



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report **Public Utility District No. 1 of Asotin County**

For the period January 1, 2015 through December 31, 2015

Published July 14, 2016

Report No. 1016998





Washington State Auditor's Office

July 14, 2016

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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	4
Independent Auditor’s Report On Financial Statements	6
Financial Section.....	9
About The State Auditor’s Office.....	38

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Public Utility District No. 1 of Asotin County
January 1, 2015 through December 31, 2015**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Public Utility District No. 1 of Asotin County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 17, 2016. As discussed in Note 7 to the financial statements, during the year ended December 31, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 17, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Public Utility District No. 1 of Asotin County January 1, 2015 through December 31, 2015

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Public Utility District No. 1 of Asotin County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Asotin County, as of December 31, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 7 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

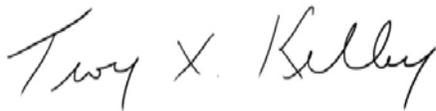
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 13 and pension plan information on pages 33 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 17, 2016

FINANCIAL SECTION

Public Utility District No. 1 of Asotin County January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – 2015

Statement of Cash Flows – 2015

Notes to the Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2015

Schedule of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2015

Schedule of Employer Contributions – PERS 1 – 2015

Schedule of Employer Contributions – PERS 2/3 – 2015

Notes to Required Supplemental Information – Pension - 2015

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, 2015. This discussion should be read in conjunction with the District's financial statements and notes to the financial statements.

The District owns and operates a public water system with approximately 7,200 connections to customers in Asotin County covering twenty square miles, and operates the Port of Wilma water system in Whitman County which serves approximately thirty commercial and industrial customers. The District also provides sanitary sewer collection to over 1,300 customers. The District's office and main shop are located in Clarkston, Washington.

Basic Financial Statements

The Statement of Net Position presents the District's assets and liabilities, with the difference between the two reported as net position. The Statement of Net Position provides information about the nature and amount of investment in resources (assets), and the obligations to creditors (liabilities). The net position increases when revenues exceed expenses. The Statement of Revenue, Expenses and Changes in Fund Net Position reports 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 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 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 and provide for capital improvement.

Rates for water services increased 4.5% in January 2015 to provide for increased operational costs and to provide adequate funding for the District's comprehensive 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 the combined revenues between the water and wastewater system will be adequate to cover identified improvements.

Total net position may serve as a useful indicator of the District's financial position. At the end of 2015, the District's net position was \$19.5 million as compared with \$20.2 million at the end of 2014. This represents a decrease of approximately \$0.7 million which is directly due to the implementation of new accounting standards. The following condensed financial information provides an overview of the District's financial position for the fiscal year ended December 31, 2015, and 2014.

NET POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Assets			
Current and other assets	\$ 2,781	\$ 2,936	\$ (155)
Capital assets, net of depreciation	<u>18,525</u>	<u>18,360</u>	<u>165</u>
<i>Total Assets</i>	21,306	21,296	10
Deferred outflows of resources	110	-	110
Liabilities			
Other liabilities	285	537	(252)
Long-term liabilities	<u>1,488</u>	<u>520</u>	<u>968</u>
<i>Total Liabilities</i>	1,773	1,057	716
Deferred inflows of resources	134	-	134
Net Position			
Net investment in capital assets	18,108	17,840	268
Restricted	41	42	(1)
Unrestricted	<u>1,360</u>	<u>2,357</u>	<u>(997)</u>
<i>Total net position</i>	<u>\$ 19,509</u>	<u>\$ 20,239</u>	<u>\$ (730)</u>

The largest portion of the District's net position is the classification net investment in capital assets. This classification reflects the District's investment in capital assets (land, intangible assets such as easements and water rights, buildings, plant, and equipment) less any remaining related debt. The District uses its capital assets to provide services to its customers. The classification net investment in capital assets increased by approximately \$268,000 in 2015 with the addition of equipment and improvements offset with scheduled principle payments on debt.

An additional portion of the District's total net position is in restricted assets, which represents resources that are subject to external restrictions on how the funds may be used. The District's restricted net position are generally restricted for payments on debt. Restricted net position was relatively unchanged in 2015.

The remainder of the District's net position is unrestricted assets, which may be used to meet the District's ongoing obligations to customers and creditors. Unrestricted net position decreased \$997,000 in 2015. The decrease is primarily due to the implementation of a new standard which requires the District to present its net pension liability on the statement of net position.

CHANGES IN NET POSITION
For the year ended December 31, 2015 and 2014

Operating revenues			
Metered and Wastewater sales	\$ 4,745	\$ 4,384	\$ 361
Other non-operating	273	230	43
Non-operating revenues	<u>109</u>	<u>2</u>	<u>107</u>
<i>Total revenues</i>	5,127	4,616	511
Operating expenses			
Operation	1,731	1,537	194
Maintenance	623	522	101
Customer Services	703	329	374
General Administration	706	892	(186)
Depreciation	963	1,163	(200)
Excise and B&O Taxes	216	210	6
Non-operating expenses	<u>12</u>	<u>12</u>	<u>-</u>
<i>Total expenses</i>	4,954	4,665	289
Income before contributions and special item	173	(48)	221
Special item - Port of Wilma transfer	-	1,857	(1,857)
Capital contributions - grants	<u>-</u>	<u>167</u>	<u>(167)</u>
<i>Total special items and capital contributions</i>	-	2,024	(2,024)
Change in net position	173	1,976	(1,803)
Net Position, beginning of year	20,239	18,263	1,976
Change in accounting principles	<u>(903)</u>	<u>-</u>	<u>(903)</u>
Net Position, end of year	\$ <u>19,509</u>	\$ <u>20,239</u>	\$ <u>(730)</u>

Change in net position after non-operating revenues and expenses was \$172,820 in 2015 as compared to \$1,975,743 in 2014. The large change was directly related to the return to normal activity after assumption of ownership of the Port Wilma Water System that occurred in 2014.

During 2015, the District's operating revenues were \$5.0 million, a \$404,000 increase over 2014. The major source of revenue for the District is metered water sales and sewer charges, which saw an increase in 2015 due to increased water rates and water usage due to dry weather.

In 2015, the District's operating expenses were \$4.9 million. Operating Expenses in 2015 increased \$289,000 (or 6%) from 2014. The increase in operating expenses is primarily attributed to an increase in depreciation expense, personnel cost and contract services.

The net utility operating income before non-operating revenues and expenses was \$75,433 as compared to net utility operating loss of \$(39,038) in 2014. The increase in operating income was due primarily to an increase service charges. The largest source of non-operating expense is interest on long-term debt, which was stable from 2014 to 2015.

Capital Assets

The District's total capital assets as of December 31, 2015 were \$18.5 million, net of depreciation. Funds for capital construction are provided for through a combination of installation charges and cash flow from revenues. In 2015 the District purchased and placed in to service \$1.1 million worth of capital assets, most of which was water distribution system improvements and new service. See Note 3 of the accompanying notes to the financial statements for further detail related to capital asset activity.

Long-term Debt Activity

At year-end the District long term-debt obligation included a low interest 2000 Public Works Trust Fund loan used to fund water system capital improvements and a contractual property purchase agreement. At year-end the total of the capital improvement and property loans was \$416,979 as compared to \$520,374 in 2014. Debt was reduced \$103,395 in 2015.

Funds for payment of Long-term Debt are provided for from the cash flow from revenues. See Note 4 of the accompanying notes to the financial statements for further detail related to long term debt activity.

Requests for Information

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

Public Utility District No. 1 of Asotin County
Attention: General Manager
P.O. Box 605
Clarkston, WA 99403

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	2015
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,221,103
Accounts Receivable, net	328,158
Plant Materials & Supplies	189,621
Restricted Assets - Cash and Cash Equivalents 2000 P WTF Sinking Fund	41,158
TOTAL CURRENT ASSETS	2,780,040
Noncurrent Assets:	
Workers Compensation Deposit	1,548
Capital Assets Not Being Depreciated	
Land	107,813
Capital Assets Being Depreciated	
Organization	970
Structures & Improvements	1,168,732
Infrastructure	27,387,797
Equipment	2,033,809
Less: Accumulated Depreciation	(12,174,558)
Total Capital Assets (Net)	18,524,563
TOTAL NONCURRENT ASSETS	18,526,111
TOTAL ASSETS	\$ 21,306,151
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Amounts Related to Pensions	110,362
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 110,362

The accompanying notes are an integral part of these financial statements

PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	2015
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 114,100
Wages Payable	34,998
Customer Deposits	82,268
Compensated absences - Current	22,200
Other current liabilities	27,295
Loans Payable - Current	78,396
Contracts Payable - Current	25,000
Interest Payable	3,912
TOTAL CURRENT LIABILITIES	388,169
Noncurrent Liabilities:	
Loans payable	313,583
Compensated Absences	199,842
Net Pension Liability	871,423
TOTAL NONCURRENT LIABILITIES	1,384,848
TOTAL LIABILITIES	\$ 1,773,017
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Amounts Related to Pensions	134,341
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 134,341
 <u>NET POSITION</u>	
Net Investment in Capital Assets	18,107,584
Restricted for Debt Service	41,158
Unrestricted	1,360,413
TOTAL NET POSITION	\$ 19,509,155

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 NET POSITION
YEAR ENDED DECEMBER 31, 2015**

	2015
OPERATING REVENUES	
Metered and Wastewater Sales	\$ 4,744,658
Other Operating Revenues	272,950
Total Operating Revenue	5,017,608
OPERATING EXPENSES	
Operation Expense	
General Operations	1,428,559
Power Purchased for Resale	14,977
Cost of Energy	287,493
Maintenance	622,725
Customer Services	703,481
General Administration	705,628
Depreciation	962,829
Excise and B&O Taxes	216,483
Total Operating Expenses	4,942,175
OPERATING INCOME (LOSS)	75,433
NONOPERATING REVENUES (EXPENSES)	
Interest Income	2,773
Non-capital grants	106,276
Gain (Loss) on Sale and/or Disposition Property	
Interest Expense on Long-Term Debt	(11,662)
Total Nonoperating Revenues (Expenses)	97,387
CHANGE IN NET POSITION	172,820
TOTAL NET POSITION, January 1, 2015	20,239,306
Change in Accounting Principles	(902,971)
TOTAL NET POSITION, December 31, 2015	\$ 19,509,155

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, 2015**

	2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 5,009,864
Payments to Suppliers	(2,945,686)
Payments to Employees	(1,225,954)
NET CASH PROVIDED BY OPERATING ACTIVITIES	838,224
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Grant Funding	106,276
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	106,276
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(1,127,324)
Principal Paid on Long Term Debt	(103,395)
Interest Paid on Long Term Debt	(9,956)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,240,675)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends on Investments	2,773
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,773
NET INCREASE IN CASH AND CASH EQUIVALENTS	(293,402)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Restated)	2,555,663
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,262,261
RECONCILIATION TO NET POSITION	
Cash and Cash Equivalents	2,221,103
Restricted Cash	41,158
TOTAL CASH AND CASH EQUIVALENTS	\$ 2,262,261

The accompanying notes are an integral part of these financial statements

**PUBLIC UTILITY DISTRICT NO.1 OF ASOTIN COUNTY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015**

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

Utility Operating Income	\$	75,433
Adjustments to Reconcile Net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation Expense		962,829
(Increase) Decrease in Receivables		(7,744)
(Increase) Decrease in Inventories		(138,236)
Increase (Decrease) in Current Payables		(66,784)
Increase (Decrease) in Accrued Payroll		585
Increase (Decrease) in Accrued Employee Benefits		12,141
		12,141
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	838,224

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Public Utility District No. 1 of Asotin County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Reporting Entity. Public Utility District No. 1 of Asotin County was formed in 1984 and began operation in April, 1987, and operates under the laws of the state of Washington applicable to public utility districts. The District is a municipal corporation that provides residential and commercial water service, wastewater service and limited electrical service within Asotin County, Washington. 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.

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 uniform system of accounts for Class A water utilities prescribed by the National Association of Regulatory Commissioners (NARUC).

The District utilizes the full-accrual basis of accounting where revenues are recognized when earned, and expenses are recognized when incurred.

The District's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are derived from its charges to customers for water supply and distribution. Operating expenses include cost of providing services and maintenance, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, Fund Balance, Net Position

Cash and Cash Equivalents. For purposes of the statement of cash flows, the District considers as cash equivalent District cash accounts and certificates of deposit with an original maturity of three months or less.

Investments All investments are stated at fair value in accordance with generally accepted accounting principles. Interest is recognized in non-operating revenues as earned. Changes in the fair value of investments are also included in non-operating revenues (expenses). Unrealized gains and losses are recognized on the books as of the statement of net position date. A detailed listing is shown in Note 2: Deposits & Investments.

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 2016 for service that was provided in December 2015.

Accounts receivable as of December 31, 2015, are as follows:

Receivables:	
Utility Service	\$ 260,158
Unbilled Accounts Receivable	75,000
Allowance for Uncollectible Accounts	<u>(7,000)</u>
Total	<u>\$ 328,158</u>

Plant Materials and Supplies (Inventory). Inventories for the District consist of supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Plant materials and supplies are valued at the first-in, first-out average cost which approximates the market value.

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 in excess of 3 years, and include property, plant equipment and infrastructure assets. Such assets are recorded at historical cost. Donations by developers are recorded at acquisition value at the date of donation. Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. Normal maintenance and repairs are accounted for as expenses when incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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. See Note 3 Capital Assets.

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

Compensated Absences. Compensated absences are absences for which employees will be paid. All personal leave is accrued when incurred. Personal leave pay, which may be accumulated up to a maximum of 1,200 hours, is payable upon resignation, retirement or death. See Note 4 Long-term Debt.

Other Current Liabilities. Other accrued liabilities includes accrued payroll taxes and withholdings, and use taxes.

Long-term Debt. See Note 4 Long-term Debt.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

The District's deposits 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).

As of December 31, 2015, the District's cash and cash equivalents are as follows:

Cash and cash equivalents:	
Bank depository and checking accounts	\$ 1,273,092
Petty Cash	450
Certificates of Deposit	450,000
Local Government Investment Pool	538,719
Total cash and cash equivalents	\$ <u>2,262,261</u>

Amounts held in Washington State banks approved by the Public Deposit Protection Commission (PDPC) are covered by federal depository insurance up to \$250,000 and by the PDPC for amounts over \$250,000. 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.

The District does not have a policy for custodial credit risk of investment securities. Further, the District is not subject to foreign currency risk or interest rate risk. The following presents the District's investments at December 31, 2015:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Washington State Local Government Investment Pool	N/A	538,719
Total investments		\$ <u>538,719</u>

3. CAPITAL ASSETS

Utility plant activity for the year ended December 31, 2015 was as follows:

CAPITAL ASSETS	Beginning Balance	Increase	Decrease	Ending Balance
<i>Utility plant not being depreciated</i>				
Land	\$ 107,813	\$ -	\$ -	\$ 107,813
Construction in progress	-	-	-	-
Total utility plant not being depreciated	107,813	-	-	107,813
<i>Utility plant being depreciated</i>				
Organization and franchise costs	970	-	-	970
Buildings and improvements	1,164,670	11,837	(7,775)	1,168,732
Wells, distribution system and infrastructure	26,625,968	763,237	(1,408)	27,387,797
Equipment	1,736,854	352,250	(55,295)	2,033,809
Total utility plant being depreciated	29,528,462	1,127,324	(64,478)	30,591,308
<i>Less accumulated depreciation for:</i>				
Organization and franchise costs	(888)	(4)	-	(892)
Buildings and improvements	(563,467)	(29,195)	7,775	(584,887)
Wells, distribution system and infrastructure	(8,894,840)	(779,869)	1,408	(9,673,301)
Equipment	(1,817,012)	(153,761)	55,295	(1,915,478)
Total accumulated depreciation	(11,276,207)	(962,829)	64,478	(12,174,558)
Total utility plant being depreciated, net	18,252,255	164,495	-	18,416,750
Total utility plant, net	\$ 18,360,068	\$ 164,495	\$ -	\$ 18,524,563

4. LONG-TERM DEBT

Long-term debt at December 31, 2015, is comprised of the following:

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%. \$ 391,979

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. \$ 25,000

Aggregate long-term debt	\$ 416,979
Current portion of long-term debt	<u>(103,396)</u>
Long-term debt due after one year	<u>\$ 313,583</u>

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

	Balance 1/1/2015	Increase	Decrease	Balance 12/31/2015	Due within one year
2000 Public Works Trust Fund	\$ 470,374	\$ -	\$ 78,395	\$ 391,979	\$ 78,396
2008 Contracts Payable	<u>50,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Total loans and contracts payable	<u>520,374</u>	<u>-</u>	<u>103,395</u>	<u>416,979</u>	<u>103,396</u>
Compensated Absences	205,892	16,150	-	222,042	22,200
Pension Liability*	<u>661,613</u>	<u>209,810</u>	<u>-</u>	<u>871,423</u>	<u>-</u>
Total long-term debt	<u>\$ 1,387,879</u>	<u>\$ 225,960</u>	<u>\$ 103,395</u>	<u>\$ 1,510,444</u>	<u>\$ 125,596</u>

* Beginning pension liability restated for implementation of GASB 68

Long-term Debt Maturities. The annual requirements to amortize all long-term debt outstanding as of December 31, 2015 are as follows:

Year	Principal	Interest	Annual Payment
2016	\$ 103,396	\$ 10,160	\$ 113,556
2017	78,396	3,136	81,532
2018	78,396	2,352	80,748
2019	78,396	1,568	79,964
2020	78,395	783	79,178
Total	<u>\$ 416,979</u>	<u>\$ 17,999</u>	<u>\$ 434,978</u>

5. PENSIONS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts – All Plans	
Net Pension Liabilities	\$ 871,423
Deferred outflows of resources	\$ 110,362
Deferred inflows of resources	\$ 134,341
Pension expense/expenditures	\$ 94,376

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The District's actual contributions to the plan were \$43,205 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The District’s actual contributions to the plan were \$55,388 for the year ended December 31, 2015.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary’s (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation

to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 563,818	\$ 463,094	\$ 376,481
PERS 2/3	\$ 1,193,975	\$ 408,329	\$ (193,211)

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a total pension liability of \$871,423 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 463,094
PERS 2/3	\$ 408,329

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the District were as follows:

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.008660%	0.008853%	0.000193%
PERS 2/3	0.011149%	0.011428%	0.000279%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the District recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 41,056
PERS 2/3	\$ 53,320
TOTAL	\$ 94,376

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	\$ 25,337
Contributions subsequent to the measurement date	\$ 24,931	-
TOTAL	\$ 24,931	\$ 25,337

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,405	-
Net difference between projected and actual investment earnings on pension plan investments	-	\$ 109,004
Changes of assumptions	\$ 658	-
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 8,978	-
Contributions subsequent to the measurement date	\$ 32,390	-
TOTAL	\$ 85,431	\$ 109,004

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2016	\$ (9,819)
2017	\$ (9,819)
2018	\$ (9,819)
2019	\$ 4,121
2020	\$ -
Thereafter	\$ -

Year ended December 31:	PERS 2/3
2016	\$ (26,955)
2017	\$ (26,955)
2018	\$ (26,955)
2019	\$ 24,902
2020	\$ -
Thereafter	\$ -

6. RISK MANAGEMENT

Self-Insurance Fund

The District is a member of the Public Utility Risk Management Services Self-Insurance Fund (PURMS). 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 service to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement (Pool or Liability Pool) was made pursuant to the provisions of Chapter 54.16 RCW, and interlocal government agreements.

The Pool was formed on December 31, 1976, when certain Public Utility Districts (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. As of December 31, 2015 there were nineteen, nineteen, and twelve members in the Liability, Property, and Health & Welfare pools, respectively. The Pool provides liability, property, and health and welfare insurance coverage for its members and their employees under an agreement entitled “PURMS Joint Self-Insurance Agreement” (SIA).

Liability Risk Pool

The Liability Pool is financed through assessments of its participating members (Liability Assessment) in accordance with the terms of the Liability General Assessment Formula. Liability Assessments are levied at the beginning of each calendar year to replenish the Liability Pool to the Designated Liability Pool Balance. In addition, Liability Assessments are levied at any time during the year that the actual Liability Pool Balance becomes \$500,000 less than the Designated Liability Pool Balance.

For 2015, the Designated Liability Pool Balance was \$3,000,000. As a result, during 2015, the Liability Pool maintained cash reserves between \$2,500,000 and \$3,000,000 to pay for operating expenses and liability claims. The Liability Coverage Limit was \$1,000,000 per occurrence as of December 31, 2015.

As of December 31, 2015 there were 74 known incidents or unresolved Liability Claims pending against one or members or former members of the Liability Pool. The total risk posed by these claims to such members and to the Liability Pool itself is unknown but the reserves set by the Administrator for these claims were \$257,345.

Property Risk Pool

PURMS provides property insurance coverage for its members participating in the Property Risk Pool in accordance with the terms of the SIA. Under the SIA, the Property Pool has had a self-insured retention (or Property coverage Limit) of \$250,000 per property loss.

At all times, PURMS maintains Excess Property Insurance for its members in the Property Pool. For 2015, the amount of the Excess Property Insurance was \$200 million, with excess coverage attaching at the \$250,000 Property Coverage Limit for all Property Losses except those subject to increased retention levels for certain property risks.

In accordance with Washington State regulatory requirements applicable to public entity risk pools, on an annual basis, PURMS engages an independent qualified actuary to determine the claim financing levels and liabilities for unpaid claims and claims adjustments expense for the Liability Pool. A copy of the Liability Pool Actuarial Report is provided to the Washington State Risk Manager and made available to the Washington State Auditor’s Office.

As of December 31, 2015 there were 14 known property claims pending from members of the property pool. The total risk posed by these claims to such members and to the Property Pool itself is unknown and can only be estimated. The reserves set by the Administrator for these claims were \$32,443.

Health & Welfare Risk Pool

PURMS provides health and welfare insurance coverage for the employees of each of its members participating in the Health & Welfare Risk Pool (H&W Pool) in accordance with the terms of the SIA and the terms of each member's respective coverage booklet provided to its employees. The H&W Pool was established as one of PURMS' risk pools effective March 31, 2000.

Under the H&W assessment formula, each month, each member of the H&W Pool is assessed for (a) the cost the H&W Pool incurred during the preceding month for the H&W claims for such member's employees; and (b) for such member's share of Shared H&W Costs. Shared H&W Costs are administrative expenses incurred by the H&W Pool, 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 two different stop-loss points. The first is established annually by the Excess Stop-Loss Insurance that the H&W Pool acquires and maintains for its members. For 2015 the H&W Pool Individual Stop Loss Point was \$250,000 per employee and the H&W Pool Aggregate Stop Loss Point was \$17,037,729 for the combined H&W Claims Costs of the employees of members of the H&W Pool.

As of December 31, 2015 reserves of \$375,478, \$166,979, and \$33,417 for prescription drug, dental and vision benefits respectively was set aside by the Administrator of the pool to cover eight (8) weeks of program expenses.

Each of PURMS risk pools is audited annually by the State Auditor's Office. In addition, as required by State regulations, PURMS provides quarterly financial reports to the State Risk Manager reflecting the claims and administrative expenses of the Risk Pools. Bi-annually, the State Risk Manager performs its own audit of PURMS' risk pools.

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

7. OTHER DISCLOSURES

Accounting and Reporting Changes - Implementation of New Governmental Accounting Standards Board Pronouncements

The District implemented GASB 68, Accounting and Financial Reporting for Pensions and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. As a result of implementing this standard, the District recognized an adjustment to beginning net position of \$902,971, presented as a change in accounting principles.

Restatement

On the statement of cash flows, the "Cash and Cash Equivalents at Beginning of Year" have been restated by \$987,836 to include the local government investment pool and certificates of deposit amounts.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

ASOTIN COUNTY PUD
 Schedule of Proportionate Share of the Net Pension Liability
 PERS 1
 As of June 30
 Last 2 Fiscal Years

<u>Year Ended June 30,</u>	<u>Employer's proportion of the net pension liability (asset)</u>	<u>Employer's proportionate share of the net pension liability</u>	<u>Employer's covered employee payroll</u>	<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2015	0.008853%	\$ 463,094	\$ -	N/A	59.10%
2014	0.008660%	436,252	-	N/A	61.19%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

ASOTIN COUNTY PUD
 Schedule of Proportionate Share of the Net Pension Liability
 PERS 2/3
 As of June 30
 Last 2 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.011428%	\$ 408,329	\$ 1,014,362	40.25%	89.20%
2014	0.011149%	225,362	962,773	23.41%	93.29%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

ASOTIN COUNTY PUD
 Schedule of Employer Contributions
 PERS 1
 As of December 31
 Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	\$ 43,205	\$ (43,205)	\$ -	\$ -	N/A
2014	44,007	(44,007)	-	-	N/A

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

ASOTIN COUNTY PUD
 Schedule of Employer Contributions
 PERS 2/3
 As of December 31
 Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	\$ 55,388	\$ (55,388)	\$ -	\$ 974,637	5.68%
2014	\$ 54,491	\$ (54,491)	\$ -	\$ 1,069,473	5.10%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

ASOTIN COUNTY PUD

Notes to Required Supplemental Information - Pension
As of December 31
Last Two Fiscal Years

Note 1: Information Provided

The District implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.

Note 2: Significant Factors

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

Note 3: Change in contribution rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 9.21% to 11.18% for pay periods beginning July 2015.

Note 4: Covered Payroll PERS 1

The District does not have active employees participating in PERS 1; therefore, covered payroll and contributions as a percent of covered payroll is not applicable.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov