Report of Independent Auditors
and Financial Statements with
Supplementary Information for

Public Utility District No. 1 of Okanogan County, Washington

December 31, 2014 and 2013

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Commissioners
Public Utility District No. 1
of Okanogan County, Washington

Report on Financial Statements

We have audited the accompanying financial statements of Public Utility District No. 1 of Okanogan County, Washington (the District), which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity'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 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 the District as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 4 through 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The schedule of expenditures of federal awards and related footnotes to the schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the unaudited supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and related footnotes to the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The unaudited supplementary information presented on pages 38 through 40 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Matters Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2015, 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.

Moss Adams LLP

Everett, Washington
May 20, 2015

The following discussion and analysis is designed to assist the reader in focusing on the significant financial issues, provide an overview of Public Utility District No. 1 of Okanogan County's (the District's) financial activity, and identify changes in the District's financial position during 2014 and 2013. Please consider the information presented here in conjunction with the financial statements as a whole, including the footnotes and other supplementary information that are provided.

The District, a municipal corporation of the state of Washington, was established in 1936 and began operations in 1945. The District is governed by a three-member board of commissioners locally elected to six-year terms. The District operates both electric and telecommunications systems that are accounted for in a single proprietary fund.

Overview of the Financial Statements

The financial statements include the management's discussion and analysis and financial statements with accompanying notes. In accordance with standards issued by the Governmental Accounting Standards Board (GASB), the District's financial statements are presented on an accrual basis of accounting, which recognizes revenues when earned and expenses when incurred, regardless of when cash is received or paid.

The financial statements are presented as of and for the years ended December 31, 2014 and 2013, and consist of:

Statements of net position - The statements of net position present information on the District's assets, deferred outflows of resources, liabilities, and net position at year-end. These statements also provide information about the nature and amounts of investments in resources (assets) and the District's obligations to its creditors (liabilities).

Statements of revenues, expenses, and changes in net position - The statements of revenues, expenses, and changes in net position account for the year's revenue and expense transactions. These statements measure the District's operations over the past year and may be used to determine whether the District has been successful in recovering its costs through rates and other charges.

Statements of cash flows - The statements of cash flows provide information on the District's cash receipts and disbursements during the year. The statements report changes in cash resulting from operations, investing, and capital and related financing activities.

The notes to the financial statements provide additional information that is an integral part of the financial statements. This information includes the disclosure of significant accounting policies, financial activities, risks, commitments, and obligations.

Selected Financial Information

	December 31, 2014	December 31, 2013	December 31, 2012
ASSETS			
Current and other assets	$ 32,977,841	$ 32,492,823	$ 31,602,964
Net utility plant	110,840,366	106,028,834	97,967,535
Total assets	143,818,207	138,521,657	129,570,499
DEFERRED OUTFLOWS OF RESOURCES	545,369	620,315	695,260
Total assets and deferred outflows of resources	$ 144,363,576	$ 139,141,972	$ 130,265,759
LIABILITIES			
Current liabilities	$ 9,770,233	$ 9,416,638	$ 8,175,967
Long-term debt	36,421,163	38,176,983	38,180,543
Total liabilities	46,191,396	47,593,621	46,356,510
NET POSITION			
Net investment in capital assets	73,148,265	66,827,166	66,518,757
Restricted	8,147,685	8,141,401	8,327,470
Unrestricted	16,876,230	16,579,784	9,063,022
Total net position	98,172,180	91,548,351	83,909,249
Total liabilities and net position	$ 144,363,576	$ 139,141,972	$ 130,265,759

	Years Ended December 31, 2014	2013	2012
REVENUE			
Operating			
Electric - retail	$ 42,911,047	$ 39,861,279	$ 35,588,404
Electric - wholesale	4,680,273	5,132,270	3,531,677
Telecommunications	2,516,289	2,217,116	2,096,256
Other operating revenue	1,301,167	1,286,159	1,412,834
Total operating income	51,408,776	48,496,824	42,629,171
Nonoperating			
Interest income	42,574	58,695	74,313
Other nonoperating income	4,855,227	3,065,848	2,065,233
Contributed capital	1,294,511	990,165	991,816
Total nonoperating income	6,192,311	4,114,708	3,131,362
Total revenue	57,601,087	52,611,532	45,760,533

Selected Financial Information (continued)

	Years Ended December 31,		
	2014	2013	2012
EXPENSES			
Operating			
Cost of power	24,884,068	23,534,220	23,198,810
Taxes	2,713,281	2,413,881	2,220,161
Depreciation and amortization	4,717,805	4,584,884	4,601,137
Other operating expenses	12,932,044	12,736,964	12,656,728
Total operating expenses	45,247,198	43,269,949	42,676,836
Nonoperating			
Interest expense	1,980,623	1,555,826	1,386,518
Other expense	3,749,437	146,655	-
Total nonoperating	5,730,060	1,702,481	1,386,518
Total expenses	50,977,258	44,972,430	44,063,354
CHANGE IN NET POSITION	6,623,829	7,639,102	1,697,179
NET POSITION, beginning of period	91,548,351	83,909,249	82,212,070
NET POSITION, end of period	$ 98,172,180	$ 91,548,351	$ 83,909,249

Financial Highlights

During 2014, the District's overall financial position remained strong due in part to a 3.8% increase in retail load. The increase in retail sales was driven by continued growth in the general service and industrial classes of customer. Although there was not a general rate increase during 2014, the District benefited from a full year at the higher rates that went into effect on September 1, 2013. Although wholesale energy sales increased 2.9% during 2014, wholesale revenue decreased 8.8% due to lower market prices. The District's net position increased $6,623,828 compared with an increase in net position in 2013 of $7,639,102.

The following is an analysis of key financial factors with an emphasis on changes between 2013 and 2014:

Cash and investments - The District had cash and investments totaling $23,041,940, $22,943,554, and $22,051,035 as of December 31, 2014, 2013, and 2012, respectively. The increase of $98,386 in 2014 is less than expected given the significant change in net position due to continued financial demands of the District's capital outlays. As noted in Note 1 to the financial statements, investments in the amount of $10,567,691 are considered restricted as of December 31, 2014. The funds are restricted as follows: $288,191 for debt service payments, $1,944,500 for bond reserve requirements, $2,200,000 for customer deposits and compensated absences, and the remaining $6,135,000 is restricted in a rate stabilization fund.

Financial Highlights (continued)

Utility plant - Net utility plant increased by $4,811,532, or 4.54%, during 2014, compared with an increase of $8,061,299, or 8.2%, during 2013. A summary of utility plant in service is included in Note 3 to the financial statements.

Long-term debt - As of December 31, 2014, the District had $34,795,000 in revenue bonds outstanding as compared to $36,440,000 and $38,040,000 as of December 31, 2013 and 2012, respectively. During 2014 and 2013, the District did not issue additional revenue bonds. The decrease in revenue bonds outstanding was a result of scheduled debt payments made during the year.

In 2010, the District authorized a not-to-exceed $3,667,855 loan with the United States Department of Agriculture (USDA) for broadband improvements (the RUS Note) related to the American Recovery and Reinvestment Act (ARRA) award. As of December 31, 2014, 2013, and 2012, the RUS Note had balances outstanding in the amounts of $3,113,326, $3,043,705, and $1,393,130, respectively.

Also, during 2014, the District renewed a line of credit in the aggregate principal amount, not to exceed $10,000,000, to cover operating costs and capital outlays as the need arises. Although the District did take a $100,000 draw on the line of credit during 2014, it also paid off the draw in 2014. As of December 31, 2014, the entire $10,000,000 is available to the District if needed.

Net operating revenues (expenses) - The District recorded revenues from operations of $51,408,776, which were $6,161,578 more than operating expenses of $45,247,198 in 2014, in comparison with 2013, when operating revenues exceeded operating expenses by $5,226,875. In 2012, operating expenses exceeded operating revenues by $47,665.

Operating revenue - Revenues from the retail sale of electricity increased by 7.7%, from $39,861,279 in 2013 to $42,911,047 in 2014, compared with an increase in retail sales of 12.0% in 2013 and 6.7% in 2012. The 2014 increase was anticipated due to the lingering effects of a 9.5% retail rate increase on September 1, 2013, in addition to an overall 3.8% increase in load.

During 2014, revenue from wholesale sales of electricity decreased 8.8%, from $5,132,270 in 2013 to $4,680,273. This decrease was mainly the result of an 11.7% decrease in the average market price. In 2013, wholesale electricity increased 45.3% from $3,531,677 in 2012 to $5,132,270.

In 2014, wholesale telecommunications revenue growth of 13.5% pushed revenue to $2,516,289, compared to revenues of $2,217,116 in 2013 and $2,096,256 in 2012.

Operating expenses - Operating expenses increased by $1,977,249, or 4.6%, from $43,269,949 in 2013 to $45,247,198 in 2014 in comparison to only a moderate increase in operating expenses during 2013 of 1.4%. Over two thirds of the 2014 increase was due to a higher cost of power. The increase in cost of power was due in large part to unexpected market purchases in February in excess of $1,000,000 due to extremely cold weather and a shortage of resources, as well as an increase in rates from Bonneville Power Administration.

Financial Highlights (continued)

Rates - During 2014, the District did not adjust any of its rates. 2014 was the first year without rate increases since 2009. The District also passes through increases in contracted power costs to its customers using a COPA (cost of power adjustment), currently .40¢/kWh. The COPA was last increased during 2013. The most recent cost of service analysis was performed during 2013 by SAIC Energy, Environment and Infrastructure, LLC, with assistance from District staff.

Significant Capital Assets and Long-Term Debt

The District anticipates issuing new debt in the future to finance projects as discussed in the following paragraphs:

The District still has plans to construct an approximately 26-mile transmission line to serve the Methow Valley. The project has been held up as the District tries to obtain right-of-way across land owned by the State of Washington. The courts have ruled that the District has the authority to condemn State land, and a valuation trial has been scheduled for July 15–17, 2015, in Okanogan County Superior Court. The District expects to fund the transmission line through existing rates and reserves, and not issue additional bonds for this project.

The District continues to invest in wholesale telecommunications infrastructure. As of December 31, 2014, the District has invested a total of $12,291,749 in wholesale telecommunications, which is an increase of $199,429 over year-end 2013. The majority of the increase is due to capital outlays for the District's American Recovery and Reinvestment Act (ARRA) broadband project. The District's telecommunications network is connected to the Northwest Open Access Network, a fiber-optic system that is member owned. The network is currently utilized by 7 retail service providers, supporting almost 2,000 end-user customers.

During 2010, the District submitted for and was awarded ARRA funding to deploy a middle-mile and last-mile broadband communication system throughout the county. ARRA funding consisted of a $5,501,782 grant and a $3,667,855 loan. The proposed last-mile project will bring high-speed broadband to more than 6,543 premises that currently lack such access. The proposed funded network design calls for placement of approximately 170 access nodes and extends the fiber backbone approximately 179 miles to provide necessary redundancy to the last-mile network. The project was substantially completed during 2013 and is currently in the final stages of closeout.

The District is the current owner of the Enloe Hydroelectric Dam, a small hydroelectric project on the Similkameen River near Oroville, Washington. On July 9, 2013, the Federal Energy Regulatory Commission (FERC) issued the District a new 50-year operating license. The District is currently reviewing all options prior to moving forward with final design, bidding, and construction of the project. The current plan is to issue debt to finance construction of Enloe Dam.

Significant Capital Assets and Long-Term Debt (continued)

During 2014, Washington State experienced its largest wildfire in recorded history. The Carlton Complex Fire consumed more than 250,000 acres located in Okanogan County. The District's loss of infrastructure due to the fire was significant, amounting to almost $3,000,000 in historical costs and an estimated $14,000,000 in replacement costs. The District is still in the process of replacing damaged infrastructure, including electrical distribution and transmission plant, as well as telecommunication equipment such as fiber-optic cable and wireless access points. The District will be reimbursed up to 87.5% by the State of Washington and the Federal Emergency Management Agency (FEMA). The District plans on funding the remaining costs through reserves and future revenues, including a rate increase of 2% scheduled to take effect July 1, 2015.

Additional information is contained in the notes to the financial statements. Please refer to Note 3 - Utility Plant and Note 4 - Long-Term Debt.

Contacting the District's Financial Management

This financial report is designed to provide the District's ratepayers, investors, and other readers with a general overview of the District's finances and to show the District's accountability for money it receives. If you have questions about this report or need additional information, contact the District's Director of Finance at Public Utility District No. 1 of Okanogan County, P.O. Box 912, Okanogan, WA 98840, or phone (509) 422-3310.

Don Coppock
Director of Finance/Auditor

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ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	December 31, 2014	December 31, 2013
CURRENT ASSETS		
Cash and temporary investments		
Cash and cash equivalents	$ 9,571,181	$ 6,200,740
Temporary investments	2,903,068	6,373,976
Accounts receivable, less allowance for doubtful accounts of $25,000 for 2014 and 2013	3,238,112	2,787,275
Unbilled revenue	3,015,667	3,428,141
Materials and supplies	2,986,552	2,759,170
Prepayments and other	395,584	197,192
Total current assets	22,110,164	21,746,494
RESTRICTED ASSETS		
Cash equivalents and investments		
Bond reserve and debt service	2,232,691	2,233,838
Board-designated reserve	8,335,000	8,135,000
Total restricted assets	10,567,691	10,368,838
UTILITY PLANT, at cost		
Plant in service	149,461,139	136,339,790
Construction work in progress	30,913,419	31,921,619
	180,374,558	168,261,409
Less accumulated depreciation and amortization	69,534,192	62,232,575
Net utility plant	110,840,366	106,028,834
OTHER ASSETS		
Conservation loans and notes receivable	299,986	377,491
Total assets	143,818,207	138,521,657
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refinancing of debt	545,369	620,315
Total assets and deferred outflows of resources	$ 144,363,576	$ 139,141,972

LIABILITIES AND NET POSITION

	December 31, 2014	December 31, 2013
CURRENT LIABILITIES		
Accounts payable	$ 3,865,730	$ 3,943,181
Accrued compensated absences	1,713,013	1,535,323
Accrued taxes	1,211,993	1,108,562
Customer deposits	559,635	539,860
Customer prepayments	456,197	492,458
Accrued bond interest	147,358	152,254
Current portion of long-term debt	1,816,307	1,645,000
Total current liabilities	9,770,233	9,416,638
LONG-TERM DEBT		
Revenue bonds	33,105,000	34,795,000
Other long-term debt	2,987,019	3,043,705
Bond issue premium	370,403	384,695
Bond issue discount	(41,259)	(46,417)
Total long-term debt	36,421,163	38,176,983
Total liabilities	46,191,396	47,593,621
NET POSITION		
Net investment in capital assets	73,148,265	66,827,166
Restricted	8,147,685	8,141,401
Unrestricted	16,876,230	16,579,784
Total net position	98,172,180	91,548,351
Total liabilities and net position	$ 144,363,576	$ 139,141,972

See accompanying notes.

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended December 31, 2014	2013
OPERATING REVENUES		
Electric - retail	$ 42,911,047	$ 39,861,279
Electric - wholesale	4,680,273	5,132,270
Telecommunications	2,516,289	2,217,116
Other operating revenues	1,301,167	1,286,159
Total operating revenues	51,408,776	48,496,824
OPERATING EXPENSES		
Cost of power	24,884,068	23,534,220
Transmission	182,653	46,918
Distribution	5,535,709	5,072,827
Telecommunications	1,011,714	1,130,469
Customer accounts	1,505,387	1,487,568
Customer service and information	455,032	578,749
Administration and general	4,241,549	4,420,433
Depreciation and amortization	4,717,805	4,584,884
Taxes	2,713,281	2,413,881
Total operating expenses	45,247,198	43,269,949
Net operating revenues	6,161,578	5,226,875
NONOPERATING REVENUES (EXPENSES)		
Interest income	42,574	58,695
Grant revenue	3,509,879	2,573,201
Contributed capital	1,294,511	990,165
Interest on long-term debt	(1,980,623)	(2,356,815)
Allowance for funds used during construction	937,714	800,989
Loss on disposition of property	(3,749,437)	(61,655)
Other revenue	407,633	492,647
Other expenses	-	(85,000)
Net nonoperating revenues (expenses)	462,251	2,412,227
CHANGE IN NET POSITION	6,623,829	7,639,102
ACCUMULATED NET POSITION		
Beginning of year	91,548,351	83,909,249
End of year	$ 98,172,180	$ 91,548,351

See accompanying notes.

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 51,431,432	$ 47,833,598
Payments to suppliers and employees	(40,751,497)	(36,819,523)
Net change in cash from operating activities	10,679,935	11,014,075
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets, net	(13,278,771)	(12,769,495)
Proceeds from borrowings	285,905	1,715,467
Cash contributions in aid of construction	1,294,511	990,165
Proceeds from grants	3,509,879	2,573,201
Scheduled payments on debt	(1,861,284)	(1,664,892)
Interest paid on debt	(574,362)	(1,024,697)
Net change in cash from capital and related financing activities	(10,624,122)	(10,180,251)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(12,305,907)	(19,375,978)
Sales and maturities of investments	15,577,962	22,850,890
Interest on investments	42,574	58,695
Net change in cash from investing activities	3,314,629	3,533,607
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,370,442	4,367,431
CASH AND CASH EQUIVALENTS		
Beginning of year	6,200,740	1,833,309
End of year	$ 9,571,182	$ 6,200,740
RECONCILIATION OF NET OPERATING REVENUES TO CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating revenues	$ 6,161,578	$ 5,226,875
Adjustments to reconcile net operating revenues to net cash from operating activities		
Depreciation and amortization	4,717,805	4,584,884
Cash from changes in operating assets and liabilities		
Receivables	(450,837)	570,814
Unbilled revenue	412,474	(1,238,796)
Materials and supplies	(227,382)	232,467
Prepayments and other	(234,653)	(71,770)
Other assets	77,505	370,198
Accounts payable	(77,451)	1,011,524
Accrued compensation, benefits, customer deposits, prepayments, and taxes	300,896	327,879
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	$ 10,679,935	$ 11,014,075
SUPPLEMENTAL DISCLOSURES		
Loss on disposition of property	$ (3,749,437)	$ (61,655)
Cash paid for interest on borrowings	$ (1,914,812)	$ (1,920,805)
Cash received as refund on interest on Build America Bonds	$ 407,632	$ 407,647

See accompanying notes.

Note 1 - Summary of Significant Accounting Policies

Organization - Public Utility District No. 1 of Okanogan County (the District) is a municipal corporation governed by an elected three-member board of commissioners. The District owns, operates, and maintains an electric distribution system incorporating both electrical and telecommunication facilities and equipment. Financial information for both divisions is presented in a consolidated format.

Reporting entity - For financial reporting purposes, the District includes activities over which it exercises oversight responsibility. As required by generally accepted accounting principles (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 policies of the District conform to GAAP as applicable to proprietary funds of governmental units. The District adheres to the accounting standards and pronouncements of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for governmental entities and uses the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts.

Cash and cash equivalents - The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments and restricted assets - The District records investments at fair value. The District's investment portfolio consists entirely of fully insured, interest-bearing institutional deposits with terms of one year or less where the redemption value equals the purchase price plus a stated rate of interest. Therefore, the District's financial statements reflect no market adjustments.

In accordance with board resolutions and bond covenants, a number of separate funds have been established, and cash and investments held in these funds are restricted for special uses as follows:

	2014	2013
Rate stabilization fund	$ 6,135,000	$ 6,135,000
Employee compensated absences fund	1,600,000	1,400,000
Customer deposit fund	600,000	600,000
Sinking funds - 2003 bonds	73,015	72,737
Sinking funds - 2010 bonds	215,176	216,601
Bond reserve fund	1,944,500	1,944,500
	$ 10,567,691	$ 10,368,838

Accounts receivable and allowance for doubtful accounts - The District renders billings for electrical consumption, sales, and services and for wholesale power and telecommunication sales and services on a monthly basis. Management reviews accounts receivable for collectibility on a regular basis, and an allowance for uncollectible accounts is established based on evaluation of specific accounts and historical experience. If the account is determined to be uncollectible, it is turned over to the local credit bureau for collection.

Note 1 - Summary of Significant Accounting Policies (continued)

Materials and supplies - Materials and supplies provide for additions, maintenance, and repairs to the utility plant and are valued at weighted-average cost.

Utility plant and depreciation - See Note 3 for asset capitalization, depreciation, and retirement policies.

Unamortized loss on refunding of debt - The difference between the cost to refund outstanding debt and the carrying value of bonds defeased by refunding bonds is deferred and amortized over the shorter of the remaining term of the refunded bonds or the term of the refunding bonds, using the straight-line method and recorded as deferred outflow of resources.

Compensated absences - The District accrues unpaid personal leave benefit amounts as earned. Personal leave, which may be accumulated up to 1,200 hours, is payable in full upon resignation, termination, retirement, or death.

Net position - Net position consists of:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, less outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - This component consists of net position on which constraints are placed as to its use. Constraints include those imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation. Balances currently classified as restricted by enabling legislation include the rate stabilization fund, employee compensated absences fund, customer deposit fund, bond principal and interest (net of accrued interest) due in the upcoming year, and the debt service reserve fund.

Unrestricted - Unrestricted net position components are those that do not meet the definition of “restricted” or “net investment in capital assets.”

Revenue recognition - The District recognizes revenue as earned on a monthly basis based on rates established by the District’s board of commissioners. Because the customer meters are read and billed at various times during each month, the District estimates unbilled revenues for energy delivered to customers between their last respective cycle billing date and December 31, and it records that amount as unbilled revenue for the current year.

Revenues and expenses - The District distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses are derived directly from the provision of wholesale and retail electrical generation, transmission, and distribution sales and service and from providing wholesale telecommunications sales and service. Revenues and expenses ancillary to these purposes are treated as nonoperating.

Note 1 - Summary of Significant Accounting Policies (continued)

Contributed capital - Contributions in aid of construction are District-mandated customer connection charges used to fund construction of system properties necessary to extend service to a new customer. These payments are recognized in nonoperating revenue as contributed capital when the associated facilities are constructed or acquired.

Accounting estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount 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 reporting period. Actual results could differ from those estimates.

Significant risk and uncertainties - The District is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include weather and natural-disaster-related disruptions; collective bargaining labor disputes; fish and other Endangered Species Act issues; Environmental Protection Agency regulations; federal government regulations or orders; deregulation of the electrical industry; concentration risk in the form of Wells Hydroelectric Project (Note 11); and market risks inherent in buying and selling of power, a commodity with inelastic demand characteristics and minimal storage capability.

Reclassifications - Certain reclassifications have been made to balances reported in prior-year financial statements to conform to the current-year presentation.

Subsequent events - Subsequent events are events or transactions that occur after the statement of net position date but before financial statements are issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of net position, including the estimates inherent in the process of preparing the financial statements. The District's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of net position but arose after the statement of net position date and before the financial statements are available to be issued.

The District has evaluated subsequent events through May 20, 2015, which is the date the financial statements are available to be issued.

Note 2 - Deposits and Investments

Custodial credit risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments. All District deposits and investments are either insured, registered, or held by the District or its agents in the District's name and are intended to be held until maturity.

Note 2 - Deposits and Investments (continued)

Credit risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. As required by state law, all investments of District funds are obligations of the U.S. government, bankers' acceptances, deposits in the Washington State Treasurer's Local Government Investment Pool, or deposits with Washington State banks and savings and loan institutions. All deposits are either entirely covered by the Federal Deposit Insurance Corporation or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

Interest rate risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages this risk by limiting the average maturity of investments to one year or less.

Distribution of the investment portfolio was as follows:

	2014	2013
Bank certificates of deposit	$ 8,835,000	$ 8,635,000
Local Government Investment Pool	4,635,759	8,107,814
	$ 13,470,759	$ 16,742,814

Note 3 - Utility Plant

Utility plant in service and other capital assets are recorded at cost when the historical cost is known. When historical cost is not known, assets are recorded at estimated fair value. Costs include labor, materials, overhead, capitalized interest, and related indirect costs. The District capitalizes assets with cost in excess of $1,000. Depreciation expense is computed using the straight-line method employing useful lives of 4 to 50 years. Repairs are charged to operating expenses.

The original cost of operating property retired or otherwise disposed of and the cost of removal, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and net gain or loss on disposition is credited or charged to income.

Preliminary costs incurred for proposed projects are deferred pending construction of the asset and included in construction work in process. Costs relating to projects ultimately constructed are transferred to utility plant, whereas charges that relate to abandoned projects are expensed.

The District sustained significant infrastructure damage due to a wildfire amounting to almost $3,000,000 in historical costs and an estimated $14,000,000 in replacement costs. The District is in the process of replacing the damaged infrastructure, including electrical distribution and transmission plant, as well as telecommunication equipment such as fiber-optic cable and wireless access points. The District is expected to be partially reimbursed by the state of Washington and the Federal Emergency Management Agency (FEMA).

Note 3 - Utility Plant (continued)

Capital asset activity for the years ended December 31, 2014 and 2013, was as follows:

	Balance January 1, 2014	Additions	Retirements and Transfers	Balance December 31, 2014
Intangible plant	$ 92,297	$ -	$ -	$ 92,297
Generation plant	588,394	-	-	588,394
Transmission plant	4,833,962	181,598	(108,083)	4,907,477
Distribution plant	97,750,685	2,491,146	(491,108)	99,750,723
General plant	27,255,662	1,568,706	(152,616)	28,671,752
Telecommunications plant	5,186,246	9,786,959	(155,253)	14,817,952
Acquisition adjustment	632,544	-	-	632,544
	136,339,790	14,028,409	(907,060)	149,461,139
Construction work in progress	31,921,619	12,283,741	(13,291,941)	30,913,419
Total utility plant	168,261,409	26,312,150	(14,199,001)	180,374,558
Accumulated depreciation	(62,232,575)	(4,717,805)	(2,583,812)	(69,534,192)
Net utility assets	$ 106,028,834	$ 21,594,345	$ (16,782,813)	$ 110,840,366

	Balance January 1, 2013	Additions	Retirements and Transfers	Balance December 31, 2013
Intangible plant	$ 92,297	$ -	$ -	$ 92,297
Generation plant	588,394	-	-	588,394
Transmission plant	4,720,679	159,387	(46,104)	4,833,962
Distribution plant	95,051,142	3,431,678	(732,135)	97,750,685
General plant	27,247,823	315,185	(307,346)	27,255,662
Telecommunications plant	5,539,220	470,232	(823,206)	5,186,246
Acquisition adjustment	632,544	-	-	632,544
	133,872,099	4,376,482	(1,908,791)	136,339,790
Construction work in progress	23,660,494	8,261,125	-	31,921,619
Total utility plant	157,532,593	12,637,607	(1,908,791)	168,261,409
Accumulated depreciation	(59,565,058)	(5,512,651)	2,845,134	(62,232,575)
Net utility assets	$ 97,967,535	$ 7,124,956	$ 936,343	$ 106,028,834

Plant in service balances presented above include nondepreciable land of $1,126,051 as of December 31, 2014 and 2013, respectively.

Note 4 - Long-Term Debt

In 2003, the District issued $10,565,000 in 20-year serial bonds to finance capital construction and to refund a previous short-term debt obligation. Interest rates on the 2003 issuances range from 2.46% to 5.46%.

During 2010, the District issued $9,105,000 in 10-year Series A bonds with interest rates ranging from 2.00% to 4.50%, and $23,355,000 in 30-year Series B taxable Build America Bonds with interest rates ranging between 1.095% and 6.046%. These interest rates are subject to a federal subsidy payment from the federal government, which was 32.5% of the interest rate during the current year. From this issuance, $5,285,000 was used to defease the 2002 bonds, which were fully repaid in 2011. The remaining $27,175,000 of the new debt was earmarked for capital projects including, but not limited to, the new District headquarters facility constructed in 2010 and the Pateros-Twisp transmission line, now in its final permitting stage. This debt is subject to certain covenants.

In 2010, the District authorized a not-to-exceed $3,667,855 loan with the United States Department of Agriculture (USDA) for broadband improvements related to the American Recovery and Reinvestment Act (ARRA) award granted in 2010 (Note 9). During 2011, the District began drawing funds on the loan and as of December 31, 2014 and 2013, a total of $3,310,173 and $3,124,268, respectively, in loan funds related to this award had been received. These funds are to be paid back over a 23-year period starting one year after the initial draw. This initial draw occurred on August 15, 2011. This direct cost of money loan will bear interest at the rate applicable to each advance of loan funds based on the average yield on outstanding marketable obligations of the United States, having a final maturity comparable to the final maturity of the advance. Interest rates as of December 31, 2014, ranged from 2.32% to 3.63%. Additional information describing this award can be found in Note 9.

Total revenue bonds outstanding at December 31, 2014, are $34,795,000, for which substantially all revenues of the District are pledged as security.

The following are changes in long-term debt for the years ended December 31, 2014 and 2013:

	Balance January 1, 2014	Additions	Payments/ Amortization	Balance December 31, 2014	Current Portion
2003 revenue bonds	$ 6,335,000	$ -	$ (580,000)	$ 5,755,000	$ 615,000
2010 revenue bonds	30,105,000	-	(1,065,000)	29,040,000	1,075,000
2011 ARRA loan	3,043,705	185,905	(116,284)	3,113,326	126,307
Unamortized bond premium	384,695	-	(14,292)	370,403	-
Unamortized bond discount	(46,417)	-	5,158	(41,259)	-
Total long-term debt	$ 39,821,983	$ 185,905	$ (1,770,418)	$ 38,237,470	$ 1,816,307

Note 4 - Long-Term Debt (continued)

	Balance January 1, 2013	Additions	Payments/ Amortization	Balance December 31, 2013	Current Portion
2003 revenue bonds	$ 6,890,000	$ -	$ (555,000)	$ 6,335,000	$ 580,000
2010 revenue bonds	31,150,000	-	(1,045,000)	30,105,000	1,065,000
2011 ARRA loan	1,393,130	1,715,467	(64,892)	3,043,705	-
Unamortized bond premium	398,987	-	(14,292)	384,695	-
Unamortized bond discount	(51,574)	-	5,157	(46,417)	-
Total long-term debt	$ 39,780,543	$ 1,715,467	$ (1,674,027)	$ 39,821,983	$ 1,645,000

During 2010, the District established a $10 million operating line of credit with a financial institution. As of December 31, 2014, there was no outstanding balance on that line of credit.

The annual debt service payment requirements (principal and interest) on debt outstanding as of December 31, 2014, are as follows:

	2003 Bonds		2010 Bonds		ARRA Grant		
	Interest	Principal	Interest	Principal	Interest	Principal	Total
2015	$ 261,176	$ 615,000	$ 1,507,113	$ 1,075,000	$ 92,114	$ 126,307	$ 3,676,710
2016	227,600	650,000	1,474,863	1,105,000	88,286	130,134	3,675,883
2017	192,110	685,000	1,447,262	1,145,000	84,326	134,094	3,687,792
2018	158,219	700,000	1,418,705	1,175,000	80,250	138,171	3,670,345
2019	130,219	730,000	1,371,705	1,220,000	76,046	142,374	3,670,344
2020-2024	206,782	2,375,000	6,104,139	4,890,000	312,460	779,643	14,668,024
2025-2029	-	-	4,953,129	4,615,000	185,840	906,264	10,660,233
2030-2034	-	-	3,504,160	5,565,000	43,750	756,339	9,869,249
2035-2039	-	-	1,709,471	6,740,000			8,449,471
2040-2041	-	-	91,296	1,510,000			1,601,296
	$1,176,106	$5,755,000	$23,581,843	$29,040,000	$ 963,072	$3,113,326	$63,629,347

Note 5 - Retirement and Deferred Compensation Plans

Public Employees' Retirement System - All full-time District employees and certain qualifying part-time employees of the District participate in the Public Employees' Retirement System (PERS), a statewide local government retirement system administered by the Department of Retirement Systems (DRS), under cost-sharing multiple-employer defined benefit and/or defined contribution plans.

Plan description - The state legislature established PERS in 1947 under Chapter 41.40 RCW. Membership in the system includes elected officials; state employees; employees of the supreme, appeals, and superior courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local government. There were 1,318 employers participating in the PERS system as of June 30, 2014.

Note 5 - Retirement and Deferred Compensation Plans (continued)

PERS contains three plans. Participants who joined the system by September 30, 1977, were enrolled in Plan I. Those joining between October 1, 1977, and May 31, 2003, were enrolled in Plan II. With the creation of Plan III, new enrollees are given the option of joining either Plan II or Plan III, and existing Plan II members, as of a fixed date, were given the option of transferring to Plan III or remaining in Plan II. Retirement benefits are financed from employee/employer contributions and investment earnings.

Plan I members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual retirement benefit is 2% per service year of the average annual salary for the highest 2 consecutive service years, capped at 60%. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit and is capped at 3% annually.

Plan II members may retire at the age of 65 with 5 years of service, or at the age of 55 with 20 years of service. The annual retirement benefit is 2% per service year of the average annual salary for the highest 5 consecutive service years with no cap on the percentage. Retirements under Plan II prior to the age of 65 are actuarially reduced; however, Plan II retirees are granted cost-of-living increases capped at 3% annually.

Plan III has a dual benefit structure. The defined benefit portion of Plan III is very similar to the Plan II benefit except that it offers only 1% (instead of 2%) per service year of the average annual salary for the highest 5 consecutive service years with no cap on the percentage. Retirements under Plan III prior to the age of 65 are also actuarially reduced, and Plan III retirees are granted cost-of-living increases capped at 3% annually. The defined contribution portion of the benefit, funded entirely by employee contributions, provides a chosen annuity payment stream that runs only until the accumulated funds are exhausted.

Funding policy - Each biennium, the legislature establishes employer contribution rates for all three plans and employee contribution rates for Plan II. Employee contribution rates for Plan I are established by legislative statute at 6% and do not vary from year to year. Employee rates for Plan III are an individual member choice from options ranging from 5% to 15%. Contribution rates for Plan I are not necessarily adequate to fully fund the plan. All employer rates and the employee rates for Plan II are developed by the Office of the State Actuary to fully fund the system. All employers are required to contribute at the level established by state law. The methods used to determine the contribution requirements were established under state statute in accordance with Chapters 41.40 and 41.45 RCW. Financial and operating information regarding the State of Washington Department of Retirement Systems may be obtained from the Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380.

Note 5 - Retirement and Deferred Compensation Plans (continued)

The District's PERS-covered payroll for the year ended December 31, 2014, was $7,967,610, with total payroll for all employees being $8,140,413 in 2014. The District's PERS-covered payroll for the year ended December 31, 2013, was $7,156,667, with total payroll for all employees being $7,367,721 in 2013. The required contribution rates expressed as a percentage of current-year covered payroll at December 31, 2014 and 2013, were:

	Plan I	Plan II	Plan III
2014			
Employer	9.21%	9.21%	9.21%
Employee	6.00%	4.92%	5% - 15%
2013			
Employer	7.21% - 9.21%	7.21% - 9.21%	7.21% - 9.21%
Employee	6.00%	4.64% - 4.92%	5% - 15%

Both the District and the employees met their funding obligation, resulting in contributions for the years ended December 31, 2014 and 2013, as follows:

	Plan I	Plan II	Plan III	Total
2014				
Employer	$ 4,125	$ 685,185	$ 44,507	$ 733,817
Employee	2,687	366,028	26,405	395,120
Total	$ 6,812	$ 1,051,213	$ 70,912	$ 1,128,937
2013				
Employer	$ 3,696	$ 552,632	$ 32,280	$ 588,608
Employee	2,699	321,331	20,310	344,340
Total	$ 6,395	$ 873,963	$ 52,590	$ 932,948

Deferred compensation plans - The District offers its employees two deferred compensation plan options created in accordance with Internal Revenue Code Section 457, covering all eligible employees of the District, as defined in the plan document. These plans allow employees to defer a portion of their salary until future years. Plan assets are held in trust for the exclusive benefit of the plan participants and their designated beneficiaries and are not subject to the claims of the District's general creditors. Deferred compensation funds are not available to employees until retirement, termination, death, or unforeseeable emergency.

Note 5 - Retirement and Deferred Compensation Plans (continued)

Additionally, the District adopted a 401(a) defined contribution plan (the 401(a) Plan) effective January 1, 2000. Participation in the 401(a) Plan is open to eligible employees of the District as defined in the plan document. The District makes matching contributions to the 401(a) Plan at a rate of 50% of the employee's contribution. The match is capped at 2% of gross wages for nonexempt employees and 6% of gross wages for exempt employees. During 2014 and 2013, the District contributed $204,427 and $207,011, respectively, to the 401(a) Plan.

VEBA plan - In August 2005, the District implemented a voluntary employees' beneficiary association (VEBA) plan designed to provide limited employer funding on a tax-free basis for employee medical premiums and benefits for all eligible employees of the District, as defined in the plan document. The District's current VEBA contribution rate is 2% of the employee's straight-time salary. Plan assets, although under District control, are held in trust for the exclusive benefit of the plan participants and their designated beneficiaries and are not subject to the claims of the District's general creditors. During 2014 and 2013, the District contributed $136,817 and $135,174, respectively, to the VEBA plan.

Note 6 - Other Post-Employment Benefits

The District provides partial reimbursement for health care insurance premiums for retired employees. Beginning August 1, 2005, retiring employees choosing to continue medical coverage under the District's plan became eligible to receive $10 per service year per month toward post-employment medical premiums. The reimbursement begins at the later of the month of retirement or at age 60 and expires when the retiree reaches age 65. The dollar value of the reimbursement is set to decrease $1 each year until it expires in August 1, 2018. Subsequently, employees retiring between August 1, 2007, and July 31, 2011, are eligible for $8 per service year per month in reimbursement, with the eligible amount decreasing by $1 per service year per month each year thereafter. The estimated future liability is $43,387 and $51,110 at December 31, 2014 and 2013, respectively. The District is funding this liability on a pay-as-you-go basis with contributions of $2,775 expensed in 2014 and 2013, respectively.

Note 7 - Self Insurance

The District is a member of Public Utility Risk Management Services Joint Self Insurance Fund (the Fund). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to form together into or join an organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. The Fund was formed on December 31, 1976, when certain Washington Public Utility Districts signed an agreement to pool their self-insured losses and jointly purchase insurance and administrative services. There are currently 19 active members in the Fund.

Note 7 - Self Insurance (continued)

The Fund operates three separate insurance pools: the Liability Pool, the Property Pool, and the Health and Welfare Pool. Fund members may belong to one, two, or all three pools according to their insurance needs. The Liability Pool insures on a $1,000,000 self-insured retention with a $250 deductible. Coverage is on an occurrence basis. In addition, the Liability Pool purchases excess general liability and excess public official liability coverage. The Property Pool operates on a maximum $500,000 self-insured retention, with a $75,000 deductible on listed major generating units and a $250 deductible on all other listed items of property. Coverage is on an occurrence basis and the Property Pool purchases excess property coverage above the self-insured retention level. The Health and Welfare Pool is funded by paid claims reimbursement from the member generating the claim and by pooled assessment for administration and excess stop-loss insurance coverage. In all pools, members are assessed as necessary to maintain designated minimum pool balances. Because the Fund is a cooperative program, there is joint liability among the participants of each pool. The District participates in only the Liability and Property Pools. In 2014 and 2013, the District contributed $168,294 and $126,401, respectively, to the Liability Pool and $60,601 and $20,905, respectively, to the Property Pool. Should any member terminate its affiliation with the Fund, it remains financially responsible to the Fund for any unresolved, unreported, and in-process claims for the period that it was a signatory to the agreement.

Self-insured retentions are fully funded by current and former members, and settlements have never exceeded coverage limits. Claims are processed by Pacific Underwriters Corporation, P.O. Box 68787, Seattle, WA 98168, a private entity contracted to perform administrative, claims adjustment, and loss prevention services, and which also compiles an annual financial report for the Fund. The Fund is governed by a board of directors that consists of one designated representative from each participating member. The Fund administrator and an elected six-member administrative committee (on which a District representative currently serves) are responsible for conducting the daily business affairs of the Fund.

Note 8 - Conservation Programs

The District operates a number of energy conservation programs. These include both residential and commercial weatherization loan programs, appliance and water heater rebate programs, appliance loan programs, and residential and commercial energy audits. Loan programs will provide five-year loans of up to $10,000 on residential dwellings and up to $25,000 on commercial enterprises for qualifying conservation measures. The District incurred conservation program costs of $106,344 and $192,339 in 2014 and 2013, respectively, which were charged to operations.

Note 9 - Telecommunications

The District has recognized the necessity of a modern and reliable communications infrastructure in managing its core electric distribution function and now operates and maintains a telecommunications network providing these services for internal use. Additionally, it provides wholesale telecommunications services, in accordance with Washington State law, to qualified retail merchants who, in turn, provide services to end users in the District's service territory.

The ongoing construction and the operations of the telecommunications network are being accomplished using the District's own workforce. The District has established separate detailed accounting for wholesale telecommunications activities and has developed a financing arrangement under which the continuing construction of telecommunications infrastructure and the operations of the telecommunications network are accomplished using funds loaned from the District's electric reserves.

Condensed telecom revenues and expenditures and assets and liabilities information follows:

	2014	2013
Operating revenues	$ 2,534,574	$ 2,251,622
Operating expenses	(1,691,017)	(1,953,350)
Nonoperating revenues - grant	615,589	2,573,201
Nonoperating expenses	(904,306)	(306,613)
Change in net position	$ 554,840	$ 2,564,860
Total assets	$ 8,806,668	$ 8,422,920
Total liabilities	(4,549,692)	(4,720,784)
Total net position	$ 4,256,976	$ 3,702,136

During 2010, the District applied for and was awarded ARRA funding to further deploy broadband communication services in the underserved areas of Okanogan County. The award package consists of $5,501,782 in grant money and a $3,667,855 loan. The proposed project will bring high-speed broadband to approximately 6,543 premises that currently lack access, and calls for placement of approximately 170 access nodes and 179 miles of fiber backbone. Project design and engineering began in 2011, and as of December 31, 2014, the District had received $4,965,260 of grant funding and $3,310,173 in loan funding against the accumulated project expenditures.

Note 10 - Energy Northwest

ENW Nuclear Project Nos. 1, 2, and 3 - The District has entered into "net billing agreements" with Energy Northwest (ENW, formerly Washington Public Power Supply System) and the Bonneville Power Administration (BPA). Under terms of these agreements, the District has purchased a maximum of .255% and 1.042% of the capability of ENW's Nuclear Project Nos. 1 and 2, respectively, and .143% of the capability of ENW's 70% ownership share of its Nuclear Project No. 3, and has assigned this capability to BPA. BPA is unconditionally obligated to pay the District, and the District is unconditionally obligated to pay ENW, the pro rata share of the total annual costs of each project, including debt service on revenue bonds issued to finance the projects, whether or not the projects are completed, operable, or operating and notwithstanding the suspension, reduction, or curtailment of the projects' output.

Nuclear Project Nos. 1 and 3 were approximately 63% and 75% complete, respectively, and had both been in a state of extended construction delay for many years, with all systems being maintained in condition to resume construction at any time. However, on May 13, 1994, the ENW full board of directors voted to declare termination of both projects. At this juncture, there has been no resolution concerning the final dispensation of the assets and liabilities associated therewith.

Nuclear Project No. 2 was completed and placed in operation on December 13, 1984.

The District's net billing obligations in 2014 and 2013 were as follows:

ENW Fiscal 2015 Budget Year	No. 1	No. 2	No. 3	Total
Annual budget	$ 227,532,000	$ 540,398,000	$ 187,367,000	$ 955,297,000
District's share	0.00255	0.01042	0.00143	
District's net billing obligation	580,207	5,630,947	267,935	6,479,089
ENW Fiscal 2014 Budget Year				
Annual budget	$ 385,110,000	$ 430,990,000	$ 213,540,000	$ 1,029,640,000
District's share	0.00255	0.01042	0.00143	
District's net billing obligation	982,031	4,490,916	305,362	5,778,309

Hanford project - In accordance with agreements between ENW, BPA, and 76 participants, and between ENW and the U.S. Department of Energy (DOE), ENW constructed the Hanford Project, which began commercial operation in 1966 with a capacity of approximately 860 MW.

Pursuant to an exchange agreement entered into between the District, ENW, and BPA, the District had purchased .424% of the output of the Hanford Project and is obligated to pay ENW the same percentage of the annual costs.

Under an exchange agreement with the other participants in the Hanford Project, BPA had acquired the capability of the Hanford Project, including the District's share, in exchange for power from BPA. A decision was made in February 1988 by the DOE to maintain the project in a "cold standby" mode of operation.

Note 10 - Energy Northwest (continued)

ENW has evaluated alternative energy uses for the plant to no avail. Current options include a transfer to DOE for removal and site restoration, or removal and site restoration by ENW. At this time, it is unknown what the eventual disposition of the Hanford Project will be. ENW has reduced the project's assets to net realizable value and accrued the estimated cost of removal and site restoration.

Nine Canyon Wind Project - On October 1, 2001, the District entered into a power purchase agreement with ENW for output from the Nine Canyon Wind Project. The original project consisted of 37 wind turbines with an aggregate generating capacity of approximately 48 MW, and was launched into commercial operation in fall 2002. During 2003, a second phase of the project was completed, adding an additional 12 turbines and bringing the project capacity up to about 63.7 MW. During 2006, a third phase of the project was completed, adding an additional 14 turbines and bringing the current total project capacity up to about 96 MW.

The District is currently one of 10 public utility districts participating in the power purchase agreements for project output. The District purchased a 25% share of the generation output from Phases 1 and 2 and no output at all from Phase 3, bringing its combined share of total project output to 16.61%. The District is committed to paying its pro rata share of debt service on the Nine Canyon Wind Project Revenue Bonds issued by ENW for Phases 1 and 2. A bond refunding/reissuance process commenced in 2004 and completed in 2005, thereby establishing the District's estimated liability for project bond principal at $23,312,500. That amount could escalate to as much as $29,140,625 after a step-up provision that could trigger in the event that other purchasers defaulted on their contractual obligations. The District pays its share of the ongoing project operational costs through monthly power purchase agreement assessment invoices.

Note 11 - Other Power Supply Agreements

Wells Hydroelectric Project - Since the initial construction of the Wells Hydroelectric Project, the District has been a party to a power sales contract governing the apportionment of the project output. However, during the 1980s, both the District and Public Utility District No. 1 of Douglas County (Douglas PUD) contested several provisions of the 1963 agreement and sought resolution of the disputed issues in Chelan County Superior Court. Disputes between the parties were resolved with a Memorandum of Understanding signed on August 5, 1991, requiring the two Districts to negotiate a new power sale contract commencing in September 2018 and extending for an additional 50 years. Negotiations on this contract are currently in process. The District's current share of the total output from Wells Hydroelectric Project is 7.64%, which represents 35.58% and 35.85% of the District's total power purchases in 2014 and 2013, respectively.

Enloe Hydroelectric Project - For many years, the District has been pursuing the possible rehabilitation of Enloe Hydroelectric Dam on the Similkameen River near Oroville, Washington. The District is the present owner of the dam, and relicensing attempts prior to 2005 were intended to revive an existing facility with its original output of 26,000 MWh annually and installed capacity of 4,100 KW.

Note 11 - Other Power Supply Agreements (continued)

On March 3, 1983, the District was issued a license by FERC for renovation and resumed operation of the Enloe project. The District subsequently appealed 14 of the licensing provisions. After extensive review, on March 6, 1986, FERC repealed the license previously granted to the District and placed the license in a “License Application Pending File” until all outstanding issues were resolved. FERC dismissed the license application in December 1987.

In February 1988, the District submitted a new application for a preliminary permit on the project. FERC granted the permit on June 8, 1988, and the District began the required preliminary studies. The District then submitted a license application to FERC on June 1, 1991, and FERC prepared an environmental assessment with the possibility of issuing an operating license.

On September 13, 1996, FERC again issued a license to the District for restoration of the project. Although fish passage was not a stated requirement of the license, the licensing language left an open-ended opportunity for certain federal agencies to intervene and require fish passage at a later date. The uncertainty of this language made it impossible to accurately forecast the project costs or determine feasibility, so the District, along with several other entities, appealed the licensing conditions. A stay of the license was issued as a result of the pending listing of the Upper Columbia Steelhead under the Endangered Species Act and a determination of the Enloe project’s negative impact upon them. On February 23, 2000, FERC rescinded the license because the National Marine Fisheries Service (NMFS) continued to require upstream fish passage as a condition of the license, while the British Columbia Provincial and Tribal Authorities remain opposed to any such passage requirements.

On January 21, 2005, the District again submitted a new application to FERC for a preliminary permit on the project. Using the FERC Traditional Licensing Process (TLP), the District filed the license application with FERC on August 22, 2008. The proposed configuration would approximately double the project output to 47,300 MWh of energy per year and 9,000 KW of capacity.

Since then, the District has spent the better part of a decade on environmental assessments, resource studies, permitting issues, and litigation. On August 31, 2011, FERC issued the Final Environmental Assessment for the Enloe Hydroelectric Project, and the District continued in the development of the state and local permitting processes. The District received its Section 401 Water Quality Permit in late 2012, but it was immediately appealed by various environmental groups before finally being settled by the Washington State Pollution Control Hearing Board. FERC issued the District a new 50-year operating license on July 9, 2013, and the District is now preparing for final design, financing, bidding, and construction. The District continues its compliance with all license terms for the project. In early 2015, it was determined that the District was encountering some time constraints, so, on March 19, 2015, the District submitted a request for a two-year extension of the commencement of construction deadline.

Note 12 - Northwest Open Access Network

The District is a member of Northwest Open Access Network (NoaNet), a nonprofit mutual corporation formed by the District in collaboration with several other public utilities in the state of Washington. NoaNet was incorporated in February 2000 to facilitate the construction of a communications backbone to accommodate the increasing broadband needs of the member utilities and their customers. The NoaNet network began commercial operation in early 2001.

In July 2001, NoaNet issued $27 million in Telecommunications Network Revenue Bonds (taxable) to finance the repayment of startup funds advanced by founding members and the initial costs of construction and commissioning. The bonds began maturing in December 2003 and will continue through December 2016, with interest due semi-annually at rates ranging from 5.05% to 7.09%. The District has entered into a repayment agreement to guarantee its 5.45% portion of the NoaNet bond debt, which totaled $5,510,000 and $8,185,000 as of December 31, 2014 and 2013, respectively.

In 2009, NoaNet established a nonrevolving line of credit in the amount of $1.5 million to finance capital expenditures and network upgrades for new customers. The outstanding balance of $166,667 as of December 31, 2013, was paid in full during the 2014 year.

In 2012, NoaNet established a nonrevolving line of credit in the amount of $5 million for capital financing of sale opportunities. In September 2014, NoaNet established an additional line of credit in the amount of $1 million on which an additional draw in the amount of $1 million was taken during the year, bringing the total balance to $2 million. Both the 2012 and 2014 lines of credit were subsequently refinanced through a $13 million line of credit established in December 2014, which had a balance outstanding of $5,771,729 as of December 31, 2014.

The District's ownership interest in NoaNet was 8.04% as of December 31, 2014. During 2014, NoaNet incurred a net loss from operations of $3,220,711. This operating loss, when partially offset by grant and interest revenue, brought the entity down from a $89,069,301 net position in 2013 to a net position of $87,462,085 as of December 31, 2014. NoaNet financial results for 2014 are estimated; however, any variance will not have a material impact on the District's financial position.

Financial and operating information regarding NoaNet may be obtained from the NoaNet Financial Center, 5802 Overlook Ave NE, Tacoma, WA 98422.

Note 13 - Pending Litigation

Pateros-Twisp transmission line - For many years, the District has sought to construct a second transmission line into the Methow Valley. This project, along with a proposed new substation, would alleviate the current issues of both marginal electrical capacity and reliability. A coalition of local citizens and environmental groups has been consistently opposing the project and challenged the validity of the District's Final Environmental Impact Statement (FEIS) on grounds of various alleged deficiencies. On November 22, 2006, a ruling by an Okanogan County Superior Court judge upheld the validity of the FEIS; however, that decision was appealed by the plaintiffs to the Washington State Court of Appeals and spent the entire year of 2007 undergoing further review. On May 1, 2008, the appellate court upheld Okanogan County Superior Court's ruling on all counts. The plaintiffs then filed a petition for review with the Washington State Supreme Court on June 5, 2008, which was subsequently denied on December 2, 2008.

During 2009, the District started the process of acquiring right-of-way easements and various other permits required for construction. Condemnation proceedings were initiated against two landowners, one being a private individual and one being a state entity, to obtain the remaining easements necessary to complete the route. In 2010, Okanogan County Superior Court granted "public use and necessity" against the two landowners. The condemnation process moved to the appraisal stage and a court date was set for July 5, 2011, to determine values for the take. This hearing date was subsequently stayed when the Washington State Department of Natural Resources (DNR) appealed to the Washington State Supreme Court for review of the District's authority and ability to exercise condemnation authority against a State Agency. The Washington State Supreme Court heard the case on February 25, 2014, and on January 29, 2015, issued a ruling upholding the District's condemnation authority. The appraisal process to establish fair compensation has resumed and court hearings on the matter have been scheduled for summer 2015.

Other litigation - The District is involved in various claims arising in the normal course of business. The District does not believe that the ultimate outcome of these matters will have a material adverse impact on its financial position or results of operations.

REPORT OF INDEPENDENT AUDITORS 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*

To the Commissioners
Public Utility District No. 1
of Okanogan County, Washington
Okanogan, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position as of December 31, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows and related footnotes to the financial statements of Public Utility District No. 1 of Okanogan County, Washington (the District) as of and for the year ended December 31, 2014, and have issued our report thereon dated May 20, 2015.

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 entity'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 of material misstatement, we performed tests of its 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 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 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.

Moss Adams LLP

Everett, Washington
May 20, 2015

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Commissioners
Public Utility District No. 1
of Okanogan County, Washington
Okanogan, Washington

Report on Compliance for the Major Federal Program

We have audited Public Utility District No. 1 of Okanogan County, Washington (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2014. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Everett, Washington
May 20, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness identified? ☐ Yes ☒ No
- Significant deficiency identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of Major Program

CFDA Numbers	Name of Federal Program or Cluster	Type of Auditor's Report Issued
97.036	U.S. Department of Homeland Security: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	*Unmodified*

Dollar threshold used to distinguish between type A and type B program: $ 300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grant or Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Homeland Security		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	$ 4,775,617
U.S. Department of Agriculture Rural Development		
ARRA - Broadband Initiatives Program (BIP)	ARRA - 10.787	$ 42,855
Total expenditures of federal awards		$ 4,818,472

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Public Utility District #1 of Okanogan County (the District) under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirement of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Relationship to the Financial Statements

Federal awards are reported in the financial statements as an increase in value of electric plant assets and grant revenue.

SUPPLEMENTARY INFORMATION (Unaudited)

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON
COMPARATIVE RESULTS OF OPERATIONS AND DEBT SERVICE COVERAGE (Unaudited)

	Years Ended December 31,				
	2014	2013	2012	2011	2010
OPERATING REVENUES					
Electric - retail	$ 42,911,047	$ 39,861,279	$ 35,588,404	$ 33,355,835	$ 29,102,331
Electric - wholesale	4,680,273	5,132,270	3,531,677	6,741,527	5,801,904
Telecommunications	2,516,289	2,217,116	2,096,256	1,955,276	1,912,283
Other operating revenue	1,301,167	1,286,159	1,412,834	1,041,958	1,024,195
Total operating revenues	51,408,776	48,496,824	42,629,171	43,094,596	37,840,713
OPERATING EXPENSES					
Cost of power	24,884,068	23,534,220	23,198,810	24,860,599	24,501,801
Electric operations and maintenance	5,718,362	5,119,745	5,466,456	4,754,468	5,463,131
Telecommunications operations and maintenance	1,011,714	1,130,469	924,802	601,857	638,124
Customer accounting and information	1,960,419	2,066,317	2,095,783	1,859,707	1,962,667
Administration and general	4,241,549	4,420,433	4,169,687	3,956,286	3,863,210
Depreciation and amortization	4,717,805	4,584,884	4,601,137	4,258,323	3,428,771
Taxes	2,713,281	2,413,881	2,220,161	2,138,550	1,839,338
Total operating expenses	45,247,198	43,269,949	42,676,836	42,429,790	41,697,042
Net operating revenue (expense)	6,161,578	5,226,875	(47,665)	664,806	(3,856,329)
NONOPERATING REVENUES (EXPENSES)					
Interest income	42,574	58,695	74,313	113,944	214,510
Grant revenue	3,509,879	2,573,201	1,618,792	494,408	-
Contributed capital	1,294,511	990,165	991,816	974,691	996,025
Interest on long-term debt	(1,980,623)	(2,356,815)	(2,018,950)	(2,068,361)	(992,488)
Allowance for funds used during construction (AFUDC)	937,714	800,989	632,432	661,140	-
Other revenue	407,633	492,647	446,441	524,741	140,331
Impairment of investment	-	-	-	-	-
Other expenses	(3,749,436)	(146,655)	-	(726,596)	(253,270)
Net nonoperating revenues (expenses)	462,252	2,412,227	1,744,844	(26,033)	105,108
CHANGE IN NET ASSETS	$ 6,623,830	$ 7,639,102	$ 1,697,179	$ 638,773	$ (3,751,221)
DEBT SERVICE COVERAGE ADJUSTMENTS					
Interest charges (net AFUDC)	$ 1,042,909	$ 1,555,826	$ 1,386,518	$ 1,407,221	$ 992,488
Depreciation and amortization	4,717,805	4,584,884	4,601,137	4,258,323	3,428,771
Capital grant	(3,509,879)	(2,573,201)	(1,618,792)	(494,408)	-
Impairment of investment	3,746,773	-	-	-	-
Rate stabilization transfer (to) from	-	-	-	-	1,400,000
Total debt service coverage adjustments	5,997,608	3,567,509	4,368,863	5,171,136	5,821,259
AVAILABLE FOR DEBT SERVICE	$ 12,621,438	$ 11,206,611	$ 6,066,042	$ 5,809,909	$ 2,070,038
TOTAL DEBT SERVICE	$ 3,780,993	$ 3,589,687	$ 3,508,662	$ 3,434,230	$ 1,428,314
DEBT SERVICE COVERAGE	3.34	3.12	1.73	1.69	1.45

PUBLIC UTILITY DISTRICT NO. 1 OF OKANOGAN COUNTY, WASHINGTON
CUSTOMER STATISTICAL DATA (Unaudited)

	Years Ended December 31,				
	2014	2013	2012	2011	2010
ACTIVE CUSTOMER ACCOUNTS					
Residential	16,958	16,999	17,001	16,892	16,828
General service	2,422	2,389	2,387	2,369	2,370
Industrial	3	3	4	4	4
Irrigation and frost control	1,327	1,345	1,336	1,331	1,337
Street lighting	21	20	21	21	21
Sales for resale	5	4	6	2	5
Telecommunications	19	16	19	21	21
Total active customer accounts	20,755	20,776	20,774	20,640	20,586
REVENUES BILLED					
Residential	$ 21,594,990	$ 21,328,142	$ 18,862,658	$ 18,089,701	$ 14,961,740
General service	14,699,325	13,854,328	12,425,572	11,717,785	10,872,507
Industrial	2,227,514	1,347,794	1,135,306	1,052,677	982,599
Irrigation and frost control	4,248,172	3,194,235	3,029,476	2,371,177	2,158,725
Street lighting	141,045	136,782	135,393	124,495	126,761
Sales for resale	4,680,273	5,132,270	3,531,677	6,741,527	5,801,904
Telecommunications	2,516,289	2,217,116	2,096,256	1,955,276	1,912,283
Other operating revenue	1,301,167	1,286,159	1,412,834	1,041,958	1,024,195
Total revenues billed	$ 51,408,775	$ 48,496,826	$ 42,629,172	$ 43,094,596	$ 37,840,714
ENERGY CONSUMED (kWh)					
Residential	288,719,419	293,419,767	289,639,794	324,538,087	289,163,326
General service	216,537,020	211,564,358	204,212,439	202,556,775	197,732,966
Industrial	39,843,330	23,517,840	20,583,710	21,141,320	21,602,188
Irrigation and frost control	67,931,145	62,319,197	65,131,338	60,835,173	60,258,036
Street lighting	1,359,997	1,363,740	1,359,672	1,359,877	1,340,152
Sales for resale	198,744,000	193,128,000	267,366,000	357,255,000	213,866,000
Total energy consumed (kWh)	813,134,911	785,312,902	848,292,953	967,686,232	783,962,668
ANNUAL AVERAGE REVENUE PER CUSTOMER					
Residential	$ 1,273	$ 1,255	$ 1,110	$ 1,071	$ 889
General service	6,069	5,799	5,206	4,946	4,588
Industrial	742,505	449,265	283,827	263,169	245,650
Irrigation and frost control	3,201	2,375	2,268	1,782	1,615
Street lighting	6,716	6,839	6,447	5,928	6,036
Sales for resale	936,055	1,283,068	588,613	3,370,764	1,160,381
Telecommunications	132,436	138,570	110,329	93,108	91,061
Total annual average revenue per customer	$ 2,414	$ 2,272	$ 1,984	$ 2,037	$ 1,788
AVERAGE ANNUAL kWh PER CUSTOMER					
Residential	17,026	17,261	17,037	19,213	17,183
General service	89,404	88,558	85,552	85,503	83,432
Industrial	13,281,110	7,839,280	5,145,928	5,285,330	5,400,547
Irrigation and frost control	51,192	46,334	48,751	45,706	45,070
Street lighting	64,762	68,187	64,746	64,756	63,817
Total annual average kWh per customer	29,636	28,531	27,998	29,608	27,728

	Years Ended December 31,				
	2014	2013	2012	2011	2010
COST OF POWER					
Bonneville Power Administration	$ 15,407,731	$ 15,235,772	$ 15,407,149	$ 17,100,497	$ 17,357,446
Douglas County PUD - Wells Hydroelectric Project	3,784,405	3,646,318	3,551,725	3,593,090	3,143,054
Energy NW - Nine Canyon Wind Project	3,040,382	3,008,055	3,029,067	3,060,855	2,963,835
Other cost of power, including market purchases	2,651,550	1,644,075	1,210,869	1,106,157	1,037,466
Total cost of purchased power	$ 24,884,068	$ 23,534,220	$ 23,198,810	$ 24,860,599	$ 24,501,801
ENERGY RESOURCES MWh					
Bonneville Power Administration	473,822	472,322	509,404	605,088	530,461
Douglas County PUD - Wells Hydroelectric Project	300,617	296,743	319,040	313,857	228,442
Energy NW - Nine Canyon Wind Project	40,613	37,724	43,321	44,620	37,178
Other cost of power, including market purchases	29,993	20,975	13,587	10,816	11,545
Total energy resources MWh	845,045	827,764	885,352	974,381	807,626
AVERAGE COST PER MWh					
Bonneville Power Administration	$ 32.52	$ 32.26	$ 30.25	$ 28.26	$ 32.72
Douglas County PUD - Wells Hydroelectric Project	12.59	12.29	11.13	11.45	13.76
Energy NW - Nine Canyon Wind Project	74.86	79.74	69.92	68.60	79.72
Other cost of power, including market purchases	88.41	78.38	89.12	102.27	89.86
Average cost per MWh (all resources)	$ 29.45	$ 28.43	$ 26.20	$ 25.51	$ 30.34
PEAK DEMAND MW	170	155	154	149	155
NET UTILITY PLANT	$ 110,840,366	$ 106,028,834	$ 97,967,535	$ 97,967,535	$ 88,003,113
EMPLOYEE DATA					
Full-time employees	91	90	92	90	91
Part-time employees	2	2	2	2	4
Total employees	93	92	94	92	95