

Public Utility District No. 1 of Thurston County

Management's Discussion and Analysis

December 31, 2023

The management of the Public Utility District No. 1 of Thurston County (District) offers readers of these financial statements this overview and summary analysis of the financial activities of the District for the year ended December 31, 2023, with additional comparative data for 2022. This analysis is intended to supplement and be used in conjunction with the basic financial statements and accompanying notes, which follow this section, and to assist the reader in focusing on significant financial activities.

Overview of the Financial Statements

The District uses fund accounting to account for its financial activities in accordance with the standards of the Governmental Accounting Standards Board (GASB). The District is considered an Enterprise Fund and the fund type used to account for its financial activities is called a Proprietary Fund. The District provides retail water service and regional water resource activities to support its water systems.

In accordance with requirements set forth by GASB, the District's financial statements are developed using the accrual method of accounting to recognize changes in District resources. Accrual accounting recognizes revenues and expenses when earned or incurred without regard for when cash is actually received or disbursed. The financial statements presented in the following pages of this document are presented just for the year ended December 31, 2023, and are comprised of:

- **Statement of Net Position:** The Statement of Net Position reflects the assets, deferred inflows, deferred outflows, liabilities and net position of the District as of the end of the fiscal year which, for the purposes of this report, is December 31, 2023. The net position section is separated into three categories:
 - net investment in capital assets
 - restricted net position
 - unrestricted net position

- **Statement of Revenues, Expenses, and Changes in Net Position:** This statement reflects the transactions and events that have increased or decreased the District's total resources during the period. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction. The net position increases when revenues exceed expenses.

- **Statement of Cash Flow:** The statement of cash flow provides information on the sources and uses of cash separated into four categories of activities: operating, non-capital, capital and related financing, and investing.

- **Notes to the Financial Statements:** The notes to the financial statements, presented at the end of the basic financial statements, are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flows and should be considered as part of the whole presentation. These notes are necessary to develop a full understanding of the figures provided in the basic financial statements.

The following table provides a summary of the financial data discussed in the next few pages of this report:

Public Utility District No. 1 of Thurston County, Washington Condensed Financial Information for December 31, 2023, and 2022				
STATEMENT OF NET POSITION	Combined Total As of December 31		Increase (Decrease)	% Change
	2023	2022	2023 - 2022	2023 - 2022
Current Assets	\$ 14,695,337	\$ 12,500,971	\$ 2,194,366	17.55%
Capital Assets, net of depreciation	45,162,423	43,932,890	1,229,533	2.80%
Other Assets	2,062,039	2,058,083	3,956	0.19%
Total Assets	\$ 61,919,800	\$ 58,491,944	\$ 3,427,856	5.86%
Deferred Outflows of Resources	\$ 2,236,609	\$ 2,395,555	\$ (158,946)	-6.64%
Current Liabilities	\$ 2,136,470	\$ 2,109,986	\$ 26,484	1.26%
Noncurrent Liabilities	25,143,906	26,090,301	(946,395)	-3.63%
Total Liabilities	\$ 27,280,376	\$ 28,200,287	\$ (919,911)	-3.26%
Deferred Inflows of Resources	\$ 443,290	\$ 802,673	\$ (359,383)	-44.77%
Net Investment in Capital Assets	\$ 22,154,900	\$ 21,997,857	\$ 157,043	0.71%
Restricted Net Position	\$ 2,296,934	\$ 2,070,426	\$ 226,508	10.94%
Unrestricted Net Position	\$ 11,980,909	\$ 7,816,257	\$ 4,164,652	53.28%
Total Net Position	\$ 36,432,743	\$ 31,884,539	\$ 4,548,204	14.26%

Public Utility District No. 1 of Thurston County, Washington Condensed Financial Information for December 31, 2023, and 2022				
STATEMENT OF CHANGES IN NET POSITION	Combined Total As of December 31		Increase (Decrease)	% Change
	2023	2022	2023 - 2022	2023 - 2022
Operating Revenues				
Metered & Unmetered Water Revenue	\$ 9,623,474	\$ 7,410,982	\$ 2,212,492	29.85%
Sales to Irrigation	\$ 222,270	\$ 116,781	\$ 105,488	90.33%
Operating Revenue - Other	\$ 1,329,797	\$ 1,268,476	\$ 61,321	4.83%
Non-Operating Revenues				
Interest Income	\$ 270,608	\$ 118,163	\$ 152,445	129.01%
Gain (Loss) on Disposal of Capital Assets	\$ (18,825)	\$ (37,888)	\$ 19,063	-50.31%
Non-Operating Revenues - Other	\$ 713,119	\$ 966,458	\$ (253,338)	-26.21%
Total Revenues	\$ 12,140,444	\$ 9,842,972	\$ 2,297,471	23.34%
Operating Expenses				
Operations, Maintenance, Admin and General	\$ 5,097,195	\$ 4,833,916	\$ 263,279	5.45%
Taxes, Depreciation and Amortization Expense	\$ 2,949,805	\$ 2,736,657	\$ 213,148	7.79%
Non-Operating Expenses				
Interest Expense	\$ 694,136	\$ 730,226	\$ (36,090)	-4.94%
Non-Operating Expenses - Other	41,104	48,764	(7,660)	-15.71%
Total Expenses	\$ 8,782,239	\$ 8,349,563	\$ 432,677	5.18%
Excess (Deficiency)	\$ 3,358,204	\$ 1,493,410	\$ 1,864,795	124.87%
Capital Contributions	\$ 1,190,000	\$ 48,292	\$ 1,141,708	2364.17%
Change in Net Position	\$ 4,548,204	\$ 1,541,702	\$ 3,006,503	195.01%
Net Position Balance, Beginning of Year	\$ 31,884,539	\$ 30,342,838	\$ 1,541,702	5.08%
Current Year Change in Net Position	\$ 4,548,204	\$ 1,541,702	\$ 3,006,503	195.01%
Net Position Balance, End of Year	\$ 36,432,743	\$ 31,884,539	\$ 4,548,204	14.26%

Financial Analysis

Operating Revenues

In 2023, operating revenue for the District increased \$2,379,301 or 27.05% from that of 2022. This increase in revenue is primarily attributable to the District implementing a 2.50% increase on District standard water rates over the rates charged in 2022. In 2023, the District adopted one standard rate schedule completing the transition to standard rates for customers on water systems acquired in 2021. Also, the capital surcharge established in 2015 increased from \$11.00 to \$13.50 or 22.7% in 2023.

Operating Expenses

Overall operating expenses increased in 2023 by \$476,427 or 6.29%. The largest contributor to this increase in expenses was Water System Operations, which increased \$142,710 or 18.69%, as a result of the general operation and maintenance, purchased water and purchased power costs for 279 water systems.

Additionally, Taxes increased \$141,836 or 29.09% primarily due to the additional State Public Utility Tax paid on revenue collected in 2023.

In 2023, the pension liability calculation for all District retirement plans, decreased the Employees & Commissioners Salaries & Benefits expense by \$300,342. See Note 6 of the accompanying notes to the financial statements for further detail related to pension plans.

Non-Operating Revenues & Expenses

Non-operating revenue recognized in 2023 decreased by \$81,830 or 7.82% over 2022. The District, like all public utility districts organized in the State of Washington, has taxing authority. The District exercises this authority at a minimum level, collecting \$327,119 in property tax assessments in 2023, compared to \$326,429 in 2022, representing a 0.22% increase from 2022 to 2023. Property tax revenues are used by the District to support general District operations which can be tied to a benefit to taxpayers, rather than ratepayers of the District.

Election of PUD Commissioners is held each even year; the cost of the election is paid out of the property tax revenues and is reported as a non-operating expense. The District's share of the 2023 election was \$41,104. The District requested and received an extension to pay this expense over two years, and therefore incurred election costs in 2022 and 2023 of \$41,104 in each year.

Interest income and interest expense are included as non-operating revenue and expense. Interest income increased to \$270,608 in 2023 from \$118,163 in 2022 due to an increase in investment earnings. Interest expense decreased to \$694,136 in 2023 from \$730,226 in 2022.

Other, net revenues decreased to \$43,966 in 2023 compared to \$71,000 in 2022 due to the rental income relating to the building purchased in January 2020 ceasing in June 2022.

Capital Contributions

In 2023, the capital contribution was calculated to be \$1,190,000, which was an increase of \$1,141,708 or 2634.17% compared to 2022, as a result of funding received for future water system capital projects.

Net Position

The District's total net position in 2023 increased by \$4,548,204 compared to the increase of \$1,541,702 in 2022.

Capital Assets

The District's capital assets (after depreciation) including capital work in progress, were \$45,162,423 in 2023 and \$43,932,890 in 2022. The capital asset additions consisted of several projects completed during the year as the District identified in the water system asset management plans. See Note 4 of the accompanying notes to the financial statements for further detail related to capital asset activity.

Long-Term Debt Activity

At year-end 2023 the District's long-term debt changed to \$24.1 million from \$24.9 million reported in 2022. Long-term debt payments are funded for from water revenues. See Notes 8 and 9 of the accompanying notes to the financial statements for further detail related to long-term debt activity.

Contacting the District's Financial Management

The financial report is designed to provide interested parties with a general overview of the District's finances and to demonstrate District accountability for the money it receives. If you have questions about this report, or require additional or clarifying financial information, contact the Public Utility District No. 1 of Thurston County, 1230 Ruddell Road SE, Lacey, WA 98503.



Julie Parker
Assistant General Manager



TaSeana Tartt
Finance and Customer Service Manager

Public Utility District No. 1 of Thurston County, Washington

STATEMENT OF NET POSITION

December 31, 2023

ASSETS	2023
Current Assets	
Unrestricted - Cash and Investments	12,694,558
Restricted - Cash and Investments	1,116,664
Customer Accounts Receivable (net)	755,629
Property Tax Receivable	5,316
Other Receivables	991
Lease Receivables	45,495
Prepaid Expenses	76,683
Total Current Assets	<u>\$ 14,695,337</u>
Non-Current Assets	
Restricted - Bond Reserve	1,347,651
Lease Receivables	44,007
Capital Assets Not Being Depreciated:	
Land and Land Rights	2,191,113
Construction in Progress	3,893,619
Capital Assets Being Depreciated:	
Water Plant	50,432,585
Office Furniture & Equipment	428,644
Vehicles & Equipment	1,379,860
Other Utility Plant	1,334,352
Less: Accumulated Depreciation and Amortization	(14,497,750)
Total Capital Assets (Net)	45,162,423
Net Pension Asset	670,381
Total Non-Current Assets	<u>\$ 47,224,463</u>
Total Assets	<u><u>\$ 61,919,800</u></u>
DEFERRED OUTFLOWS of RESOURCES	
Deferred Outflows - Bond Refunding	27,207
Deferred Outflows Related to Pensions	638,030
Deferred Outflows Related to Asset Retirement Obligation	1,571,372
Total Deferred Outflows of Resources	<u>\$ 2,236,609</u>

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

Public Utility District No. 1 of Thurston County, Washington

STATEMENT OF NET POSITION

December 31, 2023

LIABILITIES	2023
Current Liabilities:	
Accounts Payable	565,275
Current Accrued Compensated Absences	175,533
Accrued Payroll Liabilities	63,369
Refundable Deposits	133,543
Current Portion of Bonds, Notes and Loans Payable	1,163,615
Current Portion of Leases	35,134
Total Current Liabilities	<u>\$ 2,136,470</u>
Noncurrent Liabilities:	
Water Revenue Bonds	21,050,918
Public Works Trust Fund Loans	123,517
Drinking Water State Revolving Fund Loans	1,726,969
Long Term Compensated Absences	162,544
Long Term Leases	51,240
Asset Retirement Obligations	1,738,880
Net Pension Liability	289,838
Total Noncurrent Liabilities	<u>\$ 25,143,906</u>
Total Liabilities	<u>\$ 27,280,376</u>
DEFERRED INFLOWS of RESOURCES	
Deferred Inflows Related to Pensions	359,067
Deferred Inflows - Leases	84,223
Total Deferred Inflows of Resources	<u>\$ 443,290</u>
NET POSITION	
Net Investment in Capital Assets	22,154,900
Restricted for Pension	949,283
Restricted for Debt Service	1,347,651
Unrestricted Net Position	11,980,909
Total Net Position	<u>\$ 36,432,743</u>

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

Public Utility District No. 1 of Thurston County, Washington
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2023

	2023
Operating Revenues	
Metered & Unmetered Water Revenue	9,623,474
Sales to Irrigation	222,270
Miscellaneous Service Revenue	139,344
Other Water Revenue	1,190,454
Total Operating Revenue	\$ 11,175,541
Operating Expenses	
Salaries & Benefits Employees & Commissioners	2,915,071
Water System Operations	906,406
Contractual Services	180,300
Janitorial	22,049
Transportation	286,443
Insurance	188,669
Administrative Operations	431,639
Miscellaneous	166,618
Taxes	629,452
Depreciation and Amortization	2,320,354
Total Operating Expenses	\$ 8,047,000
Operating Income (Loss)	\$ 3,128,541
Non-Operating Revenues (Expenses)	
Interest Income	270,608
Property Tax Revenue	327,119
Interest Expense	(694,136)
Election costs	(41,104)
Grant Revenues	342,035
Gain (Loss) on Disposal of Capital Assets	(18,825)
Other, net	43,966
Total Non-Operating Revenues (Expenses)	\$ 229,664
Capital Contributions	\$ 1,190,000
Change in Net Position	\$ 4,548,204
Net Position	
Total Net Position, January 1	\$ 31,884,539
Total Net Position, December 31	\$ 36,432,743

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

Public Utility District No. 1 of Thurston County, Washington

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	2023
Cash Flows from Operating Activities	
Cash received from customers	10,987,320
Cash payments to supplies and employees	(5,343,823)
Taxes paid	(629,452)
Net Cash Provided by Operating Activities	<u>\$ 5,014,045</u>
Cash Flows from Non-Capital Financing Activities	
Property Tax Income	326,958
Other Non Operating income	42,796
Election Expenses	(41,104)
Net Cash Provided by Non-Capital Financing Activities	\$ 328,651
Cash Flows from Capital Financing Activities	
Payments to 2020 Revenue Bond	(231,097)
Payments to 2021A Revenue Bond	(470,000)
Payments to 2021B Revenue Bond	(75,000)
Payments to Public Works Trust Fund Loan	(61,454)
Payments to DWSRF Loans	(226,194)
Principal paid - Leases	(23,832)
Proceeds from DWSRF Loans	294,170
Proceeds from Grants	342,035
Acquisition and construction of capital assets	(2,378,711)
Interest paid on long term debt	(749,720)
Net Cash from Capital Financing Activities	\$ (3,579,804)
Cash Flows from Investing Activities	
Interest received on cash on deposit	<u>\$ 270,608</u>
Net Cash Provided by Investing Activities	\$ 270,608
Net Increase (Decrease) in Cash	\$ 2,033,500
Beginning of Year	<u>\$ 13,125,378</u>
End of Year	<u>\$ 15,158,878</u>

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

Public Utility District No. 1 of Thurston County, Washington

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

2023

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 3,128,541
Adjustments to reconcile operating Income to net cash provided (used) by operating activities:	
Depreciation and Amortization Expense	2,320,354
Customer Accounts Receivable	(191,945)
Prepaid Expenses	(9,092)
Accounts Payable	(25,707)
Refundable Deposit Payable	3,724
Asset Retirement Obligations and Related Deferred Outflows	42,358
Payroll Liabilities	2,620
Accrued Compensated Absences	43,534
Pension Assets/Liabilities, net Deferred Inflows/Outflows	(300,342)
Total Adjustments	<u>\$ 1,885,504</u>
Net Cash Provided by Operating Activities	<u>\$ 5,014,045</u>
NonCash Investing, Capital and Financing Activities	
Capital Assets Acquired by Contribution	<u>\$ 1,190,000</u>
Total Noncash Activities	<u>\$ 1,190,000</u>

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

NOTES TO FINANCIAL STATEMENTS

These notes are an integral part of the accompanying financial statements.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Public Utility District No. 1 of Thurston County, Washington (Thurston PUD or the District) is a municipal corporation governed by an elected three-person Commission, authorized under Title 54 RCW. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Thurston PUD has no component units.

Nature of Activities

Thurston PUD owns and operates 279 water systems serving approximately 10,090 active connections in 6 counties (Thurston, Lewis, Pierce, Grays Harbor, King and Kitsap Counties). The District employs 27 full time employees.

Basis of Accounting

The accounting policies of Thurston PUD conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accounting records of the District are maintained in accordance with methods prescribed by the Washington State Auditor under the authority of Chapter 43.09 RCW. The full accrual basis of accounting is used, where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

Proprietary Fund Financial Statements

The District's financial statements include the financial position and results of operations of its water utility operations. In accordance with governmental accounting principles, all Thurston PUD funds are considered proprietary.

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

Operating and Non-Operating Revenue and Expenses

The District distinguishes between operating revenues and expenses from those that are nonoperating. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the district's principal ongoing operations. The principal operating revenues of the District are charges to customers relating to the provision of retail water utility services, as well as special charges relating to the administration of customer accounts.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Operating expenses for the District include the cost of providing water utility services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues & expenses.

Gains and losses from the disposal of utility plant and other non-core activities are excluded from operating income.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates may be included in the disclosure of contingent assets and liabilities at the date of the financial statements, and in the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition

Revenues are recognized as soon as they are earned, measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. All investments are held in trust with the Thurston County Treasurer's Office who acts as the Treasurer of the District.

Utility Plant and Depreciation

See Note 4 – Capital Assets

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 and related deferred outflows and inflows.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Restricted Net Position

In accordance with bond resolutions and other agreements, separate reserve accounts have been established for restricted or limited-use resources. The assets held in these funds are limited as to their use, including debt service and other reserve requirements. At year-end there are restricted funds of Thurston PUD in the amount of \$1,347,651 in the Bond Reserve.

Receivables

All utility customers are billed monthly in arrears for water service. Customer accounts receivable consist of amounts owed from private individuals or organizations for water services rendered. Management has reviewed customer accounts receivable at year-end to determine if any receivables will potentially be uncollectible, and to establish the provision for uncollectible customer accounts. For the current year, an estimate based on a percentage of water revenue billed during the year was used to establish this provision. Actual losses are then charged against the provision as they are identified. Management believes that the provision for uncollectible accounts as of year-end was adequate. The financial statements reflect customer accounts receivable net of the provision for uncollectible accounts.

Taxes receivable consists of property taxes and related interest and penalties (see Note 2 – Property Taxes).

Leases

The District is a lessee for noncancelable leases. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements (see Note 10 - Leases (Lessor)).

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Key estimates and judgements related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The District is a lessor for a noncancelable lease. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements. (see Note 11 - Leases (Lessee)).

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgements related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease receipts included in the measurement of the lease liability are compose of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Compensated Absences

Employees accrue vacation leave in accordance with years of service. The balance of vacation may be carried forward from year-to-year to a maximum accumulation of 240 hours. Upon termination or resignation any accrued vacation through the last date of employment is cashed-out at the current equivalent salary or hourly wage of the employee. Thurston PUD records the cost of vacation leave as earned with a liability representing leave balances earned but not taken.

Thurston PUD modified the Shared Leave program in 2018 to allow employees to donate vacation leave that would otherwise be forfeited at year end. The donated vacation leave belongs to the leave bank, not associated with any employee upon being transferred. The cost of the leave bank is included in vacation leave and is recorded as earned with a liability representing the balance earned but not taken. Of the Vacation Leave liability, the Shared Leave bank had a balance of \$76,630 at December 31, 2023.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
 (Continued)**

Sick leave is accrued by employees on a monthly basis at the rate of one day of sick leave per month. There is no cap to the amount of sick leave that can be accumulated. Any accrued sick leave at the time of separation of service may be converted to cash at the rate of 25% of the value of the sick leave determined based on the employee’s last rate of pay. Thurston PUD records the cost of sick leave as earned with a liability representing 25% of the value earned but not taken.

Income Tax Status

Thurston PUD is a municipal corporation and is exempt from federal income taxes.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement section represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows presented in this manner on the accompanying financial statements are related to outstanding debt, pension liabilities and asset retirement obligations.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This section represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows presented in this manner on the accompanying financial statements are related to pension liabilities.

NOTE 2 – PROPERTY TAXES

The Thurston County Treasurer (County Treasurer) acts as an agent to collect property taxes levied in the county for all taxing authorities.

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

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

NOTE 2 – PROPERTY TAXES (Continued)

Property taxes are recorded as receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred inflow and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually. A revaluation of all property is required every four years.

The District's regular levy for 2023 was \$0.005606126622 per \$1,000 on an assessed valuation of \$ 60,079,210,250 for a total regular levy of \$336,812. In 2022, the regular levy was \$317,038. Washington State Constitution and Washington State law, RCW 84.55.010, limits the rate.

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash on hand at December 31, 2023, was \$1,500. The carrying amount of the District's deposits including certificates was \$15,158,878, and the bank balance was \$15,116,281.

Deposits

All receipts received by the District are deposited into qualified bank depositaries as directed by the County Treasurer and specified by the Washington Public Deposit Protection Commission (PDPC). All deposits, including money markets and certificates of deposits, are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington PDPC. The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington. PDPC coverage is of the nature of insurance pursuant to the Governmental Accounting Standards Board Statement No. 3. All deposits held at December 31, 2023, and throughout the year, were classified as Level 2, insured or collateralized with securities held by the County Treasurer or by their agent in the County Treasurer's name.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party.

Investments

The District is a voluntary participant in the Thurston County Investment Pool (TCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. Investments in the TCIP are reported at fair value, which, as of 12/31/2023, is reporting at an unrealized loss from book value of 2.7799%. The TCIP does not impose any restrictions on participant withdrawals.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The Thurston County Investment Pool does not have a credit rating and had a weighted average maturity of 1.209 years as of December 31, 2023.

In accordance with State law, the district’s governing body has entered into a formal agreement with the district’s ex officio treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the Thurston County Investment Pool (TCIP).

Investments Measured at Fair Value

The District measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;

Level 3 – Unobservable inputs for an asset or liability.

At December 31, 2023, the District has the following investments measured at fair value:

Investments by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Deposits held with Thurston County Treasurer	\$0	\$15,116,281	\$0
Total Investments by Fair Value	\$0	\$15,116,281	\$0

NOTE 4 – CAPITAL ASSETS

Capital assets are defined by the District as assets with initial individual cost of more than \$500 and an estimated useful life in excess of three years. Major expenses for capital assets and major repairs, in excess of \$500, that increase useful lives are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when the cost is incurred.

Utility plant in service and other capital assets are recorded at cost (where the historical cost is known). Where historical cost is not known, assets are recorded at the estimated cost to construct the plant, discounted to the year the plant was originally dedicated to public service.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

NOTE 4 – CAPITAL ASSETS (Continued)

Contributions by developers and customers are recorded, at cost, as capital contributions. The District amortizes as depreciation those assets acquired by contributions.

Depreciation is computed using the straight-line method over their estimated useful lives of 3 to 80 years. Initial depreciation on utility plant is recorded on a pro-rata basis in the year it is placed in service. When operating property is retired, or otherwise disposed of, the original cost is removed from the utility plant accounts and from accumulated depreciation.

Utility Plant Type	Useful Life (years)
Structures & Improvements	30-50
Wells and Springs	75
Supply Mains	65
Power Generation Equipment	25
Pumping Equipment	13
Water Treatment Equipment	25
Distribution Reservoir & Standpipe	75
Transmission & Distribution Mains	65
Service Lines	65
Meters & Meter Installations	20
Hydrants	65
Leases	*

**Leases Useful Life varies based on type of equipment.*

Utility plant activity for the year ended December 31, 2023, was as follows:

	Beginning Balance 1/1/2023	Increase	Decrease	Ending Balance 12/31/2023
Utility plant not being depreciated:				
Land and Land Rights	2,165,107	26,005	-	2,191,113
Construction in Progress	1,882,279	3,314,904	(1,303,564)	3,893,619
Total utility plant not being depreciated	\$ 4,047,387	\$ 3,340,909	\$ (1,303,564)	6,084,731
Utility plant being depreciated				
Water Plant	49,558,882	939,949	(66,245)	50,432,585
Office Furniture & Equipment	439,638	20,117	(31,110)	428,644
Transportation & Equipment	1,217,731	314,680	(152,550)	1,379,860
Other Utility Plant	1,161,940	274,636	(102,224)	1,334,352
Total utility plant being depreciated	\$ 52,378,190	\$ 1,549,381	\$ (352,130)	\$ 53,575,442
Accumulated Depreciation				
Water Plant	10,832,787	2,050,699	(47,167)	12,836,320
Office Furniture & Equipment	261,200	88,050	(51,906)	297,344
Transportation & Equipment	561,126	140,135	(151,991)	549,269
Other Utility Plant	837,573	79,275	(102,031)	814,817
Total accumulated depreciation	\$ 12,492,687	\$ 2,358,158	\$ (353,095)	\$ 14,497,750
Total Utility Plant, Net	\$ 43,932,890	\$ 2,532,132	\$ (1,302,599)	\$ 45,162,423

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

NOTE 5 – CONSTRUCTION IN PROGRESS

The District has five active construction projects as of December 31, 2023. The project includes:

1. Glen Alder water system consolidation and mainline replacement including meter replacements and generator installation.
2. Pumphouse replacements for the following water systems:
 - Garden Acres
 - Brown S Prairie
 - Marshall
3. Country Club Estates water system consolidation and mainline replacement including meter replacements and treatment system upgrades.

At year-end the District’s commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Glen Alder Consolidation & Mainline Replacement	\$ 414,048	\$ 28,635
Garden Acres 1 Pumphouse Replacement	\$ 81,137	\$ 3,935
Brown S Prairie Pumphouse Replacement	\$ 48,663	\$ 2,360
Marshall Pumphouse Replacement	\$ 45,467	\$ 2,205
Country Club Estates Consolidation & Mainline Replacement	\$ 219,448	\$ 154,394

NOTE 6 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2023:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (289,838)
Pension assets	\$ 670,381
Deferred outflows of resources	\$ 638,030
Deferred inflows of resources	\$ (359,067)
Pension expense/expenditures	\$ (70,195)

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

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

NOTE 6 – PENSION PLANS (Continued)

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 programs.

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 two percent (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.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

NOTE 6 – PENSION PLANS (Continued)

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6.00 percent (%). The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the Legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1			
Actual	Contribution	Employer	Employee
Rates			
January – June 2023			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		3.85%	
Administrative Fee		0.18%	
	Total	10.39%	6.00%
July – August 2023			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		2.85%	
Administrative Fee		0.18%	
	Total	9.39%	6.00%
September – December 2023			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		2.97%	
Administrative Fee		0.18%	
	Total	9.53%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent (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.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

NOTE 6 – PENSION PLANS (Continued)

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 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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes 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.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

NOTE 6 – PENSION PLANS (Continued)

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3			
Actual	Contribution	Employer 2/3	Employee 2
Rates			
January – June 2023			
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%
July – August 2023			
PERS Plan 2/3		6.36%	6.36%
PERS Plan 1 UAAL		2.85%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
Total		9.39%	6.36%
September – December 2022			
PERS Plan 2/3		6.36%	6.36%
PERS Plan 1 UAAL		2.97%	
Administrative Fee		0.20%	
Employee PERS Plan 3			Varies
Total		9.53%	6.36%

The District’s actual PERS plan contributions were \$80,359 to PERS Plan 1 and \$149,787 to PERS Plan 2/3 for the year ended December 31, 2023.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. 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*.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

NOTE 6 – PENSION PLANS (Continued)

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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 service-based salary increase.
- **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 (example: active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society 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, 2021 Actuarial Valuation Report (AVR).

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, the 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

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

NOTE 6 – PENSION PLANS (Continued)

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, 2023. The inflation component used to create the table is 2.2% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	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 7.0%, 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%) or 1-percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	\$404,926	\$289,838	\$189,394
PERS 2/3	\$729,119	\$(670,381)	\$(1,820,158)

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.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

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

At June 30, 2023, the District reported its proportionate share of the net pension liabilities as follows:

	Liability/Asset
PERS 1	\$(289,838)
Total Net Pension Liability	\$(289,838)
PERS 2/3	\$670,381
Total Net Pension Asset	\$670,381

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.013728%	0.012697%	-0.001031%
PERS 2/3	0.017903%	0.016356%	-0.001547%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations*.

Pension Expense

For the year ended December 31, 2023, the District recognized pension expense as follows:

	Pension Expense
PERS 1	\$(36,528)
PERS 2/3	\$(33,667)
Total Pension Expense	\$(70,195)

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(32,695)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$32,756	\$0
TOTAL	\$32,756	\$(32,695)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$136,556	\$(7,490)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(252,640)
Changes of assumptions	\$281,449	\$(61,345)
Changes in proportion and differences between contributions and proportionate share of contributions	\$116,119	\$(4,897)
Contributions subsequent to the measurement date	\$71,150	\$0
TOTAL	\$605,274	\$(326,372)
TOTAL PERS 1 & PERS 2/3	\$638,030	\$(359,067)

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

NOTE 6 – PENSION PLANS (Continued)

Deferred outflows of resources related to pensions resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. 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
2024	\$(22,244)
2025	\$(27,975)
2026	\$17,249
2027	\$275
2028	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2024	\$(72,511)
2025	\$(116,335)
2026	\$221,873
2027	\$84,038
2028	\$80,970
Thereafter	\$9,717

NOTE 7 – INSURANCE / RISK MANAGEMENT

Thurston PUD, along with seventeen other public utility districts and one joint operating agency, is a member of the Public Utilities Risk Management Services (PURMS) self-insurance fund. The program provides members with various liability, property and health insurance coverage in three separate pools. Thurston PUD is a member of the PURMS health & welfare (H&W) pool. As a former member of the liability and property pools of PURMS Thurston PUD continues to receive coverage from the pool for occurrences that happened while they were a member (years through 2010). Withdrawn PURMS members continue to be responsible for their share of assessments for occurrences that happen to all members while they were a member.

The PURMS H&W pool maintains funded reserves in an amount approximately equal to the sum of three (3) times the amount of each member’s historical average monthly H&W claims experience for its respective employees and their dependents. The H&W pool’s operations are financed through assessments of its participating members. Assessments for the H&W pool are based on a formula that takes into account the H&W claims cost of each member’s employees, as well as an allocated portion of shared administrative expenses.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

NOTE 7 – INSURANCE / RISK MANAGEMENT (Continued)

Thurston PUD is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 169 members. New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of

coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2023 through December 31, 2023

NOTE 7 – INSURANCE / RISK MANAGEMENT (Continued)

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

The District has no settlements in the last 3 years exceeding coverage.

NOTE 8– LONG-TERM DEBT

Thurston PUD issues revenue bonds to finance the purchase of capital assets and the acquisition or construction of water systems. Bonded indebtedness has also been entered into in prior years to advance refund the District's previous revenue bond issues. Revenue bonds are repaid using the water revenue of the District. The District is also liable for other loans obtained through state and federal programs to improve the condition of existing water infrastructure.

The District pledged future water revenue, net of operating expenses to repay \$5,656,969 in water revenue bonds issued January 16, 2020. Proceeds from the bonds provide financing for water system improvements and replacements as well as an acquisition of property with an office building. The bonds are payable solely from water revenue and are payable through 2039. The total principal and interest remaining to be paid on this bond series is \$6,111,500.

In February 2021, the District pledged future water revenue, net of operating expenses to repay \$6,735,000 in water revenue bond issued, 2021A Bond. These bonds were issued with a premium of \$867,297. \$5,145,00 plus a premium of \$732,526 provided financing for water system improvements and replacements. The remaining \$1,590,000 plus a premium of \$134,771 was used to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$2,030,000 of refunded debt, 2018B Water Revenue Bond. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 6 years by \$2,177,869 and resulted in an economic gain of \$149,824.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

January 1, 2023 through December 31, 2023

NOTE 8– LONG-TERM DEBT (Continued)

In March 2021, the District pledged future water revenue, net of operating expenses to repay \$905,000 in water revenue bond issued, 2021B Bond. These bonds were issued with a premium of \$112,050 and were used to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$980,000 of refunded debt, 2011 Water Revenue Bond. As a result, the refunded bonds are considered to be defeased and the

liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$1,192,291 and resulted in an economic gain of \$175,642.

The total principal and interest remaining to be paid on the 2021A and 2021B bond series is \$7,874,200. At December 31, 2023, the unspent bond proceeds are \$1,116,664.

Annual principal and interest payments on the bonds are expected to require approximately 72.44 percent of net revenues in future years. Principal and interest paid for all bonds in the current year and total water revenue, net operating income excluding depreciation is \$1,501,456 and \$5,448,894 respectively.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

NOTE 8— LONG-TERM DEBT (Continued)

The Long-Term Debt currently outstanding are as follows:

Purpose	Maturity Range	Stated Interest Rate	Original Amount	Amount of 2023 Installment
Public Works Loan PW04-691-PRE126	2024	0.5%	\$ 1,000,000	\$ 52,632
Public Works Loan PC18-96103-13	2038	1.2%	\$ 167,631	\$ 8,823
Water Revenue Bond 2018A	2018 - 2042	3.0%-4.0%	\$ 9,550,000	\$ -
Water Revenue Bond 2020	2020 - 2039	3.0%	\$ 5,656,969	\$ 231,097
Water Revenue Bond 2021A	2021-2040	3.0%	\$ 6,735,000	\$ 470,000
Water Revenue Bond 2021B	2021-2031	3.0%	\$ 905,000	\$ 75,000
Unamortized Bond Premium 2018	2042		\$ 338,294	\$ -
Unamortized Bond Premium 2021A	2040		\$ 861,262	\$ -
Unamortized Bond Premium 2021B	2031		\$ 110,397	\$ -
Drinking Water State Revolving Fund Loan DM09-952-026	2029	0.5%	\$ 1,028,180	\$ 48,992
Drinking Water State Revolving Fund Loan DM09-952-027	2029	0.5%	\$ 2,109,661	\$ 94,158
Drinking Water State Revolving Fund Loan DM12-952-103	2036	1.0%	\$ 165,400	\$ 2,616
Drinking Water State Revolving Fund Loan DM12-952-113	2036	1.0%	\$ 370,725	\$ 9,268
Drinking Water State Revolving Fund Loan 03-65103-032	2024	1.5%	\$ 85,281	\$ 3,427
Drinking Water State Revolving Fund Loan 01-65101-039	2025	1.5%	\$ 41,127	\$ 4,942
Drinking Water State Revolving Fund Loan 16-952-034	2036	1.0%	\$ 84,007	\$ 4,248
Drinking Water State Revolving Fund Loan 04-65104-011	2025	0.5%	\$ 26,877	\$ 3,840
Drinking Water State Revolving Fund Loan 09-952-045	2029	0.5%	\$ 210,341	\$ 19,122
Drinking Water State Revolving Fund Loan DWL24059	2018	1.8%	\$ 1,052	\$ 8,153
Drinking Water State Revolving Fund Loan DWL26240	2045	1.3%	\$ -	\$ 952
Drinking Water State Revolving Fund Loan DWL26320	2045	1.3%	\$ -	\$ 1,532
Drinking Water State Revolving Fund Loan DWL26321	2045	1.3%	\$ -	\$ 9,698
Drinking Water State Revolving Fund Loan DWL24061	2031	0.0%	\$ -	\$ 15,248
Total Authorized Debt			\$ 29,934,877	\$ 1,063,745

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

January 1, 2023 through December 31, 2023

NOTE 8– LONG-TERM DEBT (Continued)

In 2023, the District obtained loan financing for the Hawley Hills Consolidation of four (4) Group A Water Systems through the Drinking Water State Revolving Fund. The expected costs for this capital project are \$504,900. The District anticipates the projects to be completed by December 2024. The 20-year term loan start date was for an amount of \$504,900 with an interest rate of 2.25%.

In 2021, the District obtained loan financing for the Tanglewilde water system through the Drinking Water State Revolving Fund. The expected costs for this capital project are \$398,320. The District anticipates the projects to be completed by December 2024. The 10-year term loan start date was for an amount of \$398,320 with an interest rate of 0.00%.

In 2021, the District obtained loan financing for the Glen Alder water system through the Drinking Water State Revolving Fund. The expected costs for this capital project are \$517,480. The District anticipates the project to be completed by April 2024. The 24-year term loan start date was for an amount of \$517,480 with an interest rate of 1.25% and 50% principal loan forgiveness.

In 2021, the District obtained loan financing for the Country Club Estates water system through the Drinking Water State Revolving Fund. The expected costs for this capital project are \$756,400. The District anticipates the projects to be completed by April 2024. The 24-year term loan start date was for an amount of \$756,400 with an interest rate of 1.25% and 50% principal loan forgiveness.

In 2021, the District obtained loan financing for the Pattison water system through the Drinking Water State Revolving Fund. The expected costs for this capital project are \$3,141,500. The District anticipates the projects to be completed by December 2024. The 24-year term loan start date was for an amount of \$3,141,500 with an interest rate of 1.25% and 50% principal loan forgiveness.

In 2020, the District obtained loan financing for a Public Works Trust Fund loan for three capital projects. The expected costs for this capital project are \$167,631. The District anticipates the projects to be completed by April 2024. The 20-year term loan start date was for an amount of \$167,631 with an interest rate of 1.20%.

In 2019, the District acquired the Cedarwood water system and assumed ownership of the Drinking Water State Revolving Fund loan awarded for capital improvements. The 20-year term loan start date was May 6, 2014 for an amount of \$333,491 with an interest rate of 0.50%.

In 2018, the District obtained loan financing for the Timberline Village water system through the Drinking Water State Revolving Fund. The expected costs for this capital project are \$401,100. The District anticipates the projects to be completed by December 2024. The 20-year term loan start date was for an amount of \$401,100 with an interest rate of 1.75%.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

NOTE 8– LONG-TERM DEBT (Continued)

The annual requirements to amortize all debts outstanding as of December 31, 2023, including interest, are as follows:

Year Ending December 31	Principal	Interest	Total
2024	\$ 1,090,575	\$ 721,794	\$ 1,812,369
2025	\$ 1,070,084	\$ 695,970	\$ 1,766,054
2026	\$ 1,080,172	\$ 669,447	\$ 1,749,619
2027	\$ 1,192,748	\$ 642,472	\$ 1,835,220
2028	\$ 1,220,551	\$ 612,121	\$ 1,832,672
2029-2033	\$ 6,602,479	\$ 2,513,754	\$ 9,116,233
2034-2038	\$ 6,899,872	\$ 1,495,954	\$ 8,395,826
2039-2043	\$ 3,621,529	\$ 368,446	\$ 3,989,975
2044-2045	\$ 37,969	\$ 708	\$ 38,677
Total	\$ 22,815,979	\$ 7,720,666	\$ 30,536,645

As of December 31, 2023, the District has \$1,347,651 in the Bond Reserves. This represent sinking funds and reserve requirements contained in the various indentures. There are a number of other limitations and restrictions contained in the various bond indentures. The District is in compliance with all significant limitations and restrictions.

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
Revenue Bonds	\$ 21,449,045	\$ -	\$ 776,097	\$ 20,672,948	\$ 798,030
Unamortized Bond Premiums	\$ 1,307,316	\$ -	\$ 58,276	\$ 1,249,040	\$ 73,040
Total Bonds Payable	\$ 22,756,361	\$ -	\$ 834,373	\$ 21,921,988	\$ 871,070
Public Works Trust Fund Loans	\$ 246,426	\$ -	\$ 61,454	\$ 184,972	\$ 61,454
Drinking Water State Revolving Fund Loans	\$ 1,890,083	\$ 294,170	\$ 226,194	\$ 1,958,059	\$ 231,090
Pension Liability	\$ 382,238	\$ -	\$ 92,400	\$ 289,838	\$ -
Asset Retirement Obligations	\$ 1,738,880	\$ -	\$ -	\$ 1,738,880	\$ -
Compensated Absences	\$ 294,542	\$ -	\$ (43,535)	\$ 338,077	\$ 175,533
Leases	\$ 110,206	\$ -	\$ 23,832	\$ 86,374	\$ 35,134
Total Long-Term Liabilities	\$ 27,418,736	\$ 294,170	\$ 1,194,718	\$ 26,518,188	\$ 1,374,282

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

NOTE 10 – LEASES (Lessor)

The District has identified one (1) lease in which the District is a lessor that must comply with GASB Statement No. 87, Leases.

In 2019, the District entered a seven-year lease for the office building located at 1240 Ruddell Rd, Lacey WA 98503. In 2023, the cost for the lease is \$3,861 monthly and is adjusted March 1 of each year to according to the Lease Agreement Rent Rider. A Lease Extension is allowable only as mutually agreed upon by the District and the tenant.

As of December 31, 2023, future lease receivable principal and interest payments are as follows:

Year ended December 31	Principal	Interest	Total
2024	45,495	1,874	47,369
2025	44,007	687	44,694
Total	89,502	2,561	92,063

NOTE 11 – LEASES (Lessee)

The District has identified eight (8) leases in which the District is a lessee that must comply with GASB Statement No. 87, Leases.

During the year ended December 31, 2023, the following changes occurred in lease liabilities:

	Beginning Balance 1/1/2023	Increase	Decrease	Ending Balance 12/31/2023
Leased Equipment	135,339	11,781	(1,288)	145,832
Total	\$ 135,339	\$ 11,781	\$ (1,288)	\$ 145,832
Accumulated Depreciation Leased Equipment	(27,265)	-	(37,804)	(65,070)
Total	\$ (27,265)	\$ -	\$ (37,804)	\$ (65,070)
Total Leases, Net	\$ 108,074	\$ 11,781	\$ (39,092)	\$ 80,762

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2023 through December 31, 2023

NOTE 11 – LEASES (Lessee) (Continued)

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year ended December 31	Principal	Interest	Total
2024	35,134	2,480	37,614
2026	19,144	759	19,903
2027	14,200	205	14,404
Total	86,374	5,126	91,500

NOTE 12 –ASSET RETIREMENT OBLIGATIONS (ARO)

The District has identified 331 wells as asset retirement obligations. The AROs are the District’s active wells that will require decommission at the end of its useful life, estimated at 75 years. The wells will be decommissioned, pursuant to WAC 173-160-381, regulated by Department of Ecology.

The District’s Director of Planning and Compliance was consulted when determining the method and assumptions to measure the liabilities. The District presumed all wells to have a useful life of 75 years and the remaining useful life was calculated individually for each well based on the original installation date. The District reviewed the depth of each well, the remaining useful life of each well and a cost estimate to decommission a well to calculate the asset retirement obligation. The District plans to decommission wells during the same period of time the new well is being drilled.

NOTE 13– COMMITMENTS

Purchase Water Agreement

The District has a purchase water agreement with the City of Lacey to supply water to a small water system served by the District after the well serving that water system was found to contain arsenic above the maximum contaminant level. The water system affected serves 15 residences and represents a very small segment of customers served by the District.

NOTE 14 – SUBSEQUENT EVENTS

In April 2024, the District obtained loan financing for the Tanglewilde Mainline Replacement project – Phase 1 through the Public Works Board. The costs of this capital project are expected total \$10,000,000. The District anticipates the projects to be completed by December 2027. The 20-year term loan start date was for an amount of \$10,000,000 with an interest rate of 1.72%.

Public Utility District No. 1 of Thurston County
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Public Employees' Retirement System
As of June 30
Last 10 Fiscal Years*

Public Employee's Retirement System - Plan 1		2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.012697%	0.013728%	0.013590%	0.013039%	0.012415%	0.010192%	0.007130%	0.007507%	0.006960%
Employer's proportionate share of the net pension liability (asset)	\$	\$ 289,838	\$ 382,238	\$ 165,966	\$ 460,347	\$ 477,401	\$ 455,178	\$ 338,324	\$ 403,161	\$ 364,073
Covered payroll	\$	\$ 2,261,050	\$ 2,238,303	\$ 2,088,489	\$ 1,979,532	\$ 1,742,469	\$ 1,416,904	\$ 897,627	\$ 863,175	\$ 795,446
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	12.82%	17.08%	7.95%	23.26%	27.40%	32.12%	37.69%	46.71%	45.77%
Plan fiduciary net position as a percentage of the total pension liability	%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
Public Employee's Retirement System - Plan 2/3		2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.016356%	0.017903%	0.017462%	0.016986%	0.016030%	0.013146%	0.009171%	0.009620%	0.008989%
Employer's proportionate share of the net pension liability (asset)	\$	\$ (670,381)	\$ (663,983)	\$ (1,739,496)	\$ 217,241	\$ 155,706	\$ 224,456	\$ 318,648	\$ 484,359	\$ 321,182
Covered payroll	\$	\$ 2,261,050	\$ 2,238,303	\$ 2,088,489	\$ 1,979,532	\$ 1,742,469	\$ 1,416,904	\$ 897,627	\$ 863,175	\$ 795,446
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-29.65%	-29.66%	-83.29%	10.97%	8.94%	15.84%	35.50%	56.11%	40.38%
Plan fiduciary net position as a percentage of the total pension liability	%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented

Public Utility District No. 1 of Thurston County
Schedule of Employer Contributions
Public Employees' Retirement System
For the year ended December 31
Last 10 Fiscal Years*

Public Employees' Retirement System Plan 1		<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	\$									
Statutorily or contractually required contributions	\$	80,359	\$ 83,194	\$ 91,492	\$ 99,428	\$ 94,014	\$ 86,131	\$ 51,400	\$ 41,877	\$ 35,597
Contributions in relation to the statutorily or contractually required contributions	\$	<u>(80,359)</u>	<u>(83,194)</u>	<u>(91,492)</u>	<u>(99,428)</u>	<u>(94,014)</u>	<u>(86,131)</u>	<u>(51,400)</u>	<u>(41,877)</u>	<u>(35,597)</u>
Contribution deficiency (excess)	\$	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$	\$ 2,355,139	\$ 2,217,949	\$ 2,105,115	\$ 2,075,122	\$ 1,901,163	\$ 1,702,443	\$ 1,045,904	\$ 877,912	\$ 809,212
Contributions as a percentage of covered payroll	%	3.41%	3.75%	4.35%	4.79%	4.95%	5.06%	4.91%	4.77%	4.40%
Public Employees' Retirement System Plan 2/3		<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	\$									
Statutorily or contractually required contributions	\$	149,787	\$ 141,062	\$ 151,897	\$ 164,350	\$ 146,769	\$ 127,662	\$ 72,478	\$ 54,694	\$ 62,787
Contributions in relation to the statutorily or contractually required contributions	\$	<u>(149,787)</u>	<u>(141,062)</u>	<u>(151,897)</u>	<u>(164,350)</u>	<u>(146,769)</u>	<u>(127,662)</u>	<u>(72,478)</u>	<u>(54,694)</u>	<u>(62,787)</u>
Contribution deficiency (excess)	\$	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$	\$ 2,355,139	\$ 2,217,949	\$ 2,105,115	\$ 2,075,122	\$ 1,901,163	\$ 1,702,443	\$ 1,045,904	\$ 877,912	\$ 809,212
Contributions as a percentage of covered payroll	%	6.36%	6.36%	7.22%	7.92%	7.72%	7.50%	6.93%	6.23%	7.76%

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

**Public Utility District No. 1 of Thurston County, Washington
Supplemental Information**

Date of Organization 1938

Nature of Business A municipal corporation supplying public utility services in rural Thurston County and surrounding areas.

Board of Commissioners:
 President Christopher Stearns, District 3
 Vice President Linda Oosterman, District 1
 Secretary Russell Olsen, District 2

Key District Management
 General Manager John Weidenfeller

Corporate Office 1230 Ruddell Rd SE
 Lacey, WA 98503
 (360) 357-8783 Telephone
 (360) 357-1172 Facsimile
www.thurstonpud.org

As of December 31, 2023:

Number of Employees (total)	27
Number of Operational Employees	15
Number of Administrative Employees	12

Total number systems owned by Thurston PUD	279
Number class A systems	78
Number class B systems	201

Number of Customer Accounts	
Metered accounts	10,037
Unmetered accounts	53
Total District customers	10,090

Number of managed systems	-
Number of managed customers	-

Annual Average Consumption per Residential Connection	877 cuft
---	----------

Wholesale water purchased (gallons)	
2023	2,442,519
2022	1,384,570
2021	1,802,204
2020	2,431,075
2019	7,937,028
2018	1,727,431
2017	4,482,315
2016	5,523,980
2015	42,415
2014	-
2013	97,000

Number of wells/sources	331
-------------------------	-----

Counties of Operation with Equivalent Residential Units (ERU) Served	7,835	Thurston
	689	Lewis
	1,425	Pierce
	37	Grays Harbor
	76	King
	28	Kitsap

Public Utility District No. 1 of Thurston County, Washington
 Schedule of Long-Term Debt
 For the Year Ended December 31, 2023

GO Debt
 Revenue Debt
 Assessment Debt
 Refunded Debt
 Debt of Special Purpose District

ID No	Purpose	Date of Original Issue	Date of Maturity	Interest Rates	Total Amount Issued to Date	Beginning Outstanding Debt 01/01/2023	Amount Issued Current Period	Amount Redeemed This Period	Ending Outstanding Debt 12/31/2023
263.88	Public Works Loan PW04-691-PRE126	12/1/2004	7/1/2024	0.5%	\$ 1,000,000	\$ 105,263	\$ -	\$ 52,632	\$ 52,631
263.88	Public Works Loan PC18-96103-013	5/31/2018	6/1/2038	1.2%	\$ 167,631	\$ 141,163	\$ -	\$ 8,823	\$ 132,340
252.11	Water Revenue Bond 2018A	1/3/2018	12/1/2042	3.0%-4.0%	\$ 9,550,000	\$ 9,550,000	\$ -	\$ -	\$ 9,550,000
252.11	Water Revenue Bond 2020	1/16/2020	12/1/2039	3.0%	\$ 5,656,969	\$ 5,029,045	\$ -	\$ 231,097	\$ 4,797,948
252.11	Water Revenue Bond 2021A	2/10/2021	12/1/2040	3.0%	\$ 6,735,000	\$ 6,115,000	\$ -	\$ 470,000	\$ 5,645,000
252.11	Water Revenue Bond 2021B	3/3/2021	12/1/2031	3.0%	\$ 905,000	\$ 755,000		\$ 75,000	\$ 680,000
263.82	Drinking Water State Revolving Fund Loan DM09-952-026	8/13/2009	10/1/2029	0.5%	\$ 1,028,180	\$ 342,941	\$ -	48,992	\$ 293,950
263.82	Drinking Water State Revolving Fund Loan DM09-952-027	8/13/2009	10/1/2029	0.5%	\$ 2,109,660	\$ 659,104	\$ -	\$ 94,158	\$ 564,947
263.82	Drinking Water State Revolving Fund Loan DM12-952-103	9/5/2012	10/1/2036	1.0%	\$ 165,400	\$ 36,618	\$ -	\$ 2,616	\$ 34,002
263.82	Drinking Water State Revolving Fund Loan DM12-952-113	9/5/2012	10/1/2036	1.0%	\$ 370,725	\$ 129,754	\$ -	\$ 9,268	\$ 120,486
263.82	Drinking Water State Revolving Fund Loan 01-65101-039	10/1/2001	10/1/2025	1.5%	\$ 41,127	\$ 10,282	\$ -	\$ 3,427	\$ 6,855
263.82	Drinking Water State Revolving Fund Loan DM16-952-034	6/1/2014	10/1/2038	0.0%	\$ 84,007	\$ 69,182	\$ -	\$ 4,942	\$ 64,241
263.82	Drinking Water State Revolving Fund Loan DM15-952-035	6/1/2014	10/1/2038	0.0%	\$ 194,350	\$ 67,974	\$ -	\$ 4,248	\$ 63,725
263.82	Drinking Water State Revolving Fund Loan 04-65104-011	12/1/2018	10/1/2025	0.5%	\$ 26,877	\$ 11,518	\$ -	\$ 3,840	\$ 7,679
263.82	Drinking Water State Revolving Fund Loan 09-952-045	2/1/2019	10/1/2029	5.0%	\$ 210,341	\$ 133,853	\$ -	\$ 19,122	\$ 114,731
263.82	Drinking Water State Revolving Fund Loan DWL24059	12/1/2018	10/1/2043	1.8%	\$ 179,278	\$ 170,163	\$ 1,052	\$ 8,153	\$ 163,061
263.82	Drinking Water State Revolving Fund Loan DWL26240	9/13/2023	10/1/2045	1.3%	\$ 115,966	\$ 13,088	\$ 102,878	\$ 952	\$ 115,013
263.82	Drinking Water State Revolving Fund Loan DWL26320	8/20/2021	10/1/2045	1.3%	\$ 44,660	\$ 29,102	\$ 15,558	\$ 1,532	\$ 43,128
263.82	Drinking Water State Revolving Fund Loan DWL26321	8/20/2021	10/1/2045	1.3%	\$ 269,207	\$ 94,738	\$ 174,469	\$ 9,698	\$ 259,509
263.82	Drinking Water State Revolving Fund Loan PCL26624	10/27/2021	10/31/2031	0.0%	\$ 121,980	\$ 121,767	\$ 213	\$ 15,248	\$ 106,733
259.12	Compensated Absences	--	--	--	\$ -	\$ 294,542	\$ -	\$ (43,535)	\$ 338,077
264.30	Pension Liabilities (PERS 1)	--	--	--	\$ -	\$ 382,238	\$ -	\$ 92,400	\$ 289,838
263.93	Asset Retirement Obligations	--	--	--	\$ -	\$ 1,738,880	\$ -	\$ -	\$ 1,738,880
263.56	Lease Liabilities	--	--	--	\$ -	\$ 110,206		\$ 23,832	\$ 86,374
						\$ 26,111,420	\$ 294,170	\$ 1,136,442	\$ 25,269,148

Public Utility District No. 1 of Thurston County, Washington
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2023

1	2	3	4	5			6
				Expenditures			
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	ALN Number	Other ID Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
Environmental Protection Agency (EPA) / pass through from state Public Works Board	Drinking Water State Revolving Fund	66.468	CBO24025	\$ 26,591		\$ 26,591	2
Environmental Protection Agency (EPA) / pass through from state Public Works Board	Drinking Water State Revolving Fund	66.468	DWL24059	\$ 2,104		\$ 2,104	2
Environmental Protection Agency (EPA) / pass through from state Public Works Board	Drinking Water State Revolving Fund	66.468	DWL26240	\$ 17,623		\$ 17,623	2
Environmental Protection Agency (EPA) / pass through from state Public Works Board	Drinking Water State Revolving Fund	66.468	DWL26320	\$ 12,253		\$ 12,253	2
Environmental Protection Agency (EPA) / pass through from state Public Works Board	Drinking Water State Revolving Fund	66.468	DWL26321	\$ 256,628		\$ 256,628	2
Environmental Protection Agency (EPA) / pass through from state Public Works Board	Drinking Water State Revolving Fund	66.468	PCL26624-0	\$ 213		\$ 213	2
Totals				\$ 288,821	\$ -	\$ 288,821	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended December 31, 2023

NOTE 1- BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Public Utility District No. 1 of Thurston County's financial statements. The accounting records of the District are maintained in accordance with methods prescribed by the Washington State Auditor under the authority of Chapter 43.09 RCW. The full accrual basis of accounting is used, where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

NOTE 2 – FEDERAL LOANS

The District was approved by the EPA and the WA Department of Health to receive the following loans to improve its drinking water systems:

EPA (WA Department of Health)	\$26,591
EPA (WA Department of Health)	\$2,104
EPA (WA Department of Health)	\$17,623
EPA (WA Department of Health)	\$12,253
EPA (WA Department of Health)	\$256,628
EPA (WA Department of Health)	\$213

The amount listed for each loan includes the 2023 expenditures of the District in construction of the improvements for the covered water systems. Both the current and prior year loans are also reported on the District's Schedule of Long-Term Debt.