



**Quarterly Financial Report
Fourth Quarter 2025**

Lake Whatcom Water and Sewer District
Bellingham, Washington

Summary

Closing out the fiscal year of 2025, Lake Whatcom Water and Sewer District (District) sustained its strong financial position through its continued commitment to conservative financial management. Notable fourth quarter financial activities included the receipt of approximately \$99,000 from the District's final draw on its Public Works Board loan for the Division 7 Reservoir Replacement Project and approximately \$89,000 in FEMA Hazard Mitigation Grant funds for the Sudden Valley Water Treatment Plant (SVWTP) Chlorine Contact Basin Replacement Project. Revenues in the Water Utility Fund closed the year below budgeted projections due to grant reimbursements that have not yet been received or requested. The District has three active Hazard Mitigation Grants with FEMA supporting the replacement of the Division 22-1 Reservoir, replacement of the aforementioned chlorine contact basin, and seismic upgrades of the Geneva Reservoir and SVWTP booster building. Collectively, these grants total approximately \$4.8 million for pre-design, design, and construction activities over the next few years. The District also received approval in the fourth quarter from the Public Works Board for a \$365,000 loan supporting the Division 22-1 Reservoir Replacement project.

The District's investment portfolio earned approximately \$123,500 in interest during the fourth quarter of 2025, reflecting an increase from the prior quarter (\$92,000). This increase was primarily due to the maturity of a long-term bond purchased at discount. With further interest rate cuts anticipated in the coming year, the District continues to closely monitor the actions of the Federal Open Market Committee (FOMC). To strengthen its long-term investment position, the District anticipates further shifts from short-term to long-term investing in 2026 to maximize returns through the anticipated rate cuts.

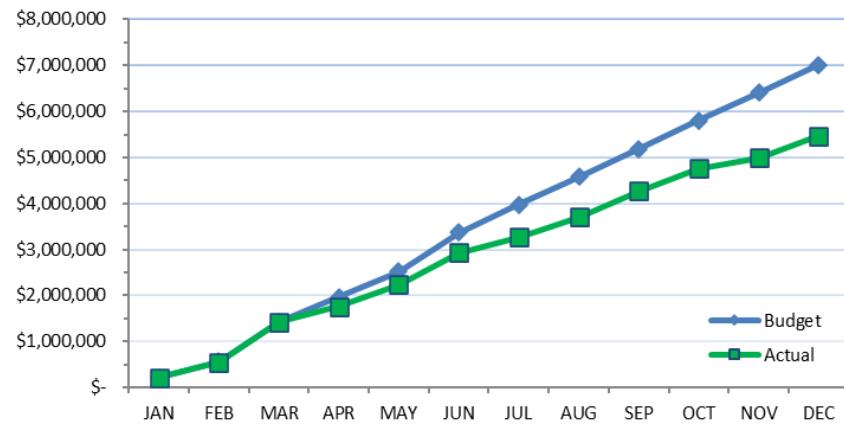
Overall, the District remains in a strong financial position as it prepares to enter the new year. Conservative fiscal management, steady investment performance, and continued progress on capital projects reflect the District's commitment to long-term financial sustainability. While the timing of FEMA grant reimbursements and capital project completion will shift certain revenues and expenditures into 2026, these adjustments are consistent with the District's multi-year planning approach. The District will continue to monitor economic and market conditions closely, particularly with respect to interest rate changes and inflation to ensure the prudent management of both operating and capital resources.

Water Utility Fund (Fund 401)

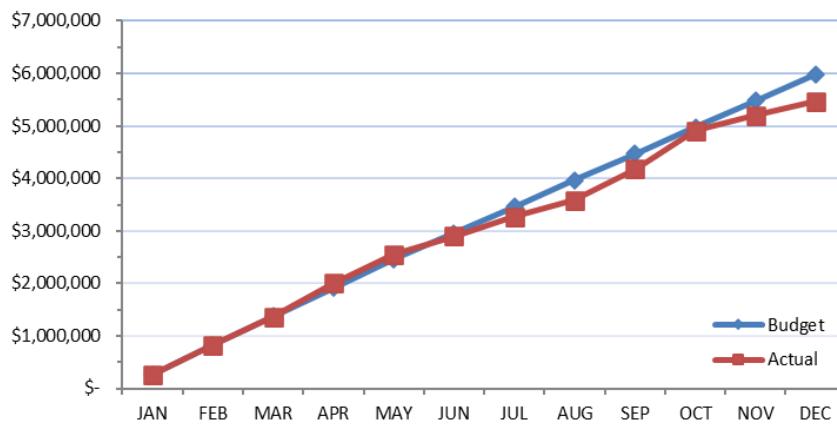
2025 revenues in the Water Utility Fund totaled \$5,463,000, which was below the budgeted projection of \$7,013,500. As discussed in the summary, this was due to budgeted grant funding not yet received. Service revenue finished the year in line with projections (\$3,225,281 actual vs. \$3,239,670 budgeted). The District also closed the year with higher than

anticipated revenues associated with General Facilities Charges (GFC). The District takes a conservative approach in budgeting for these revenues at an equivalency of ten GFC's per year totaling \$105,485. In 2025, the District earned \$177,156 in water GFC revenue equating to 16 connections. Further, the District's investment portfolio performed well throughout 2025, closing the year with higher investment earnings than anticipated (\$182,466 actual vs. \$118,000 budgeted).

2025 Water Utility Fund (401) Revenues Lake Whatcom Water and Sewer District



2025 Water Utility Fund (401) Expenditures Lake Whatcom Water and Sewer District



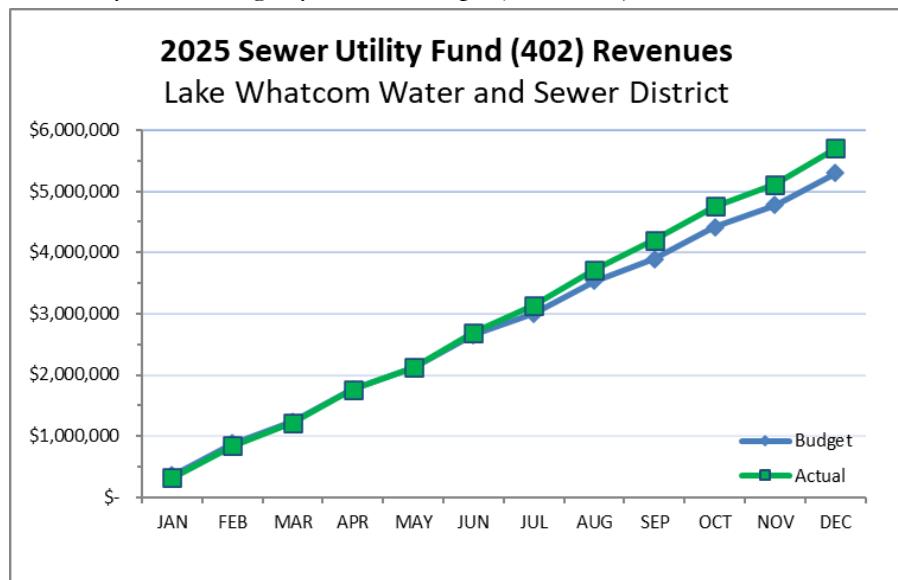
Total expenses for fiscal year 2025 were \$5,468,550, which was below the budgeted amount of \$5,987,671 and reflects careful financial management throughout the year. The most significant variance between budgeted and actual expenditures occurred within the capital budget, where approximately \$343,000

was not spent as originally planned and will be carried forward into 2026 to allow for the completion of ongoing and scheduled projects. Overall, the District's continued commitment to fiscal discipline allowed it to remain within budget parameters while maintaining progress toward operational and capital goals.

Sewer Utility Fund (Fund 402)

2025 revenues in the Sewer Utility Fund slightly exceeded projections (\$10,540,554 actual vs. \$9,787,854 budgeted).

Similar to the Water Utility Fund, the Sewer Utility Fund also saw an increase in GFC revenues and operating revenue was also slightly higher than projected. Consistent with the Water Utility Fund, interest earnings in the Sewer Utility Fund also increased in the fourth quarter closing the year out with stronger earnings than anticipated (\$182,466 actual vs. \$118,000 budgeted).



Sewer Utility Fund expenditures remained below projections through year end, totaling \$5,009,159 compared to the budgeted amount of \$5,895,589. Similar to the Water Fund, this variance is due to the timing of capital projects in the District's capital improvement plan that have not yet been

completed, with actual capital spending of \$1,269,487 compared to budgeted \$1,857,000. These projects remain in progress and the funds associated with these projects will be carried forward into 2026 to allow for the completion of ongoing and scheduled projects. Operating expenditures also trailed projections by approximately 9 percent,

reflecting continued cost control efforts and efficiencies realized throughout the year.

District Fund Balances

The District manages its monies within five funds: Water Utility Fund (401), Sewer Utility Fund (402), Sewer Contingency Reserve Fund (425), Water Contingency Reserve Fund (426), and Bond Reserve Fund (460). Within the Water Utility and Sewer Utility funds are system reinvestment funds (i.e., funds dedicated to capital projects) and debt service funds associated with the respective utility. The following discussion summarizes the activity associated with each fund through the end of 2025.

Water Utility Fund (Fund 401)

The Water Utility Fund, which serves as the primary operating fund for the District's water utility, derives most of its revenue from rates charged to water customers. Fund expenditures are comprised of general operating expenses (personnel salary and benefits, professional services, utilities, etc.), payments relative to debt service on past capital improvement projects, and expenditures on water system reinvestment-defined equipment and projects. Also managed within the Water Utility Fund are monies allocated towards an operating reserve, which is equal to the cost of operating the water utility for 90 days (\$735,519). The fund entered 2025 with a balance of \$2,167,817 and closed the year with a balance of \$2,163,016.

Sewer Utility Fund (Fund 402)

Like the Water Utility Fund, the Sewer Utility Fund serves as the primary operating fund for the District's sewer utility. Revenues are comprised primarily of rates charged to sewer customers, and expenditures consist of general operating expenses (personnel salary and benefits, professional services, utilities, etc.), payments relative to debt service on past capital improvement projects, and expenditures on sewer system reinvestment-defined equipment and projects. Also managed within the fund are monies allocated towards an operating reserve, which is equal to the cost of operating the sewer utility for 60 days (\$562,836). The fund entered 2025 with a balance of \$4,835,293 and closed the year with a balance of \$5,531,395. It is worth noting that the fund growth in the Sewer Utility Fund is due to the District's proactive approach to prepare for the financial obligations associated with the City of Bellingham's improvements at the Post Point wastewater treatment plant with those costs anticipated over the next two fiscal years.

Sewer Contingency Reserve (Fund 425)

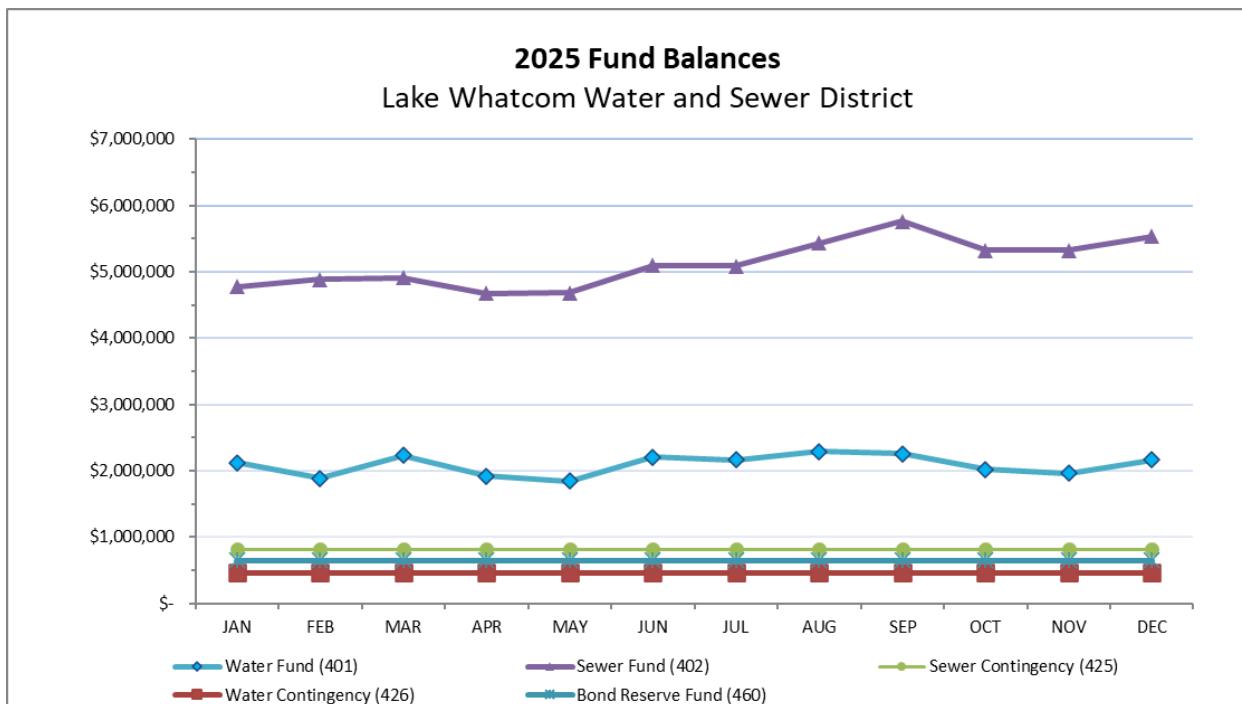
A sewer contingency reserve is maintained in accordance with District financial policies at one percent of the sewer utility infrastructure replacement cost (\$815,000). This fund provides for paying for unanticipated costs that may be incurred by the Sewer Utility. The Sewer Contingency Reserve was fully funded through the end of the year.

Water Contingency Reserve (Fund 426)

A water contingency reserve is maintained in accordance with District financial policies at one percent of the water utility infrastructure replacement cost (\$460,000). This fund provides for paying for unanticipated costs that may be incurred by the Water Utility. The Water Contingency Reserve was fully funded through the end of the year.

Bond Reserve Fund (Fund 460)

The District's Bond Reserve Fund is a restricted fund associated with covenants of the 2016 bond sale. It was fully funded at \$646,125 through the end of the year. As the District moves closer to paying this debt in full, the balance within this fund will be reduced in the coming years to maintain the Maximum Amount Due (MAD).



District Cash and Investments

In accordance with its financial policies, the District invests its funds in a manner that provides the highest return with maximum security while meeting daily cash flow demands. The following is a summary of the District's cash and investments through December 31, 2025.

LAKE WHATCOM WATER AND SEWER

INVESTMENTS/CASH AS OF 12/31/2025

Petty Cash	\$ 1,600	
Cash	\$ 1,018,409	
Debt Service Account	\$ 646,125	
Public Funds Account	<u>\$ 31,875</u>	2.940%
WA Federal	\$ 1,698,009	
Local Gov't Investment Pool	\$ 3,742,673	3.880%

		PRINCIPAL	MARKET	MATURITY	
		COST	VALUE	DATE	YIELD
US Treasury Note	Non-callable	\$ 797,274	\$ 855,000	Jan-26	3.950%
US Treasury Note	Non-callable	\$ 467,667	\$ 500,000	Jun-26	4.500%
US Treasury Note	Non-callable	\$ 499,508	\$ 510,000	Oct-26	3.707%
US Treasury Note	Non-callable	\$ 497,683	\$ 515,000	Feb-27	3.470%
US Treasury Note	Non-callable	\$ 534,034	\$ 515,000	Jun-27	3.724%
US Treasury Note	Non-callable	\$ 496,879	\$ 525,000	Sep-27	3.410%
US Bank Short-Term Money Market Holding Account		\$ 881,809			3.360%
US Bank Trust		\$ 4,174,854	\$ 3,420,000		
TOTAL		<u>\$ 9,615,536</u>			

USE OF FUNDS:

Bond Reserve - Restricted	\$ 646,125	
Contingency - Assigned	\$ 1,298,355	
Operating Reserves	\$ 1,185,000	
Operating Assigned	\$ 6,485,856	
	<u>\$ 9,615,336</u>	

Fund Balance Summary

Water Utility Fund (401)	\$ 2,163,016	
Sewer Utility Fund (402)	\$ 5,531,395	
Sewer Contingency Fund (425)	\$ 815,000	
Water Contingency Fund (426)	\$ 460,000	
Bond Reserve Fund (460)	<u>\$ 646,125</u>	
	<u>\$ 9,615,536</u>	