

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

AUDIT REPORT

Years Ended December 31, 2014, and 2013

KENNETH KUHNS & CO.

Certified Public Accountants
570 Liberty Street S.E., Suite 210
Salem, Oregon 97301-3594

Telephone: (503) 585-2550

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COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

December 31, 2014

Board of Directors

Carol Everman	74642 Larson Road Rainier, Oregon 97048	President
David Baker	31760 Raymond Creek Road Scappoose, Oregon 97056	Vice-President
Jake Carter	154 Lee Street St. Helens, Oregon 97051	Treasurer
Richard Simpson	32501 Pittsburg Road St. Helens, Oregon 97051	Director
Loren Tarbell	33807 Tarbell Road Scappoose, Oregon 97056	Director

Administrative Staff

Steven E. Hursh	Interim General Manager
Sheila K. Duehring	Accounting and Finance Manager
Valarie L. Koss	Administration, Government and Community Relations Manager
Serena Brooks	Information Technology Manager

PUD Office

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

Telephone: (503) 397-1844

INDEPENDENT AUDITOR'S REPORT

March 6, 2015

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

Report on the Financial Statements

We have audited the financial statements of Columbia River People's Utility 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. Those standards require that we plan and perform the audits 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia River People's Utility 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 management's discussion and analysis on pages 5 through 14, the schedule of funding progress for retirement plan on page 33 and the schedule of funding progress for retiree health plan on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information and Statistical Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The other supplementary information listed in the table of contents and the statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated March 6, 2015 on our consideration of Columbia River People's Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. 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 the internal control over financial reporting or on compliance.

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Columbia River PUD

Management Discussion and Analysis

2014 Audit

This section presents management's overview of Columbia River PUD's (PUD) financial condition and performance during the year ended December 31, 2014. 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. Management's Discussion and Analysis is compiled using summary financial statements, key financial and operational indicators used in the strategic plan, budget documents and other management tools, and 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 statement of net position, 2) a statement of revenues, expenses and changes in net position, 3) a statement of cash flows, and 4) accompanying notes to the financial statements, which are described as follows:

- **Statement of Net Position** – This statement presents the financial position of the PUD on an accrual historical cost basis. It gives a snapshot of the nature and amount of the PUD's resources and obligations for the years ended December 31, 2014 and 2013.
- **Statement of Revenues, Expenses and Changes in Net Position** – This statement presents the results of the PUD's activities over the course of the year and information as to how the PUD's net position changed during the year. Changes in net position 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 PUD'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 receipt 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 PUD'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 PUD includes schedules of funding progress for the retirement plan and retiree health plan, schedules presenting the PUD's future debt service requirements, and other data required in accordance with certain provisions of the PUD's debt covenants.

Columbia River PUD Management Discussion and Analysis 2014 Audit

Overview of Significant 2014 Events

Decreased Energy Usage

Industrial usage decreased by 1.4% when compared to 2013, primarily due to unscheduled shutdowns for a large industrial customer in February, April and September, as well as an unplanned maintenance shutdown for another large industrial customer in September. Warmer than average temperatures throughout the year resulted in decreased usage in the residential and small general service sectors.

Progress on Major Capital Upgrades

The PUD office remodel and Fairgrounds Substation capital projects were mostly completed in 2014. Board approval was given to solicit bids for a new substation transformer at the Rosehill Substation.

Election of New Board Members

Two new Board members were elected in November 2014. Craig Melton (Scappoose/Warren) and Harry Price (Deer Island/Prescott/Columbia City/Rainier) will replace long-time Board members Loren Tarbell and Carol Everman.

General Manager Resigns

In December 2014, Kevin Owens resigned as General Manager. Engineering & Operations Manager, Steve Hursh, was appointed Interim General Manager. Mr. Owens had served as General Manager since January 2004.

December 2014 Windstorm

On December 11, 2014, the Pacific Northwest was hit with a major windstorm. Wind gusts of 67 mph were recorded at the Portland airport, the highest since 1981. The wind brought down many trees: blocking roads, breaking power poles and damaging lines across the PUD's service territory. Nearly 12,000, or 64%, of the PUD's customers were without power. While most customers had power restored within hours, some were without power for three days. The PUD incurred \$181 thousand in labor, overtime, equipment and contractor expenses. Columbia County did not qualify for FEMA reimbursement of the storm damage.

PUD Celebrated 30 Years

On August 31, 2014, Columbia River PUD celebrated 30 years of providing safe, reliable, affordable and local service to customers of Columbia County.

Columbia River PUD

Management Discussion and Analysis

2014 Audit

Overview of 2014 Financial Performance

Columbia River PUD’s net income was \$688 thousand in 2014, \$205 thousand higher than in 2013, which increased the PUD’s net position to \$36.3 million. These increases in net income and net position reflect management’s continued efforts to:

- Manage controllable expenses through continuous process improvement
- Remain focused on long-term strategic capital and financial plans
- Invest in capital infrastructure to maintain excellent reliability, safety and service levels
- Maintain a strong level of cash reserves
- Maintain an “A+ Stable” bond rating and remain on-track to pay off all debt in 2020

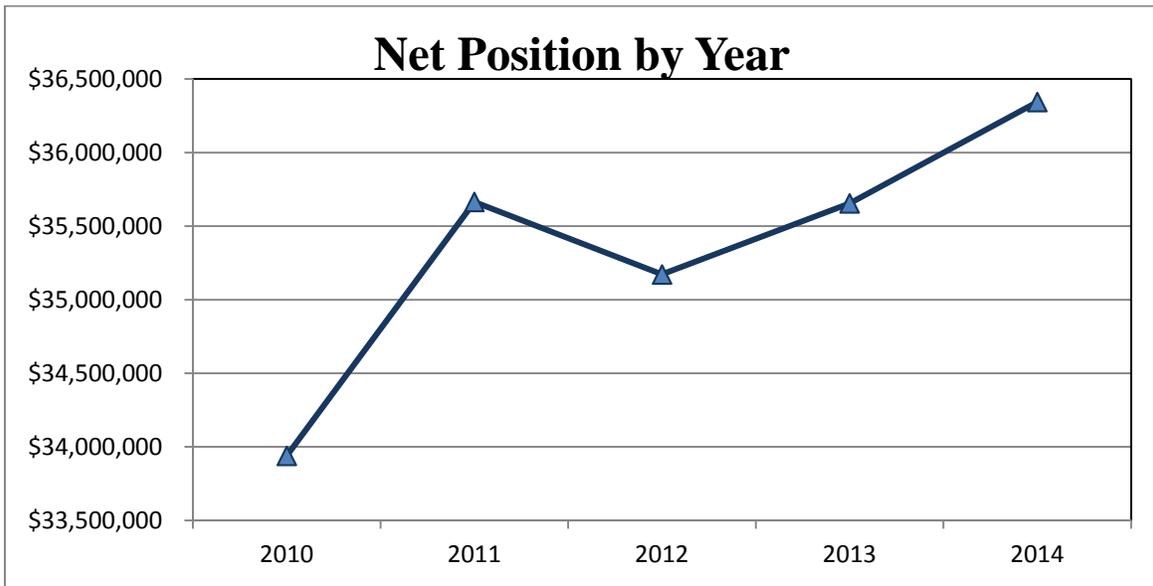
COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Condensed Statement of Net Position

(thousands \$)

	2014	2013	2012
Assets			
Utility plant (net)	\$ 33,723	\$ 33,080	\$ 32,992
Cash and other current assets	14,191	14,648	14,589
Deferred charges and other	220	255	290
Total Assets	48,134	47,983	47,871
Liabilities			
Long-term debt	5,467	6,487	7,458
Current liabilities	5,565	5,365	4,844
Deferred credits	758	475	397
Total Liabilities	11,790	12,327	12,699
Net Position			
Net investment in plant	27,449	25,871	24,898
Restricted for debt service	89	80	76
Unrestricted	8,806	9,705	10,198
Total Net Position	\$ 36,344	\$ 35,656	\$ 35,172

Columbia River PUD Management Discussion and Analysis 2014 Audit



Economic Conditions

While the overall economy continues its gradual recovery from the Great Recession, Columbia County continues to lag. Columbia County added 180 non-farm jobs in 2014, but the number of people in the county looking for work increased by 695, causing a slight increase in the unemployment rate to 7.7% in December 2014, compared to 7.5% at the end of 2013. This is higher than the December 2014 Oregon state unemployment rate of 6.7% and the national unemployment rate of 5.6%.

In the industrial sector, manufacturing companies continue to gradually add back jobs lost during the economic contraction. In 2014, sixty manufacturing jobs were added in Columbia County, primarily in paper manufacturing and durable goods. The PUD continues to support local economic development projects in the county, working closely with community leaders and prospective businesses to bring living-wage jobs back to the area.

Columbia River PUD Management Discussion and Analysis 2014 Audit

Customer Usage

Total energy sales for all PUD customers was 463,941 MWh in 2014, down 0.6% from 2013. This decrease was caused primarily by moderate weather and unplanned shutdowns for two industrial customers, partially offset by growth in the large general service sector.

Residential

Residential customer usage was 210,026 MWh in 2014, down 1.2% from 2013. Residential usage is highly correlated to the weather. 2014 was warmer than 2013 in every month except February and June. This resulted in lower usage in the fall and winter, particularly in January and December.

Small General Service

Small general service customer usage was 27,082 MWh in 2014, down by just 0.1% from 2013.

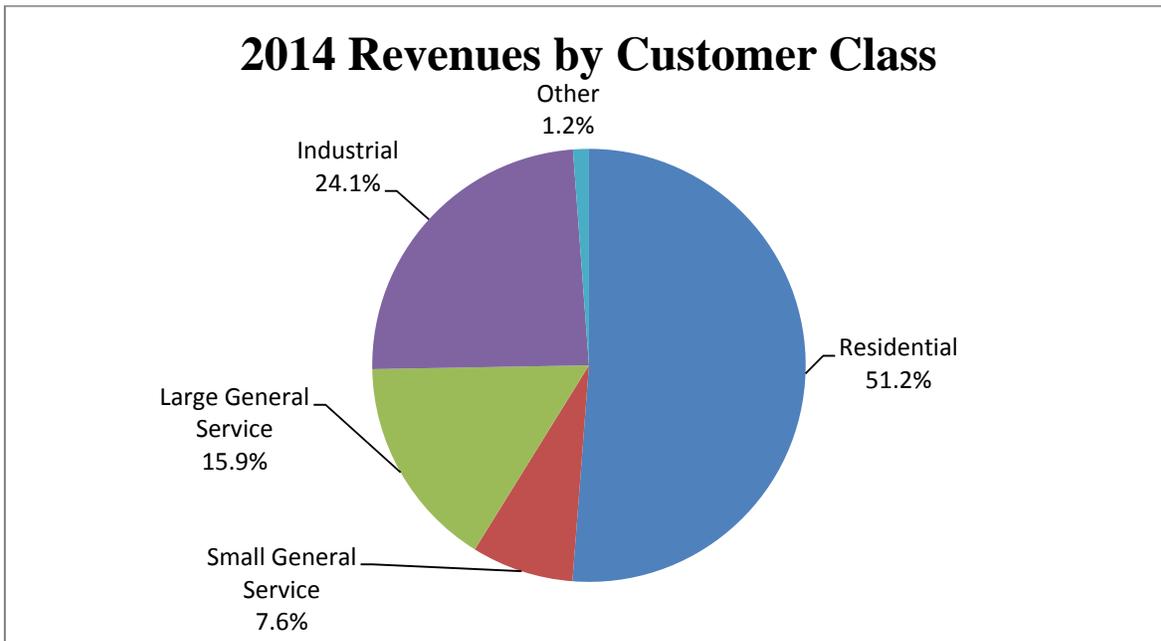
Large General Service

Large general service customer usage was 64,097 MWh in 2014, up 2.7% from 2013. This increase was attributed to increased usage from customers.

Large Industrial

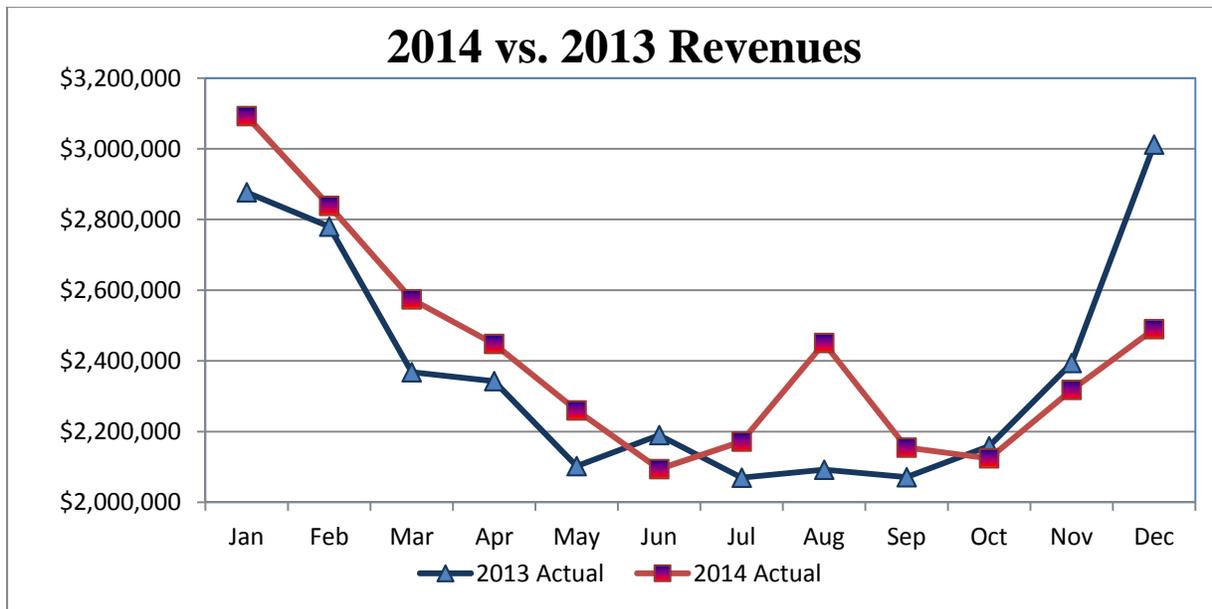
Usage among industrial customers was 158,745 MWh in 2014, down 1.4% from 2013. This decrease was due primarily to unplanned maintenance shutdowns by two of the PUD's largest industrial customers. Increased industrial customer usage outside of these shutdowns helped lessen the overall impact to the utility.

Columbia River PUD Management Discussion and Analysis 2014 Audit



Rates

In October 2013, an overall rate increase of 4.65% took effect for PUD customers. This resulted in additional revenue in the first three quarters of the year when compared to 2013 (fourth quarter rates were the same year-over-year). The PUD will conduct a cost of service analysis in 2015 to determine the need for adjustments to rates resulting from an expected wholesale power cost increase from Bonneville Power Administration in October 2015.



Columbia River PUD

Management Discussion and Analysis

2014 Audit

Revenues

Operating revenues were \$29.0 million in 2014, an increase of \$559 thousand, or 2.0%, from 2013 levels. Revenues trended mostly as expected, running slightly higher in the first three quarters of the year and increasing in August due to warmer than average temperatures. Revenues leveled out during the fourth quarter and were considerably lower in December 2014 when compared with December 2013, when the region experienced colder than normal temperatures.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Condensed Statements of Revenues, Expenses and Change in Net Position

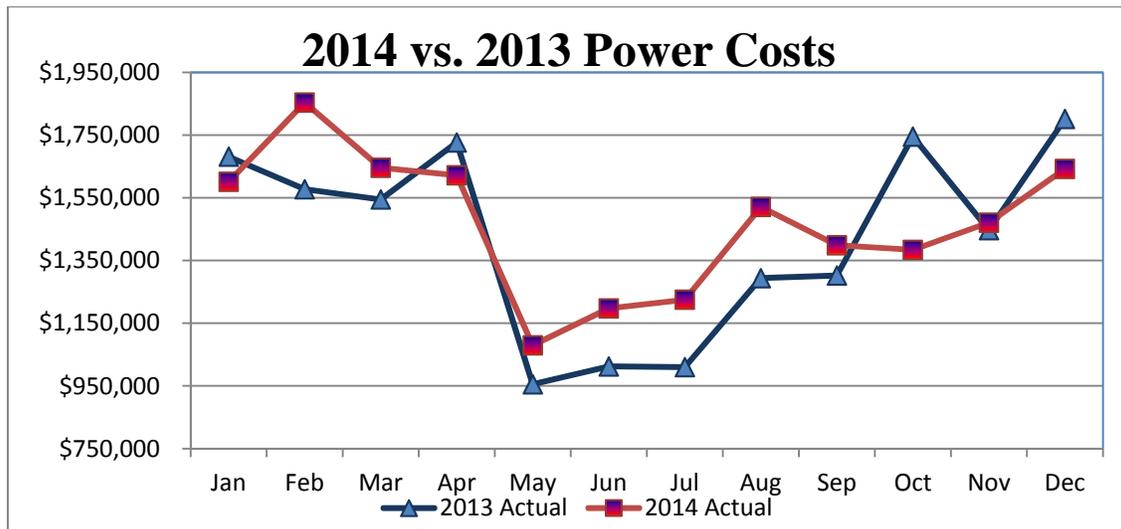
(thousands \$)

	2014	2013	2012
Revenue and Other Income			
Charges for electric services	\$ 28,705	\$ 28,135	\$ 27,467
Other electric revenue	311	322	311
Total operating revenue	<u>29,016</u>	<u>28,457</u>	<u>27,778</u>
Interest earnings	57	60	67
Other income	114	142	263
Total revenue and other income	<u>29,187</u>	<u>28,659</u>	<u>28,108</u>
Expenses			
Expenses for service			
Electric - purchased power costs	17,640	17,095	16,440
Electric - operating costs	10,505	10,623	11,640
Total expenses for services	<u>28,145</u>	<u>27,718</u>	<u>28,080</u>
Interest and amortization of debt	351	398	443
Other	3	59	78
Total expenses	<u>28,499</u>	<u>28,175</u>	<u>28,601</u>
Increase (decrease in net position)	688	484	(493)
Total net position - beginning of year	35,656	35,172	35,665
Total net position - end of year	\$ 36,344	\$ 35,656	\$ 35,172

Columbia River PUD Management Discussion and Analysis 2014 Audit

Power Costs

Net power costs were \$17.6 million in 2014, up \$545 thousand from 2013. The additional power costs were primarily a result of a Bonneville Power Administration (BPA) rate increase that took effect in October 2013. This power cost increase was partially offset by refunds from revised BPA billings for October 2011 through March 2014. BPA recalculated the demand charge for this period and the PUD received billing credits of \$149 thousand. In October 2014, the PUD received an additional credit from BPA of \$58 thousand for the annual load shaping true-up.



Operating Expenses

Operating expenses were \$10.5 million in 2014, \$119 thousand, or 1.1%, lower than in 2013. This decrease in operating expense was primarily a result of reduced depreciation expense as well as staff vacancies. These operating expenses would have been lower had it not been for the \$181 thousand of unexpected expense related to the December 2014 windstorm.

Operating Expenses

(thousands \$)

	2014	2013	Difference
Transmission and distribution expense	\$ 2,346	\$ 2,283	\$ 63
Customer accounts expense	652	645	7
Customer service and informational expense	507	440	67
Administrative and general expense	3,966	4,098	(132)
Depreciation	1,979	2,157	(178)
Taxes	1,055	1,001	54
Total other operating expenses	\$ 10,505	\$ 10,623	\$ (119)

Columbia River PUD

Management Discussion and Analysis

2014 Audit

Capital Projects

The PUD continued to invest in its capital infrastructure in 2014. These investments flow from the PUD's 5-year capital plan, are fully-funded from cash reserves and contribute to the PUD's ability to maintain excellent reliability and service levels. Some of the major projects undertaken in 2014 include:

- The office remodel and expansion
- Continued work on the Fairgrounds Substation
- Continued investment in IT infrastructure, including upgrading the PUD's core accounting software system, adding new servers and enhancing security software
- Completion of the upgrade to the Dutch Canyon distribution line
- Completion of phase II of the Highway 30 overhead line upgrades
- Completion of the Wonderly Road and Nicolai Cutoff Road reconductor projects
- Completion of the reconductor project along 2nd Street in Columbia City
- Replaced underground cable at Rainier High School
- Replaced underground cable at Maple Street in Scappoose

The total capital budget (net of customer contributions) for 2014 was \$2.6 million. The 2015 net capital budget is \$2.9 million, which will continue to be fully funded with cash and will not add to the PUD's long-term debt obligations.

Long-Term Debt

The PUD ended 2014 with \$6.45 million of long-term debt, down from \$7.42 million at the end of 2013. The PUD issued no new debt in 2014 and has no plans to issue additional long-term debt in the foreseeable future. The PUD expects to be debt-free by 2020.

Long-Term Debt Summary

(thousands \$)

	2014	2013	2012
Series 2000A Revenue Obligations	\$ 630	\$ 1,535	\$ 2,395
Series 2006 Revenue Obligations	5,820	5,880	5,935
Total long-term debt	\$ 6,450	\$ 7,415	\$ 8,330

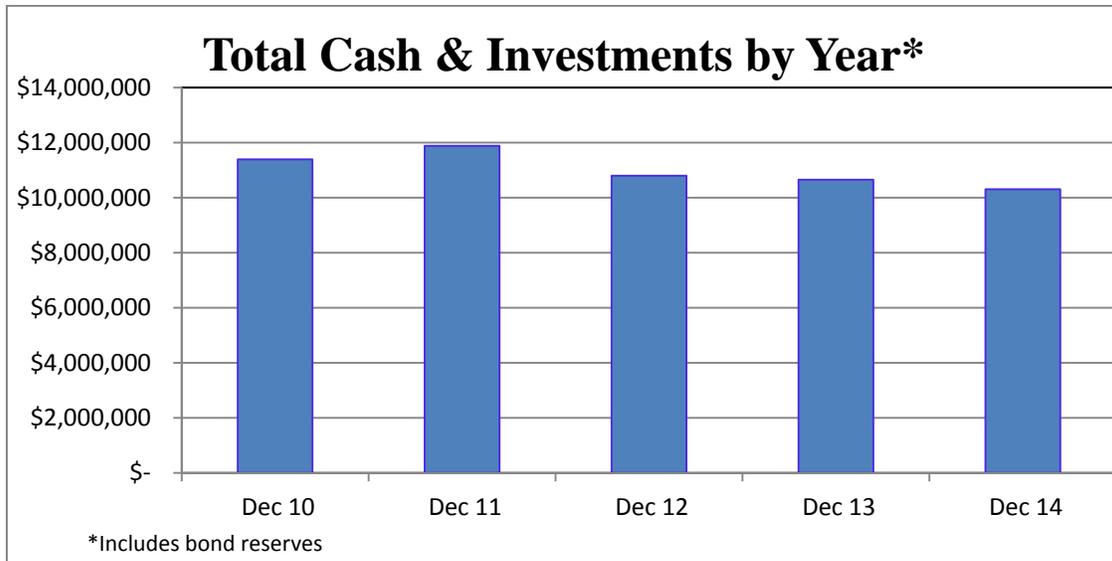
Note: includes current maturities; excludes unamortized premium

Columbia River PUD Management Discussion and Analysis 2014 Audit

Bond Rating

Due to strong debt service coverage, limited risk as a BPA customer, and stable, competitive rates, the PUD has maintained an “A+ Stable” bond rate from Standard and Poor’s since 2012.

Cash



Cash balances, including investments and revenue obligation reserves, ended 2014 at \$10.3 million. This is a decrease of \$350 thousand from year-end 2013. This is well above the PUD’s target cash reserve level of \$8.5 million and below the 2014 budgeted decrease of \$624 thousand. These cash reserves will help fund the PUD’s 5-year capital improvement program and will continue to provide customers with rate stabilization.

The PUD’s cash investment policy is to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All of the PUD’s investments held at year-end were in the Oregon Local Government Investment Pool, which is described in the notes to 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 Department, P.O. Box 1193, St. Helens, OR 97051-1193 or by calling (503) 397-1844.

FINANCIAL STATEMENTS

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Net Position

<u>Assets</u>	December 31,	
	2014	2013
Electric plant: (Notes 1 and 2)		
In service - at cost	\$ 52,517,741	\$ 50,291,355
Acquisition adjustment	12,286,247	12,286,247
Construction work in progress	222,686	665,540
Total electric plant	65,026,674	63,243,142
Less:		
Accumulated provision for depreciation	(21,794,585)	(21,062,780)
Accumulated provision for amortization of acquisition adjustment	(9,509,067)	(9,100,599)
Net electric plant	33,723,022	33,079,763
Other assets and investments:		
Nonutility property	680	680
Investments in associated organizations	11,675	11,675
Total other assets and investments	12,355	12,355
Current assets:		
Cash and investments (Notes 1 and 3):		
Current cash	10,195,496	10,549,730
Designated for debt service	111,614	107,250
Customer accounts receivable (net of allowance for doubtful accounts of \$34,895 in 2014 and \$33,443 in 2013)	2,947,320	3,188,153
Other receivables	190,112	91,973
Materials and supplies (Note 1)	370,258	387,085
Prepayments	376,299	323,760
Total current assets	14,191,099	14,647,951
Total assets	47,926,476	47,740,069
<u>Deferred Outflows of Resources</u>		
Unamortized loss on refunding (Notes 1 and 4)	207,585	242,425
Total assets and deferred outflows of resources	\$ 48,134,061	\$ 47,982,494

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Net Position

<u>Net Position and Liabilities</u>	December 31,	
	2014	2013
Net position:		
Net investment in capital assets	\$ 27,449,192	\$ 25,870,534
Restricted for debt service	88,751	80,163
Unrestricted	8,805,869	9,704,631
Total net position	36,343,812	35,655,328
Long-term debt:		
Revenue obligations payable, less current maturities (Note 4)	5,435,000	6,450,000
Unamortized premium on revenue obligations (Note 4)	32,095	37,334
Total long-term debt	5,467,095	6,487,334
Current liabilities:		
Current maturities of long-term debt (Note 4)	1,015,000	965,000
Accounts payable	2,148,676	2,470,504
Accrued franchise taxes payable	578,536	554,578
Accrued interest	22,863	27,087
Accrued compensated absences (Note 1)	523,067	523,315
Customer deposits	747,419	634,805
Other accruals	529,134	189,246
Total current liabilities	5,564,695	5,364,535
Deferred credits:		
Post-employment health care benefits obligation (Note 6)	428,198	338,988
Contributions in aid of construction advances	293,292	121,168
Other deferred credits	36,969	15,141
Total deferred credits	758,459	475,297
Total net position and liabilities	\$ 48,134,061	\$ 47,982,494

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,	
	2014	2013
Operating revenues:		
Sales of electricity	\$ 28,705,296	\$ 28,135,023
Other operating revenues	310,726	321,717
Total operating revenues	29,016,022	28,456,740
Operating expenses:		
Cost of power	17,640,235	17,095,484
Transmission and distribution expense	2,346,333	2,282,766
Customer accounts expense	651,760	645,387
Customer service and informational expense	507,056	439,516
Administrative and general expense	3,966,193	4,097,557
Depreciation and amortization	1,979,158	2,157,395
Taxes and franchise fees	1,054,818	1,000,755
Total operating expenses	28,145,553	27,718,860
Net operating revenues	870,469	737,880
Nonoperating income-(expenses):		
Interest on investments	57,440	59,749
Interest expense	(320,825)	(368,327)
Amortization of loss on refunding and premium	(29,601)	(29,601)
Other nonoperating income	111,001	83,690
Total nonoperating income-(expenses)	(181,985)	(254,489)
Net income	688,484	483,391
Net position - beginning of year	35,655,328	35,171,937
Net position - end of year	\$ 36,343,812	\$ 35,655,328

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Cash Flows

	Years Ended December 31,	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from customers	\$ 29,271,330	\$28,322,695
Cash payments for purchased power	(17,920,908)	(16,638,086)
Cash payments to suppliers for goods and services	(3,217,796)	(3,560,875)
Cash payments to employees for services	(4,746,203)	(5,045,939)
Other cash receipts	<u>111,001</u>	<u>83,690</u>
Net cash provided by operating activities	<u>3,497,424</u>	<u>3,161,485</u>
Cash flows from capital and related financing activities:		
Construction and acquisition of plant	(2,995,163)	(2,463,509)
Principal payments on revenue obligations payable	(965,000)	(915,000)
Interest payments on revenue obligations payable	(325,049)	(372,262)
Contributions in aid of construction	<u>380,478</u>	<u>389,265</u>
Net cash used in capital and related financing activities	<u>(3,904,734)</u>	<u>(3,361,506)</u>
Cash flows from investing activities:		
Change in cash and investments designated for debt service	(4,364)	38
Interest on investments	<u>57,440</u>	<u>59,749</u>
Net cash provided by investing activities	<u>53,076</u>	<u>59,787</u>
Net decrease in cash and cash equivalents	(354,234)	(140,234)
Cash and cash equivalents - beginning of year	<u>10,549,730</u>	<u>10,689,964</u>
Cash and cash equivalents - end of year	<u>\$ 10,195,496</u>	<u>\$10,549,730</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,	
	<u>2014</u>	<u>2013</u>
Reconciliation of net operating revenues to net cash provided by operating activities:		
Net operating revenues	\$ 870,469	\$ 737,880
Adjustments to reconcile net operating revenues to net cash provided by operating activities:		
Depreciation and amortization	1,979,158	2,157,395
Other nonoperating income	111,001	83,690
Decrease-(increase) in:		
Customer accounts receivable	240,833	(370,661)
Other receivables	(98,139)	170,883
Materials and supplies	16,827	32,807
Prepayments	(52,539)	(32,020)
Increase-(decrease) in:		
Operating accounts payable	(157,436)	299,659
Accrued franchise taxes payable	23,958	6,994
Accrued compensated absences	(248)	(32,232)
Customer deposits	112,614	65,733
Other accruals	339,888	20,739
Post-employment health care benefits obligation	89,210	44,865
Other deferred credits	21,828	(24,247)
Total adjustments	<u>2,626,955</u>	<u>2,423,605</u>
Net cash provided by operating activities	<u>\$ 3,497,424</u>	<u>\$ 3,161,485</u>
Noncash capital and related financing activities:		
Deferred charges - unamortized loss on refunding	\$ 34,840	\$ 34,840
Long-term debt - unamortized premium on revenue obligations	(5,239)	(5,239)
Amortization of loss on refunding and premium	<u>(29,601)</u>	<u>(29,601)</u>
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, 2014, and 2013

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

Columbia River People's Utility District (PUD) is a people's utility district organized under Oregon Revised Statutes Chapter 261. The PUD was created by vote in 1940 and began operation in 1984. The PUD is a power distribution utility that employs 46 people and serves 18,670 customers. The PUD'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 PUD 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 PUD 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 PUD include all accounts of the PUD, 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 PUD uses the accrual basis of accounting for financial reporting purposes. Revenues are recognized when earned and expenses are recognized when incurred. Revenues related to the PUD's principal operations are considered to be operating revenues. All other revenues are considered to be nonoperating. Although not required by the Oregon Local Budget Law, the PUD prepares an operating budget annually.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

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 PUD.

Other than general plant assets, the costs of additions, renewals and betterments with a useful life exceeding one year are capitalized regardless of dollar amount. General plant additions of approximately \$1,000 or more with a useful life exceeding one year 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.

Contributions in Aid of Construction (CIAC)

Payments are received from customers for construction costs primarily relating to the expansion of the electric system. FERC guidelines are followed in recording CIAC, which direct the reduction of utility plant assets by the amount of contributions received toward the construction of utility plant. CIAC of \$208,354 in 2014, and \$331,642 in 2013, was recorded as a reduction of utility plant assets.

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 statement of cash flows, cash, demand deposits, the Oregon Local Government Investment Pool and short-term investments purchased with original maturities of three months or less are considered to be cash and cash equivalents. However, cash and investments which are designated for 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, 2014, and 2013

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

Unamortized Loss on Refunding

Loss on reacquired debt is being amortized over the life of the 2006 revenue obligations issue using the straight-line method.

Compensated Absences

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

Restricted Net Position

Restricted net position reported in the statement of net position represents amounts for which constraints were imposed by creditors, grantors, contributors or laws or regulations. The PUD's policy is to first use restricted resources when an expense is incurred for which both restricted and unrestricted net position is available.

Operating Revenues

Approximately 23.8% in 2014 and 23.7% in 2013 of operating revenues were the result of sales to six industrial customers.

2 - ELECTRIC PLANT:

Electric plant activity for the year ended December 31, 2014 was as follows:

	Balance January 1, 2014	Increases	Decreases	Balance December 31, 2014
Electric plant not being depreciated:				
Land	\$ 649,099	\$ -	\$ -	\$ 649,099
Construction in progress	665,540	2,701,238	3,144,092	222,686
Total electric plant not being depreciated	1,314,639	2,701,238	3,144,092	871,785
Electric plant being depreciated:				
Transmission	1,544,385	-	-	1,544,385
Distribution	38,827,780	2,288,940	703,951	40,412,769
General	9,270,091	861,468	220,071	9,911,488
Acquisition adjustment	12,286,247	-	-	12,286,247
Total electric plant being depreciated	61,928,503	3,150,408	924,022	64,154,889
Less accumulated depreciation:				
Transmission	717,587	42,152	-	759,739
Distribution	14,293,773	1,078,347	638,283	14,733,837
General	6,051,420	450,191	200,602	6,301,009
Less accumulated provision for amortization of acquisition adjustment	9,100,599	408,468	-	9,509,067
Total electric plant being depreciated, net	31,765,124	1,171,250	85,137	32,851,237
Electric plant, net	<u>\$ 33,079,763</u>	<u>\$ 3,872,488</u>	<u>\$ 3,229,229</u>	<u>\$ 33,723,022</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

2 - ELECTRIC PLANT: (Contd)

Electric plant activity for the year ended December 31, 2013 was as follows:

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
Electric plant not being depreciated:				
Land	\$ 649,099	\$ -	\$ -	\$ 649,099
Construction in progress	370,142	2,245,403	1,950,005	665,540
Total electric plant not being depreciated	<u>1,019,241</u>	<u>2,245,403</u>	<u>1,950,005</u>	<u>1,314,639</u>
Electric plant being depreciated:				
Transmission	1,544,385	-	-	1,544,385
Distribution	38,180,599	1,213,540	566,359	38,827,780
General	8,568,443	741,255	39,607	9,270,091
Acquisition adjustment	12,286,247	-	-	12,286,247
Total electric plant being depreciated	<u>60,579,674</u>	<u>1,954,795</u>	<u>605,966</u>	<u>61,928,503</u>
Less accumulated depreciation:				
Transmission	675,418	42,169	-	717,587
Distribution	13,780,064	1,080,864	567,155	14,293,773
General	5,459,307	625,894	33,781	6,051,420
Less accumulated provision for amortization of acquisition adjustment	<u>8,692,131</u>	<u>408,468</u>	<u>-</u>	<u>9,100,599</u>
Total electric plant being depreciated, net	<u>31,972,754</u>	<u>(202,600)</u>	<u>5,030</u>	<u>31,765,124</u>
Electric plant, net	<u>\$ 32,991,995</u>	<u>\$ 2,042,803</u>	<u>\$ 1,955,035</u>	<u>\$ 33,079,763</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.

3 - CASH AND INVESTMENTS:

Cash and investments are comprised of the following as of December 31, 2014, and 2013:

	2014	2013
Working funds	\$ 1,408	\$ 608
Deposits with financial institutions	370,313	617,847
Investments	<u>9,935,389</u>	<u>10,038,525</u>
Total cash and investments	<u>\$ 10,307,110</u>	<u>\$ 10,656,980</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

3 - CASH AND INVESTMENTS: (Contd)

Deposits

Deposits with financial institutions include bank demand deposits. The total bank balance, as shown on the banks' records, was \$450,288 at December 31, 2014, and \$640,022 at December 31, 2013. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Of these deposits, the total covered by federal depository insurance was \$287,381 at December 31, 2014, and \$288,179 at December 31, 2013, and the total covered to the extent required by law by collateral held in a shared liability pool made up of all public funds depositories in Oregon was \$162,907 at December 31, 2014, and \$351,843 at December 31, 2013.

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 against custodial credit risk to the extent required by Oregon Revised Statutes (ORS) Chapter 295. Custodial credit risk for deposits is the risk that in the event of a bank failure, the PUD's deposits may not be returned to it. The amount of collateral is set by the Public Funds Collateralization Program (PFCP), a multiple financial institution collateral pool created by the Office of the State Treasurer. The amount of collateral set by the PFCP is between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected.

Investments

State statutes authorize the PUD 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 PUD has no investment policy that would further limit its investment choices.

At December 31, 2014, and 2013, the PUD's investments consisted of:

	<u>2014</u>	<u>2013</u>
Investment in Oregon Local Government Investment Pool	<u>\$ 9,935,389</u>	<u>\$ 10,038,525</u>

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

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

3 - CASH AND INVESTMENTS: (Contd)

Investments (Contd)

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, 2014 were: 72% mature within 93 days, 10% 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, 2013 were: 63% mature within 93 days, 14% mature from 94 days to one year, and 23% mature from one to three years.

The PUD has designated cash and investments totaling \$111,614 at December 31, 2014, and \$107,250 at December 31, 2013, for debt service.

4 - LONG-TERM DEBT:

Revenue Obligations Payable

In September 2000, the PUD 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 PUD 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.

In April 2006, the PUD 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. All Series 2000B Revenue Obligations were subsequently redeemed. Series 2006 Revenue Refunding Obligations are special limited obligations of the PUD 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.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

4 - LONG-TERM DEBT: (Contd)

Revenue Obligations Payable (Contd)

Revenue obligations principal and interest transactions for 2014 are as follows:

	Principal Transactions			Outstanding 12/31/2014	Interest Matured and Paid
	Outstanding 1/1/2014	2014 Issues	2014 Retirements		
Series 2000A Revenue Obligations	\$ 1,535,000	\$ -	\$ 905,000	\$ 630,000	\$ 82,752
Series 2006 Revenue Obligations	5,880,000	-	60,000	5,820,000	242,297
Total	<u>\$ 7,415,000</u>	<u>\$ -</u>	<u>\$ 965,000</u>	<u>\$ 6,450,000</u>	<u>\$ 325,049</u>

Revenue obligations principal and interest transactions for 2013 are as follows:

	Principal Transactions			Outstanding 12/31/2013	Interest Matured and Paid
	Outstanding 1/1/2013	2013 Issues	2013 Retirements		
Series 2000A Revenue Obligations	\$ 2,395,000	\$ -	\$ 860,000	\$ 1,535,000	\$ 127,902
Series 2006 Revenue Obligations	5,935,000	-	55,000	5,880,000	244,360
Total	<u>\$ 8,330,000</u>	<u>\$ -</u>	<u>\$ 915,000</u>	<u>\$ 7,415,000</u>	<u>\$ 372,262</u>

At December 31, 2014, and 2013, revenue obligations payable consist of the following:

	<u>2014</u>	<u>2013</u>
Series 2000A Revenue Obligations, principal payable annually on December 1. Interest at 5.45% per annum payable semi-annually on June 1 and December 1 each year.	\$ 630,000	\$ 1,535,000
Series 2006 Revenue Refunding Obligations, principal payable annually on December 1. Interest at 3.80% to 4.75% per annum payable semi-annually on June 1 and December 1 each year.	<u>5,820,000</u>	<u>5,880,000</u>
	6,450,000	7,415,000
Less current maturities	<u>1,015,000</u>	<u>965,000</u>
Long-term debt	<u>\$ 5,435,000</u>	<u>\$ 6,450,000</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

4 - LONG-TERM DEBT: (Contd)

Revenue Obligations Payable (Contd)

As of December 31, 2014, scheduled annual maturities of revenue obligations principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,015,000	\$ 274,352	\$ 1,289,352
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
Total	<u>\$ 6,450,000</u>	<u>\$ 924,540</u>	<u>\$ 7,374,540</u>

The unamortized premium on revenue obligations and the unamortized loss on reacquired debt are being amortized over the life of the 2006 revenue obligations issue using the straight-line method.

5 - RETIREMENT PLANS:

PENSION PLAN:

Plan Description

The PUD contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the PUD's contribution for qualifying employees who were hired before August 29, 2003, and is an agent multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying PUD employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. A stand-alone financial report is not available for the PUD. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, P.O. Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

5 - RETIREMENT PLANS: (Contd)

PENSION PLAN: (Contd)

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 PUD is required to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan; the rate was 10.95% of annual covered payroll during the first six months of 2013, and 10.28% of annual covered payroll during the last six months of 2013 and all of 2014. The PUD is also required to contribute at a general service rate for the qualifying employees under the OPSRP plan; the rate was 10.38% during the first six months of 2013, and 8.49% during the last six months of 2013 and all of 2014. The PUD contributes the employer's portion and the employee's portion for all employees. The contribution requirements of plan members and the PUD are established and may be amended by the Public Employees Retirement Board.

Annual Pension Cost

For 2014 and 2013, the PUD's annual pension costs, for the employer's portion only, of \$393,753 and \$422,093, respectively, for the system were equal to the PUD's required and actual contributions. The required contributions for the first six months of 2013 were determined as part of the December 31, 2009 actuarial valuation which used the projected unit credit actuarial cost method. The required contributions for the last six months of 2013 and all of 2014 were determined as part of the December 31, 2011 actuarial valuation which used the projected unit credit actuarial cost method.

The December 31, 2009 actuarial valuation, which provided employer contribution rates which became effective July 1, 2011, 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.

The December 31, 2011 actuarial valuation, which provided employer contribution rates which became effective July 1, 2013, 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

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

5 - RETIREMENT PLANS: (Contd)

PENSION PLAN: (Contd)

Annual Pension Cost (Contd)

Oregon Public Service Retirement Plan) from the odd-year valuation in which they are first recognized. On December 31, 2011, 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.

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12-31-14	\$ 393,753	100%	\$ -
12-31-13	\$ 422,093	100%	\$ -
12-31-12	\$ 457,736	100%	\$ -

Funding Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 93% funded. The actuarial value of assets was \$14,273,050, and the actuarial accrued liability for benefits was \$15,360,117, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,087,067. The covered payroll was \$4,038,840, and the ratio of the UAAL to the covered payroll was 27%.

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, 2013 actuarial valuation uses the entry age normal 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 and for Oregon Public Service Retirement Plan a closed 16-year period is used). Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over a closed 20-year period. On December 31, 2013, 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 7.75% 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, 2014, and 2013

5 - RETIREMENT PLANS: (Contd)

DEFINED CONTRIBUTION PLAN:

The PUD 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 PUD 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 PUD is required to contribute an amount equal to the amount that eligible employees contribute (1% to 4% of employee compensation) to the PUD's IRC Section 457(b) plan. The PUD is also required to contribute a performance contribution for eligible employees equal to 2% of employee compensation. During 2014 and 2013, the PUD made the required contributions of \$195,395 and \$207,759, respectively. Plan provisions are established by and may be amended by the PUD.

DEFERRED COMPENSATION PLAN:

The PUD 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 PUD 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 PUD's financial statements.

6 - POST-EMPLOYMENT HEALTH CARE BENEFITS:

Plan Description

The PUD 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 PUD up to age 65 with the retiree paying the entire premium. Benefit provisions are established through PUD policy. The PUD's post-employment health care plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements are established through PUD 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 PUD contributed \$0 and \$54,432, respectively, to the plan during 2014 and 2013.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

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

Annual OPEB Cost and Net OPEB Obligation

The PUD'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 PUD's annual OPEB cost for the year, amounts actually contributed to the plan, and changes in the PUD's net OPEB obligation:

Annual required contribution	\$ 95,254
Interest on net OPEB obligation	13,560
Adjustment to annual required contribution	<u>(19,604)</u>
Annual OPEB cost	89,210
Contributions made	<u>-</u>
Increase in net OPEB obligation	89,210
Net OPEB obligation - beginning of year	<u>338,988</u>
Net OPEB obligation - end of year	<u>\$ 428,198</u>

The PUD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013 and 2012 were as follows:

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/2014	\$ 89,210	0.0%	\$ 428,198
12/31/2013	\$ 99,297	54.8%	\$ 338,988
12/31/2012	\$ 100,081	47.9%	\$ 294,123

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$708,337 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$708,337. The covered payroll (annual payroll of active employees covered by the plan) was \$4,120,022 for 2013 and the ratio of the UAAL to the covered payroll was 17%.

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.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

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

Funded Status and Funding Progress (Contd)

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.

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 January 1, 2014, 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 4% and an annual healthcare cost trend rate of 8% initially, reduced to an ultimate rate of 5% beginning in 2017.

7 - RISK MANAGEMENT:

The PUD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The PUD 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. The PUD incurred unrecoverable costs of approximately \$153,000 during 2014 for the settlement of a claim. Settled claims resulting from these risks did not exceed insurance coverage in 2013 or 2012.

8 - INCOME TAX STATUS:

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

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2014, and 2013

9 - POWER PURCHASE AGREEMENT:

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

10 - CONTINGENCY:

A former employee filed two complaints with the Oregon Bureau of Labor and Industries (BOLI) against the PUD alleging that he was unlawfully terminated when he engaged in protected activities involving a salary survey, quarantined emails and for filing a complaint with BOLI. BOLI issued the complainant a right to sue letter. The PUD anticipates that litigation will be filed by the former employee. An estimate of the possible loss, if any, to the PUD cannot be made at this time. The ultimate outcome of this matter is not presently determinable.

REQUIRED SUPPLEMENTARY INFORMATION

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Funding Progress for Retirement Plan

	Actuarial Valuation Date		
	12-31-13	12-31-12	12-31-11
Actuarial value of assets (a)	\$ 14,273,050	\$ 12,840,692	\$ 11,614,143
Actuarial accrued liability (b)	15,360,117	14,267,091	13,958,378
Unfunded actuarial accrued liability (b-a)	\$ 1,087,067	\$ 1,426,399	\$ 2,344,235
Funded ratio (a/b)	93%	90%	83%
Covered payroll (c)	\$ 4,038,840	\$ 4,454,644	\$ 4,487,797
Unfunded actuarial accrued liability as a percentage of covered payroll ((b-a)/c)	27%	32%	52%

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Funding Progress for Retiree Health Plan

	<u>Actuarial Valuation Date</u>		
	<u>1-1-14</u>	<u>1-1-11</u>	<u>12-31-08</u>
Actuarial value of assets (a)	\$ -	\$ -	\$ -
Actuarial accrued liability (b)	<u>708,337</u>	<u>747,480</u>	<u>462,500</u>
Unfunded actuarial accrued liability (b-a)	<u>\$ 708,337</u>	<u>\$ 747,480</u>	<u>\$ 462,500</u>
Funded ratio (a/b)	<u>0%</u>	<u>0%</u>	<u>0%</u>
Covered payroll (c)	<u>\$ 4,120,022</u>	<u>\$ 3,918,791</u>	<u>\$ 3,315,875</u>
Unfunded actuarial accrued liability as a percentage of covered payroll ((b-a)/c)	<u>17%</u>	<u>19%</u>	<u>14%</u>

OTHER SUPPLEMENTARY INFORMATION

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Revenue Obligations Principal and Interest Transactions
Year Ended December 31, 2014

	Principal Transactions			Outstanding 12-31-14
	Outstanding 1-1-14	2014 Issues	2014 Retirements	
Series 2000A Revenue Obligations	\$ 1,535,000	\$ -	\$ 905,000	\$ 630,000
Series 2006 Revenue Obligations	5,880,000	-	60,000	5,820,000
Totals	<u>\$ 7,415,000</u>	<u>\$ -</u>	<u>\$ 965,000</u>	<u>\$ 6,450,000</u>

	Interest Transactions			Matured 12-31-14
	Matured 1-1-14	2014 Maturities	2014 Payments	
Series 2000A Revenue Obligations	\$ -	\$ 82,752	\$ 82,752	\$ -
Series 2006 Revenue Obligations	-	242,297	242,297	-
Totals	<u>\$ -</u>	<u>\$ 325,049</u>	<u>\$ 325,049</u>	<u>\$ -</u>

SCHEDULE 4

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Future Revenue Obligations Principal and Interest Requirements
December 31, 2014

Year	Series 2000A Revenue Obligations			Series 2006 Revenue Obligations		
	Principal	Interest	Total	Principal	Interest	Total
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>\$ 630,000</u>	<u>\$ 34,335</u>	<u>\$ 664,335</u>	<u>\$ 5,820,000</u>	<u>\$ 890,205</u>	<u>\$ 6,710,205</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Future Revenue Obligations Principal and Interest Requirements
December 31, 2014

Total Future Requirements		
<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 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>\$ 6,450,000</u>	<u>\$ 924,540</u>	<u>\$ 7,374,540</u>

STATISTICAL INFORMATION

TABLE 1

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statistical Information
Last Five Years

	2014	2013	2012	2011	2010
Number of customers: (1)					
Residential	16,105	16,050	16,111	16,118	16,121
General service - 30kW or less	1,752	1,744	1,698	1,672	1,662
General service - over 30kW	243	241	243	234	229
Industrial	6	6	8	8	8
Street lighting and signals	517	515	520	515	512
Irrigation	47	56	57	57	58
Total customers	18,670	18,612	18,637	18,604	18,590
Energy requirements: (MWh)					
Energy sales:					
Residential	210,026	212,559	211,529	217,729	209,135
General service - 30kW or less	27,082	27,116	26,730	26,538	26,021
General service - over 30kW	64,097	62,408	59,412	59,384	58,516
Industrial	158,745	160,996	158,804	169,387	154,606
Street lighting and signals	2,008	1,992	1,926	1,825	1,815
Irrigation	1,983	1,868	2,661	2,481	1,904
Total energy sales	463,941	466,939	461,062	477,344	451,997
Used by utility	452	492	503	507	544
Losses	9,446	16,117	14,468	15,596	11,378
Total energy requirements	473,839	483,548	476,033	493,447	463,919
System peak (MW)	96.4	95.0	88.9	93.1	91.6
Operating revenues:					
Sales of electricity:					
Residential	\$ 14,702,546	\$ 14,575,698	\$ 14,259,016	\$ 14,287,146	\$ 13,538,499
General service - 30kW or less	2,186,040	2,162,754	2,084,434	1,965,561	1,901,876
General service - over 30kW	4,561,163	4,341,869	4,077,343	3,955,556	3,884,088
Industrial	6,914,788	6,738,130	6,683,918	6,825,468	6,286,237
Street lighting and signals	189,503	183,555	184,727	175,045	172,645
Irrigation	151,256	133,017	177,278	157,165	121,648
Total sales of electricity	28,705,296	28,135,023	27,466,716	27,365,941	25,904,993
Other operating revenues	310,726	321,717	311,754	312,021	314,638
Total operating revenues	\$ 29,016,022	\$ 28,456,740	\$ 27,778,470	\$ 27,677,962	\$ 26,219,631
Average annual kWh used per customer:					
Residential	13,041	13,244	13,129	13,508	12,973
General service - 30kW or less	15,458	15,548	15,742	15,872	15,656
General service - over 30kW	263,774	258,954	244,494	253,778	255,528
Industrial	26,457,500	26,832,667	19,850,500	21,173,375	19,325,750
Street/area lighting and signals	3,884	3,868	3,704	3,544	3,545
Irrigation	42,191	33,357	46,684	43,526	32,828
Average revenue per kWh: (in cents)					
Residential	7.000	6.857	6.741	6.562	6.474
General service - 30kW or less	8.072	7.976	7.798	7.407	7.309
General service - over 30kW	7.116	6.957	6.863	6.661	6.638
Industrial	4.356	4.185	4.209	4.030	4.066
Street/area lighting and signals	9.437	9.215	9.591	9.592	9.512
Irrigation	7.628	7.121	6.662	6.335	6.389
Average all classes	6.187	6.025	5.957	5.733	5.731

(1) Annual monthly average

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

INDEPENDENT AUDITOR'S COMMENTS
REQUIRED BY OREGON STATE REGULATIONS

March 6, 2015

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Columbia River People's Utility District as of and for the year ended December 31, 2014, and have issued our report thereon dated March 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Columbia River People's Utility 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 Columbia River People's Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia River People's Utility 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 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 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

As part of obtaining reasonable assurance about whether Columbia River People's Utility District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 grant agreements, 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

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.