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WA-18

2017 Financial Audit

This past month, Klickitat PUD received the completed financial audit from independent auditor Moss Adams for 2017. I want to give you access to that report and provide some information you might find interesting.

I am pleased that Moss Adams reports there were no significant deficiencies or material weaknesses in our financial controls. This reflects excellent work on the part of KPUD staff.

At the end of 2017, your PUD had ownership of plant in-service totaling \$317.8 million. There was \$21.5 million of plant under construction. These numbers essentially reflect the equipment and facilities KPUD uses to serve you, as well as KPUD's transmission and generation facilities—before accumulated depreciation. The value of our infrastructure after depreciation was \$226 million. In addition, KPUD had \$19.9 million in cash and cash equivalents. Klickitat PUD's total assets and deferred outflows at the end of 2017 was \$287.4 million.

On the other side of the ledger, KPUD had \$141 million in long-term debt and \$11.8 million in current liabilities, which includes accounts payable and other accrued liabilities.

The total net position of the utility was \$99.7 million as of December 31, 2017. Total net position is basically KPUD's assets minus liabilities.

Operating revenues for 2017 were \$48.5 million and operating expenses were \$43.6 million. Net operating income was \$4.8 million. After including nonoperating revenues and expenses, the net change in position was \$3.58 million. This means KPUD's net position increased during 2017. Klickitat PUD ended the year with 253 days operating cash on hand, and debt service coverage of 1.64.

These numbers show a solid financial footing that has been significantly improved through the past eight years. A demonstration of this is KPUD's net margin for 2017—revenues minus expenses. It was \$2.5 million better than we budgeted. These funds remain in your utility and continue to support financial stability. This, in turn, lowers rate pressures we have to contend with in the future.

I am proud of the work we have done to improve the financial position of the utility the past eight years. We look forward to continuing those efforts.

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

Jim Smith
General Manager