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WA-18

2015 Financial Audit

We received our completed financial audit from Moss Adams for 2015, and I want to give you access to that report and provide some highlights.

There were two internal control deficiencies and a misstatement reported to us. We are implementing solutions for these items. However, I am pleased that Moss Adams reported these items did not rise to the level of significant deficiencies or material weaknesses. There were no other issues found in our financial controls.

As of the end of 2015, your PUD had ownership of plant in service totaling \$310,882,062. This is the value of the plant we have in service before accumulated depreciation. The value of our infrastructure, including work in progress and after depreciation was \$213,780,010. These numbers essentially are the equipment and facilities we use to serve you as customers on our electric, water and waste water systems, as well as our transmission and generation facilities.

In addition, the PUD had \$27.7 million in current assets, which includes cash and receivables, materials and supplies. These numbers do not include restricted bond reserve funds—which we are required to have on hand by our bond holders—construction funds and our rate stabilization account. These funds total \$24.7 million.

On the other side of the ledger, we had \$144.7 million in long-term debt and \$10.3 million in current liabilities, which includes the current portion of long term debt, as well as accounts payable and other accrued liabilities. Our plan is to repay approximately \$11 million in long term debt in 2016.

Operating revenues for 2015 were \$45.3 million and operating expenses were \$43.4 million, which is a decrease from \$44.0 million in 2014. Net operating income was \$1.9 million. After nonoperating revenues and expenses, our net change in position was \$1.2 million. The actual 2015 year end net position was \$94.6 million, up from \$93.4 million in 2014.

Due to borrowing activities in 2015, we ended the year with about 314 days operating cash on hand, and our debt service coverage was 1.52. The days cash on hand is higher than we normally carry, but are planning on repaying approximately \$11 million in debt in 2016, and we have significant capital expenditures in 2016 we were preparing for in 2015.

The complete audit can be found at our website at: www.klickitatpud.com/topicalMenu/about/financialReports.aspx