2024 ANNUAL REPORT

FRANKLIN PUD

PUBLIC UTILITY DISTRICT NO. 1
OF FRANKLIN COUNTY

1411 W CLARK ST. | PASCO, WA 99301

(509) 547-5591 OR (800) 638-7701

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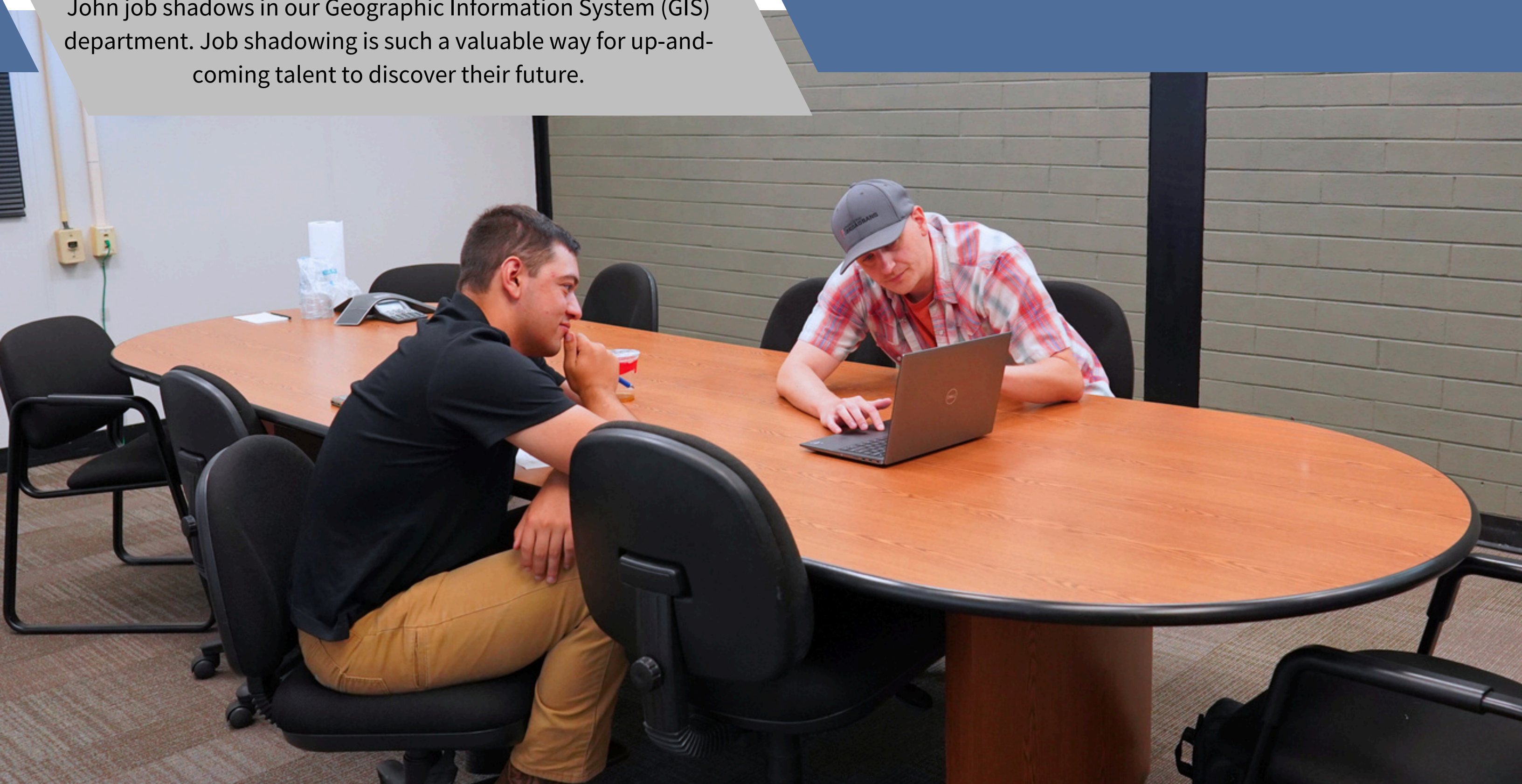
Exploring career paths! Our own AJ Fangman (right) is seen here with Washington State University Junior, John Fulton, as John job shadows in our Geographic Information System (GIS) department. Job shadowing is such a valuable way for up-and-coming talent to discover their future.



ABOUT US

Mission

PROVIDE SAFE, RELIABLE, AND AFFORDABLE COST-BASED POWER THAT BENEFITS OUR CUSTOMERS.

Vision & Values

Franklin PUD will be a respected and reliable steward of electric and broadband systems, delivering high value to customers in the form of low-cost and reliable power; a system infrastructure that supports safety and reliability; commitment to conversation of energy resources and our environment; and committed employees who excel in customer service and make Frankin PUD a great place to work.

CUSTOMER FOCUS

We respond to our internal and external customers, listening to their requests and understanding their needs. We strive to exceed their expectations.

RESPECT

We consistently treat every individual with dignity and respect. We foster open and honest communication, listen and understand other perspectives.

INTEGRITY

We are guided by what is ethical and right and fulfill our commitments as responsible public stewards.

PERSONAL RESPONSIBILITY

We are personally accountable to our customers and Franklin PUD for the highest standards of behavior, including honesty and fairness in all aspects of our work.

TEAMWORK

We value diversity and draw strength from the wealth of viewpoints that reside within the District. We work together; demonstrate collaboration through mutual reliability, openness and flexibility.

FORWARD FOCUS

We anticipate and prepare for the future, encourage innovation and new ideas to better serve our customers.

A MESSAGE TO OUR CUSTOMERS

General Manager / Chief Executive Officer

Victor Fuentes
General Manager / CEO*

I am pleased to share the District's financial performance for 2024, which highlights the dedication and hard work of our employees.

The strong culture at the District is one of the key reasons I look forward to coming to work every day. It is a culture rooted in hard work, dedication, accountability, and trust— all values that resonate with me personally.

In 2024, we made significant progress toward fulfilling our mission, including the successful completion of the District's newest substation appropriately named Railroad Avenue. Once fully operational, it will become the District's largest substation, supporting the ongoing growth within our service area. Additionally, our Board of Commissioners approved an overall rate revenue increase, effective May 1, 2024, continuing through 2027 and reviewed annually. This marks the first rate adjustment for the District since 2017. Our actions are guided by four key principles:

SAFETY FIRST

Ensuring **SAFETY FIRST**, by making it our top priority in all we do.

RATES

Maintaining low and stable **RATES** for our customers.

RELIABILITY

Sustaining high **RELIABILITY** in all our systesm.

RELATIONSHIPS

Fostering strong, supportive **RELATIONSHIPS** with our customers and community partners.

Since joining the PUD in 2021, I have seen firsthand the culture of hard work and continuous improvement that defines our team's commitment to strategic decision-making in our operations, infrastructure development, and process improvements to ensure we stay true to our mission.

We understand the trust our customers place in us to deliver highly reliable electric service at the most affordable rates possible, and we do not take that responsibility lightly. As we look to the future, we will continue working diligently to balance reliability and affordability, without compromising the integrity of our systems or the quality of service our customers receive.

*In January 2025, Scott Rhees, General Manager/CEO retired (April 2019-January 2025)

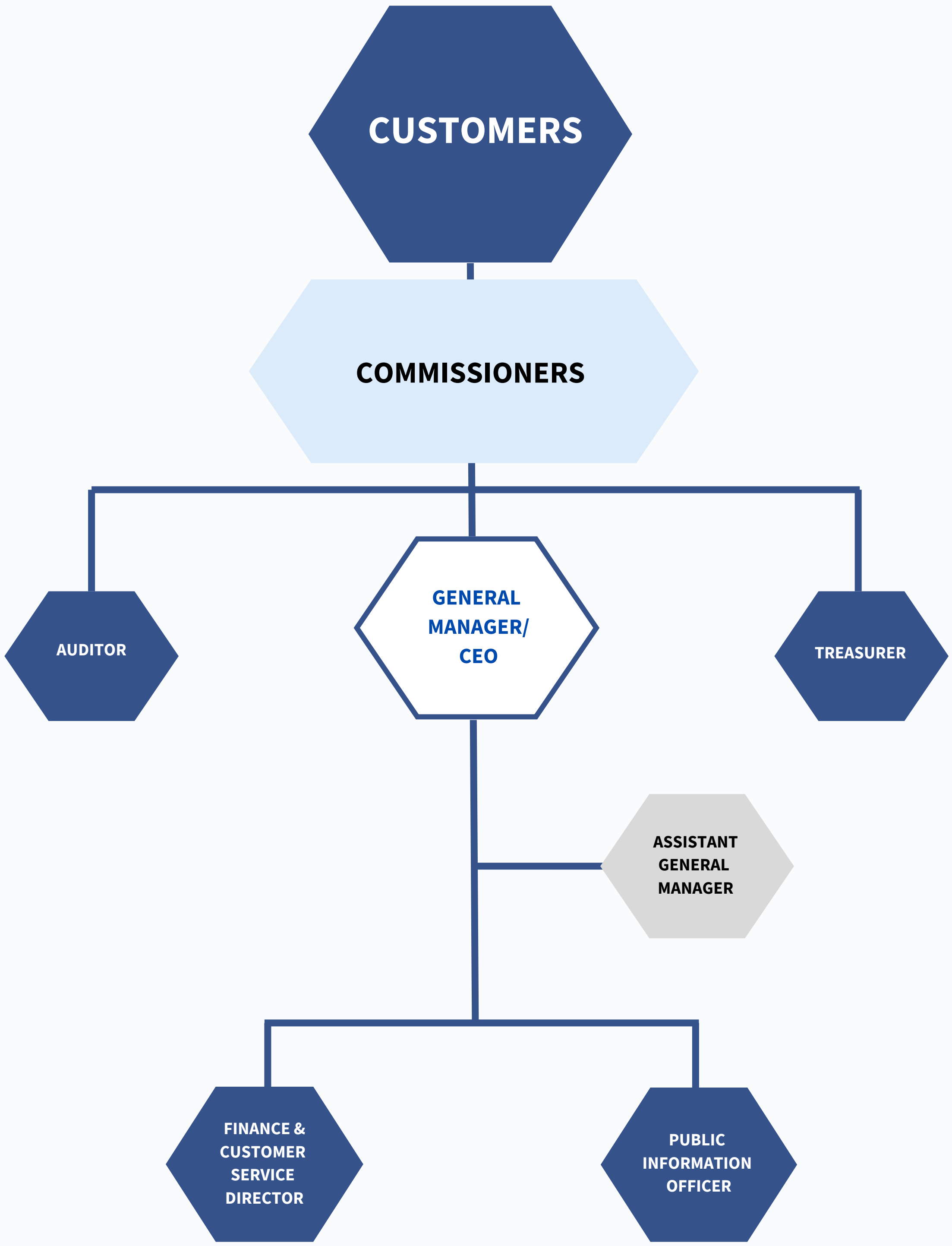
LEADERSHIP TEAM

Steve Ferraro
Assistant General Manager

Katrina Fulton
Finance & Customer Service Director

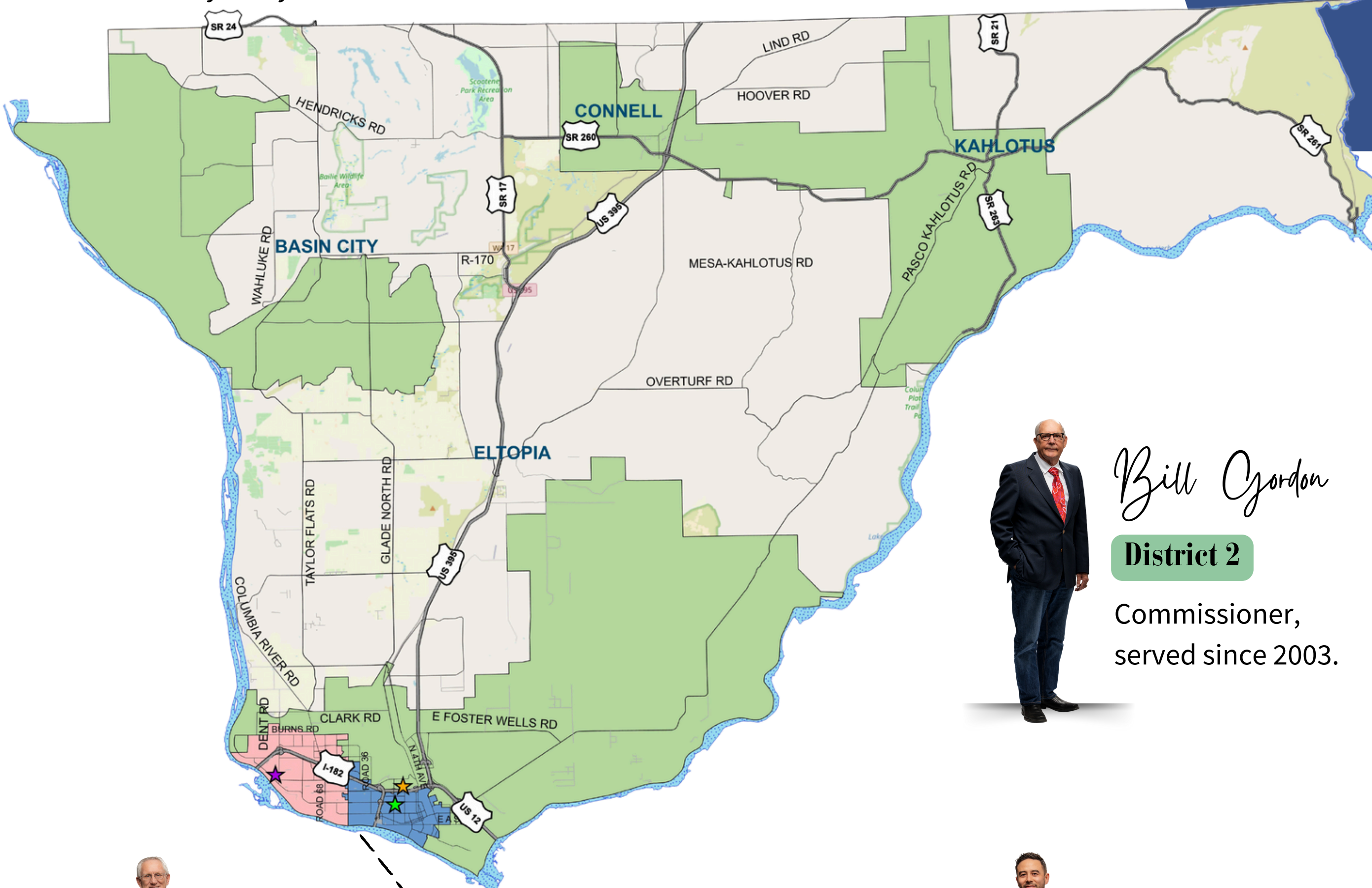
Rosario Viera
Public Information Officer

ORGANIZATIONAL CHART



BOARD OF COMMISSIONERS

The Board of Commissioners is the governing board for Franklin PUD. The Commissioners have overall responsibility for setting policies and direction of operations. Franklin PUD has a three-member Commission, and each Commissioner represents a certain district of Franklin County. The Commissioners serve a six-year term. The Commissioner terms are staggered so that a different Commissioner stands for election every two years.



Bill Gordon

District 2

Commissioner, served since 2003.

Pedro Torres

District 3*

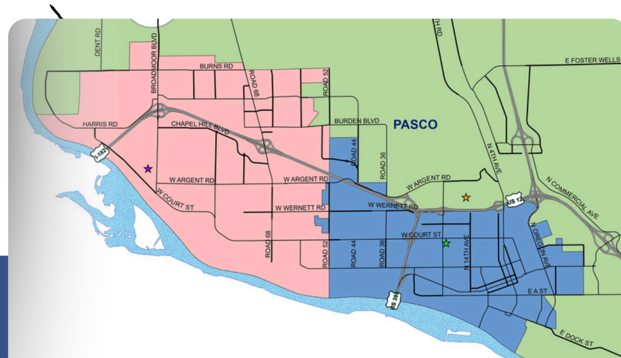
Commissioner, took office January 2025.

*Commissioner Stu Nelson served from 2003 through his current term which ended December 2024.

Roger Wright

District 1

Commissioner, served since 2011.



FAST FACTS
(Year End 2024)

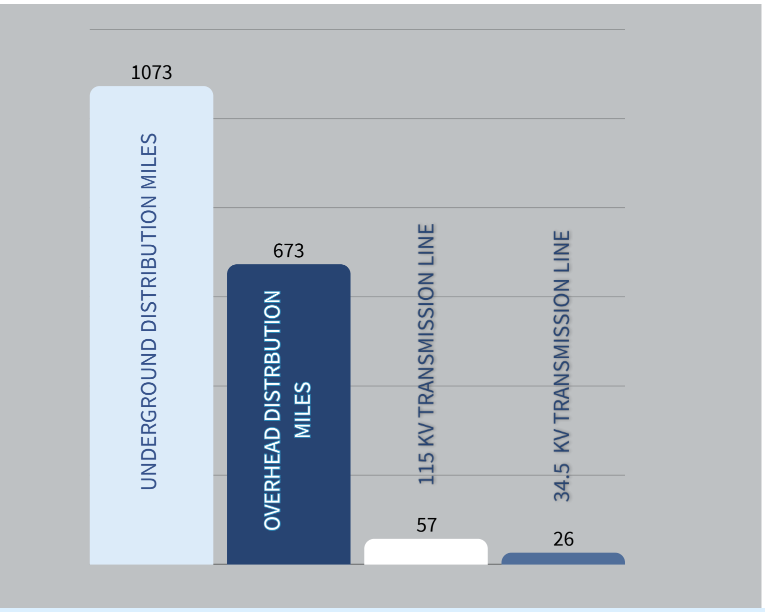
Franklin PUD serves customers through Pasco, Connell, Kahlotus and other surrounding areas within Franklin County, WA.

84 employees

435 SQ MI service territory

22 substations

29,752 customers




Railroad Avenue Substation

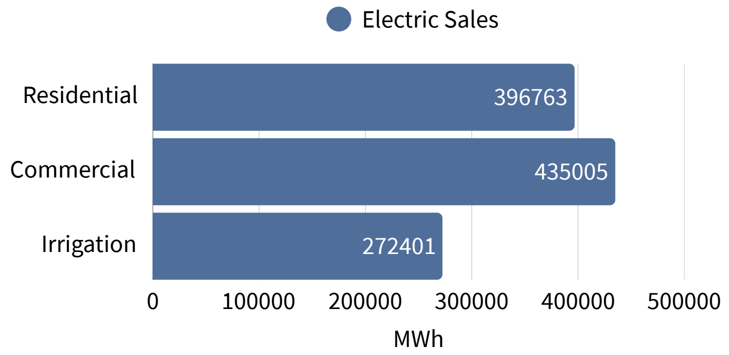
1,829 Total Line Miles

99.99% ReliabilityRating

130.40 aMW Average System Load

259 System Peak Demand

1,104,169
Retail Electric Sales (MWh)



203,537
Wholesale Electric Sales

33
Retail Service Providers

386
Miles of Fiber

FAST FACTS *Continued*

(Year End 2024)

46,046
customer calls recieved

36,617
in person transactions

814
customers receiving Senior Discount

222
customers receiving Disability Discount

354 New Residential Service Requests


District staff at the Senior Expo Event.

Debt Service Coverage

Change in Net Position	$17,857,469
Adjustments for Debt Service:	
Depreciation	10,048,185
Bond Interest, Debt Premium / Discount Amortization and Issuance Costs	2,657,718
Non-cash pension adjustment	(997,216)
Revenue available for debt service	29,566,156
Annual debt service	5,226,586
Debt service coverage	5.66

$11 Million
2024 Total Taxes Paid

$1.9 Million
State Privilege Tax

$3.4 Million
State Public Utility Tax

$5.7 Million
City Tax*

*City taxes are collected directly from customers and remitted to the City

Top 10 Customers

Customer / Industry	kWh	Percentage of Total kWh	Retail Sales	Percentage of Total Electric Sales
Commercial 1 - Food Processing	110,669,133	10.0%	$6,868,196	7.8%
Commercial 2 - Food Processing	31,231,400	2.8%	2,151,294	2.5%
Commercial 3 - Food Processing	29,206,304	2.6%	1,874,408	2.1%
Commercial 4 - Agriculture	28,594,986	2.6%	1,819,121	2.1%
Commercial 5 - Education	27,773,265	2.5%	2,047,172	2.3%
Commercial 6 - City Government	27,691,356	2.5%	1,922,498	2.2%
Commercial 7 - Agriculture	26,504,939	2.4%	1,831,912	2.1%
Commercial 8 - Food Processing	21,552,386	1.9%	1,384,689	1.6%
Commercial 9 - Food Processing	17,972,760	1.6%	1,183,935	1.4%
Commercial 10 - Corrections Facility	12,561,120	1.1%	784,462	0.9%
Commercial Customers Total	*333,757,649*	*30.2%*	*$21,867,687*	*24.9%*
Total All Ratepayers	**1,106,424,920**		**$89,079,648**	

Potatoes bieng processed at one of the District's food processing plants.

Our Accounting Staff

Pictured (left to right): Jesus Martinez, Nicole Kirby, Katrina Fulton, Amy Wilburn, Jennifer Orvis, and Sergio Guzman.

Thank you!

The District would like to acknowledge our incredible accounting staff, whose diligent efforts are the backbone of our financial integrity. With over 94 years of combined experience, they meticulously manage countless financial transactions and reports. These efforts not only ensure the accuracy of our financial reporting but also directly support the work of all other staff, helping us all do our jobs effectively and ultimately ensuring our mission. We appreciate their commitment, which is vital to our success.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Public Utility District No. 1 of Franklin County
January 1, 2023 through December 31, 2024

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Public Utility District No. 1 of Franklin County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

ALN	Program or Cluster Title
21.029	COVID-19 Coronavirus Capital Projects Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2024-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Public Utility District No. 1 of Franklin County
January 1, 2023 through December 31, 2024

2024-001 The District did not have adequate internal controls for ensuring compliance with federal procurement requirements.

Assistance Listing Number and Title:	21.029, COVID-19 Coronavirus Capital Projects Fund
Federal Grantor Name:	Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Commerce
Pass-through Award/Contract Number:	23-96810-020
Known Questioned Cost Amount:	$0
Prior Year Audit Finding:	N/A

Background

During fiscal year 2024, the District spent $925,587 in federal Coronavirus Capital Projects program funds awarded from the Department of Treasury and passed through the Washington State Department of Commerce. During 2024, the District used program funding on one project to install fiber cable to provide broadband services.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal regulations require recipients to follow their own documented procurement procedures, which must conform to the Uniform Guidance procurement standards found in 2 CFR 200.318-327. The procedures must reflect the most restrictive of federal, state or local procurement thresholds and methods when using federal funds.

Description of Condition

Our audit found the District's internal controls were ineffective for ensuring compliance with federal procurement requirements. Specifically, the District did not include any of the federal procurement standards (2 CFR 200.318-327) in its purchasing policy.

We consider this deficiency in internal controls to be a significant deficiency.

Cause of Condition

The District does not regularly manage federal funds and as a result, staff did not know about the requirement to have written standards of conduct and procurement policies or procedures.

Effect of Condition

Without written policies and procedures, the District is at an increased risk of not complying with following the most restrictive of federal, state, or local procurement requirements when using federal funds to procure contractors.

Although the District does not have policies in place, it followed the procurement requirements in the Washington State Broadband Office's Infrastructure Acceleration Grants Handbook and complied with federal procurement requirements for the contracts we tested.

Recommendation

We recommend the District update its policies and procedures that conform to federal procurement standards in Uniform Guidance (2 CFR 200.318-327).

District's Response

The District followed the federal procurement requirements for the grant award as found and upheld in the audit. Staff also communicated these requirements to the District's Board of Commissioners on multiple occasions and held weekly internal meetings to discuss grant requirements. Additionally, staff consulted with the granting agency to ensure the procedures undertaken complied with federal requirements. The District has a long-standing history of demonstrated legal compliance and implementation of audit recommendations.

For this reason, the District maintains that a simple policy change does not support the issuance of a finding.

The District will revise the language in its Purchasing Policy to reflect more specific federal requirements.

Auditor's Remarks

We thank the District for its cooperation and assistance during the audit and acknowledge its commitment to resolve this finding. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures.

INDEPENDENT AUDITOR’S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Public Utility District No. 1 of Franklin County
January 1, 2024 through December 31, 2024

Board of Commissioners
Public Utility District No. 1 of Franklin County
Pasco, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Public Utility District No. 1 of Franklin County, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended December 31, 2024. The District’s major federal programs are identified in the auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States*;* and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2024-001, that we consider to be a significant deficiency.

District’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District’s response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

July 14, 2025

INDEPENDENT AUDITOR'S REPORT

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

Public Utility District No. 1 of Franklin County
January 1, 2023 through December 31, 2024

Board of Commissioners
Public Utility District No. 1 of Franklin County
Pasco, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Public Utility District No. 1 of Franklin County, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 14, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

July 14, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Public Utility District No. 1 of Franklin County
January 1, 2023 through December 31, 2024

Board of Commissioners
Public Utility District No. 1 of Franklin County
Pasco, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of Public Utility District No. 1 of Franklin County, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Franklin County, as of December 31, 2024 and 2023, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2024, the District adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 101, Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

July 14, 2025

MANAGEMENT'S DISCUSSION & ANALYSIS

Public Utility District No. 1 of Franklin County (District) provides the following overview and analysis of key data presented in the District's basic financial statements for the years ended December 31, 2024 and 2023, with additional comparative data for 2022. Information within this section should be used in conjunction with the basic financial statements and accompanying notes.

Overview of Financial Statements

The District accounts for its financial activities within a single proprietary fund. The District's financial activities are comprised of the purchase, transmission, distribution, and sale of electric energy, as well as the sale of wholesale telecommunication services.

In accordance with requirements set forth by the Governmental Accounting Standards Board (GASB), the District's financial statements employ the accrual basis of accounting in recognizing increases and decreases in economic resources. Accrual accounting recognizes all revenues when earned and expenses when incurred during the year, regardless of when cash is received or paid.

The basic financial statements for the years ended December 31, 2024 and 2023 are comprised of:

Statement of Net Position: The District presents its Statement of Net Position using the balance sheet format. The statement reflects the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (equity) of the District at year-end. The net position section of the statement is separated into four categories: net investment in capital assets, restricted for debt service, restricted for pension and unrestricted.

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 economic resources during the period. Revenues are presented net of allowances and are summarized by major source. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction

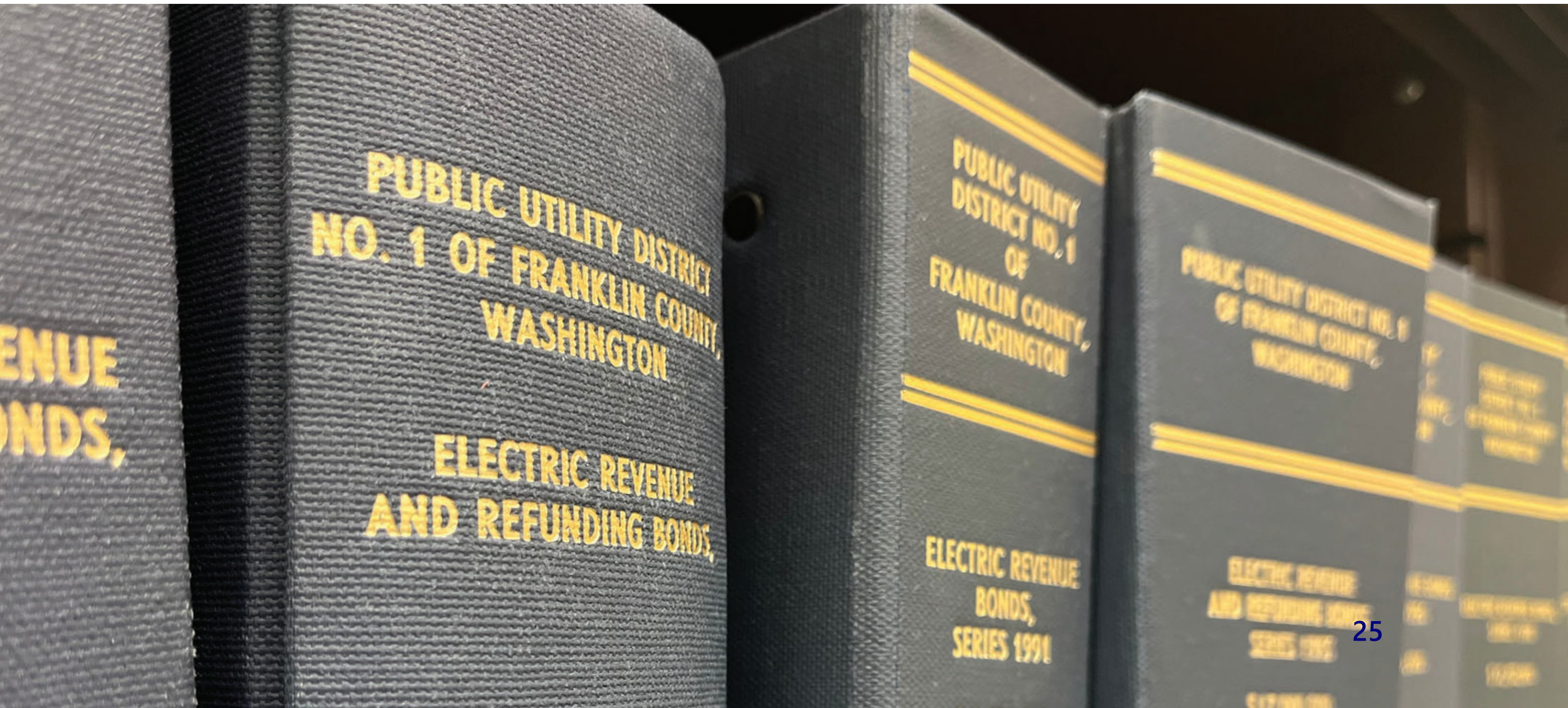
Statement of Cash Flows: The Statement of Cash Flows reflects the sources and uses of cash separated into four categories of activities: operating, noncapital financing, capital and related financing, and investing. The District classifies highly liquid investments within its definition of cash and cash equivalents.

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.

COMPARATIVE CONDENSED FINANCIAL INFORMATION

Statement of Net Position (in thousands)

	2024	2023 as restated	2023 to 2024 Change	2022
Current and Other Assets	$96,025	$90,659	5.92%	$92,004
Capital Assets and Work in Progress	322,206	299,062	7.74%	278,816
Accumulated Depreciation	(141,069)	(132,237)	6.68%	(124,732)
Total Assets	**277,162**	**257,484**	**7.64%**	**246,088**
Deferred Outflows of Resources	20,709	6,720	208.16%	4,621
Total Assets and Deferred Outflows	**297,871**	**264,204**	**12.74%**	**250,709**
Current and Other Liabilities	34,102	31,521	8.19%	21,007
Noncurrent Liabilities	78,543	62,171	26.33%	65,600
Total Liabilities	**112,645**	**93,692**	**20.23%**	**86,607**
Deferred Inflows of Resources	1,240	4,384	-71.71%	8,218
Total Liabilities and Deferred Inflows	**113,885**	**98,076**	**16.12%**	**94,825**
Net Investment in Capital Assets	130,565	117,231	11.37%	105,272
Restricted for Debt Service	0	280	-100.00%	388
Restricted for Pension	4,339	3,649	18.91%	2,662
Unrestricted	49,081	44,968	9.15%	47,562
Total Net Position	**$183,985**	**$166,128**	**10.75%**	**$155,884**



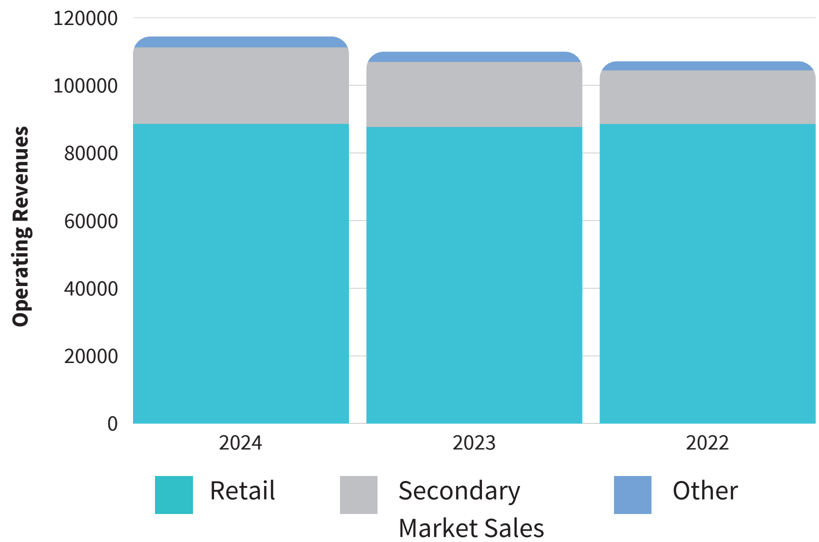
Statement of Revenues, Expenses and Changes in Net Position (in thousands)

	2024	2023 as restated	2023 to 2024 Change	2022
Operating Revenues:				
Retail Energy Sales	$88,624	$87,670	1.09%	$88,557
Secondary Market Sales	22,628	19,260	17.49%	15,879
Other	3,149	2,981	5.65%	2,646
Total Operating Revenues	**114,401**	**109,911**	**4.09%**	**107,082**
Nonoperating Revenues	5,283	2,641	100.01%	1,253
Total Revenues	**119,684**	**112,552**	**6.34%**	**108,335**
Operating Expenses:				
Power Supply	84,035	74,607	12.64%	70,910
Operations, Maintenance & Administrative	15,885	15,275	3.99%	13,946
Taxes & Depreciation	15,668	14,806	5.82%	13,672
Total Operating Expenses	**115,588**	**104,688**	**10.41%**	**98,528**
Nonoperating Expenses	3,843	1,991	93.00%	2,113
Total Expenses	**119,431**	**106,679**	**11.95%**	**100,641**
Income (Loss) Before Capital Contributions	253	5,873	-95.69%	7,694
Capital Contributions	17,604	4,510	290.37%	6,905
Special Items	0	0	0	(290)
Change in Net Position	17,857	10,383	71.98%	14,309
Beginning Net Position	166,128	155,884	6.57%	141,575
Change in Accounting Principle	0	(139)	-100.00%	0
Ending Net Position	**$183,985**	**$166,128**	**10.75%**	**$155,884**

FINANCIAL ANALYSIS

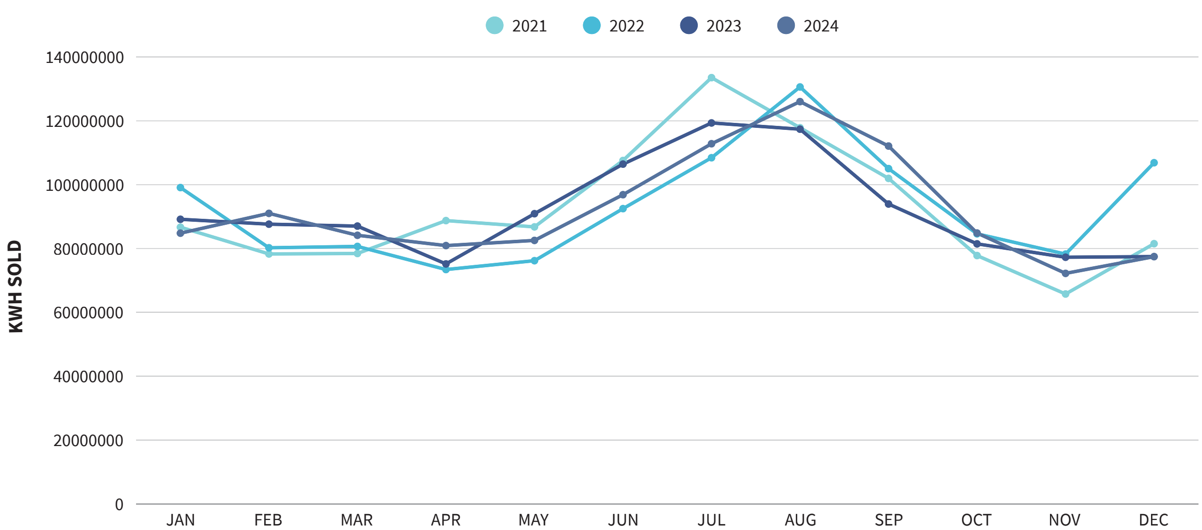
The District ended 2024 with an increase in Net Position of 10.75%; continuing the strong financial performance of 2023.

The following financial analysis focuses on the results of the District's operations by major components of income and expense for all periods presented.



2023 to 2024:

Sales of Retail Energy to customers comprised $88.6 million or 77.47% of total Operating Revenues for 2024, an increase of 1.09% over 2023. The District's Board of Commissioners enacted an overall increase to retail rates of 3.00% effective May 1, 2024.



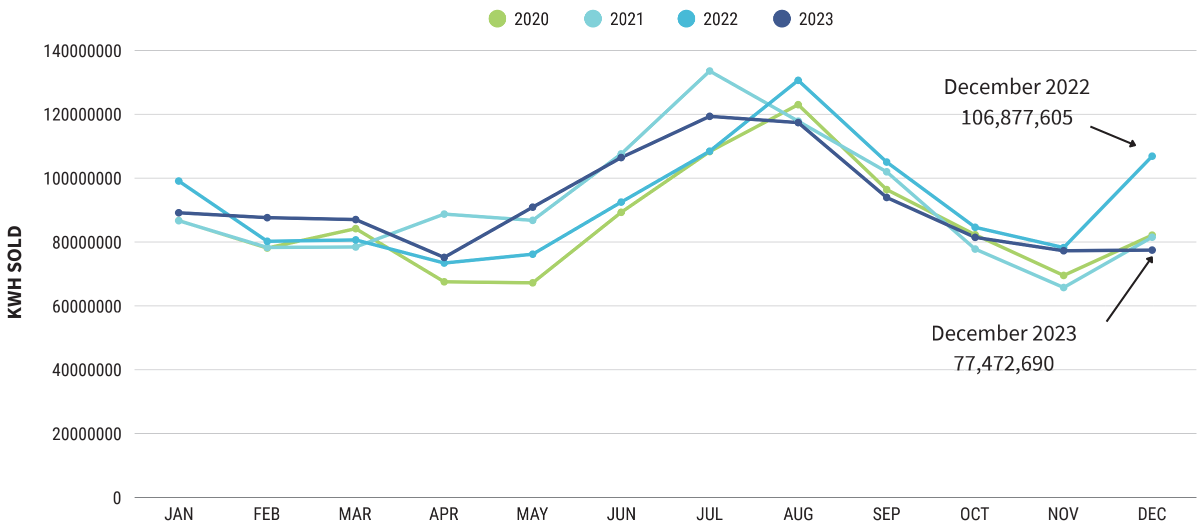
While the District's Residential rate class grew by 1.06% in the number of accounts served, the kWh used by the class dropped (3.26%) from 2023.This decrease from 2023 was due to overall mild weather throughout the year apart from a short-lived, albeit volatile, January cold snap. This was largely offset by an increase of kWh usage in the General rate class due to the addition of an indoor lettuce growing facility coming online in the first quarter of 2024, and an automated retail warehouse commencing full operations in the early fall.

The District's Industrial rate class experienced a decrease in kWh retail sales of 4.28% throughout the year which culminated with the closure of a potato processing plant in the District's service territory that was effective October 1, 2024. The net effect of the changes in kWh usage across all classes was an increase in overall kWh retail sales of .08%, indicating nearly the entire 1.09% revenue increase was driven by the increase to retail rates.

Secondary Market Sales increased 17.49% from 2023, largely driven by the receipt of $8.0 million in proceeds from the auction of no-cost carbon allowances as part of the quarterly auctions conducted by the Washington Department of Ecology in accordance with Washington's Climate Commitment Act. While the District did have surplus energy to sell on the wholesale power market due to mild retail kWh load, average market pricing was down significantly from 2023.

2022 to 2023:

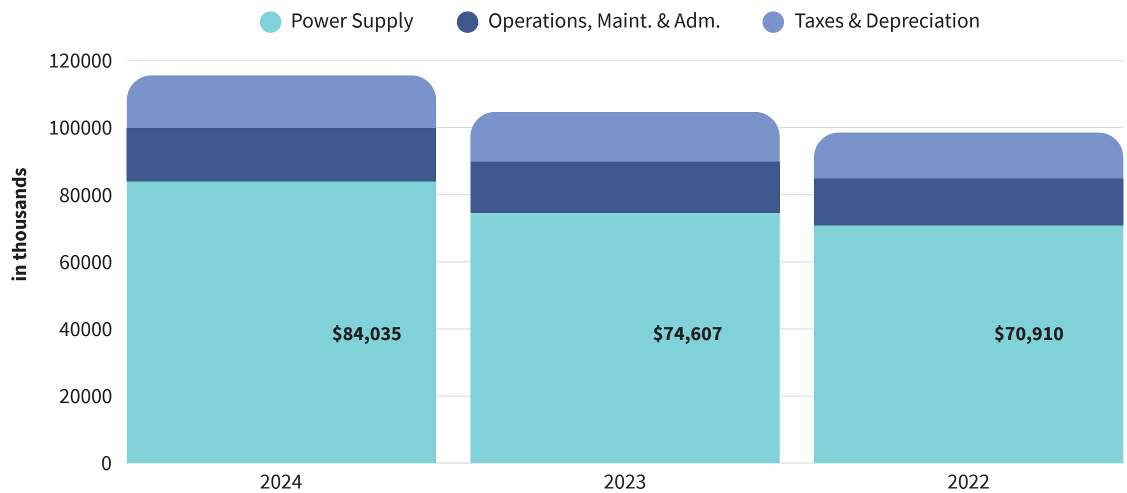
Retail energy sales comprised approximately 79.76% of the District's Operating Revenues in 2023. A decrease of 1.00% from 2022 was driven primarily by a return to average loads after those driven by the extreme cold in December 2022. Total sales of kilowatt hours delivered to customers decreased 1.14% from 2022.



Secondary Market Sales includes revenues derived from the resale of district power supply and related attributes and credits. This revenue stream increased 21.29% in 2023 due to several factors. Overall average wholesale power pricing increased in 2023 over 2022, and milder weather left the District in a surplus power position for several months in 2023. This resulted in the sale of approximately 34,000 additional megawatt hours on the open market over 2022. The addition of monthly firm power provided by the District's Power Supply contract with Powerex, a wholly-owned subsidiary of BC Hydro, contributed to this. Additionally, the District received of $1.9 million in proceeds from the sale of no-cost carbon allowances as part of Washington's first quarterly carbon allowance auction in September 2023.

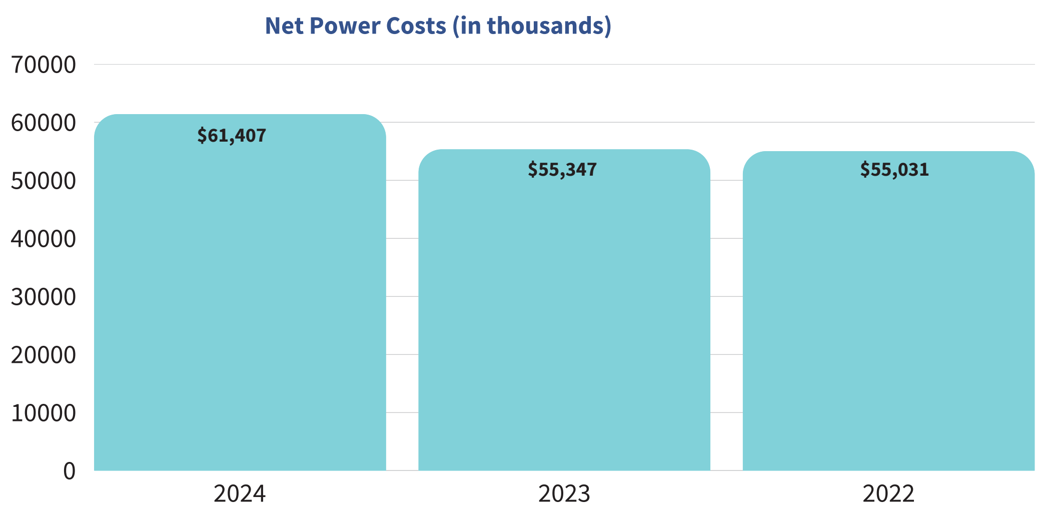
OPERATING EXPENSES

The following chart is graphical representation of the District's previous three years Operating Expenses:



Power Supply Costs represent the cost of providing electricity to the District's customer base. Power Supply Costs comprised approximately 72.70% of the District's total operating expenses in 2024. Based on the District's Power Supply portfolio (refer to Note 9), these costs can be heavily impacted by price movement in the wholesale power market. The market reacts to changes in water year forecasts, extreme weather events, and other external factors. Net Power Supply is Power Supply less revenue received from Secondary Market Sales. The District includes any power related sale on attributable to Power Supply such as sales of carbon allowances, renewable energy credits, and revenues from power hedge settlements in Secondary Market Sales.

The following graph illustrates the components of the District's Power Supply Costs on a net basis.



Gross Power	$84,035	$74,607	$70,910
Less: Secondary Market Sales	$22,628	$19,260	$15,879
Net Power Cost	$61,407	$55,347	$55,031

2023 to 2024:

The District's Gross Power Supply costs increased 12.64% over 2023 due to various factors. The winter cold event in January 2024 caused short-term Power Supply deficits across the region, resulting in scarcity market pricing nearing $1,000 per megawatt hour (mWh). Through various components of the District's Power Supply portfolio, the District is exposed to this market pricing. The event caused high customer usage which drove up Power Supply costs for the month, with the net impact of approximately $4.3 million. Throughout the year, market behavior continued to be unpredictable, with typical market fundamentals challenged and yielding volatile but very short-term pricing excursions. Overall stability with lower prices after the January weather event pushed protective hedge transactions to settle unfavorably for the District, increasing this expense by $8.2 million over 2023, but the District's market-based Powerex contract offset this by delivery of firm power supply at a lower price by $5.3 million. Additionally, Bonneville Power Administration's Reserve Distribution Credit (RDC) expired September 30, 2024, causing an increase to Power Supply expense of $2.1 million.

2022 to 2023:

Gross Power Supply costs rose 5.21% in 2023 resulting primarily from an increase in market pricing over 2022, which impacts certain resources the District uses to supplement supply provided by Bonneville Power Administration. Additionally, 2023 marked the first full year of the District's Power Supply Contract with Powerex. The contract provides firm supply to supplement the District's other power resources and can be used to serve the District's retail load or sold on the open market. For further information on the Powerex contract, refer to Note 9 to the financial statements – Power Supply.

NONOPERATING REVENUE AND EXPENSE

2023 to 2024:

In 2024, nonoperating revenue saw a significant increase of 100.01%, primarily driven by to two grant programs. The District secured funding through the Washington State Broadband Office's Infrastructure Acceleration Grant, supported by the America Rescue Plan Act's Coronavirus Capital Project Funds. This initiative awarded $4.9 million to the District to deploy Fiber-to-the-Home (FTTH) in the Connell and Basin City areas, where reliable high-speed internet service is widely unavailable. The new infrastructure will connect customers via Retail Service Providers. Of the amount awarded, nearly $1.0 million was recognized as grant revenue in 2024, with project completion planned for 2025. Additionally, the District received a grant through the Washington Families Clean Energy Credits program, which provided eligible low-income customers with a $200 energy bill credit. The District was awarded $1.2 million to disburse to customers through this program. Refer to Note 13 – Grant Awards.

The District experienced an increase in interest income in 2024, which also contributed positively to overall financial performance. Interest income rose by 16.26% primarily driven by favorable market conditions, strategic allocation of portfolio assets, and higher returns on both long-term investments and highly liquid interest-bearing accounts.

Nonoperating expenses increased due to additional accrued interest expense, debt premium and discount amortization, and issuance costs associated with the 2024 issuance of tax-exempt bonds, and the disbursement of Washington Families Clean Energy Credits grant funds. Refer to Note 13 – Grant Awards.

2022 to 2023:

The District experienced an increase in nonoperating revenue of 110.80%, the net effect of increased interest income and decreased revenue from Federal and State Grant Revenue in 2023. Higher levels of cash and investment reserves, coupled with rising interest rates resulted in interest income of $1.7 million over that of 2022, an increase of 209.86%.

Nonoperating expenses decreased from 2022 by 5.77%, largely due to a decrease in accrued interest expense and debt premium and discount amortization.

CAPITAL CONTRIBUTIONS

2023 to 2024

The District saw an increase in Capital Contributions of 290.37% in 2024, due to the recognition of $11.0 million in funding received towards the construction of the Railroad Avenue Substation which was energized in December 2024.

2022 to 2023

Total revenue from Capital Contributions decreased 34.69% in 2023. The District experienced an increase in service orders for new electric service, causing an increase to Capital Contribution fees. However, this was offset by a decrease in recognized construction related revenue of 56.88% as the District did not complete large commercial projects on the scale of those completed and recognized in 2022.

SUMMARY OF FINANCIAL POSITION

The District's financial position strengthened in 2024, marked by an approximate $17.9 million increase in Net Position. Unrestricted Cash Reserves remained stable, supported by participation in the Washington Department of Ecology's quarterly carbon allowance auctions. Additionally, the Reserve Distribution Credit (RDC) provided by the Bonneville Power Administration, applied as a credit on the District's monthly Power Bills from December 2023 to September 2024, contributed to these reserve levels. While the District continues to navigate the effects of persistent inflation, its planned annual 3.00% retail rate increase - effective May 1, 2024, through May 1, 2027 - was determined based on current economic conditions, projected cash flows, and anticipated capital requirements.

District management monitors the effectiveness of its financial operations by measuring results against the financial policy adopted by the District's governing body. This policy directs District management to develop financial plans that position the District for current and future years while being fiscally responsible to the District's ratepayers. The financial policy consists of three key financial performance metrics – minimum cash/investment reserve balance (sufficient to fund 20% of gross power supply costs, 15% of other operating costs, and 20% of the annual amount of planned capital spending over the next 5 years); minimum debt service coverage ratio of 1.8; maximum debt/asset ratio of 40%; and funding of a Rate Stabilization Fund at a level sufficient to meet the fiscal needs of the District. The District achieved all financial performance metrics for 2024, 2023 and 2022.

Capital Assets and Long-Term Debit Activity (in thousands)

	2024	2023	Increase (Decrease)	% Change	2022
Land	$1,242	$1,242			$892
Plant in Service	319,871	290,247	29,623	10.21%	272,932
Construction Work In Progress	1,092	7,572	(6,480)	-85.58%	992
Accumulated Depreciation	(141,068)	(132,236)	(8,831)	6.68%	(124,732)
Total Net Capital Assests	$181,137	$166,825	$14,312	8.58%	$154,084

In 2024, the District's Net Capital Assets rose by 8.58%, largely attributed to the completion of the Railroad Avenue Substation. This two-bay substation is designed with the flexibility to expand to as many as five bays, allowing it to meet the growing demands of the region it supports. Once fully expanded, it will stand as the largest substation within the District's service territory.

In 2023, Construction began on the Railroad Avenue Substation project that will serve a food production facility as well as position the District for future growth, driving the increase in Construction Work in Progress. This project is expected to be completed in 2024 and associated capital contribution revenue recognized for the share of the project funded by the customer.

More detailed information about the District's capital assets is presented in Note 3 to the financial statements – Capital Assets.

Long Term Debt (in thousands)

	2024	2023	Increase (Decrease)	% Change	2022
Revenue Bonds, including Current Portion	$78,872	$61,809	$17,063	27.61%	$64,858

Debt service payments totaled $5.2 million in 2024, $4.8 million in 2023 and $4.1 million annually in 2022.

The District issued $18.6 million of tax-exempt bonds in April 2024 to fund certain capital improvements. More detailed information regarding the District's long term debt is presented in Note 5 to the financial statements – Long Term Debt.

Credit Ratings

In 2024, the District maintained its A+ credit rating from Standard & Poor's and achieved an upgraded rating of Aa3 from Moody's Investor Services, improving upon its previous A1 rating.

OTHER SIGNIFICANT MATTERS

The District's Board of Commissioners at its April 23, 2024 regular meeting approved an overall increase to electric rate revenue of 3.00% effective annually from May 1, 2024 – May 1, 2027.

The District continues to monitor the actions of Bonneville Power Administration as it contemplates rates for the 2026-2029 rate period, resource adequacy, and participation in a Day Ahead Market. At this time, the complete financial impact to the District is unknown.

Railroad Avenue Substation

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY
STATEMENT OF NET POSITION
As of December 31, 2024 and 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2024	2023 as restated
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)		
Unrestricted	$28,477,668	$30,970,251
Restricted	20,436,225	1,632,221
Total Cash and Cash Equivalents	48,913,893	32,602,472
Customer Accounts Receivable, Net	9,825,408	10,972,982
Wholesale Power Receivable	1,260,407	1,226,774
Miscellaneous Receivables	1,210,321	373,227
Notes Receivable, Current Portion	658,541	654,845
Inventories	8,119,642	9,422,542
Prepayments	443,175	482,801
Derivative Asset (Note 1)	314,093	2,627,059
Other Current Assets	69,863	31,375
Total Current Assets	70,815,343	58,394,077
Noncurrent Assets		
Investments - Unrestricted	14,693,759	15,053,678
Investments - Restricted	4,172,922	9,233,678
Restricted Debt Service Reserve Fund (Note 2)	2,098,433	2,163,204
Notes Receivable (Note 4)	2,236,614	2,895,155
Net Pension Asset (Note 7)	2,007,615	2,918,673
Utility Plant (Note 3)		
Land	1,242,355	1,242,355
Plant in Service	319,871,421	290,247,452
Construction Work in Progress	1,091,885	7,571,879
Accumulated Depreciation	(141,068,577)	(132,236,579)
Net Utility Plant	181,137,084	166,825,107
Total Noncurrent Assets	206,346,427	199,089,495
TOTAL ASSETS	277,161,770	257,483,572
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated Decrease in Fair Value of Hedging Derivatives	15,899,874	2,657,454
Deferred Loss on Refunding	1,585,576	1,701,594
Deferred Pension Outflows (Note 7)	3,223,424	2,361,059
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,708,874	6,720,107
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$297,870,644	$264,203,679

The accompanying notes are an integral part of this statement

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY

STATEMENT OF NET POSITION

As of December 31, 2024 and 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2024	2023 as restated
LIABILITIES		
Current Liabilities		
Accounts Payable	$7,253,716	$11,766,208
Customer Deposits	1,645,014	1,634,746
Accrued Taxes Payable	2,973,292	2,720,846
Accrued Interest Payable	953,488	680,554
Other Credits and Liabilities (Note 6)	2,141,694	9,235,918
Revenue Bonds, Current Portion (Note 5)	3,235,000	2,825,000
Derivative Liability (Note 1)	15,899,874	2,657,454
Total Current Liabilities	34,102,078	31,520,726
Noncurrent Liabilities		
Outstanding Revenue Bonds (Note 5)	75,637,347	58,983,576
Net Pension Liability (Note 7)	829,748	1,259,543
Other Credits and Liabilities (Note 6)	2,076,177	1,928,527
Total Noncurrent Liabilities	78,543,272	62,171,646
TOTAL LIABILITIES	112,645,350	93,692,372
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivatives	314,093	2,627,059
Deferred Pension Inflow (Note 7)	818,209	1,629,966
Deferred Gain on Refunding (Note 5)	107,865	126,624
TOTAL DEFERRED INFLOWS OF RESOURCES	1,240,167	4,383,649
NET POSITION		
Net Investment in Capital Assets	130,565,538	117,230,975
Restricted for Debt Service	0	279,871
Restricted for Pension	4,338,693	3,648,858
Unrestricted	49,080,896	44,967,954
TOTAL NET POSITION	183,985,127	166,127,658
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$297,870,644	$264,203,679

The accompanying notes are an integral part of this statement

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2024 and 2023

	2024	2023 as restated
OPERATING REVENUES		
Retail Energy Sales (Note 1)	$88,624,147	$87,669,531
Broadband Revenue (Note 12)	2,633,220	2,489,787
Secondary Market Sales	22,628,060	19,259,712
Other Operating Revenue	515,799	491,805
TOTAL OPERATING REVENUES	**114,401,226**	**109,910,835**
OPERATING EXPENSES		
Power Supply (Note 9)	84,034,693	74,606,643
System Operations and Maintenance	6,836,828	6,527,100
Broadband Operations and Maintenance	881,969	774,503
Customer Accounting and Information	1,820,042	1,900,189
Administrative and General Expense	6,346,275	6,073,452
Taxes	5,619,630	5,352,065
Depreciation and Amortization of Intangible Assets	10,048,185	9,454,128
TOTAL OPERATING EXPENSES	**115,587,622**	**104,688,080**
OPERATING INCOME (LOSS)	**(1,186,396)**	**5,222,755**
NONOPERATING REVENUES AND EXPENSES		
Interest Income	2,978,492	2,561,819
Bond Interest, Debt Premium/Discount Amortization and Issuance Costs	(2,657,718)	(1,891,935)
Federal and State Grant Revenue (Note 13)	2,200,876	79,502
Federal and State Grant Expense (Note 13)	(1,185,372)	(79,502)
Other Nonoperating Revenue (Expense)	103,491	(19,780)
TOTAL NONOPERATING REVENUES AND EXPENSES	**1,439,769**	**650,104**
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	**253,373**	**5,872,859**
CAPITAL CONTRIBUTIONS	17,604,096	4,509,608
CHANGE IN NET POSITION	**17,857,469**	**10,382,467**
NET POSITION, BEGINNING OF YEAR	**166,127,658**	**155,884,196**
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE		**(139,005)**
NET POSITION, END OF YEAR	**$183,985,127**	**$166,127,658**

The accompanying notes are an integral part of this statement.

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023 as restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$114,904,321	$115,439,946
Cash Paid to Suppliers and Counterparties	(93,408,556)	(86,805,685)
Cash Paid to Employees	(9,855,460)	(9,369,719)
Taxes Paid	(5,355,421)	(6,050,744)
Other Receipts		1,933
NET CASH PROVIDED BY OPERATING ACTIVITIES	***6,284,884***	***13,215,731***
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grant Revenue	1,185,372	79,502
Grant Expense	(1,185,372)	(79,502)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	***0***	***0***
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(23,659,517)	(21,642,630)
Interest Paid on Long-Term Debt	(2,401,586)	(2,119,634)
Principal Paid on Long-Term Debt	(2,825,000)	(2,750,000)
Contributions in Aid of Construction	10,011,802	8,543,948
Bond Proceeds	20,000,000	
Release of Debt Service Reserve	64,771	58,289
Grant Revenue	395,379	
Proceeds from Disposal of Plant	39,596	(18,867)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	***1,625,445***	***(17,928,894)***
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Purchases	(4,370,274)	(21,241,469)
Investment Sales and Maturities	10,395,000	7,705,000
Interest Income	2,376,366	1,814,014
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	***8,401,092***	***(11,722,455)***
NET INCREASE (DECREASE) IN CASH	***16,311,421***	***(16,435,618)***
CASH BALANCE, BEGINNING OF YEAR	***32,602,472***	***49,038,090***
CASH BALANCE, END OF YEAR	***$48,913,893***	***$32,602,472***
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	(1,186,396)	$5,222,755
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	10,048,185	9,454,128
Miscellaneous Other Revenue and Receipts	8,304,974	415,105
Miscellaneous Other Disbursements and Expenses	(265,500)	(5,111,596)
Pension Expense (Credit)	(997,216)	(1,110,784)
(Increase) Decrease in Accounts Receivable (Net)	273,151	703,261
(Increase) Decrease in Plant Supplies	1,302,900	(3,995,127)
(Increase) Decrease in Prepaid Expenses	39,626	60,659
(Increase) Decrease in Other Assets	(38,488)	5,580
(Decrease) Increase in Payables	(4,249,778)	2,519,120
(Decrease) Increase in Other Credits	(6,946,574)	5,052,630
NET CASH PROVIDED BY OPERATING ACTIVITIES	***$6,284,884***	***$13,215,731***

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During 2024 and 2023, the District received $898,054 and $876,919, respectively, in non-cash capital contributions.

Accumulated increases and decreases in the fair value of hedging derivatives had no effect on cash flows for 2024 or 2023. For accumulated increases in fair value, the District records an offsetting asset. For accumulated decreases in fair value, the District records an offsetting liability.

The accompanying notes are an integral part of this statement.

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY

NOTES
TO THE
FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Public Utility District No. 1 of Franklin County (the District) was established in 1938 and purchases, transmits, distributes, and sells electric energy. In addition, the District is authorized under state law to provide wholesale telecommunications services. The District's service area is approximately 435 square miles in Franklin County, and includes over 90 percent of the County's population. The District's properties include 22 substations, 1,829 miles of transmission and distribution lines, and other buildings, equipment, and related facilities. The District has 84 employees and serves 34,095 active accounts. The District has operating revenues in excess of $114 million and total assets of over $277 million. An elected three-member Board of Commissioners administers the District.

As required by generally accepted accounting principles (GAAP), the District has considered all potential component units in defining the reporting entity and has identified no component units.

BASIS OF ACCOUNTING AND PRESENTATION

The accounting and reporting policies of the District are regulated by the Washington State Auditor's Office under chapter 43.09 RCW and are based on the Uniform System of Accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission (FERC). The District uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Revenues and expenses related to the District's principal operations are considered to be operating revenues and expenses; while revenues and expenses related to capital, financing, and investing activities are considered to be non-operating revenues and expenses.

The District's accounting policies conform to GAAP as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following are a summary of the significant accounting policies used in the preparation of the financial statements.

DEPOSITS AND INVESTMENTS

For purposes of the Statement of Cash Flows, short-term highly liquid investments with a maturity of less than three months at the time of purchase are considered cash equivalents. Cash equivalents classified as noncurrent are not included in the Statement of Cash Flows due to their intended purpose. The District reports investments at fair value.

The District considers all deposits with the Washington State Treasurer's Local Government Investment Pool (LGIP) cash and cash equivalents. Since the pool is sufficiently liquid to permit withdraw of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Funds in the Local Government Investment Pool (LGIP), a qualified, unrated external investment pool, are reported at amortized cost which approximates fair value. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the *GASB Statement No. 79 – Certain External Investment Pools and Pool Participants* for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. Refer to Note 2 – Deposits and Investments.

RESTRICTED ASSETS

Deposits and investments are recorded in accounts as prescribed by the District's bond resolutions or third-party contractual agreements. The funds held in these accounts are restricted for specific uses including debt service and are classified under both current and non-current assets based on the nature and intent of the funds use.

ACCOUNTS RECEIVABLE

The District uses the percentage-of-sales method to record amounts estimated to be uncollectible based on the prior year's write offs. Uncollected accounts over 60 days, except those with special arrangements, are approved monthly for write off by the Board of Commissioners.

INVENTORIES

Inventories are valued at average cost, which approximates the fair value.

DERIVATIVE INSTRUMENTS

The District accounts for derivative instrument transactions in accordance with GASB Statement No. 53 - *Accounting and Financial Reporting for Derivative Instruments.* Subject to certain exceptions, GASB 53 requires that every derivative instrument be recorded on the statement of net position as an asset or liability, measured at its fair value and that changes in the derivatives fair value be recognized currently in earnings unless such derivatives meet specific hedge accounting criteria to be determined as effective. Effective hedges qualify for hedge accounting and such changes in fair values are deferred. It is the District's policy to document and apply as appropriate the normal purchase and normal sales exception under GASB Statement No. 53. The District has reviewed its various contractual arrangements to determine applicability of these standards. Purchases and sales of forward electricity, natural gas and option contracts that require physical delivery and which are expected to be used or sold by the reporting entity in the normal course of business are generally considered "normal purchases and normal sales". These transactions are excluded under GASB Statement No. 53 and therefore are not required to be recorded at fair value in the financial statements. Certain put and call options, and financial swaps for electricity and natural gas, are considered to be derivatives under GASB Statement No. 53, but do not generally meet the "normal purchases and normal sales" criteria

As of December 31, 2024, the District had the following derivative instruments outstanding:

	Changes in Fair Value		Fair Value at December 31, 2024		
	Classification	Amount	Classification	Amount	Notional
Cash Flow Hedges:					
Financial Swap Forward	Deferred Inflow	$(314,093)	Derivative Asset	$314,093	28,440 MWh
Financial Swap Forward	Deferred Outflow	$15,899,874	Derivative Liability	$15,899,874	398,240 MWh

These derivative instruments were entered into between October 2022 and December 2024 with maturities between January 2025 and December 2027.

As of December 31, 2023, the District had the following derivative instruments outstanding:

	Changes in Fair Value		Fair Value at December 31, 2023		
	Classification	Amount	Classification	Amount	Notional
Cash Flow Hedges:					
Financial Swap Forward	Deferred Inflow	$(2,627,059)	Derivative Asset	$2,627,059	221,960 MWh
Financial Swap Forward	Deferred Outflow	$2,657,454	Derivative Liability	$(2,657,454)	164,640 MWh

These derivative instruments were entered into between October 2022 and December 2023 with maturities between January 2024 and September 2026.

District staff and contractor at a planning meeting for the Railroad Avenue Substation.

The fair values of the commodity swap contracts are based on the futures price curve for the Mid-Columbia Intercontinental Exchange for electricity. This reduction of basis risk is achieved through the use of financial basis swaps. The fair value of the options was calculated using the Black-76 options pricing model. The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District's fair value measurements are classified as Level 2.

OBJECTIVE AND STRATEGIES:

The District enters into derivative energy transactions to hedge its known or expected positions within its approved risk management policy. Decisions are made to enter into forward transactions to protect its financial position, specifically to deal with expected long and short positions as determined by projected load and resource balance positions. Generally, several strategies are employed to hedge the District's resource portfolio, including:

Surplus Purchased Power Resources

The District hedges projected surpluses in future periods by selling power or by purchasing put options. Surplus power is generally sold forward at a fixed-price, either physically or financially, when the probability of surplus is very high; surplus power is hedged through the purchase of physical or financial put options when the projected surplus is less certain, but nevertheless expected to be available under expected scenarios.

Deficit Power Resources

The District hedges projected power resource deficits in future periods by purchasing power or by purchasing power call options was economically viable for the period. Power is generally purchased to cover projected deficits at a fixed price, either physically or financially, when the probability of the deficit position is very high; such deficit positions are hedged through the purchase of physical or financial call options when the projected deficits are less certain, but nevertheless expected under the approved planning conditions.

Derivatives authorized under the Risk Management Policy and employed by the District include:

- Physical power and natural gas forward purchases and sales
- Monthly and daily power and gas physical calls and puts
- Power and natural gas fixed for floating swaps
- Currency swaps relating to managing US/Canadian exchange rate risk resulting from transactions denominated in Canadian dollars
- Quarterly and monthly financial power and gas put and call options
- Financial daily power and gas put and call options
- Quarterly and monthly financial power and natural gas swaptions
- Financial natural gas swing and basis swaps

There is no associated debt for these instruments at December 31, 2024 or 2023.

Credit Risk

The District's Risk Management Committee (RMC) partners with The Energy Authority (TEA) to develop credit policies and credit limits for the counterparties with whom the District conducts physical and financial commodity transactions. Services performed by TEA include monitoring of credit exposure on a real time basis on behalf of the District, as well as providing recommendations regarding counterparty credit quality based on various credit evaluation factors.

All physical electricity transactions (for hourly and/or daily) for the District are traded by TEA as principal (on behalf of the District) and rely on TEA's credit limits. All forward physical/financial commodity transactions are entered into only with counterparties approved by the District's Risk Management Committee for creditworthiness; credit limits based on market conditions and available qualified counterparties are established and reviewed annually by the Risk Management Committee. As of December 31, 2024 and 2023, the District had 48 and 47 counterparties, respectively, available for conducting transactions. The maximum credit extended to any single counterparty in either year was $3 million. The District entered into master enabling agreements with various counterparties, which enable hedging transactions. Such agreements include the Western Systems Power Pool (WSPP) form of agreement for physical power transactions, various forms of enabling agreements for physical gas transactions and International Swap Dealers Association Agreements (ISDA) for financial transactions. All of the enabling agreements have provisions addressing credit exposure and provide for various remedies to assure financial performance, including the ability to call on additional collateral as conditions warrant, generally as determined by the exposed party. The District also uses netting provisions in the agreement to diffuse a portion of the risk.

Transactions under the physical enabling agreements are used to deal with long and short physical positions under the direction of the Risk Management Committee and pursuant to the risk management policy. Transactions under the ISDA agreements are used to financially hedge long or short positions so that the agreements also permit the District to hedge the risk of an underlying physical position by using call options, or put options.

The aggregate fair value of hedging derivative instruments in asset positions was $314,093 and $2,627,059 as of December 31, 2024 and 2023, respectively. The District transacts with various counterparties throughout the year, and as of December 31, 2024 three counterparties comprised 100% of the net exposure to credit risk, with credit ratings ranging from Not Rated/A-Stable to A+/Stable. As of December 31, 2023 three counterparties comprised 100% of the net exposure to credit risk, with credit ratings ranging from Not Rated/A- Stable to A/Stable.

Basis Risk

The District proactively works to eliminate or minimize basis risk on energy transactions by entering into derivative transactions that settle pursuant to an index derived from market transactions at the point physical delivery is expected to take place. At December 31, 2024 and 2023, there are no derivative transactions outstanding that carry basis risk. As applicable, all power related transactions are to be settled on the relevant Mid-Columbia index. The District has ready access to electric transmission at those respective trading points.

Termination Risk

As of December 31, 2024 and 2023, no termination events have occurred and there are no outstanding transactions with material termination risk. None of the outstanding transactions have early termination provisions except in the event of default by either counterparty. Events of default are generally related to (i) failure to make payments when due, (ii) failure to provide and maintain suitable credit assurances as required, (iii) bankruptcy or other evidence of insolvency, or (iv) failure to perform under any material provision of the agreement. Failure to provide or receive energy or natural gas under physical commodity transactions does generally not fall under the events of default provisions, unless the non-performing party fails to pay the resulting liquidated damages as they come due.

There is no rollover, interest rate, foreign currency, or market access risk for these derivative products as of December 31, 2024 and 2023.

UTILITY PLANT AND DEPRECIATION

Major expenses for utility plant and major repairs that increase useful lives are capitalized. The District's capitalization threshold is $5,000 for non-infrastructure capital. All costs related to infrastructure are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when 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 estimated cost. Contributions by developers and customers are recorded at estimated value as contributions in aid of construction. The District records depreciation on assets acquired by contributions.

Capital assets are depreciated using the straight-line method over the following estimated useful lives for major asset classes:

BROADBAND	5 - 20 YEARS
TRANSMISSION	33 - 50 YEARS
DISTRIBUTION	15 - 50 YEARS
GENERAL PLANT	5 - 40 YEARS
PRODUCTION	20 YEARS

Intangible assets are amortized over their estimated useful life at the time of purchase, if the asset meets the criteria for amortization. Initial depreciation on utility plant is generally recorded in the month subsequent to project completion.

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant. Charges that relate to abandoned projects are expensed.

The estimated original cost of operating property retired (or otherwise disposed of) and the cost of removal, less salvage, is charged to accumulated depreciation. For distribution and certain Broadband assets, the retirement original cost is calculated using the average cost of the asset and is charged to accumulated depreciation, while the cost of removal remains in a separate retirement costs subaccount. In the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income. There were no sales of significant units or systems in 2023 or 2024.

OTHER CREDITS AND LIABILITIES

Compensated Absences

The District records unpaid leave for compensated absences as an expense and liability when incurred. Personal leave may accumulate to a maximum of 700 hours, and is payable upon separation of service, retirement, or death. Employees hired before April 1, 2011 may accumulate a maximum of 1,200 hours

Extended sick leave is sick leave accrued by employees (at 30%) prior to April 1, 1993, adjusted to actual as of December 31, 2024 and 2023. This total is no longer current sick leave; it is used at the employee's option to supplement the District sponsored short-term disability plan. The amount also represents the portion of leave that may be used upon retirement towards health insurance.

Contributions in Aid of Construction

The District records revenues collected from Contributions in Aid of Construction at the beginning of a capital project as unearned revenue (Customer Advances for Construction) until the capital project is completed, at which point the revenue is recognized as revenue from Capital Contributions on the Statement of Revenues, Expenses and Changes in Net Position. The unrecognized portion (Customer Advances for Construction) of Capital Contributions is presented under Current Liabilities as Other Credits and Liabilities on the Statement of Net Position. Refer to Note 6 - Other Credits and Liabilities.

DEBT PREMIUM AND DISCOUNT

Original issue and reacquired bond premiums and discounts relating to revenue bonds are amortized over the lives of the related bonds using the straight-line method. Unamortized premium and discount is included in the amount shown as Outstanding Revenue Bonds within the financial statements. Debt issuance costs are expensed in the period incurred in accordance with GASB Statement No. 65.

REVENUE RECOGNITION

Revenues from retail sales of electricity include an estimate for energy delivered to customers between the last billing date and the end of the year. This amount is included within Retail Energy Sales in the accompanying financial statements in the amount of $2.8 million at December 31, 2024 and $3.4 million at December 31, 2023.

PENSIONS

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

FEDERAL AND STATE GRANT REVENUE

The District was awarded grant funding in 2024 and 2023. Funds were provided as a cash advance or on a cost reimbursement basis depending on the terms of the grant agreement for the specific program. These funds are included within the amount presented on the Statement of Revenues, Expenses and Changes in Net Position. Refer to Note 13 – Grant Awards.

USE OF ESTIMATES

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CONSTRUCTION FINANCING

Capital expenditures in 2024 were made using 51.66% from capital contributions, 32.14% from bond funds, 12.18% from rate revenue and 4.02% from grant funds.

RECLASSIFICATION

Certain amounts reported within the 2023 financial statements have been reclassified to conform to the 2024 presentation.

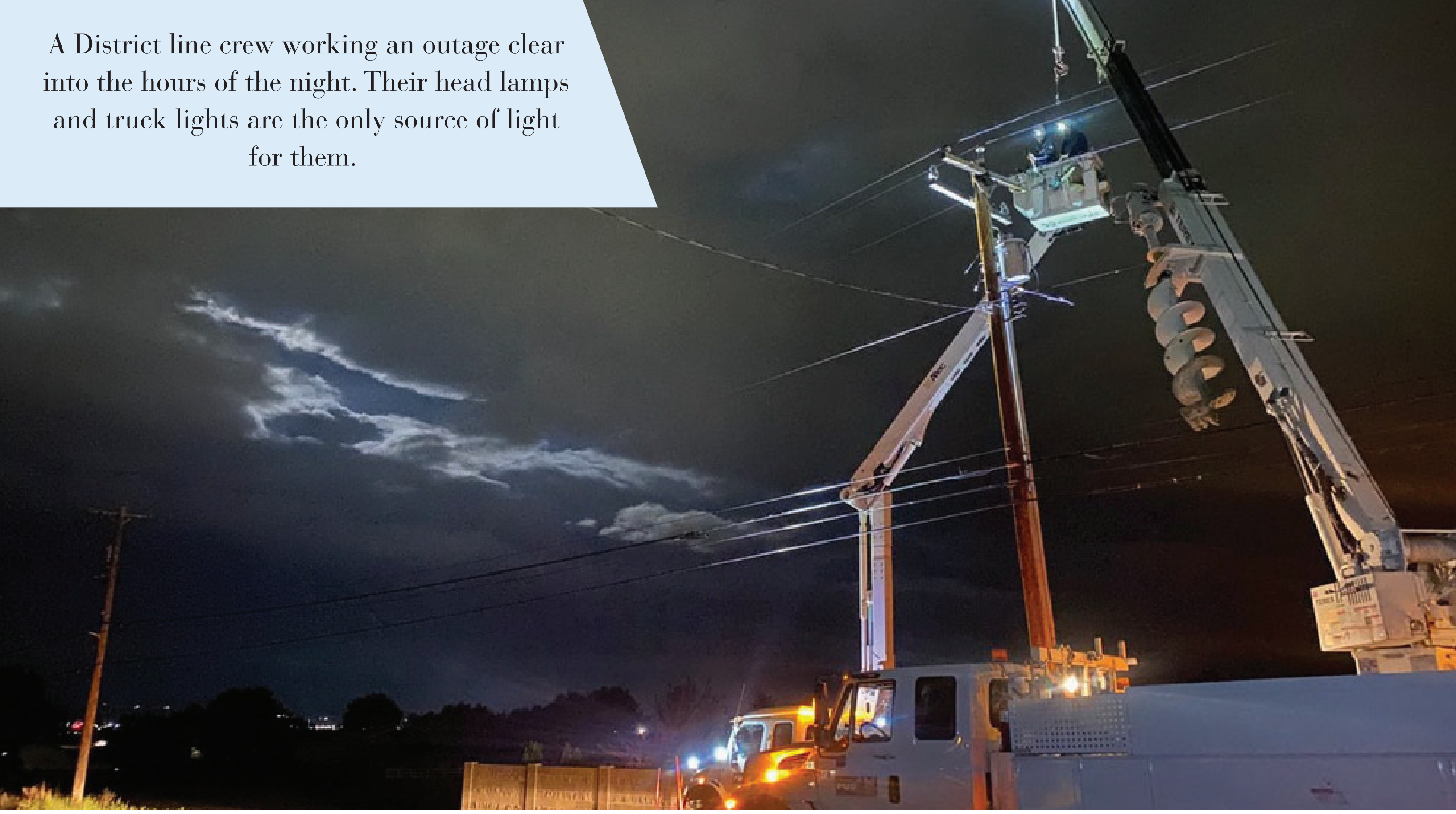
ACCOUNTING CHANGES AND ERROR CORRECTIONS

In 2024, the District implemented GASB Statement No. 101 – *Compensated Absences*. The Statement provides for the remeasurement of compensated absence liabilities to include certain salary-related payments. This implementation affected both the Current and Noncurrent portions of Other Credits and Liabilities presented within the Statement of Net Position, and was applied retroactively as a change in accounting principle in accordance with GASB Statement No. 100 – *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The effect of the retroactive change to the District's Net Position was as follows:

12/31/2023		12/31/2023
Net Position as previoulsy reported	Change in accounting principle GASB 101	Net Position as restated
166,266,663	(139,005)	166,127,658

The adjustment to Net Position is presented as a Cumulative Effect of Change in Accounting Principle within the Statement of Revenues, Expenses and Changes in Net Position.

Safety First, is not just a Guiding Principle it is what ensures our employees go home safely every night. Pictured: one of the District's line crews practicing the annual pole top rescue.



A District line crew working an outage clear into the hours of the night. Their head lamps and truck lights are the only source of light for them.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of December 31 2024, the District's Deposits and Investments were classified as follows:

	2024	2023
Unrestricted Cash and Cash Equivalents, Current:		
Revenue Fund	$27,059,875	$29,552,458
Customer Deposits	$1,417,793	1,417,793
Subtotal	$28,477,668	30,970,251
Restricted Cash and Cash Equivalents, Current:		
Bond Principal and Interest	$2,031,821	1,622,221
Bond Proceeds - Construction Funds	$18,394,404	0
Escrow - Washington Department of Transportation	$10,000	10,000
Subtotal	$20,436,225	1,632,221
Total Cash and Cash Equivalents, Current	$48,913,893	32,602,472
Investments - Unrestricted, Noncurrent	14,693,759	15,053,678
Investments - Restricted, Noncurrent	4,172,922	9,233,678
Restricted Debt Service Reserve, Noncurrent	2,098,433	2,163,204
Total Funds	**$69,879,007**	**$59,053,032**

CREDIT RISK

In accordance with the District's bond resolutions and investment policy all investments are held in instruments permitted for funds of the District under the Revised Code of Washington.

The District's cash deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or protected against loss by deposit with financial institutions recognized as qualified public depositories of the state of Washington under the guidelines of the Washington State Public Deposit Protection Commission (PDPC).

As of December 31, 2023, District investments had the following credit quality and risk exposure:

Type	Fair Value	Average Maturity	Held By	S&P/Moody's Rating
Agencies	$5,362,521	1-2 years	US Bank	AA+/Aaa
Treasuries	$13,504,160	2-3 years	US Bank	NR/Aaa

As of December 31, 2022, District investments had the following credit quality and risk exposure:

Type	Fair Value	Average Maturity	Held By	S&P/Moody's Rating
Agencies	$7,699,579	1-2 years	US Bank	AA+/Aaa
Treasuries	$16,587,777	2-3 years	US Bank	NR/Aaa

CUSTODIAL CREDIT RISK

The District's deposits and investments are held by public depositories authorized by the Washington Public Deposit Protection Commission (PDPC). Public depositories are required to fully collateralize deposits in accordance with state law, and as such are not subject to custodial credit risk.

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.

As of December 31, 2024, the District had the following investments measured at fair value:

		Fair Value Measurements Using		
Type	Fair Value	Level 1	Level 2	Level 3
Agencies	$5,362,521		$5,362,521	
Treasuries	13,504,160	13,504,160		
Total Investments	$18,866,681	$13,504,120	$5,362,521	

As of December 31, 2023, the District had the following investments measured at fair value:

			Fair Value Measurements Using	
Type	Fair Value	Level 1	Level 2	Level 3
Agencies	$7,699,579		$7,699,579	
Treasuries	$16,587,777	16,587,777		
Total Investments	$24,287,356	$16,587,777	$7,699,579	

FUNDS HELD IN THE LOCAL GOVERNMENT INVESTMENT POOL (LGIP)

The District transfers funds between cash accounts and the Local Government Investment Pool (LGIP) in order to meet the District's operational needs. The LGIP is an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

BOND PRINCIPAL AND INTEREST

The District's bond resolutions require deposit of District Revenues sufficient to pay accrued semi-annual interest and annual principal as due within the coming year. These funds are restricted by the bond resolutions strictly for payment of debt service obligations

DEBT SERVICE RESERVE

In accordance with the District's bond resolutions 1204 and 1261, the District provides a reserve account for the payment of principal and interest on the 2013B and 2016A bonds. These bonds are secured by the funds held in the reserve account. The District recalculates the balance required of the reserve account in accordance with the bond resolutions annually and releases an amount to bring the fund to the level required. The Debt Service Reserve fund is held in liquid Cash Equivalents; however, the District has classified it as noncurrent as the intent is not to use the fund for current debt service coming due.

ESCROW ACCOUNT

The District maintains a separate escrow account to secure a $10,000 blanket bond held with the Washington State Department of Transportation (WSDOT). The funds in this account are held in a separate escrow savings bank account for benefit of WSDOT and covers all projects the District performs on behalf of WSDOT.

Borus Guden Summer Engineering Internship Program Participant 2024

NOTE 3 - CAPITAL ASSETS

Utility Plant Activity for the year ended December 31, 2024 was as follows:

Utility Plant	Balance, 12/31/2023	Increase	Decrease	Balance, 12/31/2024
Assets not subject to depreciation:				
Land	$1,242,355			$1,242,355
Construction Work in Progress	7,571,879	24,407,987	(30,887,981)	1,091,885
Assets subject to depreciation or amortization:				
Intangible	583,851		(79,831)	504,020
Broadband	26,215,704	1,901,707	(76,625)	28,040,786
Transmission	8,172,866	1,101,535		9,274,401
Distribution	228,806,335	26,860,289	(802,545)	254,864,079
General Plant	26,468,696	942,118	(222,679)	27,188,135
Subtotal	299,061,686	55,213,636	(32,069,661)	322,205,661
Less Accumulated Depreciation and Amortization:				
Intangible	(463,544)	(79,909)	79,831	(463,622)
Broadband	(16,979,145)	(1,317,086)	76,625	(18,219,606)
Transmission	(4,140,375)	(191,000)		(4,331,375)
Distribution	(93,807,937)	(7,593,064)	802,045	(100,598,956)
General Plant	(16,845,578)	(832,119)	222,679	(17,455,018)
Total Accumulated Depreciation and Amortization	(132,236,579)	(10,013,178)	1,181,180	(141,068,577)
Net Utility Plant	**$166,825,107**	**$45,200,458**	**($30,888,481)**	**$181,137,084**

Utility Plant Activity for the year ended December 31, 2023 was as follows:

Utility Plant	Balance, 12/31/2022	Increase	Decrease	Balance, 12/31/2023
Assets not subject to depreciation:				
Land	$892,140	$350,215		$1,242,355
Construction Work in Progress	991,793	33,225,598	(26,645,512)	7,571,879
Assets subject to depreciation or amortization:				
Intangible	631,047	46,702	(93,898)	583,851
Broadband	25,042,647	1,247,212	(74,155)	26,215,704
Transmission	8,000,667	172,199		8,172,866
Distribution	217,718,975	12,564,241	(1,476,881)	228,806,335
General Plant	25,538,392	1,219,446	(289,142)	26,468,696
Subtotal	278,815,661	48,825,613	(28,579,588)	299,061,686
Less Accumulated Depreciation and Amortization:				
Intangible	(468,025)	(83,681)	88,162	(463,544)
Broadband	(15,855,638)	(1,197,662)	74,155	(16,979,145)
Transmission	(3,950,332)	(190,043)		(4,140,375)
Distribution	(88,034,867)	(6,429,692)	656,622	(93,807,937)
General Plant	(16,422,910)	(700,696)	278,028	(16,845,578)
Total Accumulated Depreciation and Amortization	(124,731,772)	(8,601,774)	1,096,967	(132,236,579)
Net Utility Plant	**$154,083,889**	**$40,223,839**	**($27,482,621)**	**$166,825,107**

The District has active construction projects as of December 31, 2024 in the amount of $1,091,885. A portion of these projects will be reimbursed by 2024 bond funds. Refer to Note 5 – Long Term Debt.

NOTE 4 - NOTES RECEIVABLE

In 2013, the District established a receivable with BPA relating to prepayment of power. Refer to Note 9 – Power Supply. In 2023, the District established a repayment agreement with Noanet to provide financing for Noanet's unfunded pension liability. Refer to Note 11– Participation in Noanet.

During the year ended December 31, 2024, the following changes occurred in notes receivable:

Notes Receivable, Current Portion	2023	Increases	Decreases	2024
BPA Receivable - Current Portion	600,000	600,000	(600,000)	600,000
NoaNet Receivable - Current Portion	54,845	60,302	(56,606)	58,541
Total Other Current Notes Receivable	**$654,845**	**$660,302**	**($656,606)**	**$658,541**

Notes Receivable, Noncurrent Portion	2023	Increases	Decreases	2024
BPA Receivable - Long Term	2,250,000		(600,000)	1,650,000
NoaNet Receivable - Long Term	645,155		(58,541)	586,614
Total Other Noncurrent Notes Receivable	**$2,895,155**	**$0**	**($658,541)**	**$2,236,614**

During the year ended December 31, 2023, the following changes occurred in notes receivable:

Notes Receivable, Current Portion	2022	Increases	Decreases	2023
BPA Receivable - Current Portion	600,000	600,000	(600,000)	600,000
NoaNet Receivable - Current Portion	0	54,845		58,545
Total Other Current Notes Receivable	**$600,000**	**$654,845**	**($600,000)**	**$654,845**

Notes Receivable, Noncurrent Portion	2023	Increases	Decreases	2024
BPA Receivable - Long Term	2,850,000		(600,000)	2,250,000
NoaNet Receivable - Long Term	0	700,000	(54,845)	645,155
Total Other Noncurrent Notes Receivable	**$2,850,000**	**$700,000**	**($654,845)**	**$2,895,155**

NOTE 5 - LONG TERM DEBT

During the year ended December 31, 2024, the following changes occurred in long term debt:

Series	Final Maturity	Orginal Issue Amount	Balance 12/31/23	Increases	Decreases	Balance 12/31/24	Amounts Due Within One Year
2013B - interest rates ranging 1.0% - 4.2%	2038	$9,155,000	$7,455,000		($340,000)	$7,155,000	360,000
2016A - interest rates ranging 3.1% - 5.0%	2041	16,870,000	15,690,000		(1,180,000)	14,510,000	1,240,000
2020A Electric Revenue Bonds - interest rate 4.0%	2045	6,055,000	6,055,000			6,055,000	
2020B - interest rates ranging .6% - 2.9%	2041	32,135,000	30,840,000		(1,305,000)	29,535,000	1,315,000
2024 Electric Revenue Bonds - interest rate 5.0%	2047	18,640,000		18,640, 000		18,640,000	320,000
Subtotal			60,040,000	18,640, 000	(2,825,000)	75,855,000	3,235,000
Plus: Unamortized premium			1,790,316	1,687,082	(377,321)	3,100,077	
Less: Unamortized discount			(21,740)	(65,009)	4,019	82,730	
Total Long Term Debt			**$61,808,576**	**$20,262,073**	**($3,198,302)**	**$78,872,347**	**$3,235,000**

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

Series	Final Maturity	Orginal Issue Amount	Balance 12/31/22	Increases	Decreases	Balance 12/31/23	Amounts Due Within One Year
2013B - interest rates ranging 1.0% - 4.2%	2038	$9,155,000	$7,785,000		($330,000)	$7,455,000	340,000
2016A - interest rates ranging 3.1% - 5.0%	2041	16,870,000	16,815,000		(1,125,000)	15,690,000	1,180,000
2020A Electric Revenue Bonds - interest rate 4.0%	2045	6,055,000	6,055,000			6,055,000	
2020B - interest rates ranging .6% - 2.9%	2041	32,135,000	32,135,000		(1,295,000)	30,840,000	1,305,000
Subtotal			62,790,000		(2,750,000)	60,040,000	2,825,000
Plus: Unamortized premium			2,090,673		(300,357)	1,790,316	
Less: Unamortized discount			(23,130)		1,390	(21,740)	
Total Long Term Debt			**$64,857,543**		**($3,048,967)**	**$61,808,576**	
$2,825,000							

Future Debt Service on bonds outstanding as of December 31, 2024 is as follows:

Year	Principal	Interest	Total
2025	3,235,000	2,860,463	6,095,463
2026	3,345,000	2,751,787	6,096,787
2027	3,465,000	2,634,509	6,099,509
2028	3,590,000	2,509,316	6,099,316
2029	3,720,000	2,375,197	6,095,197
2030-2034	19,745,000	9,744,799	29,489,799
2035-2039	19,230,000	6,155,968	25,385,968
2040-2044	11,645,000	3,343,815	14,988,815
2045-2047	7,880,000	776,650	8,656,650
Total:	**$75,855,000**	**$33,152,504**	**$109,007,504**

During 2013 the District issued Series 2013A Electric Revenue and Refunding bonds in the amount of $18,370,000 and Series 2013B (taxable) in the amount of $9,155,000 for the purpose of financing certain capital improvements to the District's electric system and refund the 2001, 2002 and 2003 outstanding bonds, as well as certain maturities of the 2007 bonds. The refunding portion of the bond proceeds was placed in an irrevocable trust for future debt service on the refunded bonds. At December 31, 2013, the 2001, 2002 and 2003 bonds were considered defeased and are no longer reflected in the District's financial statements. The refunding resulted in net present value cash flow savings of ($1,071,453) and an economic loss from refunding of $770,025. Bond proceeds were also used to establish the debt service reserve fund in the amount of $3,142,483 as required by the bond resolutions.

In October 2016, the District issued Electric Revenue and Refunding Bonds Series 2016A and 2016B (taxable) in the amounts of $16,870,000 and $15,305,000, respectively. The bonds were issued for the purpose of refunding the portion of the 2007 series bonds maturing after September 1, 2017 and to fund future improvement to the electric utility system in the amount of $5 million. The refunding proceeds were placed in an irrevocable trust for future debt service on the refunded bonds and as of December 31, 2016 are no longer reported within the District's Financial Statements. The transaction resulted in a net present value cash flow savings to the District of $2.4 million over the life of the refunded bonds and an economic gain of $257,938. The refunding resulted in an increase to the District's Debt Service Reserve Fund of $772,166

In December 2020 the District issued series 2020A Electric Revenue and Refunding bonds in the amount of $6,055,000 and Series 2020B (taxable) in the amount of $32,135,000. Series 2020B included $10 million new proceeds as well as $22,135,000 to advance refund the outstanding balance of 2013A Tax Exempt bonds as well as portions of the 2021 and 2022 maturities of the Series 2016B Bonds. New bond proceeds were issued for the purpose of financing certain capital improvements. Refunding proceeds were placed in an irrevocable trust for future debt service on the refunded bonds. Accordingly, those bonds are no longer considered outstanding and are not reported within the District's financial statements. The bond resolution did not require a debt service reserve for these bond issues. This resulted in a release of the District's Debt Service Reserve fund of $1,514,153 which was designated for future debt service payments

In April 2024 the District issued series 2024 Electric Revenue Bonds in the amount of $18,640,000. New bond proceeds were issued for the purpose of financing certain capital improvements. The bond resolution did not require a debt service reserve for these bond issues.

The District calculates the amount required to be held in the Debt Service Reserve fund in accordance with bond resolutions for the outstanding bonds secured by the fund on an annual basis. Any amount released from the fund reimburses unrestricted funds for amounts contributed to bond sinking funds throughout the year. As of December 31, 2024 and 2023 a balance of $2,098,433 and $2,163,204 was held in the Debt Service Reserve Fund, respectively.

There are a number of other limitations and restrictions contained in the various bond resolutions. The District is in compliance with all significant limitations and restrictions, including those regarding federal arbitrage.

LINE OF CREDIT

In August 2024, the board signed Resolution 1414 authorizing the execution of a $5 million unsecured line of credit with CoBank. The revolving term line of credit may serve as collateral under the District's agreements with counterparties, as governed by the International Swap Dealers Association (ISDA). The line of credit may also serve as support for power contracts, general operating needs, and interim capital expenditures. The term of the commitment extends through October 20, 2027. The District is required to pay back any unpaid loans on the term expiration date. A weekly quoted variable rate will be applied to unpaid loan balances. As of December 31, 2024, no draws have been made on this line of credit.

NOTE 6 - OTHER CREDITS AND LIABILITIES

Changes in Other Credits and Liabilities as of December 31, 2024 were as follows:

Other Credits & Liabilities - Current	2023 as restated	Increases	Decreases	2024
Compensated Absences - Current	737,122	1,376,993	(1,504,443)	609,672
Compensated Absence Benefits - Current	56,390		(13,152)	43,238
Extended Sick Leave	7,763	26	(6,894)	895
Customer Advances for Construction	8,304,604	17,769,943	(24,666,258)	1,408,289
Other Current Liabilities	130,039	121,815	(172,254)	79,600
Total Other Credits and Liabilities - Current	**$9,235,918**	**$19,268,777**	**($26,363,001)**	**2,141,694**

Other Credits & Liabilities - Noncurrent	2023 as restated	Increases	Decreases	2024
Compensated Absences - Long Term	1,079,937	283,644		1,363,581
Compensated Absence Benefits - Long Term	82,615	25,264		107,879
BPA Incentive Credit	765,975		(161,258)	604,717
Total Other Credits & Liabilities - Noncurrent	**$1,928,527**	**$308,908**	**($161,258)**	**$2,076,177**

Changes in Other Credits and Liabilities as of December 31, 2023 were as follows:

Other Credits & Liabilities - Current	2022	Increases	Decreases	2023 as restated
Compensated Absences - Current	683,421	1,500,160	(1,446,459)	737,122
Compensated Absence Benefits - Current	0	56,390		56,390
Extended Sick Leave	7,529	234		7,763
Customer Advances for Construction	3,119,970	10,371,198	(5,186,564)	8,304,604
Other Current Liabilities	192,261	71,716	(133,938)	130,039
Total Other & Liabilities - Current	**$4,003,181**	**$11,999,698**	**($6,766,961)**	**$9,235,918**

Other Credits & Liabilities - Noncurrent	2022	Increases	Decreases	2023 as restated
Compensated Absences - Long Term	1,042,396	37,541		1,079,937
Compensated Absence Benefits - Long Term	0	82,615		82,615
BPA Incentive Credit	927,233		(161,258)	765,975
Total Other Credits & Liabilities - Noncurrent	**$1,969,629**	**$120,156**	**($161,258)**	**$1,928,527**

NOTE 7 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the years 2024 and 2023:

Aggregate Pension Amounts - All Plans	2024	2023
Pension Liabilities	$829,748	$1,259,543
Pension Assets	$2,007,615	$2,918,673
Deferred Outflows of Resources	$3,223,424	$2,361,059
Deferred Inflows of Resources	$818,209	$1,629,969
Pension Expense (income)	($275,317)	($377,256)

STATE SPONSORED PENSION PLANS

Substantially all of the District's 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 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS CONTRIBUTIONS

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 employer and PERS 2/3 employer and employee contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 2/3 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.

The PERS Plans defined benefit required contribution rates (expressed as a percentage of covered payroll) for fiscal year 2024 were as follows:

PERS Plan 1 Actual Contribution Rates:		Employer	Employee
January - June 2024			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		2.97%	
Administrative Fee		0.20%	
	Total	**9.53%**	6.00%
July - August 2024			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		2.47%	
Administrative Fee		0.20%	
	Total	**9.03%**	**6.00%**
September - December 2024			
PERS Plan 1		6.36%	6.00%
PERS Plan 1 UAAL		2.55%	
Administrative Fee		0.20%	
	Total	**9.11%**	**6.00%**

PERS Plan 2/3 Actual Contribution Rates:		Employer 2/3	Employee 2
January - June 2024			
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%
July - August 2024			
PERS Plan 2/3		6.36%	6.00%
PERS Plan 1 UAAL		2.47%	
Administrative Fee		0.20%	
Employee PERS Plan 3			Varies
	Total	**9.03%**	**6.36%**
September - December 2024			
PERS Plan 2/3		6.36%	6.36%
PERS Plan 1 UAAL		2.55%	
Administrative Fee		0.20%	
Employee PERS Plan 3			Varies
	Total	**9.11%**	**6.36%**

The District's actual PERS plan contributions were $277,087 to PERS Plan 1 and $640,455 to PERS Plan 2/3 for the year ended December 31, 2024.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1 Actual Contribution Rates:	Employer	Employee
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	0.20%	
Total	**9.53%**	**6.00%**

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

PERS Plan 2/3 Actual Contribution Rates:	Employer 2/3	Employee 2
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 2023		
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 $324,726 to PERS Plan 1 and $607,253 to PERS Plan 2/3 for the year ended December 31, 2023.

Clint Williamson was recognized for completing his Meterman apprenticeship program and passing his Journeyman test by the Commissioners. Pictured (left to right): Steve Ferraro, Assistant GM, Victor Fuentes, Interim GM/CEO, Clint and Commissioner Roger Wright.

ACTUARIAL ASSUMPTIONS - AS OF JUNE 30, 2024

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. 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 2023 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities were rolled forward from June 30, 2023, to June 30, 2024, 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 (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Assumptions did not change from the prior contribution rate setting June 30, 2022 Actuarial Valuation Report (AVR). OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modeling future COLAs for current annuitants in all plans except PERS1.

ACTUARIAL ASSUMPTIONS - AS OF JUNE 30, 2023

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*.

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

Assumptions did not change from the prior contribution rate setting June 30, 2022 Actuarial Valuation Report (AVR).

DISCOUNT RATE

The discount rate used to measure the total pension liability for all DRS plans as of was 7.0% as of June 30, 2024 and 2023.

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 as of June 30, 2024 and 2023.

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on the DRS pension plan investments of 7.0% (as of June 30, 2024) and 7.0% (as of June 30, 2023) was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

ESTIMATED RATES OF RETURN BY ASSET CLASS

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, 2024. The inflation component used to create the table is 2.5% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	19%	2.10%
Tangible Assets	8%	4.50%
Real Estate	18%	4.80%
Global Equity	30%	5.60%
Private Equity	25%	8.60%
	100%	

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, are summarized in the table below. 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

SENSITIVITY OF THE NET PENSION LIABILITY/(ASSET)

The table below presents the District's 2024 proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the 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 (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
PERS 1 (.046698%)	$1,220,538	$829,748	$487,015
PERS2/3 (.060900%)	$3,619,106	($2,007,615)	($6,628,720)

The table below presents the District's 2023 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 (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
PERS 1 (.055177%)	$1,760	$1,259,543	$823,044
PERS2/3 (.071210%)	$3,174,406	($2,918,673)	($7,924,521)

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 DEFERRRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2024, the District reported a total pension liability (asset) of $829,748 and ($2,007,615) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$829,748
PERS 2/3	($2,007,615)

At June 30, 2023, the District reported a total pension liability (asset) of $1,259,543 and ($2,918,673) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$1,259,543
PERS 2/3	($2,918,673)

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

	Proportionate Share 06/30/23	Proportionate Share 06/30/24	Change in Proportion
PERS 1	0.055177%	0.046698%	-0.008479%
PERS 2/3	0.071210%	0.060900%	-0.010310%

	Proportionate Share 06/30/22	Proportionate Share 06/30/23	Change in Proportion
PERS 1	0.054680%	0.055177%	0.000497%
PERS 2/3	0.070896%	0.071210%	0.000314%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2024 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

PENSION EXPENSE

For the years ended December 31, 2024 and 2023, the District recognized pension expense as follows:

	2024	2023
PERS 1	($225,939)	$2,804
PERS 2/3	(49,378)	(380,060)
TOTAL	**($275,317)**	**($377,256)**

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

At December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		$66,394
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$140,530	
Total	**$140,530**	**$66,394**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$1,140,769	$4,648
Net difference between projected and actual investment earnings on pension plan investments		575,321
Changes of assumptions	1,108,605	127,203
Changes in proportion and differences between contributions and proportionate share of contributions	485,491	44,643
Contributions subsequent to the measurement date	348,029	
Total	**$3,082,894**	**$751,815**

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		
Net difference between projected and actual investment earnings on pension plan investments		$142,082
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	$142,987	
Total	**$142,987**	**$142,082**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$594,530	$32,611
Net difference between projected and actual investment earnings on pension plan investments		1,099,929
Changes of assumptions	1,225,359	267,080
Changes in proportion and differences between contributions and proportionate share of contributions	91,176	88,264
Contributions subsequent to the measurement date	307,007	
Total	**$2,218,072**	**$1,487,884**

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**
2025	(109,878)
2026	56,450
2027	(5,977)
2028	(6,989)
2029	-
Total	**$ (66,394)**

Year Ended December 31	**PERS 2/3**
2025	(378,239)
2026	956,512
2027	468,252
2028	462,716
2029	254,022
Thereafter Total	219,787
Total	**$1,983,050**

FRANKLIN PUD 401(a) QUALIFIED PLAN AND 457 DEFERRED COMPENSATION PLAN

The District sponsors and serves as trustee for single-employer defined contribution plans for the purpose of providing retirement income to employees. The plans were established pursuant to Internal Revenue Code (IRC) sections 457(b) and 401(a) and are administered by MissionSquare Retirement. The District's employer-appointed Deferred Compensation Committee (DCC) operates and oversees the plans in accordance with the Committee's Operating Guidelines.

PLAN DESCRIPTION

The plan assets are held in trust for the exclusive benefit of the plan participants and their beneficiaries. Plan participants include permanent District employees, retirees, and those who have separated but have elected to keep assets in the plan. The District's Commission may alter, amend or terminate the plans. There are no forfeitures of member assets.

Benefit eligible employees may select one of three plan options upon accepting employment with the District, which direct the employer contributions for deposit to either the 401(a) or the 457(b) plan. Employees who have not made a plan election are automatically enrolled to receive employer contributions into the 401(a) plan. The 401(a) plan had 129 and 123 participants as of December 31, 2024 and 2023, respectively. The 457(b) plan had 128 and 130 participants as of December 31, 2024 and 2023, respectively.

CONTRIBUTIONS

Employees may contribute to the plans up to the pretax compensation limit as defined in the plan documents. Employees eligible to participate in the plans are regular, permanent employees of the District. The District contributes 3.0% of regular employee wages to the plan for each eligible employee. The District made contributions of $305,758 and $291,996 in 2024 and 2023, respectively. Employees made contributions of $481,100 and $528,728 to the 457 and 401(a) Plans in 2024 and 2023, respectively.

NOTE 8 - HEALTH BENEFIT PLANS

HRA/VEBA

The District makes a monthly $50 contribution on behalf of each regular, full-time employee into a Health Reimbursement Agreement (HRA) account. Employees who elect to participate in a District provided wellness program receive a $150 per month contribution into their account. In addition, the District makes annual contributions to employee HRA accounts for those employees who enroll in the District's consumer directed health plan (CDHP). The plan assets are held in trust for the exclusive benefit of plan participants and beneficiaries. The plan is administered by HRA VEBA Trust.

PAID FAMILY MEDICAL LEAVE ACT SELF INSURANCE

The District administers a voluntary plan for paid medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington's Paid Family and Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State's program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis. For qualifying Family Leave, District employees participate in the program provided by the State of Washington.

The District paid $135,518 and $210,775 in claims during 2024 and 2023, respectively. District employees pay no premium for this benefit.

NOTE 9 - POWER SUPPLY

BONNEVILLE POWER ADMINISTRATION (BPA)

The District obtains power from BPA under a long-term power purchase agreement. BPA supplies the District's power under a Block and Slice Power Sale Agreement, which extends from October 1, 2011 through September 30, 2028. The Block product provides power in monthly amounts ranging between 50 average megawatts (aMW) to 81 aMW. Monthly Block purchase amounts are fixed, but are shaped to the District's monthly power requirements. The Slice product provides the District 0.78% of the output of the federal system. The District's share of the Slice product is expected to be 75 aMW, but may vary considerably based on water conditions within the Northwest. Depending upon hydroelectric generating conditions and market prices, the District expects to procure between 90% and 95% of its total energy resources from BPA on an average annual basis.

Beginning October 1, 2011, BPA changed its rate-making methodology to a tiered rate approach. Each preference customer received a High Water Mark (HWM) based on its 2010 load that defined its right to buy power at a Tier 1 rate. The Tier 1 rate is based on the cost of the existing federal system. HWMs are translated into "Tier 1 Cost Allocators" (TOCAs) which, when multiplied by the estimated costs of the federal system, determine their power costs. There is an additional monthly load shaping charge (or credit) for Block and Load Following products, determined by the shape of customers' loads when compared to the shape of the federal system.

If a preference customer wants to buy more BPA power beyond their HWM, it will be sold by BPA at a Tier 2 rate set to fully recover BPA's cost to serve the additional power. Preference customers also have the option of serving some, or all, of their above-HWM load with non-federal resources. At this time the District has no plans to buy Tier 2 power from BPA.

BPA is required by federal law to recover all of its costs through the rates that it charges its customers. The rate provisions for the Block product include a cost recovery adjustment clause (CRAC). The CRAC allows BPA to raise rates to collect sufficient funds to pay costs. A dividend distribution clause (DDC) results in dollars being returned to customers, in the form of future power rate decrease, if excess dollars are collected.

BPA's Reserves Distribution Clause (RDC), a mechanism that implements an element of BPA's Financial Reserves Policy triggered by BPA's results for the fiscal year, returned excess financial reserves to BPA customers beginning in December 2022 and continuing through September 2023. The RDC was implemented again for BPA's 2023 fiscal year to be distributed to customers from December 2023 through September 2024. The District received a total of $1,786,518 and $3,870,722 in RDC offsetting Power Supply expense incurred in 2024 and 2023, respectively.

Pursuant to the Slice product rate provisions, the District is subject to additional charges or credits from BPA if BPA's actual costs deviate from budgeted amounts. The Slice product is not subject to the CRAC or DDC; but rather, the District pays its share of cost increases or receives its share of cost decreases through an annual true-up mechanism. The District's share of the true-up was approximately ($942,972) and ($818,967) in 2024 and 2023, respectively.

Beginning in April 2013, the District receives a monthly $50,000 credit on its power bill for participation in the BPA Prepay Program.This program allowed customers to purchase blocks of prepaid credits for the future delivery of power in order to help BPA fund improvements to its infrastructure. The District purchased one block of prepay credits in the amount of $6.8 million for the period April 2013 through September 2028. Total monthly credits received by the District will be $9.3 million, and will result in a net present value savings of approximately $1.1 million.

The District also entered into a contract with BPA for transmission service effective May 31, 1997, which provides point-to-point transmission capacity to help meet the District's annual system peak load. The transmission contract extends through September 30, 2031.

POWEREX CONTRACT

The District commenced a Power Supply contract with Powerex Corp. ("Powerex"), a wholly owned subsidiary of BC Hydro, effective January 1, 2023 through December 31, 2028. This contract supplies the District with 40 MW July through September, and 25 MW for the remaining months each calendar year. The contract consists of a fixed monthly per kilowatt price component and an hourly index-based price component for MWh of energy delivered.

ENERGY NORTHWEST

Energy Northwest is a municipal corporation and a joint operating agency of the State of Washington. It has the authority to acquire, construct and operate works, plants, and facilities for the generation and transmission of electric power and energy. The membership of Energy Northwest consists of twenty-three public utility districts, including the District, and five cities, all located in the State of Washington. The District is a participant in Nuclear Project Nos. 1 and 3, Columbia Generating Station, the Packwood Lake Hydroelectric Project and the Nine Canyon Wind Project. Columbia Generating Station, the Packwood Lake Hydroelectric Project and the Nine Canyon Wind Project are operating; Nuclear Project Nos. 1 and 3 have been terminated.

The District, Energy Northwest and BPA have entered into separate "net billing agreements" with respect to Energy Northwest's Project No. 1, Columbia Generating Station and 70% ownership share of Project No. 3. Under terms of these agreements, the District has purchased from Energy Northwest and, in turn, assigned to BPA a maximum of capability of each project. BPA is unconditionally obligated to pay the District and the District is unconditionally obligated to pay Energy Northwest, the pro rata share of the total annual costs of each project, whether or not the projects are completed, operable or operating and notwithstanding the suspension, reduction or curtailment of the projects' output. The District's respective shares may be increased by not more than 25% upon default of other public agency participants.

Packwood Lake Hydroelectric Project

The District is a 10.5% participant in Energy Northwest's 27 MW Packwood Project (the Project), located in the Cascade Mountains south of Mount Rainier. The Project, having satisfied all of the requirements for relicensing with the Federal Energy Regulatory Commission, was issued a new forty-year license on October 1, 2018. Energy Northwest recognizes revenues equal to expenses for each period. No net revenue or loss is recognized, and no equity is accumulated. Accordingly, no investment for the joint venture is reflected on the District's statement of net position. The participants entered into new Power Sales Contracts with Energy Northwest effective October 1, 2011. The participants' Agreements obligate the 12 participants to pay annual costs and receive excess revenues. The District uses their share of the energy, approximately 1 aMW, to serve customer load.

Nine Canyon Wind Project

The Nine Canyon Wind Project is another Energy Northwest generation project. It is located in the Horse Heaven Hills area southwest of Kennewick. The District has a contract for 2.01 MW of Phase I capacity and 8 MW of Phase III capacity. Nine Canyon has a capacity factor of 29% and the District receives approximately 2.88 aMW.

WHITE CREEK WIND PROJECT

The District entered into a 20-year Purchase Agreement with LL&P Wind Energy, Inc., a wholly-owned subsidiary of Lakeview Light and Power. The District purchases all of the energy and associated environmental attributes produced from 10 MW of the White Creek Wind Project's (White Creek) capacity. White Creek has a capacity factor of 30% and the District receives approximately 3 aMW. During the first contract year (2008) the price of energy delivered to the District was $51.97 per MWH; the price increases by 2% annually during the term of the contract. The environmental attributes included in that price includes any and all credits, benefits, emissions reductions, offset and allowances attributable to the White Creek as a renewable energy resource.

ESQUATZEL HYDROELECTRIC PROJECT

The District contracted with Green Energy Today, LLC in 2011 to acquire the output from a small conduit hydroelectric project in Pasco, Washington, known as the Esquatzel Project. The Esquatzel Project generates approximately .5 aMW of electricity annually from return water flowing out of an agricultural canal that drains into the Columbia River. Water is diverted from the canal into a penstock and through a turbine with a generating capacity of 1 MW. The Esquatzel Project generally generates electricity year-round. The District's agreement with Green Energy Today, LLC is for a 20-year term, with a first right of refusal for two additional 10-year periods.

CONSERVATION / ENERGY SERVICES

Conservation funding is available from BPA under the Energy Efficiency Incentive (EEI) program in two year blocks. The District also budgets annually for self-funded conservation projects. Under EEI, utilities request reimbursement from BPA after conservation dollars have been spent on eligible projects. EEI funds rebate incentives for residential energy efficiency upgrades including: weatherization upgrades and Energy Star appliances. The EEI Funds also provide incentives for industrial, irrigation and commercial accounts for cost-effective energy savings.

LEGISLATIVE IMPACTS

ENERGY INDEPENDANCE ACT (I-937)

The citizens of Washington State passed Initiative 937 in November 2006, now codified in the Revised Code of Washington Chapter 19.285 as the Energy Independence Act (the Act), which mandates renewable energy and conservation targets for the State's utilities with more than 25,000 customers. As of December 31, 2016 the District crossed this customer threshold. The Esquatzel, Nine Canyon and White Creek contracts will provide some of the renewable energy the District will need to comply with the Act's targets in the future.

CLEAN ENERGY TRANSFORMATION ACT (CETA)

In 2019, the Washington State Legislature passed the Clean Energy Transformation Act (CETA) which sets specific milestones for The State to achieve a 100% carbon neutral energy supply by 2030 and a 100% carbon free energy supply by 2045. CETA is codified in the Revised Code of Washington chapter 19.405 and applies to all electric utilities serving retail customers. BPA's resource mix is approximately 85% carbon free hydropower. The District is currently managing towards meeting the additional 15% required by CETA to achieve carbon neutrality by 2030. This will be achieved through a combination of resources, such as additional hydro, wind, and solar power coupled with purchased Renewable Energy Credits (RECs).

WASHINGTON CAP AND TRADE / CLIMATE COMMITTMENT ACT (CCA)

In 2021, the Washington Legislature adopted a package of legislative and budget proposals to establish a comprehensive, market-based program to reduce carbon pollution from both in-state electricity generation and electricity imports coming into the state beginning January 1, 2023. The cap-and-invest program sets a limit, or cap, on overall carbon emissions in the state and requires businesses to obtain allowances equal to their covered greenhouse gas emissions. These allowances can be obtained through quarterly auctions hosted by Ecology or bought and sold on a secondary market. Due to the District's non-carbon energy fuel mix, it was awarded no-cost Carbon Allowances. The District received $8,053,577 and $1,890,900 in 2024 and 2023, respectively, in proceeds from the sale of these no-cost Carbon Allowances as permitted by Washington State's Climate Commitment Act (CCA), a state run cap-and-invest program. The revenue is recorded as Secondary Market Sales within the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 10 - RISK MANAGEMENT

The District maintains the following insurance coverage:

Coverage	Limit	Deductible
Buildings and Personal Property	$142,344,539	$5,000
General Liability	2,000,000	1,000
Auto Liability	2,000,000	500
Cyber Liability	1,000,000	5,000
Crime/Faithful Performance	4,000,000	None
Umbrella Liability	15,000,000	10,000
Electromagnetic Field Liability	500,000	10,000
Directors, Officers & Mgrs. Liability	10,000,000	2,500
E&O Technology	3,000,000	100,000

The District has not paid insurance settlements in excess of coverage in any of the past three years.

NOTE 11 – PARTICIPATION IN NORTHWEST OPEN ACCESS NETWORK, INC. D.B.A. NOANET

The District, along with eight other Washington State Public Utility Districts and Energy Northwest, is a member of NoaNet, a Washington nonprofit mutual corporation. NoaNet was incorporated in February 2000 to provide a broadband communications backbone, over Public Benefit Fibers leased from BPA, throughout Washington. The network began commercial operation in January 2001.

NoaNet recorded an increase in net position (unaudited) of $3,372,546 and an increase of $7,740,473 for 2024 and 2023, respectively.

NOANET FINANCIAL GUARANTEE

In December 2020, current Members of NoaNet entered into a Repayment Agreement to guarantee the 10-year, $24,775,000 Telecommunications Network Revenue Bonds (2020 Bonds) issued by NoaNet to finance capital improvements and other expenses, repay loans and a line of credit, fund a reserve account, and pay bond issuance costs. The 2020 Bonds will become due beginning in December 2021 through December 2030 with interest due semi-annually at rates ranging from 0.591 percent to 2.120 percent.

The 2020 Bonds were issued and guaranteed pursuant to RCW chapters 24.06 and 39.34 and Title 54. Under the Repayment Agreement, each guarantor acknowledged and agreed that it is a guarantor of the payment of the principal and interest on the 2020 Bonds and was liable by assessment or otherwise to repay NoaNet for amounts due and owing with respect to such principal and interest up to each

Member's agreed upon percentage interest. The District's guarantee was 10 percent of the outstanding Bonds.

To the extent NoaNet's gross revenue is insufficient to pay principal and interest amounts when due, NoaNet shall bill each guarantor no less than 65 days in advance of each principal and interest payment date for its percentage share. Each guarantor has 30 days to pay after receipt of the bill. In event of a failure by any guarantor to pay such amounts when due, the guarantor shall be subject to all remedies as contained in NoaNet's bylaws. Each guarantor shall remain obligated to pay its respective share of principal and interest on the 2020 Bonds, when due, whether or not it remains a member of NoaNet. The District's outstanding guarantee is $1,529,500 and $1,772,500 as of December 2024 and 2023 respectively.

NOANET FINANCING

On April 4, 2023 the District executed a repayment agreement with NoaNet to provide $700,000 of financing towards NoaNet's $10.4 million unfunded pension liability. NoaNet will repay the amount over 10 years beginning May 1, 2024 with final payment due May 1, 2034. The financing accrues interest at a variable rate based on the average Washington LGIP 30-day yield for the previous 12 month period. The current and noncurrent portions due to the District as a result of this agreement are presented within the Statement of Net Position as notes receivable. Refer to Note 4- Notes Receivable.

The District reports no investment or liability account balance reflecting NoaNet membership.

NoaNet's Annual Report may be obtained by writing to: Northwest Open Access Network, Chief Financial Officer, 11707 E Sprague Ave, Ste 201, Spokane Valley, WA 99206.

Pictured: A valued District irrigation customer, who also serves on our Rate Advisory Committee, was highlighted in the District's first-place winning video, "Hydropower: It Just Makes Life Better.

NOTE 12– TELECOMMUNICATIONS SERVICES

The District installed and continues to build out a fiber optic backbone system in its service area to provide wholesale telecommunication services and for internal use by the electric system. The District has connected its fiber optic system to Noanet's fiber optic communications system. Broadband coverage is also being extended through the development of a wireless network to deliver high-speed Internet service.

The following is a summary of Broadband activities for 2024 and 2023:

BROADBAND	2024	2023
OPERATING REVENUES		
Drop Fees	$192,980	$231,891
Fiber Transport Charges	1,481,482	1,320,335
Dark Fiber	519,628	473,426
WiFi Transport	98,610	600
Collocation Rental	329,522	246,151
Miscellaneous Broaband Services	10,998	217,384
TOTAL OPERATING REVENUES	**$2,633,220**	**$2,489,787**
OPERATING EXPENSES:		
Labor and Benefits	515,018	349,661
Supplies	23,666	13,755
Professional Services	92,934	87,882
Other Charges	210,624	159,301
Hardware and Fiber Maintenance	42,024	163,904
Administration and General	216,092	194,392
Taxes	12,302	11,825
Depreciation	1,323,034	1,194,824
TOTAL OPERATING EXPENSES	**$2,435,694**	**$2,175,544**
Capital Contributions	$24,952	$26,275
Capital Investment:		
Current	1,825,082	1,173,057
Cumulative (since 2000)	$28,040,786	$26,215,704

The above are included in summarized amounts within the District's financial statements.

Powering the future: Local students participate in solar car races at the Science Technology Engineering and Mathematics (STEM) Academy, a program proudly supported by the District to inspire careers in STEM fields.

NOTE 13 – GRANT AWARDS

The following is a summary of grant revenues and expenses as presented in the Statement of Revenues, Expenses and Changes in Net Position for 2024 and 2023:

	2024 Grant Revenue	2024 Grant Expense
American Rescue Plan Act (ARPA)	947,678	
Clean Energy Credit Grant (CECG)	1,185,372	1,185,372
Federal Emergency Management Act (FEMA)	67,826	
Total 2024 Grant Revenue and Expense	**$2,200,876**	**$1,185,375**

	2023 Grant Revenue	2023 Grant Expense
Residential Utililty Arrearage Grant (UAGP)	79,502	79,502
Total 2023 Grant Revenue and Expense	**$79,502**	**$79,502**

AMERICAN RESCUE PLAN ACT (ARPA) CAPITAL GRANT AWARD

In May 2023, the District was awarded $4.9 million in grant funding through the State Broadband Office to facilitate the construction of Fiber to the Home (FTTH) infrastructure in Connell and Basin City. This initiative is designed to bring affordable and reliable high-speed internet services to these historically unserved or underserved communities.

The FTTH project began in late 2023, with initial capital expenditures of $22,091. During 2024, the District incurred additional capital expenditures of $925,587 as the project advanced. The District has recognized revenue of $947,678 for the period ended 2024, based on eligible expenditures under the grant program. As of December 31, 2024, the District has received cost reimbursement totaling $327,553. The project is expected to be completed by July 2025, marking a significant milestone in providing essential connectivity to these communities.

CLEAN ENERGY CREDITS GRANT (CECG)

In 2024, the Washington State Legislature allocated $150 million in funds from the Climate Commitment Account to fund an assistance program for low to moderate-income households. The Washington State Department of Commerce designed and administered the program and distributed grant funds to all electric utilities serving residential customers. The program was designed to provide a one-time $200 bill credit to be applied to the accounts of eligible households.

The District was allocated $1,185,372 in program funding to distribute to qualifying households under the program. Low-income households as defined by the U.S. Department of Housing and Urban Development were given priority for the bill credit. If funds permitted, eligibility could be expanded to moderate-income households. Through the program, a total of $1,161,400 was distributed to 5,807 eligible households. The remaining grant funds of $23,972 were used to offset the District's costs of administering the program in accordance with the grant agreement.

FEDERAL EMERGENCY MANAGEMENT ACT (FEMA)

In February 2021, a federal disaster was declared for a wildfire that occurred in September 2020, which destroyed certain electric distribution assets owned by the District. The District applied for and received approval for public assistance through the Washington State Department of Military and the Federal Emergency Management Agency (FEMA) to partially reimburse the costs of labor, materials, contract labor, and other expenses incurred in restoring power and rebuilding/replacing the lost assets.

Sparking curiosity! Homeschool families received an engaging electrical safety presentation and connected with our Engineering team to explore exciting careers at the utility.

As part of recovery efforts, the District undertook projects designed to prevent similar disasters in the future. Funding for these projects was allocated as follows: 75% by FEMA, 12.5% by the Washington State Department of Military Emergency Management Division, and 12.5% by the District.

The District recorded Federal and State Grant Revenue totaling $291,292 related to FEMA projects in 2021. Of this amount, $9,995 was received in 2021, and $281,297 was received in January 2022. Then in April 2022, the federal cost share was increased from 75% to 90%, resulting in an additional cost reimbursement of $5,957 to the District. The project was officially closed out in 2024, with a final cost reimbursement of $67,826 received by the District.

RESIDENTIAL UTILITY ARREARAGE GRANT (UAGP)

In November 2022 the District was awarded of $341,345 as a subrecipient of the State and Local Fiscal Recovery Funds (SLFRF) provided by the US Department of Treasury and administered by the Washington State Department of Commerce – Energy Division. The purpose of the grant was to provide funding for public and private water, sewer, garbage, electric, and natural gas utilities to address low-income customer arrearages compounded by the COVID-19 pandemic and the related economic downturn that were accrued between March 1, 2020, and December 31, 2021. The District awarded a total of $51,079 to qualifying customers based on the criteria set forth in the grant agreement. On December 30, 2022, the District returned $290,266 in unused federal grant funds to the Washington State Department of Commerce.

In 2023, a second tranche of UAGP funding was made available. Additional funds in the amount of $79,502 were awarded to the District in 2023 and were distributed to eligible customers. These funds were recorded as Federal Grant Expense within the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 14 – SUBSEQUENT EVENTS

PLANNED RATE ACTION

The District's Board of Commissioners at its April 23, 2024 regular meeting approved an overall increase to electric rate revenue of 3% effective annually from May 1, 2024 – May 1, 2027.

NORTHWEST OPEN ACCESS NETWORK AGREEMENT

In 2025, the District entered into a professional services contract with Northwest Open Access Network (NoaNet). Through this arrangement, NoaNet will provide management, administration, sales, engineering, and operational support for the District's broadband network. The contract will take effect July 1, 2025.

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
As of June 30, 2024
Last 10 Fiscal Years

PERS Plan 1	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.046698%	0.055177%	0.054680%	0.063695%	0.063394%	0.067011%	0.071672%	0.073408%	0.076313%	0.075912%
District's proportionate share of the net pension liability (asset)	$829,748	$1,259,543	$1,522,492	$777,865	$2,238,151	$2,576,811	$3,200,896	$3,483,267	$4,098,368	$3,970,904
Covered payroll	$9,425,015	$9,844,159	$8,951,154	$9,599,892	$9,297,855	$9,030,505	$8,995,977	$8,782,843	$8,640,630	$8,269,970
District's proportionate share of the net pension liability as a percentage of covered payroll	8.80%	12.79%	17.01%	8.10%	24.07%	28.53%	35.58%	39.66%	47.43%	48.02%
Plan fiduciary net position as a percentage of the total pension liability	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

PERS Plan 2 & 3	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.060900%	0.071210%	0.070896%	0.079301%	0.078093%	0.080700%	0.083158%	0.085880%	0.088890%	0.075912%
District's proportionate share of the net pension liability (asset)	($2,007,613)	($2,918,672)	($2,629,377)	-$7,899,656	$998,765	$783,871	$1,419,849	$2,983,919	$4,475,541	$3,187,453
Covered payroll	$9,425,015	$9,844,159	$8,925,954	$9,484,772	$9,101,618	$8,773,360	$8,624,717	$8,419,679	$8,279,471	$7,921,255
District's proportionate share of the net pension liability (asset) as a percentage of covered payroll	(21.30%)	(29.65%)	(29.46%)	(83.29%)	10.97%	8.93%	16.46%	35.44%	54.06%	40.24%
Plan fiduciary net position as a percentage of the total pension liability	105.17%	107.02%	106.73%	91.42%	97.22%	97.77%	93.29%	90.97%	85.82%	89.20%

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY
SCHEDULES OF EMPLOYER CONTRIBUTIONS
As of December 31, 2024
Last 10 Fiscal Years

PERS Plan 1	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$277,087	$324,726	$359,027	$398,725	$475,287	$462,217	$493,987	$455,221	$435,891	$392,546
Contributions in relation to the statutorily or contractually required contributions	(277,087)	(324,726)	(359,027)	(398,725)	(475,287)	(462,217)	(493,987)	(455,221)	(435,891)	(392,546)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered payroll	$10,070,022	$9,547,993	$9,564,662	$9,103,780	$9,659,765	$9,072,975	$9,203,426	$8,801,724	$8,666,873	$8,516,494
Contributions as a percentage of covered payroll	2.75%	3.40%	3.75%	4.38%	4.92%	5.09%	5.37%	5.17%	5.03%	4.61%

PERS Plan 2 & 3	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$640,455	$607,253	$608,313	$646,278	$752,902	$686,799	$661,198	$581,381	$517,463	$457,619
Contributions in relation to the statutorily or contractually required contributions	(640,455)	(607,253)	(608,313)	(646,278)	(752,902)	(686,799)	(661,198)	(581,381)	(517,463)	(457,619)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered payroll	$10,070,022	$9,547,993	$9,564,662	$9,019,796	$9,506,322	$8,910,291	$8,822,218	$8,435,389	$8,306,014	$8,156,162
Contributions as a percentage of covered payroll	6.36%	6.36%	6.36%	7.17%	7.92%	7.71%	7.49%	6.89%	6.23%	5.61%

Public Utility District No. 1 of Franklin County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via DEPARTMENT OF COMMERCE)	COVID 19 - Coronavirus Capital Projects Fund	21.029	23-96810-020	925,587	-	925,587	-	1,2
			Total Federal Awards Expended:	**925,587**	**-**	**925,587**	**-**	

The accompanying notes are an integral part of this schedule.

PUBLIC UTILITY DISTRICT NO. 1 OF FRANKLIN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the district's financial statements. The district uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

Note 2 – Federal Indirect Cost Rate

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. No indirect costs were claimed in the reported expenditures included on the Schedule.

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CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Public Utility District No. 1 of Franklin County
January 1, 2024 through December 31, 2024

This schedule presents the corrective action planned by the District for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<table>
<tr><td>Finding ref number:
2024-001</td><td>Finding caption:
The District did not have adequate internal controls for ensuring compliance with federal procurement requirements.</td></tr>
<tr><td colspan="2">Name, address, and telephone of District contact person:
Katrina Fulton
PO Box 2407
Pasco, WA. 99302
(509) 412-2267</td></tr>
<tr><td colspan="2">Corrective action the auditee plans to take in response to the finding:
The District will modify the federal procurement language existing in its current policy in accordance with 2 CFR 200.</td></tr>
<tr><td colspan="2">Anticipated date to complete the corrective action: July, 2024</td></tr>
</table>