

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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

Audit Period  
January 1, 2011 through December 31, 2011

Report No. 1007979

Issue Date  
July 2, 2012



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

July 2, 2012

Board of Commissioners  
Public Utility District No. 1 of Asotin County  
Clarkston, Washington

***Report on Financial Statements***

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

# Table of Contents

## Public Utility District No. 1 of Asotin County January 1, 2011 through December 31, 2011

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i> .....	1
Independent Auditor's Report on Financial Statements.....	3
Financial Section.....	5

# **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 Asotin County  
January 1, 2011 through December 31, 2011**

Board of Commissioners  
Public Utility District No. 1 of Asotin County  
Clarkston, Washington

We have audited the basic financial statements of Public Utility District No. 1 of Asotin County, Washington, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 6, 2012.

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

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

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 deficiencies, 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 the last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

June 6, 2012

# **Independent Auditor's Report on Financial Statements**

## **Public Utility District No. 1 of Asotin County January 1, 2011 through December 31, 2011**

Board of Commissioners  
Public Utility District No. 1 of Asotin County  
Clarkston, Washington

We have audited the accompanying basic financial statements of Public Utility District No. 1 of Asotin County, Washington, as of and for the year ended December 31, 2011, as listed on page 5. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Asotin County, as of December 31, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management

about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

June 6, 2012

# **Financial Section**

**Public Utility District No. 1 of Asotin County  
January 1, 2011 through December 31, 2011**

## ***REQUIRED SUPPLEMENTARY INFORMATION***

Management Discussion and Analysis – 2011

## ***BASIC FINANCIAL STATEMENTS***

Balance Sheet – 2011

Statement of Revenues, Expenses and Changes in Fund Equity – 2011

Statement of Cash Flows – 2011

Notes to Financial Statements – 2011



## **Management Discussion and Analysis**

The following Management Discussion and Analysis is designed to provide an overview of the Asotin County Public Utility District's (District) financial activities for the year ended December 31, 2011. This discussion should be read in conjunction with the District's financial statements and notes to the financial statements.

### ***Basic Financial Statements***

The Balance Sheets presents the District's assets and liabilities, with the difference between the two reported as equity. The Balance Sheet provides information about the nature and amount of investment in resources (assets), and the obligations to creditors (liabilities). Net assets increase when revenues exceed expenses. The Statements of Revenue, Expenses and Net Assets report the revenues and expenses during the periods indicated. The Statement of Cash Flow provides information about the District's cash receipts and payments from operations, as well as funds provided in investing and financing activities. The notes to the financial statements provide additional information that is essential to fully understanding the figures provided in the financial statements.

### ***Financial Analysis and Summary***

The District's overall financial condition remains stable. The increasing of rates, charges and fees and the reduction of costs in a number of areas have provided revenue stability for the District and rate stability for customers while allowing the District to meet its obligations. In January 2011 the Board of Commissioners increased the monthly minimum charge \$1.00 for each size of water meter providing stable revenue that is not dependent on the weather like the District's consumptive rate. In July 2011 the final payment on a 1991 Wastewater Public Works Trust Fund loan was made and in December 2011 the 2003 Water Revenue Bonds were retired providing an even better financial outlook for the District moving forward. Upon retirement of the Bond the District's Bond Reserve was used to retire the 1993 Wastewater State Revolving Fund Loan and the 2001 Drinking Water State Revolving Fund loan. The retirement of these obligations resulted in an additional decrease in notes payable of \$281,019.

In the fall of 2011 the District started work on the update of their Comprehensive Water System Plan. As a part of this process a financial analysis was conducted to ensure current rates, charges and fees were adequate to fund daily operations and fund future capital improvement projects. In summary, the financial analysis stated that the District has been very careful with the resources that have been provided by rate revenue because there is very little growth potential projected for revenues from new customers. The analysis went on to state that the PUD has an aggressive plan to improve and upgrade their water system at approximately \$1 million per year. This plan is possible because significant amounts of debt have been retired and combined revenues between the water and wastewater system will be adequate to cover identified improvements. The PUD should consider rate increases of 4 to 5% after 2014.

During 2011, the District's operating revenues were \$4,184,144. The major source of revenue for the district is metered water sales and wastewater charges. The major source of non-operating revenues is provided by miscellaneous income and account collection fees.

Operating revenue increased \$184,916 (or 4.6%) from 2010 operating revenue primarily due to a full year of revenue from the wastewater collection system fees and a slight increase in miscellaneous income.

Operating Expenses in 2011 decreased \$100,727 (or 2.9%) from 2010. This decrease in operating expenses is primarily attributed to a decrease in general administrative costs and wastewater system maintenance cost reductions. The net utility operating income before non-operating revenues and expenses was \$834,284 as compared to \$548,641 in 2010. The increase in net utility operating income was due to an increase in two additional months of wastewater fee collections and a concerted effort to reduce costs associated with general administration and wastewater system maintenance. The largest source of non-operating expense is interest on long-term debt.

The change in net assets after non-operating revenues and expenses was \$923,753 as compared to \$677,802 in 2010.

**Condensed Comparative Financial Information** *(In thousands)*

	<b>2011</b>	<b>2010</b>	<b>Change</b>
Current Assets	\$3,147	\$2,552	\$595
Restricted Assets	70	605	(535)
Noncurrent Assets	3	3	0
Capital Assets, net of depreciation	15,267	15,298	(29)
<i>Total Assets</i>	<u>\$18,487</u>	<u>\$18,458</u>	<u>\$29</u>
Current Liabilities	\$822	\$1,277	(\$455)
Payables from Restricted Assets	727	1,166	(439)
Net Assets			
Invested in Capital Assets, net of Related Debt	14,382	13,275	1108
Restricted Net Assets	70	605	(535)
Unrestricted Net Assets	2,485	2,135	350
<i>Total Liabilities, Net Assets and Other Credits</i>	<u>\$18,487</u>	<u>\$18,458</u>	<u>\$29</u>
Operating Revenues	\$4,184	\$3,999	\$185
Non-Operating Revenues	6	8	(2)
<i>Total Revenues</i>	<u>\$4,190</u>	<u>\$4,007</u>	<u>\$183</u>
Operating Expenses	\$3,350	\$3,451	(\$101)
Non-operating Expenses	52	73	(21)
<i>Total Expenses</i>	<u>\$3,402</u>	<u>\$3,524</u>	<u>(\$122)</u>
Income before Contributions, Extraordinary Items	\$788	\$485	\$303
Capital Contributions – Grants/Wastewater	\$135	\$3,766	(3,631)
Change in Net Assets	\$923	\$4,251	(\$3,328)
Net assets, end of year	\$16,938	\$16,015	\$923

### ***Capital Assets***

The District's total capital assets as of December 31, 2011 were \$15.27 million, net of depreciation. Funds for capital construction are provided for through a combination of installation charges and cash flow from revenues. In 2011 the District purchased and placed in to service \$666,633 worth of assets as compared to \$466,950 in 2010. See Note 3 of the accompanying notes to the financial statements for further detail related to Capital Asset activity.

### ***Current Liabilities***

Total Current Liabilities as of December 31, 2011 were \$821,445 as compared to \$1,277,260 in 2010, a decrease of \$455,815 (or 35.7%). The Current Portion of Long-Term Debt decreased significantly in 2011 due to the final payment being made on the 1991 Wastewater Public Works Trust Fund loan, the retirement of the 2003 Water Revenue Bonds, the payoff of the 1993 Wastewater State Revolving Fund loan and the 2001 Drinking Water State Revolving Fund loan. A portion of total liabilities is the Current Portion of Long-Term Debt in the amount of \$158,129 which is payable in 2012.

### ***Long-term Debt Activity***

At year-end the District had no remaining obligations in revenue bonds outstanding as compared to \$610,000 in 2010. These bonds were used to purchase the system from a private entity in 1987. The bonds were refunded twice, in 1993 and again in 2003 to take advantage of lower interest rates. These bonds were retired on December 1, 2011.

Other short-term and long term-debt includes low interest Public Works Trust Fund and a contractual property purchase agreement. At year-end the total of these capital improvement and property loans was \$885,294 as compared to \$1.413 million in 2010. The significant decrease in long-term debt is due to the payoff of three (3) loans and the final payment and retirement of the revenue bond.

Funds for payment of Long-term Debt are provided for from the cash flow from revenues. See Note 5 of the accompanying notes to the financial statements for further detail related to Long Term Debt Activity.

**PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY  
BALANCE SHEET  
DECEMBER 31, 2011**

	<b>2011</b>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash	\$1,128,248
General Fund Investments	1,147,859
Certificates of Deposit	0
Equipment Replacement Fund	531,118
Accounts Receivable	308,030
Plant Materials & Supplies	31,909
Accrued Interest Receivable	0
Restricted Assets:	
2003 Revenue Bond Reserve	0
2003 Revenue Bond Sinking Fund	0
1992 P WTF Sinking Fund	32,669
2000 P WTF Sinking Fund	37,697
<b>TOTAL CURRENT ASSETS</b>	<b>3,217,530</b>
Noncurrent Assets:	
Unamortized Debt Issuance Costs	0
Workers Compensation Deposit	1,548
Capital Assets Not Being Depreciated	
Land	107,813
Construction Work in Progress	224,405
Capital Assets Being Depreciated	
Organization	970
Structures & Improvements	1,136,763
Infrastructure	20,827,057
Equipment	1,431,873
Less Accumulated Depreciation	(8,460,662)
Total Capital Assets (Net)	15,268,219
<b>TOTAL NONCURRENT ASSETS</b>	<b>15,269,767</b>
<b>TOTAL ASSETS</b>	<b>\$18,487,297</b>

The accompanying notes are an integral part of these financial statements

**PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY  
BALANCE SHEET  
DECEMBER 31, 2011**

	<b>2011</b>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Warrants Payable	\$344,437
Accounts Payable	56,076
Wages Payable	27,879
Customer Deposits	82,444
Accrued Taxes and Expenses	146,294
Accrued Interest Expense	6,186
Current Portion of Long-Term Debt	158,129
<b>TOTAL CURRENT LIABILITIES</b>	<b>821,445</b>
Noncurrent Liabilities:	
Payables from Restricted Assets	
Contracts Payable	125,000
2003 Water Revenue Bonds	0
1991 Public Works Trust Fund	0
1992 Public Works Trust Fund	54,733
1993 State Revolving Fund	0
2000 Public Works Trust Fund	705,561
2001 State Revolving Fund	0
Current Portion of Long-Term Debt	(158,129)
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>727,165</b>
<b>TOTAL LIABILITIES</b>	<b>1,548,610</b>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets, net of Related Debt	14,382,926
Restricted Net Assets	70,366
Unrestricted Net Assets	2,485,395
<b>TOTAL NET ASSETS</b>	<b>16,938,687</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b>\$18,487,297</b>

The accompanying notes are an integral part of these financial statements

**PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND EQUITY  
YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>
<b>OPERATING REVENUES</b>	
Metered and Wastewater Sales	\$3,898,630
Other Operating Revenues	285,514
<b>Total Operating Revenue</b>	<u>4,184,144</u>
<b>OPERATING EXPENSES</b>	
Operation Expense	
General Operations	500,132
Power Purchased for Resale	9,623
Cost of Energy	190,633
Maintenance	406,271
Customer Services	242,101
General Administration	1,088,290
Depreciation	723,636
Amortization	0
Excise and B&O Taxes	189,174
<b>Total Operating Expenses</b>	<u>3,349,860</u>
<b>OPERATING INCOME (LOSS)</b>	<u>834,284</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	6,218
Gain (Loss) on Sale and/or Disposition Property	0
Interest Expense on Long-Term Debt	(52,053)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(45,835)</u>
<b>INCOME BEFORE CONTRIBUTIONS, TRANSFERS, SPECIAL AND EXTRAORDINARY ITEMS</b>	788,449
<b>CAPITAL CONTRIBUTIONS</b>	
Watershed Planning Unit Grants	<u>135,304</u>
<b>CHANGE IN NET ASSETS</b>	923,753
<b>FUND EQUITY, January 1, 2011</b>	<u>16,014,934</u>
<b>FUND EQUITY, December 31, 2011</b>	<u><u>\$16,938,687</u></u>

The accompanying notes are an integral part of these financial statements

**PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2011**

	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	4,157,566
Payments to Suppliers	1,180,091
Payments to Employees	1,183,466
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$1,794,009</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Proceeds from Grant Funding	135,304
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>\$135,304</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and Construction of Capital Assets	(666,633)
Construction Work In Process	(32,177)
Principal Paid on Revenue Bonds and Long Term Debt	(1,137,665)
Capital Contribution	0
Internal Activity - Amortization of Debt Discount	0
Proceeds from the Sale of an Asset	0
Interest Paid on Revenue Bonds and Long Term Debt	(52,053)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,888,528)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(22,024)
Reinvested Interest Income	0
Proceeds from Sale and Maturities of Investments	0
Interest and Dividends on Investments	6,218
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>(15,806)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>24,979</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR*</b>	<b>\$2,852,611</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$2,877,590</b>

\* Cash and Cash Equivalents at Beginning of Year were restated to correctly capture cash funds deposited with the Washington State Local Government Investment Pool.

The accompanying notes are an integral part of these financial statements

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED  
BY OPERATING ACTIVITIES**

Utility Operating Income	\$834,284
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	723,636
Disposition of Assets	
Changes In Assets and Liabilities:	
Accounts Receivable	(26,578)
Plant Materials and Supplies	(5,359)
Warrants Payable	262,865
Accounts Payable	(17,192)
Wages Payable	(109)
Customer Deposits	(1,604)
Accrued Taxes and Expenses	24,066
	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$1,794,009</b>
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The accompanying notes are an integral part of these financial statements



# Notes to the Financial Statements

## 1. SIGNIFICANT ACCOUNTING POLICIES

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

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 the 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):

**Entity.** Public Utility District No. 1 of Asotin County is a municipal corporation and provides residential and commercial water service, wastewater service and limited electrical service within Asotin County, Washington. The District was formed in 1984 and began operation in April, 1987. A three-member board governs the District. As required by GAAP, management has considered all potential component units in defining the reporting entity. The District has no component units.

**Use of Estimates.** Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. The use of estimates affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

**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 utilizes the full-accrual basis of accounting where revenues are recognized when earned, and expenses are recognized when incurred. The District uses the following fund type:

### **Proprietary Fund Type**

Enterprise Fund – An enterprise fund is used to account for the operations of the water utility which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (including depreciation) of providing services be financed or recovered primarily through user charges. GASB 33 now requires that capital contributions to

proprietary funds be recognized as revenues, effective for financial statement periods beginning after June 15, 2000. Therefore, this statement reflects this change for the period commencing January 1, 2002.

The District's financial statements include the financial position and results of operations of all operations that the District manages. There are no organizations or funds that the District has control over, or to which the District contributes resources that are not included in the District's financial statements.

The District distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a District's principal ongoing operations. The principal operating revenues of the district are charges to customers for water service. The District also recognizes as operating revenue charges to customers for wastewater service. Operating expenses for the District include system operations and maintenance services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance. The District uses the Uniform System of Accounts for Class A Water Utilities (1984) of the National Association of Regulatory Utility Commissioners.

***Investments.***

As required by state law, all investments of the District are obligations of the U.S. Government, the State of Washington Local Government Investment Pool, banker's acceptance, or deposits with a bank approved by the Public Deposit Protection Commission. A detailed listing is shown in Note 2: Deposits & Investments.

***Restricted Assets and Liabilities.*** In accordance with 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. The current portion of related liabilities is shown as "*Payables from Current Restricted Assets*". Specific debt reserve requirements are described in Note 5: Long-Term Debt.

Restricted funds currently include:

1992 P WTF Annual Payment Fund	\$ 32,669
2000 P WTF Annual Payment Fund	\$ 37,697

***Receivables.*** Accounts receivable includes current balances due on utility services billed and other receivables. An allowance for uncollectible accounts is provided based upon historical collection experience. The basis for Unbilled Accounts Receivable is accounts that were billed in January 2012 for service that was provided in December 2011.

Accounts receivable as of December 31, 2011, are as follows:

Utility Service	\$215,030
Unbilled Accounts Receivable	100,000
Allowance for Uncollectible Accounts	<u>(7,000)</u>
Total	<u>\$308,030</u>

**Plant Materials and Supplies (Inventory).** Plant materials and supplies are valued at the first-in, first-out average cost which approximates the market value.

**Compensated Absences.** The District recognizes benefits as earned and records unpaid leave for compensated absences as an expense and liability when incurred. Personal Leave pay, which may be accumulated up to a maximum of 800 hours, is payable upon resignation, retirement or death.

**Unamortized Debt Issuance.** Costs relating to the sale of bonds are deferred and amortized over the lives of the various bond issues. The 2003 Water Revenue Bonds were retired in 2011. Unamortized debt issuance at December 31, 2011, is as follows:

2003 Water Revenue Bond Expenses	\$0
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**Cash and Cash Equivalents.** For purposes of the statement of cash flows, the District considers as cash equivalent and has included all District cash accounts and certificates of deposit with an original maturity of three months or less. Investments in the State of Washington Local Government Investment Pool are included as cash equivalents. Restricted investments are not included as cash equivalents.

## 2. DEPOSITS AND INVESTMENTS

### Deposits

The District's deposits and certificates are entirely covered by the Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

### Investments

The District's investments are categorized to give an indication of risk assumed at year-end as either (A) insured investments and (B) amounts invested with the State of Washington Local Government Investment Pool.

Proprietary Fund Type	<u>Categories</u>		<u>Combined</u>
	(A)	(B)	
Restricted Investments	\$ 0	\$ 70,366	\$ 70,366
General Fund Investments	<u>1,540,834</u>	<u>913,397</u>	<u>2,454,231</u>
Total	<u>\$1,540,834</u>	<u>\$ 983,763</u>	<u>\$2,524,597</u>

Amounts held in Washington State banks approved by the Public Deposit Protection Commission (PDPC) are covered by federal depository insurance up to \$100,000 and by the PDPC for amounts over \$100,000. The PDPC constitutes a multiple financial institution collateral pool that provides for additional assessments against participants of the pool on a pro rata basis. Accordingly, the deposits covered by PDPC are considered

to be insured. Custodial risk is the risk that in event of a failure of the counterparty to an investment transaction the District would not be able to recover the value of the investment or collateral securities. Of the District's total position of \$2,524,597 in 2011, \$0 is exposed to custodial risk because the investments are held by the District's brokerage firm, which is also the counterparty in those particular securities. The District has no derivatives.

### 3. CAPITAL ASSETS

Capital Assets are defined by the District as assets with initial individual cost of more than \$1,000.00 and an estimated useful life in excess of 3 years. Utility plant in service and other assets are recorded at cost. Donations by developers are recorded at appraised value. Net interest expense on construction loans is capitalized as a cost of the utility plant. Depreciation is computed on the straight-line method over the estimated useful lives of the asset as follows:

	<u>Useful Life</u>
Organizational and franchise costs	5-50 years
Buildings and improvements	10-40 years
Wells and distribution system	25-50 years
Equipment	3+ years

The original cost of utility plant retired or otherwise disposed of is removed from the plant account: accumulated depreciation is charged with the accumulated depreciation relating to the asset sold: and the net gain or loss on disposal is credited or charged to income. The gain (loss) from disposition of utility property account is maintained so that the transactions and details underlying each gain or loss are readily identifiable.

Utility plan activity for the year ended December 31, 2011 was as follows:

<b>CAPITAL ASSETS</b>	Beginning Balance	Increase	Decrease	Ending Balance
Utility Plant not being depreciated:				
Land	\$107,813			\$107,813
Construction in Progress	<u>\$192,228</u>	<u>\$ 32,177</u>		<u>\$224,405</u>
Total Utility Plant not being depreciated	\$300,041	\$ 32,177		\$332,218
Utility Plant being depreciated:				
Organizational and franchise costs	\$970			\$970
Buildings and Improvements	\$1,114,905	\$ 21,858		\$1,136,763
Wells, distribution system and infrastructure	\$20,321,186	\$505,871		\$20,827,057
Equipment	<u>\$ 1,298,082</u>	<u>\$138,904</u>	(\$ 5,112)	<u>\$ 1,431,873</u>
Total utility plant being depreciated	\$22,735,142	\$666,633	(\$ 5,112)	\$23,396,663

<b>CAPITAL ASSETS (Depreciation)</b>	Beginning Balance	Increase	Decrease	Ending Balance
Organizational and franchise costs	(\$872)	(\$4)		(\$876)
Buildings and Improvements	(\$452,343)	(\$27,307)		(\$479,650)
Wells, distribution system and infrastructure	(\$5,863,364)	(\$605,705)		(\$6,469,069)
Equipment	<u>(\$1,420,447)</u>	<u>(\$ 90,620)</u>		<u>(\$1,511,067)</u>
Total accumulated depreciation	<u>(\$7,737,026)</u>	<u>(\$723,636)</u>		<u>(\$8,460,662)</u>
Total Utility Plant, Net	\$15,298,157	(\$ 24,826)	(\$ 5,112)	\$15,268,219

#### 4. CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total \$224,405. The projects represented are for a GIS Mapping project and a Sewer Lift Station Improvement project. Of the committed balance of \$224,405, the District will provide remaining funding from the general fund.

Construction in progress is composed of the following:

	<u>Project Authorization</u>	<u>Expended to 12/31/11</u>	<u>Committed</u>	<u>Required Future Financing</u>
GIS Mapping Project/Consulting	\$215,200	\$208,593	\$ 6,607	None
SCADA System Improvements	<u>\$ 34,720</u>	<u>\$ 15,812</u>	<u>\$18,908</u>	None
	\$249,920	\$224,405	\$25,515	

#### 5. LONG-TERM DEBT

Long-term debt at December 31, 2011, is comprised of the following:

##### 1992 Public Works Trust Fund

The Washington State Department of Community Development provided a loan, not to exceed \$1,027,839, to finance water system improvements. The District received the final loan advance of \$102,784 after December 31, 1995. The loan will be repaid annually over 20 years at an interest rate of 1%.

\$ 54,733

##### 1991 Public Works Trust Fund – SEWER

The Washington State Department of Community Development provided a loan to Asotin County for their wastewater system in the amount of \$871,906. In January 2010 the District assumed ownership of the Wastewater Collection System and this loan. The balance of the loan at the time of assumption was \$79,284.

The 20 year term, 1% interest rate loan was retired in July 2011.

\$ 0

2000 Public Works Trust Fund

The Washington State Department of Community Development provided a loan, not to exceed \$1,620,000, to finance distribution system improvements, well upgrade, reservoir painting and SCADA upgrades. The District received advances in the amount of \$1,458,000, which represents 90% of the approved loan. The loan will be repaid annually over 20 years at an interest rate of 3%.

\$ 705,561

1993 State Revolving Fund Loan – SEWER

The Washington State Department of Ecology provided a loan to Asotin County for their wastewater system in the amount of \$350,053. In January 2010 the District assumed ownership of the Wastewater Collection System and this Loan. The balance of the loan at the time of assumption was \$76,065. The 20 year term, 5% interest rate loan was retired in December 2011.

\$ 0

2001 State Revolving Fund Loan

The Washington State Public Works Board provided a loan not to exceed \$459,000, to finance the construction of Disinfection Facilities at each source of water supply. The 20 year term, 2.5% interest rate loan was retired in December 2011.

\$ 0

2003 Water Revenue Bonds – Original issue of \$4,810,000

These bonds were issued to retire \$5,295,000 of the 1993 water revenue bonds. The bond was retired in December 2011

\$ 0

2008 Contracts Payable – Operations Facility

This promissory note provides for the purchase of property and storage Facilities for use as an operations facility. The price of the property and facility was \$220,000. A down payment of \$20,000 was made with the remaining principal balance to be paid over an 8 year period with an interest rate of 5.5%. Loan payments began in 2009.

\$ 125,000

Aggregate long-term debt

\$ 885,294

Current portion of long-term debt

158,128

Long-term debt due after one year

\$ 727,166

There are a number of limitations and restrictions contained in the various bond indentures. The District was in compliance with all significant limitations and restrictions during 2011. The limitations and restrictions ended when the 2003 Water Revenue Bond was retired on December 1, 2011.

On September 7, 1993, Public Utility District No. 1 of Asotin County issued Water Revenue Refunding Bonds of \$7,395,000 (par value) with an average coupon rate of 5.24 percent to advance refund 1987 Water Revenue Bonds with an average coupon rate of 6.94 percent and a par value of \$6,660,000. The advance refunding of the 1987 water revenue bonds and simultaneous issuance of the 1993 bonds met the requirements of an

in-substance debt defeasance. Therefore, \$6,660,000 of the 1987 water revenue bonds was considered retired and the debt was removed from the balance sheet.

On January 7, 2003, Public Utility District No. 1 of Asotin County issued Water Revenue Refunding Bonds of \$4,810,000 (par value) with an average coupon rate of 3.394 percent and to advance refund 1993 Water Revenue Bonds with an average coupon rate of 5.24 percent and a par value of \$6,660,000. The 2003 Water Revenue Refunded Bonds matured December 2003 thru December 2011. This resulted in a net present value savings to the PUD of \$416,630.21.

The 2003 Water Revenue Refunding Bond covenants required that the District maintain a bond reserve fund equal to or greater than the maximum annual debt service under the 1987, 1991, and 1993 revenue bonds, which amounted to an additional reserve fund of \$481,000. Due to the retirement of the revenue bond on December 1, 2011, the bond reserve fund in the amount of \$481,000 were changed to a reserve fund to pay future debt obligations. This reserve is invested in a bank deposit.

A summary of changes in long-term debt is as follows:

	Balance <u>1-1-11</u>	Debt <u>Issued</u>	Principal <u>Repayment</u>	Interest <u>Payment</u>	Balance <u>12-31-11</u>
1991 Public Works Trust Fund	39,642	0	39,642	396	0
1992 Public Works Trust Fund	109,466	0	54,733	1,095	54,733
1993 State Revolving Fund	64,157	0	64,157	3,896	0
2000 Public Works Trust Fund	783,957	0	78,396	7,840	705,561
2001 State Revolving Fund	265,738	0	265,738	8,187	0
2003 Water Revenue Bonds	610,000	0	610,000	24,400	0
2008 Contracts Payable	<u>150,000</u>	<u>0</u>	<u>25,000</u>	<u>6,240</u>	<u>125,000</u>
Total Long-Term Debt	<u>\$2,022,960</u>	<u>\$ 0</u>	<u>\$1,137,666</u>	<u>\$ 52,054</u>	<u>\$885,294</u>

**Long-term Debt Maturities.** The annual requirements to amortize all long-term debt outstanding as of December 31, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Payment</u>
2012	158,129	13,843	171,972
2013	103,396	12,511	115,907
2014	103,396	11,727	115,123
2015	103,396	10,943	114,339
2016	103,396	10,160	113,556
2017-2020	313,584	7,840	<u>321,424</u>
Principal & Interest			\$ 952,321
Less: Interest Included			<u>67,027</u>
Aggregate long-term debt			<u>\$ 885,294</u>

## 6. SHORT-TERM DEBT

The District had no short-term debt.

## 7. CAPITAL LEASE

The District had no capital lease arrangements.

## 8. RETIREMENT PLAN

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

All of the District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statements No. 27, Accounting for Pensions by State and Local Government Employers and No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

### **Plan Description**

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.



PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually. The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

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

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

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon contributions and the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

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

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to but not yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Non-vested	51,005
<b>Total</b>	<b>262,285</b>

In March 1995, the District authorized the participation of its full-time employees in the Washington Public Employee's Retirement System (PERS). This is a statewide local government retirement system administered by the Department of Retirement System, under a cost sharing multiple-employer public employee retirement plan.

During 1995, assets from the District's Defined Benefit Plan amounting to \$124,603 were used to provide service credit for all employees from the later of April 1987 or the employee's date of employment up through March 1995. The balance of the Defined Benefit Plan Assets of \$19,175 was used to fund the employer's share of prior service credit. The District has entered into an agreement with PERS to fund the balance of the employer's share of prior service cost amounting to \$159,695 over 15 years at \$887 per month with no interest. Final payment of the prior service cost concluded in 2010.

**Funding Policy**

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW. The required contribution rates expressed as a percentage of current-year covered payroll as of December 31, 2011, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	4.64%****	*****

- \* The employer rates include the employer administrative expense fee currently set at 0.16%.
- \*\* The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3.
- \*\*\* Plan 3 defined benefit portion only.
- \*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.
- \*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

The District's covered payroll for year ending December 31, 2011, was \$798,824. The District's total current-year payroll for all employees was \$863,408. Both the District and the employees made the required contributions. The District's required contributions for the year ending December 31, 2011 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	\$ 0.00	\$ 49,742	\$ 0.00
2010	\$ 0.00	\$ 68,828	\$ 0.00
2009	\$ 0.00	\$ 78,051	\$ 0.00

**9. PROPERTY TAXES**

The District did not levy property taxes for 2011.

**10. RISK MANAGEMENT - SELF-INSURANCE FUND**

The District is a member of the Public Utility Risk Management System (PURMS). The purpose of the PURMS is to provide its members the capability and authority to jointly provide a self-insurance plan for liability claims and property losses for which the risk is shared, to jointly purchase excess group liability and property loss coverage, establish and maintain a cash reserve for self-insurance coverage, and to provide related services, including a cooperative program of risk management. In 2000 PURMS began offering Group Health Insurance coverage. In May 2000 the District added group health insurance coverage for all employees and commissioners.

The member districts, through the Fund, provide self-insurance for the first \$1,000,000 of individual loss liability claims and \$250,000 per property loss. The Fund maintains assets from which liability claims and property losses are paid and, through assessments of the members to replenish these assets, the members share joint liability among themselves for liability claims and property losses incurred. Additional assessments may be imposed in addition to the annual contributions in the event that losses payable exceed funds available in the Fund's loss fund. The Fund also maintains excess liability insurance of \$35 million for losses above \$1,000,000 and excess property insurance in the amount of \$150 million for losses above \$250,000 per property loss.

**11. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The District had no violations of finance-related legal or contractual provisions.

**12. OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS**

The District does not provide post employment benefit plans to its employees.

**13. OTHER DISCLOSURES**

*Subsequent Events*

There were no material contingent liabilities requiring disclosure.

*Prior Period Adjustments*

There were no prior period adjustments to prior period fund equity.

*Significant Revenue or Expenditure Changes*

There were no significant revenue or expenditure changes.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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 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 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 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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**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

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**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
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