

Public Utility District No. 1 of Thurston County

Management's Discussion and Analysis

December 31, 2025

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, 2025, with additional comparative data for 2024. 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, 2025, 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, 2025. 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, 2025, and 2024				
STATEMENT OF NET POSITION	Combined Total		Increase	%
	As of December 31		(Decrease)	Change
	2025	2024	2025 - 2024	2025 - 2024
Current Assets	\$ 20,231,564	\$ 19,365,126	\$ 866,438	4.47%
Capital Assets, net of depreciation	51,198,376	45,408,439	5,789,937	12.75%
Other Assets	2,504,863	1,885,947	618,916	32.82%
Total Assets	\$ 73,934,803	\$ 66,659,512	\$ 7,275,292	10.91%
Deferred Outflows of Resources	\$ 2,358,209	\$ 2,321,407	\$ 36,802	1.59%
Current Liabilities	\$ 2,839,831	\$ 3,075,758	\$ (235,927)	-7.67%
Noncurrent Liabilities	26,145,201	24,849,963	1,295,239	5.21%
Total Liabilities	\$ 28,985,033	\$ 27,925,721	\$ 1,059,311	3.79%
Deferred Inflows of Resources	\$ 252,971	\$ 205,076	\$ 47,895	23.35%
Net Investment in Capital Assets	\$ 25,563,356	\$ 21,803,245	\$ 3,760,111	17.25%
Restricted Net Position	\$ 3,140,342	\$ 2,460,944	\$ 679,398	27.61%
Unrestricted Net Position	\$ 18,340,965	\$ 16,545,596	\$ 1,795,370	10.85%
Total Net Position	\$ 47,044,663	\$ 40,809,784	\$ 6,234,879	15.28%

Public Utility District No. 1 of Thurston County, Washington				
Condensed Financial Information for December 31, 2025, and 2024				
STATEMENT OF CHANGES IN NET POSITION	Combined Total		Increase	%
	As of December 31		(Decrease)	Change
	2025	2024	2025 - 2024	2025 - 2024
Operating Revenues				
Metered & Unmetered Water Revenue	\$ 9,990,683	\$ 9,425,998	\$ 564,685	5.99%
Sales to Irrigation	\$ 272,450	\$ 165,174	\$ 107,276	64.95%
Operating Revenue - Other	\$ 1,821,572	\$ 1,723,940	\$ 97,632	5.66%
Non-Operating Revenues				
Interest Income	\$ 608,044	\$ 490,059	\$ 117,985	24.08%
Gain (Loss) on Disposal of Capital Assets	\$ (43,504)	\$ (228,050)	\$ 184,546	-80.92%
Non-Operating Revenues - Other	\$ 2,134,975	\$ 1,520,638	\$ 614,337	40.40%
Total Revenues	\$ 14,784,220	\$ 13,097,758	\$ 1,686,461	12.88%
Operating Expenses				
Operations, Maintenance, Admin and General	\$ 6,496,491	\$ 5,899,688	\$ 596,803	10.12%
Taxes, Depreciation and Amortization Expense	\$ 2,552,937	\$ 3,639,817	\$ (1,086,880)	-29.86%
Non-Operating Expenses				
Interest Expense	\$ 643,431	\$ 663,526	\$ (20,096)	-3.03%
Non-Operating Expenses - Other	61,977	52,027	9,950	19.12%
Total Expenses	\$ 9,754,835	\$ 10,255,058	\$ (500,223)	-4.88%
Excess (Deficiency)	\$ 5,029,385	\$ 2,842,701	\$ 2,186,684	76.92%
Capital Contributions	\$ 1,044,411	\$ 1,085,962	\$ (41,551)	-3.83%
Change in Net Position	\$ 6,073,796	\$ 3,928,663	\$ 2,145,133	54.60%
Change in Accounting Principal	\$ -	\$ (201,414)	\$ 201,414	-100.00%
Error Correction	\$ 161,082	\$ 649,792	\$ (488,710)	-75.21%
Net Position Balance, Beginning of Year (2025 restated)	\$ 40,970,867	\$ 36,881,121	\$ 4,089,746	11.09%
Current Year Change in Net Position	\$ 6,073,796	\$ 3,928,663	\$ 2,145,133	54.60%
Net Position Balance, End of Year	\$ 47,044,663	\$ 40,809,784	\$ 6,234,879	15.28%

Financial Analysis

Operating Revenues

In 2025, operating revenue for the District increased \$769,594 or 6.80% from that of 2024. Additionally, the District implemented a 2.00% increase in 2025 on standard water rates over the rates charged in 2024. The Capital Surcharge established in 2015 increased \$13.50 to \$15.00 or 10% in 2025.

Operating Expenses

Overall operating expenses decreased in 2025 by \$490,077 or -5.14%. The largest contributors to this decrease in expenses is the depreciation of water system assets, which decreased \$1,042,409 or -35.23%.

In 2025, the pension liability calculation for all District retirement plans, decreased the Employees & Commissioners Salaries & Benefits expense by \$228,478. 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 2025 increased by \$916,868 or 51.43% over 2024. The primary contributor to this increase in nonoperating revenue was Claim Settlement Disbursements which increased \$643,885 or 100%. 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 \$345,686 in property tax assessments in 2025, compared to \$336,292 in 2024, representing a 2.79% increase from 2024 to 2025. 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 2024 election was \$104,054. The District requested and received an extension to pay this expense over two years, and therefore incurred election costs in 2024 and 2025 of \$52,027 in each year.

Interest income and interest expense are included as non-operating revenue and expense. Interest income increased to \$608,044 in 2025 from \$490,059 in 2024 due to an increase in investment earnings. Interest expense decreased to \$643,431 in 2025 from \$663,526 in 2024.

Other, net revenues increased to \$91,697 in 2025 compared to \$44,337 in 2024 due to the reimbursement of damage costs of \$44,975 by a third-party insurance carrier.

Capital Contributions

In 2025, the capital contribution was calculated to be \$1,044,411, which was a decrease of \$41,551 or -3.83%, reflecting a reduction of new water service connections.

Net Position

The District's total net position in 2025 increased by \$6,073,796 compared to the increase of \$3,928,663 in 2024.

Capital Assets

The District's capital assets (after depreciation) including capital work in progress, were \$51,198,376 in 2025 and \$45,408,439 in 2024. 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 2025 the District's long-term debt changed to \$25.3 million from \$24.0 million reported in 2024. 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 Director

Public Utility District No. 1 of Thurston County, Washington

STATEMENT OF NET POSITION

December 31, 2025

ASSETS	2025
Current Assets	
Unrestricted - Cash and Investments	19,209,157
Customer Accounts Receivable (net)	790,599
Property Tax Receivable	7,161
Other Receivables	991
Lease Receivables	12,229
Grant Receivables	111,805
Prepaid Expenses	99,622
Total Current Assets	<u>\$ 20,231,564</u>
Non-Current Assets	
Restricted - Bond Reserve	1,843,100
Capital Assets Not Being Depreciated:	
Land and Land Rights	2,177,213
Construction in Progress	8,987,115
Capital Assets Being Depreciated:	
Water Plant	55,005,718
Office Furniture & Equipment	695,346
Vehicles & Equipment	1,757,685
Other Utility Plant	1,557,138
Less: Accumulated Depreciation and Amortization	(18,981,839)
Total Capital Assets (Net)	51,198,376
Net Pension Asset	661,763
Total Non-Current Assets	<u>\$ 53,703,239</u>
Total Assets	<u><u>\$ 73,934,803</u></u>
 DEFERRED OUTFLOWS of RESOURCES	
Deferred Outflows - Bond Refunding	21,824
Deferred Outflows Related to Pensions	880,767
Deferred Outflows Related to Asset Retirement Obligation	1,455,618
Total Deferred Outflows of Resources	<u>\$ 2,358,209</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, 2025

LIABILITIES	2025
Current Liabilities:	
Accounts Payable	627,365
Current Accrued Compensated Absences	524,600
Accrued Payroll Liabilities	92,451
Refundable Deposits	142,436
Current Portion of Bonds, Notes and Loans Payable	1,386,737
Current Portion of Subscriptions	29,410
Current Portion of Leases	36,831
Total Current Liabilities	\$ 2,839,831
Noncurrent Liabilities:	
Water Revenue Bonds	19,185,232
Public Works Trust Fund Loans	1,555,615
Drinking Water State Revolving Fund Loans	3,243,171
Long Term Compensated Absences	79,793
Long Term Leases	77,363
Long Term Subscriptions	142,487
Asset Retirement Obligations	1,703,520
Net Pension Liability	158,021
Total Noncurrent Liabilities	\$ 26,145,201
Total Liabilities	\$ 28,985,033
DEFERRED INFLOWS of RESOURCES	
Deferred Inflows Related to Pensions	252,971
Deferred Inflows - Leases	10,346
Total Deferred Inflows of Resources	\$ 263,317
NET POSITION	
Net Investment in Capital Assets	25,563,356
Restricted for Pension	1,297,242
Restricted for Debt Service	1,843,100
Unrestricted Net Position	18,340,965
Total Net Position	\$ 47,044,663

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, 2025

	2025
Operating Revenues	
Metered & Unmetered Water Revenue	9,990,683
Sales to Irrigation	272,450
Miscellaneous Service Revenue	126,936
Other Water Revenue	1,694,636
Total Operating Revenue	\$ 12,084,705
Operating Expenses	
Salaries & Benefits Employees & Commissioners	3,904,211
Water System Operations	1,107,758
Contractual Services	218,010
Janitorial	24,950
Transportation	223,312
Insurance	289,193
Administrative Operations	502,814
Miscellaneous	226,243
Taxes	636,732
Depreciation and Amortization	1,916,205
Total Operating Expenses	\$ 9,049,428
Operating Income (Loss)	\$ 3,035,277
Non-Operating Revenues (Expenses)	
Interest Income	608,044
Property Tax Revenue	345,686
Interest Expense	(643,431)
Election costs	(52,027)
Grant Revenues	1,053,707
Gain (Loss) on Disposal of Capital Assets	(43,504)
Debt Issuance Costs	(9,950)
Claim Settlement Disbursements	643,885
Other, net	91,697
Total Non-Operating Revenues (Expenses)	\$ 1,994,108
Capital Contributions	\$ 1,044,411
Change in Net Position	\$ 6,073,796
Net Position	
Total Net Position, January 1, as previously presented	\$ 40,809,784
Error Correction	\$ 161,082
Total Net Position, January 1, as restated	\$ 40,970,867
Total Net Position, December 31	\$ 47,044,663

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, 2025

	2025
Cash Flows from Operating Activities	
Cash received from customers	12,301,950
Cash payments to supplies and employees	(7,162,991)
Taxes paid	(636,732)
Net Cash Provided by Operating Activities	<u>\$ 4,502,227</u>
Cash Flows from Non-Capital Financing Activities	
Property Tax Income	344,609
Other Non Operating income	737,484
Election Expenses	(52,027)
Net Cash Provided by Non-Capital Financing Activities	<u>\$ 1,030,066</u>
Cash Flows from Capital Financing Activities	
Payments to 2020 Revenue Bond	(245,171)
Payments to 2021A Revenue Bond	(505,000)
Payments to 2021B Revenue Bond	(80,000)
Payments to Public Works Trust Fund Loan	(22,242)
Payments to DWSRF Loans	(311,308)
Proceeds from Public Works Trust Fund	1,371,850
Principal paid - Leases	(39,147)
Principal paid - SBITA	(20,936)
Debt issuance costs	(9,950)
Proceeds from DWSRF Loans	1,296,234
Proceeds from Grants	1,059,571
Acquisition and construction of capital assets	(6,442,453)
Interest paid on long term debt	(729,348)
Net Cash from Capital Financing Activities	<u>\$ (4,677,900)</u>
Cash Flows from Investing Activities	
Interest received on cash on deposit	<u>\$ 608,044</u>
Net Cash Provided by Investing Activities	<u>\$ 608,044</u>
Net Increase (Decrease) in Cash	<u>\$ 1,462,436</u>
Beginning of Year	<u>\$ 19,589,824</u>
End of Year	<u>\$ 21,052,260</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, 2025

	<u>2025</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 3,035,277
Adjustments to reconcile operating Income to net cash provided (used) by operating activities:	
Depreciation and Amortization Expense	1,916,205
Customer Accounts Receivable	220,270
Other Accounts Receivable	271
Prepaid Expenses	(24,630)
Accounts Payable	(476,157)
Refundable Deposit Payable	(3,296)
Asset Retirement Obligations and Related Deferred Outflows	41,638
Payroll Liabilities	1,450
Accrued Compensated Absences	(23,736)
Pension Assets/Liabilities, net Deferred Inflows/Outflows	(185,065)
Total Adjustments	<u>\$ 1,466,949</u>
Net Cash Provided by Operating Activities	<u>\$ 4,502,226</u>
NonCash Investing, Capital and Financing Activities	
Capital Assets Acquired through Lease & SBITA Financing	262,781
Capital Assets Acquired by Contribution	<u>\$ 1,044,411</u>
Total Noncash Activities	<u>\$ 1,307,193</u>

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 271 water systems serving approximately 10,331 active connections in 5 counties (Thurston, Lewis, Pierce, Grays Harbor, and King Counties). The District employs 32 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.

**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.

**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 2025 there are restricted funds of Thurston PUD in the amount of \$1,843,100 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.

**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.

Subscription-Based Information Technology Arrangements (SBITA)

The District records the SBITA liability and associated intangible, right to use, SBITA asset.

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 12, SBITA).

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

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.

The compensated absences liability includes an estimate for sick leave likely to be used in future periods. This estimate is calculated based on average leave used versus accrued in prior years.

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 \$64,720 at December 31, 2025.

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.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2025 through December 31, 2025

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

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 2025 was \$ 0.126216026649 per \$1,000 on an assessed valuation of \$64,036,558,705 for a total regular levy of \$346,386.92. In 2024, the regular levy was \$336,422.29. 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, 2025, was \$1,500. The carrying amount of the District’s deposits including certificates was \$21,052,257, and the bank balance was \$21,029,787.

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 depositary 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, 2025, 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.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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 12/31/2025, is reporting at an unrealized gain from book value of 0.4323%. The TCIP does not impose any restrictions on participant withdrawals.

The Thurston County Investment Pool does not have a credit rating and had a weighted average maturity of 1.901 years as of December 31, 2025.

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 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.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2025 through December 31, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2025, 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	\$21,029,787	\$0
Total Investments by Fair Value	\$0	\$21,029,787	\$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.

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.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2025 through December 31, 2025

NOTE 4 – CAPITAL ASSETS (Continued)

The table below depicts the District’s capital assets by plant types and the useful life in years.

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	*
Subscriptions	**

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

**Subscriptions Useful Life is based on the subscription term.*

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2025 through December 31, 2025

NOTE 4 – CAPITAL ASSETS (Continued)

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

	Beginning Balance 1/1/2025	Increase	Decrease	Ending Balance 12/31/2025
Utility plant not being depreciated:				
Land and Land Rights	2,177,213	-	-	2,177,213
Construction in Progress	3,066,618	7,961,038	(2,040,541)	8,987,115
Total utility plant not being depreciated	\$ 5,243,831	\$ 7,961,038	\$ (2,040,541)	11,164,328
Utility plant being depreciated				
Water Plant	53,857,358	1,231,534	(83,174)	55,005,718
Office Furniture & Equipment	291,597	35,831	(17,916)	309,513
Leases	123,538	69,463	-	193,001
Subscriptions	-	192,833	-	192,833
Transportation & Equipment	1,569,728	239,581	(51,624)	1,757,685
Other Utility Plant	1,527,116	90,672	(69,131)	1,557,137
Total utility plant being depreciated	\$ 57,369,337	\$ 1,859,914	\$ (221,844)	\$ 59,015,887
Accumulated Depreciation				
Water Plant	15,351,915	1,577,583	(80,003)	16,849,495
Office Furniture & Equipment	254,770	16,045	-	270,815
Leases	44,197	35,576	(486)	79,286
Subscriptions	-	8,124	-	8,124
Transportation & Equipment	684,241	179,582	(29,186)	834,637
Other Utility Plant	869,607	99,295	(29,420)	939,481
Total accumulated depreciation	\$ 17,204,729	\$ 1,916,204	\$ (139,094)	\$ 18,981,839
Total Utility Plant, Net	\$ 45,408,439	\$ 7,904,748	\$ (2,123,291)	\$ 51,198,376

NOTE 5 – CONSTRUCTION IN PROGRESS

The District had three active construction project as of December 31, 2025. The projects include:

1. Pattison water system consolidation and asset replacements including new well, two new booster stations and reservoir.
2. Tanglewilde water system mainline and asset replacements including installation of new water mains, valves, hydrants, and meters.
3. Lazy Acres water system remediation project including water treatment for the removal of Per- and Polyfluoroalkyl Substances (PFAS) at two well site locations.

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

Project	Spent to Date	Remaining Commitment
Pattison Consolidation and Replacement	\$ 3,722,014	\$ 557,912
Tanglewilde Mainline Replacement	\$ 1,458,341	\$ 912,836
Lazy Acres PFAS Remediation	\$ 69,573	\$ 254,410

NOTE 6 – PENSIONS PLANS – STATE SPONSORED (DRS) PLANS

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (158,021)
Pension assets	\$ 661,763
Deferred outflows of resources	\$ 880,775
Deferred inflows of resources	\$ (252,972)
Pension expense/expenditures	\$ (8,442)

NOTE 6 – PENSIONS PLANS – STATE SPONSORED (DRS) PLANS (Continued)

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 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.

NOTE 6 – PENSIONS PLANS – STATE SPONSORED (DRS) PLANS (Continued)

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.

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.

PERS Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6.00 percent (%). 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 rates from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

NOTE 6 – PENSIONS PLANS – STATE SPONSORED (DRS) PLANS (Continued)

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				
Timeframe	Contribution Rate	PERS 1 UAAL	Admin Fee	Total Employer
January – June	6.36%	2.55%	.20%	9.11%
July - December	5.38%	0%	.20%	5.58%

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

The District’s actual PERS plan contributions were \$40,794 to PERS Plan 1 and \$179,241 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 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. 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.

NOTE 6 – PENSIONS PLANS – STATE SPONSORED (DRS) PLANS (Continued)

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%	2.1%
Tangible Assets	8%	4.5%
Real Estate	18%	4.8%
Global Equity	30%	5.6%
Private Equity	25%	8.6%
	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.

NOTE 6 – PENSIONS PLANS – STATE SPONSORED (DRS) PLANS (Continued)

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	\$266,645	\$158,021	\$62,755
PERS 2/3	\$1,073,879	\$(661,763)	\$(2,087,210)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2025, the District reported its proportionate share of the net pension liabilities as follows:

	Liability/Asset
PERS 1	\$(158,021)
Total Net Pension Liability	\$(158,021)
PERS 2/3	\$661,763
Total Net Pension Asset	\$661,763

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

	Proportionate Share 6/30/24	Proportionate Share 6/30/25	Change in Proportion
PERS 1	0.012124%	0.013403%	0.001279%
PERS 2/3	0.015893%	0.017341%	0.001448%

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*.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2025 through December 31, 2025

NOTE 6 – PENSIONS PLANS – STATE SPONSORED (DRS) PLANS (Continued)

Pension Expense

For the year ended December 31, 2025, the District recognized pension expense as follows:

	Pension Expense
PERS 1	\$10,128
PERS 2/3	\$(18,570)
Total Pension Expense	(\$8,442)

NOTE 6 – PENSIONS PLANS – STATE SPONSORED (DRS) PLANS (Continued)

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
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(10,863)
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	\$3,187	\$0
TOTAL	\$3,187	\$(10,863)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$483,842	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(149,024)
Changes of assumptions	\$255,747	\$(18,274)
Changes in proportion and differences between contributions and proportionate share of contributions	\$52,556	\$(74,811)
Contributions subsequent to the measurement date	\$85,444	\$0
TOTAL	\$877,588	\$(242,109)
TOTAL PERS 1 & PERS 2/3	\$880,775	\$(252,972)

NOTE 6 – PENSIONS PLANS – STATE SPONSORED (DRS) 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 next fiscal year. 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
2026	\$10,366
2027	\$(7,551)
2028	\$(7,842)
2029	\$(5,836)
2030	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2026	\$236,187
2027	\$90,320
2028	\$87,175
2029	\$32,245
2030	\$75,784
Thereafter	\$28,324

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

NOTE 7 – INSURANCE / RISK MANAGEMENT (Continued)

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.

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. As of December 31, 2025, WCIA had a total of 168 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.

NOTE 7 – INSURANCE / RISK MANAGEMENT (Continued)

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.

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. At December 31, 2025, the total principal and interest remaining to be paid on this bond series is \$5,347,563.

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. \$5,145,000 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.

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.

At December 31, 2025, the total principal and interest remaining to be paid on the 2021A and 2021B bond series is \$6,366,500. At December 31, 2025, there was no unspent bond proceeds.

Annual principal and interest payments on the bonds are expected to require approximately 69.66 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 \$1,502,106 and \$4,951,482 respectively.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
NOTES TO FINANCIAL STATEMENTS
January 1, 2025 through December 31, 2025

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 2025 Installment
Public Works Loan PC18-96103-12	2038	1.7%	\$ 201,286	\$ 13,419
Public Works Loan PC18-96103-13	2038	1.2%	\$ 167,631	\$ 8,823
Public Works Loan PC24-96103-062	2044	1.7%	\$ 1,371,850	\$ -
Water Revenue Bond 2018A	2018 - 2042	3.0%-4.0%	\$ 9,550,000	\$ -
Water Revenue Bond 2020	2020 - 2039	3.0%	\$ 5,656,969	\$ 245,171
Water Revenue Bond 2021A	2021-2040	3.0%	\$ 6,735,000	\$ 505,000
Water Revenue Bond 2021B	2021-2031	3.0%	\$ 905,000	\$ 80,000
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%	\$ 41,127	\$ 3,427
Drinking Water State Revolving Fund Loan 01-65101-039	2025	1.5%	\$ 84,007	\$ 4,942
Drinking Water State Revolving Fund Loan 15-952-035	2038		\$ 194,350	\$ 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%	\$ 179,773	\$ 9,230
Drinking Water State Revolving Fund Loan DWL26240	2045	1.3%	\$ 252,948	\$ 11,454
Drinking Water State Revolving Fund Loan DWL26320	2045	1.3%	\$ 237,051	\$ 10,705
Drinking Water State Revolving Fund Loan DWL26321	2045	1.3%	\$ 1,568,505	\$ 44,684
Drinking Water State Revolving Fund Loan PCL26624	2031	0.0%	\$ 132,122	\$ 18,875
Drinking Water State Revolving Fund Loan DWL28370	2043	1.8%	\$ 499,950	\$ 25,498
Drinking Water State Revolving Fund Loan DWL30904	2044	2.3%	\$ 5,000	\$ 250
Total Authorized Debt			\$ 33,003,705	\$ 1,163,720

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2025 through December 31, 2025

NOTE 8– LONG-TERM DEBT (Continued)

In 2025, the District obtained additional loan financing for the Pattison water system through the Drinking Water State Revolving Fund. The additional expected costs for this capital project are \$500,000. The District anticipates the projects to be completed by September 2026. The 20-year term has an interest rate of 2.25%. Noted below, in 2021, the District obtained the initial loan financing of \$3,141,500 for the Pattison water system through the Drinking Water State Revolving Fund.

In 2025, the District obtained loan financing with 100% loan forgiveness for PFAS remediation at the following water systems:

Water System	Expected Cost	Interest Rate
Cooperfield	\$ 35,104	1.75%
Sandra Ave	\$ 369,500	1.75%
Spanaway 192 nd	\$ 953,166	1.75%
Total	\$ 1,357,770	

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

In 2024, the District obtained loan financing for the Prairie Ridge Consolidation of three (3) Group A Water Systems through the Drinking Water State Revolving Fund. The expected total cost of this capital project is \$1,463,813. The District anticipates the projects to be completed by December 2026. The 20-year term loan has an interest rate of 2.25%.

In 2024, the District obtained loan financing with 100% loan forgiveness for PFAS remediation at the following water systems:

Water System	Expected Cost	Interest Rate
Burnsville	\$ 400,929	1.75%
Cooperfield	\$ 414,094	1.75%
East Olympia	\$ 295,261	1.75%
Lazy Acres	\$ 515,602	1.75%
Tanglewilde	\$ 3,531,219	1.75%
Whiskey Hollow	\$ 452,895	1.75%
Total	\$ 5,610,000	

The PFAS remediation capital projects are expected to be completed by December 2027.

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 project was completed in 2024. The 20-year term loan start date was October 1, 2024 for an amount of \$499,611 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 project was completed in 2024. The 10-year term loan start date was October 1, 2023 for an amount of \$160,711 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 project was completed in 2024. The 24-year term loan start date was October 1, 2023 for an amount of \$252,948 with an interest rate of 1.25%.

In 2021, the District obtained loan financing for the Country Club Estates water system through the Drinking Water State Revolving Fund. The project was completed in 2024. The 24-year term loan start date was October 1, 2023 for an amount of \$237,051 with an interest rate of 1.25%.

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 September 2026. The 24-year term has 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 to rebuild three (3) water system pumphouses. The projects were completed in 2024. The 20-year term loan start date was June 1, 2024 for an amount of \$201,286 with an interest rate of 1.66%.

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 project was completed in 2024. The 20-year term loan start date was October 1, 2023 for an amount of \$200,238 with an interest rate of 1.75%.

As of December 31, 2025, the District has \$1,843,100 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.

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2025 through December 31, 2025

NOTE 8– LONG-TERM DEBT (Continued)

The District’s revenue bond debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest	Total
2026	\$ 847,526	\$ 654,580	\$ 1,502,106
2027	\$ 960,102	\$ 629,154	\$ 1,589,256
2028	\$ 987,905	\$ 600,351	\$ 1,588,256
2029	\$ 1,025,942	\$ 566,864	\$ 1,592,806
2030	\$ 1,054,221	\$ 532,086	\$ 1,586,307
2031-2035	\$ 6,564,236	\$ 2,091,021	\$ 8,655,257
2036-2040	\$ 5,984,815	\$ 1,020,410	\$ 7,005,225
2041-2045	\$ 1,620,000	\$ 97,800	\$ 1,717,800
Total	\$ 19,044,747	\$ 6,192,266	\$ 25,237,013

The District’s annual debt service requirements for debt from direct borrowing and direct placement are as follows:

Year Ending December 31	Principal	Interest	Total
2026	\$ 439,831	\$ 59,311	\$ 499,142
2027	\$ 428,898	\$ 67,109	\$ 496,008
2028	\$ 428,898	\$ 62,520	\$ 491,418
2029	\$ 428,898	\$ 57,926	\$ 486,824
2030	\$ 266,627	\$ 53,340	\$ 319,967
2031-2035	\$ 1,257,637	\$ 210,025	\$ 1,467,663
2036-2040	\$ 1,118,482	\$ 116,984	\$ 1,235,466
2041-2045	\$ 880,277	\$ 35,094	\$ 915,372
Total	\$ 5,249,550	\$ 662,311	\$ 5,911,860

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2025 through December 31, 2025

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2025, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2025	Additions	Reductions	Ending Balance 12/31/2025	Due Within One Year
Revenue Bonds	\$ 19,874,918	\$ -	\$ 830,171	\$ 19,044,747	\$ 847,526
Unamortized Bond Premiums	\$ 1,176,000	\$ -	\$ 88,608	\$ 1,087,392	\$ 99,380
Total Bonds Payable	\$ 21,050,918	\$ -	\$ 918,779	\$ 20,132,139	\$ 946,906
Public Works Trust Fund Loans	\$ 311,385	\$ 1,371,850	\$ 22,242	\$ 1,660,993	\$ 105,377
Drinking Water State Revolving Fund Loans	\$ 2,592,697	\$ 1,296,234	\$ 311,308	\$ 3,577,623	\$ 334,454
Pension Liability	\$ 215,424	\$ -	\$ 57,403	\$ 158,021	\$ -
Asset Retirement Obligations	\$ 1,703,520	\$ -	\$ -	\$ 1,703,520	\$ -
Compensated Absences	\$ 628,128	\$ -	\$ 23,735	\$ 604,393	\$ 524,600
Leases	\$ 83,392	\$ 69,948	\$ 39,147	\$ 114,194	\$ 36,831
Subscriptions	\$ -	\$ 192,833	\$ 20,936	\$ 171,897	\$ 29,410
Total Long-Term Liabilities	\$ 26,585,465	\$ 2,930,865	\$ 1,393,551	\$ 28,122,780	\$ 1,977,578

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 2025, the cost for the lease is \$4,096 monthly and is adjusted April 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, 2025, future lease receivable principal and interest payments are as follows:

Year ended December 31	Principal	Interest	Total
2026	\$ 12,229	\$ 58	\$ 12,287
Total	\$ 12,229	\$ 58	\$ 12,287

PUBLIC UTILITY DISTRICT NO. 1 OF THURSTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 January 1, 2025 through December 31, 2025

NOTE 11 – LEASES (Lessee)

The District has identified seven (7) leases in which the District is a lessee that must comply with GASB Statement No. 87, Leases.

During the year ended December 31, 2025, the following changes occurred in lease liabilities:

	Beginning Balance 1/1/2025	Increase	Decrease	Ending Balance 12/31/2025
Leased Equipment	123,538	69,463	-	193,001
Total	\$ 123,538	\$ 69,463	\$ -	\$ 193,001
Accumulated Depreciation Leased Equipment	(44,197)	486	(35,576)	(79,286)
Total	\$ (44,197)	\$ 486	\$ (35,576)	\$ (79,286)
Total Leases, Net	\$ 79,342	\$ 69,948	\$ (35,576)	\$ 113,714

As of December 31, 2025, the future annual payments for lease activities are as follows:

Year ended December 31	Principal	Interest	Total
2026	\$ 36,831	\$ 3,817	\$ 40,648
2027	\$ 33,119	\$ 2,388	\$ 35,507
2028	\$ 21,062	\$ 1,390	\$ 22,452
2029	\$ 19,509	\$ 579	\$ 20,088
2030	\$ 3,673	\$ 37	\$ 3,710
Total	\$ 114,194	\$ 8,211	\$ 122,405

NOTE 12 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The District has identified two (2) subscriptions in which the District must comply with GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

During the year ended December 31, 2025, the following changes occurred in SBITA assets:

	Beginning Balance 1/1/2025	Increase	Decrease	Ending Balance 12/31/2025
Subscriptions	-	192,833	-	192,833
Total	\$ -	\$ 192,833	\$ -	\$ 192,833
Accumulated Depreciation Subscriptions	-	-	(8,124)	(8,124)
Total	\$ -	\$ -	\$ (8,124)	\$ (8,124)
Total Leases, Net	\$ -	\$ 192,833	\$ (8,124)	\$ 184,709

As of December 31, 2025, the future annual payments for subscription activities are as follows:

Year ended December 31	Principal	Interest	Total
2026	\$ 29,410	\$ 5,438	\$ 34,848
2027	\$ 30,298	\$ 4,551	\$ 34,849
2028	\$ 15,241	\$ 3,608	\$ 18,849
2029	\$ 15,771	\$ 3,077	\$ 18,848
2030	\$ 16,321	\$ 2,528	\$ 18,849
2031 - 2034	\$ 64,856	\$ 4,253	\$ 69,109
Total	\$ 171,897	\$ 23,455	\$ 195,352

NOTE 13 – ASSET RETIREMENT OBLIGATIONS (ARO)

The District has identified 326 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.

NOTE 13 –ASSET RETIREMENT OBLIGATIONS (ARO) (Continued)

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 14 – 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 15 –ERROR CORRECTION

A. RESTATEMENTS OF BEGINNING BALANCES

During fiscal year 2025, the District recorded Grant Revenue of \$117,669 and a Pension Liability adjustment of \$43,413 that should have been recorded in the prior year (2024). The effect of the errors is shown in the Error Correction column in the table below.

12/31/2024 Net Position as Previously Reported	Error Correction	12/31/2024 Net Position as Restated
\$ 40,809,784	\$ 161,082	\$ 40,970,867

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		2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability (asset)	%	0.013403%	0.012124%	0.012697%	0.013728%	0.013590%	0.013039%	0.012415%	0.010192%	0.007130%	0.007507%
Employer's proportionate share of the net pension liability (asset)	\$	\$ 158,021	\$ 215,424	\$ 289,838	\$ 382,238	\$ 165,966	\$ 460,347	\$ 477,401	\$ 455,178	\$ 338,324	\$ 403,161
Covered payroll	\$	\$ 2,893,773	\$ 2,691,079	\$ 2,261,050	\$ 2,238,303	\$ 2,088,489	\$ 1,979,532	\$ 1,742,469	\$ 1,416,904	\$ 897,627	\$ 863,175
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	5.46%	8.01%	12.82%	17.08%	7.95%	23.26%	27.40%	32.12%	37.69%	46.71%
Plan fiduciary net position as a percentage of the total pension liability	%	89.07%	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%
Public Employee's Retirement System - Plan 2/3		2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability (asset)	%	0.017341%	0.015893%	0.016356%	0.017903%	0.017462%	0.016986%	0.016030%	0.013146%	0.009171%	0.009620%
Employer's proportionate share of the net pension liability (asset)	\$	\$ (661,763)	\$ (523,924)	\$ (670,381)	\$ (663,983)	\$ (1,739,496)	\$ 217,241	\$ 155,706	\$ 224,456	\$ 318,648	\$ 484,359
Covered payroll	\$	\$ 2,893,773	\$ 2,691,079	\$ 2,261,050	\$ 2,238,303	\$ 2,088,489	\$ 1,979,532	\$ 1,742,469	\$ 1,416,904	\$ 897,627	\$ 863,175
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-22.87%	-19.47%	-29.65%	-29.66%	-83.29%	10.97%	8.94%	15.84%	35.50%	56.11%
Plan fiduciary net position as a percentage of the total pension liability	%	105.53%	105.17%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%

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 Employee's Retirement System - Plan 1		<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statorily or contractually required contributions	\$	\$ 40,794	\$ 76,121	\$ 80,359	\$ 83,194	\$ 91,492	\$ 99,428	\$ 94,014	\$ 86,131	\$ 51,400	\$ 41,877
Contributions in relation to the statorily or contractually required contributions	\$	<u>\$ (40,794)</u>	<u>\$ (76,121)</u>	<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>
Contribution deficiency (excess)	\$	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$	\$ 3,040,204	\$ 2,759,827	\$ 2,355,139	\$ 2,217,949	\$ 2,105,115	\$ 2,075,122	\$ 1,901,163	\$ 1,702,443	\$ 1,045,904	\$ 877,912
Contributions as a percentage of covered payroll	%	1.34%	2.76%	3.41%	3.75%	4.35%	4.79%	4.95%	5.06%	4.91%	4.77%
Public Employees' Retirement System Plan 2/3		<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statorily or contractually required contributions	\$	\$ 179,241	\$ 175,525	\$ 149,787	\$ 141,062	\$ 151,897	\$ 164,350	\$ 146,769	\$ 127,662	\$ 72,478	\$ 54,694
Contributions in relation to the statorily or contractually required contributions	\$	<u>\$ (179,241)</u>	<u>\$ (175,525)</u>	<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>
Contribution deficiency (excess)	\$	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$	\$ 3,040,204	\$ 2,759,827	\$ 2,355,139	\$ 2,217,949	\$ 2,105,115	\$ 2,075,122	\$ 1,901,163	\$ 1,702,443	\$ 1,045,904	\$ 877,912
Contributions as a percentage of covered payroll	%	5.90%	6.36%	6.36%	6.36%	7.22%	7.92%	7.72%	7.50%	6.93%	6.23%

**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	Russell Olsen, District 2
Secretary	James Campbell, District 1
Key District Management	
General Manager	John Weidenfeller
Corporate Office	1230 Ruddell Rd SE Lacey, WA 98503 Telephone: (360) 357-8783 Fax: (360) 357-1172 Website: www.thurstonpud.org
As of December 31, 2025:	
Number of Employees (total)	32
Number of Operational Employees	17
Number of Administrative Employees	15
Total number systems owned by Thurston PUD	271
Number class A systems	75
Number class B systems	196
Number of Customer Accounts	
Metered accounts	10,291
Unmetered accounts	40
Total District customers	10,331
Number of managed systems	-
Number of managed customers	-
Annual Average Consumption per Residential Connection	797 cuft
Wholesale water purchased (gallons)	
2025	1,007,848
2024	2,433,461
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
Number of wells/sources	326
Counties of Operation with Equivalent Residential Units (ERU) Served	8,056 Thurston 729 Lewis 1,433 Pierce 37 Grays Harbor 76 King

Public Utility District No. 1 of Thurston County, Washington
 Schedule of Long-Term Debt
 For the Year Ended December 31, 2025

___ 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 01/01/2025	Amount Issued Current Period	Amount Redeemed This Period	Ending Outstanding Debt 12/31/2025
263.88	Public Works Loan PC18-96103-012	5/31/2028	6/1/2038	1.7%	\$ 201,286	\$ 187,867	\$ -	\$ 13,419	\$ 174,448
263.88	Public Works Loan PC18-96103-013	5/31/2018	6/1/2038	1.2%	\$ 167,631	\$ 123,517	\$ -	\$ 8,823	\$ 114,695
263.88	Public Works Loan PC24-96103-062	3/27/2024	6/1/2044	1.7%	\$ 1,371,850	\$ -	\$ 1,371,850	\$ -	\$ 1,371,850
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	\$ 4,559,918	\$ -	\$ 245,171	\$ 4,314,747
252.11	Water Revenue Bond 2021A	2/10/2021	12/1/2040	3.0%	\$ 6,735,000	\$ 5,160,000	\$ -	\$ 505,000	\$ 4,655,000
252.11	Water Revenue Bond 2021B	3/3/2021	12/1/2031	3.0%	\$ 905,000	\$ 605,000	\$ -	\$ 80,000	\$ 525,000
263.82	Drinking Water State Revolving Fund Loan DM09-952-026	8/13/2009	10/1/2029	0.5%	\$ 1,028,180	\$ 244,958	\$ -	\$ 48,992	\$ 195,966
263.82	Drinking Water State Revolving Fund Loan DM09-952-027	8/13/2009	10/1/2029	0.5%	\$ 2,109,660	\$ 470,789	\$ -	\$ 94,158	\$ 376,631
263.82	Drinking Water State Revolving Fund Loan DM12-952-103	9/5/2012	10/1/2036	1.0%	\$ 165,400	\$ 31,387	\$ -	\$ 2,616	\$ 28,772
263.82	Drinking Water State Revolving Fund Loan DM12-952-113	9/5/2012	10/1/2036	1.0%	\$ 370,725	\$ 111,218	\$ -	\$ 9,268	\$ 101,950
263.82	Drinking Water State Revolving Fund Loan 01-65101-039	10/1/2001	10/1/2025	1.5%	\$ 41,127	\$ 3,427	\$ -	\$ 3,427	\$ -
263.82	Drinking Water State Revolving Fund Loan DM16-952-034	6/1/2014	10/1/2038	0.0%	\$ 84,007	\$ 59,299	\$ -	\$ 4,942	\$ 54,357
263.82	Drinking Water State Revolving Fund Loan DM15-952-035	6/1/2014	10/1/2038	0.0%	\$ 194,350	\$ 59,477	\$ -	\$ 4,248	\$ 55,229
263.82	Drinking Water State Revolving Fund Loan 04-65104-011	12/1/2018	10/1/2025	0.5%	\$ 26,877	\$ 3,840	\$ -	\$ 3,840	\$ -
263.82	Drinking Water State Revolving Fund Loan 09-952-045	2/1/2019	10/1/2029	5.0%	\$ 210,341	\$ 95,609	\$ -	\$ 19,122	\$ 76,487
263.82	Drinking Water State Revolving Fund Loan DWL24059	12/1/2018	10/1/2043	1.8%	\$ 179,773	\$ 175,373	\$ -	\$ 9,230	\$ 166,143
263.82	Drinking Water State Revolving Fund Loan DWL26240	9/13/2023	10/1/2045	1.3%	\$ 252,948	\$ 240,541	\$ -	\$ 11,454	\$ 229,087
263.82	Drinking Water State Revolving Fund Loan DWL26320	8/20/2021	10/1/2045	1.3%	\$ 237,051	\$ 224,813	\$ -	\$ 10,705	\$ 214,108
263.82	Drinking Water State Revolving Fund Loan DWL26321	8/20/2021	10/1/2045	1.3%	\$ 1,568,505	\$ 255,962	\$ 1,290,656	\$ 44,684	\$ 1,501,934
263.82	Drinking Water State Revolving Fund Loan PCL26624	10/27/2021	10/31/2031	0.0%	\$ 132,122	\$ 132,122	\$ -	\$ 18,875	\$ 113,247
263.82	Drinking Water State Revolving Fund Loan DWL28370	9/12/2019	10/1/2043	2.3%	\$ 499,950	\$ 483,883	\$ 578	\$ 25,498	\$ 458,963
263.82	Drinking Water State Revolving Fund Loan DWL30904	1/30/2025	10/1/2044	2.3%	\$ 5,000	\$ -	\$ 5,000	\$ 250	\$ 4,750
259.12	Compensated Absences	--	--	--	\$ -	\$ 628,128	\$ -	\$ 23,735	\$ 604,393
264.30	Pension Liabilities (PERS 1)	--	--	--	\$ -	\$ 215,424	\$ -	\$ 57,403	\$ 158,021
263.93	Asset Retirement Obligations	--	--	--	\$ -	\$ 1,703,520	\$ -	\$ -	\$ 1,703,520
263.56	Lease Liabilities	--	--	--	\$ -	\$ 83,392	\$ 69,948	\$ 39,147	\$ 114,194
263.56	Subscription Liabilities	--	--	--	\$ -	\$ -	\$ 192,833	\$ 20,936	\$ 171,897
						\$ 25,409,464	\$ 2,738,032	\$ 1,304,943	\$ 27,035,387

Public Utility District No. 1 of Thurston County, Washington
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2025

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	DWL26321	\$ 1,346,203		\$ 1,346,203	2
Totals				\$ 1,346,203	\$ -	\$ 1,346,203	

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, 2025

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 loan to improve its drinking water system:

EPA (WA Department of Health)	\$1,346,203
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The amount listed for the loan includes the 2025 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.