Washington State Auditor's Office

Troy Kelley

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Financial Statements Audit Report

Public Utility District No. 1 of Skamania County

For the period January 1, 2013 through December 31, 2013

Published December 22, 2014

Report No. 1013225

Washington State Auditor
Troy Kelley

December 22, 2014

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

Report on Financial Statements

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

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

Sincerely,

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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Public Utility District No. 1 of Skamania County
January 1, 2013 through December 31, 2013

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Public Utility District No. 1 of Skamania County, Washington, as of and for the year ended December 31, 2013, 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 15, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 15, 2014

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Public Utility District No. 1 of Skamania County
January 1, 2013 through December 31, 2013

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Public Utility District No. 1 of Skamania County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Skamania County, as of December 31, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 18 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 15, 2014 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 15, 2014

FINANCIAL SECTION

Public Utility District No. 1 of Skamania County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis 2013-2012

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

The Combined Statement of Net Position presents information on all the District's Assets and Liabilities. The Statement of Revenue, Expenses and Changes in Net Position provide a measurement of the District's operation over the past two years and can also be used to determine whether the District has successfully recovered all its costs through usage rates and other charges. The Statement of Cash Flow reports cash receipts and cash payments resulting from operating, financing and investing activities. The Notes to Combined Financial Statements provide additional information that is essential to a full understanding of the financial statements including significant accounting policies, obligations and other financial matters of the District.

This discussion and analysis of the financial performance of the District provides a summary of the financial activities for the year ended December 31, 2013.

District's Financial Analysis 2013-2012

Combined Capital Assets

The District's investment in capital assets net of depreciation and capital related borrowings is approximately 71% of the District's net position in 2013 and 72% in 2012. Increase in net investment in capital assets in 2013 and 2012 were $609,911 and $995,052 respectively. The 2013 increase in capital assets was primarily due to the following: Electric System's pole and line replacement along Highway 14, Wind River Highway line replacement and improvement to the Underwood Substation; Carson Water's line replacement at Monaghan Road and Underwood Water's Scenic Heights line replacement. The remaining increase was due to routine additions to utility and general plant. Additional information about the District's capital assets is presented in Note 5.

Combined Long Term Debt

The District's long term debts continue to decline due to scheduled debt service payments. Long term debt decreased $254,071 and $238,912 in 2013 and 2012 respectively. No new long term debts were issued in 2013 and 2012. Long term debts are detailed in Note 8.

Combined Net Position

The District's overall net position improved in 2013 when compared to 2012 with an increase of $1,356,489, approximately 5%. The Electric System reported an increase in its net position in the amount of $1,178,717, approximately 6%, Carson Water with an increase of $159,467, 5%, and Underwood Water with a net increase of $18,305, approximately 1%.

Combined Revenues

The District's combined gross operating revenue increased $1,395,530 in 2013, approximately 15%. This increase is much higher when compared to the 2012 increase of $145,523, approximately 2%. This significant increase was due to the rate increases on all three systems which was effective January 2013.

Combined Operating Expenses

The District's combined operating expenses increased 5% in 2013. Purchased power expense is about 44% of the District's combined expenses. The District's purchased power increased $285,252 in 2013, approximatedly 7% increase from 2012. Taxes assessed by state governments increased approximately 14% due to increase in sales.

Other Significant Matters

Rates

The District implemented rate increases for all systems effective January 2013. In addition, the rate structures of the Electric System and Underwood Water Sytem were modified to increase the basic system charges and decrease the revenue burden on variable energy and usage charges.

Bond Covenants

In accordance with the District's financial policies and covenants within the District's bond resolutions, the District is required to maintain and collect rates and charges sufficient to provide the net revenue in any fiscal year in an amount equal to at least 1.25 times the annual debt service. For the year ended December 31, 2013 and 2012 the District met this requirement.

The Ditrict did not issue new debt in 2013 and anticipates a new bond issue in 2015.

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

DISTRICT'S COMBINED-CONDENSED STATEMENT OF NET POSITION

	December 31,	
	2013	2012
Assets		
Currents and Non Current Assets	$ 10,347,167	$ 9,558,662
Capital Assets, net of depreciation	22,888,228	22,513,029
Total Assets	33,235,395	32,071,691
Liabilities		
Current and Other Liabilities	1,721,380	1,747,890
Non Current Liabilities	4,882,993	5,049,268
Total Liabilities	6,604,373	6,797,158
Net Position		
Invested in Capital Assets, net of Related Debt	18,878,785	18,268,874
Restricted	69,377	442,445
Unrestricted	7,682,860	6,563,214
Total Net Position	26,631,022	25,274,533
Total Liabilities & Net Position	$ 33,235,395	$ 32,071,691

DISTRICT'S COMBINED-CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

	Year ended December 31,	
	2013	2012
Operating Revenues	$ 10,843,691	$ 9,448,161
Operating Expenses	10,140,366	9,657,858
Net Operating Revenues	703,325	(209,697)
Net Non Operating Revenue and Expense	402,550	490,526
Capital Contributions	250,614	151,950
Capital Contributions/Grants	-	215,424
Change in Net Position	1,356,489	648,203
Total Net Position, January 1	25,274,533	24,626,330
Total Net Position, December 31	$ 26,631,022	$ 25,274,533

Electric System Analysis 2013-2012

Capital Assets

The Electric Systems investment in capital assets net of depreciation and capital related borrowings was approximately 70% of the Systems net position in 2013 and 72% in 2012. The Systems gross utility plant including construction work in progess increased approximately 2% in 2013.This increase consists mainly of upgrades to the existing infrastructure to maintain system reliability such as the pole and line replacements along Highway 14, line upgrade on Wind River Highway and upgrades to the Underwood Substation. The District's general plant decreased approximately 9%. This was due to the removal or retirements of assets that are obsolete or no longer in service.

Long Term Debt

The Electric Systems long term liabilities are revenue bonds issued for capital improvements, customer deposits, compensated absenses and other post-employment benefits (OPEB) . The System's long term debt was almost unchanged in 2013 when compared to 2012. The decrease in bond due to scheduled debt service payment was offset by increases in other liabilities due to the reclassification of other liabilities such as customer deposits and a portion of compensated absences. These amounts were previously reported as current liabilities. No new debt was issued in 2013. See Note 8, Long Term Debt, for further detail.

Operating Revenues

The Electric Systems gross operating revenues increased approximately 15% in 2013 when compared to 2012. This increase was due to the rate increase that was effective January 2013.

Operating Expenses

The Electric Systems operating expenses increased 4% both in 2013 and 2012. The District's purchased power increased $285,252 in 2013, approximately 7% above the 2012 power cost. The Systems purchased power is approximately 45% of gross operating revenue in 2013 and 49% in 2012.

Non-Operating Revenue and Expenses

Non-operating revenue and expenses consist mainly of a tax levy, grants, investment earnings and debt related expenses. The significant source of the System's non operating revenue is the tax levy. The Systems net none operating revenue/expenses decreased 14% in 2013 when compared to 2012. This decrease was due to the decrease in grant fund received from FEMA to reimburse expenses incurred during the 2012 ice storm. The District received the final payment of $33,504 in 2013 compared to the amount received in 2012 which is $125,355.

Capital Contributions

The Electric System reported a 45% decrease in capital contributions in 2013. This decrease was largely due to the 2012 ice storms which was declared by FEMA as disaster. The District made capital improvements replacing poles and overhead lines affected by the storm. As a result the District received $215,424 in 2012 to reimburse this cost. Contributions from customers increased approximately 38%. Capital contributions from customers in 2013 and 2012 were $195,786 and $141,950 respectively.

CONDENSED STATEMENT OF NET POSITION- ELECTRIC

		December 31,		
		2013		2012
Assets				
Currents and Other Assets	$	9,079,566	$	8,191,874
Capital Assets, net of depreciation		17,501,131		17,271,866
Total Assets		26,580,696		25,463,740
Liabilities				
Current and Other Liabilities		1,577,009.69		1,576,758
Noncurrents Liabilities		3,319,246		3,381,258
Total Liabilities		4,896,255		4,958,016
Net Position				
Invested in Capital Assets, net of related debt		15,146,687		14,785,693
Restricted		16,993		16,126
Unrestricted		6,520,761		5,703,905
Total Net Position		21,684,441		20,505,724
Total Liabilites & Net Position	$	26,580,696	$	25,463,740

CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGE IN NET POSITION ELECTRIC

		Year ended December 31,		
		2013		2012
Operating Revenue	$	9,942,182	$	8,681,612
Operating Expenses		9,393,330		9,025,492
Net Operating Revenue		548,851		(343,880)
Net Non Operating Revenue and Expense		400,575		398,584
Other Income/Grants		33,504		125,355
Capital Contributions/Grants		195,786		357,374
Change in Net Position		1,178,717		537,433
Total Net Position, January 31		20,505,724		19,968,291
Total Net Position, December 31	$	21,684,441	$	20,505,724

Carson Water System 2013-2012

Capital Assets
Carson Water Systems investment in capital assets net of depreciation and capital related borrowings increased approximately 7% in 2013 when compared to 2012. This increase was mostly due to the completion of line replacement at Monaghan Road. The Systems investment in net capital assets was 72% of its net position in 2013 and 71% in 2012.

Long Term Debt
The System's long term liabilities continue to decline due to scheduled principal repayments of the 2005 Revenue Bond and WIB loan. See Note 8, Long Term Debt for further detail.

Net Position
Carson Water Systems net Position increased 6% in 2013. The Systems unrestricted assets increased approximately 50% when compared to 2012. Unrestricted assets, consisting mainly of reserve and operating funds, continue to increase due to the increase in cash collected from customers as a result of rate increases. Unrestricted funds decreased 85%. This was due to the decrease in the 2005 Bond Construction fund used for constructions.

Operating Revenues/Expenses
Carson Water System's gross revenue increased 17% in 2013. This increase was due to the increase in commercial water usage and the rate increase implemented in January 2013. The System's net operating income remained consistent despite operating expenses increasing 21% in 2013.

CONDENSED STATEMENT OF NET POSITION - CARSON WATER

	December 31,			
		2013		2012
Assets				
Current & Non Current Assets	$	902,438	$	934,631
Utility Plant, net of depreciation	$	3,314,214		3,233,476
Total Assets	$	4,216,652		4,168,107
Liabilities				
Current & Accrued Liabilities	$	122,569		164,229
Long Term Debt	$	1,063,747		1,133,010
Total Liabilities	$	1,186,316		1,297,239
Net Position				
Invested in Capital Assets, net of related debt	$	2,189,549		2,040,435
Restricted	$	46,565		302,131
Unrestricted	$	794,221		528,302
Total Net Position	$	3,030,335		2,870,868
Total Liabilites & Net Position	$	4,216,652	$	4,168,107

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
CARSON WATER

	Year ended December 31,			
		2013		2012
Operating Revenue	$	621,382	$	532,962
Operating Expenses	$	482,694		398,396
Net Operating Revenue	$	138,688		134,566
Net Non Operating Revenue and Expense	$	(22,534)		(22,774)
Capital Contribution	$	43,314		
Change in Net Position		159,467		111,792
Total Net Position, January 1		2,870,868		2,759,076
Total Net Position, December 31	$	3,030,335	$	2,870,868

Underwood Water System 2012-2011

Capital Assets
Underwood Water Systems investment in capital assets net of depreciation and capital related borrowings as of December 31, 2013 was about 80% of the total net assets in 2013 and 76% in 2012. Net investment in capital assets increased $99,803 in 2013. This increase was due to Scenic Heights line replacement and other system improvements.

Long Term Debt
The System's long term liabilities related to the acquisition of plant assets continue to decline due to scheduled principal repayments of the 2005 Revenue Bond. See Note 8, Long Term Debt for further detail.

Net Position
Underwood Water Systems net position increased approximately 1% in 2013 when compared to 2012. The Systems net position consist of the following; net investment in capital assets, 80%; restricted, .3% and unrestricted at 19%.

Revenues and Expenses
The Underwood Water Systems gross operating revenue increased 20% in 2013 when compared to 2012. This increase was the result of the rate increase implemented in January 2013. The System's 20% increase in operating revenue was offset by only 13% increase in operating expenses. As a result, the System reported an operating income of $15,786, a significant increase when compared to the operating loss reported in 2012.

CONDENSED STATEMENT OF NET POSITION - UNDERWOOD WATER

	December 31, 2013		December 31, 2012
Assets			
Current and Non Current Assets	$	397,084	$ 502,287
Net Utility Plant		2,072,883	2,007,687
Total Assets		2,469,967	2,509,974
Liabilities			
Current & Accrued Liabilities		53,722	77,033
Long Term Debt		500,000	535,000
Total Liabilities		553,722	612,033
Net Position			
Invested in Capital Assets, net of related debt		1,542,549	1,442,746
Restricted		5,818	124,188
Unrestricted		367,878	331,007
Total Net Position		1,916,246	1,897,941
Total Liabilites & Net Position		2,469,967	$ 2,509,974

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION UNDERWOOD WATER

	Year ended December 31, 2013		Year ended December 31, 2012
Operating Revenue	$	280,127	$ 233,587
Operating Expenses		264,342	233,970
Net Operating Revenue		15,786	(383)
Net Non Operating Revenue and Expense		(8,995)	(10,639)
Capital Assets		11,514	10,000
Change in Net Position		18,305	(1,022)
Total Net Position, January 31		1,897,941	1,898,963
Total Net Position, December 31	$	1,916,246	$ 1,897,941

Public Utility District No. 1 of Skamania County
STATEMENT OF NET POSITION
December 31, 2013

		2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	7,740,331
Customer Accounts Receivable, Net		1,458,387
Other Receivable		53,764
Taxes Receivable		44,982
Prepayments		23,880
Debt Service Fund-Restricted		44,470
Customer Deposit-Restricted		46,375
Materials & Supplies		620,586
Total Current Assets		**10,032,776**
NON CURRENT ASSETS		
Unamortized Debt Discount		38,571
2005 Bond Construction Fund-Restricted	$	40,712
Customer Deposit-Restricted		184,363
Other Non Current Assets		50,745
Total Non Current Assets	**$**	**314,391**
CAPITAL ASSETS		
Utility Plant		39,811,989
General Plant		3,287,552
Less: Accum Depreciation/Amortization		(20,211,313)
Total Capital Assets Net of Depreciation		22,888,228
Total Noncurrent Assets		**23,202,619**
Total Assets	**$**	**33,235,395**

The accompanying notes are an integral part of the financial statements

Public Utility District No. 1 of Skamania County
STATEMENT OF NET POSITION
December 31, 2013

LIABILITIES AND NET POSITION		2013
CURRENT LIABILITIES		
Warrant Payable	$	28,601
Accounts Payable		955,093
Compensated Absenses		152,576
Customer Deposit		74,467
Accrued Taxes		202,131
Accrued Interest		15,806
Other Current Liabilities		28,438
Current Portion of Long-Term Debt		264,267
Total Current Liabilities	**$**	**1,721,380**
NON CURRENT LIABILITIES		
Accrued Opeb Liabilities	$	667,972
Compensated Absenses		275,003
Customer Deposits		156,271
CW Loan		188,747
2005 Revenue Bonds		3,595,000
Total Noncurrent Liabilities		**4,882,993**
Total Liabilities	**$**	**6,604,373**
NET POSITION		
Net Investment in Capital Assets		18,878,785
Restricted		69,377
Unrestricted		7,682,860
Total Net Position		**26,631,022**
Total Liabilities & Net Position	**$**	**33,235,395**

The accompanying notes are an integral part of the financial statements

Public Utility District No. 1 of Skamania County
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended December 31, 2013

		2013
OPERATING REVENUES		
Electric Sales	$	9,660,548
Other Operating Revenue		239,711
Water Sales		896,578
Misc. Service Revenue		46,854
Total Operating Revenues		**10,843,691**
OPERATING EXPENSES		
Purchased Power		4,507,706
Maintenance & Operations-Electric		1,399,611
Maintenance & Operations-Water		340,703
Customer Billing & Collection		444,703
Administrative & General Expense		1,517,167
Depreciation		1,306,682
Taxes		623,794
Total Operating Expenses		**10,140,366**
Operating Income/(Loss)		**703,325**
NONOPERATING REVENUES (EXPENSES)		
Taxes		542,731
Interest Income		11,163
Miscellaneous Non-Operating Revenue		9,997
Grants-Fema		33,504
Interest and Debt Discount Amortization		(194,845)
Total Nonoperating Revenues (Expenses)		**402,550**
Income (Loss) Before Capital Contributions		**1,105,875**
Capital Contributions		250,614
CHANGE IN NET POSITION		**1,356,489**
Net Position, beginning of year		**25,274,533**
Net Position, end of year	**$**	**26,631,022**

The accompanying notes are an integral part of the financial statements

Public Utility District No. 1 of Skamania County
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2013

	2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 10,184,708
Payments to suppliers for goods & services	$ (5,850,858)
Payments to employees for services	$ (2,292,252)
Taxes paid	$ (630,180)
Miscellaneous other revenue	286,565
Net cash provided (used) by operating activities	1,697,982
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Misc. Non Operating Revenue	9,997
Grant Proceeds	33,504
Net cash provided (used) from noncaptial financing activities	43,501
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to plant	(1,681,880)
Contributions from Customers	250,614
Grants-Fema	-
Increase in Grants Receivable	
Principal paid on long term debt	(254,071)
Interest paid on long term debt	(176,007)
Tax levy proceeds	542,731
Net cash provided (used) for capital financing activties	(1,318,612)
CASH FROM INVESTING ACTIVITIES	
Proceeds from earnings on investments	11,163
Net cash provided from investing activities	11,163
Net increase (decrease) in cash and cash equivalents	**434,033**
Cash and cash equivalents, beginning of year	**7,622,218**
Cash and cash equivalents, end of year	**$ 8,056,252**

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

The accompanying notes are an integral part of this financial statement.

Reconciliation of operating income to net cash provided from operating activities	
Net Operating Income (loss)	$ 703,325
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation/amortization	1,306,682
Other liabilities	90,876
Accounts receivable	(427,267)
Inventory	38,813
Other deferred debits/credits	-
Warrants payable	(13,991)
Other payable	-
Accounts payable	(80,521)
Customer deposits	37,880
Taxes payable	(19,423)
Allowance for vacation	46,985
Prepayments	14,621
Net Cash Provided by Operating Activities	1,697,982

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

The accompanying notes are an integral part of this financial statement.

PUBLIC UTILITY DISTRICT NO. 1 OF SKAMANIA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year ending December 31, 2013

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

NOTE 1 – ORGANIZATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The District operates as proprietary fund and applies all applicable GASB Codification of Government Accounting and Financial Reporting including GASB 63, financial reporting of Deferred Outflows of Resources and Deferred Inflows of Resources and Net Position. The following is a summary of the most significant policies.

A. Reporting Entity

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

B. Basis of Accounting and Presentation

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

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

C. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with maturity of three (3) months or less when purchased to be cash equivalents.

D. Restricted Funds

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

Restricted Funds	2013
Debt Service Fund	44,471
2005 Bond Construction Fund	40,712
Customer Deposit	184,362
Total Restricted Funds	$ 269,545

E. Receivables

The District has established a reserve for uncollectible accounts based upon historical losses on gross revenues net of related debt write off and recoveries. All account receivable write offs are approved by the commissioners and are turned over to the collection agency. Amounts written off remain on the customer's accounts.

F. Materials and Supplies

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

G. Utility Plant and Depreciation

See Note 5: Capital assets and Depreciation.

H. Compensated Absences and Termination Benefits

District employees are granted vacation leave in varying amounts. The District records unpaid leave for compensated absences as an expense and liability when incurred. Vacation pay is payable upon resignation, retirement or death. The total amounts of vacation accrued as of December 31 was $342,127.

GASB 16, *Accounting for Compensated Absences*, requires state and local government to accrue liabilities for compensated absences as the benefits are earned by employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employee's termination or retirement. The District's full time employees accrue 8 hours sick leave and part time employees accrue sick leave based on full time equivalent (FTE). For employees who retire under the PERS program, the District policy allows 65 percent of the cash value of accrued sick leave balance at the time of employee's retirement to be deposited toward the employee's HRA/VEBA plan. Further, if an employee dies while on active employment, 100 percent cash value of the employee's sick leave is paid into his or her VEBA Plan. The District's sick leave liability is estimated based on the District's past experience of making termination payments for sick leave. The total estimated sick leave liability as of December 31, 2013 was $85,452.

I. Purchase Commitments

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

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

Because of its membership in WPPSS the District was involved for several years in various lawsuits. All such litigation involving the District has now been fully and finally resolved. The District is not involved in any other litigation that would affect its financial status.

J. Reclassifications

Certain 2012 account balances have been reclassified to conform to the 2013 presentation. These reclassifications have no effect on previously reported results of operations and cash flows.

NOTE 2 – DISCLOSURE OF SEGMENT INFORMATION

The District operates an electric system and two water systems. The District maintains a separate accounting of all revenues, expenses, gains, losses, assets, and liabilities for each system. It relies solely on the revenue generated by each individual activity to pay its expenses and liabilities. Summary financial information for each system for the years ended December 31, 2013 is presented below.

CONDENSED STATEMENT OF NET POSITION

December 31, 2013	Electric System	Carson Water System	Underwood Water System	TOTAL 2013
Assets				
Currents and Other Assets	$ 9,050,012	$ 900,071	$ 397,084	10,347,167
Capital Assets, net of depreciation	17,501,131	3,314,214	2,072,883	22,888,228
Total Assets	26,551,143	4,214,285	2,469,967	33,235,395
Liabilities				
Current and Other Liabilities	1,577,010	102,819	41,552	1,721,380
Long Term Debt	3,319,246	1,063,747	500,000	4,882,993
Total Liabilities	4,896,255	1,166,566	541,551	6,604,373
Net Position				
Invested in Capital Assets, net of related debt	15,146,687	2,189,549	1,542,549	18,878,785
Restricted	16,993	46,565	5,818	69,377
Unrestricted	6,520,761	794,221	367,878	7,682,860
Total Net Position	21,684,441	3,030,335	1,916,246	26,631,022
Total Liabilites & Net Position	$ 26,580,696	$ 4,196,902	$ 2,457,797	$ 33,235,395

CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGE IN NET POSITION

For the Year Ended December 31, 2013	Electric System	Carson Water System	Underwood Water System	Total 2013
Operating Revenue	$ 9,942,182	$ 621,382	$ 280,127	$10,843,691
Operating Expenses	9,393,330	482,694	264,342	$10,140,366
Net Operating Revenue	548,851	138,688	15,786	$703,325
Net Non Operating Revenue and Expense	400,575	(22,534)	(8,995)	$369,045
Other Income/Grants	33,504			$33,504
Capital Contributions/Grants	195,786	43,314	11,514	$250,614
Change in Net Position	1,178,717	159,467	18,305	1,356,489
Total Net Position, January 31	20,505,724	2,870,868	1,897,941	$25,274,533
Total Net Position, December 31	$ 21,684,441	$ 3,030,335	$ 1,916,246	$ 26,631,022

CONDENSED STATEMENT OF CASH FLOWS
Year Ended December 31, 2013

	Electric System	Carson Water System	Underwood Water System	Total 2013
Net Cash provided (used) by:				
Operating Activities	$1,401,727	$ 217,998	$ 78,257	$1,697,982
Noncapital financing activities	43,501			43,501
Capital and related financing activities	(886,532)	(251,862)	(180,218)	(1,318,612)
Investing activities	9,733	616	813	11,163
Net Increase (Decrease) in cash and cash equiv	568,429	(33,248)	(101,148)	434,033
Beginning Cash and Cash Equivalents	6,389,586	757,500	475,133	7,622,218
Ending Cash and Cash Equivalents	$6,958,015	$ 724,252	$ 373,985	$8,056,252

Interfund Activity
Year Ended December 31,

	2013
Carson Water payable to Electric	19,750
Underwood Water payable to Electric	9,804
Underwood Water payable to Carson Water	2,367

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 – DEPOSITS AND INVESTMENTS

The District’s cash holdings are deposited solely in interest bearing checking accounts entirely covered by federal depositary insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The District has not experienced any losses from any investments and believes its cash value is not exposed to any significant investment risk. The District has no investments in derivative instruments. The District’s total deposits as of December 31, 2013 are shown below.

DEPOSITS AND INVESTMENTS

	2013
Restricted Funds	269,545
General Funds	1,127,042
Revolving Fund	5,000
Special Funds	6,653,863
Total Deposits/Investments	8,055,450

NOTE 5 – CAPITAL ASSETS PLANT AND DEPRECIATION

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

Major expenses for capital assets, including major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Utility plant in service and other capital assets are recorded at cost where historical cost is known. Where historical cost is not known, assets are recorded at estimated cost. Donations by developers and customers are recorded at appraised value. Funds received from customer for construction are recorded as capital contributions.

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Capital assets are depreciated on the straight line and group life depreciation method over estimated useful lives as follows: Distribution Plant-10 to 33 years; General Plant- 3 to 40 years. Initial depreciation on utility plant is recorded in the year subsequent to purchase. Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant. Charges that relate to abandoned project are expensed.

The following are changes in the District's capital assets for the year ended December 31, 2013.

Asset Description	Beg Balance 1/1/2013	Increases	Decreases	Ending Balance 12/31/2013
Capital Assets not being depreciated:				
Construction Work in Progress	481,657	693,637		$ 1,175,294
Franchise and Consents	4,507			4,507
Organizations	1,035			1,035
Land and Land Rights	80,213			80,213
Total	567,412	693,637	-	1,261,049
Capital Assets being depreciated:				
Utility Plant-Electric	30,034,900	644,907	69,162	30,610,644
Utility Plant-Water	7,730,720	276,650	24,645	7,982,725
General Plant	3,571,603	102,482	428,963	3,245,123
Total	41,337,223	1,024,039	522,770	41,838,492
				-
Total Capital Assets	41,904,635	1,717,676	522,770	43,099,541
Accum. Depreciation/Amortization	(19,391,605)	(1,430,647)	569,750	(20,211,313)
Net Capital Assets	$ 22,513,030	$ 287,029	$ 1,092,520	$ 22,888,228

NOTE 6 – CONSTRUCTION WORK IN PROGRESS

The District's construction work in progress represents capital costs to date on projects authorized for construction but not completed at year end.

NOTE 7 – SHORT TERM DEBT

The District has no short term debt for the year ending December 31, 2013.

NOTE 8 – LONG TERM DEBT

In December 2005 the District's Electric System, Carson Water System and Underwood Water System issued Revenue and Refunding Bonds in the amount of $3,405,000, $ 1,340,000 and $775,000 respectively.

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

The District resolution also provides that payments will be made into the Bond Fund in an amount sufficient to meet the next maturing installments of principal and interest. The District is in compliance with all bond requirements and no arbitrage liability was incurred.

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

In 2006, the District secured a $50,000 loan from the Washington State Community Economic Revitalization Board (CERB) for Carson Water System. The annual interest is 1% payable in 20 years, with initial monthly payment to begin in January 2015, five years from the receipt of loan funds. The following table is a summary of the District's long term debt as of December 31, 2013.

	Year Issued	Amount Originally Issued	Balance as of 1/1/2013	Reductions/ Additions	Balance as of 12/31/2013	Due Within One Year
Elec Rev. Bond	2005	$ 3,405,000	$ 2,530,000	$ 150,000	$ 2,380,000	$ 160,000
CW Rev. Bond	2005	1,340,000	995,000	60,000	935,000	60,000
UW Rev. Bond	2005	775,000	570,000	35,000	535,000	35,000
CW WIB Loan	2005	200,000	157,085	9,071	148,014	9,267
CW CERB Loan	2006	50,000	50,000	-	50,000	-
Total Bonds/Loans		$ 5,770,000	$ 4,302,085	$ 254,071	$ 4,048,014	$ 264,267
Compensated Absenses*			$ 380,593	$ 46,986	$ 427,579	$ 152,576
Customer Deposit			$ 192,858	$ 37,880	$ 230,738	$ 74,467
OPEB			$ 577,096	$ 90,876	$ 667,972	
Total Long Term Liabilities			$ 5,452,632	$ 429,813	$ 5,374,303	$ 491,310

*Compensated absenses include $85,452 estimated sick leave. Current portion of compensated

The annual requirements to amortize all debts outstanding as of December 31, 2013 including interests are as follows:

2005 Revenue Bond-Electric

Year	Principal	Interest	Total
2014	160,000	98,715	258,715
2015	160,000	91,515	251,515
2016	170,000	84,315	254,315
2017	175,000	77,685	252,685
2018	185,000	70,773	255,773
2019-2023	1,050,000	235,013	1,285,013
2024-2025	480,000	30,695	510,695
Net Capital Assets	$ 2,380,000	$ 688,710	$ 3,068,710

2005 Revenue Bond and Loans-Carson Water

	2005 Bond		WIB Loan		CERB Loan		Total Annual
Year	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2014	60,000	38,780	9,258	3,066		$3,000	$114,104
2015	65,000	36,080	9,445	2,883	3,345	500	$117,253
2016	65,000	33,155	9,636	2,696	3,379	467	$114,332
2017	70,000	30,620	9,830	2,505	3,412	433	$116,800
2018	75,000	27,855	10,029	2,311	3,446	399	$119,040
2019-2023	410,000	92,468	53,263	7,443	17,756	1,469	$582,399
2024-2028	190,000	12,065	46,553	1,836	18,662	564	$269,679
Total	$935,000	$271,023	$148,014	$22,741	$50,000	$6,831	$1,433,608

2005 Revenue Bond-Underwood Water			
Year	Principal	Interest	Total
2014	35,000	22,180	57,180
2015	35,000	20,605	55,605
2016	40,000	19,030	59,030
2017	40,000	17,470	57,470
2018	40,000	15,890	55,890
2019-2023	235,000	53,018	288,018
2024-2025	110,000	6,985	116,985
Total	$535,000	$155,178	$690,178

NOTE 9 – PENSION PLANS

Substantially all district full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. 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 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to the GASB Statement 27, Accounting for Pensions by State and Local Government Employers and the GASB Statement 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor

option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Members in PERS consisted of the following as of the latest actuarial date for the plans of June 30, 2012.

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
***Minimum rate.

Both the district and the employees made the required contributions. The district's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	n/a	186,509	n/a
2012	n/a	162,247	n/a
2011	n/a	129,176	n/a

Deferred Compensation Plans

The District offers its employees deferred compensation plans created under IRS Code Section 457 permitting employees to defer a portion of their salary until future years. The plan is operated for the exclusive benefit of participants and their beneficiaries. Participants direct the investments of their money into one or more options and may change their selection from time to time. By enrolling in the plan, participants accept and assume all risks inherent in the plan and its administration. The District has no liability for investment losses under the plan. The plan is not reported in the District's financial statements.

NOTE 10 – UNAMORTIZED DEBT DISCOUNT AND EXPENSE

In accordance with generally accepted accounting principles for regulated business, the district has an unamortized debt discounts and expenses relating to the issuance of revenue bonds. These costs are being amortized using the straight line method over the lives of various bond issues. As of December 31 2013 the unamortized debt discount was $53,449.

NOTE 11 – PROPERTY TAXES

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

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

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

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

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

The District's property tax levies are listed below.

Property Tax Levy

Year	Assessed Value	Levy Rate Per Thousand	Total Levy Amount
2013	1,346,748,598	0.357232	481,101
2012	1,339,574,379	0.347930	466,078
2011	1,332,256,061	0.342171	455,859

NOTE 12- LEASE COMMITMENTS

The District entered into a lease agreement with various telephone companies for the joint use of the District's Distribution Poles. Telephone Companies pay rent for the pole on which they have attached wires or cables. Amounts received from these lease agreement were reported as operating rental income. Operating Rental Income for the year ending December 31, 2013 was $69,321.

NOTE 13 – RISK MANAGEMENT

Liability Risk Pool

The Skamania County PUD is a member of the Washington Public Utility Districts' Utilities System Joint Self Insurance Fund (WPUDUS). RCW 48.62 authorizes the governing body of any one or more governmental entities to form or join a pool or organization for the joint purchasing of insurance, and/or joint self insurance, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made according to the provisions of RCW 54.16. The Pool was formed on December 31, 1976 when certain PUDs in the State of Washington joined together by signing an Agreement to pool their self-insured losses and jointly purchase insurance and administrative services.

Public Utility Risk Management Services (PURMS) provides liability coverage for its members participating in the Liability Risk Pool and their employees under the PURMS Joint Self-Insurance Agreement. The Liability Pool has a self-insured retention (Liability Coverage Limit) of $1,000,000 per occurrence and excess liability insurance in the amount of $35 million. This pool is financed through assessments of its members. These assessments occur at the beginning of each calendar year and at any time the Liability Pool Balance becomes $500,000 less than the Designated Liability Pool Balance.

Property Risk Pool

PURMS provides property insurance coverage for its Members participating in the Property Risk Pool. The Property Pool has a self-insured retention (Property Coverage Limit) of $250,000 per Property Loss. PURMS also maintains Excess Property Insurance for its members in the Property Pool of $200 million over the $250,000 retention level. This pool is financed through assessments of its members.

Health and Welfare Risk Pool

PURMS provides health and welfare insurance coverage for the employees of its members participating in the Health and Welfare Risk Pool.

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

The exposure of each H&W Pool Member to the H&W Claims Costs of its employees is limited by Stop-Loss Points. The first two Stop-Loss Points are established annually by the Excess Stop-Loss Insurance that the H&&W Pool acquires and maintains for its members. These Stop-Loss Points represent the dollar amounts at which the Stop-Loss Insurance attaches and begins paying either the H&W Claim Costs for an individual Employee's total medical claims for the year (H&W Pool Individual Stop Loss Point) or the H&W Claims Costs of all employees of all members for the year (H&W Pool Aggregate Stop Loss Point). For 2013, the H&W Pool Individual Stop-Loss Point was $225,000 per employee and the H&W Pool Aggregate Stop Loss Point was $15,643,814 for the combined H&W Claims Costs of all employees of all members of the H&W Pool.

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

NOTE 14– CONTINGENT LIABILITIES AND LITIGATION

A requestor of public records filed a suit on August 7, 2013, against the District. The District believes the claims are defensible and will continue to oppose them. The outcome of this lawsuit may have a material adverse impact on its financial position, however the potential exposure is not estimable at the time of this report.

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

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Skamania PUD makes available health, vision, dental and life insurance for all employees who retire under the PERS program. The District used the Alternative Measurement Method (AMM) as allowed by GASB 45 and used Milliman's online OPEB tool to determine its Unfunded Actuarial Liability and Annual Required Contributions. The ARC consists of the following: 1) Normal Cost: Cost for OPEB benefits attributable to the current year of service and Amortization payment: a catch up payment for past service costs to amortize the Unfunded Actuarial Accrued Liability over the next 30 years. The estimate is based on the following assumptions: discount rate of 2.90%, 3% projected salary increases, 30 years amortization period, average retirement age 58, and the medical inflation rate of 9% in year 1, and decreasing to 4.7% in year 10 and thereafter. As of December 31, 2013 the District's net OPEB obligation is $667,972.

The District Administers a single employer defined benefit healthcare plan with funding policy based on pay as you go basis. As of December 31, 2013, the plan was 0% funded.

Calculation of Net OPEB Obligation- 2013

Description	Calculated Amount
Annual Required Contribution	$ 115,622
Interest on Net OPEB Obligation	$ 16,736
Adjustment to Annual Required Contribution	$ (21,085)
Annual OPEB Cost	$ 111,273
Age Adjusted Contributions Made	$ (20,396)
Change in Net OPEB Obligation	$ 90,876
Net OPEB, Beginning of Year	$ 577,096
Net OPEB Obligation, end of Year	$ 667,972

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Acturial Accrued Liability	Unfunded AAL	Unfunded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/2011	0	$ 982,145	$ 982,145	0%	$ 2,364,984	41.53%

History of Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/312013	111,273	20,396	18.30%	667,972
12/31/2012	$ 106,877	$ 41,962	39.30%	$ 577,096
12/31/2011	108,984	62,944	59.70%	512,181

NOTE 16 – CONSERVATION

The District had agreements with the Bonneville Power Administration (BPA) to participate in two conservation programs. They are the Conservation Rate Credit (CRC), which was part of a power sales contract revision, and the Energy Conservation Agreement (ECA). BPA terminated the CRC and ECA programs September 2011 and began a new program called the Energy Efficiency Incentive (EEI) October 2011.

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

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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