

Washington State Auditor's Office
Financial Statements Audit Report

**Public Utility District No. 1 of Skamania
County**

Audit Period
January 1, 2007 through December 31, 2008

Report No. 1002665

Issue Date
December 21, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

December 21, 2009

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,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Public Utility District No. 1 of Skamania County January 1, 2007 through December 31, 2008

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**Public Utility District No. 1 of Skamania County
January 1, 2007 through December 31, 2008**

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

We have audited the financial statements of each major fund of Public Utility District No. 1 of Skamania County, Washington, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 23, 2009. The prior year comparative information has been derived from the District's 2006 basic financial statements that we issued our report thereon dated September 21, 2007. During the year ended December 31, 2008, the District implemented Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended for the information and use of management and the Board of Commissioners. 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.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 23, 2009

Independent Auditor's Report on Financial Statements

Public Utility District No. 1 of Skamania County January 1, 2007 through December 31, 2008

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

We have audited the accompanying financial statements of each major fund of Public Utility District No. 1 of Skamania County, Washington, as of and for the years ended December 31, 2008 and 2007, as listed on page 5. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits. The prior year partial comparative information has been derived from the District's 2006 financial statements and, in our report dated September 21, 2007, we expressed an unqualified opinion on the respective financial statements of the business-type activities.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of Public Utility District No. 1 of Skamania County, as of December 31, 2008 and 2007, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2006, from which partial information was derived.

As described in Note 14, during the year ended December 31, 2008, the District implemented Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 6 through 30 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 23, 2009

Financial Section

Public Utility District No. 1 of Skamania County January 1, 2007 through December 31, 2008

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2008
Management's Discussion and Analysis – 2007

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2008
Statement of Net Assets – 2007
Statement of Revenues, Expenses and Changes in Net Assets – 2008
Statement of Revenues, Expenses and Changes in Net Assets – 2007
Combined Statement of Cash Flows – 2008
Combined Statement of Cash Flows – 2007
Notes to Financial Statements – 2008
Notes to Financial Statements – 2007

Management's Discussion and Analysis

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

The Combined Statement of Net Assets presents information on all the District's Assets and Liabilities. The Statement of Revenue, Expenses and Changes in Net Assets 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, 2008 and 2007. This discussion and analysis will present the District as a whole and the three systems separately.

FINANCIAL HIGHLIGHTS OF THE DISTRICT AS A WHOLE

CONDENSED STATEMENT OF NET ASSETS DISTRICT COMBINED

December 31,	2008	2007
Capital Assets, orig cost less accum depreciation	\$ 20,895,086	\$ 19,434,075
Non Current Assets	1,614,764	1,947,996
Current Assets	7,555,174	6,756,186
Deferred Debits	<u>90,498</u>	<u>131,117</u>
Total Assets & Deferred Debits	<u>\$ 30,155,522</u>	<u>\$ 28,269,374</u>
Long Term Debts	\$ 5,145,173	\$ 5,206,991
Current and Accrued Liabilities	2,270,574	1,820,731
Deferred Debits & Operating Reserves	<u>11,978</u>	<u>11,978</u>
Total Liabilities & Deferred Credits	7,427,725	7,039,700
Net Assets		
Invested in capital assets, net of dep & related debt	\$ 17,310,922	\$ 16,004,211
Restricted	50,193	34,961
Unrestricted	5,366,682	5,190,502
Total Net Assets	<u>22,727,797</u>	<u>21,229,674</u>
Total Liabilities and Net Assets	<u>\$ 30,155,522</u>	<u>\$ 28,269,374</u>

Due to the implementation of GASB 16, the 2008 beginning net assets was restated. See Note 1, J for more information.

Increases or decreases in net assets may serve as a useful tool in determining whether the financial position of the District is improving or deteriorating. As can be seen on the table above, the District has experienced continued increase in net assets. The Districts combined net assets was \$22,727,797 in 2008 compared to \$21,159,674 in 2007, an increase of \$1,568,123 or 7%.

The District's investment in capital assets net of accumulated depreciation at December 31, 2008 is \$20,895,086, approximately 7% more than the previous year. The largest increase was in the Electric System.

The increase in current assets was mainly due to the receipt of \$589,762 Residential Exchange Settlement Funds from BPA. This amount was recorded as non operating revenue and deposited to the Districts Rate Stabilization Fund.

Overall, the District's capital contribution from customers decreased 22% to \$391,593 in 2008 compared to \$503,607 in 2007.

CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGE IN NET ASSETS
DISTRICT COMBINED

<u>For the Year Ended December 31,</u>	<u>2008</u>	<u>2007</u>
Operating Revenue	\$ 8,677,223	\$ 8,665,643
Purchased Power	(4,016,679)	(4,184,382)
Operating Expenses	(3,598,110)	(3,404,920)
Depreciation	<u>(1,109,429)</u>	<u>(977,962)</u>
Total Operating Expenses	<u>(8,724,218)</u>	<u>(8,567,264)</u>
Net Operating Revenue	(46,995)	98,379
Non Operating Revenue	1,349,314	834,655
Non Operating Revenue-Grant	5,515	102,207
Non Operating Expenses	<u>(226,756)</u>	<u>(241,169)</u>
Revenue Before Capital Contributions	1,081,078	794,072
Capital Contributions	391,593	503,607
Capital Contributions-Grants	<u>95,451</u>	<u>148,501</u>
Change in Net Assets	\$ 1,568,122	\$ 1,446,180
Net Assets, Jan 1 (restated see note 1 (J))	21,159,674	19,783,494
Net Assets, December 31	<u>22,727,796</u>	<u>21,229,674</u>

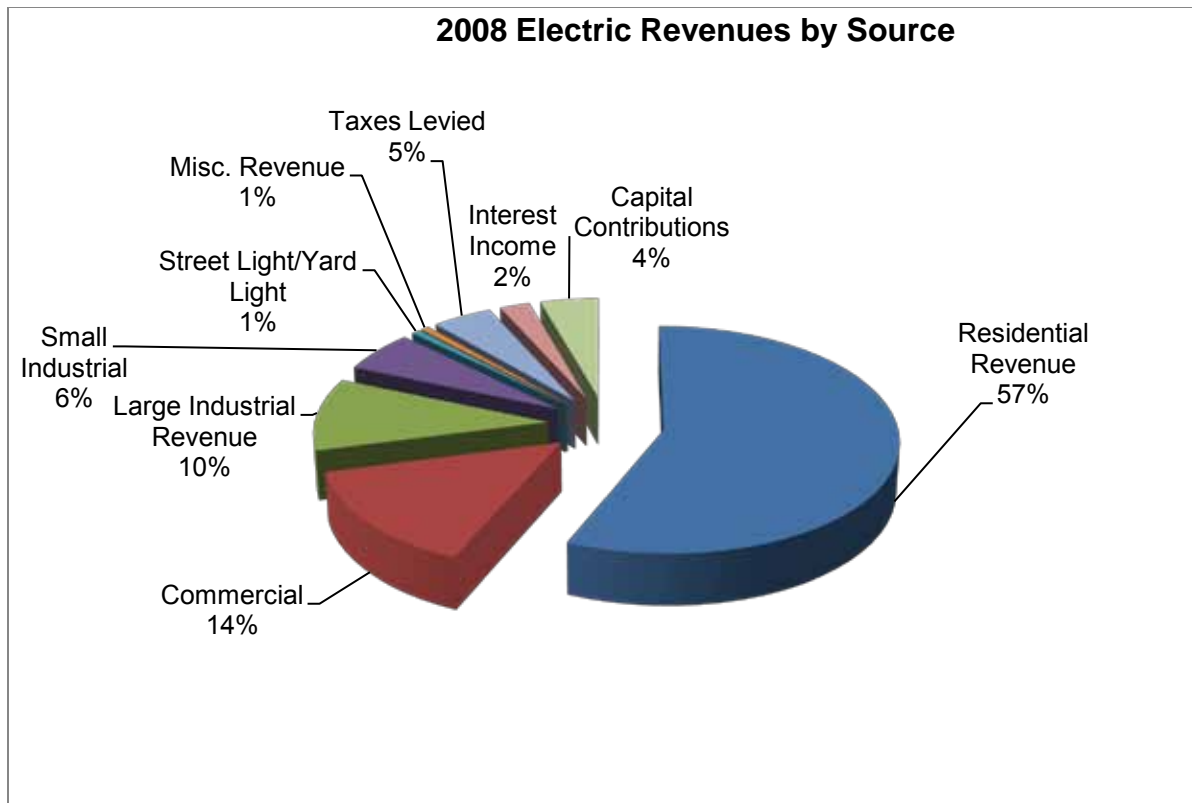
CONDENSED STATEMENT OF NET ASSETS-ELECTRIC

December 31,	2008	2007
Capital Assets, net of depreciation	\$ 16,258,568	\$ 14,905,180
Non Current Assets	581,977	847,421
Currents Assets	6,930,806	6,081,587
Deferred Debits	<u>72,046</u>	<u>111,577</u>
Total Assets & Def Debits	23,843,397	21,945,765
Long Term Debt	3,091,560	3,065,000
Current & Accrued Liabilities	2,108,458	1,655,967
Deferred Credits	<u>11,978</u>	<u>11,978</u>
Total Liability & Def Credits	5,211,996	4,732,945
Net Assets		
Invested in Capital Assets Net Dep & related Debt	13,793,628	12,596,450
Restricted	28,456	25,698
Unrestricted	<u>4,809,317</u>	<u>4,590,672</u>
Total Net Assets	18,631,401	17,212,820
Total Liabilities & Net Assets	<u>23,843,397</u>	<u>21,945,765</u>

The largest component of the System's net assets, approximately 74% in 2008, reflects investments in capital assets net of depreciation and related debt component. Additional information about the District's capital assets is presented in Note 4.

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS-ELECTRIC

For the year ended	2008	2007
Total Operating Revenue	\$ 8,143,479	\$8,079,578
Total Operating Expenses	<u>(8,200,952)</u>	<u>(8,015,060)</u>
Net Operating Revenue	(57,473)	64,518
Total Non Op. Revenue	1,267,316	738,320
Non Operating Rev-grants	5,515	102,207
Total Non Op. Expenses	<u>(137,950)</u>	<u>(142,550)</u>
Rev before Capital Cont	1,077,408	762,495
Capital Contributions	326,593	385,607
Capital Contributions-Grants	<u>84,580</u>	<u>148,501</u>
Change in Net Assets	<u>1,488,581</u>	<u>1,296,603</u>
Net Assets, January,(restated see Note 1 (J))	17,142,820	15,916,217
Net Assets, December 31	<u>18,631,401</u>	<u>17,212,820</u>



Electric Revenues

During 2008, the Electric System’s operating revenue increased 1% or \$63,901. The total operating revenues were \$8,143,479 in 2008 compared with \$8,079,578 in 2007.

Non Operating Revenue

Non operating revenue increased 51% to \$1,272,831 in 2008 compared to \$840,527. This significant increase was mainly due to the receipt of Residential Exchange Settlement Funds from Bonneville Power Administration.

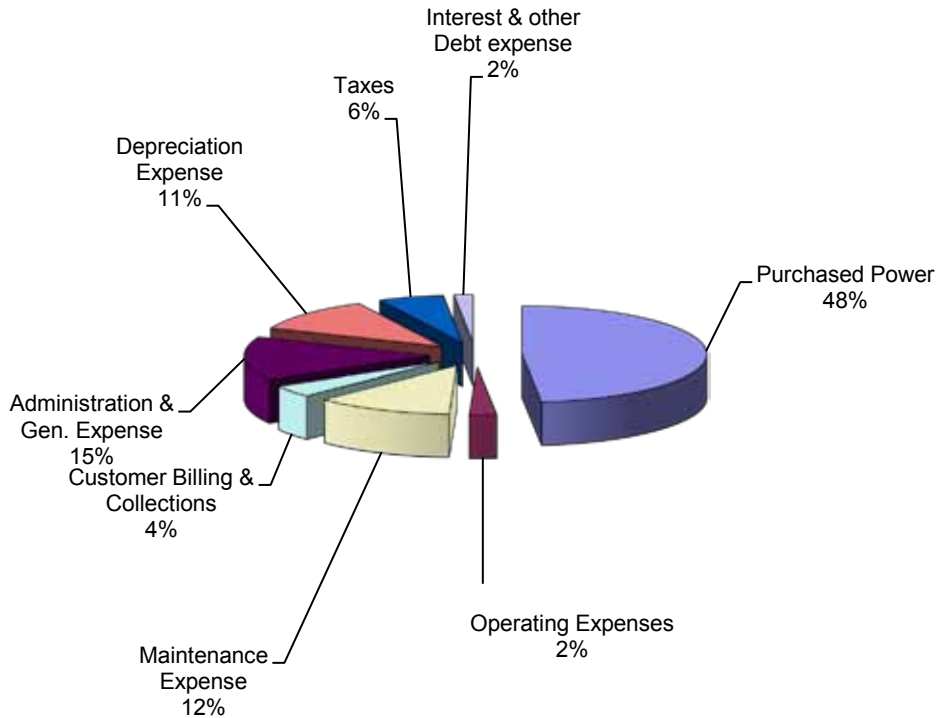
Expenses

The System’s total operating expenses were \$8,200,952 in 2008 compared with \$8,015,060 in 2007, an increase of \$185,892 or 2%.

The total cost of purchased power decreased slightly from \$4,184,382 in 2007 to \$4,016,679 in 2008. The System’s power cost was approximately 49% of operating revenue in 2008 and 52% in 2007.

Non-operating expenses, consisting mainly of debt related expenses, decreased 3% in 2008 due to the declining balance of outstanding bonds. The total debt related expenses in 2008 and 2007 were \$137,950 and \$142,550 respectively.

2008 Electric Expenses



Electric Summary, Rates and Subsequent Events

Overall, the financial position of the Electric System improved during 2008 with an increase in net assets of \$1,488,581 compared to an increase of \$1,296,603 in 2007.

The Electric Systems operating expenses for 2008 were \$8,200,952, an increase of 2% or \$185,892 compared to 2007. However, the majority of the increase results from the District recognizing Other Post Employment Benefits required by GASB 45. This expense was recorded as other post employment benefits, without this the District's total expenses would have remained almost unchanged because increases were offset by decreases in various operating categories.

The District's non operating revenue increased significantly in 2008. This increase was mainly due to the receipt of \$589,762, Residential Exchange Settlement Funds from Bonneville Power Administration. The District also received funds from Federal Emergency Management Agency to reimburse portions of storm related costs which occurred in 2006. The total amount received from FEMA in 2008 was \$90,095 and \$250,708 in 2007.

In 2008, the District's Board of Commissioners approved the hiring of four full time tree trimming employees and the purchase of transportation and tree trimming equipments. In August 2008 the District began using in house labor for tree trimming. No significant changes were noted in tree trimming expenses in 2008 when compared to the prior year.

CARSON WATER SYSTEM

As of December 31, 2008 and 2007, Carson Water System had \$3,338,755 and \$3,228,321 respectively, invested in capital assets net of depreciation. Total long term liabilities were \$1,388,613 in 2008 and \$1,446,981 in 2007, a decrease of \$58,378 due to scheduled principal repayments of the 2005 Revenue Bond and WIB loan.

CONDENSED STATEMENT OF NET ASSETS-CARSON WATER

December 31,	2008	2007
Utility Plant, net of depreciation	\$3,338,755	\$3,228,321
Non Current Assets	451,900	539,851
Current Assets	300,159	411,853
Deferred Debits	<u>11,827</u>	<u>12,523</u>
Total Assets & Deferred Debits	<u>4,102,641</u>	<u>4,192,548</u>
Long Term Debt	1,388,613	\$1,446,991
Current & Accrued Liabilities	<u>97,760</u>	<u>108,709</u>
Total Liabilities	1,486,373	1,555,700
Net Assets		
Invested in capital assets net of dep & related debt	2,333,536	2,270,308
Restricted	17,684	5,966
Unrestricted	<u>265,048</u>	<u>360,574</u>
Total Net Assets	2,616,268	2,636,848
Total Liabilities & Net Assets	<u>4,102,641</u>	<u>4,192,548</u>

Carson Water System's operating revenue decreased 6%, to \$310,241 in 2008 compared with \$329,325 in 2007 primarily due to the decrease in water usage. The average cubic feet of water use per customer in 2008 was 11,473 compared with 13,603 in 2007.

Capital contributions from new customers decreased 49% to \$35,000 in 2008 compared to \$68,000 in 2007 due to the decrease in new home constructions.

The table below highlights Carson Water System's operating results in 2008 compared to 2007.

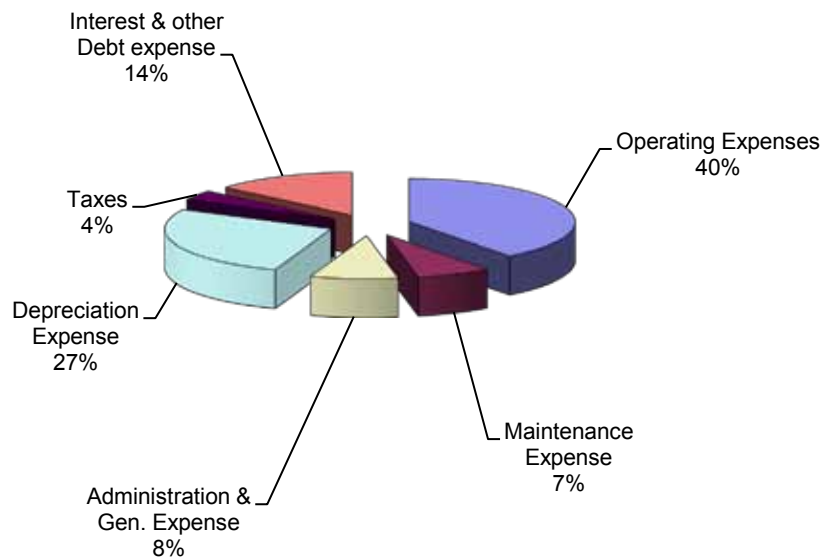
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
CARSON WATER

For the year ended Dec 31,	2008	2007
Operating Revenue	\$310,241	\$329,325
Operating Expenses	<u>(361,118)</u>	<u>(376,514)</u>
Net Operating Revenue	(50,877)	(47,189)
Non Operating Revenue	42,160	46,974
Non Operating Expenses	<u>(57,734)</u>	<u>(66,530)</u>
Revenue before capital cont.	(66,451)	(66,745)
Capital Contributions	35,000	68,000
Capital Contributions-Grant	<u>10,871</u>	
Change in Net Assets	<u>(20,580)</u>	<u>1,255</u>
Net Assets, Jan 1	2,636,848	2,635,593
Net Assets, December 31	<u>2,616,268</u>	<u>2,636,848</u>

Carson Water System's operating expenses were \$361,118 in 2008 compared to \$376,514 in 2007, a 4% decrease or \$15,396.

Non-operating expenses consisting mainly of debt related expenses, decreased in 2008 due to declining balance of outstanding bonds. The total debt related expenses in 2008 and 2007 were \$57,734 and \$66,530 respectively.

2008 Carson Water Expenses



CARSON WATER SUMMARY, RATES AND SUBSEQUENT EVENTS

Carson Water System reported a net loss of \$20,580 in 2008. Without capital contributions from grants the net loss would have been \$31,451. Operating revenue fell 6% to \$310,241 while operating expenses fell 4% giving rise to an operating loss of \$50,877 compared to the net operating loss of \$47,189 in 2007. Capital contributions and investment earnings also fell contributing to the net loss for the year.

In search of a new water source, the District contracted with Hansen Drilling to drill a new well. Costs related to this project were recorded as Construction Work in Progress. These costs include engineering, drilling and other related expenses. As of December 31, 2008 the total project cost recorded was \$139,906.

The System's largest source of water supply comes from the diversion dam on Bear Creek located in the Wind River watershed USFS property. The District has operated Bear Creek water diversion since 1947 under special use permit from USFS that includes operation of the diversion dam and portions of the waterline on USFS land. The diversion is currently being operated under a two year permit extension while the District works with the Department of Ecology and the Department of Fish and Wildlife to evaluate compliance of the diversion with state water quality standards and state fish passage laws. Long term renewal of the special use permit is contingent upon findings of this study. In 2008 the USFS awarded the District \$24,180 in grants for Bear Creek temperature study. The District contracted with Normandeau and Associates to conduct the study. This study is scheduled to be completed in 2010. As of Dec 31, 2008 the total amount expended on this project was \$10,871. The District has neither requested nor received any monies from this grant.

The System's total net assets as of December 31, 2008 were \$2,616,268, approximately 1% decrease as a result of operation. About 91% of the total net assets are invested in utility plant. There was no significant change in the System's capital assets in 2008. Additional information about the System's capital assets is presented in Note 4.

UNDERWOOD WATER

CONDENSED STATEMENT OF NET ASSETS-UNDERWOOD WATER

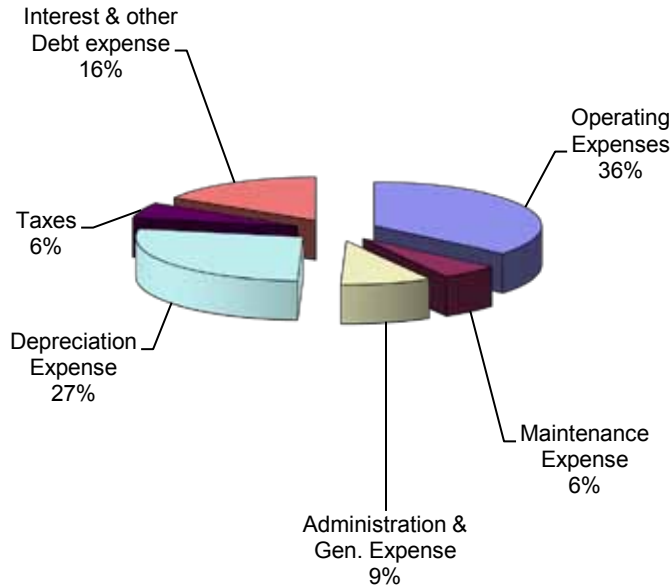
December 31,	2008	2007
Net Utility Plant	\$ 1,297,763	\$ 1,300,574
Non Current Assets	580,887	560,724
Current Assets	324,209	262,746
Deferred Debits	<u>6,625</u>	<u>7,017</u>
Total Assets & Deferred Debits	<u>2,209,484</u>	<u>2,131,061</u>
Long Term Debt	665,000	695,000
Current & Accrued Liabilities	<u>64,356</u>	<u>56,055</u>
Total Liabilities	729,356	751,055
Net Assets		
Invested in capital assets net of dep & related debt	1,183,758	1,137,453
Restricted	4,053	3,297
Unrestricted	<u>292,317</u>	<u>239,256</u>
Total Net Assets	1,480,128	1,380,006
Total Liabilities & Net Assets	<u>2,209,484</u>	<u>2,131,061</u>

Underwood Water Systems gross operating revenue was \$223,503 in 2008 compared to \$256,740 in 2007, a decrease of 13%. This decrease was primarily due to the decrease in water consumption and miscellaneous connection fees. The average cubic feet of water used per customer in 2008 were 13,310 compared with 15,012 in 2007.

CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
UNDERWOOD WATER

For the year ended December 31,	2008	2007
Operating Revenue	223,503	256,740
Operating Expenses	<u>(162,148)</u>	<u>(175,690)</u>
Net Operating Revenue	61,355	81,050
Non Operating Revenue	39,838	49,361
Non Operating Expenses	<u>(31,072)</u>	<u>(32,089)</u>
Revenue before capital cont	70,121	98,322
Capital Contributions	<u>30,000</u>	<u>50,000</u>
Change in Net Assets	100,121	148,322
Net Assets, Jan 1	1,380,006	1,231,684
Net Assets, December 31	<u>1,480,127</u>	<u>1,380,006</u>

2008 Underwood Water Expenses



UNDERWOOD WATER SUMMARY, RATES AND SUBSEQUENT EVENTS

During 2008, Underwood Water System's net income decreased 32% compared to 2007. The total net revenue was \$100,121 in 2008 and \$148,322 in 2007. This decrease in net revenue was due to the decrease in water consumptions, decrease in capital contributions and decrease in miscellaneous connection fees.

During the year ended December 31, 2008 the Systems long term liability decreased \$30,000 due to scheduled debt service payment. No new debt was issued in 2008 and the District does not anticipate new debt issuance in 2009. See note 7, long term debt for further detail.

Changes in the District's net assets in 2008 can be determined by reviewing the Revenue, Expenses, and Changes in Net Assets.

Two Year Comparative Operating Results and Statistics

Years ended December 31,	<u>2008</u>	<u>2007</u>
<u>ELECTRIC SYSTEM</u>		
Operating Revenue	8,143,479	8,079,578
Operating Expenses	<u>(8,200,952)</u>	<u>(8,015,060)</u>
Net Operating Revenue	(57,473)	64,518
Non Operating Revenue	1,272,831	840,527
Non Operating Expenses	<u>(137,950)</u>	<u>(142,550)</u>
Rev Before Capital Contributions	<u>1,077,408</u>	<u>762,495</u>
Capital Contributions	326,593	385,607
Capital Contributions-Grants	84,580	148,501
Change in Net Assets	<u>1,488,581</u>	<u>1,296,603</u>
Depreciation/Bond discount/OPEB/Interest	1,237,487	959,780
Residential Exchange Settlement/Grant	<u>(679,857)</u>	<u>(250,708)</u>
Total Available for Debt Service	2,046,211	2,005,675
Debt Service	249,940	254,540
Annual Debt Service Coverage	8.2	7.9
<u>Average Number of Customers</u>		
Residential	5,144	5,112
Large Industrial	4	4
Small Industrial	45	27
Commercial	544	565
<u>Revenue per Customer/Electric</u>		
Large Industrial	241,068	275,026
Small Industrial	12,085	18,843
Commercial	2,450	2,288
Residential	1,015	998
<u>Kilowatts Hour Sold</u>		
Residential	77,958,244	74,385,897
Large Industrial	17,350,380	22,632,600
Small Industrial	10,364,142	9,810,067
Commercial	<u>20,556,388</u>	<u>21,501,051</u>
Total KwHr Sold	126,229,154	128,329,615

Two Comparative Operating Results and Statistics continued

Years ended December 31,	<u>2008</u>	<u>2007</u>
<u>CARSON WATER</u>		
Operating Revenue	310,241	329,325
Operating Expenses	<u>(361,118)</u>	<u>(376,514)</u>
Net Operating Revenue	(50,877)	(47,189)
Non Operating Revenue	42,160	46,974
Non Operating Expenses	<u>(57,734)</u>	<u>(66,530)</u>
Rev Before Capital Contributions	<u>(66,451)</u>	<u>(66,745)</u>
Capital Contributions	35,000	68,000
Grants	<u>10,871</u>	<u>-</u>
Change in Net Assets	<u>(20,580)</u>	<u>1,255</u>
Depreciation/Bond Int & Discount	170,993	177,592
Total Available for Debt Service	139,542	178,847
Debt Service	<u>110,196</u>	<u>111,996</u>
Annual Debt Service Coverage	1.27	1.60
CW Average Number of customers:		
Residential	913	912
Commercial	53	56
CW Revenue per customer/Water Sales	315	324
Residential/Commercial cubic feet sold	11,083,215	13,167,496
<u>UNDERWOOD WATER</u>		
Operating Revenue	223,503	256,740
Operating Expenses	<u>(162,148)</u>	<u>(175,690)</u>
Net Operating Revenue	61,355	81,050
Non Operating Revenue	39,838	49,361
Non Operating Expenses	<u>(31,072)</u>	<u>(32,089)</u>
Rev Before Capital Contributions	<u>70,121</u>	<u>98,322</u>
Capital Contributions	30,000	50,000
Grants	<u>-</u>	<u>-</u>
Change in Net Assets	<u>100,121</u>	<u>148,322</u>
Depreciation/Bond Int/Discount	84,265	81,759
Total available for debt service	184,386	230,081
Annual Debt Service	60,780	56,780
Annual Debt Service Coverage	3.0	4.1
<u>Average Number of Customers</u>		
Residential	334	332
<u>UW Revenue per Customer/Water Sales</u>	630	714
<u>Sales in Cubic Ft.-Residential</u>	4,445,830	4,984,068

Management's Discussion and Analysis

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

The Combined Statement of Net Assets presents information on all the District's Assets and Liabilities. The Statement of Revenue, Expenses and Changes in Net Assets provides 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, 2007 and 2006. This discussion and analysis will present the District as a whole and the three systems separately.

DISTRICT'S COMBINED CONDENSED STATEMENT OF NET ASSETS

December 31,	2007	2006
Capital Assets, orig cost less accum depreciation	\$ 19,434,075	\$ 18,655,213
Non Current Assets	1,947,996	1,985,315
Current Assets	6,756,186	6,522,896
Deferred Debits	<u>131,117</u>	<u>129,744</u>
Total Assets & Deferred Debits	<u>\$ 28,269,374</u>	<u>\$ 27,293,168</u>
Long Term Debts	\$ 5,206,991	\$ 5,355,000
Current and Accrued Liabilities	1,820,731	1,943,505
Deferred Credits and Operating Reserves	<u>11,978</u>	<u>211,169</u>
Total Liabilities & Deferred Credits	7,039,700	7,509,674
Net Assets		
Invested in capital assets, net of related debt	16,004,211	15,035,674
Restricted	34,961	318,485
Unrestricted	<u>5,190,502</u>	<u>4,429,335</u>
Total Net Assets	\$ 21,229,674	\$ 19,783,494
Total Liabilities & Net Assets	<u>\$ 28,269,374</u>	<u>\$ 27,293,168</u>

The District's investments in capital assets net of accumulated depreciation at December 31, 2007 is \$19,434,075, approximately 4% more than the previous year. As a result of operation the Districts combined net assets increased \$1,446,180 or 7%.

Combined Condensed Statement of Revenues, Expenses, and Change in Net Assets

<u>For the Year Ended December 31,</u>	<u>2007</u>	<u>2006</u>
Operating Revenue	\$ 8,665,643	\$ 8,489,630
Purchased Power	(4,184,382)	(4,367,761)
Operating Expenses	(3,404,920)	(3,319,081)
Depreciation	<u>(977,962)</u>	<u>(884,595)</u>
Total Operating Expenses	<u>(8,567,264)</u>	<u>(8,571,437)</u>
Net Operating Revenue	98,379	(81,807)
Non Operating Revenue	834,655	791,748
Non Operating Expenses	<u>(241,169)</u>	<u>(237,572)</u>
Revenue Before Capital Contributions	691,865	472,369
Capital Contributions	503,607	605,602
Grants	<u>250,708</u>	<u>897,805</u>
Change in Net Assets	<u>\$ 1,446,180</u>	<u>\$ 1,975,776</u>

Increases or decreases in net assets may serve as a useful tool in determining whether the financial position of the District is improving or deteriorating. During 2007, the District experienced an increase in net assets of \$1,195,472 excluding grants as compared to the increase in 2006 of \$1,077,971.

ELECTRIC SYSTEM

Electric System Condensed Statement of Net Assets

December 31,	2007	2006
Capital Assets, net of depreciation	\$ 14,905,180	\$ 14,207,638
Non Current Assets	847,421	803,388
Currents Assets	6,081,587	5,908,061
Deferred Debits	<u>111,577</u>	<u>109,117</u>
Total Assets & Def Debits	<u>21,945,765</u>	<u>21,028,204</u>
Long Term Debt	3,065,000	3,180,000
Current & Accrued Liabilities	1,655,967	1,720,818
Deferred Credits & Op Reserves	<u>11,978</u>	<u>211,169</u>
Total Liability & Def Credits	4,732,945	5,111,987
Net Assets		
Invested in capital assets net of dep & related debt	12,596,450	11,859,208
Restricted	25,698	27,043
Unrestricted	<u>4,590,672</u>	<u>4,029,966</u>
Total Net Assets	<u>17,212,820</u>	<u>15,916,217</u>
Total Liabilities & Net Assets	<u>21,945,765</u>	<u>21,028,204</u>

As of December 31, 2007, the System's total investment in utility plant net of depreciation is \$14,905,180, an increase of \$697,542 (or 5%) compared to the 2006 total of \$14,207,638.

Long term liabilities are revenue bonds issued for capital improvements. As of December 31, 2007 and 2006 the total long term liabilities were \$3,065,000 and \$3,180,000, respectively.

Current liabilities are liabilities due within one year. Total current liabilities were \$1,655,967 in 2007 and \$1,720,818 in 2006.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets-Electric

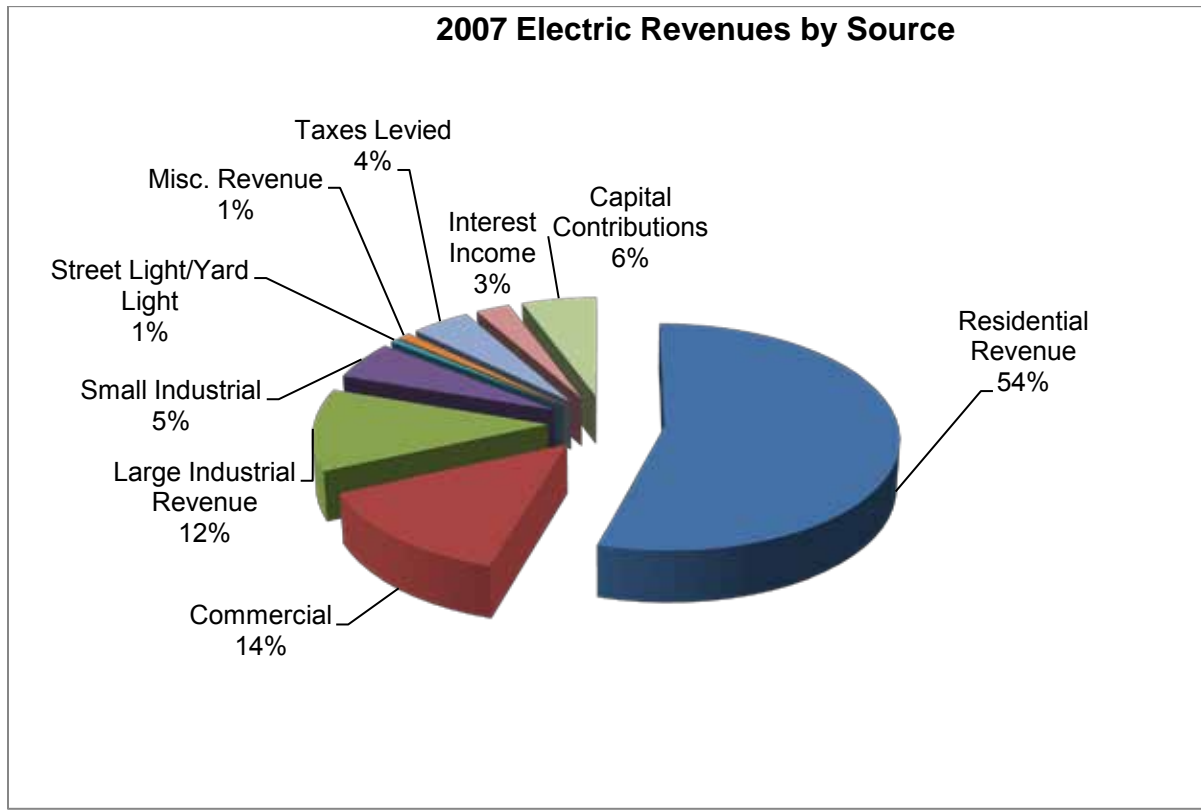
For the Year ended December 31	2007	2006
Total Operating Revenue	\$ 8,079,578	\$ 7,945,407
Total Operating Expenses	<u>(8,015,060)</u>	<u>(8,116,120)</u>
Net Operating Revenue	64,518	(170,713)
Total Non Op. Revenue	840,527	674,127
Total Non Op. Expenses	<u>(142,550)</u>	<u>(147,250)</u>
Rev before Capital Cont	762,495	356,164
Capital Contributions	385,607	402,102
Capital Contributions-Grants	<u>148,501</u>	
Change in Net Assets	<u>\$ 1,296,603</u>	<u>\$ 758,266</u>

Revenues

During 2007, the Electric System's result of operation improved in comparison to 2006. Total operating revenues were \$8,079,578 in 2007 compared with \$7,945,407 in 2006, an increase of 2%. While operating revenue increased approximately 2% in 2007, operating expenses decreased 1%, resulting in operating income of \$64,518 compared to operating loss of \$170,000 in 2006.

In 2007, Federal Emergency Management Administration awarded the District \$250,708 in grants to reimburse a portion of the costs incurred to restore power caused by the November 2006 storm. These monies were recorded as capital contributions and non operating revenue. The total amount applied to capital contributions and non operating revenue were \$148,501 and \$102,207 respectively.

Capital contributions including grants for fiscal years 2007 and 2006 were \$534,108 and \$402,102 respectively, an increase of \$132,006 or 33%. Non operating revenue increased \$106,400, (25%) from the prior year.



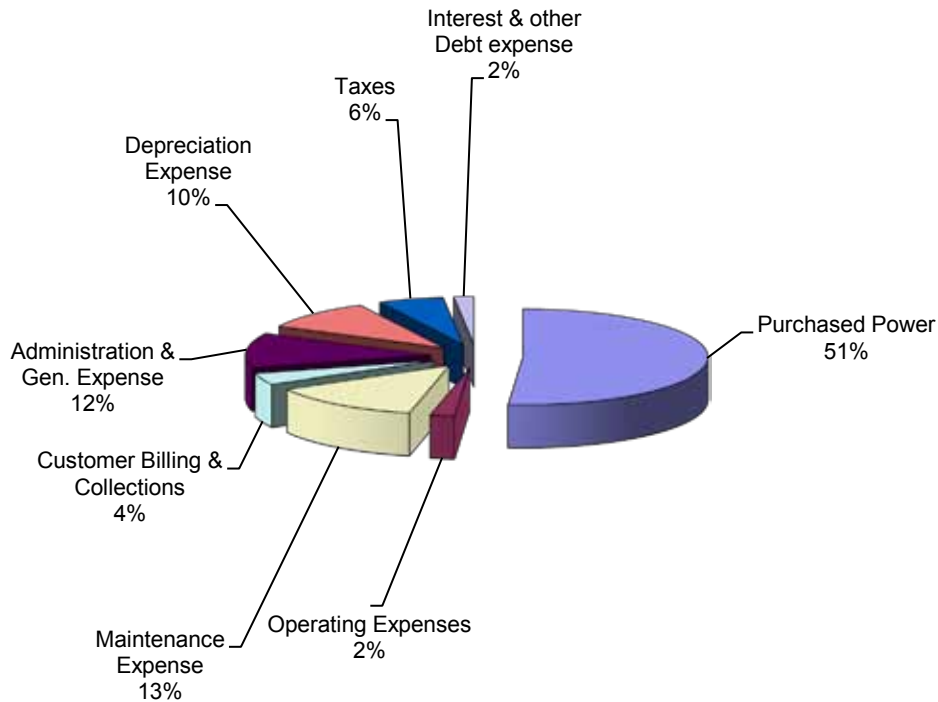
Expenses

The System's total operating expenses were \$8,015,060 in 2007 compared with \$8,116,120 in 2006, a decrease of \$101,060 or 1%. There was no significant increase or decrease in any category of the Electric System's operating expenses.

The total cost of purchased power in 2007 decreased slightly from \$4,367,761 in 2006 to \$4,184,382 in 2007. The System's power cost was approximately 52% of operating revenue in 2007 and 55% in 2006.

Non-operating expenses, consisting mainly of debt related expenses, decreased 3% in 2007 due to the declining balance of outstanding bonds. The total debt related expenses in 2007 and 2006 were \$142,550 and \$147,250 respectively.

2007 Electric Expenses



Electric Summary, Rates and Subsequent Events

Overall, the financial position of the Electric System improved during 2007 with an increase in net assets of \$1,296,603 compared to an increase of \$758,266 in 2006. This represents a 71% increase compared to 2006. The increase in net income in 2007 was due to the following: improved margins on power sales, the systems 2007 operating expenses were 99% of gross revenue compared with 102% of gross revenue in 2006; receipt of \$250,708 in grants from the Federal Emergency Management Agency to reimburse portions of storm related costs which occurred in November 2006; increase tax levy and interest income. Changes in the District's net assets in 2007 can be determined by reviewing the Revenue, Expenses, and Changes in Net Assets.

The largest component of the System's net assets, approximately 74% in 2007, reflects investments in capital assets net of depreciation and related debt component. The total gross additions in capital assets in 2007 and 2006 were \$697,542 and \$1,090,881 respectively. Additional information about the District's capital assets is presented in Note 4.

During the year ended December 31, 2007, the System's total long term liability decreased \$115,000 due to scheduled debt service payment. No new debt was issued in 2007 and the District does not anticipate new debt issuance in 2008. See note 7, long term debt for further detail.

CARSON WATER SYSTEM

Carson Water Condensed Statement of Net Assets

December 31	2007	2006
Utility Plant, net of depreciation	\$3,228,321	\$3,245,409
Restricted Assets	539,851	649,124
Current Assets	411,853	356,593
Deferred Debits	<u>12,523</u>	<u>13,219</u>
Total Assets & Deferred Debits	<u>4,192,548</u>	<u>4,264,345</u>
Long Term Debt	1,446,991	\$1,450,000
Current & Accrued Liabilities	<u>108,709</u>	<u>178,752</u>
Total Liabilities	1,555,700	1,628,752
Net Assets		
Invested in capital assets net of dep & related debt	2,270,308	2,164,281
Restricted	5,966	288,900
Unrestricted	<u>360,574</u>	<u>182,412</u>
Total Net Assets	<u>2,636,848</u>	<u>2,635,593</u>
Total Liabilities & Net Assets	<u>4,192,548</u>	<u>4,264,345</u>

As of December 31, 2007 and 2006, Carson Water System's had \$3,228,321 and \$3,245,409 respectively, invested in capital assets net of depreciation. The 2007 depreciation was slightly higher than additions to plants. This has caused total utility plant to slightly decline. Total liabilities were \$1,555,700 in 2007 and \$1,628,752 in 2006, a decrease of \$73,052 or 4% due to scheduled principal repayments of the 2005 Revenue Bond.

Condensed Statement of Revenues, Expenses and Change in Net Assets-Carson Water

For the Year ended December 31,	2007	2006
Operating Revenue	\$329,325	\$308,406
Operating Expenses	<u>(376,514)</u>	<u>(300,606)</u>
Net Operating Revenue	(47,189)	7,800
Non Operating Revenue	46,974	72,931
Non Operating Expenses	<u>(66,530)</u>	<u>(57,201)</u>
Revenue before capital cont.	(66,745)	23,530
Capital Contributions	68,000	112,000
Capital Contributions-Grant		<u>897,805</u>
Change in Net Assets	<u>1,255</u>	<u>1,033,335</u>

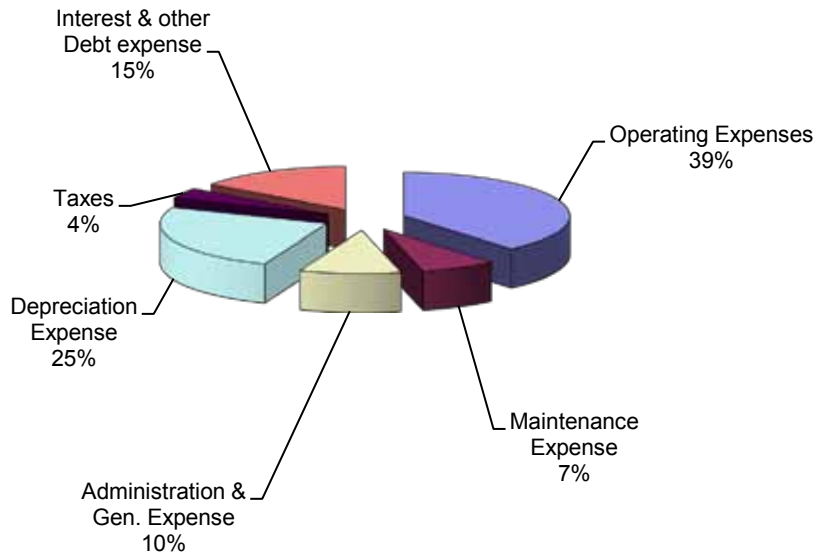
Carson Water System's operating revenue increased 7% to \$329,325 for the year ended December 2007 compared with \$308,406 for the year ended December 2006.

Capital contributions from new customers decreased 39% to \$68,000 in 2007 compared to \$112,000 in 2006. Total capital contributions including grants in 2007 and 2005 were \$68,000 and \$897,805 respectively.

Carson Water System's operating expenses were \$376,514 in 2007 compared to \$300,606 in 2006, an increase of \$75,908 or 25%. This increase was driven primarily by an increase in depreciation expense, which reflects the significant new plant additions placed in service in 2006 and 2005. The total depreciation expense in 2007 and 2006 were \$111,062 and \$73,448 respectively. Maintenance of treatment plant also increased due to road maintenance and the cleanup of backwash pond.

Non-operating expenses increased 16% in 2007 due to interest payment of WIB loan. The total debt related expenses in 2007 and 2006 were \$66,530 and \$57,201 respectively.

2007 Carson Water Expenses



Carson Water Summary, Rates and Subsequent Events

The System's net income, for the year ended December 31, 2007 excluding grants was \$1,255 compared to \$135,530 in 2006, a decrease of \$134,275 or 99%. This significant decrease in net revenue was influenced by several factors. One factor was decreased margins on water sales, the System's 2007 operating expenses were 114% of gross revenue compared with 97% of gross revenue in 2006. Another factor contributing to the decline in net operating revenue in 2007 was the decrease in capital contributions. Capital contributions were \$68,000 and \$112,000 in 2007 and 2006 respectively. Non operating revenue from investment earnings also declined as a result of lower investment balances.

In 2007, the System's expenses increased mainly as a result of increased depreciation and increased cost of operations and maintenance. The majority of the increase in operations and maintenance was primarily due to an increase in salary cost due to the hiring of a new employee shared by both water systems. The System also charges internal labor to operations and maintenance activities and capital projects. In 2007, there was a significant decrease in capital projects resulting in more work performed in operations and maintenance activities. Please see Carson Water System's Statement of Revenues, Expenses and Changes in Net Assets for more information.

The System's total net assets as of December 31, 2007 were \$2,636,848. About 86% of the total net assets are invested in utility plant. There was no significant change in the System's capital assets in 2007.

UNDERWOOD WATER

The System's net assets increased \$148,322 (or 12%) as a result of operations. As of December 31, 2007, the System's total liabilities decreased due to scheduled debt service payment of the 2005 Revenue Bond. A summary of the Systems Statement of Net Assets is presented below.

CONDENSED STATEMENT OF NET ASSETS-UNDERWOOD WATER

December 31,	2007	2006
Net Utility Plant	1,300,574	1,202,166
Non Current Assets	560,724	532,803
Current Assets	262,746	258,242
Deferred Debits	<u>7,017</u>	<u>7,408</u>
Total Assets & Deferred Debits	2,131,061	2,000,619
Long Term Debt	695,000	725,000
Current & Accrued Liabilities	<u>56,055</u>	<u>43,935</u>
Total Liabilities	751,055	768,935
Net Assets		
Invested in capital assets net of dep & related debt	1,137,453	1,012,185
Restricted	3,297	2,542
Unrestricted	<u>239,256</u>	<u>216,957</u>
Total Net Assets	<u>1,380,006</u>	<u>1,231,684</u>
Total Liabilities & Net Assets	<u>2,131,061</u>	<u>2,000,619</u>

Underwood Water Systems operating revenue was \$256,740 in 2007 compared to \$235,817 in 2006, an increase of 9%. This increase was primarily due to the increased water consumption and miscellaneous revenue. The average cubic feet of water used per customer in 2007 were 15,012 compared with 14,261 in 2006.

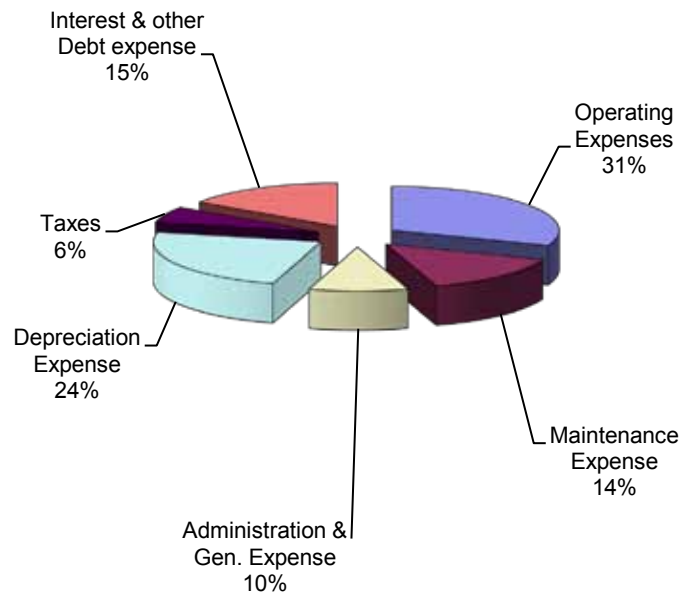
The table below highlights Underwood Water System's operating results in 2007 compared to 2006.

Condensed Statement of Revenues, Expenses and Changes in Net Assets- Underwood
Water

Year ended December 31,	2007	2006
Operating Revenue	\$ 256,740	\$ 235,817
Operating Expenses	<u>(175,690)</u>	<u>(154,711)</u>
Net Operating Revenue	81,050	81,106
Non Operating Revenue	49,361	44,690
Non Operating Expenses	<u>(32,089)</u>	<u>(33,121)</u>
Revenue before capital cont	98,322	92,675
Capital Contributions	<u>50,000</u>	<u>91,500</u>
Change in Net Assets	<u>\$ 148,322</u>	<u>\$ 184,175</u>

Underwood Water System's operating expenses increased by \$20,979 (or 14%) from \$154,711 in 2006 to \$175,690 in 2007 due to increased maintenance expenses, the largest of which was the maintenance of water mains caused by the Broughton Fire. BNSF Railway reimbursed this amount and monies received were recorded as miscellaneous revenue.

2007 Underwood Water Expenses



UNDERWOOD WATER SUMMARY, RATES AND SUBSEQUENT EVENTS

During 2007, Underwood Water System's net income decreased 19% over 2006. The total net income was \$148,322 in 2007 and \$184,175 in 2006. This decrease in net income was primarily due to a decrease in capital contributions. The System's capital contributions for fiscal years 2007 and 2006 were \$50,000 and \$91,500 respectively, a decrease of \$41,500 (or 45%). The System's net operating income remained fairly steady with a slight decrease of .1% in 2007. The total net operating income was \$81,050 in 2007 compared to \$81,106 the prior year.

Three Year Comparative Operating Results, Statistics and Debt Service

Years ended December 31,	<u>2007</u>	<u>2006</u>
<u>ELECTRIC SYSTEM</u>		
Operating Revenue	8,079,578	7,945,407
Operating Expenses	<u>(8,015,060)</u>	<u>(8,116,120)</u>
Net Operating Revenue	64,518	(170,713)
Non Operating Revenue	840,527	674,127
Non Operating Expenses	<u>(142,550)</u>	<u>(147,249)</u>
Rev Before Capital Contributions	<u>762,495</u>	<u>356,165</u>
Capital Contributions	385,607	402,102
Capital Contributions-Grants	<u>148,501</u>	<u>-</u>
Change in Net Assets	<u>1,296,603</u>	<u>758,267</u>
Depreciation/Bond Int/Discount	709,072	911,962
Total Available for Debt Service	<u>2,005,675.00</u>	<u>1,670,229.00</u>
Debt Service	254,540.00	253,940
Annual Debt Service	7.9	6.6
<u>Average Number of Customers</u>		
Residential	5,112	5,005
Large Industrial	4	4
Small Industrial	27	26
Commercial	565	559
<u>Revenue per Customer/Electric</u>		
Large Industrial	275,026	279,379
Small Industrial	18,843	19,364
Commercial	2,288	2,362
Residential	998	983
<u>Kilowatts Hour Sold</u>		
Residential	74,385,897	74,691,395
Large Industrial	22,632,600	22,895,400
Small Industrial	9,810,067	9,816,451
Commercial	<u>21,501,051</u>	<u>23,213,514</u>
Total KwHr Sold (excluding Yard/Street Light)	128,329,615	130,616,760

Three Year Comparative Operating Results and Statistics continued

Years ended December 31,	<u>2007</u>	<u>2006</u>
<u>CARSON WATER</u>		
Operating Revenue	329,325	308,406
Operating Expenses	<u>(376,514)</u>	<u>(300,606)</u>
Net Operating Revenue	(47,189)	7,800
Non Operating Revenue	46,974	72,931
Non Operating Expenses	<u>(66,530)</u>	<u>(57,201)</u>
Rev Before Capital Contributions	<u>(66,745)</u>	23,530
Capital Contributions	68,000	112,000
Grants	<u>-</u>	<u>897,805</u>
Change in Net Assets	<u>1,255</u>	<u>1,033,335</u>
Depreciation/Bond Discount	177,592	(767,156)
Total Available for Debt Service	178,847	266,179
Debt Service	<u>111,996</u>	<u>101,655</u>
Annual Debt Service Coverage	1.6	2.6
CW Average Number of customers:		
Residential	912	882
Commercial	56	54
CW Revenue per customer/Water Sales	324	324
Residential/Commercial	13,167,496	13,122,457
<u>UNDERWOOD WATER</u>		
Operating Revenue	256,740	235,817
Operating Expenses	<u>(175,690)</u>	<u>(154,711)</u>
Net Operating Revenue	81,050	81,106
Non Operating Revenue	49,361	44,690
Non Operating Expenses	<u>(32,089)</u>	<u>(33,121)</u>
Rev Before Capital Contributions	<u>98,322</u>	92,675
Capital Contributions	50,000	91,500
Grants	<u>-</u>	<u>-</u>
Change in Net Assets	<u>148,322</u>	<u>184,175</u>
Depreciation/Bond discount	81,759	79,556
Total available for debt service	230,081	263,731
Annual Debt Service	56,780	57,780
Annual Debt Service Coverage	4.1	4.6
<u>Average Number of Customers</u>		
Residential	332	331
<u>UW Revenue per Customer/Water Sales</u>		
	714	698
<u>Sales in Cubic Ft.-Residential</u>		
	4,984,068	4,720,467

Public Utility District 1 of Skamania County
STATEMENT OF NET ASSETS
For the year ended Dec. 31, 2008

	<u>Electric</u>	<u>Carson Water</u>	<u>Underwood Water</u>	<u>2008 Total</u>	<u>2007 Total</u>
ASSETS & OTHER DEBITS					
CURRENT ASSETS:					
Cash and Cash Equivalents	\$ 5,262,427	\$ 190,025	\$ 304,447	\$ 5,756,899	\$ 5,041,099
Other Assets	36,100			36,100	36,100
Customer Accounts Receivable	964,522	41,375	17,152	1,023,049	981,335
Less: Allowance for Bad Debts	(62,473)	(1,604)	(2,456)	(66,533)	(70,729)
Receivables - Interfund & Other	41,291	-	5,066	46,357	54,207
Taxes Receivable	36,486	-		36,486	29,957
Materials & Supplies	652,453	70,363	-	722,816	684,217
Total Current Assets	<u>6,930,806</u>	<u>300,159</u>	<u>324,209</u>	<u>7,555,174</u>	<u>6,756,186</u>
NON CURRENT ASSETS:					
Restricted Cash, Investments & Receivable:					
Grants Receivable		10,871		10,871	-
Restricted Funds: Cash	39,317	11,084	6,518	56,919	211,444
Investments	542,660	429,945	574,369	1,546,974	1,736,552
Total Restricted Assets	<u>581,977</u>	<u>451,900</u>	<u>580,887</u>	<u>1,614,764</u>	<u>1,947,996</u>
DEFERRED DEBITS:					
Computer Services	-			-	-
Other Deferred Debits	14,646	-	-	14,646	50,784
Debt Discount & Exp	57,400	11,827	6,625	75,852	80,333
Total Deferred Debits	<u>72,046</u>	<u>11,827</u>	<u>6,625</u>	<u>90,498</u>	<u>131,117</u>
CAPITAL ASSETS:					
Utility Plant	25,897,897	4,625,218	2,084,542	32,607,657	30,849,437
Intangibles-Computer	191,428				
General Plant	2,979,186	21,625	1,479	3,002,290	2,643,806
Total Plant Accounts	29,068,511	4,646,843	2,086,021	35,609,947	33,493,243
Less: Accumulated Depreciation	(12,809,943)	(1,308,088)	(788,258)	(14,906,289)	(14,059,168)
Total Capital Assets net of Depreciation	<u>16,258,568</u>	<u>3,338,755</u>	<u>1,297,763</u>	<u>20,703,658</u>	<u>19,434,075</u>
Total Non Current Assets:	<u>16,912,591</u>	<u>3,802,482</u>	<u>1,885,275</u>	<u>22,408,920</u>	<u>21,513,188</u>
TOTAL ASSETS:	<u>\$ 23,843,397</u>	<u>\$ 4,102,641</u>	<u>\$ 2,209,484</u>	<u>\$ 30,155,522</u>	<u>\$ 28,269,374</u>

The accompanying notes are integral part of the financial statements.
Restatement of beginning net assets had been made for the 2007 amount to conform to the 2008 presentation.
Restatement of beginning balance was due to the implementation of GASB 16 on sick leave liability.

Public Utility District 1 of Skamania County
STATEMENT OF NET ASSETS
For the year ended Dec. 31, 2008

	<u>Electric</u>	<u>Carson Water</u>	<u>Underwood Water</u>	<u>2008 Total</u>	<u>2007 Total</u>
LIABILITIES:					
Current & Accrued Liabilities					
Warrant Payable	508,695	-	3,039	511,734	69,971
Accounts Payable	762,939	4,478	8,866	776,283	879,434
Payable - Interfund & Other	-	25,416	15,553	40,969	53,389
Customer Deposits	155,105			155,105	163,194
Accrued Taxes	191,239	5,217	4,433	200,889	200,567
Compensated Absences	339,564			339,564	232,026
Accrued Interest	10,862	4,271	2,465	17,598	18,231
Insurance Premium Advances	10,054			10,054	5,910
Current Portion of Long-Term Debt	<u>130,000</u>	<u>58,378</u>	<u>30,000</u>	<u>218,378</u>	<u>198,009</u>
Total Current & Accrued Liabilities	<u>2,108,458</u>	<u>97,760</u>	<u>64,356</u>	<u>2,270,574</u>	<u>1,820,731</u>
NON CURRENT LIABILITIES:					
Long term debt					
CW WIB Loan	-	183,613		183,613	191,991
2005 Revenue Bonds	2,935,000			2,935,000	3,065,000
2005 Water Revenue Bonds		1,155,000	665,000	1,820,000	1,900,000
Accrued Opeb Liabilities	156,560			156,560	
Cerb Loan	-	50,000		50,000	50,000
Loans from Electric to Water	-	-	-	-	-
Total Long Term Debt	<u>3,091,560</u>	<u>1,388,613</u>	<u>665,000</u>	<u>5,145,173</u>	<u>5,206,991</u>
Deferred Credits & Operating Reserves					
Customer Advances for Construction	11,978			11,978	11,978
Total Deferred Credits & Op. Reserve	<u>11,978</u>	<u>-</u>	<u>-</u>	<u>11,978</u>	<u>11,978</u>
TOTAL LIABILITIES:	<u>5,211,996</u>	<u>1,486,373</u>	<u>729,356</u>	<u>7,427,725</u>	<u>7,039,700</u>
NET ASSETS:					
Invested in capital assets net of depreciation and related debt	13,793,628	2,333,536	1,183,758	17,310,922	16,004,211
Restricted	28,456	17,684	4,053	50,193	34,961
Unrestricted	<u>4,809,317</u>	<u>265,048</u>	<u>292,317</u>	<u>5,366,682</u>	<u>5,190,502</u>
Total Net Assets	<u>18,631,401</u>	<u>2,616,268</u>	<u>1,480,128</u>	<u>22,727,797</u>	<u>21,229,674</u>
Total Liabilities and Net Assets	<u>\$ 23,843,397</u>	<u>\$ 4,102,641</u>	<u>\$ 2,209,484</u>	<u>\$ 30,155,522</u>	<u>\$ 28,269,374</u>

The accompanying notes are integral part of the financial statements.
Restatement of beginning net assets had been made for the 2007 amount to conform to the 2008 presentation.
Restatement of beginning balance was due to the implementation of GASB 16 on sick leave liability.

Public Utility District 1 of Skamania County
STATEMENT OF NET ASSETS
For the year ended Dec. 31, 2007

	<u>Electric</u>	<u>Carson Water</u>	<u>Underwood Water</u>	<u>2007 Total</u>	<u>2006 Total</u>
ASSETS & OTHER DEBITS					
CURRENT ASSETS:					
Cash and Cash Equivalents	\$ 4,518,193	\$ 293,739	\$ 229,167	\$ 5,041,099	\$ 4,855,760
Other Assets	36,100			36,100	-
Customer Accounts Receivable	898,154	54,015	29,166	981,335	1,114,563
Less: Allowance for Bad Debts	(66,927)	(1,846)	(1,956)	(70,729)	(53,163)
Receivables - Interfund & Other	47,838	-	6,369	54,207	35,829
Taxes Receivable	29,957	-		29,957	27,479
Materials & Supplies	<u>618,272</u>	<u>65,945</u>	<u>-</u>	<u>684,217</u>	<u>542,428</u>
Total Current Assets	<u>6,081,587</u>	<u>411,853</u>	<u>262,746</u>	<u>6,756,186</u>	<u>6,522,896</u>
NON CURRENT ASSETS:					
Restricted Cash, Investments & Receivable:					
Grants Receivable		-		-	284,340
Restricted Funds: Cash	39,653	165,930	5,861	211,444	577,948
Investments	<u>807,768</u>	<u>373,921</u>	<u>554,863</u>	<u>1,736,552</u>	<u>1,123,027</u>
Total Restricted Assets	847,421	539,851	560,724	1,947,996	1,985,315
DEFERRED DEBITS:					
Other Deferred Debits	50,784	-	-	50,784	44,931
Debt Discount & Exp	<u>60,793</u>	<u>12,523</u>	<u>7,017</u>	<u>80,333</u>	<u>84,813</u>
Total Deferred Debits	<u>111,577</u>	<u>12,523</u>	<u>7,017</u>	<u>131,117</u>	<u>129,744</u>
CAPITAL ASSETS:					
Utility Plant	24,404,549	4,403,728	2,041,160	30,849,437	29,358,931
General Plant	<u>2,622,905</u>	<u>19,422</u>	<u>1,479</u>	<u>2,643,806</u>	<u>2,456,509</u>
Total Plant Accounts	27,027,454	4,423,150	2,042,639	33,493,243	31,815,440
Less: Accumulated Depreciation	<u>(12,122,274)</u>	<u>(1,194,829)</u>	<u>(742,065)</u>	<u>(14,059,168)</u>	<u>(13,160,227)</u>
Total Capital Assets net of Depreciation	<u>14,905,180</u>	<u>3,228,321</u>	<u>1,300,574</u>	<u>19,434,075</u>	<u>18,655,213</u>
Total Non Current Assets:	<u>15,864,178</u>	<u>3,780,695</u>	<u>1,868,315</u>	<u>21,513,188</u>	<u>20,770,272</u>
TOTAL ASSETS:	<u>\$ 21,945,765</u>	<u>\$ 4,192,548</u>	<u>\$ 2,131,061</u>	<u>\$ 28,269,374</u>	<u>\$ 27,293,168</u>

The accompanying notes are integral part of the financial statements.

Public Utility District 1 of Skamania County
STATEMENT OF NET ASSETS
For the year ended Dec. 31, 2007

	<u>Electric</u>	<u>Carson Water</u>	<u>Underwood Water</u>	<u>2007 Total</u>	<u>2006 Total</u>
LIABILITIES:					
Current & Accrued Liabilities					
Warrant Payable	69,872	99	-	69,971	490,461
Accounts Payable	868,105	8,836	2,493	879,434	846,307
Payable - Interfund & Other	-	36,891	16,498	53,389	35,562
Customer Deposits	163,194			163,194	164,434
Accrued Taxes	190,615	5,453	4,499	200,567	197,899
Compensated Absences	232,026			232,026	
Accrued Interest	11,245	4,421	2,565	18,231	18,847
Insurance Premium Advances	5,910			5,910	4,995
Current Portion of Long-Term Debt	<u>115,000</u>	<u>53,009</u>	<u>30,000</u>	<u>198,009</u>	<u>185,000</u>
Total Current & Accrued Liabilities	<u>1,655,967</u>	<u>108,709</u>	<u>56,055</u>	<u>1,820,731</u>	<u>1,943,505</u>
 NON CURRENT LIABILITIES:					
Long term debt					
CW WIB Loan	-	191,991		191,991	200,000
2005 Revenue Bonds	3,065,000			3,065,000	3,180,000
Water Revenue Bonds	-	1,205,000	695,000	1,900,000	1,975,000
Cerb Loan	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total Long Term Debt	<u>3,065,000</u>	<u>1,446,991</u>	<u>695,000</u>	<u>5,206,991</u>	<u>5,355,000</u>
 Deferred Credits & Operating Reserves					
Customer Advances for Construction	11,978			11,978	11,978
Allowance for Accrued Vac. & Retirement	<u>-</u>			<u>-</u>	<u>199,191</u>
Total Deferred Credits & Op. Reserve	<u>11,978</u>	<u>-</u>	<u>-</u>	<u>11,978</u>	<u>211,169</u>
TOTAL LIABILITIES:	<u>4,732,945</u>	<u>1,555,700</u>	<u>751,055</u>	<u>7,039,700</u>	<u>7,509,674</u>
 NET ASSETS:					
Invested in capital assets net of depreciation and related debt					
Restricted	12,596,450	2,270,308	1,137,453	16,004,211	15,035,674
Unrestricted	25,698	5,966	3,297	34,961	318,485
	<u>4,590,672</u>	<u>360,574</u>	<u>239,256</u>	<u>5,190,502</u>	<u>4,429,335</u>
Total Net Assets	<u>17,212,820</u>	<u>2,636,848</u>	<u>1,380,006</u>	<u>21,229,674</u>	<u>19,783,494</u>
Total Liabilities and Net Assets	<u>\$ 21,945,765</u>	<u>\$ 4,192,548</u>	<u>\$ 2,131,061</u>	<u>\$ 28,269,374</u>	<u>\$ 27,293,168</u>

The accompanying notes are integral part of the financial statements.

P.U.D. NO. 1 OF SKAMANIA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR FISCAL YEAR ENDED DECEMBER 31, 2008

	2008	Carson	Underwood	<u>Total</u>	<u>Total</u>
	Electric	Water	Water	2008	2007
OPERATING REVENUES:					
Residential Sales	\$ 5,220,070	\$ 303,882	\$ 210,578	\$ 5,734,530	\$ 5,651,186
Commercial Sales	1,332,973			\$ 1,332,973	1,292,736
Large Industrial Sales	964,271			\$ 964,271	1,100,102
Small Industrial Sales	543,829			\$ 543,829	508,764
Street Light	28,537			\$ 28,537	24,641
Yard Lights	33,728	-	-	\$ 33,728	31,669
Miscellaneous Service Revenue	20,071	6,359	12,925	\$ 39,355	56,545
TOTAL OPERATING REVENUES	8,143,479	310,241	223,503	8,677,223	8,665,643
OPERATING EXPENSES:					
Purchased Power	4,016,679			4,016,679	4,184,382
Maintenance & Operations	1,188,936	196,703	80,689	1,466,328	1,569,145
Meter Reading	68,132	9,008	7,125	84,265	78,116
Customer Billing & Collection	259,705	3,742	3,049	266,496	269,624
Administrative & General Expense	1,065,907	22,699	6,782	1,095,388	990,347
Depreciation	942,977	113,259	53,193	1,109,429	977,962
Other Opeb Benefits	156,560			156,560	
Taxes	477,265	15,707	11,310	504,282	497,688
TOTAL OPERATING EXPENSES:	8,176,161	361,118	162,148	8,699,427	8,567,264
OPERATING INCOME	(32,682)	(50,877)	61,355	(22,204)	98,379
NON OPERATING REVENUE (EXPENSES)					
Taxes	426,934	19,808	12,030	458,772	455,382
Interest on Securities	213,648	22,352	27,808	263,808	309,121
Miscellaneous Non-Operating Revenue	626,734			626,734	70,152
Grant Revenue-Fema	5,515			5,515	102,207
Miscellaneous Non-Operating Deductions	-	-	-	-	-
Amortization - Debt Discount & Expense	(3,393)	(696)	(392)	(4,481)	(4,481)
Interest Expense	(134,557)	(57,038)	(30,680)	(222,275)	(236,688)
TOTAL NON OPERATING REVENUE(EXPENSES)	1,134,881	(15,574)	8,766	1,128,073	695,693
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,102,199	(66,451)	70,121	1,105,869	794,072
CAPITAL CONTRIBUTIONS AND GRANTS					
Capital Contributions	326,593	35,000	30,000	391,593	503,607
Capital Contribution-Fema	84,580			84,580	148,501
Grant -USDA Forest Service	-	10,871	-	10,871	-
TOTAL CAPITAL CONTRIBUTIONS & GRANTS	411,173	45,871	30,000	487,044	652,108
CHANGE IN NET ASSETS	1,513,372	(20,580)	100,121	1,592,913	1,446,180
NET ASSETS, January 1	17,142,820	2,636,848	1,380,006	21,159,674	19,783,494
NET ASSETS, December 31	\$ 18,656,192	\$ 2,616,268	\$ 1,480,127	\$ 22,752,587	\$ 21,229,674

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

P.U.D. NO. 1 OF SKAMANIA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR FISCAL YEAR ENDED DECEMBER 31, 2007

	2007	Carson	Underwood	<u>Total</u>	<u>Total</u>
OPERATING REVENUES:	Electric	Water	Water	2007	2006
Residential Sales	\$ 5,100,941	\$ 313,320	\$ 236,925	\$ 5,651,186	\$ 5,453,445
Commercial Sales	1,292,736			\$ 1,292,736	1,320,123
Large Industrial Sales	1,100,102			\$ 1,100,102	1,117,515
Small Industrial Sales	508,764			\$ 508,764	503,451
Street Light	24,641			\$ 24,641	24,642
Yard Lights	31,669	-	-	\$ 31,669	36,784
Miscellaneous Service Revenue	<u>20,725</u>	<u>16,005</u>	<u>19,815</u>	<u>\$ 56,545</u>	<u>33,670</u>
TOTAL OPERATING REVENUES	8,079,578	329,325	256,740	8,665,643	8,489,630
OPERATING EXPENSES:					
Purchased Power	4,184,382			4,184,382	4,367,761
Maintenance & Operations	1,270,663	204,684	93,798	1,569,145	1,562,299
Meter Reading	55,415	14,392	8,309	78,116	91,880
Customer Billing & Collection	255,155	10,089	4,380	269,624	247,798
Administrative & General Expense	964,249	19,087	7,011	990,347	925,524
Depreciation	817,230	111,062	49,670	977,962	884,595
Taxes	<u>467,966</u>	<u>17,200</u>	<u>12,522</u>	<u>497,688</u>	<u>491,580</u>
TOTAL OPERATING EXPENSES:	<u>8,015,060</u>	<u>376,514</u>	<u>175,690</u>	<u>8,567,264</u>	<u>8,571,437</u>
OPERATING INCOME	64,518	(47,189)	81,050	98,379	(81,807)
NON OPERATING REVENUE (EXPENSES)					
Taxes	423,498	19,837	12,047	455,382	431,921
Interest on Securities	244,670	27,137	37,314	309,121	319,606
Miscellaneous Non-Operating Revenue	70,152			70,152	40,221
Grant Revenue-Fema	102,207			102,207	
Miscellaneous Non-Operating Deductions	-	-	-	-	-
Amortization - Debt Discount & Expense	(3,393)	(696)	(392)	(4,481)	(4,797)
Interest - Associated Accounts	<u>(139,157)</u>	<u>(65,834)</u>	<u>(31,697)</u>	<u>(236,688)</u>	<u>(232,775)</u>
TOTAL NON OPERATING REVENUE (EXPENSES)	<u>697,977</u>	<u>(19,556)</u>	<u>17,272</u>	<u>695,693</u>	<u>554,176</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	762,495	(66,745)	98,322	794,072	472,369
CAPITAL CONTRIBUTIONS AND GRANTS					
Capital Contributions	385,607	68,000	50,000	503,607	605,602
Capital Contribution-Fema	148,501			148,501	
Grant (CDBG)	-	-	-	-	897,805
TOTAL CAPITAL CONTRIBUTIONS & GRANTS	<u>534,108</u>	<u>68,000</u>	<u>50,000</u>	<u>652,108</u>	<u>1,503,407</u>
 CHANGE IN NET ASSETS	 1,296,603	 1,255	 148,322	 1,446,180	 1,975,776
 NET ASSETS, January 1	 <u>15,916,217</u>	 <u>2,635,593</u>	 <u>1,231,684</u>	 <u>19,783,494</u>	 <u>17,807,718</u>
NET ASSETS, December 31	<u>\$ 17,212,820</u>	<u>\$ 2,636,848</u>	<u>\$ 1,380,006</u>	<u>\$ 21,229,674</u>	<u>\$ 19,783,494</u>

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

PUBLIC UTILITY DISTRICT NO 1 OF SKAMANIA COUNTY
Combined Statement of Cash Flows
2008

	<u>Electric</u>	<u>Carson Water</u>	<u>Underwood Water</u>	<u>2008 Total</u>	<u>2007 Total</u>
Cash flow from Operating Activities:					
Cash Received from customers	\$ 8,052,587	316,280	\$ 224,395	\$ 8,593,262	\$ 8,753,524
Cash payment to suppliers for goods & services	\$ (4,602,627)	(261,973)	\$ (88,040)	\$ (4,952,640)	\$ (5,595,621)
Cash payment to employees for services	\$ (1,841,009)	-	-	\$ (1,841,009)	\$ (1,625,943)
Payments for taxes	\$ (477,265)	(15,944)	\$ (11,376)	\$ (504,585)	\$ (498,408)
Other operating cash received	\$ 20,071	6,359	\$ 12,926	\$ 39,355	\$ 56,545
Net cash provided (used) by operating activities	<u>\$ 1,151,756</u>	<u>44,722</u>	<u>\$ 137,905</u>	<u>\$ 1,334,383</u>	<u>\$ 1,090,097</u>
Cash flow from noncapital financing activities:					
Residential Exchange Settlement	\$ 589,762	-	\$ -	\$ 589,762	\$ -
Proceeds from insurance/Fema	\$ 5,515	-	-	\$ 5,515	\$ 102,287
Receipts from pole contact rentals/sale of assets	\$ 36,972	-	\$ -	\$ 36,972	\$ 70,072
Net cash provided (used) from noncapital financing activities	<u>\$ 632,249</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 632,249</u>	<u>\$ 172,359</u>
Cash flow from capital and related financing activities:					
Additions to plant	\$ (2,104,938)	(223,693)	\$ (50,382)	\$ (2,379,013)	\$ (1,833,980)
Contributions from Customers & Grants	\$ 411,173	45,871	\$ 30,000	\$ 487,044	\$ 652,108
Payment on long term debt	\$ (115,000)	(53,009)	\$ (30,000)	\$ (198,009)	\$ (185,000)
Payment on interest on long term debt	\$ (134,940)	(57,883)	\$ (31,172)	\$ (223,995)	\$ (238,392)
Proceeds from bonds/loans	\$ -	-	\$ -	\$ -	\$ 50,000
Proceeds from taxes	\$ 426,934	19,808	\$ 12,030	\$ 458,772	\$ 455,382
Net cash provided (used) for capital financing activities	<u>\$ (1,516,771)</u>	<u>(268,906)</u>	<u>\$ (69,524)</u>	<u>\$ (1,855,201)</u>	<u>\$ (1,099,882)</u>
Cash from investing activities:					
Purchase of investments	\$ (5,124,884)	(4,003,910)	\$ (4,586,234)	\$ (13,715,028)	\$ (10,204,723)
Maturity of investments	\$ 5,389,992	3,947,886	\$ 4,566,728	\$ 13,904,606	\$ 10,118,811
Other Investments	\$ -	-	-	\$ -	\$ (36,100)
Proceeds from earnings on investments	\$ 211,557	21,648	\$ 27,061	\$ 260,266	\$ 305,887
Net cash provided from investing activities	<u>\$ 476,665</u>	<u>(34,376)</u>	<u>\$ 7,555</u>	<u>\$ 449,844</u>	<u>\$ 183,875</u>
Net increase (decrease) in cash and cash equivalents	\$ 743,899	(258,560)	\$ 75,936	\$ 561,275	\$ 346,449
Cash and cash equivalents at beginning of year	\$ 4,557,846	459,669	\$ 235,029	\$ 5,252,544	\$ 4,906,096
Cash and cash equivalents at end of year	<u>\$ 5,301,745</u>	<u>201,109</u>	<u>\$ 310,965</u>	<u>\$ 5,813,818</u>	<u>\$ 5,252,545</u>
Reconciliation of operating income to net cash provided from operating activities:					
Net Operating Income (loss)	\$ (32,682)	(50,877)	\$ 61,355	\$ (22,204)	\$ 98,377
Adjustment to reconcile operating income to net cash provided by operating activities:					-
Depreciation	942,977	113,259	\$ 53,193	\$ 1,109,429	977,962
Depreciation charged to other account					77,156
Changes in assets & liabilities:				\$ -	-
Increase in accounts receivable	(70,804)	1,527	\$ 13,817	\$ (55,460)	414,279
Decrease (Increase) in inventory	(34,180)	(4,418)	-	\$ (38,598)	(141,789)
Increase in other deferred debits	(245,936)	696	\$ 392	\$ (244,848)	(3,851)
Decrease in Warrants payable	438,823	(99)	\$ 3,039	\$ 441,763	(420,489)
Increase (Decrease) in Accounts Payable	51,394	(15,833)	\$ 5,428	\$ 40,989	50,956
Increase in Customer Deposits	(8,089)	-	\$ -	\$ (8,089)	(1,240)
Increase (Decrease) in Taxes payable	624	(237)	\$ (66)	\$ 321	2,668
Increase in allowance for vacation	107,537	-	\$ -	\$ 107,537	32,835
Treasurer Expense	2,091	704	\$ 747	\$ 3,542	3,233
Net Cash Provided by Operating Activities	<u>\$ 1,151,756</u>	<u>44,722</u>	<u>\$ 137,905</u>	<u>\$ 1,334,383</u>	<u>\$ 1,090,097</u>

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

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

PUBLIC UTILITY DISTRICT NO 1 OF SKAMANIA COUNTY
Combined Statement of Cash Flows
2007

	Electric	Carson Water	Underwood Water	2007 Total	2006 Total
Cash flow from Operating Activities:					
Cash Received from customers	\$ 8,202,955	\$ 322,741	\$ 227,828	\$ 8,753,524	\$ 8,471,889
Cash payment to suppliers for goods & services	\$ (5,444,176)	\$ (47,216)	\$ (104,229)	\$ (5,595,621)	\$ (5,538,904)
Cash payment to employees for services	\$ (1,625,943)	\$ -	\$ -	\$ (1,625,943)	\$ (1,533,200)
Payments for taxes	\$ (467,966)	\$ (16,914)	\$ (13,528)	\$ (498,408)	\$ (491,472)
Other operating cash received	\$ 20,725	\$ 16,005	\$ 19,815	\$ 56,545	\$ 33,670
Net cash provided (used) by operating activities	<u>\$ 685,595</u>	<u>\$ 274,616</u>	<u>\$ 129,886</u>	<u>\$ 1,090,097</u>	<u>\$ 941,983</u>
Cash flow from noncapital financing activities:					
Proceeds from insurance/Fema	\$ 102,287	-	-	\$ 102,287	-
Receipts from pole contact rentals/sale of assets	\$ 70,072	-	-	\$ 70,072	\$ 40,221
Net cash provided (used) from noncapital financing activities	<u>\$ 172,359</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 172,359</u>	<u>\$ 40,221</u>
Cash flow from capital and related financing activities:					
Additions to plant	\$ (1,591,927)	(93,974)	\$ (148,079)	\$ (1,833,980)	\$ (2,862,636)
Contributions from Customers & Grants	\$ 534,108	68,000	\$ 50,000	\$ 652,108	\$ 1,244,862
Payment on long term debt	\$ (115,000)	(45,000)	\$ (25,000)	\$ (185,000)	\$ (380,000)
Proceeds/Payment from long term construction Loan	-	-	-	-	\$ (79,658)
Payment on interest on long term debt	\$ (139,540)	(66,680)	\$ (32,172)	\$ (238,392)	\$ (235,312)
Proceeds from bonds/loans	\$ -	50,000	-	\$ 50,000	-
Proceeds from taxes	\$ 423,498	19,837	\$ 12,047	\$ 455,382	\$ 431,920
Net cash provided (used) for capital financing activities	<u>\$ (888,861)</u>	<u>(67,817)</u>	<u>\$ (143,204)</u>	<u>\$ (1,099,882)</u>	<u>\$ (1,880,824)</u>
Cash from investing activities:					
Purchase of investments	\$ (4,745,624)	(2,197,935)	\$ (3,261,164)	\$ (10,204,723)	\$ (37,772,383)
Maturity of investments	\$ 4,705,230	2,179,667	\$ 3,233,914	\$ 10,118,811	\$ 38,605,596
Other Investments	\$ (36,100)	-	-	\$ (36,100)	-
Proceeds from loans to water systems	\$ -	-	-	-	\$ 262,491
Proceeds from earnings on investments	\$ 242,661	26,580	\$ 36,646	\$ 305,887	\$ 315,064
Net cash provided from investing activities	<u>\$ 166,167</u>	<u>8,312</u>	<u>\$ 9,396</u>	<u>\$ 183,875</u>	<u>\$ 1,410,768</u>
Net increase (decrease) in cash and cash equivalents	\$ 135,260	215,111	\$ (3,922)	\$ 346,449	\$ 512,148
Cash and cash equivalents at beginning of year	\$ 4,422,587	244,557	\$ 238,952	\$ 4,906,096	\$ 1,042,260
Cash and cash equivalents at end of year	<u>\$ 4,557,847</u>	<u>459,668</u>	<u>\$ 235,030</u>	<u>\$ 5,252,545</u>	<u>\$ 1,554,408</u>
Reconciliation of operating income to net cash provided from operating activities:					
Net Operating Income (loss)	\$ 64,518	(47,189)	\$ 81,048	\$ 98,377	\$ (81,808)
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	817,230	111,062	\$ 49,670	\$ 977,962	884,595
Depreciation charged to other accounts	77,156	-	-	\$ 77,156.0	61,666
Increase in accounts receivable	127,806	295,570	\$ (9,097)	\$ 414,279	25,659
Decrease (Increase) in inventory	(133,612)	(8,177)	-	\$ (141,789)	(11,776)
Increase in other deferred debits	(4,939)	696	\$ 392	\$ (3,851)	(28,956)
Decrease in Warrants payable	(420,413)	(26)	\$ (50)	\$ (420,489)	425,332
Increase (Decrease) in Accounts Payable	120,857	(78,162)	\$ 8,261	\$ 50,956	(382,290)
Increase in Customer Deposits	(1,240)	-	-	\$ (1,240)	5,133
Increase (Decrease) in Taxes payable	3,388	286	\$ (1,006)	\$ 2,668	40
Increase in allowance for vacation	32,835	-	-	\$ 32,835	39,845
Treasurer Expense	2,009	556	\$ 668	\$ 3,233	4,543
Net Cash Provided by Operating Activities	<u>\$ 685,595</u>	<u>274,616</u>	<u>\$ 129,886</u>	<u>\$ 1,090,098</u>	<u>\$ 941,983</u>

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of 180 days or less when purchased to be cash equivalents.
The accompanying notes are an integral part of the financial statements.

PUBLIC UTILITY DISTRICT NO. 1 OF SKAMANIA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year ending December 2008

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

NOTE 1- 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 has elected to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 to the extent that it does not conflict with or contradict guidance of the Government Accounting Standards Board. (GASB). In June 1999, GASB approved Statement 34, Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements). The following is a summary of the most significant policies (including identification of those policies which result in material departures from generally accepted accounting principles).

A. Reporting Entity

Skamania County PUD is a municipal corporation 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 transmission 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 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. Revenue derived from sale of electric and water is recorded as operating revenue. Operating expenses for the District include the cost of sales of electric 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 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 six months or less when purchased to be cash equivalents.

D. Utility Plant and Depreciation

See note 3.

E. Restricted Funds

In accordance with bond resolutions (and certain related agreements) separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including debt service and other special reserve requirements. Restricted funds for 2008 and 2007 include the following:

<u>Debt Service Fund</u>		
Debt Service Fund	2008	2007
Electric	\$ 39,317	\$ 36,943
Carson Water	11,084	10,387
Underwood Water	6,518	5,861
Total Debt Service Fund	56,919	53,191

<u>2005 Bond Construction Fund</u>		
	2008	2007
Electric	\$ 542,660	\$ 810,478
Carson Water	429,945	529,464
Underwood Water	574,369	554,863
Total 2005 Bond Construction Fund	\$ 1,546,974	\$ 1,894,805

Assets and liabilities shown as current in the accompanying statement of net assets (or balance sheet) exclude current maturities on revenue bonds and accrued interest thereon because debt service funds are provided for their payment.

F. 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. In 2008, the annual accrual to this reserve is approximately .20 percent of prior year's gross sales to customers.

G. Inventories

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

H. Investments

See Note 3.

I. Compensated Absences

District employees are granted vacation leave in varying amounts and leave benefits are accrued as earned. Vacation pay is payable upon resignation, retirement or death.

Sick leave is paid to 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 credited toward the employee's MSA/VEBA plan. Further, if an employee dies while on active, full-time employment, 100 percent cash value of the employee's sick leave is paid into his or her VEBA plan.

In 2008, the District implemented GASB 16, *Accounting for Compensated Absences*. GASB 16, requires all 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 employees are granted 8 hours of sick leave each month. For employees who are on the District's payroll February 16, 2000 and thereafter, and who retire under the PERS program, the cash value of 65% of the retiring employee's accrued but unused sick leave shall be deposited into the retiring employee's Voluntary Employee Beneficiary Association (VEBA) Trust account. The District's sick leave liability for 2008 is \$70,000 including employer's share of Social Security and Medicare. This amount is estimated based on the District's past experience of making termination payments for sick leave. The 2008 sick leave liability was treated as a restatement of beginning retained earnings since this is a liability resulting from a change to comply with GASB requirement.

Ending Net Assets Reported in 2007 -Electric	\$ 17,212,820
Beginning Balance reported in 2008 -Electric	<u>17,142,820</u>
Adjustment made to beginning net assets	<u>\$ 70,000</u>

J. Unamortized Debt Expense

Costs relating to the sale of bonds are deferred and amortized over the lives of the various bond issues. See note 10.

K. 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, 2001 and terminating September 30, 2011. 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been not material violations of finance related legal or contractual provisions.

NOTE 3 – DEPOSITS AND INVESTMENTS

The District's deposits, Certificate of Deposit and Money Market Accounts are entirely covered by Federal Depository 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 credit risk.

As of December 31, the District had the following deposits and investments:

ELECTRIC	2008	2007
General Fund	\$ 819,787	\$ 348,712
Debt Service Fund	39,317	36,943
Construction Fund	542,660	810,478
Special Funds	<u>4,436,839</u>	<u>4,163,680</u>
Total deposits & Investments	<u>\$ 5,838,603</u>	<u>\$ 5,359,813</u>

CARSON WATER	2008	2007
General Fund	\$ 137,863	\$ 190,894
Debt Service Fund	11,084	10,387
Construction Fund	429,945	529,464
Special Funds	52,162	102,845
Total deposits & Investments	\$ 631,054	\$ 833,590

UNDERWOOD WATER	2008	2007
General Fund	\$ 110,511	\$ 82,935
Debt Service Fund	6,518	5,861
Construction Fund	574,369	554,863
Special Funds	193,936	146,232
Total deposits & Investments	<u>\$ 885,334</u>	<u>\$ 789,891</u>

NOTE 4 – 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 a straight line method with a useful lives or 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.

Utility plant in service is recorded at cost where the 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.

Depreciation is computed on the straight-line method with useful lives of 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 projects are expensed. The District's capitalization threshold is \$1,000.

In April 2008 the District converted customer and billing data to the Insight Billing System. The total cost associated with this conversion is \$155,289. This amount was recorded as intangible assets and is amortized for 10 years.

ELECTRIC SYSTEM UTILITY PLANT

Electric Utility plant activities for the year ended December 31, 2008 were as follows:

Utility Plant not being depreciated	Beginning Balance	Increase	Decrease	Ending Balance
Construction Work in Progress				
Franchises and Consents	\$ 4,187.			\$ 4,187.
Land Rights-Utility Plant	14,140.			14,140.
Land Rights-General Plant	42,430.			42,430.
Total Utility Plant not being depreciated	\$ 60,757.			\$ 60,757.
Utility and General plant being depreciated:				
Station Equipment	\$ 409,602.			\$ 409,602.
Cape Horn Substation	409,101.		26,534.	382,567.
North Bonneville Substation	75,322.	8,248.		83,570.
Stevenson Substation	330,043.	55,351.		385,394.
Carson Substation	264,847.	141,923.		406,770.
Underwood Substation	205,783.	77,581.		283,364.
Poles, Towers and Fixtures	4,765,069.	348,236.		5,113,305.
Overhead Conductor and Devices	2,541,454.	249,196.		2,790,650.
Underground Conductor and Devices	7,401,086.	311,921.		7,713,007.
Line Transformers	3,967,548.	127,339.		4,094,887.
Overhead Services	501,894.	12,461.		514,355.
Underground Services	2,714,668.	124,701.		2,839,369.
Meters	607,353.	21,406.		628,759.
Yard Lighting Equipment	131,941.	5,419.		137,360.
Street Light Equipment	96,610.			96,610.
Structures and Improvements	940,571.	171,252.		1,111,823.
Office Furniture and Equipment	163,609.	14,326.		177,935.
Transportation Equipment	1,156,147.	196,805.		1,352,952.
Shop Equipment	227,386.	9,998.		237,384.
Communication Equipment	56,663.			56,663.
Total utility plant being depreciated	\$ 26,966,696.			\$ 28,816,326.
Less: Accumulated Depreciation	<u>12,122,274.</u>	967,835	280,166	<u>12,809,943.</u>
Utility plant being depreciated, Net	\$ 14,844,422.			\$ 16,006,383.
TOTAL UTILITY PLANT, NET	<u>\$ 14,905,179.</u>			<u>\$ 16,067,140.</u>

CARSON WATER SYSTEM UTILITY PLANT

Utility plant activities for the year ended December 31, 2008 were as follows:

Utility Plant not being depreciated	Beginning Balance	Increase	Decrease	Ending Balance
Construction Work in Progress	1,322	138,584		139,906
Franchise and Consents	\$ 320.			\$ 320.
Land and Land Rights	142.			142.
Land: Transmission and Distributions	6,166.			6,166.
Total utility plant not being depreciated:	\$ 7,950.			\$ 146,534.
Utility plant being depreciated:				
Reservoirs: Collecting and Impounding	\$ 87,762.			\$ 87,762.
Wells and Springs	130,043.	22,320.		152,363.
Bear Creek Dam	137,697.			137,697.
Pumps	88,634.			88,634.
Water Treatment Plant	181,590.	54,127.		235,717.
Water Treatment Equipment	204,668.			204,668.
Hvdrants		318,654.		318,654.
Distribution Reservoirs	132,211.			132,211.
Distribution Mains	3,177,912.		317,367.	2,860,545.
Services	188,908.	4,694.		193,602.
Meters	66,352.	480.		66,832.
Office Equipment	1,216.			1,216.
Miscellaneous Equipment	18,206.	2,203.		20,409.
Total utility plant being depreciated:	\$ 4,415,199.			\$ 4,500,310.
Accumulated Depreciation	1,194,829.	113,259		1,308,088.
Utility plant being depreciated, Net	<u>3,220,370.</u>			<u>3,192,222.</u>
TOTAL UTILITY PLANT, NET	<u>\$ 3,228,321.</u>			<u>\$ 3,338,756.</u>

UNDERWOOD WATER SYSTEM UTILITY PLANT

Utility plant activities for the year ended December 31, 2008 were as follows:

Utility Plant not being depreciated:	Beginning Balance	Increase	Decrease	Ending Balance
Construction Work in Progress		16,748.		16,748.
Organizations	761.			761.
Land-Transmission and Distribution	500.			500.
Land Rights-Source	12,109.			12,109.
Total utility plant not being depreciated:	13,370.			30,118.
Utility plant being depreciated:				
Wells and Springs	115,682.			115,682.
Pumping Plant	153,743.			153,743.
Pumping Equipment	171,101.			164,922.
Treatment Plant	18,531.			18,531.
Hvdrants		107,068		107,068.
Distribution Reservoir	304,514.			308,156.
Transmission and Distribution Main	1,150,230.		95,489.	1,054,741.
Services	94,204.	16,508.		110,712.
Meters	19,786.	1,084.		20,870..
Office Equipment	1,120.			1,120.
Miscellaneous Equipment	358.			358.
Total utility plant being depreciated	\$2,029,269.			\$2,055,000
Accumulated Depreciation	742,065.	53,193	7,000	788,258.
Utility plant being depreciated, Net	<u>1,287,204.</u>			<u>1,267,645.</u>
Total utility plant, Net	<u>\$1,300,574.</u>			<u>\$1,297,763.</u>

NOTE 5 – CONSTRUCTION WORK IN PROGRESS

The Districts construction work in progress represents capital cost to date on projects authorized for construction. The 2005 Bond Construction Funds was used to finance this project. These funds will also be used to finalize these projects. As of December 31 the Districts construction work in progress are as follows:

	2008	2007
Carson Water	\$ 139,906	\$ 1,322
Underwood Water	16,748	

NOTE 6 – SHORT TERM DEBT

The District has no short term debt for the years ending December 31, 2008 and 2007.

NOTE 7 – 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. In lieu of the Reserve Account Requirement the District purchased a Reserve Surety Policy in an amount sufficient to meet the Reserve Account Requirement.

The District has covenanted in the Bond Resolution that it will establish, maintain and collect rates and charges for electric energy and water sold and all other services, facilities and commodities sold 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.

Debt service coverage for 2008 and 2007 are as follows:

	2008	2007
Electric System	8.2	7.9
Carson Water	1.3	1.60
Underwood Water	3.0	4.1

The following table is a summary of the District's long term debt as of December 31, 2008 and 2007.

Description		Interest Rate	Amount Originally Issued	2008 BALANCE	2007 BALANCE
Electric Revenue Bond 2005	2025	Variable	3,405,000.	3,065,000.	3,180,000.
Carson Water Revenue Bond-2005	2025	Variable	1,340,000.	1,205,000.	1,250,000.
Carson Water WIB Loan-2005	2027	2.00	200,000.	191,991.	200,000.
Carson Water CERB Loan	2027	1.00	50,000.	50,000.	50,000.
Underwood Water Revenue 2005	2025	Variable	775,000.	695,000.	725,000.
SUB TOTAL				\$5,206,991.	\$5,405,000.
CURRENT DUE				\$ -218,378.	- \$198,009.
				\$4,988,613.	\$5,206,991.

The annual requirements to amortize all debts outstanding as of December 31, 2008 including interest are as follows:

Electric System 2005 Revenue Bonds

Years Ending Dec.	Rate	Principal	Interest	Total
2009	4.00%	\$ 130,000.	\$ 130,340.	\$ 260,340.
2010	4.50%	\$ 130,000.	\$ 125,140.	\$ 255,140.
2011	4.50%	\$ 135,000.	\$ 119,290.	\$ 254,290.
2012	5.00%	\$ 140,000.	\$ 113,215.	\$ 253,215.
2013	5.00%	\$ 150,000.	\$ 106,215.	\$ 256,215.
2014-2018	3.90 to 4.50%	\$ 850,000.	\$ 423,003.	\$ 1,273,003.
2019-2023	4 to 4.20%	\$ 1,050,000.	\$ 235,013.	\$ 1,285,013.
2024-2025	4.20 to 4.25%	\$ 480,000.	\$ 30,694.	\$ 510,694.
TOTAL DEBT	TOTAL	\$ 3,065,000.	\$ 1,282,910.	\$ 4,347,910.

Carson Water 2005 Revenue Bonds

Years Ending Dec. 31:	Rate	Principal	Interest	Total
2009	4.00%	\$ 50,000.	\$ 51,255.	\$ 101,255.
2010	4.50%	\$ 50,000.	\$ 49,255.	\$ 99,255.
2011	4.50%	\$ 55,000.	\$ 47,005.	\$ 102,005.
2012	5.00%	\$ 55,000.	\$ 44,530.	\$ 99,530.
2013	5.00%	\$ 60,000.	\$ 41,780.	\$ 101,780.
2014-2018	3.90 to 5.00%	\$ 335,000.	\$ 166,490.	\$ 501,490.
2019-2023	4.00 to 4.20%	\$ 410,000.	\$ 92,468.	\$ 502,468.
2024-2025	4.20 to 4.25%	\$ 190,000.	\$ 12,065.	\$ 202,065.
TOTAL DEBT SERVICE	TOTAL	\$ 1,205,000.	\$ 504,848.	\$ 1,709,848.

Underwood Water 2005 Revenue Bonds

Years Ending Dec. 31:	Rate	Principal	Interest	Total
2009	4.00%	\$ 30,000.	\$ 29,580.	\$ 59,580.
2010	4.50%	\$ 30,000.	\$ 28,380.	\$ 58,380.
2011	4.5%	\$ 30,000.	\$ 27,030.	\$ 57,030.
2012	5.00%	\$ 35,000.	\$ 25,680.	\$ 60,680.
2013	5.00%	\$ 35,000.	\$ 23,930.	\$ 58,930.
2014-2018	3.9 to 4.50%	\$ 190,000.	\$ 95,175.	\$ 285,175.
2019-2023	4 to 4.20%	\$ 235,000.	\$ 53,018.	\$ 288,018.
2024-2025	4.20 to 4.25%	\$ 110,000.	\$ 6,985.	\$ 116,985.
TOTAL DEBT SERVICE	TOTAL	\$ 695,000.	\$ 289,778.	\$ 984,778.

In February 2005, Carson Water received \$200,000 in loan from the Washington Investment Board to help fund needed capital improvements. The term of the loan shall not exceed 20 years, with initial monthly principal and interest payments to begin two years from the receipt of loan funds. The annual requirements to amortize this loan as of December 31, 2008 are as follows:

Carson Water WIB Loan

Years ending Dec. 31:	Rate	Principal	Interest	TOTAL
2009	2.00%	8,378.	3,763.	12,141.
2010	2.00%	8,547.	3,594.	12,141.
2011	2.00%	8,720.	3,422.	12,142.
2012	2.00%	8,896.	3,246.	12,142.
2013	2.00%	9,075.	3,066.	12,141.
2014-2018	2.00%	48,198.	12,508.	60,706.
2019-2023	2.00%	53,263.	7,443.	60,706.
2024-2028	2.00%	46,914.	1,837.	48,751.
TOTAL DEBT SERVICE		\$191,991.	38,879.	\$ 230,870.

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 after five years. The annual requirement to amortize this loan is as follows:

Carson Water CERB Loan

Years ending Dec. 31:	Rate	Principal	Interest	TOTAL
2009	1.00%		500.	500.
2010	1.00%		500.	500.
2011	1.00%		500.	500.
2012	1.00%		500.	500.
2013	1.00%		500.	500.
2014-2018	1.00%	13,582.	2,298.	15,880.
2019-2023	1.00%	17,756.	1,469.	19,225.
2024-2028	1.00%	18,662.	564.	19,226.
TOTAL DEBT SERVICE		\$50,000.	6,831.	\$ 56,831.

NOTE 8 – RESTRICTED NET ASSETS

The District's statement of net assets reports the following restricted funds as of December 31, 2008 and 2007.

	2008	2007
Electric System	\$ 28,456	\$ 25,698
Carson Water	\$ 17,684	5,966
Underwood Water	\$ 4,053	3,297

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 (DRS), under cost-sharing multiple-employer defined benefit public employee retirement plans. The 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 from the Department of Retirement Systems, Administrative Services Division, PO Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*.

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

Plan Description

PERS is a cost sharing multiple employer defined benefit pension plan. Membership in the plan includes elected officials, state employees, employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system), employees of legislative committees, college and university employees (not in national higher education retirement programs), judges of district and municipal courts, non-certified employees of school districts, and employees of local governments. The PERS system includes three plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2, but had the option to transfer to Plan 3 before May 31st, 2003. Established PERS Plan 2 members have the option to transfer to plan 3 during the month of January. Transfer to plan 3 is irrevocable. New employees have the choice to enroll in Plan 2 or Plan 3. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service.

Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is two percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. Final compensation is assessed at 30 years of service. A cost of living allowance is granted based on total years of service capped at 3% annually.

Plan 2 members may retire at age 65 with five years of service, or at age 55 with 20 years of service, with an allowance of two percent per year of service of the average final compensation. Plan 2 retirements prior to age 65 are actuarially reduced. The reduction is less with 30 years of

service when retiring early. These early retirement factors began July 1, 2008. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contributions component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3% reduction per year applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and plan 3 provides the same cost-of-living allowance a Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 and employer contribution rate for plan 3 are set by the director of the Department of Retirement Systems based on recommendations by the Office of the State Actuary to continue to fully fund Plan 2 and the defined benefit portion of plan 3. Plan 3 employee contributions are variable based on the rate selected by Plan 3 member ranging from 5% to 15% set by the Employee Retirement Board. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

As of December 31, 2008, the District does not have an active member in Plans 1 and 3. The required contribution rates for Plan 2 as of December 31 were:

PERS PLAN 2	2008	2007
Employer Contribution	8.31%	6.13%
Employee Contribution	5.45%	4.15%

Both the district and its employees made the required contributions for PERS 2. The District's required contributions for the years ended December 31 were:

	PERS Plan 2	
2008	\$	130,791.
2007	\$	90,038.
2006	\$	44,017.

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 beneficiary. 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 – DEFERRED DEBITS (CREDITS)

In accordance with generally accepted accounting principles for regulated business, the district has deferred debits that will be amortized using the straight line methods. As of December 31 2008 and 2007 the Districts deferred debits/credits are as follows:

	2008	2007
Deferred Debits/Bond Discount Expense (20 years)		
Electric	\$ 72,046	\$111,577
Carson Water	11,827	12,523
Underwood Water	6,625	7,017
Deferred Credits:		
Electric- Advances for Construction	\$ 11,978	\$ 11,978

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 value listed as of the prior May 31. 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. The county treasurer distributes collections monthly to the District.

The District is permitted by law to levy up to \$0.45 per \$1,000 of assessed valuation for general District purposes. This amount may be reduced for any of the following three reasons:

- A. The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.
- B. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to 6 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 6 percent due to revaluation, the levy rate will be decreased.

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

For 2008, the District's regular tax levy was .347152 per \$1,000 on a total assessed valuation of \$1,225,997,592 for a total regular levy of \$425,608. In 2007, the regular tax levy was .370996 per \$1,000 on a total assessed valuation of \$1,090,330,810 for a total regular levy of \$404,508.

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.

NOTE 12 – 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). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self insuring, 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 pursuant to the provisions of Chapter 54.16 RCW. 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 (Liability Pool) and their employees under the PURMS Joint Self-Insurance Agreement (SIA). Under the SIA, the Liability Pool has a self-insured retention (Liability Coverage Limit) of \$1,000,000 per occurrence. PURMS has a Designated Liability Pool Balance of \$2,000,000. 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.

At all times, PURMS also maintains Excess Liability Insurance for its Members in the Liability Pool ("Excess Liability Insurance"). For 2008, the amount of Excess Liability Insurance was \$35,000,000, with coverage attaching at the \$1,000,000 Liability Coverage Limit.

In November 2008, by Resolution No. 11-13-08-1, the PURMS Board approved raising the Designated Liability Pool Balance from \$2 million to \$3 million and funding such increase over a three-year period of time by additional assessment of the Liability Pool Members every six (6) months, commencing January 2009, in the amount of \$165,000 for the first 5 Assessments and \$175,000 for the final Assessment. Thereafter, Liability Pool Members will be assessed to replenish the Liability Pool to the \$3 million Designated Liability Pool Balance anytime the Actual Liability Pool Balance becomes \$500,000 less than that amount.

The total paid for Liability Claims in 2008 was \$692,325.41 (including attorney's fees for defending claims but excluding Liability Pool Operational Expenses).

As of December 31, 2008, there were 120 known incidents and/or unresolved Liability Claims pending against current or former members of the Liability Pool (Pending Liability Claims). The total dollar amount of these claims is unknown, and can only be estimated. Based on the total of the reserves established by the Administrator for these Pending Liability Claims that had not been paid out as of December 31, 2008, the Administrator estimates that there is approximately \$738,767 of outstanding liabilities to the Liability Pool relating to these Claims.

Property Risk Pool

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

The total paid for Property Claims in 2008 was \$204,581.89 (excluding attorney's fees and Property Pool Operational Expenses. As of December 31, 2008 there were 28 known incidences and/or unresolved Property Claims pending from members of the Property Pool (Pending Property Claims). The total dollar amount of these claims is unknown, and can only be estimated. The Administrator estimates that there is approximately \$316,000 of outstanding liabilities to the Property Pool relating to these claims.

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 (H&W Pool). The H&W Pool was established effective March 31, 2000.

The H&W Pool is funded with cash reserves for paying H&W Pool Operation Expenses and H&W Claims (H&W Pool Reserves) in an amount that may be determined by a Majority Vote of the Board. As of December 31, 2006, the H&W Pool Reserves were established at no lower than 2.5 or greater than 3 times the total of all members' historical average monthly H&W Claims experience (H&W Claims Experience) for their respective employees and dependents. As of December 2008, the H&W Pool Reserves were established at 3 times the total of all Members' H&W Claims Experience.

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 2008, the H&W Pool Individual Stop-Loss Point was \$180,000 per employee and the H&W Pool Aggregate Stop Loss Point was \$8,963,436 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 (Member Stop-Loss Points). Medical expenses that exceed the Member Stop-Loss Points become Shared H&W Claims and are assessed as Share H&W Costs which are paid by all H&W Pool Members. The Member Stop-Loss Points are calculated annually under the H&W Assessment Formula.

The total paid by the H&W Pool for the H&W Claims costs in 2008 was \$7,411,249 (including Shared H&W Claims but excluding H&W Pool Operational Expenses.

As of December 31, 2008 there were no open H&W Claims pending for employees or members of the H&W Pool. The Administrator estimates that, as of December 31, 2008, the total “incurred-but-not-reported” Claims for the H&W Pool was approximately \$553,428.

NOTE 13– CONTINGENT LIABILITIES AND LITIGATION

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

NOTE 14 – 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 Benefits Employee Benefits. These benefits includes medical, dental, vision, hearing, life insurance, and other non pension post employment benefits. Under prior rules Other Post Employment benefits costs were reported on pay as you go basis. GASB 45 requires disclosure of OPEB costs/liabilities but does not require actual funding

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 consist 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. The District’s estimated actuarial liability is \$1,197,704. The District’s annual required contribution is \$156,560. This amount is included as a noncurrent liability on the District’s financial report.

Calculation of Net OPEB obligation

Description	Calculated Amount
Annual Required Contributions	\$156,560
Interest on Net OPEB obligation	
Adjustment to Annual Required Contribution	
Annual OPEB Cost	156,560
Age adjusted contributions made	
Change in Net OPEB obligation	156,560
Net OPEB obligation, beginning of year	
Net OPEB obligation, end of year	156,560

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL Percentage of Covered Payroll
12/31/2008	\$0	\$1,197,704	\$1,197,704	0.00%	\$1,915,354	62.53%

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$156,560	\$ 0	0.00%	\$156,560

NOTE 15 – CONSERVATION AND RENEWABLE DISCOUNT PROGRAM, PORTLAND GENERAL ELECTRIC

Pursuant to the Full Service Power Sales Agreement dated October 10, 2000 between Skamania PUD and the Bonneville Power Administration, Skamania PUD earns a Conservation Rate Credit (CRC) from BPA that is a percentage of its purchased power. To retain the full amount of the CRC, the District must use the funds credited by BPA to implement conservation measures in accordance with the CRC Implementation Manual. If Skamania does not use the CRC discount funds already credited by BPA, the District shall be required to reimburse those credited funds to BPA at the end of its BPA contract term.

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 the CRC Implementation Manual.

Therefore, the District has entered into a contract with ESG, LLC to provide energy efficiency services, which comply with the BPA CRC Program.

NOTE 16 – DISCLOSURE OF INTER FUND PAYABLES AND RECEIVABLES

District employees paid from electric system payrolls and billed to the water systems on open accounts at periodic intervals provide all labor and support services of the two water systems. The inter-fund receivables and payables of the Carson Water System on December 31, 2008, were \$20,350 and \$30,521 in 2007. Those of the Underwood Water System were \$15,553 in 2008 and \$16,498 in 2007.

Underwood Water System purchases all water utility hardware and materials from Carson Water System on open accounts. The amount of this inter-fund payable and receivable was \$5,066 in 2008 and \$6,369 in 2007.

PUBLIC UTILITY DISTRICT NO. 1 OF SKAMANIA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year ending December 2007

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

NOTE 1- 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 has elected to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 to the extent that it does not conflict with or contradict guidance of the Government Accounting Standards Board. (GASB) In June 1999, GASB approved Statement 34, Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements). The following is a summary of the most significant policies (including identification of those policies which result in material departures from generally accepted accounting principles).

A. Reporting Entity

Skamania County PUD is a municipal corporation 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 transmission 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 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. Revenue derived from sale of electric and water is recorded as operating revenue. Operating expenses for the District include the cost of sales of electric 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 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 six months or less when purchased to be cash equivalents.

D. Utility Plant and Depreciation

See note 3.

E. Restricted Funds

In accordance with bond resolutions (and certain related agreements) separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including debt service and other special reserve requirements. Restricted funds for 2008 and 2007 include the following:

<u>Debt Service Fund</u>		
Debt Service Fund	2007	2006
Electric	\$ 36,943	\$ 23,240
Carson Water	10,387	9,131
Underwood Water	<u>5,861</u>	<u>5,191</u>
Total Debt Service Fund	53,191	37,562

<u>2005 Bond Construction Fund</u>		
	2007	2006
Electric	\$ 810,478	\$ 780,148
Carson Water	529,464	355,653
Underwood Water	<u>554,863</u>	<u>527,612</u>
Total 2005 Bond Construction Fund	\$ 1,894,805	\$ 1,663,413

Assets and liabilities shown as current in the accompanying statement of net assets (or balance sheet) exclude current maturities on revenue bonds and accrued interest thereon because debt service funds are provided for their payment.

F. 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. In 2007, the annual accrual to this reserve is approximately .31 percent of prior year's gross sales to customers.

G. Inventories

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

H. Cash and Cash Equivalents

For the purpose 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.

I. Investments

See note 3.

J. Compensated Absences

District employees are granted vacation leave in varying amounts and leave benefits are accrued as earned. Vacation pay is payable upon resignation, retirement or death.

Sick leave is paid to 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 credited toward the employee's MSA/VEBA plan. Further, if an employee dies while on active, full-time employment, 100 percent cash value of the employee's sick leave is paid into his or her VEBA plan.

K. Unamortized Debt Expenses

Cost relating to the sale of bonds are deferred and amortized over the lives of the various bonds issues. See note 10.

L. Purchase Commitments

The District is a preference customer of Bonneville Power Administration 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, 2001 and terminating September 30, 2011. 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 NP 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 – DEPOSITS AND INVESTMENTS

The Districts deposits, Certificate of Deposit and Money Market Accounts are entirely covered by Federal Depository 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 credit risk.

As of December 31 the District had the following investments:

Banks (PDPC)	2007	\$ 6,355,868
Banks (PDPC)	2006	\$ 5,002,326

NOTE 4 – CAPITAL ASSETS 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 a straight line method with a useful lives or 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.

Electric System Utility Plant

Utility Plant not being depreciated	Beginning Balance	Increase	Decrease	Ending Balance
Franchises and Consents	\$ 4,187.			\$ 4,187.
Land Rights-Utility Plant	14,140.			14,140.
Land Rights-General Plant	42,430.			42,430.
Total Utility Plant not being depreciated:	\$ 60,757.			\$ 60,757.
Utility Plant being depreciated				
Station Equipment	\$ 409,602.			\$ 409,602.
Cape Horn Substation	357,944.	51,157.		409,101.
North Bonneville Substation	124,403.		49,081.	75,322.
Stevenson Substation	280,663.	49,380.		330,043.
Underwood Substation	202,131.	3,652.		205,783.
Carson Substation	264,406.	441.		264,847.
Poles, Towers and Fixtures	4,513,673.	251,396.		4,765,069.
Overhead Conductor and Devices	2,322,824.	218,630.		2,541,454.
Underground Conductor and Devices	7,084,443.	316,643.		7,401,086.
Line Transformers	3,788,272.	179,276.		3,967,548.
Overhead Services	480,173.	21,721.		501,894.
Underground Services	2,503,139.	211,529.		2,714,668.
Meters	578,122.	29,231.		607,353.
Yard Lighting Equipment	131,625.	317.		131,942.
Street Light Equipment	96,349.	262.		96,611.
Structures and Improvements	838,047.	102,523.		940,570.
Office Furniture and Equipment	185,978.		22,369.	163,609.
Transportation Equipment	1,123,659.	32,488.		1,156,147.
Shop Equipment	188,831.	38,555.		227,386.
Communication Equipment	56,662.			56,662.
Utility Plant being depreciated:	\$ 25,530,946.			\$ 26,966,697.
Accumulated Depreciation	<u>11,384,065.</u>	913,282	175,073	<u>12,122,274.</u>
Total Utility Plant being depreciated, Net	\$ 14,146,881.			\$ 14,844,423.
Total Utility Plant, Net	<u>\$ 14,207,638.</u>			<u>\$ 14,905,180.</u>

Carson Water System Utility Plant

Utility Plant not being depreciated:	Beginning Balance	Increase	Decrease	Ending Balance
Construction Work in Progress	\$		46,893.	1,322.
Franchise and Consents	320.			\$
Land and Land Rights	142.			142.
Land: Transmission and Distributions	6,166.			6,166.
Total Utility Plant not being	\$			\$
Reservoirs: Collecting and Impounding	\$			\$
Wells and Springs	127,919.	2,124.		130,043.
Bear Creek Dam	137,697.			137,697.
Pumps	14,860.	73,774.		88,634.
Water Treatment Plant	181,590.			181,590.
Water Treatment Equipment	198,538.	6,129.		204,668.
Distribution Reservoirs	132,211.			132,211.
Distribution Mains	3,138,358.	39,554.		3,177,912.
Services	172,049.	16,859.		188,908.
Meters	63,924.	2,429.		66,353.
Office Equipment	1,216.			1,216.
Miscellaneous Equipment	18,206.			18,206.
Total Utility Plant being depreciated	<u>\$ 4,274,330.</u>			<u>\$ 4,415,200.</u>
Accumulated Depreciation	1,083,767.	111,785	723	1,194,829.
Total Utility Plant being depreciated, Net	<u>3,190,563.</u>			<u>3,220,371.</u>
Total Utility Plant, Net	<u>\$ 3,245,409.</u>			<u>\$ 3,228,321.</u>

Underwood Water System Utility Plant

Utility Plant not being depreciated:	Beginning Balance	Increase	Decrease	Ending Balance
Organizations	761.			761.
Land-Transmission and Distribution		500.		500.
Land Rights-Source	12,109.			12,109.
Total Utility Plant not being	12,870.			13,370.
Wells and Springs	115,682.			115,682.
Pumping Plant	153,743.			153,743.
Pumping Equipment	163,947.	7,154.		171,101.
Treatment Plant	17,910.	621		18,531.
Distribution Reservoir	300,474.	4,040.		304,514.
Transmission and Distribution Main	1,016,355.	133,875.		1,150,230.
Services	92,355.	1,849.		94,204.
Meters	19,746.	40.		19,786.
Office Equipment	1,120.			1,120.
Miscellaneous Equipment	358.			358.
Total Utility Plant being depreciated:	\$1,881,690.			\$2,029,269.
Accumulated Depreciation	<u>692,395.</u>	49,670		<u>742,065.</u>
Utility Plant being depreciated, Net	1,189,295.			1,287,204.
Total Utility Plant, Net	<u>\$1,202,165.</u>			<u>\$1,300,574.</u>

NOTE 5 – CONSTRUCTION WORK IN PROGRESS

The Districts construction work in progress represents capital cost to date on projects authorized for construction. The 2005 Bond Construction Fund will be used to finance this project. This fund will also be used to complete this project. As of December 31 the Districts construction work in progress are as follows:

	2007	2006
Carson Water	\$ 1,322	\$ 48,218

NOTE 6 – SHORT TERM DEBT

The District has no short term debt for the years ending December 31, 2007 and 2006.

NOTE 7 – 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. In lieu of the Reserve Account Requirement the District purchased a Reserve Surety Policy in an amount sufficient to meet the Reserve Account Requirement.

The District has covenanted in the Bond Resolution that it will establish, maintain and collect rates and charges for electric energy and water sold and all other services, facilities and commodities sold 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.

Debt service coverage for 2007 and 2006 are as follows:

	2007	2006
Electric System	7.9	6.6
Carson Water	1.6	2.6
Underwood Water	4.1	4.6

The following table is a summary of the District's long term debt as of December 31, 2007 and 2006.

Description	Date of Maturity	Interest Rate	Amount Originally Issued	2007 BALANCE	2006 BALANCE
Electric Revenue Bond 2005	2025	Variable	3,405,000.	3,180,000.	3,295,000.
Carson Water Revenue Bonds-2005	2025	Variable	1,340,000.	1,250,000.	1,295,000.
Carson Water WIB Loan-2005	2027	2.00	200,000.	200,000.	200,000.
Carson Water CERB Loan	2027	1.00	50,000.	50,000.	
Underwood Water Revenue 2005	2025	Variable	775,000.	725,000.	750,000.
<i>SUB TOTAL</i>				\$5,405,000.	\$5,540,000.
LESS: CURRENT PORTION				\$ -198,009.	- \$185,000.
TOTAL LONG TERM DEBT				\$5,206,991.	\$5,355,000.

The annual requirements to amortize all debts outstanding as of December 31, 2007 including interest are as follows:

Electric System 2005 Revenue Bonds

Years Ending Dec.	Rate	Principal	Interest	Total
2008	4.00%	\$ 115,000.	\$ 134,940.	\$ 249,940.
2009	4.00%	\$ 130,000.	\$ 130,340.	\$ 260,340.
2010	4.50%	\$ 130,000.	\$ 125,140.	\$ 255,140.
2011	4.50%	\$ 135,000.	\$ 119,290.	\$ 254,290.
2012	5.00%	\$ 140,000.	\$ 113,215.	\$ 253,215.
2013-2017	3.90 to 5.00%	\$ 815,000.	\$ 458,445.	\$ 1,273,445.
2018-2022	4 to 4.15%	\$ 1,010,000.	\$ 276,053.	\$ 1,286,053.
2023-2025	4.20 to 4.25%	\$ 705,000.	\$ 60,427.	\$ 765,427.
TOTAL DEBT	TOTAL	\$ 3,180,000.	\$ 1,417,850.	\$ 4,597,850.

Carson Water 2005 Revenue Bonds

Years Ending Dec. 31:	Rate	Principal	Interest	Total
2008	4.00%	\$ 45,000.	\$ 53,055.	\$ 98,055.
2009	4.00%	\$ 50,000.	\$ 51,255.	\$ 101,255.
2010	4.50%	\$ 50,000.	\$ 49,255.	\$ 99,255.
2011	4.50%	\$ 55,000.	\$ 47,005.	\$ 102,005.
2012	5.00%	\$ 55,000.	\$ 44,530.	\$ 99,530.
2013-2017	3.90 to 5.00%	\$ 320,000.	\$ 180,415.	\$ 500,415.
2018-2022	4.00 to 4.15%	\$ 395,000.	\$ 108,515.	\$ 503,515.
2023-2025	4.20 to 4.25%	\$ 280,000.	\$ 23,873.	\$ 303,873.
TOTAL DEBT SERVICE	TOTAL	\$ 1,250,000.	\$ 557,903.	\$ 1,807,903.

Underwood Water 2005 Revenue Bonds

Years Ending Dec. 31:	Rate	Principal	Interest	Total
2008	4.00%	\$ 30,000.	\$ 30,780.	\$ 60,780.
2009	4.00%	\$ 30,000.	\$ 29,580.	\$ 59,580.
2010	4.50%	\$ 30,000.	\$ 28,380.	\$ 58,380.
2011	4.5%	\$ 30,000.	\$ 27,030.	\$ 57,030.
2012	5.00%	\$ 35,000.	\$ 25,680.	\$ 60,680.
2013-2017	3.9 to 5%	\$ 185,000.	\$ 103,215.	\$ 288,215.
2018-2022	4 to 4.10%	\$ 225,000.	\$ 62,160.	\$ 287,160.
2023-2025	4.20 to 4.25%	\$ 160,000.	\$ 13,733.	\$ 173,733.
TOTAL DEBT SERVICE	TOTAL	\$ 725,000.	\$ 320,558.	\$ 1,045,558.

In February 2005, Carson Water received \$200,000 in loan from the Washington Investment Board to help fund needed capital improvements. The term of the loan shall not exceed 20 years, with initial monthly principal and interest payments to begin two years from the receipt of loan funds. The annual requirements to amortize this loan as of December 31, 2007 are as follows:

Carson Water WIB Loan

Years ending Dec. 31:		Principal	Interest	TOTAL
2008	2.00%	8,009.	4,133.	12,142.
2009	2.00%	8,378.	3,763.	12,141.
2010	2.00%	8,547.	3,594.	12,141.
2011	2.00%	8,720.	3,422.	12,142.
2012	2.00%	8,896.	3,246.	12,142.
2013-2017	2.00%	47,245.	13,461.	60,706.
2018-2027	2.00%	110,205.	11,392.	121,597.
TOTAL DEBT SERVICE		\$200,000.	43,011.	\$ 243,011.

Carson Water CERB Loan

Years ending Dec. 31:	Rate	Principal	Interest	TOTAL
2009	1.00%		500.	500.
2010	1.00%		500.	500.
2011	1.00%		500.	500.
2012	1.00%		500.	500.
2013	1.00%		500.	500.
2014-2018	1.00%	13,582.	2,298.	15,880.
2019-2023	1.00%	17,756.	1,469.	19,225.
2024-2028	1.00%	18,662.	564.	19,226.
TOTAL DEBT SERVICE		\$50,000.	6,831.	\$ 56,831.

NOTE 8 – RESTRICTED NET ASSETS

The District's statement of net assets reports the following restricted funds as of December 31, 2007 and 2006.

	2007	2006
Electric System	\$ 25,698	\$ 27,043
Carson Water	\$ 5,966	288,900
Underwood Water	\$ 3,297	2,542

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 (DRS), under cost-sharing multiple-employer defined benefit public employee retirement plans. The 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 from the Department of Retirement Systems, Administrative Services Division, PO Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*.

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

Plan Description

PERS is a cost sharing multiple employer defined benefit pension plan. Membership in the plan includes elected officials, state employees, employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system), employees of legislative committees, college and university employees (not in national higher education retirement programs), judges of district and municipal courts, non-certified employees of school districts, and employees of local governments. The PERS system includes three plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2, but have the option to transfer to Plan 3 before May 31st, 2003. Established Pers Plan 2 members have the option to transfer to plan 3 during the month of January. Transfer to plan 3 is irrevocable. New employees have the choice to enroll in Plan 2 or Plan 3. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service.

Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is two percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. Final compensation is assessed at 30 years of service. A cost of living allowance is granted based on total years of service capped at 3% annually.

Plan 2 members may retire at age 65 with five years of service, or at age 55 with 20 years of service, with an allowance of two percent per year of service of the average final compensation. Plan 2 retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contributions component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3% reduction per year applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and plan 3 provides the same

cost-of-living allowance a Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 and employer contribution rate for plan 3 are set by the director of the Department of Retirement Systems based on recommendations by the Office of the State Actuary to continue to fully fund Plan 2 and the defined benefit portion of plan 3. Plan 3 employee contributions are variable based on the rate selected by Plan 3 member ranging from 5% to 15% set by the Employee Retirement Board. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

As of December 31, 2007, the District does not have an active member in Plans 1 and 3. The required contribution rates for Plan 2 as of December 31 were:

PERS PLAN 2	2007	2006
Employer Contribution	6.13%	3.69%
Employee Contribution	4.15%	3.50%

Both the district and its employees made the required contributions for PERS 2. The District's required contributions for the years ended December 31 were:

	PERS Plan 2	
2007		90,038.
2006	\$	44,017.

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 beneficiary. 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 – DEFERRED DEBITS (CREDITS)

In accordance with generally accepted accounting principles for regulated business, the district has deferred debits that will be amortized using the straight line methods. As of December 31 2007 and 2006 the Districts deferred debits/credits are as follows:

	2007	2006
Deferred Debits/Bond Discount Expense (20 years)		
Electric	\$ 60,793	\$ 64,186
Carson Water	12,523	13,219
Underwood Water	7,017	7,408
Deferred Credits:		
Electric- Advances for Construction	\$ 11,978	\$ 11,978

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 the prior May 31. Assessed values are established by the county assessor at 100 percent of market value

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 \$0.370996 per \$1,000 of assessed valuation for general district purposes. Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate. The district may also levy taxes at lower rate.

Special levies approved by the voters are not subject to the above limitations.

For 2007, the District's regular tax levy was \$0.370996 per \$1,000 on a total assessed valuation of \$1,090,330,810 for a total regular levy of \$404,508. In 2006 the regular levy was \$388,153.

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.

NOTE 12 – RISK POOL

Liability Risk Pool

The Skamania County PUD is a member of the Washington Public Utility Districts' Utilities System Joint Self Insurance Fund (WPUDUS). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self insuring, 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 pursuant to the provisions of Chapter 54.16 RCW. 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 (Liability Pool) and their employees under the PURMS Joint Self-Insurance Agreement (SIA). Under the SIA, the Liability Pool has a self-insured retention (Liability Coverage Limit) of \$1,000,000 per occurrence. PURMS has a Designated Liability Pool Balance of \$2,000,000. 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.

At all times, PURMS also maintains Excess Liability Insurance for its Members in the Liability Pool ("Excess Liability Insurance"). For 2007, the amount of Excess Liability Insurance was \$35,000,000, with coverage attaching at the \$1,000,000 Liability Coverage Limit.

The total paid for Liability Claims in 2007 was \$431,727.

As of December 31, 2007, there were 75 known incidents and/or unresolved Liability Claims pending against current or former members of the Liability Pool (Pending Liability Claims). The total dollar amount of these claims is unknown, and can only be estimated. Based on the total of the reserves established by the Administrator for these Pending Liability Claims that had not been paid out as of December 31, 2007, the Administrator estimates that there is approximately \$644,812 of outstanding liabilities to the Liability Pool relating to these Claims.

Property Risk Pool

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

As of December 31, 2007 there were known incidences and/or unresolved Property Claims pending from members of the Property Pool (Pending Property Claims). The total dollar amount of these claims is unknown, and can only be estimated. The Administrator estimates that there is approximately \$63,372 of outstanding liabilities to the Property Pool relating to these claims.

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 (H&W Pool). The H&W Pool was established effective March 31, 2000.

The H&W Pool is funded with cash reserves for paying H&W Pool Operation Expenses and H&W Claims (H&W Pool Reserves) in an amount that may be determined by a Majority Vote of the Board. As of December 31, 2006, the H&W Pool Reserves were established at no lower than 2.5 or greater than 3 times the total of all members' historical average monthly H&W Claims experience (H&W Claims Experience) for their respective employees and dependents. As of December 2007, the H&W Pool Reserves were established at 2.5 times the total of all Members' H&W Claims Experience.

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 2007, the H&W Pool Individual Stop-Loss Point was \$170,000 per employee and the H&W Pool Aggregate Stop Loss Point was \$8,967,900 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 (Member Stop-Loss Points). Medical expenses that exceed the Member Stop-Loss Points become Shared H&W Claims and are assessed as Share H&W Costs which are paid by all H&W Pool Members. The Member Stop-Loss Points are calculated annually under the H&W Assessment Formula.

The total paid by the H&W Pool for the H&W Claims costs in 2007 was \$6,075,614.

As of December 31, 2007 there were no open H&W Claims pending for employees or members of the H&W Pool. The Administrator estimates that, as of December 31, 2006, the total "incurred-but-not-reported" Claims for the H&W Pool was approximately \$423,430.

NOTE 13- CONTINGENT LIABILITIES AND LITIGATION

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

NOTE 14 - CONSERVATION AND RENEWABLE DISCOUNT PROGRAM, PORTLAND GENERAL ELECTRIC

Pursuant to the Full Service Power Sales Agreement dated October 10, 2000 between Skamania PUD and the Bonneville Power Administration, Skamania PUD earns a Conservation Rate Credit from BPA that is a percentage of its purchased power. To retain the full amount of the CRC, the District must use the funds credited by BPA to implement conservation measures in accordance with the CRC Implementation Manual. If Skamania does not use the CRC discount funds already credited by BPA, the District shall be required to reimburse those credited funds to BPA at the end of its BPA contract term.

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 the CRC Implementation Manual.

Therefore, the District has entered into a contract with ESG, LLC to provide energy efficiency services, which comply with the BPA CRC Program.

NOTE 15- DISCLOSURE OF INTER FUND PAYABLES AND RECEIVABLE

District employees paid from electric system payrolls and billed to the water systems on open accounts at periodic intervals provide all labor and support services of the two water systems. The inter-fund receivables and payables of the Carson Water System on December 31, 2007, were \$30,521 and \$25,114 in 2006. Those of the Underwood Water System were \$16,498 in 2007 and \$8,639 in 2006.

Underwood Water System purchases all water utility hardware and materials from Carson Water System on open accounts. The amount of this inter-fund payable and receivable was \$6,369 in 2007 and \$1,809 in 2006.



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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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