



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Public Utility District No. 3 of Mason
County

For the period January 1, 2017 through December 31, 2017

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**Office of the Washington State Auditor
Pat McCarthy**

July 19, 2018

Board of Commissioners
Public Utility District No. 3 of Mason County
Shelton, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In those selected areas, District operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

About the audit

This report contains the results of our independent accountability audit of Public Utility District No. 3 of Mason County from January 1, 2017 through December 31, 2017.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the year ended December 31, 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Cash receipting and refunds
- Subsidization between utility systems
- Credit card policy and usage
- Energy conservation rebates
- Utility billing adjustments

RELATED REPORTS

Financial

Our opinion on the District's financial statements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Other reports

During the current audit period, the State Auditor's Office issued an examination report on the District's compliance with the state of Washington's Energy Independence Act. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Mason County Public Utility District No. 3 was established by vote in 1934 to provide electrical service. The District owns and operates 11 substations, 1,777 miles of primary lines, 29.80 miles of 115 kV transmission lines and 1,082 miles of underground lines. It serves approximately 33,000 customers in its 567 square-mile service area with 123 employees. Until 2002, the District had no electrical generation capacity of its own and purchased all of its power from the Bonneville Power Administration. During 2002, a project to provide 5.2 MW of generating capacity was completed and the Olympic View Generating Station began producing electricity. In addition to electrical service, the District acts as a wholesaler for several retailers that provide telecommunication services over its fiber optic network to consumers in the area. The District has 516 miles of fiber optics and serves 1002 connections. Initiative I-937 requires PUD's to invest in renewable energy sources, to promote conservation and efficient use of power. The District is involved with a group of Washington PUD's that have joint ventures with Northwest Energy in wind power. The District is also a member of NoaNet.

A three-member Board of Commissioners, elected to six-year terms by District voters, governs the District's operations. The Board appoints a General Manager. The District's annual operating budget was approximately \$59.7 million for 2017. The vast majority of the District's revenue comes from sale of electric power.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for Public Utility District No. 3 of Mason County at <http://portal.sao.wa.gov/ReportSearch>.

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.

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