, 2025

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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 26, 2026.

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.

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, State Auditor

Olympia, WA

May 26, 2026

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No. 1 of Asotin County
January 1, 2025 through December 31, 2025

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, 2025, 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, 2025, 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 May 26, 2026 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

May 26, 2026

FINANCIAL SECTION

Public Utility District No. 1 of Asotin County
January 1, 2025 through December 31, 2025

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2025

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2025
Statement of Revenues, Expenses, and Changes in Fund Net Position – 2025
Statement of Cash Flows – 2025
Notes to the Financial Statements – 2025

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability (Asset) – PERS 1, PERS 2/3 – 2025
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2025
Notes to Required Supplementary Information – Pension – 2025
Schedule of Changes in Total Liability and Related Ratios – Other Post Employment Benefits (OPEB) - 2025

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, 2025. 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 7,664 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 30 commercial and industrial customers. The District provides sanitary sewer collection and treatment to 4,216 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 has increased by $1.4 million or 3% over 2024. This stems from the excess of revenues over expenses as revenues experienced some growth and expenses remained 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 has 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 $1.25 to $1.30, and the meter base rate increased $1.00 across meter sizes ¾" to 1 ½", $5.00 for 2" to 8" meters, during 2025. The District is continuing to use current rates to fund asset expansion. The sewer rates for city residential customers increase from $24.40 to $26.25 for the base fee and from $5.20 to $5.60 for the consumption charge. City Commercial customer sewer rates increased from $47.00 to $50.25 for the base charge and from $5.20 to $5.60 for the consumption charge.

Current and other assets decreased by $696 thousand, or 8%, most of which is attributable to a $1.0 million decrease in restricted cash as the District completed the projects the funds were initially held for in 2025, offset with minor increases in accounts receivable, inventory and net pension assets.

Capital assets increased $1.8 million, or 4%, as a result of the purchase of land, buildings and improvements, infrastructure, equipment and right to use assets, offset by the disposal of infrastructure, equipment and right to use assets, as well as standard depreciation and amortization.

Current liabilities increased $326 thousand, or 25% in 2025. The majority of this increase is due to a $166 thousand increase in accounts payable and a $71 thousand increase in debt payable as more of the debt became current in 2025. Long term liabilities increased $164 thousand or 1% mainly due to the $727 thousand increase in OPEB liability, offset with a $569 thousand decrease in debt payable due to regular payments being made.

CONDENSED COMPARATIVE STATEMENT OF NET POSITION
As of December 31, 2025 and 2024
(In thousands)

	2025	Restated 2024	Change	%
Assets				
Current and other assets	$ 7,689	$ 8,385	$ (696)	-8%
Capital assets, net of depreciation and amortization	45,751	43,976	1,775	4%
Total Assets	53,440	52,361	1,079	2%
Deferred outflows of resources	2,334	1,544	790	51%
Liabilities				
Current liabilities	1,623	1,297	326	25%
Long-term liabilities	12,816	12,652	164	1%
Total Liabilities	14,439	13,949	490	4%
Deferred inflows of resources	418	420	(2)	0%
Net Position				
Net investment in capital assets	35,021	33,773	1,248	4%
Restricted	557	446	111	25%
Unrestricted	5,339	5,317	22	0%
Total net position	$ 40,917	$ 39,536	$ 1,381	3%

The 2024 column was restated for corrections of errors related to the acquisition of assets. See note 11 for more information.

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, right to use assets 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 $1.2 million, or 4%, in 2025, as assets were added at a greater rate than depreciated and amortized. Additionally, overall debt decreased as regular payments have been made on debt in 2025.

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 reflects the Districts' proportionate share of the State of Washington's Pension Assets. Restricted net position increased $111 thousand, or 25% in 2025.

CONDENSED COMPARATIVE STATEMENT OF CHANGES IN FUND NET POSITION
For the year ended December 31, 2025 and 2024
(In thousands)

	2025	Restated 2024	Change	%
Operating revenues				
Metered and Wastewater sales	$ 9,686	$ 9,440	$ 246	3%
Other operating	541	380	161	42%
Non-operating revenues - other	183	182	1	1%
Non-operating revenues -disposal of assets	(256)	(172)	(84)	49%
Total revenues	10,154	9,830	324	3%
Operating expenses				
Personnel Costs	3,760	3,587	173	5%
Supplies	1,485	1,047	438	42%
Services	2,018	2,392	(374)	-16%
Depreciation and Amortization	829	966	(137)	-14%
Excise and B&O Taxes	354	364	(10)	-3%
Non-operating expenses	327	302	25	8%
Total expenses	8,773	8,658	115	1%
Income before contributions and special items	1,381	1,172	209	18%
Special item	-	10,670	(10,670)	100%
Capital contributions - grants	-	12	(12)	-100%
Total capital contributions and special items	-	10,682	(10,682)	-100%
Change in net position	1,381	11,854	(10,473)	-88%
Net Position, beginning of year	39,536	27,687	11,849	43%
Change in accounting principles	-	(5)	5	-100%
Net Position, end of year	$ 40,917	$ 39,536	$ 1,381	3%

See note 11 for an explanation of the error correction.

Change in net position after non-operating revenues and expenses was $1.4 million in 2025, which is $209 thousand more than the change in net position for 2024. Total revenues increased by $324 thousand, or 3%, mainly due to the planned 5% rate increase. Other operating revenues increased by $161 thousand or 42%, mainly due to miscellaneous revenues increasing back to normal levels after seeing a dip in 2024.

Expenditures increased by $115 thousand, or 1%. This increase came from both increased personnel costs ($173 thousand, 5%) and supplies ($438 thousand, 42%) offset with decreased service costs ($374 thousand, 16%) and depreciation expense ($137 thousand, 14%). These

increases were caused by increased wages and costs of supplies, while the decreases were caused by a decreased need for various services.

The net utility operating income before non-operating revenues and expenses was $1.8 million as compared to $1.5 million in 2024. The operating income increased by approximately $317 thousand between 2024 and 2025, related to revenues increasing at a greater rate than operating expenses.

Capital Assets

The District's investment in capital and right to use intangible assets as of December 31, 2025, and 2024 is $45.8 million and $44.0 million, respectively (net of accumulated depreciation). This reflects an increase in capital assets of $1.8 million compared to 2024. This change is primarily driven by an increase in land, wells and infrastructure and equipment, offset by normal depreciation and amortization, as well as the disposal of buildings and improvements. Well and infrastructure additions included two starters for wells 1 and 3 and additions to transmission and distribution mains. Equipment additions included water treatment equipment, a server, four vehicles and a backup generator. Funds for capital construction are provided for through a combination of installation charges and cash flow from revenues.

Capital Assets (net of depreciation / amortization)
(In thousands)

	2025	Restated 2024	Change	%
Construction in Progress	$ 127	$ 172	$ (45)	-26%
Land	844	579	265	46%
Buildings and Improvements	14,484	14,646	(162)	-1%
Wells and Infrastructure	27,001	25,656	1,345	5%
Equipment	3,272	2,922	350	12%
SBITAs (Right to Use)	23	1	22	2775%
Total	$ 45,751	$ 43,976	$ 1,775	4%

See Note 3, Capital Assets of the accompanying notes to the financial statements for further detail related to capital asset activity.

Long Term Debt

At December 31, 2025, the District has $10.7 million of long-term debt. This is a decrease of approximately $498 thousand from the prior year's balance of $11.2 million. Debt changed due to standard principal payments occurring in 2025. See Note 5, Long-Term Liabilities of the accompanying notes to the financial statements for additional information about the District's debt activity.

Economic Outlook and Currently Known Facts

In 2025, the District consumptive meter charge increased by $1.25-$1.30 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.

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, 2025

		2025
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	5,470,986
Accounts Receivable, net		996,249
Materials Inventory		663,200
TOTAL CURRENT ASSETS		7,130,435
Noncurrent Assets:		
Workers Compensation Deposit		1,548
Capital Assets Not Being Depreciated		971,188
Capital Assets Being Depreciated and Amortized		44,780,153
Net Pension Asset		556,856
TOTAL NONCURRENT ASSETS		46,309,745
TOTAL ASSETS	$	53,440,180
DEFERRED OUTFLOWS OF RESOURCES		
Amounts Related to Asset Retirement Obligations		744,545
Amounts Related to Pensions		704,028
Amounts Related to OPEB		885,450
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	2,334,023

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, 2025

		2025
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	351,419
Wages Payable		83,757
Other Current Liabilities		45,610
Interest Payable		128,434
Customer Deposits		45,449
Compensated Absences		248,606
Debt Payable		569,283
Total Other Post Employment Benefits Liability		140,121
SBITA Liability		10,637
TOTAL CURRENT LIABILITIES		1,623,316
Noncurrent Liabilities:		
Debt Payable		10,139,158
Claims Liability Payable		89,574
Compensated Absences		169,766
Total Other Post Employment Benefits Liability		1,172,950
SBITA Liability		11,251
Asset Retirement Obligation		1,099,528
Net Pension Liability		133,769
TOTAL NONCURRENT LIABILITIES		12,815,996
TOTAL LIABILITIES	$	14,439,312
DEFERRED INFLOWS OF RESOURCES		
Amounts Related to Pensions		276,447
Amounts Related to OPEB		141,666
TOTAL DEFERRED INFLOWS OF RESOURCES	$	418,113
NET POSITION		
Net Investment in Capital Assets		35,021,012
Restricted for Net Pension		556,856
Unrestricted		5,338,910
TOTAL NET POSITION	$	40,916,778

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, 2025

		2025
OPERATING REVENUES		
Metered and Wastewater Sales	$	9,685,569
Other Operating Revenues		540,698
Total Operating Revenue		10,226,267
OPERATING EXPENSES		
Personnel		3,760,190
Supplies		1,484,622
Services		2,018,204
Depreciation and Amortization		829,471
Excise and B&O Taxes		353,774
Total Operating Expenses		8,446,261
OPERATING INCOME (LOSS)		1,780,006
NONOPERATING REVENUES (EXPENSES)		
Interest Income		183,133
Interest Expense and Fiscal Charges		(326,930)
Gain (Loss) on Sale and/or Disposition Property		(255,710)
Total Nonoperating Revenues (Expenses)		(399,507)
CHANGE IN NET POSITION		1,380,499
TOTAL NET POSITION, January 1, 2025		39,446,325
Correction of Error		89,954
TOTAL NET POSITION, December 31, 2025	$	40,916,778

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, 2025

		2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	10,045,024
Payments to Suppliers		(3,431,352)
Payments to Employees		(3,889,305)
Payments for Taxes		(353,774)
NET CASH PROVIDED BY OPERATING ACTIVITIES		2,370,593
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets		(2,828,300)
Payments on SBITAs		(11,900)
Payments on Capital Debt		(498,323)
Interest Paid on Long Term Debt		(300,165)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(3,638,688)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments		183,133
NET CASH PROVIDED BY INVESTING ACTIVITIES		183,133
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,084,962)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,555,948
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	5,470,986

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, 2025

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Utility Operating Income	$	1,780,006
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization Expense		829,471
ARO Amortization Expense (Maintenance)		12,206
(Increase) Decrease in Receivables		(181,243)
(Increase) Decrease in Inventories		(103,443)
Increase (Decrease) in Current Payables		162,711
Increase (Decrease) in Accrued Payroll		3,532
Increase (Decrease) in Pension Items		(932,878)
Increase (Decrease) in Accrued Employee Benefits		800,231
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	2,370,593

Noncash Investing, Financing and Capital Activities		
Capital Assets Financed Through Accounts Payable	$	(1,285)
SBITA financed with Debt	$	33,788

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

Notes to the Financial Statements

NOTE 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 and sewer services. 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. Cash and cash equivalents also include restricted cash, resources which are set aside for specific uses and/or are restricted by law for specific purposes. The restricted amount is held for capital projects related to the District's Operator agreement system assets.

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 2026 for service that was provided in December 2025.

Accounts receivable as of December 31, 2025, are as follows:

Utility Service	$ 840,169
Unbilled Accounts Receivable	157,374
Allowance for Uncollectible Accounts	(1,294)
Total	$ 996,249

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, as well as intangible 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 and intangible 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 and intangible 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 and amortization are 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

Right to use assets are amortized over the life of the applicable agreement.

Compensated Absences. Compensated absences is a leave for which employees receive cash payments when the leave is used for time off or cash payments upon termination of employment. Compensated absences are recognized when earned by employees and expected to be paid. Personal leave pay, which may be accumulated up to a maximum of 1,200 hours, is payable upon resignation, retirement or death.

Key policies include:

- Accrued liabilities are recognized in the financial statements for amounts attributable to employees' services rendered through the end of the reporting period.
- Liabilities for compensated absences are measured based on pay rates in effect at the reporting date and include applicable salary-related payments.
- The liability is categorized as a current or noncurrent liability based on the timing of expected payments.
- Accrual of sick leave liabilities is based on policies allowing employees to receive payment for unused balances upon termination or retirement, subject to the probability of payment.
- The FIFO flow assumption was used.

See Note 4, Changes in Long-term Liabilities.

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, 2025, the claims liability payable was $89,574.

Long-term Liabilities. See Note 4, Changes in Long-term Liabilities and Note 5, Long-term Liabilities.

SBITA Liability and Right to Use Asset. SBITA liabilities and Right to use assets consist of amounts recorded for Subscription-Based Information Technology Arrangements (SBITAs).

At the commencement of a subscription-based information technology arrangement, the District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the implementation date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized using the straight-line basis over the same useful lives as the SBITA term. See Note 6, SBITAs for more information.

Asset Retirement Obligation. See Note 7, Asset Retirement Obligation.

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. See Note 8 for more information.

Total Other Post Employment Benefits Liability. See Note 9, Other Post Employment Benefits.

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.

NOTE 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, 2025, the District's cash and cash equivalents are as follows:

Bank depository and checking accounts	$	4,752,340
Petty Cash		450
Local Government Investment Pool		718,196
Total cash and cash equivalents	$	5,470,986

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, 2025, the District had the following investments at amortized cost:

Investment	Maturities		Total
State Investment Pool (LGIP)	NA	$	718,196
Total		$	718,196

The District is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions 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.

NOTE 3 – CAPITAL ASSETS

Utility plant activity for the year ended December 31, 2025, was as follows:

CAPITAL ASSETS	Restated Beginning Balance	Increase	Decrease	Ending Balance
Utility plant not being depreciated				
Land*	$ 579,054	$ 265,000	$ -	$ 844,054
Construction in progress	172,056	127,134	172,056	127,134
Total utility plant not being depreciated	751,110	392,134	172,056	971,188
Utility plant being depreciated				
Buildings and improvements**	15,507,906	44,068	-	15,551,974
Wells, distribution system and infrastructure**	34,019,852	1,754,541	81,452	35,692,941
Equipment**	4,335,910	808,328	394,706	4,749,532
Total utility plant being depreciated	53,863,668	2,606,937	476,158	55,994,447
Less accumulated depreciation for:				
Buildings and improvements**	861,519	206,391	-	1,067,910
Wells, distribution system and infrastructure**	8,364,275	379,963	52,228	8,692,010
Equipment**	1,414,086	231,972	168,220	1,477,838
Total accumulated depreciation	10,639,880	818,326	220,448	11,237,758
Total utility plant being depreciated, net	43,223,788	1,788,611	255,710	44,756,689
Utility plant being amortized				
Right to Use Asset - SBITA	19,715	33,788	19,715	33,788
Total utility plant, being amortized	19,715	33,788	19,715	33,788
Less accumulated amortization for:				
Right to Use Asset - SBITA	18,894	11,145	19,715	10,324
Total accumulated amortization	18,894	11,145	19,715	10,324
Total utility plant being amortized, net	821	22,643	-	23,464
Total utility plan being depreciated and amortized, net	43,224,609	1,811,254	255,710	44,780,153
Total utility plant, net	$ 43,975,719	$ 2,203,388	$ 427,766	$ 45,751,341

*Adjusted land by $89,954 to account for an error in 2024, see note 11.
**Reclassified assets and related accumulated amortization between categories to line up with trial balance classifications.

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

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

	Balance 1/1/2025	Increase	Decrease	Balance 12/31/2025	Due within one year
Private Placement Debt	$ 4,555,000	$ -	$ 90,000	$ 4,465,000	$ 160,000
Premium on Bond	408,125	-	22,122	386,003	22,122
Private Placement Debt (Net)	4,963,125	-	112,122	4,851,003	182,122
Direct Borrowings	6,243,639	-	386,201	5,857,438	387,161
Compensated Absences	422,398	-	4,026	418,372	248,606
Claims Liability	93,954	-	4,380	89,574	-
Other Post Employment Benefits	502,363	810,708	-	1,313,071	140,121
Asset Retirement Obligation	1,068,489	31,039	-	1,099,528	-
Pension Liability	183,316	-	49,547	133,769	-
SBITA Liability	-	33,788	11,900	21,888	10,637
Total long-term liabilities	$ 13,477,284	$ 875,535	$ 568,176	$ 13,784,643	$ 968,647

The number disclosed as a decrease in compensated absences is a net change, not an actual increase or decrease.

NOTE 5 – LONG-TERM LIABILITIES

The District issues government loans and other notes to finance construction of plant and equipment. The debt is a combination of publicly offered bonds and direct borrowings with governments. Long-Term debt instruments outstanding at year-end are as follows:

Name of Issuance-Purpose	Issuance Date	Maturity Date	Interest Rate	Original Amount	12/31/25 Debt Outstanding	Maturities
Publicly Offered Bonds						
2024 Revenue Bonds	Aug-24	Dec-44	5%	4,555,000	$ 4,465,000	$90,000 to $270,000
Total Publicly offered bonds					4,465,000	
Direct Borrowings						
2013 Ecology State Revolving Fund	Jun-13	Jun-32	2.60%	10,000,000	261,509	$21,720 to $42,604
2013 PWTF	Jun-12	Jun-42	0.25%	9,913,540	5,595,929	$349,746
Total Direct Borrowing Loans					5,857,438	
Total Debt					$ 10,322,438	

Debt service Requirements on long-term debt at December 31, 2025, are as follows:

	Revenue Bonds			Direct Borrowing Notes		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2026	$ 160,000	$ 223,250	$ 383,250	$ 387,161	$ 20,583	$ 407,744
2027	170,000	215,250	385,250	388,146	18,724	406,870
2028	190,000	206,750	396,750	389,156	16,839	405,995
2029	200,000	197,250	397,250	390,193	14,928	405,121
2030	205,000	187,250	392,250	391,257	12,990	404,247
2031-2035	1,170,000	771,750	1,941,750	1,813,052	41,035	1,854,087
2036-2040	1,470,000	452,500	1,922,500	1,748,728	17,487	1,766,215
2041-2044	900,000	93,000	993,000	349,745	875	350,620
	$ 4,465,000	$ 2,347,000	$ 6,812,000	$ 5,857,438	$ 143,461	$ 6,000,899

The 2024 bonds pledge the assets of the District as collateral against the debt. No assets are pledged against the State Ecology or PWTF loans. Upon default of the State Ecology loan, the State may at its sole discretion declare the principal and interest on the loan immediately due and payable. Further, repayments not made immediately will incur late charges. Upon default of the PWTF loan, the interest rate will increase to 12%. The Public Works Board may declare the entire remaining balance, with interest, to be due and payable immediately.

The District has covenanted that it will establish, maintain and collect rates and charges for the use of the services and facilities of the system for so long as the bonds are outstanding. The rate covenant requires each fiscal year net revenues to be at least 125% of the amounts in such fiscal year to be paid as principal and interest (debt service). If the District assesses property under state law, then the rate covenant requires each fiscal year net revenues to be at least 100% of the debt service. At December 31, 2025, the District's net debt service coverage ratio was 5.43

NOTE 6 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

At December 31, 2025, the District used its SBITA policy to evaluate financial agreements that are potential SBITAs. At December 31, 2025, the District has one SBITA right to use asset for its meter count licensing agreement contract. The agreement is for a non-cancellable term of 3 years, with no intention to renew, which expires January 31, 2028. The District's schedule of future payments included in the measurement of the SBITA payable is as follows:

	SBITA Payables		
	Principal	Interest	Total
2026	$ 10,637	$ 1,263	$ 11,900
2027	11,251	649	11,900
	$ 21,888	$ 1,912	$ 23,800

At December 31, 2025, the SBITA right to use assets and accumulated amortization are $33,788 and $10,324, respectively, presenting $23,464 net. See note 3 for additional information.

NOTE 7 – ASSET RETIREMENT OBLIGATION (ARO)

As of December 31, 2025, the District owns, operates, and maintains seven wells having an average estimated useful life remaining of 62 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, 2025, of $1,099,528 and a deferred outflow of $744,545. The obligation will be paid from operating income; no assets have been set aside to fund this obligation.

NOTE 8 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2025:

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	133,769
Pension assets		556,856
Deferred outflows of resources		704,028
Deferred inflows of resources		276,447
Pension expense/expenditures		(52,805)

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 local governments, and higher education employees not participating in higher education retirement plans.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for

the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

PERS Plan 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. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 employer and PERS 2/3 employer and employee contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. For part of the year, the PERS Plan 2/3 employer rate included a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plans defined benefit required contribution rates (expressed as a percentage of covered payroll) for the fiscal year were as follows:

Employer Contribution Rates				
Time Frame	*Contribution Rate*	*PERS 1 UAAL*	*Administrative Fee*	*Employer*
January – June	6.36%	2.55%	0.20%	9.11%
July – December	5.38%	0.00%	0.20%	5.58%

Employee Contribution Rates	
PERS 1	6.00%
PERS 2	6.36% January – June and 5.38% July - December
PERS 3	Varies: 5% to 15%

The District's actual PERS plan contributions were $31,037 to PERS Plan 1 and $142,571 to PERS Plan 2/3 for the year ended December 31, 2025.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined by an actuarial valuation completed as of June 30, 2024 with the results rolled forward to June 30, 2025. 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 2023 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2024 actuarial valuation report.

- **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 service-based salary increases.
- **Investment rate of return:** 7%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. 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.

Change in Assumptions and Methods: OSA improved their modeling of benefits paid to retirees and beneficiaries in their month of death to better match current administrations.

Long-Term Expected Rate of Return

OSA selected a 7% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns 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

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, 2025. The inflation component used to create the table is 2.5% 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	19%	2.10%
Tangible Assets	8%	4.50%
Real Estate	18%	4.80%
Global Equity	30%	5.60%
Private Equity	25%	8.60%
	100%	

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7%. 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% was used to determine the total liability.

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 7.0 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 (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	225,722	133,769	53,124
PERS 2/3	903,641	(556,856)	(1,756,333)

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

The District's proportionate share of the net pension liabilities or assets are as follows:

Plan	Liability or (Asset)
PERS 1	$ 133,769
PERS 2/3	(556,856)

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

	Proportionate Share 6/30/24	Proportionate Share 6/30/25	Change in Proportion
PERS 1	0.01032%	0.01135%	0.00103%
PERS 2/3	0.01354%	0.01459%	0.00106%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2025 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, 2025, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$ 6,893
PERS 2/3	(59,698)
TOTAL	$ (52,805)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2025, 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	$ -	$ 9,196
TOTAL	$ -	$ 9,196

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 407,140	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	125,400
Changes of assumptions	215,204	15,377
Changes in proportion and differences between contributions and proportionate share of contributions	16,524	126,474
Contributions subsequent to the measurement date	65,160	-
TOTAL	$ 704,028	$ 267,251

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 407,140	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	134,596
Changes of assumptions	215,204	15,377
Changes in proportion and differences between contributions and proportionate share of contributions	16,524	126,474
Contributions subsequent to the measurement date	65,160	-
TOTAL	$ 704,028	$ 276,447

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, 2026. 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
2026	$ 8,775	$ 175,720
2027	(6,392)	55,833
2028	(6,638)	52,517
2029	(4,941)	4,035
2030	-	58,335
Thereafter	-	25,178

NOTE 9 – 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 2025.

Aggregate OPEB amounts - All Plans	
OPEB Liabilities	$ 1,313,071
Deferred outflows of resources	885,450
Deferred inflows of resources	141,666
OPEB Expense	140,121

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 29 active District employees which may be eligible for continuing medical benefits, and 5 retired employee which is receiving these benefits. There are no retirees eligible but not receiving benefits.

There are no assets accumulated in 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 $35,879.

Actuarial Methods and Assumptions

The total OPEB liability was determined using the most recent actuarial valuation with a valuation date of December 31, 2025.

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	12/31/2025
Actuarial Cost Method	Entry Age Normal, level percent of salary.
Discount rate - Beginning of Measurement Year	4.00%
Discount rate - End of Measurement Year	4.75%
Healthcare Trend Rates	8.5% in 2025, trending down to 4.5% in 2039
Amortization Period - Level Dollar	10

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-Bond General Obligation Index. Mortality rates were based on the MP-2017 report with 2023 Improvement rates. The Society of Actuaries publishes this document. Retirement was assumed to be at a minimum age 60 with 5+ years of service or minimum age 55 with 10-25+ years of service, 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 8.5 percent, graded down to 4.5 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.5%, graded down to 3.5%) or 1-percentage point higher (9.5%, graded down to 5.5%) that the current rate.

Health Care Trend Rate Sensitivity

1% Decrease (7.50%), Graded Down to 3.50%	Current Discount Rate (8.50%), Graded Down to 4.50%	1% Increase (9.50%), Graded Down to 5.50%
$ 1,215,411	$ 1,313,071	$ 1,427,760

The following presents the total OPEB liability of the District calculated using the discount rate of 4.75 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.75%) or 1-percentage point higher (5.75%) than the current rate.

Discount Rate Sensitivity

1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
$ 1,394,678	$ 1,313,071	$ 1,238,001

Changes in the Total OPEB Liability

At the measurement date December 31, 2025, the changes in the total OPEB liability are as follows:

		2025
Service cost	$	38,430
Interest Cost		20,914
Differences between expected and actual experience		802,744
Changes in assumptions		(15,501)
Benefit payments		(35,879)
Net change in total OPEB liability		810,708
Total OPEB liability - beginning		502,363
Total OPEB liability - ending	$	1,313,071

The District reported $140,121 as OPEB expense for the calendar year 2025.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2025, 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	$ 740,539	$ 69,656
Changes of Assumptions	144,911	72,010
Total	$ 885,450	$ 141,666

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:	
2026	$ 80,777
2027	80,777
2028	80,777
2029	80,777
2030	80,782
Therafter	339,894
	$ 743,784

NOTE 10 – 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, 2025, there were 21, 17, 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 2025, the Designated Liability Pool Balance was $3,500,000. As a result, as of December 31, 2025, the Liability Pool maintained cash reserves of $1,818,402 to pay for operating expenses and liability claims. The Liability Coverage Limit was $1,000,000 per occurrence as of December 31, 2025.

As of December 31, 2025 there were 91 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 $138,543.

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 2025, the amount of the Excess Property Insurance was $300,000,000, with various and sometimes significant sub-limits.

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, 2025 there were 12 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 $7,432.

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 Excess Stop-Loss Insurance that the H&W Pool acquires and maintains for its members. For 2025 the H&W Pool Individual Stop Loss Point was $365,000 per employee and the H&W Pool Aggregate Stop Loss Point was $25,988,936 for the combined H&W Claims Costs of the employees of members of the H&W Pool.

As of December 31, 2025, reserves of $2,108,134 for prescription drug, dental and vision benefits was set aside by the Administrator of the pool to cover the actuarially estimated program liability of $1,860,667.

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 2025, there were 616 hours of short-term disability used.

NOTE 11 – CORRECTION OF ERROR

As of December 31, 2025, the District has identified $89,954 of error corrections.

	Net Position
12/31/2024, as previously reported	$ 39,446,325
Correction of errors	89,954
12/31/2024, as restated	$ 39,536,279

The correction of error comes from $89,954 of land assets that were not capitalized correctly in previous years. In December 31, 2024 this affected the capital assets not being depreciated on the statement of net position and the special items line on the statement of activities.

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 Ten 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
2025	0.011346%	$ 133,769	$ 2,440,669	5.48%	89.07%
2024	0.010317%	183,316	2,282,435	8.03%	84.05%
2023	0.009937%	226,835	1,653,767	13.72%	80.16%
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%

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 Ten 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
2025	0.014592%	$ (556,856)	$ 2,440,669	-22.82%	105.53%
2024	0.013535%	(446,191)	2,282,435	-19.55%	105.17%
2023	0.012816%	(525,287)	1,653,767	-31.76%	107.02%
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%

ASOTIN COUNTY PUD
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Employer Contributions
PERS 1
For the Year Ended December 31
Last Ten 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
2025	$ 31,037	$ (31,037)	$ -	$ 2,428,302	1.28%
2024	66,228	(66,228)	-	2,413,961	2.74%
2023	68,362	(68,362)	-	2,036,795	3.36%
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%

ASOTIN COUNTY PUD
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans
Schedule of Employer Contributions
PERS 2/3
For the Year Ended December 31
Last Ten 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
2025	$ 142,571	$ (142,571)	$ -	$ 2,428,302	5.87%
2024	153,533	(153,533)	-	2,413,961	6.36%
2023	129,540	(129,540)	-	2,036,795	6.36%
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%

ASOTIN COUNTY PUD
Notes to Required Supplemental Information - Pension

As of December 31
Last Ten Years

Note 1: 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 2: 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 3: Contribution rates
Rates in effect during the periods covered by the Required Supplemental Information are below:

PERS 1 and PERS 2/3

From this Date	Through this Date	Rate	
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	6/30/2023	10.39%	
7/1/2023	8/31/2023	9.39%	
9/1/2023	6/30/2024	9.53%	
7/1/2024	8/31/2024	9.03%	
9/1/2024	6/30/2025	9.11%	
7/1/2025	Current	5.58%	*

* Employer contribution rate includes an administrative expense rate of 0.20%

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 Eight Calendar Years

Total OPEB liability	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	$ 38,430	$ 37,401	$ 27,932	$ 27,118	$ 20,960	$ 20,729	$ 2,195	$ 7,441
Interest	20,914	17,004	10,463	5,914	5,054	8,353	6,721	5,436
Changes of benefit terms	802,744	-	-	-	-	-	191,798	-
Differences between expected and actual experience	-	-	4,879	24,828	-	(29,417)	(112,565)	1,700
Changes of assumptions or other inputs	(15,501)	(27,524)	181,848	(48,488)	(13,945)	25,413	2,213	(3,808)
Benefit payments	(35,879)	(20,642)	-	(2,460)	(19,661)	(19,246)	-	-
Net change in total OPEB liability	810,708	6,239	225,122	6,912	(7,592)	5,832	90,362	10,769
Total OPEB liability beginning	502,363	496,124	271,002	264,090	271,682	265,850	175,488	164,719
Total OPEB liability ending	$ 1,313,071	$ 502,363	$ 496,124	$ 271,002	$ 264,090	$ 271,682	$ 265,850	$ 175,488
Covered employee payroll	$ 2,379,833	$ 2,253,003	$ 2,192,704	$ 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	55.17%	22.30%	22.63%	18.29%	20.40%	19.32%	19.81%	13.61%

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%
2023	3.25%
2024	4.00%
2025	4.75%

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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