

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

AUDIT REPORT

Years Ended December 31, 2010, and 2009

KENNETH KUHNS & CO.

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COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

December 31, 2010

Board of Directors

Carol Everman	74642 Larson Road Rainier, Oregon 97048	President
David Baker	31760 Raymond Creek Road Scappoose, Oregon 97056	Vice-President
Loren Tarbell	33807 Tarbell Road Scappoose, Oregon 97056	Treasurer
Darrel Purkerson	225 N. River Street St. Helens, Oregon 97051	Director
Richard Simpson	32501 Pittsburg Road St. Helens, Oregon 97051	Director

Administrative Staff

Kevin P. Owens	General Manager and Registered Agent
Fredrick L. Lugar	Finance and Customer Services Manager
Steven E. Hursh	Engineering and Operations Manager

District Office

<i>Location:</i> 64001 Columbia River Highway Deer Island, Oregon 97054	<i>Mailing Address:</i> P.O. Box 1193 St. Helens, Oregon 97051
<i>Web Site:</i> www.crpud.net	<i>Telephone:</i> (503) 397-1844

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INDEPENDENT AUDITOR'S REPORT

March 3, 2011

Board of Directors
Columbia River People's Utility District
Deer Island, Oregon

We have audited the balance sheets of Columbia River People's Utility District as of December 31, 2010, and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia River People's Utility District as of December 31, 2010, and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 4 through 9, the schedule of funding progress for retirement plan on page 27 and the schedule of funding progress for retiree health plan on page 28 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other supplementary information and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Columbia River People's Utility District. The other supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The statistical information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Management's discussion and analysis (MD&A) presents management's overview of Columbia River People's Utility District's (the District's) financial condition and performance during the year ended December 31, 2010. It also serves as an introduction to the financial statements, the notes to financial statements, and to the supplementary information provided with the financial statements. The MD&A is compiled using summary financial statements, key financial and operational indicators used in the strategic plan, budget documents, bond resolutions, and other management tools. The MD&A should be read in conjunction with the financial statements and the accompanying notes to financial statements.

Overview of Financial Statements

The financial statements include 1) a balance sheet, 2) a statement of revenues, expenses and changes in net assets, 3) a statement of cash flows and 4) accompanying notes to the financial statements, which are described as follows:

- **Balance Sheet** – This sheet presents the financial position of the District on an accrual historical cost basis. It gives a snapshot of the nature and amount of the District's resources and obligations for the years ending December 21, 2010 and 2009.
- **Statement of Revenues, Expenses and Changes in Net Assets** – This statement presents the result of the District's activities over the course of the year and information as to how net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the District's recovery of its costs.
- **Statement of Cash Flows** – This statement presents changes in cash and cash equivalents resulting from operating, capital and related financing and investing activities, and cash receipts and cash disbursement information without consideration of the earnings events, when an obligation arises or the depreciation of capital assets.
- **Notes to Financial Statements** - These notes provide required disclosures and other information that are essential for a full understanding of the financial statements. The notes present information about the District's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Schedules of Selected Supplementary Financial Data

The supplemental information presented by the District includes schedules of funding progress for the retirement plan and retiree health plan, comparisons of budget to actual revenues and expenses, schedules presenting the District's future debt service requirements, and other data required in accordance with certain provisions of the District's debt covenants.

Net Assets

The District's financial statements report its net assets and how they have changed over the reporting period. Net assets – the difference between assets and liabilities – serve as one indicator of the District's financial position. Over time, increases or decreases in net assets may be a useful indicator of whether the District's financial health is improving or deteriorating. However, non-financial factors such as economic conditions, population growth, and legislative changes must also be considered to adequately assess the District's overall health.

The District's assets exceeded its liabilities (net assets) by \$34.1 million at the end of 2010. This is an increase of \$1.9 million or 5.8% over year-end 2009 net assets of \$32.3 million. The most significant change in net asset position was from amounts invested in utility plant, net of related debt, which increased by \$1.1 million or 5.5%. This increase reflects the District's long-standing practice of investing surplus cash and earnings, and using customer contributions for capital assets in lieu of issuing additional long-term debt.

Of the District's net assets, approximately \$11.9 million was unrestricted and available to be used to meet the District's ongoing obligations to its customers and creditors. Of the remaining \$22.2 million, approximately \$22.1 million has been invested in utility plant assets, while \$0.1 million has been set aside to reduce future debt service.

The largest portion of the District's total net assets (64.9%) reflects its investment in utility plant, such as land, buildings, utility plant, and equipment, less that portion of outstanding debt used to acquire those assets. Utility plant assets are used to provide electric services to customers; consequently, these assets are not available for future spending. The District's investment in capital assets is reported net of related debt. However, it should be noted that the resources needed to repay this outstanding debt must be provided from other sources (charge for electric services) since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Balance Sheets

\$(000's)

	2010	2009	2008
<u>Assets</u>			
Utility plant (net)	\$32,183	\$31,824	\$31,616
Cash and other current assets	15,308	15,166	14,793
Deferred charges	544	606	751
Total Assets	<u>\$48,035</u>	<u>\$47,596</u>	<u>\$47,160</u>
<u>Liabilities</u>			
Long-term debt	\$ 9,253	\$10,083	\$10,885
Current liabilities	4,438	4,700	5,926
Deferred Credits	220	560	466
Total Liabilities	<u>13,911</u>	<u>15,343</u>	<u>17,277</u>
<u>Net Assets</u>			
Investment in plant, net of debt	22,159	21,010	18,697
Restricted for bond retirement	69	66	877
Unrestricted	11,896	11,177	10,309
Total Net Assets	<u>\$34,124</u>	<u>\$32,253</u>	<u>\$29,883</u>

Revenues and Expenses

The economic downturn that began in 2008 and continued through 2010 has affected the District, resulting in declining electric sales and fewer connections of new residential and commercial customers, more closures of local businesses and higher local unemployment rates.

During 2010, the District's revenue generated from electric services decreased by \$1.0 million (3.6%) to \$25.9 million. The decrease was due primarily to reductions in industrial and residential revenues.

During 2010, purchased power costs increased over \$0.3 million (2.2%) to \$14.9 million. These costs make up 61.6% of the District's total operating expenses. The District is a full requirements customer of Bonneville Power Administration (BPA), which increased wholesale power costs 6.95% in October 2009. The power cost increase was somewhat offset by the ongoing BPA billing credits resulting from the IOU-Residential Exchange Overcharge.

The District continues to produce positive net income from its electric utility system operations of \$1.9 million, although this figure is down nearly 21.1% from 2009 results of \$2.4 million.

The District's operating expenses (excluding cost of power) related to electric services were down \$0.7 million to \$9.3 million when compared to last year's total of \$10.0 million.

Condensed Statements of Revenues Expenses, and Change in Net Assets \$(000's)

	<i>2010</i>	<i>2009</i>	<i>2008</i>
<u>Revenue and Other Income</u>			
Charges for electric services	\$25,905	\$26,874	\$28,726
Interest earnings	63	122	326
Other income	<u>650</u>	<u>745</u>	<u>583</u>
Total revenue and other income	<u>26,618</u>	<u>27,741</u>	<u>29,635</u>
<u>Expenses</u>			
Expenses for service			
Electric - purchased power costs	14,863	14,537	14,025
Electric - operating costs	<u>9,263</u>	<u>10,020</u>	<u>9,372</u>
Total expenses for services	24,126	24,557	23,397
Interest and amortization of debt	550	693	902
Other	<u>71</u>	<u>121</u>	<u>87</u>
Total expenses	24,747	25,371	24,386
Increase (decrease) in net assets	<u>\$ 1,871</u>	<u>\$ 2,370</u>	<u>\$ 5,249</u>

Largest Customers

The District's top eight customers accounted for approximately 34.2% of kWh sales and 24.3% of revenues from sales of electricity in 2010, with the top three accounting for 29.1% of kWh sales and 15.9% of revenues. The District's largest customer, Dyno Nobel accounted for approximately 20.6% of kWh sales and 13.1% of revenues.

Cash Management

At December 31, 2010, the District's total cash and investments, including debt service reserves, totaled \$11.4 million, which remained about the same as 2009. The District has built up cash reserves by \$6.5 million over the past four years. The individual components are as follows:

Cash and Investments

\$(000's)

	<i>2010</i>	<i>2009</i>	<i>2008</i>
Operating cash, investments and cash equivalent	\$11,289	\$11,336	\$10,149
Debt service fund	107	107	927
Total cash and investments	\$11,396	\$11,443	\$11,076

The District's cash investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All of the Districts' investments held at year-end were in the Oregon Local Government Investment Pool which is more fully described in Note 3 to the financial statements.

Excess cash temporarily idle during the year was invested in the State of Oregon Local Government Investment Pool. The amount of interest earned during the years ended December 31, 2010 and 2009 totaled \$62,800 and \$121,600 respectively. The decrease is a direct result of historically low interest rates.

Capital Assets

At the end of 2010, the District's investment in capital assets amounted to \$32.2 million, which is stated net of \$25.7 million of accumulated depreciation and amortization. Total utility plant in service as of December 31, 2008 through 2010 consisted of the following:

Electric Plant

\$(000's)

	<i>2010</i>	<i>2009</i>	<i>2008</i>
Transmission	\$1,449	\$1,447	\$1,447
Distribution	35,740	34,339	33,109
General	8,116	7,600	6,999
Plant acquisition adjustment	12,286	12,286	12,286
Construction work in progress	<u>252</u>	<u>338</u>	<u>157</u>
Total electric plant	57,843	56,010	53,998
Less:			
Accumulated depreciation	-17,785	-16,719	-15,324
Amortization of plant acquisition	<u>-7,875</u>	<u>-7,467</u>	<u>-7,058</u>
Total depreciation and amort.	-25,660	-24,186	-22,382
Net electric plant	\$32,183	\$31,824	\$31,616

During 2010, the District invested \$1.8 million in the construction and acquisition of plant which was down \$0.2 million from 2009. Major capital projects during 2010 included the following:

- Customer line extension and new services work, including meters and transformers.
- System reliability improvements at substations including enhanced communications and SCADA equipment and replacing regulators and reclosers.
- Converting existing overhead facilities to underground and upgrading numerous power lines to increase load capacity and improve system reliability and safety.
- Replacement of damaged or deteriorated poles.

Long-Term Debt

Debt service coverage ratio is a useful indicator of the District’s debt position. Under its current debt agreements, the District has covenanted to maintain coverage of at least one hundred twenty-five percent (or 1.25) of the annual debt service on its 2000A and 2006 System Revenue Obligations. Actual coverage on the 2000A and 2006 System Revenue Obligations has exceeded coverage requirements at 3.36 in 2010 and 4.06 in 2009.

As of December 31, 2010, the District had \$9.2 million of long-term debt outstanding (excluding current maturities), which was down \$0.8 million or 8.2% from the prior year’s \$10.0 million. The District issued no new debt in 2010 and has no plans to issue any additional long-term debt in the foreseeable future.

Long-Term Debt
\$(000’s)

	<i>2010</i>	<i>2009</i>	<i>2008</i>
Series 1996 Bonds	-	-	\$1,400
Series 2000A Revenue Obligations	\$3,985	\$4,725	5,430
Series 2006 Revenue Obligations	6,040	6,090	6,090
Total Long-Term Debt	\$10,025	\$10,815	\$12,920

Future debt service requirements are detailed in Schedule 5 of the “Other Supplementary Information” section of the financial statements.

Rates and Cost of Power

The District held electric rates stable in 2010, despite absorbing a 6.95% wholesale power cost increase from BPA that took effect in October 2009. The District last changed rates in October 2006, when it instituted an overall rate decrease of 4.65%. The District last raised rates in October 2001.

The District anticipates a BPA power cost increase of 11.9% in October 2011. The District’s management plans to hire a rate consultant in the spring of 2011 to conduct a cost of service study, and then host public customer rate advisory committee workshops to review the results before the Board of Directors considers any rate changes.

2011 Budget

The District plans expenditures of \$3.5 million on system improvement projects, new equipment, and customer work in 2011, less \$0.5 million in customer contributions, with net capital additions totaling \$3.0 million. In 2011, the District's capital plans include the purchase of a new transformer for the Scappoose Substation, completing system reliability improvements at substations, continuing to convert overhead facilities to underground, completing numerous projects upgrading to larger capacity wire, replacing damaged and rotten poles, as well as performing customer work to meet customer demand.

Condensed Statements of Revenues Expenses, and Change in Net Assets Budget – vs. – Actual \$(000's)

	<i>2011 Budget</i>	<i>2010 Actual</i>	<i>2010 Budget</i>	<i>2009 Actual</i>	<i>2009 Budget</i>
<u>Revenue and Other Income</u>					
Charges for electric services	\$26,844	\$25,905	\$27,272	\$26,874	\$27,692
Interest earnings	64	63	102	122	222
Other income	<u>574</u>	<u>650</u>	<u>522</u>	<u>745</u>	<u>570</u>
Total revenue and other income	<u>\$27,482</u>	<u>\$26,618</u>	<u>\$27,896</u>	<u>\$27,741</u>	<u>\$28,484</u>
<u>Expenses</u>					
Expenses for electric services					
Electric – purchased power costs	\$15,623	\$14,863	\$15,493	\$14,537	\$14,638
Electric – operating costs	<u>10,503</u>	<u>9,263</u>	<u>9,812</u>	<u>10,020</u>	<u>9,116</u>
Total expenses for services	\$26,126	\$24,126	\$25,305	\$24,557	\$23,754
Interest and amortization of debt	511	550	580	693	704
Other	<u>58</u>	<u>71</u>	<u>55</u>	<u>121</u>	<u>86</u>
Total expenses	<u>\$26,695</u>	<u>\$24,747</u>	<u>\$25,940</u>	<u>\$25,371</u>	<u>\$24,544</u>
Increase (decrease) in net assets	\$787	\$1,871	\$1,956	\$2,370	\$3,940

The 2010 Budget versus 2010 Actual comparison is detailed in Schedule 3 of the "Other Supplementary Information" section of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of Columbia River People's Utility District's finances and operations for all those who have expressed an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Customer Services Manager, P.O. Box 1193, St. Helens, OR 97051-1193 or at 503-397-1844.

FINANCIAL STATEMENTS

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Balance Sheet

<u>Assets</u>	December 31,	
	<u>2010</u>	<u>2009</u>
Electric plant: (Notes 1 and 2)		
In service - at cost	\$ 45,304,884	\$ 43,386,032
Acquisition adjustment	12,286,247	12,286,247
Construction work in progress	<u>251,754</u>	<u>337,776</u>
Total electric plant	57,842,885	56,010,055
Less:		
Accumulated provision for depreciation	(17,784,592)	(16,719,030)
Accumulated provision for amortization of acquisition adjustment	<u>(7,875,195)</u>	<u>(7,466,727)</u>
Net electric plant	<u>32,183,098</u>	<u>31,824,298</u>
Other assets and investments:		
Nonutility property	680	680
Investments in associated organizations	<u>11,675</u>	<u>11,675</u>
Total other assets and investments	<u>12,355</u>	<u>12,355</u>
Current assets:		
Cash and investments (Notes 1 and 3):		
Current cash	11,288,677	11,335,689
Designated for bond debt service	107,311	107,456
Customer accounts receivable (net of allowance for doubtful accounts of \$37,285 in 2010 and \$60,000 in 2009)	2,930,018	2,848,774
Other receivables	283,289	134,882
Materials and supplies (Note 1)	395,205	410,160
Prepayments	<u>303,403</u>	<u>329,453</u>
Total current assets	<u>15,307,903</u>	<u>15,166,414</u>
Deferred charges - unamortized debt expense (Notes 1 and 4)	<u>531,829</u>	<u>593,330</u>
Total assets	<u>\$ 48,035,185</u>	<u>\$ 47,596,397</u>

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Balance Sheet

<u>Net Assets and Liabilities</u>	December 31,	
	2010	2009
Net assets:		
Invested in capital assets - net of related debt	\$ 22,158,778	\$ 21,009,978
Restricted for bond retirement	69,151	66,066
Unrestricted	11,895,669	11,176,959
Total net assets	34,123,598	32,253,003
Long-term debt:		
Revenue obligations payable, less current maturities (Note 4)	9,200,000	10,025,000
Unamortized premium on revenue obligations (Note 4)	53,051	58,291
Total long-term debt	9,253,051	10,083,291
Current liabilities:		
Current maturities of long-term debt (Note 4)	825,000	790,000
Accounts payable	1,958,921	2,335,926
Accrued franchise taxes payable	507,581	530,648
Accrued interest	38,160	41,390
Accrued compensated absences (Note 1)	483,495	446,952
Customer deposits	504,457	473,162
Other accruals	120,299	82,411
Total current liabilities	4,437,913	4,700,489
Deferred credits:		
Customer advances for construction	56,186	403,599
Other deferred credits	164,437	156,015
Total deferred credits	220,623	559,614
Total net assets and liabilities	\$ 48,035,185	\$ 47,596,397

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

	<u>Years Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Operating revenues:		
Sales of electricity	\$ 25,904,993	\$ 26,874,251
Other operating revenues	314,638	291,176
	<u>26,219,631</u>	<u>27,165,427</u>
Operating expenses:		
Cost of power	14,862,923	14,537,124
Transmission and distribution expense	2,096,391	2,572,771
Customer accounts expense	701,090	733,618
Customer service and informational expense	224,215	550,032
Administrative and general expense	3,430,827	3,285,945
Depreciation and amortization	1,910,653	1,972,311
Taxes and franchise fees	899,567	904,855
	<u>24,125,666</u>	<u>24,556,656</u>
Net operating revenues	<u>2,093,965</u>	<u>2,608,771</u>
Nonoperating income-(expenses):		
Interest on investments	62,842	121,596
Interest expense	(493,433)	(559,185)
Amortization of debt expense and premium	(56,261)	(133,638)
Other nonoperating income	263,482	332,355
	<u>(223,370)</u>	<u>(238,872)</u>
Net income	1,870,595	2,369,899
Net assets - beginning of year	<u>32,253,003</u>	<u>29,883,104</u>
Net assets - end of year	<u>\$ 34,123,598</u>	<u>\$ 32,253,003</u>

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Cash Flows

	Years Ended December 31,	
	2010	2009
Cash flows from operating activities:		
Cash received from customers	\$ 26,021,275	\$27,300,311
Cash payments for purchased power	(15,087,387)	(14,369,857)
Cash payments to suppliers for goods and services	(3,208,001)	(3,801,041)
Cash payments to employees for services	(4,186,877)	(4,389,748)
Other cash receipts	263,482	332,355
Net cash provided by operating activities	3,802,492	5,072,020
Cash flows from capital and related financing activities:		
Construction and acquisition of plant	(2,278,415)	(2,205,127)
Principal payments on bonds and revenue obligations payable	(790,000)	(2,105,000)
Interest payments on bonds and revenue obligations payable	(496,663)	(567,812)
Customer advances for construction	(347,413)	51,551
Net cash used in capital and related financing activities	(3,912,491)	(4,826,388)
Cash flows from investing activities:		
Decrease in cash and investments designated for bond debt service	145	819,508
Interest on investments	62,842	121,596
Net cash provided by investing activities	62,987	941,104
Net increase-(decrease) in cash and cash equivalents	(47,012)	1,186,736
Cash and cash equivalents - beginning of year	11,335,689	10,148,953
Cash and cash equivalents - end of year	\$ 11,288,677	\$ 11,335,689

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Cash Flows

	Years Ended December 31,	
	2010	2009
Reconciliation of net operating revenues to net cash provided by operating activities:		
Net operating revenues	\$ 2,093,965	\$ 2,608,771
Adjustments to reconcile net operating revenues to net cash provided by operating activities:		
Depreciation and amortization	1,910,653	1,972,311
Other nonoperating income	263,482	332,355
Decrease-(increase) in:		
Customer accounts receivable	(81,244)	134,884
Other receivables	(148,407)	(51,384)
Materials and supplies	14,955	29,087
Prepayments	26,050	(119,098)
Increase-(decrease) in:		
Accounts payable	(368,043)	170,306
Accrued franchise taxes payable	(23,067)	(7,354)
Accrued compensated absences	36,543	(15,314)
Customer deposits	31,295	51,384
Other accruals	37,888	(76,319)
Other deferred credits	8,422	42,391
Total adjustments	1,708,527	2,463,249
Net cash provided by operating activities	<u>\$ 3,802,492</u>	<u>\$ 5,072,020</u>
Noncash capital and related financing activities:		
Deferred charges - unamortized debt expense	\$ 61,501	\$ 145,450
Long-term debt - unamortized premium on bonds and revenue obligations	(5,240)	(11,812)
Amortization of debt expense and premium	(56,261)	(133,638)
Total noncash capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

Columbia River People's Utility District is a people's utility district organized under Oregon Revised Statutes Chapter 261. The District was created by vote in 1940 and began operation in 1984. The District is a power distribution utility that employs 50 people and serves 18,600 customers. The District's service area encompasses 240 square miles in the south and east portions of Columbia County, and a small portion of northwest Multnomah County, Oregon. The District is governed by an elected five member Board of Directors which has the authority to set rates and charges for commodities and services furnished. Substantially all revenues are derived from the sale of electric power to residential, industrial and commercial customers.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Additionally, although the District is not subject to the regulations of the Federal Energy Regulatory Commission (FERC), its accounting policies generally conform to the accounting requirements of the FERC.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 policies are described below.

Description of Reporting Entity

The financial statements of the District include all accounts of the District, and the Board of Directors is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in generally accepted accounting principles, primarily on the basis of authority to appoint voting majority of an organization's governing board, ability to impose its will on that organization, the potential for that organization to provide specific financial benefits or impose specific financial burdens and that organization's fiscal dependency.

Basis of Accounting

The District uses the accrual basis of accounting for financial reporting purposes. Revenues are recognized when earned and expenses are recognized when incurred. Although not required by the Oregon Local Budget Law, the District prepares an operating budget annually.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

Basis of Accounting (Contd)

The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District has elected not to follow subsequent private-sector guidance.

Electric Plant

Electric plant is stated substantially at cost. Cost includes materials, labor, payments to contractors and indirect costs, such as transportation and construction equipment use and employee benefits. An acquisition adjustment is recorded for any difference between the cost of plant to the original user and the purchase price to the District.

The costs of additions, renewals and betterments are capitalized. Repairs and minor replacements are charged to operating expenses. The cost of property retired, together with removal cost less salvage, is charged to accumulated depreciation when property is removed.

Depreciation and Amortization

Provision for depreciation of electric plant is computed using annual straight-line rates over the following estimated useful lives:

Transmission plant	36½ years
Distribution plant	25 - 42 years
General plant	5 - 30 years

Provision for amortization of the electric plant acquisition adjustment is computed using annual straight-line rates over the lives shown in Note 2.

Investments

Investments included in cash and investments are reported at fair value.

Cash and Cash Equivalents

For purposes of the cash flows statement, the District considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and investments which are designated for bond debt service are not considered to be cash equivalents.

Materials and Supplies

Materials and supplies are carried at average cost.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

Unamortized Debt Expense

Debt issuance expenses and loss on reacquired debt are being amortized over the lives of the 2000 and 2006 revenue obligations issues using the straight-line method.

Compensated Absences

Accumulated unpaid vested personal leave is accrued as earned by employees.

Restricted Net Assets

Restricted net assets reported in the balance sheet represent amounts for which constraints were imposed by creditors, grantors, contributors or laws or regulations.

Operating Revenues

Approximately 24.0% in 2010 and 24.0% in 2009 of operating revenues were the result of sales to eight industrial customers.

2 - ELECTRIC PLANT:

Electric plant activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Increases	Decreases	Balance December 31, 2010
Electric plant not being depreciated:				
Land	\$ 718,588	\$ 260	\$ 69,749	\$ 649,099
Construction in progress	337,776	1,947,372	2,033,394	251,754
Total electric plant not being depreciated	1,056,364	1,947,632	2,103,143	900,853
Electric plant being depreciated:				
Transmission	1,446,353	1,806	-	1,448,159
Distribution	33,697,556	1,582,328	112,102	35,167,782
General	7,523,535	883,985	367,676	8,039,844
Acquisition adjustment	12,286,247	-	-	12,286,247
Total electric plant being depreciated	54,953,691	2,468,119	479,778	56,942,032
Less accumulated depreciation	16,719,030	1,502,185	436,623	17,784,592
Less accumulated provision for amortization of acquisition adjustment	7,466,727	408,468	-	7,875,195
Total electric plant being depreciated, net	30,767,934	557,466	43,155	31,282,245
Electric plant, net	<u>\$ 31,824,298</u>	<u>\$ 2,505,098</u>	<u>\$ 2,146,298</u>	<u>\$ 32,183,098</u>

The electric plant acquisition adjustment is the excess cost over the net book value of electric plant purchased from Portland General Electric in 1984 and 2000. Electric plant acquired in 1984 is being amortized over a life of 34-1/2 years. Electric plant acquired in 2000 is being amortized over a life of 24-1/2 years.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

3 - CASH AND INVESTMENTS:

Cash and investments are comprised of the following as of December 31, 2010, and 2009:

	<u>2010</u>	<u>2009</u>
Working funds	\$ 608	\$ 608
Deposits with financial institutions	263,774	236,673
Investments	<u>11,131,606</u>	<u>11,205,864</u>
Total cash and investments	<u>\$11,395,988</u>	<u>\$ 11,443,145</u>

Deposits

Deposits with financial institutions include bank demand deposits. The total bank balance, as shown on the banks' records, was \$386,417 at December 31, 2010, and \$408,077 at December 31, 2009. Of these deposits, the total covered by federal depository insurance was \$295,553 at December 31, 2010, and \$284,075 at December 31, 2009.

The Oregon State Treasurer is responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) Chapter 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third-party custodian bank securities having a value of 10%, 25% or 110% of public funds on deposit depending primarily on the capitalization level of the depository bank.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for deposits custodial credit risk. Of the District's bank balance, \$90,864 was exposed to custodial credit risk as of December 31, 2010, and \$124,002 was exposed to custodial credit risk as of December 31, 2009, because deposits in excess of FDIC insurance were uncollateralized and/or were collateralized but not held by the third-party custodian bank in the District's name.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

3 - CASH AND INVESTMENTS: (Contd)

Investments

State statutes authorize the District to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the Oregon Local Government Investment Pool, among others. The District has no investment policy that would further limit its investment choices.

At December 31, 2010, and 2009, the District's investments consisted of:

	<u>2010</u>	<u>2009</u>
Investment in Oregon Local Government Investment Pool	<u>\$ 11,131,606</u>	<u>\$ 11,205,864</u>

The Oregon Local Government Investment Pool is an open-ended, no-load diversified portfolio pool. The fair value of the District's position in the pool is substantially the same as the value of the District's participant balance. The District's investment in the Oregon Local Government Investment Pool is 100% of total investments.

The Oregon Local Government Investment Pool is an external investment pool which is part of the Oregon Short-Term Fund. Investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund does not receive credit quality ratings from nationally recognized statistical rating organizations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of investments in the Oregon Short-Term Fund at December 31, 2010 were: 75% mature within 93 days, 7% mature from 94 days to one year, and 18% mature from one to three years. Weighted average maturities of investments in the Oregon Short-Term Fund at December 31, 2009 were: 64% mature within 93 days, 13% mature from 94 days to one year, and 23% mature from one to three years.

The District has designated cash and investments totaling \$107,311 at December 31, 2010, and \$107,456 at December 31, 2009, for bond debt service.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

4 - LONG-TERM DEBT:

Revenue Obligations Payable

During September 2000, the District issued Series 2000A Electric System Revenue Obligations totaling \$9,430,000. Proceeds of the Series 2000A Revenue Obligations were primarily used to pay off a line of credit drawn on to pay for the cost of acquisition of service territory and facilities acquired from Portland General Electric in August 2000. Series 2000A Revenue Obligations are special limited obligations of the District payable solely from and secured by a pledge of the net operating revenues of the electric system and amounts on deposit in the debt service account and the reserve account.

During April 2006, the District issued Series 2006 Electric System Revenue Refunding Obligations totaling \$6,090,000. Proceeds of the Series 2006 Revenue Refunding Obligations were used to advance refund \$5,570,000 of Series 2000B Revenue Obligations through an in-substance defeasance. The in-substance defeasance was accomplished by placing the Series 2006 Revenue Refunding Obligations proceeds in an irrevocable trust. All Series 2000B Revenue Obligations were redeemed on December 1, 2010 at par. Series 2006 Revenue Refunding Obligations are special limited obligations of the District payable solely from and secured by a pledge of the net operating revenues of the electric system and amounts on deposit in the debt service account and the reserve account.

Revenue obligations principal and interest transactions for 2010 are as follows:

	<u>Balance</u> <u>January 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>December 31, 2010</u>
Principal	<u>\$ 10,815,000</u>	<u>\$ -</u>	<u>\$ 790,000</u>	<u>\$ 10,025,000</u>
	<u>Balance</u> <u>January 1, 2010</u>	<u>Matured</u>	<u>Paid</u>	<u>Balance</u> <u>December 31, 2010</u>
Interest	<u>\$ -</u>	<u>\$ 496,675</u>	<u>\$ 496,675</u>	<u>\$ -</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

4 - LONG-TERM DEBT: (Contd)

Revenue Obligations Payable (Contd)

At December 31, 2010, and 2009, revenue obligations payable consist of the following:

	<u>2010</u>	<u>2009</u>
Series 2000A Revenue Obligations, principal payable annually on December 1. Interest at 5.1% to 5.45% per annum payable semi-annually on June 1 and December 1 each year.	\$ 3,985,000	\$ 4,725,000
Series 2006 Revenue Refunding Obligations, principal payable annually on December 1 beginning in 2010. Interest at 3.5% to 4.75% per annum payable semi-annually on June 1 and December 1 each year.	<u>6,040,000</u>	<u>6,090,000</u>
	10,025,000	10,815,000
Less current maturities	<u>825,000</u>	<u>790,000</u>
Long-term debt	<u>\$ 9,200,000</u>	<u>\$10,025,000</u>

As of December 31, 2010, scheduled annual maturities of revenue obligations principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 825,000	\$ 457,925	\$ 1,282,925
2012	870,000	416,650	1,286,650
2013	915,000	372,262	1,287,262
2014	965,000	325,051	1,290,051
2015	1,015,000	274,352	1,289,352
2016-2020	<u>5,435,000</u>	<u>650,188</u>	<u>6,085,188</u>
Total	<u>\$ 10,025,000</u>	<u>\$ 2,496,428</u>	<u>\$12,521,428</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

4 - LONG-TERM DEBT: (Contd)

Revenue Obligations Payable (Contd)

The unamortized premium on revenue obligations, and the unamortized debt expense, which includes unamortized debt issuance expenses and loss on reacquired debt, are being amortized over the lives of the related revenue obligations issues using the straight-line method.

5 - RETIREMENT PLANS:

PENSION PLAN:

Plan Description

The District participates in the State of Oregon Public Employees Retirement System (PERS), an agent multiple-employer pension plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The system is a statewide defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. PERS is administered under Oregon Revised Statutes Chapter 238 and Chapter 238A by the Public Employees Retirement Board. Participation by state government units, school districts, and community colleges is mandatory. Participation by most political subdivisions is optional but irrevocable if elected. A stand-alone financial report is not available for the District. However, the State of Oregon Public Employees Retirement System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, 11410 S.W. 68th Parkway, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling (503) 598-PERS.

Funding Policy

PERS members are required to contribute 6% of their annual covered salary after fulfilling a mandatory six-month waiting period as public employees to become members of PERS. The District is required to contribute an actuarially determined rate; the rate was 9.5% of annual covered payroll during the first six months of 2009, and 8.93% of annual covered payroll during the last six months of 2009 and all of 2010. The District also contributed for Oregon Public Service Retirement Plan member employees at a rate of 12.78% during the first six months of 2009, and 10.32% during the last six months of 2009 and all of 2010. The District contributes the employer's portion and the employee's portion for all employees. The contribution requirements of plan members and the District are established and may be amended by the Public Employees Retirement Board.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

5 - RETIREMENT PLANS: (Contd)

PENSION PLAN: (CONTD)

Annual Pension Cost

For 2010 and 2009, the District's annual pension costs, for the employer's portion only, of \$369,562 and \$380,615, respectively, for the system were equal to the District's required and actual contributions. The required contributions for the first six months of 2009 were determined as part of the December 31, 2005 actuarial valuation which used the projected unit credit actuarial cost method. The required contributions for the last six months of 2009 and all of 2010 were determined as part of the December 31, 2007 actuarial valuation which used the projected unit credit actuarial cost method.

The December 31, 2005 actuarial valuation, which provided employer contribution rates which became effective July 1, 2007, uses the projected unit credit actuarial cost method. The unfunded actuarial liability is being amortized as a level percentage of combined valuation payroll over the period from the valuation date to December 31, 2027. As of December 31, 2005, the amortization period is 22 years. When the amortization period reaches 20 years, the period for the existing unfunded actuarial liability will continue to decline until it is paid off and new gains and losses recognized in each odd-year valuation will be amortized over a period of 20 years from that valuation. The change in the unfunded actuarial liability due to the change in the actuarial cost method from the entry age actuarial cost method to the projected unit credit actuarial cost method is being amortized as a level percentage of combined valuation payroll over a rolling three-year period. On December 31, 2005, the actuarial value of assets was equal to the market value of assets. Significant actuarial assumptions used in the valuation include (a) consumer price inflation of 2.75% per year, (b) a rate of return on the investment of assets of 8.00% compounded annually, and (c) future general wage inflation of 3.75% per year.

The December 31, 2007 actuarial valuation, which provided employer contribution rates which became effective July 1, 2009, uses the projected unit credit actuarial cost method. The unfunded actuarial liability is being amortized as a level percentage of combined valuation payroll over a closed 20-year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years from the odd-year valuation in which they are first recognized. The change in the unfunded actuarial liability due to the change in the actuarial cost method from the entry age actuarial cost method to the projected unit credit actuarial cost method is being amortized as a level percentage of combined valuation payroll over a rolling three-year period. On December 31, 2007, the actuarial value of assets was equal to the market value of assets. Significant actuarial assumptions used in the valuation include (a) consumer price inflation of 2.75% per year, (b) a rate of return on the investment of assets of 8.00% compounded annually, and (c) future general wage inflation of 3.75% per year.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

5 - RETIREMENT PLANS: (Contd)

PENSION PLAN: (CONTD)

Annual Pension Cost (Contd)

<u>Three-Year Trend Information</u>			
<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12-31-10	\$ 369,562	100%	\$ -
12-31-09	\$ 380,615	100%	\$ -
12-31-08	\$ 368,032	100%	\$ -

Funding Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 85% funded. The actuarial value of assets was \$10,976,475, and the actuarial accrued liability for benefits was \$12,944,562, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,968,087. The covered payroll was \$3,947,347, and the ratio of the UAAL to the covered payroll was 50%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The December 31, 2009 actuarial valuation uses the projected unit credit actuarial cost method. The unfunded actuarial liability is being amortized as a level percentage of combined valuation payroll over a closed 20-year period (for Retiree Healthcare a closed 10-year period is used). Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 years for Retiree Healthcare and 16 years for Oregon Public Service Retirement Plan) from the odd-year valuation in which they are first recognized. On December 31, 2009, the actuarial value of assets was equal to the market value of assets. Significant actuarial assumptions used in the valuation include (a) consumer price inflation of 2.75% per year, (b) a rate of return on the investment of assets of 8.00% compounded annually, and (c) future general wage inflation of 3.75% per year.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

5 - RETIREMENT PLANS: (Contd)

DEFINED CONTRIBUTION PLAN:

The District established the Columbia River People's Utility District 401(a) Deferred Compensation Matching Plan effective January 1, 2007. The plan is a defined contribution plan which is administered by the District and which is available to all eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District is required to contribute an amount equal to the amount that eligible employees contribute (1% to 4% of employee compensation) to the District's IRC Section 457(b) plan. The District is also required to contribute a performance contribution for eligible employees equal to 2% of employee compensation. During 2010 and 2009, the District made the required contributions of \$205,660 and \$195,018, respectively. Plan provisions are established by and may be amended by the District.

DEFERRED COMPENSATION PLAN:

The District offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to all employees who elect to participate. All assets of the deferred compensation plan are held in trust by third-party trustees for the exclusive benefit of the participants and their beneficiaries. Because the District does not have fiduciary accountability for the plan and does not hold plan assets in a trustee capacity, the deferred compensation plan is not reported in the District's financial statements.

6 - POST-EMPLOYMENT HEALTH CARE BENEFITS:

Plan Description

The District administers a single-employer defined benefit healthcare plan. The plan consists of a lump sum benefit subsidy payment upon retirement into a HRA-VEBA account. Retirees and their spouses have the option of purchasing health care, dental and vision insurance through the District up to age 65 with the retiree paying the entire premium. Benefit provisions are established through District policy. The District's post-employment health care plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements are established through District policy. The basic benefit subsidy is equal to sixty months of the premium cost at the time of retirement to reflect the value of 100% of the retiree's premium and 50% of their spouse's premium. This benefit subsidy is reduced for retirees who have less than 30 years of service but meet all other eligibility requirements, and increased for retirees who have more than 30 years of service if retirement occurs after the age of 60. Funding is on a pay-as-you-go basis. The District contributed \$51,192 and \$0, respectively, to the plan during 2010 and 2009.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

6 - POST-EMPLOYMENT HEALTH CARE BENEFITS: (Contd)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a 30 year period. The following table shows the components of the District's annual OPEB cost for the year, amounts actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 64,637
Interest on net OPEB obligation	6,425
Adjustment to annual required contribution	<u>(7,960)</u>
Annual OPEB cost	63,102
Contributions made	<u>(51,192)</u>
Increase in net OPEB obligation	11,910
Net OPEB obligation - beginning of year	<u>128,502</u>
Net OPEB obligation - end of year	<u><u>\$ 140,412</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2009 and 2008 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 63,102	81.1%	\$ 140,412
12/31/2009	\$ 63,865	0.0%	\$ 128,502
12/31/2008	\$ 64,637	0.0%	\$ 64,637

Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$462,500 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$462,500. The covered payroll (annual payroll of active employees covered by the plan) was \$3,315,875 for 2008 and the ratio of the UAAL to the covered payroll was 14%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2010, and 2009

6 - POST-EMPLOYMENT HEALTH CARE BENEFITS: (Contd)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation conducted as of December 31, 2008, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized using the level-dollar method over a 30-year period on an open basis. Actuarial assumptions included a discount rate of 5% and an annual healthcare cost trend rate of 8% initially, reduced to an ultimate rate of 5% beginning in 2012.

7 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. ORS 30.260 to 30.300 generally limits the District's liability with respect to torts. The District is a member of Special Districts Insurance Services (SDIS) and pays an annual premium to SDIS for risks of loss including general liability, automobile liability, public official liability and property coverage. Under the membership agreement with SDIS, SDIS is to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

8 - INCOME TAX STATUS:

The District is a people's utility district organized under Oregon Revised Statutes Chapter 261. As a political subdivision of the State of Oregon, the District is exempt from taxation under the provisions of Section 115 of the Internal Revenue Code.

9 - POWER PURCHASE AGREEMENTS:

In September 2000, the District executed a Full Service Power Sales Agreement with the Bonneville Power Administration (BPA) for the period October 1, 2001 through September 30, 2011. Wholesale power rates under this agreement are not fixed.

In November 2008, the District executed a Power Sales Agreement with the BPA for the period October 1, 2011 through September 30, 2028. Wholesale power rates under this agreement are not fixed.

REQUIRED SUPPLEMENTARY INFORMATION

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Funding Progress for Retirement Plan

	Actuarial Valuation Date		
	<u>12-31-09</u>	<u>12-31-08</u>	<u>12-31-07</u>
Actuarial value of assets (a)	\$ 10,976,475	\$ 9,237,840	\$ 11,946,047
Actuarial accrued liability (b)	<u>12,944,562</u>	<u>11,926,365</u>	<u>11,559,613</u>
Unfunded actuarial accrued liability-(funding excess) (b-a)	<u>\$ 1,968,087</u>	<u>\$ 2,688,525</u>	<u>\$ (386,434)</u>
Funded ratio (a/b)	<u>85%</u>	<u>77%</u>	<u>103%</u>
Covered payroll (c)	<u>\$ 3,947,347</u>	<u>\$ 3,627,190</u>	<u>\$ 3,346,090</u>
Unfunded actuarial accrued liability-(funding excess) as a percentage of covered payroll ((b-a)/c)	<u>50%</u>	<u>74%</u>	<u>(12)%</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Funding Progress for Retiree Health Plan

	Actuarial Valuation Date
	<u>12-31-08</u>
Actuarial value of assets (a)	\$ -
Actuarial accrued liability (b)	<u>462,500</u>
Unfunded actuarial accrued liability (b-a)	<u>\$ 462,500</u>
Funded ratio (a/b)	<u>0%</u>
Covered payroll (c)	<u>\$ 3,315,875</u>
Unfunded actuarial accrued liability as a percentage of covered payroll ((b-a)/c)	<u>14%</u>

OTHER SUPPLEMENTARY INFORMATION

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Revenues and Expenses - Budget (Non GAAP Budgetary Basis) and Actual
Year Ended December 31, 2010

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
Revenues and nonoperating income:			
Operating revenues:			
Residential	\$ 14,266,528	\$ 13,538,499	\$ (728,029)
General service - 30kW or less	1,916,223	1,901,876	(14,347)
General service - over 30kW	3,914,570	3,884,088	(30,482)
Industrial	6,825,048	6,286,237	(538,811)
Street lighting and signals	220,048	172,645	(47,403)
Irrigation	129,738	121,648	(8,090)
Other operating revenues	334,525	314,638	(19,887)
Total operating revenues	<u>27,606,680</u>	<u>26,219,631</u>	<u>(1,387,049)</u>
Nonoperating income:			
Interest on investments	102,000	62,842	(39,158)
Other nonoperating income	121,146	263,482	142,336
Total nonoperating income	<u>223,146</u>	<u>326,324</u>	<u>103,178</u>
Total revenues and nonoperating income	<u>27,829,826</u>	<u>26,545,955</u>	<u>(1,283,871)</u>
Operating and nonoperating expenses:			
Operating expenses:			
Cost of power	15,492,645	14,862,923	629,722
Transmission and distribution expense	2,409,791	2,096,391	313,400
Customer accounts expense	816,093	701,090	115,003
Customer service and informational expense	596,752	224,215	372,537
Administrative and general expense	3,603,401	3,430,827	172,574
Depreciation and amortization	1,487,505	1,910,653	(423,148)
Taxes and franchise fees	898,803	899,567	(764)
Total operating expenses	<u>25,304,990</u>	<u>24,125,666</u>	<u>1,179,324</u>
Nonoperating expenses:			
Interest expense	512,831	493,433	19,398
Amortization of debt expense and premium	56,262	56,261	1
Total nonoperating expenses	<u>569,093</u>	<u>549,694</u>	<u>19,399</u>
Total operating and nonoperating expenses	<u>25,874,083</u>	<u>24,675,360</u>	<u>1,198,723</u>
Net income	<u>\$ 1,955,743</u>	<u>\$ 1,870,595</u>	<u>\$ (85,148)</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Revenue Obligations Principal and Interest Transactions
Year Ended December 31, 2010

	Principal Transactions			Outstanding 12-31-10
	Outstanding 1-1-10	2010 Issues	2010 Retirements	
Series 2000A Revenue Obligations	\$ 4,725,000	\$ -	\$ 740,000	\$ 3,985,000
Series 2006 Revenue Obligations	6,090,000	-	50,000	6,040,000
Totals	<u>\$ 10,815,000</u>	<u>\$ -</u>	<u>\$ 790,000</u>	<u>\$ 10,025,000</u>

	Interest Transactions			Matured 12-31-10
	Matured 1-1-10	2010 Maturities	2010 Payments	
Series 2000A Revenue Obligations	\$ -	\$ 246,808	\$ 246,808	\$ -
Series 2006 Revenue Obligations	-	249,867	249,867	-
Totals	<u>\$ -</u>	<u>\$ 496,675</u>	<u>\$ 496,675</u>	<u>\$ -</u>

SCHEDULE 5

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Future Revenue Obligations Principal and Interest Requirements
December 31, 2010

Year	Series 2000A Revenue Obligations			Series 2006 Revenue Obligations		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 775,000	\$ 209,807	\$ 984,807	\$ 50,000	\$ 248,118	\$ 298,118
2012	815,000	170,283	985,283	55,000	246,367	301,367
2013	860,000	127,902	987,902	55,000	244,360	299,360
2014	905,000	82,753	987,753	60,000	242,298	302,298
2015	630,000	34,335	664,335	385,000	240,017	625,017
2016	-	-	-	1,065,000	225,388	1,290,388
2017	-	-	-	1,115,000	174,800	1,289,800
2018	-	-	-	1,155,000	130,200	1,285,200
2019	-	-	-	1,205,000	84,000	1,289,000
2020	-	-	-	895,000	35,800	930,800
Totals	<u>\$ 3,985,000</u>	<u>\$ 625,080</u>	<u>\$ 4,610,080</u>	<u>\$ 6,040,000</u>	<u>\$ 1,871,348</u>	<u>\$ 7,911,348</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Future Revenue Obligations Principal and Interest Requirements
December 31, 2010

Total Future Requirements		
<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 825,000	\$ 457,925	\$ 1,282,925
870,000	416,650	1,286,650
915,000	372,262	1,287,262
965,000	325,051	1,290,051
1,015,000	274,352	1,289,352
1,065,000	225,388	1,290,388
1,115,000	174,800	1,289,800
1,155,000	130,200	1,285,200
1,205,000	84,000	1,289,000
895,000	35,800	930,800
<u>\$10,025,000</u>	<u>\$2,496,428</u>	<u>\$12,521,428</u>

STATISTICAL INFORMATION

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statistical Information
Last Five Years

	2010	2009	2008	2007	2006
Number of customers: (1)					
Residential	16,121	16,084	16,011	15,779	15,530
General service - 30kW or less	1,662	1,660	1,713	1,708	1,691
General service - over 30kW	229	220	214	207	197
Industrial	8	8	9	9	10
Street lighting and signals	512	513	562	551	544
Irrigation	58	57	60	60	59
Total customers	<u>18,590</u>	<u>18,542</u>	<u>18,569</u>	<u>18,314</u>	<u>18,031</u>
Energy requirements: (MWh)					
Energy sales:					
Residential	209,135	218,328	215,038	205,536	199,772
General service - 30kW or less	26,021	26,955	27,107	26,340	26,882
General service - over 30kW	58,516	60,261	64,009	62,865	61,517
Industrial	154,606	162,561	203,521	202,724	219,689
Street lighting and signals	1,815	1,905	2,115	2,147	2,153
Irrigation	1,904	1,716	1,929	1,834	2,664
Total energy sales	<u>451,997</u>	<u>471,726</u>	<u>513,719</u>	<u>501,446</u>	<u>512,677</u>
Used by utility	544	538	484	457	421
Losses	<u>11,378</u>	<u>15,476</u>	<u>15,146</u>	<u>13,970</u>	<u>13,538</u>
Total energy requirements	<u>463,919</u>	<u>487,740</u>	<u>529,349</u>	<u>515,873</u>	<u>526,636</u>
Operating revenues:					
Sales of electricity:					
Residential	\$13,538,499	\$14,127,055	\$14,078,591	\$13,409,132	\$13,267,264
General service - 30kW or less	1,901,876	1,972,243	1,994,088	1,969,972	1,980,316
General service - over 30kW	3,884,088	3,955,073	4,184,141	4,097,912	4,013,367
Industrial	6,286,237	6,530,560	8,136,854	8,208,173	8,983,597
Street lighting and signals	172,645	178,990	208,949	237,791	232,332
Irrigation	121,648	110,330	123,248	117,642	158,333
Total sales of electricity	<u>25,904,993</u>	<u>26,874,251</u>	<u>28,725,871</u>	<u>28,040,622</u>	<u>28,635,209</u>
Other operating revenues	<u>314,638</u>	<u>291,176</u>	<u>305,657</u>	<u>374,808</u>	<u>178,255</u>
Total operating revenues	<u>\$26,219,631</u>	<u>\$27,165,427</u>	<u>\$29,031,528</u>	<u>\$28,415,430</u>	<u>\$28,813,464</u>
Average annual kWh used per customer:					
Residential	12,973	13,574	13,431	13,026	12,864
General service - 30kW or less	15,656	16,238	15,824	15,422	15,897
General service - over 30kW	255,528	273,914	299,107	303,696	312,269
Industrial	19,325,750	20,320,125	22,613,444	22,524,889	21,968,900
Street/area lighting and signals	3,545	3,713	3,763	3,897	3,958
Irrigation	32,828	30,105	32,150	30,567	45,153
Average revenue per kWh: (in cents)					
Residential	6.474	6.471	6.547	6.524	6.641
General service - 30kW or less	7.309	7.317	7.356	7.479	7.367
General service - over 30kW	6.638	6.563	6.537	6.519	6.524
Industrial	4.066	4.017	3.998	4.049	4.089
Street/area lighting and signals	9.512	9.396	9.879	11.076	10.791
Irrigation	6.389	6.429	6.389	6.415	5.943
Average all classes	<u>5.731</u>	<u>5.697</u>	<u>5.592</u>	<u>5.592</u>	<u>5.585</u>

(1) Annual monthly average

**INDEPENDENT AUDITOR'S COMMENTS REQUIRED BY
OREGON STATE REGULATIONS**

INDEPENDENT AUDITOR'S COMMENTS
REQUIRED BY OREGON STATE REGULATIONS

March 3, 2011

Board of Directors
Columbia River People's Utility District
Deer Island, Oregon

We have audited the financial statements of Columbia River People's Utility District as of and for the year ended December 31, 2010, and have issued our report thereon dated March 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Columbia River People's Utility District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe Columbia River People's Utility District was not in substantial compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

This report is intended solely for the information and use of the Board of Directors, management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.