Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Public Utility District No. 1 of Stevens County

For the period January 1, 2016 through December 31, 2017

Published January 17, 2019

Report No. 1023068

Office of the Washington State Auditor
Pat McCarthy

January 17, 2019

Board of Commissioners
Public Utility District No. 1 of Stevens County
Loon Lake, Washington

Report on Financial Statements

Please find attached our report on Public Utility District No. 1 of Stevens 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

TABLE OF CONTENTS

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 Stevens County
January 1, 2016 through December 31, 2017

Board of Commissioners
Public Utility District No. 1 of Stevens County
Loon Lake, 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 Stevens County, as of and for the years ended December 31, 2017 and 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 December 20, 2018. As discussed in Note 12 to the financial statements, during the year ended December 31, 2016, the District implemented Governmental Accounting Standards Board Statement No. 82, *Pension Issues*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described 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.

In addition, we noted certain matters that we will report to the management of the District in a separate letter dated January 11, 2019.

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

December 20, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Public Utility District No. 1 of Stevens County
January 1, 2016 through December 31, 2017

Board of Commissioners
Public Utility District No. 1 of Stevens County
Loon Lake, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Public Utility District No. 1 of Stevens County, as of and for the years ended December 31, 2017 and 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 opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

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 Stevens County, as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 12 to the financial statements, in 2016, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 82, *Pensions Issues*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 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 December 20, 2018 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

December 20, 2018

FINANCIAL SECTION

Public Utility District No. 1 of Stevens County
January 1, 2016 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis – 2017 and 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017 and 2016
Statement of Revenues, Expenses and Changes in Net Position – 2017 and 2016
Statement of Cash Flows – 2017 and 2016
Notes to the Financial Statements – 2017 and 2016

REQUIRED SUPPLEMENTARY INFORMATION

Other Post-Employment Benefits – Retiree Medical Benefits – Schedule of Funding Progress – 2017 and 2016
Schedule of Proportionate Share of the Net Pension Liability – PERS 1 and PERS 2/3 – 2017 and 2016
Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2017 and 2016
Notes to Required Supplemental Information – Pension – 2017 and 2016

The General Manager of Public Utility District No. 1 of Stevens County (the District) is providing this overview and summary analysis of the financial activities of the District for the years ended December 31, 2016 and 2017, with additional comparative data for 2015. This discussion and analysis should be read in conjunction with the District's financial statements and notes to the financial statements, which follow this section.

Summary of Operations

The District owns and operates 17 public water systems with approximately 4,833 connections, and 7 public sewer systems with approximately 1,476 connections. The water and sewer systems serve homes, businesses, and other organizations including schools and churches. The systems are spread throughout Stevens County and northern Spokane County, 75 miles apart at the farthest point. The District's office and main shop are located at Loon Lake, in south Stevens County.

The District also owns and operates a Septage Reuse Facility which accepts both septic tank contents from commercial pumpers meeting certain conditions, and from District-owned sewer tanks. The septage is screened, stored and then periodically injected into the adjacent cropland as a fertilizer and soil conditioner.

The District also owns a broadband distribution system. Since completion in 2013, the District has contracted with Northwest Open Access Network (NoaNet) to operate the system. The broadband system provides wholesale broadband service to Internet Service Providers, who then sell the service to end users.

Financial Highlights

- At the end of December 31, 2017 and 2016, the total assets and deferred outflows of resources of the District exceeded its liabilities and deferred outflows of resources by approximately $34.0 million. Of this amount, in 2017, $6.2 million may be used to meet the government's ongoing obligations to citizens and creditors. In 2016, $5.2 million may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's operating income was $409,128 in 2017, a $38,383 decrease compared to 2016. While water usage revenues increased compared to 2016, operating expenses increased at a greater pace, specifically general operations expenses, which increased by more than $230,000 over 2016 expenses.
- The District's operating income was $447,511 in 2016, a $34,649 decrease compared to 2015. This was a result of decreased other charges for services from 2015 to 2016.

Overview of the Financial Statements

The District's basic financial statements are composed of two components: proprietary fund financial statements and notes to the financial statements. The District is a single-enterprise fund with voter-approved authority for sewer service. The District also has authority under the Revised Code of Washington to provide water and wholesale fiber-optic telecommunications services.

The financial statements of the District are designed to provide readers with a broad overview of the District's finances, similar to statements of a private-sector business. They have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows. These statements offer both short-term and long-term financial information.

The financial statements presented in the following pages of this document are composed of:

Statement of Net Position: This statement presents information on the District's assets, deferred outflows, liabilities and deferred inflows, with the balance reported as "net position". Increases or decreases in net position are useful indicators of the financial position of the District.

Statement of Revenues, Expenses, and Changes in Fund Net Position: This statement presents information on the District's revenue and expenses. This statement measures the success of the District's operation and its ability to recover its costs through user fees and other charges. Revenues and expenses are classified as operating or non-operating based on the nature of the transaction.

Statement of Cash Flows: The *Statement of Cash Flows* presents information about the District's cash receipts and cash payments. This statement reports net cash receipts from operations, non-operating activity, investing, and financing activities, plus changes in cash balances during the year.

Notes to the Financial Statements: The notes presented at the end of the basic statements, are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flows and should be considered as part of the whole presentation. The notes provide a more comprehensive assessment of the District's financial condition.

Financial Analysis

Statement of Net Position

Total net position may serve as a useful indicator of the District's financial position. At the end of 2017, the District's net position was $33.9 million, decreasing $126,000 from 2016. The ending net position for 2016 showed a modest increase of $0.7 million compared with $33.4 million at the end of 2015.

The following table presents a summary of the data presented in the financial statements, followed by an analysis of the data:

Condensed Comparative Statement of Net Position for 2017, 2016 and 2015 (in thousands)

	2017	**2016**	Restated **2015**
Current and other assets	$ 7,410	$ 6,521	$ 5,635
Capital Assets (net of Depreciation)	30,054	31,533	31,843
Total Assets	37,464	38,054	37,478
Deferred Outflows of Resources	80	131	81
Other liabilities	669	687	582
Long-term liabilities	2,834	3,428	3,479
Total Liabilities	3,503	4,115	4,061
Deferred Inflows of Resources	137	40	120
Net Investments in Capital Assets	27,691	28,840	29,037
Restricted	21	20	1,499
Unrestricted	6,193	5,171	2,842
Total Net Position	$ 33,905	$ 34,031	$33,378

Cash balances are affected by operating revenue and expenses, non-operating revenue and expenses, and other factors including capital investment in assets. In 2017, cash and cash equivalents, including both restricted and unrestricted, increased by $1.1 million. While cash generated from operating activities was slightly less than 2016, the cash used for capital and debt service was more than $250,000 less in 2017 than 2016, resulting in higher cash balance overall. In 2016, cash and cash equivalents also increased by $1.5 million, as operating results were steady while debt service payments decreased significantly from the prior year.

The largest portion of the District's net position is the classification net investment in capital assets. This classification reflects the District's investment in capital assets (land, intangible assets such as easements and water rights, buildings, plant, and equipment) less any remaining related debt. The classification net investment in capital assets has been on a decreasing trajectory from 2015 to 2016 and again from 2016 to 2017, decreasing $197,000 and $1.1 million, respectively. These are both a result of normal depreciation offset by water and sewer equipment and improvement additions, and scheduled principal payments on debt. The District's new capital spending has decreased in the last few years but is expected to increase in 2018 and beyond.

An additional portion of the District's total net position is in restricted assets, which represents resources that are subject to external restrictions on how the funds may be used. The District's restricted net position is generally restricted for capital purposes. Restricted net position was stable between 2016 and 2017 but reflected a decrease of $1.5 million between 2015 and 2016. The decrease in 2016 is due to the special assessment underlying debt being paid off, causing the receipts and receivables to become unrestricted.

The remainder of the District's net position is unrestricted assets, which may be used to meet the District's ongoing obligations to customers and creditors. Unrestricted net position increased $1.0 million in 2017, due to continued accumulation of operating income. Unrestricted net position increased $2.3 million in 2016, as underlying debt on sewer special assessments was paid off and related special assessment receipts and receivables were no longer restricted.

Statement of Changes in Net Position

In 2017, the District's net operating income was $409,128, a decrease of just over $38,000 from 2016. For 2016, the District generated $447,511 in net operating income, a slight decrease from 2015. Following are the key elements in a condensed version of the Statement of Changes in Net Position for the District.

Condensed Comparative Statement of Changes in Net Position for 2017, 2016 and 2015 (in thousands)

	2017	2016	Restated 2015
Operating Revenues			
Charges for services	$ 3,877	$ 3,705	$ 3,766
Miscellaneous	10	20	21
Nonoperating Revenues			
Interest earned	72	56	60
Other revenues	(60)	(29)	(188)
Total Revenues	3,899	3,752	3,659
Operating Expenses			
General operations	1,436	1,199	1,190
Maintenance	116	62	64
Administration	771	832	880
Depreciation	1,011	1,033	1,016
Excise and B&O taxes	145	151	155
Nonoperating Expenses			
Interest Expense	32	35	42
Other nonoperating expense	-	-	37
Total Expenses	3,510	3,312	3,384
Income Before Contributions	389	440	275
Capital Contributions	172	213	144
Special Item	(687)	-	-
Change in Net Position	(126)	653	419
Net Position, Beginning of Year	34,031	33,378	33,731
Change in accounting principles	-	-	(779)
Prior period adjustment	-	-	7
Net Position, End of Year	$ 33,905	$ 34,031	$33,378

Operating revenues in 2017 increased by approximately $162,000, primarily due to an increase in water and sewer rates. In 2016 however, operating revenues decreased approximately $63,000 due to reduced water usage during the year. Operating expenses increased from 2016 to 2017 primarily in the area of general operations due to increased cost for certain services, including engineering consultants, legal services and contracted wastewater treatment. Operating expenses were stable from 2015 to 2016. In 2017 there were losses again on the disposal of assets totaling $74,000. Nonoperating revenues increased in

2016, due to a loss on the disposal of capital assets in 2015 in the amount of $230,000. In 2015, nonoperating expenses are related to a special water project for the state, there was no such cost in 2016 or 2017.

Capital contributions were $171,606 in 2017, $213,185 in 2016, and $143,735 in 2015. The largest capital contributions in 2015 were from plant investment fees for new water and sewer connections. Capital contributions in 2016 were largely from capital grants for loan forgiveness and water projects. In 2017, the largest capital contribution was once again from plant investment fees from new water connections.

In 2017, the District presented a special item in the amount of $687,000 relates to a change in accounting policy regarding the expensing rather than capitalization of meters.

The District continues to maintain a solid financial position, as indicated by the relatively constant total net position.

Capital Assets

Funds for capital construction for the water and wastewater systems and the septage facility are provided for through a combination of installation charges, cash flow from revenues, developers, and various funding sources from Federal, state, and local governments. In 2017, the decrease is primarily due to the disposal of assets, that resulted in a loss of approximately $713,000 on the disposal coupled with regularly occurring depreciation of assets. In 2016, the decrease of $310,000 in net capital assets was due to depreciation of $1.0 million offset by the District purchasing $729,000 of capital assets. See Note 3 of the accompanying notes to the financial statements for further detail related to Capital Asset activity.

	2017	2016	Restated 2015
Land	$ 1,195,867	$ 1,201,867	$ 1,201,867
Intangible - easements and water rights	751,035	751,035	630,815
Construction in progress	25,818	-	525,377
Plant	12,564,137	12,546,866	12,553,366
Machinery and Equipment	6,495,969	7,113,569	6,709,049
Other Improvements	26,430,240	27,260,351	26,612,842
Less accumulated depreciation	(17,408,178)	(17,340,657)	(16,389,989)
	$ 30,054,888	$ 31,533,031	$ 31,843,327

Long Term Debt Activity

Total long-term debt principal outstanding was $2.4 million at December 31, 2017, $2.7 million at December 31, 2016 and $2.8 million at December 31, 2015. The decrease from 2016 to 2017 was due to regular debt service payments. The change from 2015 to 2016 was a net decrease of approximately $113,000, as a result of the District drawing $323,550 in Department of Commerce loans and making payments of approximately $341,000. In addition, $95,700 in loan principal was forgiven. The largest portion of the District's long-term debt are low-interest loans from the Drinking Water State Revolving Fund. The interest rates on these loans vary from 0.5% to 1.5%.

The District has dedicated certain charges for water services and water assessment receipts for payment of water system loans.

For more information on the District's long-term debt, see Note 4.

Summary and Outlook

The District continues to maintain its strong financial position in 2017. Water system charges have increased and the water system continues to provide the majority of the net income for the District. The revenue and financial performance for the septage facility has improved in 2016 and 2017. The sewer system continues to operate at a net loss as sewer revenues do not fully cover depreciation expenses.

Requests for Information

This financial report is designed to provide the District's customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about the report or need additional information, contact the District's General Manager at:

Public Utility District No. 1 of Stevens County
Attention: General Manager
P.O. Box 592
Loon Lake, WA 99148

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PUBLIC UTILITY DISTRICT NO. 1 OF STEVENS COUNTY
STATEMENT OF NET POSITION
As of December 31, 2017 and 2016

ASSETS		12/31/2017		12/31/2016
Current assets:				
Cash and cash equivalents	$	5,337,960	$	4,231,860
Receivables (net):				
Utilities		281,180		259,932
Other accounts receivable		49,362		38,026
Special assessments receivable		76,724		78,571
Interest receivable		3,995		2,344
Restricted assets:				
Cash and cash equivalents - customer deposits		158,984		163,522
Other restricted cash and equivalents		20,512		20,315
Inventories		52,510		51,430
Prepayments		-		2,535
TOTAL CURRENT ASSETS		5,981,227		4,848,535
Noncurrent assets:				
Special assessments receivable		533,316		623,668
Capital assets not being depreciated		1,972,720		1,952,902
Capital assets being depreciated (net)		28,082,168		29,580,129
Other Noncurrent Assets (net)				
Property held for future use		894,977		894,977
Assets held for resale		-		153,806
TOTAL NONCURRENT ASSETS		31,483,181		33,205,482
TOTAL ASSETS		37,464,408		38,054,017
DEFERRED OUTFLOWS OF RESOURCES				
Amounts related to pensions		80,018		131,490
TOTAL DEFERRED OUTFLOWS OF RESOURCES		80,018		131,490

The notes to financial statements are an integral part of this statement

PUBLIC UTILITY DISTRICT NO. 1 OF STEVENS COUNTY
STATEMENT OF NET POSITION
As of December 31, 2017 and 2016

LIABILITIES		12/31/2017		12/31/2016
Current liabilities:				
Accounts/vouchers payable		80,515		82,245
Accrued wages and benefits		90,459		92,987
Customer deposits		158,984		163,521
Taxes payable		11,929		9,630
Accrued interest		7,205		9,019
Compensated absences - current		25,406		31,150
Loans payable - current		294,561		298,451
TOTAL CURRENT LIABILITIES		669,059		687,003
Noncurrent liabilities:				
Loans payable		2,069,287		2,395,116
Claims liability payable		80,101		92,512
Compensated absences		108,312		130,272
Net pension liability		561,697		792,603
Other postemployment benefits		14,587		17,411
TOTAL NONCURRENT LIABILITIES		2,833,984		3,427,914
TOTAL LIABILITIES		3,503,043		4,114,917
DEFERRED INFLOWS OF RESOURCES				
Amounts related to pensions		136,522		39,957
TOTAL DEFERRED INFLOWS OF RESOURCES		136,522		39,957
NET POSITION				
Net investment in capital assets		27,691,040		28,839,464
Restricted		20,512		20,316
Unrestricted		6,193,309		5,170,853
TOTAL NET POSITION	$	33,904,861	$	34,030,633

The notes to financial statements are an integral part of this statement

PUBLIC UTILITY DISTRICT NO. 1 OF STEVENS COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2017 and 2016

		12/31/2017		12/31/2016
OPERATING REVENUES				
Utility sales & service fees	$	3,837,543	$	3,666,227
Other charges for services		39,927		39,039
Other operating revenue		9,922		19,873
TOTAL OPERATING REVENUE		3,887,392		3,725,139
OPERATING EXPENSES				
General operations		1,435,648		1,199,016
Maintenance		115,884		62,292
Administration		770,666		831,889
Depreciation		1,011,144		1,033,409
Excise and B&O taxes		144,922		151,022
TOTAL OPERATING EXPENSES		3,478,264		3,277,628
OPERATING INCOME (LOSS)		409,128		447,511
NONOPERATING REVENUES (EXPENSES)				
Interest & dividend income		72,039		55,693
Interest expense & related charges		(31,819)		(35,069)
Gains (losses) on asset disposition		(74,082)		(28,987)
Other nonoperating revenues (expenses)		13,997		-
Total Nonoperating revenues (expenses)		(19,865)		(8,363)
Income before contributions		389,263		439,148
Capital contributions		171,606		213,185
Special Item		(686,641)		-
CHANGE IN NET POSITION		(125,772)		652,333
TOTAL NET POSITION, January 1 (restated for 2016)		34,030,633		33,378,300
TOTAL NET POSITION, December 31	$	33,904,861	$	34,030,633

The notes to financial statements are an integral part of this statement

PUBLIC UTILITY DISTRICT NO. 1 OF STEVENS COUNTY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017 and 2016

	12/31/2017	12/31/2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 3,800,422	$ 3,907,267
Other cash receipts	149,568	27,080
Payments to suppliers	(1,121,790)	(864,791)
Payments to employees	(1,328,502)	(1,338,593)
Other cash payments	-	(121,908)
Payments of excise taxes	(142,622)	(150,645)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,357,076	1,458,410
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Special assessment receipts	92,199	132,943
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	92,199	132,943
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(226,158)	(704,903)
Proceeds on capital-related debt	-	323,550
Principal paid on revenue bonds and long-term debt	(329,719)	(340,903)
Capital contribution	171,606	117,485
Interest paid on revenue bonds and long-term debt	(33,633)	(35,506)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(417,904)	(640,277)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	70,388	53,349
NET CASH PROVIDED BY INVESTING ACTIVITIES	70,388	53,349
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,101,759	1,004,425
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR - RESTATED	4,415,697	3,411,272
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 5,517,456	$ 4,415,697
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and cash equivalents	5,337,960	4,231,860
Restricted cash - customer deposits	158,984	163,522
Restricted cash - other	20,512	20,315
TOTAL CASH AND CASH EQUIVALENTS	$ 5,517,456	$ 4,415,697

The notes to financial statements are an integral part of this statement

PUBLIC UTILITY DISTRICT NO. 1 OF STEVENS COUNTY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017 and 2016

RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		12/31/2017		12/31/2016
Net operating income (loss)	$	409,128	$	447,511
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation		1,011,144		1,033,409
(Increase) Decrease in Receivables		(32,584)		182,128
Increase (Decrease) in Customer Deposits		(4,537)		-
(Increase) Decrease in Inventories		(1,080)		(22,161)
(Increase) Decrease in Prepaid Expenses		2,535		17,128
Increase (Decrease) in Current Payables		(11,326)		(33,841)
Increase (Decrease) in Accrued Payroll		(2,528)		(7,729)
Other receipts (payments)		99,721		(94,828)
Increase (Decrease) in Pension Activity		(82,869)		(33,031)
Increase (Decrease) in Accrued Employee Benefits		(30,528)		(30,176)
Cash provided by operating activities	$	1,357,076	$	1,458,410

NONCASH INVESTING, FINANCING AND CAPITAL ACTIVITIES				
Capital assets financed by accounts payable	$	17,694	$	18,210
Forgiveness of Debt		-		95,700

The notes to financial statements are an integral part of this statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Stevens County Public Utility District No. 1 (the District) conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the most significant policies:

a. Reporting Entity

Stevens County Public Utility District No. 1 is a municipal corporation governed by an elected three-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The District has no component units.

The District is a special purpose government that provides water supply and distribution and sewer services. In addition, the District provides septage disposal and wholesale telecommunications services.

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 Chapter 43.09 RCW.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

Unbilled utility service receivables are recorded at year end.

The District distinguishes operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water and sewer service. The District also recognizes as operating revenue the income from its Septage Reuse Facility, rental and lease income, and contract work done for others.

Operating expenses for the District include the cost of sales and services, administrative expenses, depreciation on capital assets, and excise taxes. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, certificates of deposit, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For the purposes of the statement of cash flows, the District considers the Washington State Local Government Investment Pool and the Spokane County Investment Pool as cash. Investments in the State Investment Pool and the Spokane County Investment Pool are classified as cash equivalents on the financial statements.

Certain Investments for the District are reported at fair value in accordance with GASB statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Likewise, some investments are reported at amortized costs.

The primary requirements of the District's investment policy are security, liquidity, and yield, in that order, and investments must be made in accordance with applicable state law. See Note 2, Deposits & Investments.

d. Capital Assets

Capital assets are defined by the District as assets with initial individual cost of more than $5,000 and an estimated useful life in excess of two years.

Major expenses for capital assets, including capital leases and 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 the historical cost is known.

Where historical cost is not known, assets are recorded at fair market value, as determined by Engineer's estimate. Donations by developers and customers are recorded at the acquisition value.

The original cost of operating property retired or otherwise disposed of 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.

An allowance for funds used during construction is capitalized as part of the cost of utility plant. While cash is not received currently from such allowance, it is realized under the rate-making process over the service life of the related property through increased revenue resulting from a higher rate base and higher depreciation expense. This procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.

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

Buildings:	40-60 years
Improvements:	10-50 years
Vehicles:	5-25 years
Equipment:	5-20 years

Depreciation on utility plant commences when the asset is placed into service.

Preliminary costs incurred for proposed projects are held in construction in progress, pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that related to abandoned projects are expensed. See Note 3, Capital Assets.

e. Restricted Assets

The assets held in these funds are restricted for specific uses, including construction, debt service and other special reserve requirements. When expenses that meet restrictions are incurred, the District intends to use reserved resources before using unrestricted amounts. Restricted funds currently include the following:

Restricted for Other Uses:		12/31/2017		12/31/2016
Fiber Project Reserve	$	20,512	$	20,315
Customer Deposits		158,984		163,522
		179,496		183,837

f. Receivables

The District maintains receivables for its billing for water and sewer service, property improvement assessments, billings for septage dumping fees, and other miscellaneous billings. Receivables are written off in the year they are determined uncollectible. However, since the District does not restore service until the bills are paid, it is normally not necessary to write off balances and therefore no estimates for uncollectible accounts are made.

g. Special Assessments Receivable

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. As of December 31, 2017, and 2016, $21,943 and $14,426 of special assessments receivable were delinquent, respectively.

h. Other receivables

Other receivables include receivables for services other than utilities, such as septic disposal.

i. Due from Other Governments

Amounts due from other governments consist of grants receivable.

j. Inventories

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

k. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, holidays, and sick leave, which are all combined into “Personal Leave”, except for Sick Leave Reserve. The Sick Leave Reserve account is comprised of excess sick leave remaining when the Personal Leave program was established on April 1, 2005. The District records all approved unpaid leave for compensated absences as an expense and liability when incurred.

Personal Leave, which may accumulate up to 800 hours measured each calendar year end, is payable upon termination of employment. Additionally, employees who have accrued 200 hours or more in Personal Leave may cash out up to 160 hours of Personal Leave by submitting a written request to that effect between November 1 and November 15 of any given year.

Employees’ Sick Leave Reserve, comprised of a portion of employee sick leave balance as of April 1, 2005, is payable at a rate of 25% upon voluntary termination, retirement, or death of the employee.

l. Long-Term Debt

See Note 4, Long-Term Debt and Liabilities.

m. 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 to/deductions from those plans’ fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 9, Pension Plan.

NOTE 2 – DEPOSITS AND INVESTMENTS

As of December 31, 2017, and 2016, the District cash, cash equivalents, and investments as reported on the Statement of Net Position are as follows:

	12/31/2017	12/31/2016
Cash on hand	$ 639,294	$ 1,097,592
State Treasurer's Investment Pool	342,384	41,292
Spokane County Investment Pool	4,535,778	3,276,813
Total cash and investments	$ 5,517,456	$ 4,415,697

The District as of December 31, 2017, had investments of $342,384 in the Washington State Local Government Investment Pool and $4,535,778 in the Spokane County Investment Pool, which are classified as cash equivalents. Additional cash & cash equivalents consist of $639,294 held in interest bearing bank accounts, certificates of deposit, petty cash, and cash change drawers.

Deposits:

Custodial credit risk (deposits). Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The District has an adopted policy that addresses deposit custodial risk; however, the District's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the District's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

Investments:

Statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. Agencies, and instrumentality's, banker's acceptances, repurchase agreements, county investment pool and the state treasurer's investment pool.

The District is currently invested in two public funds investment pools, Washington State Local Government Investment Pool (LGIP), which is reported at amortized cost, and the Spokane County Investment Pool (SCIP), reported at fair value.

The LGIP and SCIP operate in accordance with appropriate state laws and regulations. The LGIP transacts with its participants at a stable net asset value per share and meets the portfolio maturity, quality, diversification, liquidity and shadow pricing requirements that allows it to report at amortized costs. Further, the LGIP is classified as an unrated 2a-7 investment pool per the Securities and Exchange Commission

Spokane County investment pool is not SEC-registered. Authority to manage the Pool is derived from the Revised Code of Washington (RCW) in RCW 36.29.022. The fair value of the position in the pool is the same as the value of the pool shares.

The weighted average maturities of the LGIP and SCIP are less than three (3) months and approximately one (1) year, respectively, with cash available to the District on demand. The on demand availability of these funds defines them as cash equivalent liquid investments. Cash investments are not subject to interest rate risk or any market value reporting requirements. All LGIP investments are either obligations of the United States government,

government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits, meaning credit risk is very limited. The investments are either fully insured or fully held by a third party custody provider in the name of the LGIP or SCIP. The LGIP is audited by the Washington State Auditor's Office and regulated by Washington RCWs and the LGIP Advisory Committee. The SCIP is overseen by the Spokane County Finance Committee and is audited annually by the Washington State Auditor's Office and regulated by Washington RCWs.

Investments Measured at Amortized Cost:

As of December 31, 2017, and 2016, the District had the following investments at amortized cost.

Investment	Maturities	Total 12/31/2017	Total 12/31/2016
State Investment Pool	N/A	342,384	41,292
Total		$ 342,384	$ 41,292

These are reported at amortized cost because the State Pool has elected to measure in this manner. The only restriction on withdrawals from the State Investment Pool is when a deposit is received by ACH. In this case, a five day waiting period exists.

Investments Measured at Fair Value:

The District measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability, to the extent observable inputs are not available.

As of December 31, 2017, the District had the following recurring fair value measurements.

		Fair Value Measurements Using		
Investments by fair value level	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Spokane County Investment Pool	4,535,778	-	4,535,778	-
Total Investments by Fair Value Level	$ 4,535,778	$ -	$ 4,535,778	$ -

As of December 31, 2016, the District had the following recurring fair value measurements.

Investments by fair value level	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Spokane County Investment Pool	3,276,813	-	3,276,813	-
Total Investments by Fair Value Level	$ 3,276,813	$ -	$ 3,276,813	$ -

NOTE 3 - CAPITAL ASSETS

Utility plant activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Utility Plant Not Being Depreciated:				
Land	$ 1,201,867	$ -	$ 6,000	$ 1,195,867
Easements	425,952	-	-	425,952
Water Rights	325,083	-	-	325,083
Total Land and Land Rights	1,952,902	-	6,000	1,946,902
Construction in Progress	-	25,818	-	25,818
Total Utility Plant Not Being Depreciated:	1,952,902	25,818	6,000	1,972,720
Utility plant being depreciated:				
Buildings & Other Structures	12,546,866	26,000	8,729	12,564,137
Equipment	7,113,569	27,633	645,233	6,495,969
Other Improvements	27,260,351	146,191	976,302	26,430,240
Total Utility Plant Being Depreciated:	46,920,786	199,824	1,630,264	45,490,346
Less Accumulated Depreciation for:				
Buildings & Other Structures	3,123,214	251,906	8,729	3,366,391
Equipment	4,303,235	189,058	638,833	3,853,460
Other Improvements	9,914,208	570,180	296,061	10,188,327
Total Accumulated Depreciation:	17,340,657	1,011,144	943,623	17,408,178
Total Utility Plant Being Depreciated, Net	29,580,129	(811,320)	686,641	28,082,168
TOTAL UTILITY PLANT, NET	$ 31,533,031	$ (785,502)	$ 692,641	$ 30,054,888

The current year decrease includes disposal of meters reported as a special item. See Note 13.

Utility plant activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Utility Plant Not Being Depreciated:				
Land	$ 1,201,867	$ -	$ -	$ 1,201,867
Easements	305,732	120,220	-	425,952
Water Rights	325,083	-	-	325,083
Total Land and Land Rights	1,832,682	120,220	-	1,952,902
Construction in Progress	525,377	-	525,377	-
Total Utility Plant Not Being Depreciated:	2,358,059	120,220	525,377	1,952,902
Utility plant being depreciated:				
Buildings & Other Structures	12,553,366	-	6,500	12,546,866
Equipment	6,709,049	486,604	82,084	7,113,569
Other Improvements	26,612,842	647,509	-	27,260,351
Total Utility Plant Being Depreciated:	45,875,257	1,134,113	88,584	46,920,786
Less Accumulated Depreciation for:				
Buildings & Other Structures	2,889,068	235,871	1,725	3,123,214
Equipment	4,169,575	214,676	81,016	4,303,235
Other Improvements	9,331,346	582,862	-	9,914,208
Total Accumulated Depreciation:	16,389,989	1,033,409	82,741	17,340,657
Total Utility Plant Being Depreciated, Net	29,485,268	100,704	5,843	29,580,129
TOTAL UTILITY PLANT, NET	$ 31,843,327	$ 220,924	$ 531,220	$ 31,533,031

NOTE 4 - LONG-TERM DEBT AND LIABILITIES

a. Long-Term Debt

The District issues revenue bonds and loans to finance the purchase of property and equipment or the construction of water, wastewater, and septage assets. The revenue debt is being repaid from the applicable sources.

Long-term debt at December 31, 2017, and 2016, comprises the following:

DESCRIPTION	ORIGINAL LOAN DATE	DATE OF MATURITY	INTEREST RATE	ENDING OUTSTANDING DEBT 12/31/17	ENDING OUTSTANDING DEBT 12/31/16
01-65101-032	4/14/2003	10/1/2022	1.5%	-	17,888
01-65101-033	3/12/2003	10/1/2022	1.5%	40,826	48,991
01-65101-034	1/31/2006	10/1/2022	1.5%	647,785	777,343
01-65101-035	3/12/2003	10/1/2022	1.5%	102,034	122,441
01-65101-036	4/9/2003	10/1/2022	1.5%	49,039	58,846
04-65104-031	10/31/2005	10/1/2025	1.5%	62,504	70,317
04-65104-032	6/7/2006	10/1/2025	1.0%	28,386	31,935
04-65104-033	11/21/2006	10/1/2025	0.5%	108,527	122,093
DM07-952-008	10/1/2010	10/1/2028	1.0%	162,714	177,506
DM07-952-019	10/1/2009	10/1/2028	1.0%	99,405	108,442
DM07-952-020	10/1/2010	10/1/2029	1.0%	213,535	232,947
DM07-952-022	10/1/2009	10/1/2028	1.0%	163,290	178,134
DM07-952-046	12/10/2009	10/1/2029	1.0%	138,875	151,500
DM12-952-123	5/15/2013	10/1/2033	1.0%	140,000	148,750
DM13-952-118	6/16/2015	10/1/2035	1.5%	33,996	35,997
DM13-952-119	7/1/2015	10/1/2035	1.5%	49,086	51,813
DM13-952-120	6/24/2015	10/1/2035	1.5%	42,172	44,652
DM13-952-121	6/26/2015	10/1/2034	1.5%	44,541	47,015
DM13-952-141	7/1/2015	10/1/2035	1.5%	24,998	26,386
DM13-952-142	7/2/2015	10/1/2035	1.5%	-	17,271
DMI 15-952-047	10/24/2016	10/1/2036	1.0%	212,135	223,300
TOTAL LONG TERM DEBT				$ 2,363,848	$ 2,693,567

The annual requirements to amortize all debts outstanding as of December 31, 2017, including interest, are as follows:

Yr Ending	DEBT SERVICE		
Dec 31st	Principal	Interest	Total
2018	$ 294,561	$ 28,581	$ 323,142
2019	294,561	24,769	319,330
2020	294,560	20,957	315,517
2021	294,561	17,145	311,706
2022	294,560	13,333	307,893
2023-2027	583,264	34,899	618,163
2028-2032	225,639	11,011	236,650
2033-2036	82,142	1,999	84,141
TOTALS	$ 2,363,848	$ 152,694	$ 2,516,542

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

Yr Ending	DEBT SERVICE		
Dec 31st	Principal	Interest	Total
2017	$ 298,451	$ 33,633	$ 332,084
2018	298,451	29,050	327,501
2019	298,451	25,180	323,631
2020	298,451	21,309	319,760
2021	298,451	17,439	315,890
2022-2026	783,653	44,525	828,178
2027-2031	300,895	14,727	315,622
2032-2036	116,764	3,466	120,230
TOTALS	$ 2,693,567	$ 189,329	$ 2,882,896

b. Changes in Long-Term Liabilities

During the year ended December 31, 2017, and 2016, the following changes occurred in long-term liabilities:

DESCRIPTION	BEGINNING BALANCE 1/1/2017	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/2017	DUE WITHIN ONE YEAR
LONG-TERM DEBT PAYABLE					
Drinking Water Revolving Fund Loans	2,693,567	-	329,719	2,363,848	294,561
TOTAL LONG-TERM DEBT	2,693,567	-	329,719	2,363,848	294,561
OTHER LONG-TERM LIABILITIES					
Claims Liability Payable	92,512	-	12,411	80,101	-
Compensated Absences	161,422	31,150	58,854	133,718	25,406
Other Post-Employment Benefits (OPEB)	17,411	2,049	4,873	14,587	-
Net Pension Liability	792,603	-	230,906	561,697	-
TOTAL OTHER LONG-TERM LIABILITES	1,063,948	33,199	307,044	790,103	25,406
TOTAL LONG TERM LIABILITIES	$ 3,757,515	$ 33,199	$ 636,763	$ 3,153,951	$ 319,967

DESCRIPTION	BEGINNING BALANCE 1/1/2016	ADDITIONS	REDUCTIONS	ENDING BALANCE 12/31/2016	DUE WITHIN ONE YEAR
LONG-TERM DEBT PAYABLE					
Public Works Trust Fund Loans	$ 37,385	$ -	$ 37,385	$ -	$ -
Drinking Water Revolving Fund Loans	2,769,235	323,550	399,218	2,693,567	298,451
TOTAL LONG-TERM DEBT	2,806,620	323,550	436,603	2,693,567	298,451
OTHER LONG-TERM LIABILITIES					
Claims Liability Payable	99,708	-	7,196	92,512	-
Compensated Absences	187,478	-	26,056	161,422	31,150
Other Post-Employment Benefits (OPEB)	21,531	2,049	6,169	17,411	-
Net Pension Liability	694,831	97,772	-	792,603	-
TOTAL OTHER LONG-TERM LIABILITES	1,003,548	99,821	39,421	1,063,948	31,150
TOTAL LONG TERM LIABILITIES	$ 3,810,168	$ 423,371	$ 476,024	$ 3,757,515	$ 329,601

NOTE 5 - LEASE COMMITMENTS

The District is the lessor in various cancellable operating leases with revenue of $5,400 and $13,339 in 2017 and 2016. The leased property includes land used for farming and grazing, an apartment located in the second story of a District shop, and water rights.

NOTE 6 – TELECOMMUNICATION SERVICES

In late 2013, the District's Broadband project in Colville and Kettle Falls was substantially constructed. The system began supplying wholesale telecommunications services to Internet Service Providers in the fall of 2013. The Internet Service Providers sell the service to end users. The District has contracted with Northwest Open Access Network (NoaNet) to operate the system.

The agreement stipulates that NoaNet pays all of the operating costs and receives all the revenue from customers of the system. The District receives a fee from NoaNet for various services provided by the District to NoaNet. In addition, the District earns revenue from the lease of dark fiber to Stevens County.

The requirement to display summarized telecommunication financial data is as follows for 2017 and 2016:

		2017	2016
Operating Revenues			
Fiber Leasings	$	6,000	8,500
Other		210	87
Total Revenues		6,210	8,587
Operating Expenses			
Operations and Maintenance		7,773	5,829
Administrative		3,528	2,428
Depreciation		57,172	57,172
Total Expenses		68,473	65,429
Net Income (Loss)	$	(62,263)	(56,842)
Capital Investment			
Current Year		-	-
Cumulative	$	1,151,108	1,151,108

The amounts shown above do not include operating revenues billed by and received by NoaNet, and operating expenses paid by NoaNet.

NOTE 7 - RISK MANAGEMENT

The District faces liability risk arising from the officers and employees performing their ordinary duties, the operation of plant and utilities, and the operation of motor vehicles and heavy equipment. The District also faces the risk of loss or diminished serviceability of buildings, plant, and equipment. Another risk is the loss of an employee’s production due to illness or injury. The District addresses these risks through insurance, as denoted below.

The District is a member of the Public Utility Risk Management Services Joint Self-Insurance Fund (“PURMS”), known formerly as Washington Public Utility Districts' Utilities System Joint Self-Insurance Fund, which was organized as of December 30, 1976. The program’s general objectives are to formulate, develop, and administer, on behalf of the member public utilities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

Claims are filed by members with the administrator, Pacific Underwriters Corporation, Seattle, Washington, which has been contracted to perform claims adjustment and loss prevention services.

PURMS is governed by a board of directors, comprised of one designated representative from each participating member. The administrator and an elected administrative committee are responsible for conducting the day to day business affairs of PURMS.

The District participates in three pools as follows:

A. Liability Pool

The members, through PURMS, provide liability self-insurance for the first $1,000,000 per occurrence with a $250 deductible. The risks shared by the members are defined in the members' Self-Insurance Agreement. PURMS maintains assets from which liability claims against the members are paid and, through assessments of the members to replenish these assets, the members share joint liability among themselves for losses incurred. PURMS purchases excess insurance for losses above $1,000,000 (up to $35,000,000) for the liability pool.

The member districts are obligated to replenish the liability pool to a level of $3,350,000 through annual assessments. Interim assessments are levied whenever the level of the liability pool is reduced to an amount less than $2,500,000.

B. Property Pool

The member districts, through PURMS, provide property self-insurance for the first $250,000 of individual loss claims with a $250 deductible. The risks shared by the members are defined in the members' Self-Insurance Agreement. PURMS maintains assets from which property losses of members are paid and, through assessments of the members to replenish these assets, the members share joint liability among themselves for losses incurred. PURMS also purchases excess insurance for losses above $250,000 (up to $200,000,000) for the property pool. The members are obligated to replenish the property pool to a level of $750,000 though annual assessments. Interim assessments are levied whenever the level of the property pool is reduced to an amount less than $500,000.

C. Health & Welfare Pool

The pool provides a cooperative program to fund health and medical claims for the employees of the members. As a result, there are lowered costs associated with the administration of claims and the procurement of excess or stop-loss insurance.

The members' assessments are based upon an agreed formula whose elements include claims paid, number of covered employees, and basic fees. The assessments include amounts for excess insurance premiums, claims experience, network fees, and operating costs. The liability for assessments due to the pool is presented as claims liability payable on the statement of net position.

There has been no reduction in insurance coverage from the previous year and there have been no settlements in excess of the District's insurance coverage in any of the three preceding years.

NOTE 8 - PENSION PLAN

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 2017 and 2016:

Aggregate Pension Amounts - All Plans	**12/31/2017**	**12/31/2016**
Pension liabilities	$ 561,697	$ 792,603
Deferred outflows of resources	$ 80,018	$ 131,490
Deferred inflows of resources	$ 136,522	$ 39,957
Pension expense/expenditures	$ 9,612	$ 50,026

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available 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 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January – June 2017		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**
July – December 2017:		
PERS Plan 1	7.49%	6.00%

PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**6.00%**

For 2016, PERS Plan 1 required contributions rates (expressed as a percentage of covered payroll) were 11.18% and 6% for the Employer and Employee, respectively.

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.

<u>Contributions</u>

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 2017 were as follows:

PERS Plan 2/3		
Actual Contribution	**Employer 2/3**	**Employee 2**

Rates:		
January – June 2017:		
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%**
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**12.70%**	**7.38%**

For 2016, PERS Plan 2/3 required contributions rates (expressed as a percentage of covered payroll) were 11.18% and 6% for the Employer and Employee, respectively.

The District's actual PERS plan contributions were $38,524 to PERS Plan 1 and $53,956 to PERS Plan 2/3 for the year ended December 31, 2017. During the year ended December 31, 2016, the actual contributions were $36,998 to PERS Plan 1 and $48,323 to PERS Plan 2/3.

Actuarial Assumptions

For 2017, the total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. For 2016, 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 valuations were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016 and June 30, 2015. For 2017 calculations, plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, 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 plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average remaining service lives calculation was revised.

Discount Rate

For both years, 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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various time horizons.

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, 2017 and 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 2017	% Long-Term Expected Real Rate of Return Arithmetic 2016
Fixed Income	20%	1.70%	1.70%
Tangible Assets	5%	4.90%	4.40%
Real Estate	15%	5.80%	5.80%
Global Equity	37%	6.30%	6.60%
Private Equity	23%	9.30%	9.60%
	100%		

Sensitivity of the Net Pension Liability/ (Asset)

The tables below present at December 31, 2017 and 2016, respectively, 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.

2017	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
PERS 1	352,374	289,260	234,590
PERS 2/3	733,975	272,437	(105,724)

2016	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
PERS 1	434,491	360,305	296,463
PERS 2/3	795,939	432,298	(225,036)

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, 2017 and 2016, the District reported a total pension liability of $561,697 and $792,603 for its proportionate share of the net pension liabilities as follows:

	Liability or Asset	
Plan	**12/31/2017**	**12/31/2016**
PERS 1	289,260	360,305
PERS 2/3	272,437	432,298

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.00671%	0.00610%	-0.00061%
PERS 2/3	0.00859%	0.00784%	-0.00074%

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.

The collective net pension liability was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017 and 2016, the District recognized pension expense as follows:

	12/31/2017	12/31/2016
PERS 1	(14,324)	(548)
PERS 2/3	23,935	50,574
TOTAL	9,612	50,026

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	(10,794)
Contributions subsequent to the measurement date	19,895	-
TOTAL	$ 19,895	$ (10,794)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,604	$ (8,960)
Net difference between projected and actual investment earnings on pension plan investments	-	(72,625)
Changes of assumptions	2,894	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(44,143)
Contributions subsequent to the measurement date	29,625	
TOTAL	$ 60,123	$ (125,728)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,604	$ (8,960)
Net difference between projected and actual investment earnings on pension plan investments	-	(83,419)
Changes of assumptions	2,894	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(44,143)
Contributions subsequent to the measurement date	49,520	-
TOTAL	$ 80,018	$ (136,522)

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ 9,072	$ -
Contributions subsequent to the measurement date	18,226	-
TOTAL	$ 27,298	$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 23,019	$ (14,271)
Net difference between projected and actual investment earnings on pension plan investments	52,901	-
Changes of assumptions	4,468	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(25,686)
Contributions subsequent to the measurement date	23,804	
TOTAL	$ 104,192	$ (39,957)

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 23,019	$ (14,271)
Net difference between projected and actual investment earnings on pension plan investments	61,973	-
Changes of assumptions	4,468	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(25,686)
Contributions subsequent to the measurement date	42,030	-
TOTAL	$ 131,490	$ (39,957)

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, 2018. 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	PERS 2/3
2018	(7,296)	(42,254)
2019	2,304	(3,339)
2020	(535)	(11,709)
2021	(5,267)	(33,563)
2022	-	(1,898)
Thereafter	-	(2,467)

NOTE 9 - OTHER POST EMPLOYMENT DEFINED BENEFIT (OPEB) PLANS

The District provides post-employment health care benefits, in accordance with Resolution No. 4-2011 to retired employees and commissioners who meet the eligibility requirements as stated in the Resolution.

Plan Description:

The Stevens P.U.D. Post-Retirement Medical plan, a single-employer plan, is administered by the District.

For eligible retirees and former commissioners (and families, as applicable), post-employment health insurance coverage is available following retirement or leaving office. For eligible retirees and former commissioners, for the first twelve months following separation from service the District will pay between 50% and 90% of the premium, depending on the number of years the retired employee or past Commissioner was covered by District medical insurance before retirement or before the last day in office. After the first twelve months, the retiree or former commissioner may continue coverage by paying 100% of the premium.

As of December 31, 2017, seven retirees are purchasing insurance through the District. As of December 31, 2016, six retirees are purchasing insurance through the District.

The Stevens P.U.D. Post-Retirement Medical plan does not issue a separate report.

Funding Policy:

The funding of the plan is established in Resolution 4-2011 and future funding modifications, if any, would be implemented by board resolution. The District funds its OPEB costs on a pay-as you-go basis.

Annual OPEB Cost and Net OPEB Obligation:	12/31/2017	12/31/2016
Annual Required Contribution		
Annual Normal Cost	$ 3,016	$ 3,016
Amortization of Unfunded Actuarial Accrued Liability	5,324	5,324
Amortization of Prior Actuarial Gains and Losses	(2,215)	(2,215)
Interest	121	121
Total Annual Required Contribution	6,246	6,246
Interest on Net OPEB Obligation	861	861
Adjustment to Net OPEB Obligation	(5,058)	(5,058)
Annual OPEB Cost	2,049	2,049
Employer Contributions	(4,873)	(6,169)
Change in Net OPEB Obligation	(2,824)	(4,120)
Net OPEB Obligation at Beginning of Year	17,411	21,531
Net OPEB Obligation at End of Year	$ 14,587	$ 17,411

Four-year Trend Information

Fiscal Year End	Annual OPEB Cost	Contribution as % of OPEB Cost	Net OPEB Obligation
12/31/2014	4,891	102.84%	19,082
12/31/2015	4,787	48.84%	21,531
12/31/2016	2,049	301.06%	17,411
12/31/2017	2,049	237.82%	14,587

The total unfunded actuarial liability (UAAL) is $41,227. There is no covered payroll and the funding ratio to zero. See OPEB required supplementary information.

Actuarial Methods and Assumptions:

The District contracted with Lynn Hurley, E.A., of the firm Randall & Hurley to prepare the Actuarial Valuation of the District's Post-Retirement Medical Plan. The actuarial cost method chosen was the Projected Unit Credit Cost Method.

This method determines a current year's cost or "normal cost" as the portion of the present value of benefits at retirement attributed to the current year. The actuarial liability is the present value of benefits assigned to the pro-rata portion of the projected benefits attributable to past service. Also, under this method the initial liability and subsequent changes or actuarial gain or losses (i.e., deviation of Plan's experience from actuarial assumptions) are amortized over a specified period.

The actuarial assumptions used are as follows:

- Investment Return (Interest Rate) – Pre- and post-retirement interest rates were assumed at 4.0% per year.
- Medical Inflation Rate – 10% reduced by 0.5% per year until a level 6.0%.
- Expenses – No assumptions of asset expenses were made.
- Mortality Rates – RP 2000 Unisex Mortality Table.
- Turnover Rates – T2 Turnover Table.
- Disability Rates – None Assumed.
- Early Retirement Rates – None assumed.
- Actuarial Value of Assets – Same as market value of assets.
- Retirement Age – Minimum age is 65 or if greater age with 10 years of service.
- Spousal Coverage – No outside coverage and will elect benefit.

An updated actuarial study is prepared every three years. The last actuarial valuation was prepared as of December 31, 2016.

The required schedule of funding progress, presented as required supplementary information 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 10 – CONTINGENT LIABILITIES

The District has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the District will have to make payment. In the opinion of management, the District's insurance policies are adequate to pay all known or pending claims.

The District participates in a number of federal- and state-assisted programs. These grants and loans are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants or loans. Management believes that such disallowances, if any, will be immaterial.

NOTE 11 - RESTRICTED NET POSITION

At December 31, 2017, the District's Statement of Net Position reports $20,512 of restricted net position, of which $0 is restricted by enabling legislation. Likewise, at December 31, 2016, the District's Statement of Net Position reports $20,316 of restricted net position, of which $0 is restricted by enabling legislation.

NOTE 12 – ACCOUNTING AND REPORTING CHANGES

For the year ending December 31, 2016, the District implemented the following standards:

The District implemented GASB 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and requires the application of fair value to certain investments, in order to promote comparability of government financial statements. The standard expands the level of disclosure for fair value methodology in the notes to the financial statements. The standard also changes the recorded value of contributed capital assets from fair value to acquisition value.

The District implemented GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement identifies the hierarchy of generally accepted accounting principles for governmental financial reporting and establishes the framework for selecting those principles.

The District implemented GASB 79, *Certain External Investment Pools and Pool Participants*. This statement provides criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes, and requires pool participants to report using the same criteria. This standard adds note disclosure requirements for the District with regard to pool investments.

The District also implemented GASB 82, *Pension Issues*. This statement amends GASB statements No. 67, No. 68 and No. 73 to enhance consistency in the application of financial reporting requirements related to certain pension issues. This standard made changes to how the District reported covered payroll in Required Supplementary Information.

NOTE 13 – SPECIAL ITEM

The District reports a special item of $686,641 was recorded in 2017 to reflect a change in accounting policy to expense meters purchased. The amount of the special item is the net book value of meters existing at December 31, 2016.

NOTE 14 – RESTATEMENT

The District restated the January 1, 2016, beginning net position by $87,142 for the following reason:

- The District should have reported a PURMS claims liability which existed at December 31, 2015, in the amount of $99,708.
- Further, the District restated the OPEB liability from $34,097 to $21,531 at December 31, 2015 to match the actuarial report.

PUBLIC UTILITY DISTRICT NO. 1 OF STEVENS COUNTY
Other Post-Employment Benefits

Required Supplementary Information
Retiree Medical Benefits
Schedule of Funding Progress

The District funds its OPEB costs on a pay-as-you-go basis and only pays a benefit in the first year of separation from employment.

Actuarial valuations for OPEB are performed every three years using the Projected Unit Cost Method. The most recent valuation was performed on December 31, 2016.

Below is the funding status of assets to benefit obligations as of the most recent valuation date:

Valuation Date Fiscal Year Ended	Actuarial Value of Assets	Accrued Liabilities PUC Method	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2010	-	$ 46,324	$ 46,324	0%	-	N/A
12/31/2013	-	54,078	54,078	0%	-	N/A
12/31/2016	-	41,227	41,227	0%	-	N/A

PUBLIC UTILITY DISTRICT NO. 1 OF STEVENS COUNTY
REQUIRED SUPPLEMENTARY INFORMATION – PENSIONS

Stevens County PUD
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last Four Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.006096%	$ 289,260	$ 772,625	37.44%	61.24%
2016	0.006709%	360,305	806,867	44.65%	57.03%
2015	0.007057%	369,147	808,702	45.65%	59.10%
2014	0.007388%	372,174	821,099	45.33%	61.19%

PERS 2/3
As of June 30
Last Four Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.007841%	$ 272,437	$ 772,625	35.26%	90.97%
2016	0.008586%	432,298	806,867	53.58%	85.82%
2015	0.009115%	325,684	808,702	40.27%	89.20%
2014	0.009511%	192,252	821,099	23.41%	93.29%

PUBLIC UTILITY DISTRICT NO. 1 OF STEVENS COUNTY

Stevens County PUD

Schedule of Employer Contributions

PERS 1

As of December 31

Last Four Calendar Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2017	$ 38,524	$ (38,524)	$ -	$ 786,064	4.90%
2016	36,998	(36,998)	-	775,641	4.77%
2015	36,132	(36,132)	-	813,387	4.44%
2014	33,581	(33,581)	-	812,526	4.13%

Stevens County PUD

Schedule of Employer Contributions

PERS 2/3

As of December 31

Last Four Calendar Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2017	$ 53,956	$ (53,956)	$ -	$ 786,064	6.86%
2016	48,323	(48,323)	-	775,641	6.23%
2015	45,436	(45,436)	-	813,387	5.59%
2014	41,264	(41,264)	-	812,526	5.08%

PUBLIC UTILITY DISTRICT NO. 1 OF STEVENS COUNTY

Stevens County PUD

Notes to Required Supplemental Information - Pension

Last Four Calendar Years

As of December 31, 2017

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2015, therefore there is no data available for years prior to 2014. Eventually, ten years of data will be presented.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues.* Covered payroll includes all payroll on which a contribution is based.

Note 4: Change in contribution rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 11.18% to 12.70% for pay periods beginning July 2017.

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	
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