

# **COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT**

## **AUDIT REPORT**

**Years Ended December 31, 2016, and 2015**

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## INDEPENDENT AUDITOR'S REPORT

March 13, 2017

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Columbia River People's Utility District, which comprise the statements of net position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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 4 through 12 and the required supplementary information on pages 39 through 42 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.

### ***Statistical Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The statistical information on page 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 13, 2017 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

### December 31, 2016 and 2015

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Columbia River People's Utility District (the PUD) is a political subdivision of the State of Oregon and is overseen by a five-member Board of Directors (the Board). District customers elect the Board, who represent the five subdivisions in the District's territory. The Board appoints a General Manager to be the Chief Executive Officer for the District. The PUD was created by a vote of the people in 1940, and began operation in 1984.

This discussion and analysis is designed to provide an overview of the PUD's financial condition and performance for the years ended December 31, 2016 and 2015. It also serves as an introduction to the financial statements, the notes to the financial statements, and to the supplementary information provided with the financial statements. The Management Discussion and Analysis (MD&A) section is meant to help the reader understand better, through the eyes of management, the financial activities of the PUD based on current known facts, management decisions and other key conditions. The MD&A section 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, 2016 and 2015.
- **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 Required Supplementary Information**

The supplementary information presented by the PUD includes required schedules related to the PUD's participation in the Oregon Public Employees Retirement System Pension Plan and a schedule related to the PUD's Retiree Health Plan.

# Columbia River PUD

## Management Discussion and Analysis

### December 31, 2016 and 2015

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#### **Financial Highlights**

##### *New Retail Rates*

Effective October 1, 2015, an overall rate increase of 6.4% took effect for PUD Customers. The rate increase was implemented primarily due to increases in wholesale power rates by Bonneville Power Administration (BPA). This increase in retail rates ensured that electric sales revenues for 2016 were sufficient to meet the District's operating and capital expense requirements. PUD rates are expected to remain stable through September 2017 in conjunction with BPA's fiscal year rate process.

##### *Refinance of Long-Term Debt*

In November 2015, the PUD refinanced its outstanding 2006 Revenue Obligation Bonds. Favorable interest rates allowed the PUD to refinance through a commercial loan with a low 1.6% interest rate, reduced from 4.0%. The interest rate reduction will save the District a total of \$353 thousand over the 5-year life of the debt.

##### *Christmas Windstorm 2015*

On December 21, 2015, the PUD experienced the biggest power outage in its history. The total cost of the PUD's outage restoration was \$550 thousand. On February 18, 2016, the State of Oregon received a Presidential disaster declaration for the period December 6 to December 23, 2015. The disaster declaration allowed the PUD to petition the Federal Emergency Management Association (FEMA) for reimbursement of expenses related to the 2015 Christmas Windstorm. Given that FEMA reimbursement was neither certain nor quantifiable before issuance of the 2015 Audit Report, no related accrual was recorded.

On August 1, 2016, the PUD received FEMA reimbursement of \$380 thousand, covering 69% of the total Windstorm expense. The reimbursement funds were treated as an expense reduction in 2016.

##### *Interim General Manager Appointment Extended*

In August 2016, John Nguyen's appointment as Interim General Manager was extended one year by the Columbia River PUD Board of Directors. John has been with the PUD since 1987 and previously served as Information Technology Manager and IT Special Projects Manager. John's continued appointment as Interim General Manager lends stability to the District's operations and allows for continuity of the PUD's conservative budget and financial philosophy.

##### *Cash Management Policy*

In August 2016, the PUD Board adopted a revised Cash Management Policy (Policy 2-23). The goal of the District's cash management policy is to minimize borrowing expenses, maximize investment revenues and maintain adequate reserves to meet both anticipated and unexpected financial commitments and obligations. Policy 2-23 was revised to state that the PUD will annually establish, in conjunction with the



**Columbia River PUD**  
**Management Discussion and Analysis**  
**December 31, 2016 and 2015**

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District's budget process, a minimum cash balance amount. For 2016, the minimum cash balance was set at \$8.2 million.

**Net Position**

The PUD's total net position at December 31, 2016 increased \$2.5 million to \$38.3 million. This is a 7.1% increase from the December 31, 2015 net position of \$35.8 million. Of the PUD's net position, \$30.2 million or 78.8% has been invested in utility plant assets, net of related debt. This investment in utility plant assets is an increase of \$1.8 million over 2015. The PUD has been committed to a long-standing practice of investing surplus cash and earnings while utilizing customer contributions for capital assets.

Of the remaining \$8.1 million total net position, approximately \$8.0 million or 21.0% was unrestricted and available for use to meet the PUD's ongoing obligations to its customers and creditors, while \$0.1 million has been set aside to reduce future debt service. The unrestricted net position increased \$734 thousand, or 10.0%, compared to 2015 due to increases in electric sales revenues and decreases in both operating and non-operating expenses.

**COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT**  
**Condensed Statement of Net Position**  
(thousands \$)

	2016	2015	2014
<b>Assets</b>			
Utility plant (net)	\$ 34,518	\$ 33,864	\$ 33,723
Cash and other current assets	13,530	12,530	14,191
Deferred charges and other	6,436	3,778	2,654
<b>Total Assets</b>	<b>54,484</b>	<b>50,172</b>	<b>50,568</b>
<b>Liabilities</b>			
Non-current liabilities	9,619	7,740	6,576
Current liabilities	5,431	5,655	5,564
Deferred credits	1,118	985	2,084
<b>Total Liabilities</b>	<b>16,168</b>	<b>14,380</b>	<b>14,224</b>
<b>Net Position</b>			
Net investment in plant	30,174	28,390	27,449
Restricted for debt service	91	85	89
Unrestricted	8,051	7,317	8,806
<b>Total Net Position</b>	<b>\$ 38,316</b>	<b>\$ 35,792</b>	<b>\$ 36,344</b>

**Columbia River PUD  
Management Discussion and Analysis  
December 31, 2016 and 2015**

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**Capital Assets**

At December 31, 2016, the PUD's investment in capital assets was \$34.5 million, which is stated net of \$32.9 million of accumulated depreciation and amortization. The district's investment in capital assets includes:

- Land, buildings and improvements
- Electric transmission and distribution facilities
- Vehicles and equipment

**COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT  
Electric Plant  
(thousands \$)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Transmission	\$ 1,679	\$ 1,679	\$ 1,545
Distribution	42,274	41,245	40,985
General	10,276	10,410	9,988
Plant acquisition adjustment	12,286	12,286	12,286
Construction work in progress	888	1,001	223
Total electric plant	<u>67,403</u>	<u>66,621</u>	<u>65,027</u>
Less:			
Accumulated depreciation	(22,559)	(22,840)	(21,795)
Amortization of plant acquisition	(10,326)	(9,917)	(9,509)
Total depreciation and amortization	<u>(32,885)</u>	<u>(32,757)</u>	<u>(31,304)</u>
<b>Net electric plant</b>	<u><b>\$ 34,518</b></u>	<u><b>\$ 33,864</b></u>	<u><b>\$ 33,723</b></u>

In 2016, the PUD continued to invest in its capital infrastructure. These infrastructure investments flow from the PUD's 5-year capital plan, have been 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 2016 include:

- Rosehill Substation: replaced 54-year old transformer
- Scappoose Substation: added third breaker position for feeder optimization
- St Helens Substation: 5-year maintenance
- Tarbell Substation: 5-year maintenance
- Columbia Boulevard: replaced overhead power line

**Columbia River PUD**  
**Management Discussion and Analysis**  
**December 31, 2016 and 2015**

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- Fairgrounds Substation to St Helens Substation: installed feeder-tie between substations
- Highway 30, near Trojan Park: moved overhead lines underground
- Marina Transformers: replaced transformers on docks of three marinas in service area

The total capital budget (net of customer contributions) for 2016 was \$2.3 million. The 2017 net capital budget is \$2.8 million, which will be fully funded with cash and will not add to the PUD’s long-term debt obligations.

**Long-Term Debt**

At December 31, 2016 the PUD’s long-term debt was \$4.3 million, down from \$5.5 million at year-end 2015. In 2015, the Series 2000A Revenue Obligations were fully retired and the Series 2006 Revenue Obligations were refinanced via a commercial bank loan, reducing the interest rate on the borrowing from 4.0% to 1.6%. The “Series 2015 Refunding Loan” is scheduled to be paid in full at December 1, 2020.

In 2015, interest expense associated with the long-term debt was \$262 thousand. Additional one-time expenses related to the retirement and refinance of the 2006 Revenue Obligations were \$216 thousand, for total debt-related expense of \$478 thousand for the year.

In 2016, total debt-related expense was just \$86 thousand, a reduction of \$392 thousand, year over year.

The PUD issued no new debt in 2016 and has no plans to issue additional long-term debt in 2017.

**Long-Term Debt Summary**

(thousands \$)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Series 2000A Revenue Obligations	\$ -	\$ -	\$ 630
Series 2006 Revenue Obligations	-	-	5,820
Series 2015 Refunding Loan	4,345	5,474	
Total long-term debt	\$ 4,345	\$ 5,474	\$ 6,450

Note: includes current maturities; excludes unamortized premium

**Columbia River PUD**  
**Management Discussion and Analysis**  
**December 31, 2016 and 2015**

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**Cash**

Cash balances, including investments and long-term debt reserves, were \$8.8 million at year-end 2016. This is an increase of \$483 thousand from 2015 and was \$620 thousand over the PUD's 2016 minimum cash balance level of \$8.2 million.

The PUD's cash deposits are 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.

**Cash and Investments**

(thousands \$)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating cash, investments and cash equivalents	\$ 8,723	\$ 8,242	\$ 10,195
Debt service fund	97	95	112
<b>Total cash and investments</b>	<b>\$ 8,820</b>	<b>\$ 8,337</b>	<b>\$ 10,307</b>

**Columbia River PUD  
Management Discussion and Analysis  
December 31, 2016 and 2015**

**Revenues**

Operating revenues were \$31.3 million in 2016, an increase of \$2.5 million, or 8.6%, over 2015 levels.

In 2015, electric sales revenues were reduced due to decreased customer usage. Customer usage was impacted by warmer than average temperatures and extended shutdowns by two of the District's industrial customers.

The increase in 2016 revenues can be attributed to increased energy usage across all customer classes, as well as the October 2015 retail rate increase.

**COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT  
Condensed Statements of Revenues, Expenses and Change in Net Position  
(thousands \$)**

	2016	2015	2014
<b>Revenue and Other Income</b>			
Charges for electric services	\$ 31,060	\$ 28,563	\$ 28,705
Other electric revenue	288	292	311
Total operating revenue	<u>31,348</u>	<u>28,855</u>	<u>29,016</u>
Interest earnings	70	50	57
Other income	23	58	114
Total revenue and other income	<u>31,441</u>	<u>28,963</u>	<u>29,187</u>
<b>Expenses</b>			
Expenses for service			
Electric - purchased power costs	19,052	17,603	17,640
Electric - operating costs	9,779	11,434	10,505
Total expenses for services	<u>28,831</u>	<u>29,037</u>	<u>28,145</u>
Interest and amortization of debt	86	478	351
Other	-	-	3
Total expenses	<u>28,917</u>	<u>29,515</u>	<u>28,499</u>
<b>Increase (decrease in net position)</b>	<b>2,524</b>	<b>(552)</b>	<b>688</b>
<b>Total net position - beginning of year</b>	<b>35,792</b>	<b>36,344</b>	<b>35,656</b>
<b>Total net position - end of year</b>	<b>\$ 38,316</b>	<b>\$ 35,792</b>	<b>\$ 36,344</b>

# Columbia River PUD

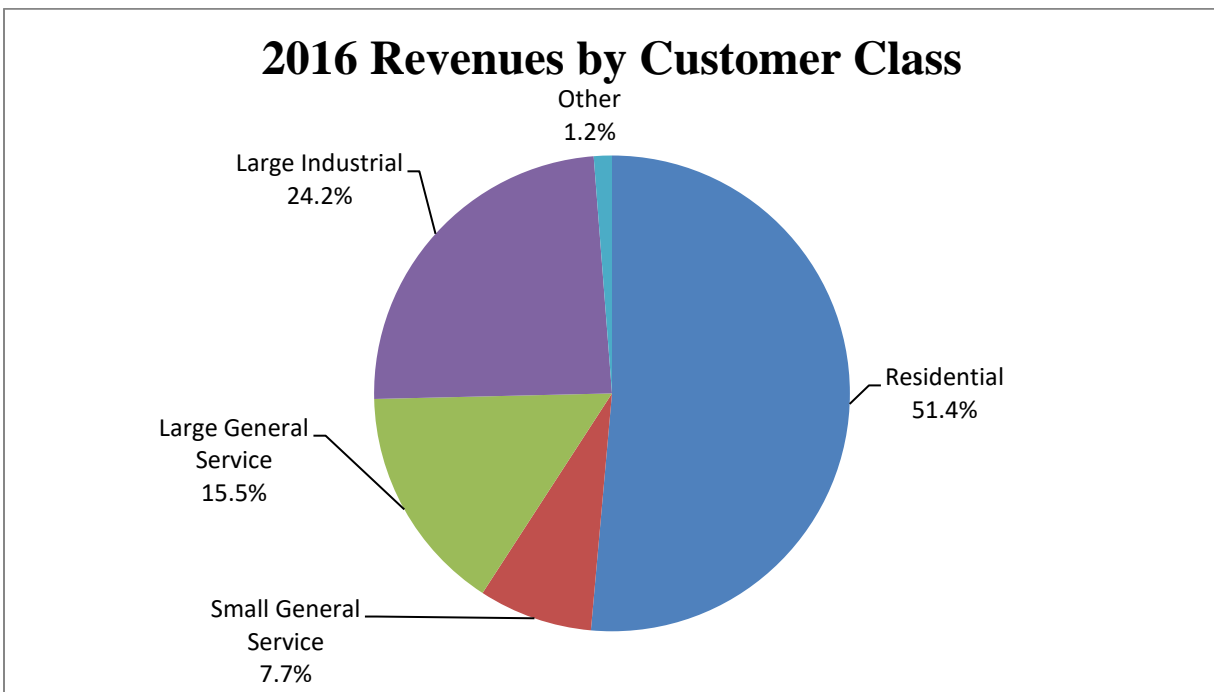
## Management Discussion and Analysis

### December 31, 2016 and 2015

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#### Customer Usage

Total energy sales for all PUD customers was 467,929 MWh in 2016, up 5.4% from 2015. Energy usage in 2016 increased across all customer classes, save the Street Lighting class, which experienced a minimal decrease. Marked increases in customer usage were noted in Residential (up 1.4% year over year), Small General Service (up 5.4%) and Industrial (up 12.3%) customer classes. (See “Statistical Information” section for additional detail.)



#### Rates

A 6.4% overall rate increase took effect for the District’s customers on October 1, 2015. The PUD implemented the rate increase after conducting a Cost of Service Analysis and holding two public customer rate advisory workshops, which discussed and evaluated the PUD’s operating and long-term capital improvement plans, load growth forecasts and power cost forecasts. The 2015 rate increase, combined with increased customer usage, contributed to the uptick in electric sales revenues during 2016.

#### Power Costs

The PUD is a statutory “full requirements” customer of Bonneville Power Administration (BPA) and all wholesale power is purchased from BPA under a 20-year power sales contract which expires September 30, 2028. In October 2015, BPA increased wholesale power supply rates by 7.2% and transmission rates by 3.4%. These BPA rates are in effect through September 2017.

The 2016 cost of power was offset by a \$185 thousand load-shaping credit for BPA fiscal year 2016 that was received in October 2016. Net power costs were \$19.1 million in 2016, up \$1.4 million from 2015.

# Columbia River PUD

## Management Discussion and Analysis

### December 31, 2016 and 2015

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#### **Operating Expenses**

In 2016, operating expenses (excluding cost of power) were \$9.8 million, a decrease of \$1.7 million, or 14.5%, from 2015. Significant decreases were noted in transmission and distribution expense, as well as administrative and general expense. Customer accounts expense decreased \$37 thousand, or 4.6%, from 2015 amounts; customer service and informational expense decreased \$29 thousand, or 6.1%; other operating expense categories remained stable, year over year.

#### *Transmission and distribution expense*

In 2016, transmission and distribution expense decreased \$936 thousand, or 36.3%, from 2015 amounts.

2015 transmission and distribution expense included unexpected payroll settlement and legal fees as well as increased payroll expense related to the 2015 Christmas Windstorm.

Receipt of the \$380 thousand FEMA reimbursement contributed to the reduction in transmission and distribution expense in 2016. Additionally, the District saw a marked uptick in customer work for the year. The associated customer in aid of construction (CIAC) funds helped defray labor, material and equipment costs, further reducing transmission and distribution expense for the year.

#### *Administrative and general expense*

Administrative and general expense decreased \$675 thousand, or 14.9% from 2015 to 2016.

In 2015, administrative and general expense included unexpected payroll settlement and legal fees.

#### **Net Income**

The PUD recorded net income of \$2.5 million for 2016. As previously noted, this was due to a combination of factors, including an increase in electric sales revenue and a decrease in both operating and non-operating expenses.

The PUD's mission is *"To provide quality services at the lowest practical cost."* The District's Board and management team have embraced a conservative financial philosophy that keeps that mission firmly in sight, while also ensuring the PUD's financial health and well-being.

#### **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 Accounting & 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,	
	2016	2015
Electric plant: (Notes 1 and 2)		
In service - at cost	\$ 54,228,546	\$ 53,334,196
Acquisition adjustment	12,286,247	12,286,247
Construction work in progress	888,401	1,000,937
Total electric plant	67,403,194	66,621,380
Less:		
Accumulated provision for depreciation	(22,558,798)	(22,840,199)
Accumulated provision for amortization of acquisition adjustment	(10,326,003)	(9,917,535)
Net electric plant	34,518,393	33,863,646
Other assets and investments:		
Regulatory asset related to pensions (Notes 1 and 5)	4,147,265	3,530,929
Nonutility property	680	680
Investments in associated organizations	11,675	11,675
Total other assets and investments	4,159,620	3,543,284
Current assets:		
Cash and investments (Notes 1 and 3):		
Current cash	8,723,495	8,241,783
Designated for debt service	96,677	95,659
Customer accounts receivable (net of allowance for doubtful accounts of \$35,019 in 2016 and \$47,685 in 2015)	3,421,535	3,318,610
Other receivables	451,789	88,121
Materials and supplies (Note 1)	452,936	470,361
Prepayments	383,728	315,647
Total current assets	13,530,160	12,530,181
Total assets	52,208,173	49,937,111
<u>Deferred Outflows of Resources</u>		
Deferred outflows related to pensions (Notes 1 and 5)	2,276,131	234,451
Total assets and deferred outflows of resources	\$ 54,484,304	\$ 50,171,562

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Net Position

<u>Net Position</u>	December 31,	
	2016	2015
Net position:		
Net investment in capital assets	\$ 30,173,679	\$ 28,390,208
Restricted for debt service	90,883	84,954
Unrestricted	8,051,016	7,316,596
Total net position	38,315,578	35,791,758
 <u>Liabilities</u>		
Noncurrent liabilities:		
Bond payable, less current maturities (Note 4)	3,195,791	4,345,394
Net pension liability (Notes 1 and 5)	6,423,396	3,394,996
Total noncurrent liabilities	9,619,187	7,740,390
Current liabilities:		
Current maturities of bond payable (Note 4)	1,149,603	1,128,724
Accounts payable	2,028,515	2,307,250
Accrued franchise taxes payable	608,668	576,887
Accrued interest	5,794	10,705
Accrued compensated absences (Note 1)	497,371	445,821
Customer deposits	864,793	835,222
Other accruals	276,400	349,895
Total current liabilities	5,431,144	5,654,504
Deferred credits:		
Post-employment health care benefits obligation (Note 6)	398,874	309,132
Contributions in aid of construction advances	662,324	250,283
Other deferred credits	57,197	55,111
Total deferred credits	1,118,395	614,526
Total liabilities	16,168,726	14,009,420
 <u>Deferred Inflows of Resources</u>		
Deferred inflows related to pensions (Notes 1 and 5)	-	370,384
Total net position, liabilities and deferred inflows of resources	\$ 54,484,304	\$ 50,171,562

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,	
	2016	2015
Operating revenues:		
Sales of electricity	\$ 31,059,647	\$ 28,562,820
Other operating revenues	288,478	292,132
Total operating revenues	31,348,125	28,854,952
Operating expenses:		
Cost of power	19,052,296	17,602,935
Transmission and distribution expense	1,638,471	2,574,128
Customer accounts expense	774,746	812,129
Customer service and informational expense	441,811	470,763
Administrative and general expense	3,870,456	4,545,592
Depreciation and amortization	2,025,556	2,007,716
Taxes and franchise fees	1,027,748	1,023,700
Total operating expenses	28,831,084	29,036,963
Net operating revenues-(loss)	2,517,041	(182,011)
Nonoperating income-(expenses):		
Interest on investments	69,995	49,550
Interest expense	(86,081)	(262,195)
Amortization of loss on refunding and premium	-	(185,508)
Debt issuance costs	-	(29,965)
Other nonoperating income	22,865	58,075
Total nonoperating income-(expenses)	6,779	(370,043)
Net income-(loss)	2,523,820	(552,054)
Net position - beginning of year	35,791,758	36,343,812
Net position - end of year	\$ 38,315,578	\$ 35,791,758

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>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from customers	\$ 30,911,103	\$ 28,673,456
Cash payments for purchased power	(18,954,465)	(17,516,404)
Cash payments to suppliers for goods and services	(3,042,732)	(3,479,498)
Cash payments to employees for services	(4,961,812)	(6,180,654)
Other cash receipts	<u>22,865</u>	<u>58,075</u>
Net cash provided by operating activities	<u>3,974,959</u>	<u>1,554,975</u>
Cash flows from capital and related financing activities:		
Construction and acquisition of plant	(3,228,685)	(2,670,631)
Proceeds from issuance of refunding bond	-	5,474,118
Bond issuance costs	-	(29,965)
Additional amount paid into escrow to defease revenue obligations	-	(10,018)
Principal payments on bond payable and revenue obligations payable	(1,128,724)	(6,450,000)
Interest payments on bond payable and revenue obligations payable	(90,992)	(274,353)
Contributions in aid of construction	<u>886,177</u>	<u>386,656</u>
Net cash used in capital and related financing activities	<u>(3,562,224)</u>	<u>(3,574,193)</u>
Cash flows from investing activities:		
Change in cash and investments designated for debt service	(1,018)	15,955
Interest on investments	<u>69,995</u>	<u>49,550</u>
Net cash provided by investing activities	<u>68,977</u>	<u>65,505</u>
Net increase-(decrease) in cash and cash equivalents	481,712	(1,953,713)
Cash and cash equivalents - beginning of year	<u>8,241,783</u>	<u>10,195,496</u>
Cash and cash equivalents - end of year	<u>\$ 8,723,495</u>	<u>\$ 8,241,783</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,	
	2016	2015
Reconciliation of net operating revenues-(loss) to net cash provided by operating activities:		
Net operating revenues-(loss)	\$ 2,517,041	\$ (182,011)
Adjustments to reconcile net operating revenues-(loss) to net cash provided by operating activities:		
Depreciation and amortization	2,025,556	2,007,716
Other nonoperating income	22,865	58,075
Decrease-(increase) in:		
Regulatory asset related to pensions	(616,336)	(1,173,492)
Customer accounts receivable	(102,925)	(371,290)
Other receivables	(363,668)	101,991
Materials and supplies	17,425	(100,103)
Prepayments	(68,081)	60,652
Deferred outflows related to pensions	(2,041,680)	(157,656)
Increase-(decrease) in:		
Net pension liability	3,028,400	2,286,474
Operating accounts payable	(204,489)	251,200
Accrued franchise taxes payable	31,781	(1,649)
Accrued compensated absences	51,550	(77,246)
Customer deposits	29,571	87,803
Other accruals	(73,495)	(179,239)
Post-employment health care benefits obligation	89,742	(119,066)
Other deferred credits	2,086	18,142
Deferred inflows related to pensions	(370,384)	(955,326)
Total adjustments	1,457,918	1,736,986
Net cash provided by operating activities	\$ 3,974,959	\$ 1,554,975
Noncash capital and related financing activities:		
Unamortized loss on refunding	\$ -	\$ 217,603
Unamortized premium on revenue obligations	-	(32,095)
Amortization of loss on refunding and premium	-	(185,508)
Total noncash capital and related financing activities	\$ -	\$ -

The accompanying notes are an integral part of this statement.

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

## 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'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, 2016, and 2015

## 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

### Basis of Accounting (Contd)

Because the PUD's rates are regulated by its Board of Directors, the PUD accounts for the financial effects of regulation in accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, Paragraphs 476-500, Regulated Operations. Accordingly, certain costs and income may be capitalized as a regulatory asset or liability that would otherwise be charged to expense or revenues. Regulatory assets and liabilities are recorded when it is probable that future rates will permit recovery.

### 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 \$474,136 in 2016, and \$429,665 in 2015, 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.

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

## 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

### 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.

### Unamortized Loss on Refunding

Loss on reacquired debt, which was being amortized over the life of the 2006 revenue obligations issue using the straight-line method, was fully amortized in 2015 due to the full redemption of the remaining 2006 revenue obligations during 2015.

### Compensated Absences

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

### Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

### Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The PUD's rates are regulated by its Board of Directors. In accordance with GASB Statement No. 62, Paragraphs 476-500, Regulated Operations, which requires that the effects of the rate-making process be recorded in the financial statements, the PUD has elected to record a regulatory asset for the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions. Accordingly, the PUD recognizes the actuarially determined contribution as the current year pension expense.



# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

## 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

### 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 23.9% in 2016 and 22.5% in 2015 of operating revenues were the result of sales to six industrial customers.

## 2 - ELECTRIC PLANT:

Electric plant activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
Electric plant not being depreciated:				
Land	\$ 649,099	\$ -	\$ -	\$ 649,099
Construction in progress	1,000,937	3,131,082	3,243,618	888,401
Total electric plant not being depreciated	<u>1,650,036</u>	<u>3,131,082</u>	<u>3,243,618</u>	<u>1,537,500</u>
Electric plant being depreciated:				
Transmission	1,678,054	-	-	1,678,054
Distribution	40,672,961	2,388,118	1,359,839	41,701,240
General	10,334,082	208,184	342,113	10,200,153
Acquisition adjustment	12,286,247	-	-	12,286,247
Total electric plant being depreciated	<u>64,971,344</u>	<u>2,596,302</u>	<u>1,701,952</u>	<u>65,865,694</u>
Less accumulated depreciation:				
Transmission	801,891	45,814	-	847,705
Distribution	15,281,304	1,145,888	1,556,376	14,870,816
General	6,757,004	425,386	342,113	6,840,277
Less accumulated provision for amortization of acquisition adjustment	<u>9,917,535</u>	<u>408,468</u>	<u>-</u>	<u>10,326,003</u>
Total electric plant being depreciated, net	<u>32,213,610</u>	<u>570,746</u>	<u>(196,537)</u>	<u>32,980,893</u>
Electric plant, net	<u>\$ 33,863,646</u>	<u>\$ 3,701,828</u>	<u>\$ 3,047,081</u>	<u>\$ 34,518,393</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

2 - ELECTRIC PLANT: (Contd)

Electric plant activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
Electric plant not being depreciated:				
Land	\$ 649,099	\$ -	\$ -	\$ 649,099
Construction in progress	222,686	2,584,426	1,806,175	1,000,937
Total electric plant not being depreciated	871,785	2,584,426	1,806,175	1,650,036
Electric plant being depreciated:				
Transmission	1,544,385	133,669	-	1,678,054
Distribution	40,412,769	782,874	522,682	40,672,961
General	9,911,488	425,894	3,300	10,334,082
Acquisition adjustment	12,286,247	-	-	12,286,247
Total electric plant being depreciated	64,154,889	1,342,437	525,982	64,971,344
Less accumulated depreciation:				
Transmission	759,739	42,152	-	801,891
Distribution	14,733,837	1,097,801	550,334	15,281,304
General	6,301,009	459,295	3,300	6,757,004
Less accumulated provision for amortization of acquisition adjustment	9,509,067	408,468	-	9,917,535
Total electric plant being depreciated, net	32,851,237	(665,279)	(27,652)	32,213,610
Electric plant, net	\$ 33,723,022	\$ 1,919,147	\$ 1,778,523	\$ 33,863,646

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, 2016, and 2015:

	2016	2015
Working funds	\$ 1,258	\$ 1,008
Deposits with financial institutions	752,928	706,299
Investments	8,065,986	7,630,135
Total cash and investments	\$ 8,820,172	\$ 8,337,442

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

## 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 \$934,498 at December 31, 2016, and \$778,342 at December 31, 2015. 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 \$312,377 at December 31, 2016, and \$310,273 at December 31, 2015, 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 \$622,121 at December 31, 2016, and \$468,069 at December 31, 2015.

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, 2016, and 2015, the PUD's investments consisted of:

	<u>2016</u>	<u>2015</u>
Investment in Oregon Local Government Investment Pool	<u>\$ 8,065,986</u>	<u>\$ 7,630,135</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, 2016, and 2015

## 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, 2016 were: 68% mature within 93 days, 17% mature from 94 days to one year, and 15% mature from one to three years. Weighted average maturities of investments in the Oregon Short-Term Fund at December 31, 2015 were: 73% mature within 93 days, 11% mature from 94 days to one year, and 16% mature from one to three years.

The PUD has designated cash and investments totaling \$96,677 at December 31, 2016, and \$95,659 at December 31, 2015, for debt service.

## 4 - BOND AND 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 were 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 were 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, 2016, and 2015

4 - BOND AND REVENUE OBLIGATIONS PAYABLE: (Contd)

In November 2015, the PUD issued Series 2015 Electric System Revenue Refunding Bond totaling \$5,474,118, the proceeds of which were used to advance refund \$5,435,000 of Series 2006 Electric System Revenue Refunding Obligations through an in-substance defeasance and to pay bond issuance costs. The PUD advance refunded these obligations to reduce its total debt service payments over the life of the Series 2015 Bond by \$353,355 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$337,522. All outstanding Series 2006 Obligations were redeemed on December 17, 2015. The Series 2015 Bond is a special limited obligation 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.

Bond principal and interest transactions for 2016 are as follows:

	Principal Transactions			Outstanding 12/31/2016	Interest Matured and Paid
	Outstanding 1/1/2016	2016 Issues	2016 Retirements		
Series 2015 Bond	\$ 5,474,118	\$ -	\$ 1,128,724	\$ 4,345,394	\$ 90,992

Bond and revenue obligations principal and interest transactions for 2015 are as follows:

	Principal Transactions			Outstanding 12/31/2015	Interest Matured and Paid
	Outstanding 1/1/2015	2015 Issues	2015 Retirements		
Series 2000A Revenue Obligations	\$ 630,000	\$ -	\$ 630,000	\$ -	\$ 34,335
Series 2006 Revenue Obligations	5,820,000	-	5,820,000	-	240,018
Series 2015 Bond	-	5,474,118	-	5,474,118	-
Total	\$ 6,450,000	\$ 5,474,118	\$ 6,450,000	\$ 5,474,118	\$ 274,353

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

4 - BOND AND REVENUE OBLIGATIONS PAYABLE: (Contd)

At December 31, 2016, and 2015, bond principal payable consists of the following:

	<u>2016</u>	<u>2015</u>
Series 2015 Revenue Refunding Bond, principal payable annually on December 1. Interest at 1.60% per annum payable semi-annually on June 1 and December 1 each year.	\$ 4,345,394	\$ 5,474,118
Less current maturities	<u>1,149,603</u>	<u>1,128,724</u>
Long-term debt	<u>\$ 3,195,791</u>	<u>\$ 4,345,394</u>

As of December 31, 2016, scheduled annual maturities of Series 2015 Revenue Refunding Bond principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,149,603	\$ 69,526	\$ 1,219,129
2018	1,163,396	51,133	1,214,529
2019	1,185,811	32,518	1,218,329
2020	<u>846,584</u>	<u>13,545</u>	<u>860,129</u>
Total	<u>\$ 4,345,394</u>	<u>\$ 166,722</u>	<u>\$ 4,512,116</u>

The unamortized premium on revenue obligations and the unamortized loss on reacquired debt were being amortized over the life of the 2006 revenue obligations issue using the straight-line method, but were fully amortized in 2015 due to the full redemption of the remaining 2006 revenue obligations during 2015.

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

## 5 - RETIREMENT PLANS:

### PENSION PLANS:

#### 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 a cost-sharing 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: 1) The Pension Program, the defined benefit portion of the plan which applies to qualifying PUD employees hired on or after August 29, 2003. 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. 2) The Individual Account Program (IAP), the defined contribution portion of the plan. Beginning January 1, 2004, all PERS member contributions go into the IAP. 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, postemployment 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

#### Benefits provided

##### A. Tier One/Tier Two Retirement Benefit ORS Chapter 238

#### Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

## 5 - RETIREMENT PLANS: (Contd)

### PENSION PLANS: (CONTD)

#### Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

#### Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

#### Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

## B. OPSRP Pension Program (OPSRP DB)

### Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.



# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

## 5 - RETIREMENT PLANS: (Contd)

### PENSION PLANS: (CONTD)

#### Pension Benefits (Contd)

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

#### Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

#### Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

#### Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

## C. OPSRP Individual Account Program (OPSRP IAP)

#### Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

## 5 - RETIREMENT PLANS: (Contd)

### PENSION PLANS: (CONTD)

#### Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

#### Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

#### Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during all of 2016 and the last six months of 2015 were based on the December 31, 2013 actuarial valuation. Employer contribution rates during the first six months of 2015 were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. Employer contributions for 2016 and 2015 were \$473,853 and \$509,175, respectively. The rates in effect during all of 2016 and the last six months of 2015 were 13.68 percent for Tier One/Tier Two General Service Members and 9.60 percent for OPSRP Pension Program General Service Members. The rates in effect during the first six months of 2015 were 10.28 percent for Tier One/Tier Two General Service Members and 8.49 percent for OPSRP Pension Program General Service Members. An additional 6 percent contribution is required for the OPSRP Individual Account Program.

#### Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At December 31, 2016, the PUD reported a liability of \$6,423,396 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. At December 31, 2015, the PUD reported a liability of \$3,394,996 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. The PUD's proportion of the net pension liability was based on a projection of the PUD's long-term share of contributions to the pension plan relative to the projected contributions of all participating

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

5 - RETIREMENT PLANS: (Contd)

PENSION PLANS: (CONTD)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions (Contd)

entities actuarially determined. PERS has established side accounts for employers that made lump sum payments to the plan in excess of their actuarially required contributions. Since different contribution rates are assessed to employers based on the value of the side accounts, the side account values were reflected separately in the proportionate share calculation. On December 31, 2016, and 2015, the PUD's proportion was 0.0294% and 0.0292%, respectively.

For 2016 and 2015, the PUD recognized pension expense of \$473,853 and \$509,175, respectively. At December 31, 2016, and 2015, the PUD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2016	2015	2016	2015
Differences between expected and actual experience	\$ 146,082	\$ 90,471	\$ -	\$ -
Changes of assumptions	941,706	-	-	-
Net difference between projected and actual earnings on investments	872,304	-	-	351,686
Changes in proportionate share	6,837	-	-	18,698
Differences between employer contributions and employer's proportionate share of contributions	309,202	143,980	-	-
Deferred outflows/inflows at December 31	<u>\$ 2,276,131</u>	<u>\$ 234,451</u>	<u>\$ -</u>	<u>\$ 370,384</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources
2017	\$ 435,954
2018	435,953
2019	750,887
2020	566,845
2021	86,492
Total	<u>\$ 2,276,131</u>

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

## Notes to Financial Statements December 31, 2016, and 2015

### 5 - RETIREMENT PLANS: (Contd)

#### PENSION PLANS: (CONTD)

##### Actuarial assumptions

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014 rolled forward to June 30, 2016
Experience Study Report	2014, published September 23, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.50 percent
Investment Rate of Return	7.50 percent
Discount Rate	7.50 percent
Projected Salary Increases	3.50 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.  Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.  Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

## Notes to Financial Statements December 31, 2016, and 2015

### 5 - RETIREMENT PLANS: (Contd)

#### PENSION PLANS: (CONTD)

#### Actuarial assumptions (Contd)

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, published September 23, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Discount Rate	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.  Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.  Disabled retirees: Mortality rates are a percentage (65% for males, 70% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

#### Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

5 - RETIREMENT PLANS: (Contd)

PENSION PLANS: (CONTD)

Long-term expected rate of return (Contd)

Asset Class	December 31, 2014 Actuarial Valuation		December 31, 2013 Actuarial Valuation	
	Target Allocation	Compounded Annual Return (Geometric)	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%	7.20%	4.50%
Short-Term Bonds	8.00%	3.61%	8.00%	3.70%
Bank/Leveraged Loans	3.00%	5.42%		
Intermediate - Term Bonds			3.00%	4.10%
High Yield Bonds	1.00%	6.20%	1.80%	6.66%
Large/Mid Cap US Equities	15.75%	6.70%		
Large Cap US Equities			11.65%	7.20%
Mid Cap US Equities			3.88%	7.30%
Small Cap US Equities	1.31%	6.99%	2.27%	7.45%
Micro Cap US Equities	1.31%	7.01%		
Developed Foreign Equities	13.13%	6.73%	14.21%	6.90%
Emerging Market Equities	4.12%	7.25%	5.49%	7.40%
Non-US Small Cap Equities	1.88%	7.22%		
Private Equities	17.50%	7.97%	20.00%	8.26%
Real Estate (Property)	10.00%	5.84%	13.75%	6.51%
Real Estate (REITS)	2.50%	6.69%	2.50%	6.76%
Hedge Fund of Funds - Diversified	2.50%	4.64%		
Hedge Fund - Event-driven	0.63%	6.72%		
Hedge Funds - Absolute Return			5.00%	6.01%
Timber	1.88%	5.85%		
Farmland	1.88%	6.37%		
Infrastructure	3.75%	7.13%		
Commodities	1.88%	4.58%	1.25%	6.07%
<b>Total</b>	<b>100.00%</b>		<b>100.00%</b>	
Assumed Inflation - Mean		2.50%		2.75%

Discount rate

The discount rate used to measure the total pension liability in the December 31, 2014 actuarial valuation was 7.50 percent for the Defined Benefit Pension Plan. The discount rate used to measure the total pension liability in the December 31, 2013 actuarial valuation was

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

5 - RETIREMENT PLANS: (Contd)

PENSION PLANS: (CONTD)

Discount rate (Contd)

7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the PUD's proportionate share of the net pension liability to changes in the discount rate

The following presents the PUD's proportionate share of the net pension liability calculated using the discount rate of 7.50% at December 31, 2016, and 7.75% at December 31, 2015, as well as what the PUD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the respective rate:

	<u>December 31, 2016</u>		
	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
PUD's proportionate share of the net pension liability:	\$ 9,211,184	\$ 6,423,396	\$ 4,228,723

	<u>December 31, 2015</u>		
	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
PUD's proportionate share of the net pension liability (asset):	\$ 4,049,090	\$ 3,394,996	\$ (320,741)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

## COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

### 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 2016 and 2015, the PUD made the required contributions of \$183,974 and \$205,682, 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 \$206,685, respectively, to the plan during 2016 and 2015.



COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2016, and 2015

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	12,365
Adjustment to annual required contribution	<u>(17,877)</u>
Annual OPEB cost	89,742
Contributions made	<u>-</u>
Increase in net OPEB obligation	89,742
Net OPEB obligation - beginning of year	<u>309,132</u>
Net OPEB obligation - end of year	<u>\$ 398,874</u>

The PUD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015 and 2014 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2016	\$ 89,742	0.0%	\$ 398,874
12/31/2015	\$ 87,619	235.9%	\$ 309,132
12/31/2014	\$ 89,210	0.0%	\$ 428,198

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, 2016, and 2015

## 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 property coverage and workers' compensation 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 also carries commercial insurance for other risks of loss including general liability, automobile liability and public official liability. Settled claims resulting from these risks did not exceed insurance coverage in 2016. The PUD incurred unrecoverable costs of approximately \$298,000 during 2015 and approximately \$153,000 during 2014 for the settlement of claims.

## 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, 2016, and 2015

### 9 - POWER PURCHASE AGREEMENT:

The PUD executed a Power Sales Agreement with the Bonneville Power Administration (BPA) for the purchase of power for the period October 1, 2011 through September 30, 2028. The agreement is for Load Following service coupled with a Tiered Rate Methodology (TRM). The TRM established an initial Contract High Water Mark (CHWM) load that qualifies for service at BPA's lower cost power (Tier 1) from the Federal Base System (FBS). Any requirement above the CHWM load is known as Above High Water Mark (AHWM) load. The AHWM load obligation for each year is established in advance of each two year rate period based upon load forecasts and projected FBS capability. The AHWM load can be served with non-federal resources or purchased from BPA as Tier 2 power. Tier 2 power purchased from BPA is expected to be priced at or around market.

### 10 – CONTINGENCIES:

The Columbia River PUD has been named as a defendant in litigation filed by four former PUD managers. Each plaintiff alleges \$750,000 in lost wages and another \$1,000,000 in emotional distress, non-economic damages. The litigation is currently in the discovery stage and the ultimate outcome is not presently determinable.

**REQUIRED SUPPLEMENTARY INFORMATION**

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of the Proportionate Share of the Net Pension Liability  
Oregon Public Employees Retirement System Pension Plan  
For the last four years

Year Ended June 30	(a) PUD's proportion of the net pension liability	(b) PUD's proportionate share of the net pension liability	(c) PUD's covered payroll	(b/c) PUD's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (as of June 30)
2016	0.0294%	\$ 6,423,396	\$ 4,745,144	135.37%	80.53%
2015	0.0292%	3,394,996	4,208,020	80.68%	91.88%
2014	0.0303%	1,108,522	4,132,164	26.83%	103.60%
2013	0.0303%	3,219,326	4,196,183	76.72%	

The amounts presented for each fiscal year were actuarially determined as of December 31 and rolled forward to the June 30 measurement date.

This schedule is presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

## COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Contributions  
Oregon Public Employees Retirement System Pension Plan  
For the last four years

Year Ended December 31	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) PUD's covered payroll	(b/c) Contributions as a percent of covered payroll
2016	\$ 473,853	\$ 473,853	\$ -	\$ 4,087,418	11.59%
2015	509,175	509,175	-	4,675,091	10.89%
2014	393,753	393,753	-	4,166,815	9.45%
2013	422,093	422,093	-	4,244,370	9.94%

The amounts presented are based on the PUD's calendar year-end.

This schedule is presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Required Supplementary Information  
Oregon Public Employees Retirement System Pension Plan

**Changes in Plan Provisions**

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

and in a letter from the plan's actuary dated May 23, 2016 which can be found at:

[http://www.oregon.gov/pers/EMP/docs/gasb\\_68\\_2\\_er\\_reporting.pdf](http://www.oregon.gov/pers/EMP/docs/gasb_68_2_er_reporting.pdf)

**Changes of assumptions**

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 23, 2015, and can be found at:

[https://www.oregon.gov/pers/docs/2014\\_experience\\_study\\_9-23-15.pdf](https://www.oregon.gov/pers/docs/2014_experience_study_9-23-15.pdf)

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>



## **STATISTICAL INFORMATION**

## COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statistical Information  
Last Five Years

	2016	2015	2014	2013	2012
Number of customers: (1)					
Residential	16,390	16,252	16,105	16,050	16,111
General service - 30kW or less	1,775	1,759	1,752	1,744	1,698
General service - over 30kW	249	245	243	241	243
Industrial	6	6	6	6	8
Street lighting and signals	523	520	517	515	520
Irrigation	52	53	47	56	57
Total customers	18,995	18,835	18,670	18,612	18,637
Energy requirements: (MWh)					
Energy sales:					
Residential	205,129	202,348	210,026	212,559	211,529
General service - 30kW or less	27,845	26,415	27,082	27,116	26,730
General service - over 30kW	64,642	63,738	64,097	62,408	59,412
Industrial	165,788	147,609	158,745	160,996	158,804
Street lighting and signals	2,034	2,055	2,008	1,992	1,926
Irrigation	2,491	1,839	1,983	1,868	2,661
Total energy sales	467,929	444,004	463,941	466,939	461,062
Used by utility	400	434	452	492	503
Losses	15,177	15,623	9,446	16,117	14,468
Total energy requirements	483,506	460,061	473,839	483,548	476,033
System peak (MW)	92.0	88.0	96.4	95.0	88.9
Operating revenues:					
Sales of electricity:					
Residential	\$ 15,969,121	\$ 14,929,483	\$ 14,702,546	\$ 14,575,698	\$ 14,259,016
General service - 30kW or less	2,404,779	2,178,752	2,186,040	2,162,754	2,084,434
General service - over 30kW	4,804,600	4,618,613	4,561,163	4,341,869	4,077,343
Industrial	7,499,603	6,496,688	6,914,788	6,738,130	6,683,918
Street lighting and signals	205,210	189,306	189,503	183,555	184,727
Irrigation	176,334	149,978	151,256	133,017	177,278
Total sales of electricity	31,059,647	28,562,820	28,705,296	28,135,023	27,466,716
Other operating revenues	288,478	292,132	310,726	321,717	311,754
Total operating revenues	\$ 31,348,125	\$ 28,854,952	\$ 29,016,022	\$ 28,456,740	\$ 27,778,470
Average annual kWh used per customer:					
Residential	12,515	12,451	13,041	13,244	13,129
General service - 30kW or less	15,687	15,017	15,458	15,548	15,742
General service - over 30kW	259,606	260,155	263,774	258,954	244,494
Industrial	27,631,333	24,601,500	26,457,500	26,832,667	19,850,500
Street/area lighting and signals	3,889	3,952	3,884	3,868	3,704
Irrigation	47,904	34,698	42,191	33,357	46,684
Average revenue per kWh: (in cents)					
Residential	7.785	7.378	7.000	6.857	6.741
General service - 30kW or less	8.636	8.248	8.072	7.976	7.798
General service - over 30kW	7.433	7.246	7.116	6.957	6.863
Industrial	4.524	4.401	4.356	4.185	4.209
Street/area lighting and signals	10.089	9.212	9.437	9.215	9.591
Irrigation	7.079	8.155	7.628	7.121	6.662
Average all classes	6.638	6.433	6.187	6.025	5.957

(1) Annual monthly average

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

INDEPENDENT AUDITOR'S COMMENTS  
REQUIRED BY OREGON STATE REGULATIONS

March 13, 2017

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, 2016, and have issued our report thereon dated March 13, 2017.

**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.