Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Public Utility District No. 1 of Skamania County

For the period January 1, 2016 through December 31, 2016

Published August 14, 2017
Report No. 1019633

Office of the Washington State Auditor
Pat McCarthy

August 14, 2017

Board of Commissioners
Public Utility District No. 1 of Skamania County
Carson, Washington

Report on Financial Statements

Please find attached our report on Public Utility District No. 1 of Skamania County's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Public Utility District No. 1 of Skamania County
January 1, 2016 through December 31, 2016

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of Public Utility District No. 1 of Skamania County. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: January 1, 2015 – December 31, 2015	**Report Ref. No:** 1018273	**Finding Ref. No:** 2015-001

Finding Caption:
The District should improve internal controls over its accounting and financial statement preparation.

Background:
Our audit identified deficiencies in internal controls over financial reporting that affected the District's ability to produce reliable financial statements. Specifically, we noted concerns with the misinterpretation of accounting guidance and the District's process to evaluate subsequent events and potential legal losses.

Status of Corrective Action:

☐ Fully Corrected	☒ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:
The agency continues to develop and implement procedures to produce reliable financial statements. Current processes include staff review of "Overview of Significant Changes" available on the State Auditor's website, communications with auditor's office and financial report review by senior management. The Manager of Finance-Auditor position was vacant a significant portion of the prior year.

INDEPENDENT AUDITOR'S 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 Skamania County
January 1, 2016 through December 31, 2016

Board of Commissioners
Public Utility District No. 1 of Skamania County
Carson, 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 Skamania County, Washington, as of and for the year ended December 31, 2016, 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 28, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

State Auditor

Olympia, WA

July 28, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Public Utility District No. 1 of Skamania County
January 1, 2016 through December 31, 2016

Board of Commissioners
Public Utility District No. 1 of Skamania County
Carson, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Public Utility District No. 1 of Skamania County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 10.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Skamania County, as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 14, information on other postemployment benefits on page 46 and pension plan information on 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2017 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 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 28, 2017

FINANCIAL SECTION

Public Utility District No. 1 of Skamania County
January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION

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MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis is designed to provide our readers with an overview of the District's financial activity, identify changes in the District's financial position and to assist our readers in focusing on the significant financial issues.

OVERVIEW OF THE FINANCIAL STATEMENTS

Statement of Net Position: This statement presents information on all the District's Assets and Liabilities. This statement also provides the basis in evaluating the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses and Changes in Net Position: This statement provides a measurement of the District's operation and can also be used to determine whether the District has successfully recovered all its costs through usage rates and other charges.

Statement of Cash Flow: This statement reports cash receipts and cash payments resulting from operating, financing and investing activities.

Notes to Financial Statements: The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements including significant accounting policies, obligations and other financial matters of the District.

This discussion and analysis of the financial performance of the District provides a summary of the financial activities for the year ended December 31, 2016 compared to 2015.

CONDENSED STATEMENT OF NET POSITION

Year ended December 31,	2016	2015	Increase (Decrease) 2016-2015	% Change 2016-2015
Assets				
Currents and Other Assets	$ 15,076,861	$ 15,919,924	$ (843,063)	-5.3%
Capital Assets, net of depreciation	25,638,864	25,615,294	23,570	0.1%
Total Assets	40,715,725	41,535,218	(819,493)	-2.0%
Deferred Outflows of Resources	445,614	270,118	175,496	65.0%
Total Assets and Deferred Outflow	41,161,339	41,805,336	(643,997)	-1.5%
Liabilities				
Current and Other Liabilities	2,256,720	3,619,141	(1,362,421)	-37.6%
Noncurrent Liabilities	12,630,692	12,570,328	60,364	0.5%
Total Liabilities	14,887,412	16,189,469	(1,302,057)	-8.0%
Deferred Inflows of Resources	141,043	344,672	(203,629)	-59.1%
Total Liabilities and Deferred Inflows	15,028,455	16,534,141	(1,505,686)	-9%
Net Position				
Net Investment in Capital Assets	20,434,086	20,722,231	(288,145)	-1.4%
Restricted	794,084	793,875	209	0.0%
Unrestricted	4,904,714	3,755,089	1,149,625	30.6%
Total Net Position	26,132,884	25,271,195	861,689	3.4%
Total Liabilities & Net Position	$ 41,161,339	$ 41,805,336	$ (643,997)	-1.5%

CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

Year ended December 31,	2016	2015	Increase (Decrease) 2016-2015	% Change 2016-2015
Operating Revenue	$ 11,650,109	$ 11,486,448	$ 163,661	1.4%
Operating Expenses	11,692,327	10,720,262	$ 972,065	9.1%
Net Operating Revenue	(42,218)	766,186	$ (808,404)	-105.5%
Net Non Operating Revenue and Expense	343,057	291,020	$ 52,037	17.9%
Income (Loss) Before Capital Contributions	300,839	1,057,206	$ (756,368)	-71.5%
Capital Contributions	627,488	338,074	$ 289,414	85.6%
Change in Net Position Before Extraordinary Item	928,327	1,395,280	$ (466,953)	-33.5%
Prior Year Adjustment	(66,638)	(1,299,398)	$ 1,232,760	-94.9%
Change in Net Position	861,689	95,882	$ 765,807	798.7%
Total Net Position, January 31	25,271,195	27,422,045	$ (2,150,850)	-7.8%
Change in Accounting Principles, GASB 68	-	(2,246,733)	$ 2,246,733	
Total Net Position, December 31	$ 26,132,884	$ 25,271,195	$ 861,689	3.4%

FINANCIAL ANALYSIS

Capital Assets

In 2016 the District's investment in capital assets net of depreciation was almost unchanged. The increase in capital assets was offset by the increase in depreciation resulting in a slight increase of 0.1%.

Long Term Debt

The District's long term liabilities are revenue bonds and loans issued for capital improvements. At the end of 2016, the District's had $8,434,771 in bond and loans outstanding, a decrease of $462,116 over last year due to the payment of the 2016 debt service. The District did not issue any new bonds or loans in 2016. Additional information about the District's long term liabililties is presented in Note 8 of the financial statements.

Operating Revenues

During 2016, the District's operating revenue from sales of electric and water increased 1.4%. Although the District's customers usage of electric and water decreased, there was an increase in revenue due to the the rate increase implemented in 2016. Rate increases in 2016 were: Electric, 2.0%; Carson Water, 7.0%; Underwood Water, 8.9%.

Operating Expenses

Operating expenses increased 9.1% in 2016 when compared to 2015. The largest increase was due to the increase in power cost, increase in healthcare cost and maintenance of overhead and underground lines.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses consist mainly of a tax levy, interest earnings and debt related expenses. The significant source of the District's non operating revenue is the tax levy. The Systems net non operating revenues and expenses increased 17.9% in 2016 when compared to 2015. This increase was due to grants received by the District, receipts from log sales and the decrease in interest expense.

Capital Contributions

Capital contributions increased by $289,414 in 2016, an 85.6% increase. This increase was due to the increase in new construction in both Electric and the Water Systems.

Net Position

The largest portion of the District's net position is investment in capital assets. As of December 31, 2016, investment in capital assets is 78.2% of the District's net position.

As of December 31, 2016, the restricted portion of the District's net position is $794,084.

OTHER SIGNIFICANT MATTERS

Bond Covenants

In accordance with the District's financial policies and covenants within the District's bond resolutions, the District is required to maintain and collect rates and charges sufficient to provide the net revenue in any fiscal year in an amount equal to at least 1.25 times the annual debt service. The debt service coverage ratio was 1.79 as of December 31, 2016 and 5.31 for the period ending December 31, 2015. Net operatiang income before depreciation for 2016 and 2015 was $1,461,381 and $2,547,670 respectively. Debt service totaled $816,894 in 2016 and $480,198 in 2015.

Rates

The District increased the electric and water rates in 2016 pursuant to the multi-year rate strategy the Board adopted on April 6, 2015 (resolution no 2484, 2486 and 2487) designed to levelize future rate impacts upon customers. Revenue requirements are forecast to increase primarily due to increased power costs and bond financing of capital improvements. Rate increases for the electric and water systems are listed below:

	2016	2017	2018
Electric	2.0%	3.0%	3.0%
Carson Water	7.0%	5.5%	5.5%
Underwood Water	8.9%	5.5%	5.5%

This financial report is designed to provide a general overview of the District's finances. Question concerning any of the information provided in this report or request for additional financial information should be addressed to the Auditor/Manager of Finance and Administration, PO Box 500, Carson, WA 98610.

Public Utility District No. 1 of Skamania County
COMBINED STATEMENT OF NET POSITION
December 31, 2016

		2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	6,710,192
Customer Accounts Receivable, Net	$	1,997,479
Other Receivable	$	21,167
Taxes Receivable	$	32,734
Prepayments	$	54,051
Grant Receivable-Restricted	$	2,500
Debt Service Fund-Restricted	$	67,041
Customer Deposit-Restricted	$	70,934
Materials & Supplies	$	1,093,297
Total Current Assets	**$**	**10,049,395**
NON CURRENT ASSETS		
2015 Bond Fund-Restricted	$	4,050,996
2015 Bond Reserve Fund-Restricted	$	752,739
Customer Deposit-Restricted	$	137,121
Unamortized Bond Insurance	$	35,865
Other Non Current Assets	$	50,745
Total Non Current Assets	**$**	**5,027,466**
CAPITAL ASSETS		
Utility Plant	$	44,860,521
Construction Work in Progress	$	949,804
General Plant	$	3,487,510
Less: Accum Depreciation/Amortization	$	(23,658,971)
Total Capital Assets Net of Depreciation	$	25,638,864
Total Noncurrent Assets	**$**	**30,666,330**
Total Assets	**$**	**40,715,725**
DEFERRED OUTFLOW OF RESOURCES		
Deferred Outflows-Pension	$	418,174
Deferred Outflows-Deferred Loss on Bond Refunding	$	27,440
Total Deferred Outflows of Resources	**$**	**445,614**
Total Assets and Deferred Outflows	**$**	**41,161,339**

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

Public Utility District No. 1 of Skamania County
COMBINED STATEMENT OF NET POSITION
December 31, 2016
LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Warrant Payable	$	19,363
Accounts Payable	$	1,144,576
Compensated Absences	$	222,560
Customer Deposit	$	70,934
Accrued Taxes	$	237,675
Accrued Interest	$	28,196
Other Current Liabilities	$	16,283
Unamortized Bond Premium	$	44,852
Current Portion of Long-Term Debt	$	472,281
Total Current Liabilities	**$**	**2,256,720**
NON CURRENT LIABILITIES		
Accrued OPEB Liabilities	$	873,125
Pension Liability	$	2,466,840
Compensated Absences	$	387,524
Customer Deposits	$	137,121
CW Loan	$	152,490
Unamortized Bond Premium	$	803,592
2015 Revenue Bonds	$	7,810,000
Total Noncurrent Liabilities	**$**	**12,630,692**
Total Liabilities	**$**	**14,887,412**
DEFERRED INFLOW OF RESOURCES		
Deferred Inflow-Pension	**$**	**68,380**
Deferred Inflow-Revenue	**$**	**72,663**
Total Deferred Inflow of Resources	**$**	**141,043**
Total Liabilities and Deferred Inflows	**$**	**15,028,455**
NET POSITION		
Net Investment in Capital Assets	$	20,434,086
Restricted	$	794,084
Unrestricted	$	4,904,714
Total Net Position	**$**	**26,132,884**
Total Liabilities & Net Position	**$**	**41,161,339**

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

Public Utility District No. 1 of Skamania County
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended December 31, 2016

		2016
OPERATING REVENUES		
Electric Sales	$	10,324,832
Water Sales	$	1,015,008
Other Operating Revenue	$	242,653
Misc. Service Revenue	$	67,616
Total Operating Revenues	**$**	**11,650,109**
OPERATING EXPENSES		
Purchased Power	$	5,023,373
Maintenance & Operations	$	2,105,431
Customer Billing & Collection	$	640,787
Administrative & General Expense	$	1,812,728
Depreciation	$	1,449,004
Taxes	$	661,004
Total Operating Expenses	**$**	**11,692,327**
Operating Income/(Loss)	**$**	**(42,218)**
NONOPERATING REVENUES (EXPENSES)		
Taxes	$	577,394
Interest Income	$	20,299
Miscellaneous Non-Operating Revenue	$	24,025
Miscellaneous Non-Operating Revenue-Grant	$	31,180
Interest and Amortization	$	(309,841)
Total Nonoperating Revenues (Expenses)	**$**	**343,057**
Income (Loss) Before Capital Contributions	**$**	**300,839**
Capital Contributions	$	627,488
CHANGE IN NET POSITION BEFORE ADJUSTMENT	**$**	**928,327**
Prior Year Adjustment	$	(66,638)
CHANGE IN NET POSITION	**$**	**861,689**
Net Position, beginning of year	**$**	**25,271,195**
Net Position, end of year	**$**	**26,132,884**

The accompanying notes are an integral part of the financial statements

Public Utility District No. 1 of Skamania County
COMBINED STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2016

	2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 11,229,389
Payments to suppliers for goods & services	$ (8,518,306)
Payments to employees for services	$ (2,477,973)
Operating Expense adjustment from prior year	(66,638)
Taxes paid	$ (661,004)
Miscellaneous revenue	310,269
Net cash provided (used) by operating activities	(184,263)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Misc. Non Operating Revenue	24,026
Grant Proceeds	25,820
Net cash provided (used) from noncaptial financing activities	49,846
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to plant	(1,472,574)
Contributions from Customers	627,488
Capital Contributions from prior period	(11,978)
Capital Contributions-Grants	5,360
Advance for Construction	72,663
Loss on Refunding/Bond Insurance	5,102
Principal paid on long term debt	(462,116)
Interest paid on long term debt	(355,818)
Tax levy proceeds	581,046
Net cash provided (used) for capital financing activties	(1,010,827)
CASH FROM INVESTING ACTIVITIES	
Proceeds from earnings on investments	20,299
Net cash provided from investing activities	20,299
Net increase (decrease) in cash and cash equivalents	**(1,124,945)**
Cash and cash equivalents, beginning of year	**12,913,969**
Cash and cash equivalents, end of year	**$ 11,789,024**

The accompanying notes are an integral part of the financial statements

Reconciliation of operating income to net cash provided from operating activities	
Net Operating Income (loss)	$ (42,218)
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation/amortization	1,449,004
Other liabilities-Opeb/Pension-Gasb 68	54,595
Other Receivable	40,509
Accounts receivable	(110,451)
Inventory	(202,509)
Warrants payable	(90,428)
Accounts payable	(1,198,806)
Customer deposits	(14,920)
Taxes payable	30,792
Operating Expense adjustment from prior year	(66,638)
Compensated Absenses	(18,213)
Prepayments	(14,980)
Net Cash Provided by Operating Activities	(184,263)

*For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The accompanying notes are an integral part of the financial statements

PUBLIC UTILITY DISTRICT NO. 1 OF SKAMANIA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year ending December 31, 2016

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

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The District operates as proprietary fund and applies all applicable Governmental Accounting Standards Board (GASB) Codification of Government Accounting and Financial Reporting. The following is a summary of the most significant policies.

A. Reporting Entity

Skamania County PUD is a municipal corporation established in 1938 by a vote of the people of Skamania County and exists under and by virtue of RCW 54 for the distribution and sale of electric energy and water. The District is governed by an elected three (3) member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Skamania County PUD has no component units. The District is engaged in distribution and sale of electricity serving Skamania County. The District also operates two water systems serving Carson and Underwood.

B. Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of RCW 43.09. The District's accounting records are also maintained using the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the Washington Budgeting, Accounting and Reporting System (BARS).

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Revenue derived from sale of electricity and water are recorded as operating revenue. Operating expenses for the District include the cost of selling of electricity and water, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds. Unbilled utility service receivables are estimated and recorded at year end.

C. Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. The District used significant estimates in recording unbilled utility service revenue, allowance for doubtful accounts and other contingencies at year end.

D. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the District considers petty cash, cash in all checking accounts and money market investment accounts with maturities of less than three months to be cash equivalents.

It is the District's policy to invest all temporary cash surpluses. At December 31, 2016, the treasurer was holding $10,825,052 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

E. Restricted Funds

In accordance with bond resolutions, separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including construction, debt service and other special reserve requirements. These funds are classified as current and noncurrent assets as appropriate. The District's restricted funds as of December 31, 2016 are as follows:

Restricted Funds	2016
Debt Service Fund	67,041
2015 Bond Fund	4,050,996
2015 Bond Reserve Fund	752,739
Customer Deposit	208,055
Total Restricted Funds	5,078,831

F. Accounts Receivable and Allowance for Uncollectable Accounts

Customer account receivables consist of amounts owed from individuals and organizations for goods and services including amounts owed for which billings have not been prepared. The District has established a reserve for uncollectible accounts based upon historical losses on gross revenues net of related debt write off and recoveries. All account receivable write offs are approved by the commissioners and are turned over to the collection agency. Amounts written off remain on the customer's accounts until it is deemed uncollectible by the collection agency.

G. Materials and Supplies

Materials and supplies are valued at average cost, which approximates the market value.

H. Utility Plant and Depreciation

See Note 5: Capital assets and Depreciation.

I. Compensated Absences and Termination Benefits

District employees are granted vacation leave in varying amounts. The District records unpaid leave for compensated absences as an expense and liability when incurred. Vacation pay is payable upon resignation, retirement or death. The total amounts of vacation accrued including tax and pension benefits as of December 31, 2016 was $466,733.

GASB 16, *Accounting for Compensated Absences*, requires state and local government to accrue liabilities for compensated absences as the benefits are earned by employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement. The District's full time employees accrue 8 hours of sick leave a month and part time employees accrue sick leave based on full time equivalent (FTE). For employees who retire under the PERS program, the District policy allows 65 percent of the cash value of accrued sick leave balance at the time of employee's retirement to be deposited toward the employee's HRA/VEBA plan. Further, if an employee dies while on active employment, 100 percent cash value of the employee's sick leave is paid into his or her VEBA Plan. The District's sick leave liability is estimated based on the District's past experience of making retirement payments for sick leave. The total estimated sick leave liability including tax and pension benefits as of December 31, 2016 was $143,352.

J. Deferred Inflows and Outflows

Deferred inflows of resources represent an acquisition of assets that applies to a future period or periods and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred outflow of resources represents a consumption of assets that applies to a future period or periods and therefore will not be recognized as an outflow of resources until then.

K. Pensions

For purposes of measuring the 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/ deductions to and from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Purchase Commitments

The District is a preference customer of Bonneville Power Administration (BPA) pursuant to federal legislation, which requires BPA to give preference and priority to public agencies and cooperatives in the distribution and marketing of federal power. The District signed a contract with BPA providing for power sales from BPA to the District beginning October 1, 2011 and terminating September 30, 2028. This Contract, a full requirements contract, provides for all of the District's power needs. The contract is at a preference rate.

The District is a board member utility of Washington Public Power Supply System (WPPSS; *now known as Energy Northwest*) and is a participant in WPPSS Nuclear Projects 1,2 and 3. The District has entered into "Net Billing Agreements" with WPPSS and Bonneville Power

Administration (BPA). Under terms of these agreements, the District has purchased a maximum of 0.231 percent of the capability of WPPSS Nuclear Projects (WNP) No. 1, 0.547 percent of WNP No. 2, and 0.207 percent of WNP 3. The District has, in turn, sold this capability to BPA. Under the "Net Billing Agreements" BPA is unconditionally obligated to pay the District, and the District is unconditionally obligated to pay WPPSS, the pro rata share of the total annual costs of each project, including debt service on revenue bonds issued to finance the projects, whether or not the projects are completed, operable or operating and notwithstanding the suspension, reduction or curtailment of the Projects' output. WNP 1 and 3 have been terminated by action of the Supply System (WPPSS) Board.

NOTE 2 – DISCLOSURE OF SEGMENT INFORMATION

The District operates an electric system and two water systems. The District maintains a separate accounting of all revenues, expenses, gains, losses, assets, and liabilities for each system. It depends solely on the revenue generated by each individual activity to pay its expenses and liabilities. Summary of financial information for each system for the years ended December 31, 2016 is presented below.

CONDENSED STATEMENT OF NET POSITION

For the Year Ended December 31, 2016	Electric System	Carson Water System	Underwood Water System	TOTAL 2016
Assets				
Currents and Other Assets	$ 12,133,632	$ 2,069,304	$ 918,943	$ 15,121,879
Capital Assets, net of depreciation	$ 19,932,766	$ 3,608,657	$ 2,097,441	$ 25,638,864
Total Assets	$ 32,066,398	$ 5,677,961	$ 3,016,384	$ 40,760,743
Deferred Outflows	$ 431,801	$ 9,854	$ 3,958	$ 445,613
Total Assets and Deferred Outflows	$ 32,498,199	$ 5,687,815	$ 3,020,342	$ 41,206,356
Liabilities				
Current and Other Liabilities	$ 2,058,087	$ 165,558	$ 78,092	$ 2,301,737
Long Term Debt	$ 9,348,309	$ 2,265,406	$ 1,016,977	$ 12,630,692
Total Liabilities	$ 11,406,396	$ 2,430,964	$ 1,095,069	$ 14,932,429
Deferred Inflows	$ 141,043	$ -	$ -	$ 141,043
Total Liabilities and Deferred Inflows	$ 11,547,439	$ 2,430,964	$ 1,095,069	$ 15,073,472
Net Position				
Net Investment in Capital Assets	$ 16,294,645	$ 2,481,263	$ 1,658,178	$ 20,434,086
Restricted	$ 777,418	$ 12,083	$ 4,583	$ 794,084
Unrestricted	$ 3,878,697	$ 763,505	$ 262,512	$ 4,904,714
Total Net Position	$ 20,950,760	$ 3,256,851	$ 1,925,273	$ 26,132,884
Total Liabilities & Net Position	$ 32,498,199	$ 5,687,815	$ 3,020,342	$ 41,206,356

CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGE IN NET POSITION

For the Year Ended December 31, 2016	Electric System	Carson Water System	Underwood Water System	Total 2016
Operating Revenue	$ 10,629,762	$ 674,094	$ 346,253	$ 11,650,109
Operating Expenses	10,729,146	613,563	349,618	11,692,327
Net Operating Revenue	(99,384)	60,531	(3,365)	(42,218)
Net Non Operating Revenue and Expense	363,968	(28,844)	(17,886)	317,238
Other Income/Grants	25,819	-	-	25,819
Net Non Operating Revenue and Expense	389,787	(28,844)	(17,886)	343,057
Income (Loss) Before Capital Contributions	290,403	31,687	(21,251)	300,839
Capital Contributions/Grants	503,409	93,355	30,724	627,488
Change in Net Position Before Extraordinary Item	**793,812**	**125,042**	**9,473**	**928,327**
Prior Year Adjustment	(66,638)	-	-	(66,638)
Change in Net Position	**727,174**	**125,042**	**9,473**	**861,689**
Total Net Position, January 1	20,223,585	3,131,810	1,915,800	25,271,195
Total Net Position, December 31	$ 20,950,759	$ 3,256,852	$ 1,925,273	$ 26,132,884

CONDENSED STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

	Electric System	Carson Water System	Underwood Water System	Total 2016
Net Cash provided (used) by:				
Operating Activities	$ (328,438)	$ 64,958	$ 79,217	$ (184,263)
Noncapital financing activities	35,963	13,883	-	49,845
Capital and related financing activities	(665,657)	(184,321)	(160,849)	(1,010,827)
Investing activities	15,980	2,857	1,462	20,299
Net Increase (Decrease) in cash and cash equival	(942,153)	(102,623)	(80,170)	(1,124,946)
Beginning Cash and Cash Equivalents	10,027,295	1,930,403	956,271	12,913,969
Ending Cash and Cash Equivalents	$ 9,085,142	$ 1,827,780	$ 876,101	$11,789,023

Interfund Activity
Year ended December 31, 2016

	2016
Electric Payable to Carson Water	8,432
Electric Payable to Underwood Water	2,894
Underwood Water Payable to Carson Water	9,354
CW Debt Service Transferred to Electric	16,471
UW Debt Service Transferred to Electric	7,867

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance related legal or contractual provisions.

NOTE 4 – CASH AND DEPOSITS

All of the District's receipts and cash holdings are on deposit with the county treasurer. The county treasurer processes or maintains all of the District's deposits, disbursements and investments. Funds not required for immediate expenditures are invested. The District's cash holdings are deposited solely in interest bearing checking accounts entirely covered by federal depositary insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The District has not experienced any losses from any investments and believes its cash value is not exposed to any significant investment risk. The District's total cash, deposits, and investments as of December 31, 2016 are shown below.

CASH/DEPOSITS AND INVESTMENTS

	2016
Restricted Funds	5,078,832
General Funds	1,346,660
Revolving Fund	8,801
Special Funds	5,354,730
Total Deposits/Investments	11,789,023

NOTE 5 – PRIOR PERIOD ADJUSTMENT

The District has an agreement with Bonneville Power Administration (BPA) to participate in an energy conservation program. The District received a low density discount adjustment for the prior period covering 2013-2015. As a result, the District's financial reports included a prior period adjustment in the amount of $66,638.

NOTE 6 – CAPITAL ASSETS PLANT AND DEPRECIATION

Capital assets are defined by the District as assets with initial individual cost of more than $1,000 and an estimated useful life of more than 3 years.

Major expenses for capital assets, including major repairs that increase useful lives, 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 historical cost is known. Where historical cost is not known, assets are recorded at estimated cost. Donations by developers and customers are recorded at appraised value. Funds received from customer for construction are recorded as capital contributions.

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, 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.

Initial depreciation of capital assets are recorded in the year subsequent to purchase. 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 project are expensed.

Capital assets are depreciated on the straight line and group life depreciation method over estimated lives as follows:

Buildings and Improvements	5-40 Years
Electric Plant-Distribution	10-33 Years
General Plant-Equipment	3-20 Years
General Plant-Transportation	5-10 Years
Water-Transmission and Distribution	6-40 Years

The following are changes in the District's capital assets for the year ended December 31, 2016.

Asset Description	Beg Balance 1/1/2016	Increase	Decrease	Ending Balance 12/31/2016
Capital Assets not being depreciated:				
Construction Work in Progress	3,201,954	80,380	$ 2,332,531	$ 949,803
Franchise and Consents	4,507			4,507
Organizations	1,035			1,035
Land and Land Rights	80,213	2,510		82,723
Total	3,287,709	82,890	2,332,531	1,038,068
Capital Assets being depreciated:				
Utility Plant-Electric	32,788,380	3,549,347	261,068	36,076,659
Utility Plant-Water	8,533,948	204,077	-	8,738,025
General Plant	3,402,401	56,655	13,975	3,445,081
Total	44,724,729	3,810,079	275,043	48,259,765
				-
Total Capital Assets	48,012,438	3,892,969	2,607,573	49,297,834
Accum. Depreciation/Amortization	(22,397,144)	(1,537,706)	275,880	(23,658,970)
Net Capital Assets	$ 25,615,294	$ 2,355,263	$2,883,453	$ 25,638,864

NOTE 7 – CONSTRUCTION WORK IN PROGRESS

The District's construction work in progress represents capital costs to date on projects authorized for construction but not completed at year end. The two largest projects currently in progress are the Carson Linde Test Well with costs of $134,125 as of December 31, 2016 and the Carson Reservoir at Brooks Road with costs of $321,335 as of December 31, 2016.

NOTE 8 – SHORT TERM DEBT

The District has no short-term debt for the year ending December 31, 2016.

NOTE 9 – LONG TERM DEBT

In September 2015, the District issued a Revenue and Refunding Bond in the amount of $9,055,000 to refund the 2005 bond and for the construction of two electric substations, the construction of Carson Water reservoir and the Underwood Water new tank and pumping station. The rebuilding of the Underwood Substation has been completed while the Carson Substation, Carson Water Reservoir and the Underwood Water pumping plant are currently in progress.

The District has covenanted in the Bond Resolution that it will establish, maintain and collect rates and charges sufficient to pay the costs of maintenance and operation, pay principal and interest of all bonds, and to pay taxes and other assessments imposed on the system in an amount equal to at least 1.25 times the annual debt service.

The District resolution also provides that payments will be made into the Debt Service Fund in an amount sufficient to meet the next maturing installments of principal and interest.

In February 2005, Carson Water received $200,000 in loan from the Washington Investment Board (WIB) to help fund needed capital improvements. The annual interest is 2% payable in 20 years.

In 2006, the District secured a $50,000 loan from the Washington State Community Economic Revitalization Board (CERB) for Carson Water System. The annual interest is 1% payable in 20 years, initial monthly payments began in January 2015, five years from the receipt of loan funds.

The following table is a summary of the District's long-term debt as of December 31, 2016.

	Year Issued	Amount Originally Issued	Beginning Balance 1/1/2016	Additions	Reductions	Balance as of 12/31/2016	Due Within One Year
Elec Rev. Bond	2015	$ 5,775,000	$ 5,570,000	$ -	$ 285,000	$ 5,285,000	$ 290,000
CW Rev. Bond	2015	2,215,000	2,130,000	-	110,000	2,020,000	115,000
UW Rev. Bond	2015	1,065,000	1,020,000	-	55,000	965,000	55,000
CW WIB Loan	2005	200,000	129,290	-	9,689	119,600	9,830
CW CERB Loan	2006	50,000	47,597	-	2,427	45,171	2,451
Bonds/Loans		$ 9,305,000	$ 8,896,887	$ -	$ 462,116	$ 8,434,771	$ 472,281
Other Long Term Liabilities							
Compensated Absenses			$ 628,298	$ -	$ 18,213	$ 610,085	$ 222,560
Unamortized Premiums			893,295	-	44,852	848,444	44,852
Customer Deposit			222,975	-	14,920	208,055	70,934
Pension Liability			2,015,417	451,423	-	2,466,840	-
OPEB			814,959	58,166	-	873,125	-
Total Other Long Term Liabilities			$ 4,574,944	$ 509,589	$ 77,985	$ 5,006,549	$ 338,346
Total Long Term Liabilities			$ 13,471,831	$ 509,589	$ 540,100	$ 13,441,320	$ 810,627

*Compensated absenses include $143,352 estimated sick leave liability plus taxes and pension benefits. Current portion of compensated absenses is estimated to be used wilthin one year.

The annual requirements to amortize all debts outstanding as of December 31, 2016, including interests are as follows:

2015 Revenue Bond-Electric

Year	Principal	Interest	Total
2017	290,000	216,300	506,300
2018	300,000	204,700	504,700
2019	325,000	192,700	517,700
2020	330,000	179,700	509,700
2021	340,000	166,500	506,500
2022-2026	1,700,000	615,300	2,315,300
2027-2031	1,020,000	345,900	1,365,900
2032-2035	980,000	112,500	1,092,500
Total	$ 5,285,000	$ 2,033,600	$ 7,318,600

2015 Revenue Bond and Loans-Carson Water

	2015 Bond		WIB Loan		CERB Loan		Total
Year	Principal	Interest	Principal	Interest	Principal	Interest	
2017	115,000	82,650	9,830	2,311	2,451	452	$212,694
2018	120,000	78,050	10,029	2,113	2,475	427	$213,094
2019	120,000	73,250	10,231	1,910	2,500	403	$208,294
2020	130,000	68,450	10,438	1,704	2,525	377	$213,494
2021	130,000	63,250	10,648	1,493	2,550	352	$208,294
2022-2026	655,000	232,650	56,554	4,153	13,140	1,373	$962,869
2027-2031	380,000	129,850	11,871	20	13,810	702	$536,253
2032-2035	370,000	42,750			5,719	86	$418,555
Total	$2,020,000	$770,900	$119,600	$13,703	$45,171	$4,173	$2,973,547

2015 Revenue Bond-Underwood Water

Year	Principal	Interest	Total
2017	55,000	39,400	94,400
2018	60,000	37,200	97,200
2019	65,000	34,800	99,800
2020	65,000	32,200	97,200
2021	70,000	29,600	99,600
2022-2026	325,000	105,200	430,200
2027-2031	165,000	56,400	221,400
2032-2035	160,000	18,675	178,675
Total	$965,000	$353,475	$1,318,475

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NOTE 10 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	2,466,840
Pension assets	$	
Deferred outflows of resources	$	418,173
Deferred inflows of resources	$	68,381
Pension expense/expenditures	$	261,736

State Sponsored Pension Plans

Substantially all District full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR 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 the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent 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. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. 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.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**

* For employees participating in the Judicial Benefit Multiplier (JBM), the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member’s 60 highest-paid consecutive service months. There is no cap on years of service credit. 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 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. 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. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**

* For employees participating in Judicial Benefit Multiplier (JBM), the contribution rate was 15.30%.

The District's actual PERS plan contributions were $115,046 to PERS Plan 1 and $150,260 to PERS Plan 2/3 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these 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 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

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, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent 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%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 1,351,334	$ 1,120,602	$ 922,044
PERS 2/3	2,478,665	1,346,237	(700,794)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2016, the District reported a total pension liability of $ 2,466,839 for its proportionate share of the net pension liabilities as follows:

Pension Plan	Liability (or Asset)
PERS 1	$ 1,120,602
PERS 2/3	1,346,237

At June 30, 2016, the District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.020470%	0.020866%	0.000396%
PERS 2/3	0.026438%	0.026738%	0.000300%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 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.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$ 81,366
PERS 2/3	180,370
TOTAL	$ 261,736

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, 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	$ 28,215	$
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$ 56,438	$
TOTAL	$ 84,653	$

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 71,686	$ 44,441
Net difference between projected and actual investment earnings on pension plan investments	$ 164,741	$
Changes of assumptions	$ 13,914	$
Changes in proportion and differences between contributions and proportionate share of contributions	$ 9,466	$ 23,940
Contributions subsequent to the measurement date	$ 73,713	$
TOTAL	$ 333,520	$ 68,381

CONSOLIDATED	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 71,686	$ 44,441
Net difference between projected and actual investment earnings on pension plan investments	$ 192,956	$
Changes of assumptions	$ 13,914	$
Changes in proportion and differences between contributions and proportionate share of contributions	$ 9,466	$ 23,940
Contributions subsequent to the measurement date	$ 130,151	$
TOTAL	$ 418,173	$ 68,381

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, 2017. 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
2017	$ (6,947)
2018	$ (6,947)
2019	$ 25,912
2020	$ 16,197
2021	$
Thereafter	$
Total	$ 28,215

Year ended December 31:	PERS 2/3
2017	$ (6,087)
2018	$ (6,087)
2019	$ 124,931
2020	$ 78,669
2021	$
Thereafter	$
Total	$ 191,426

NOTE 11 - DEBT PREMIUM AND DISCOUNTS

Bond premiums and insurance cost are amortized over the life of the bond using the straight-line method. Losses on the bond are deferred and amortized over the remaining life of the retired debt. Debt issuance costs are expensed in the period incurred in accordance with GASB Statement No. 65.

NOTE 12 – PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1, on property values listed as of May 31st of the prior year. The county assessor establishes assessed values at 100 percent of fair market value. A revaluation of all property is required every four years.

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed monthly to the District by the county treasurer.

The District is permitted by law to levy up to $0.45 per $1,000 of assessed valuation for general District purposes.

The District may voluntarily levy taxes below the legal limit. Special levies approved by the voters are not subject to the above limitations.

Property taxes are recorded as receivables when levied. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

The District's property tax levies are listed below.

Property Tax Levy

Year	Assessed Value	Levy Rate Per Thousand	Total Levy Amount
2016	1,440,624,433	0.362158	521,734
2015	1,398,165,694	0.366452	512,361
2014	1,385,989,129	0.363585	503,925

NOTE 13 – LEASE COMMITMENTS

The District entered into a lease agreement with various telecom companies for the joint use of the District's Distribution Poles. Telecom companies pay rent for the pole on which they have attached wires or cables. Amounts received from these lease agreements were reported as operating rental income. Operating Rental Income for the year ending December 31, 2016 was $69,912.

NOTE 14 – RISK MANAGEMENT

Self-Insurance Fund

The District is a member of the Public Utility Risk Management Services Self-Insurance Fund (PURMS). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made according to the provisions of Chapter 54.16 RCW, and interlocal government agreements.

The Pool was formed on December 31, 1976 when certain Public Utility Districts (PUDs) in the State of Washington joined together by signing an Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, there were seventeen, seventeen, and twelve members in the Liability, Property, and Health & Welfare pools, respectively. The Pool provides liability, property, and health and welfare coverage for its members and their employees under an agreement entitled "PURMS Joint Self-Insurance Agreement" (SIA).

Liability Risk Pool

The Liability Pool has a self-insured retention (Liability Coverage Limit) of $1,000,000 per occurrence and excess liability insurance in the amount of $35 million in which all members must participate. The liability pool also offers an additional layer of Excess Liability Insurance coverage for those Members that choose to participate. For 2016, this additional Excess Liability Insurance layer was $25 million excess of $35 million. Finally, the Liability Pool offers Public Officials liability coverage for a Subgroup of members of the Liability Pool who chose to participate in the coverage. For 2016, the Public Officials coverage was $35 million excess of the coverage provided by the liability Pool's $1 million Coverage Limit. This pool is financed through assessments of its members. These assessments occur at the beginning of each calendar year and at any time the Liability Pool Balance becomes $500,000 less than the Designated Liability Pool Balance, $3.0 million.

The total paid for Liability Claims in 2016 was $999,923, including claims adjustment expenses, i.e. costs and attorney's fees for defending claims (but excluding Liability Pool Operating Expenses). The annual automatic assessment issued at the beginning of January 2017, replenished the Liability Pool to its $3.25 million designated balance, as of December 31, 2016, under accrual accounting principles.

As of December 31, 2016, there were 84 known incidents or unresolved Liability Claims pending against one or more Members or former Members of the Liability Pool ("Pending Liability Claims"). The total amount of the risk posed by these Pending Liability Claims to such members and to the Liability Pool itself is not precisely determinable. However, the Case Reserve set by the Administrator for these Claims, as of December 31, 2016, was $206,604.

Because of the total dollar amount of the risk posed by the risk pool's "unpaid claims" liability is based on Case Reserves estimated by the administrator, and because the amount of "incurred but not-reported" claims ("IBNR Liability") is based on an actuarial report prepared by PURMS" retained actuary, this provides no opinion and makes no representation as to the risk the total "unpaid claims" liability at any confidence level poses to the solvency of the liability pool. However, as a contractual matter, since the PURMS interlocal agreement requires members participating in the liability pool to pay their liability assessments within thirty (30) days of the date they are issued, assuming that these assessment obligations of members are enforceable and that the members are at the time solvent and pay such assessments, the liability pool would have the assets to pay the "unpaid" claims" liability claims on behalf of its participating members for any reasonably foreseeable risk such claims pose to the property pool.

Property Risk Pool

PURMS provides property insurance coverage for its Members participating in the Property Risk Pool. The Property Pool has a self-insured retention (Property Coverage Limit) of $250,000 per Property Loss. PURMS also maintains Excess Property Insurance for its members in the Property Pool of $200 million over the $250,000 retention level. This pool is financed through assessments of its members. This pool is financed through assessments of its members. These assessments occur at the beginning of each calendar year and at any time the Property Pool Designated Balance becomes $250,000 less than the Designated Property Pool Balance, $750,000.

The total Property Claims in 2016 was $100,539, including claim adjusting expenses, i.e. costs and attorney's fees for defending claims (but excluding Property Pool Operating Expenses). The annual automatic assessment issued at the beginning of January 2017, replenished the Property Pool to its $750,000 Designated Balance, as of December 31, 2016 under accrual accounting principles.

As of December 31, 2016, there were 14 known incidents or unresolved property claims pending from one or more members of the property pool ("pending property claims"). The total dollar of the risk pose to the property pool by these pending claims in not precisely determinable. However, the reserves set by the administrator for these claims, as of December 31, 2016, was $42,890.

Because the total dollar amount of the risk posed by the property pool's "unpaid claims ("IBNR Liability") is based on an actuarial report prepared by the PURMS retained actuary, this letter provides no opinion and makes no representation as to the risk the total "unpaid claims" liability at any confidence level poses to the solvency of the property pool. However, as a contractual matter, since the PURMS interlocal agreement requires members participating in the property pool to pay their property assessments within thirty (30) days of the date they are issued, assuming that these assessment obligations of members are enforceable and that the members are at the time solvent and pay such assessments, the property pool would have the assets to pay the "unpaid Claims" liability on behalf of its participating members for any reasonable foreseeable risk

Health and Welfare Risk Pool

PURMS provides health and welfare insurance coverage for the employees of its members participating in the Health and Welfare Risk Pool. The H&W Pools operations are financed through assessments of its members under the H&W General Assessment Formula. Each month, each member of the H&W Pool is assessed for the cost the H&W Pool incurred during the preceding month for the H&W Claims for such member's employees and for such member's share of Shared H&W Costs, including administrative expenses, premiums for Stop-Loss insurance, PPO charges and Shared H&W Claims.

The exposure of each H&W Pool Member to the H&W Claims Costs of its employees is limited by Stop-Loss Points. The first two Stop-Loss Points are established annually by the Excess Stop-Loss Insurance that the H&&W Pool acquires and maintains for its members. These Stop-Loss Points represent the dollar amounts at which the Stop-Loss Insurance attaches and begins paying either the H&W Claim Costs for an individual Employee's total medical claims for the year (H&W Pool Individual Stop Loss Point) or the H&W Claims Costs of all employees of all members for the year (H&W Pool Aggregate Stop Loss Point). For 2016, the H&W Pool Individual Stop-Loss Point was $275,000 per employee and the H&W Pool Aggregate Stop Loss Point was $16,972,611 for the combined H&W Claims Costs of all employees of all members of the H&W Pool.

Additionally, each H&W Pool Member's exposure to the H&W Claims Costs for its employees is further limited by another Stop-Loss point determined by the H&W Pool for its Members. Medical expenses that exceed the Member Stop-Loss Points become Shared H&W Claims and are assessed as Share H&W Costs which are paid by all H&W Pool Members. The Member Stop-Loss Points are calculated annually under the H&W Assessment Formula.

The total paid by H&W Pool for H&W Claims Costs in 2016 was $14,625,644 (including shared H&W Claims but excluding H&W Pool Operating Expenses).

The most recent Actuarial Report for the H&W Pool, dated January 30, 2017 states that the H&W Pool's incurred but not reported reserve liability for medical coverage is $901,167 (Medical IBNR). The report states that this number reflects the actuary's "… best estimates of the amount for which PURMS (i.e. the H&W Pool) would be liable if the (medical) benefit program had terminated on December 31, 2016…" In addition, as directed by WAC 200-110-040(3), the administrator has determined that 8 weeks of program expenses for prescription drug, dental and vision benefits was $381,773, $141,995, and $32,896, respectively. These numbers are based on the monthly average expenditures for these benefits over (12) month period of claims experience ending December 31, 2016. The Administrator has estimated medical claims adjusting expenses (CAE) to be $27,035 and $3,592 for prescription drug, dental and vision benefits. The Medical (IBNR of $928,202 established by the Actuarial Report and the 8 weeks of program expenses calculated by the Administrator for prescription drug, dental and vision benefits, in the combined amount of $560,256, results in a total H&W Pool Reserves requirement under WAC 200-100-040 of $1,488,458 as of December 31, 2016. The amount of the Designated H&W Pool Reserves as of December 31, 2016 was $2,785,633. Under H&W assessment formula, the Monthly H&W Assessment of each Member pays for the H&W claims costs of the previous month and its allocation of Shared H&W costs to replenish the H&W Pool to the amount of the Designated H&W Poll Reserves.

Because the H&W Pool Program Liability is based on the Actuarial Report, and on the Administrator's calculations for prescription drug, dental and vision benefits, this provides no opinion and makes no representation as to the risk the known and IBNR Claims that make up that Program Liability pose to the solvency of the H&W Pool. However, as a contractual matter, since the interlocal agreement requires each Member participating in the H&W Pool to pay its H&W assessment on a monthly basis within (20) days of the date it is issued to fully replenish its share of the H&W Pool Reserves, assuming that these Assessments obligations of Members under the SIA are enforceable and that the Members are at the time solvent and pay such Assessments, the H&W Pool would have the assets to pay the Program Liability on behalf of each of its participating Members. Furthermore, this letter makes no representations relating to the solvency of any H&W Pool Member or its Health Plan, or the ability of the Member or Health Plan to pay its Assessments issued by H&W Pool.

NOTE 15 – CONTINGENT LIABILITIES AND LITIGATION

The District has recorded in its financial statements all material liabilities. There are no violations or possible violations that should be considered for disclosure in the financial statements as a loss contingency.

NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (OPEB) PLANS

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions: this statement requires state and local governments to account and report their costs of Other Post-Employment Employee Benefits. These benefits include medical, dental, vision, hearing, life insurance, and other non-pension post-employment benefits.

Skamania PUD makes available health, vision, dental and life insurance for all employees who retire under the Public Employees' Retirement System (PERS) program. The OPEB plan is administered by the District as a single-employer defined benefit healthcare plan with a funding policy that is based on a pay-as-you-go basis. Upon retirement, retirees pay 100% of the premium. All amendments to the plans benefits or funding policy, if any, would be implemented through board resolutions for non-union employees and negotiations with the International Brotherhood of Electrical Workers, Local Union 125 for union members.

The Skamania PUD OPEB plan does not issue a separate report.

The District used the Alternative Measurement Method (AMM) as allowed by GASB 45 and used Milliman's online OPEB tool to determine its Unfunded Actuarial Accrued Liability (UAAL) and Annual Required Contributions (ARC). The ARC consists of the following: 1) normal cost: cost for OPEB benefits attributable to the current year of service; and 2) amortization payment: a catch-up payment for past service costs to amortize the Unfunded Actuarial Accrued Liability over 30 years. As of December 31, 2016, the District's net OPEB obligation is $873,125. The following assumptions were used in the calculations:

- Average retirement age - 58
- Actual contribution - $0
- Total OPEB Retiree Premium for 2016 - $42,459

- Age adjustment factor – 1.913
- Annual Required Contribution (ARC) - $118,281
- Payroll Growth Rate – 2.30%
- Discount Rate - .25%
- Net OPEB Obligation (NOO) beginning of year - $814,959
- Actuarial Value of Assets - $0
- Amortization Period – 24 years
- Actuarial Accrued Liability - $1,463,312
- Amortization Method – Level Percent of Payroll
- Medical inflation rate of 9% in year 1, and decreasing to 4.7% in year 10 and thereafter

CALCULATION OF NET OPEB OBLIGATION - 2016

Description	Calculated Amount
Annual Required Contribution	$ 121,002
Interest on Net OPEB Obligation	$ 2,037
Adjustment to Annual Required Contribution	$ (26,108)
Annual OPEB Cost	$ 96,931
Age Adjusted Contributions Made	$ (38,765)
Change in Net OPEB Obligation	$ 58,166
Net OPEB Obligation - Beginning of Year	$ 814,959
Net OPEB Obligation - End of Year	$ 873,125

HISTORY OF NET OPEB OBLIGATION

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	$ 96,961	$ 38,765	40.0%	$ 873,125
12/31/2015	$ 96,405	$ 22,108	22.9%	$ 814,959
12/31/2014	$ 95,893	$ 23,202	24.2%	$ 740,662

Actuarial valuations for the Skamania PUD OPEB are performed every three years with the most recent valuation conducted as of December 31, 2014. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations reflect a long-term perspective and the calculation in each valuation is based on the types of benefits provided under terms of the substantive plan and on the pattern of sharing of costs between the employer and the members to that point. As of the most recent valuation, employees pay 100% of the premium for their OPEB benefits and the District 0%.

As of December 31, 2016, the Unfunded Actuarial Accrued Liability (UAAL) was $1,463,312 and the plan was 0% funded.

The schedule of funding progress, presented as required supplemental information (RSI) in the section immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 17 – CONSERVATION

The District participates in the Bonneville Power Administration's (BPA) conservation incentive programs. BPA provides conservation funding to the District through the Energy Efficiency Incentive (EEI) Program.

The District has determined that Efficiency Services Group, LLC (ESG, LLC) can most efficiently and costs effectively provide services for implementation of conservation measures in accordance with BPA requirements. Therefore, the District has entered into a contract with ESG, LLC to provide energy efficiency services, which comply with the BPA Conservation Program requirements.

PUBLIC UTILITY DISTRICT NO. 1 OF SKAMANIA COUNTY

Other Post-Employment Benefits
Required Supplemental Information
Schedule of Funding Progress for year ended December 31, 2016

Actuarial valuations for the Skamania PUD OPEB are performed every three years. The following is a schedule of funding progress for the most recent valuation that took place in 2014 and the two preceding valuations, completed in 2011 and 2008.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2014	$0	$ 1,463,312	$ 1,463,312	0%	$ 2,562,762	57.10%
12/31/2011	$0	$ 982,145	$ 982,145	0%	$ 2,364,984	41.53%
12/31/2008	$0	$ 1,197,704	$ 1,197,704	0%	$ 1,915,354	62.53%

Notes to RSI:

The following is a summary of the key assumptions used in the most recent valuation:

- Average retirement age: 58
- Actuarial Cost Method: Entry Age
- Amortization Method: Level Percentage of Payroll
- Amortization Period: 24 Years
- Assets backing OPEB Liability: $0
- Employer asset return: .25%, a decrease from 2.9% in 2011 due to the decrease in interest rates.
- Discount Rate .25%, a decrease from 2.9% in 2011 due to the decrease in interest rates.
- Project salary increases: 2.3% - based on the Districts average pay rate increase from 2011 to 2015.
- Medical inflation rate of 9% in year 1, and decreasing to 4.7% in year 10 and thereafter.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

SKAMANIA COUNTY PUBLIC UTILITY DISTRICT #1
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plan 1
As of June 30, 2016
Fiscal Years: 2015, 2016

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	%	0.020470%	0.020866%								
Employer's proportionate share of the net pension liability	$	1,070,771	1,120,602								
LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer	$	-	-								
TOTAL	$										
Employer's covered employee payroll	$	2,346,093	2,496,944								
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	45.64%	44.88%								
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%	57.03%								

Notes to Schedule:

Note 1: Information Provided
The district implemented GASB 68 for the year end December 31, 2015, therfore there is not data available for years prior to 2014

Note 2: Significant Factors
There were no changes of benefit terms, no significant changes in the employees covered under the benefit term, or the use of different assumptions.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

SKAMANIA COUNTY PUBLIC UTILITY DISTRICT #1
Schedule of Proportionate Share of the Net Pension Liability
Public Employees' Retirement System Plans 2 and 3
As of June 30, 2016
Fiscal Years: 2015, 2016

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	%	0.026438%	0.026738%								
Employer's proportionate share of the net pension liability	$	944,645	1,346,237								
LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer	$	-	-								
TOTAL	$										
Employer's covered employee payroll	$	2,346,093	2,496,944								
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	40.26%	53.92%								
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%	85.82%								

Notes to Schedule:

Note 1: Information Provided
The district implemented GASB 68 for the year end December 31, 2015, therfore there is not data available for years prior to 2014

Note 2: Significant Factors
There were no changes of benefit terms, no significant changes in the employees covered under the benefit term, or the use of different assumptions.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

SKAMANIA COUNTY PUBLIC UTILITY DISTRICT #1
Schedule of Employer Contributions
Public Employees' Retirement System Plan 1
As of December 31, 2016
Fiscal Years: 2015, 2016

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$	105,632	115,046								
Contributions in relation to the statutorily or contractually required contributions	$	(105,632)	(115,046)								
Contribution deficiency (excess)	$	-	-								
Covered employer payroll	$	2,415,968	2,411,867								
Contributions as a percentage of covered employee payroll	%	4.37%	4.77%								

Notes to Schedule:

Note 1: Information Provided
The district implemented GASB 68 for the year end December 31, 2015, therfore there is not data available for years prior to 2014

Note 2: Significant Factors
There were no changes of benefit terms, no significant changes in the employees covered under the benefit term, or the use of different assumptions.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

SKAMANIA COUNTY PUBLIC UTILITY DISTRICT #1
Schedule of Employer Contributions
Public Employees' Retirement System Plans 2 and 3
As of December 31, 2016
Fiscal Years: 2015, 2016

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	$	135,539	150,260								
Contributions in relation to the statutorily or contractually required contributions	$	(135,539)	(150,260)								
Contribution deficiency (excess)	$	0	0								
Covered employer payroll	$	2,415,968	2,411,867								
Contributions as a percentage of covered employee payroll	%	5.61%	6.23%								

Notes to Schedule:

Note 1: Information Provided
The district implemented GASB 68 for the year end December 31, 2015, therfore there is not data available for years prior to 2014

Note 2: Significant Factors
There were no changes of benefit terms, no significant changes in the employees covered under the benefit term, or the use of different assumptions.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
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Toll-free Citizen Hotline	(866) 902-3900
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