

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

AUDIT REPORT

Years Ended December 31, 2011, and 2010

KENNETH KUHNS & CO.

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COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

December 31, 2011

Board of Directors

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

Administrative Staff

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

PUD Office

<i>Location:</i> 64001 Columbia River Highway Deer Island, Oregon 97054	<i>Mailing Address:</i> P.O. Box 1193 St. Helens, Oregon 97051
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INDEPENDENT AUDITOR'S REPORT

March 12, 2012

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

We have audited the balance sheets of Columbia River People's Utility District as of December 31, 2011, and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Columbia River People's Utility District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia River People's Utility District as of December 31, 2011, and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 4 through 13, the schedule of funding progress for retirement plan on page 32 and the schedule of funding progress for retiree health plan on page 33 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

This section presents management's overview of the PUD's financial condition and performance during the year ended December 31, 2011. It also serves as an introduction to the financial statements, the notes to financial statements, and to the supplementary information provided with the financial statements. Management's Discussion & Analysis is compiled using summary financial statements, key financial and operational indicators used in the strategic plan, budget documents, bond resolutions, and other management tools, and should be read in conjunction with the financial statements and the accompanying notes to financial statements.

Overview of Financial Statements

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

- **Balance Sheet** – This sheet presents the financial position of the 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 ending December 31, 2011, and 2010.
- **Statement of Revenues, Expenses and Changes in Net Assets** – This statement presents the result of the PUD's activities over the course of the year and information as to how net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the 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 receipts and cash disbursement information without consideration of the earnings events, when an obligation arises, or the depreciation of capital assets.
- **Notes to Financial Statements** - These notes provide required disclosures and other information that are essential for a full understanding of the financial statements. The notes present information about the PUD's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Schedules of Selected Supplementary Financial Data

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

Overall Financial Position

One way to evaluate the PUD's overall financial position is to review its net assets and how they changed during the reporting period. Increases or decreases in net assets may be a useful indicator of whether the PUD's financial health is improving or deteriorating. Additionally, non-financial factors such as economic conditions, population growth or decline, and legislative changes must also be considered to adequately assess the PUD's overall health.

Bond Rating

Standard & Poor's increased its rating for the PUD's electric system revenue obligations from "A Stable" to "A+ Stable". S&P listed the PUD's strong debt service coverage, limited risk as a BPA customer, and stable, competitive rates among the reasons for the improved rating. This is the second rating upgrade the PUD has received in recent years. In 2008, S&P raised the PUD's rating from "A- Stable" to "A Stable".

Net Assets

The PUD's net assets on December 31, 2011, increased by \$1.7 million to \$35.8 million. This is a 5.0% increase over year-end 2010 net assets of \$34.1 million. The change in net asset position resulted from investments in utility plant, net of related debt. This increase reflects the PUD's long-standing practice of investing surplus cash and earnings, and using customer contributions for capital assets in lieu of issuing additional long-term debt.

During 2011, the PUD's largest capital investment was the purchase of two substation transformers. One was installed in the Scappoose Substation and the other will be installed in the new Fairgrounds Substation in St. Helens, which will begin construction in 2012. By taking advantage of low market prices for copper and oil, the PUD was able to realize significant savings on these capital purchases.

Of the PUD's net assets, approximately \$11.7 million or 32.8% was unrestricted and available to be used to meet the PUD's ongoing obligations to its customers and creditors. Of the remaining \$24.1 million, approximately \$24.0 million has been invested in utility plant assets, while \$0.1 million has been set aside to reduce future debt service.

Condensed Balance Sheets

(amounts in thousands)	2011	2010	2009
Assets			
Utility plant (net)	\$33,183	\$32,183	\$31,824
Cash and other current assets	15,822	15,308	15,166
Deferred charges	482	544	606
Total Assets	\$49,487	\$48,035	\$47,596
Liabilities			
Long-term debt	\$8,378	\$ 9,253	\$10,083
Current liabilities	4,922	4,438	4,700
Deferred Credits	364	220	560
Total Liabilities	13,664	13,911	15,343
Net Assets			
Investment in plant, net of debt	23,983	22,159	21,010
Reserved for bond retirement	73	69	66
Unrestricted	11,767	11,896	11,177
Total Net Assets	\$35,823	\$34,124	\$32,253

Economic Conditions

The economic downturn that began in 2009 affected the PUD, resulting in declining electric sales and fewer connections of new residential and commercial customers, closures of local businesses and higher local unemployment rates. During 2011, the economy began to show signs of improvement, with the statewide unemployment dropping below 9% and county-wide unemployment dropping below 10% for the first time in three years. The PUDs revenue from electric service increased 5.6% in 2011, reflecting these improvements in the local economy.

Columbia County's unemployment rate remains well above that of Oregon and of the United States as a whole. Construction of a plastic recycling facility in St. Helens, plus a thrift store/donation center and a pizza parlor in Scappoose, will create close to 100 new jobs in 2012. The PUD anticipates a 2.8% increase in revenues in 2012 as a result.

Revenues and Expenses

During 2011, the PUD's revenue, generated from electric services, increased by \$1.5 million (5.6%) to \$27.4 million. Among the PUD's customer classes, industrial revenues showed the most significant year-over-year increase, with kWh sales increasing 9.6%. That change was primarily the result of an unplanned shutdown in 2010 at the PUD's largest industrial customer. Residential kWh sales increased by 4.1%, while kWh sales among the PUD's commercial customers remained relatively flat.

Rate Increase

A 4.0% overall rate increase that took effect on October 1, 2011, also increased revenues during the fourth quarter of 2011. The PUD implemented the rate increase after conducting a Cost of Service Analysis and holding two public customer rate advisory workshops, which evaluated and discussed the PUD's operating and long-term capital improvement plans, load growth forecasts, and power cost forecasts.

The PUD last changed rates in October 2006, when it implemented an overall rate decrease of 4.65%. The PUD last increased rates in October 2001. Rates are expected to remain stable until an anticipated BPA wholesale power cost increase takes effect in October 2013.

Power Costs

Purchased power costs increased 2.0%, from \$14.9 to \$15.2 million. These costs make up 59.2% of the PUD's total operating expenses. The PUD is a full requirements customer of Bonneville Power Administration (BPA), which increased wholesale power costs 9.7% in October 2011 and 6.95% in October 2009. The power cost increase was somewhat offset by the ongoing BPA billing credits resulting from the IOU-Residential Exchange Overcharge. Those credits totaled \$569,000 in 2011.

Operating Expenses

The PUD's operating expenses related to electric services, excluding cost of power, increased by \$1.2 million or 12.9% to \$10.5 million when compared to last year's total of \$9.3 million. A \$0.5 million increase in industrial efficiency project incentives was the largest contributor to this increase.

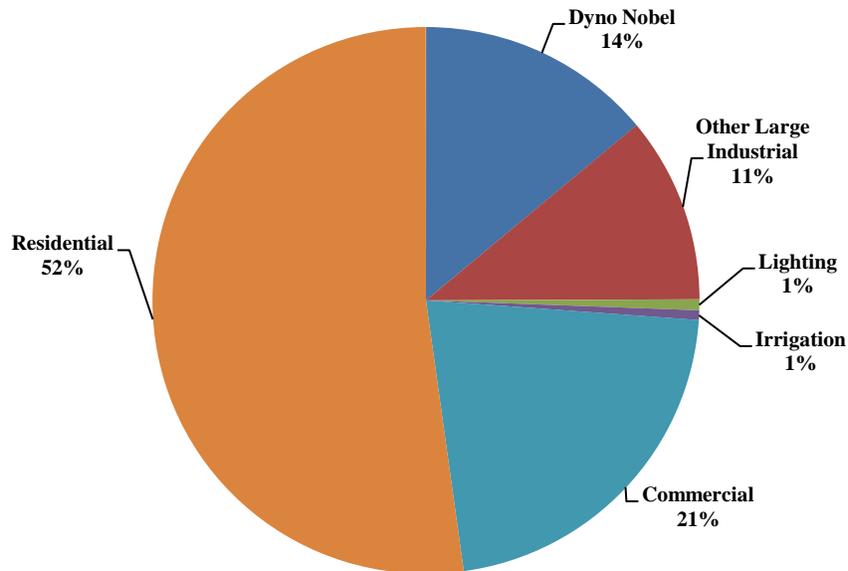
Net Income

The PUD produced positive net income from its electric system operations of \$1.7 million. This figure represents a decrease of \$0.2 million or -9.1% when compared to 2010 net income of \$1.9 million.

Revenues by Customer Class

Residential customers provided 52.2% of the PUD's revenues during 2011. The PUD's largest industrial customer, Dyno Nobel (a subsidiary of Incitec Pivot Limited), provided 14.0% of revenues. Sales among commercial customers accounted for 21.6% of revenues.

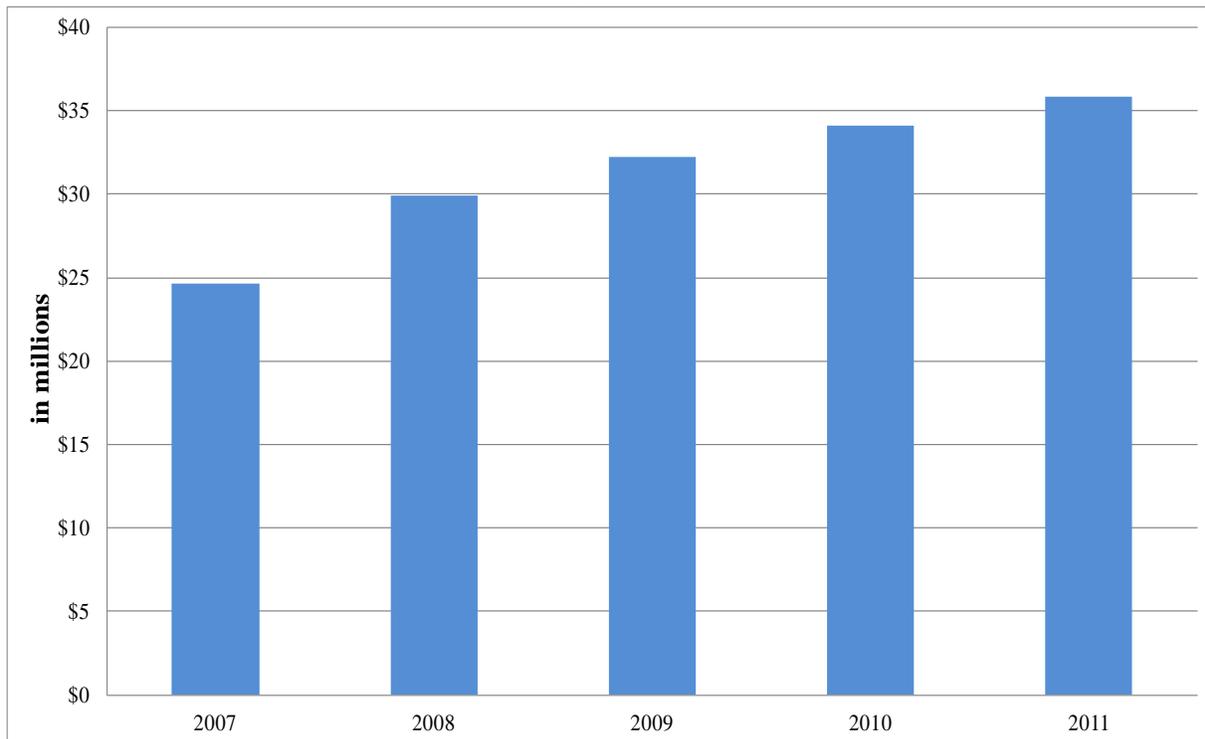
2011 Revenues By Customer Class



Condensed Statements of Revenues Expenses, and Change in Net Assets

(amounts in thousands)	2011	2010	2009
Revenue and Other Income			
Charges for electric services	\$27,366	\$25,905	\$26,874
Interest earnings	60	63	122
Other income	499	650	745
Total revenue and other income	27,925	26,618	27,741
Expenses			
Expenses for service			
Electric - purchased power costs	15,157	14,863	14,537
Electric - operating costs	10,459	9,263	10,020
Total expenses for services	25,616	24,126	24,557
Interest and amortization of debt	511	550	693
Other	98	71	121
Total expenses	26,225	24,747	25,371
Increase (decrease) in net assets	1,700	1,871	2,370
Total net assets – beginning of year	34,124	32,253	29,883
Total net assets – end of year	\$35,823	\$34,124	\$32,253

Net Assets, Last Five Years



Cash Management

At December 31, 2011, the PUD's total cash and investments, including debt service reserves, totaled \$11.9 million, which is up \$0.5 million over 2010 balances. The PUD has built up cash reserves by \$7.1 million over the past five years. The individual components are as follows:

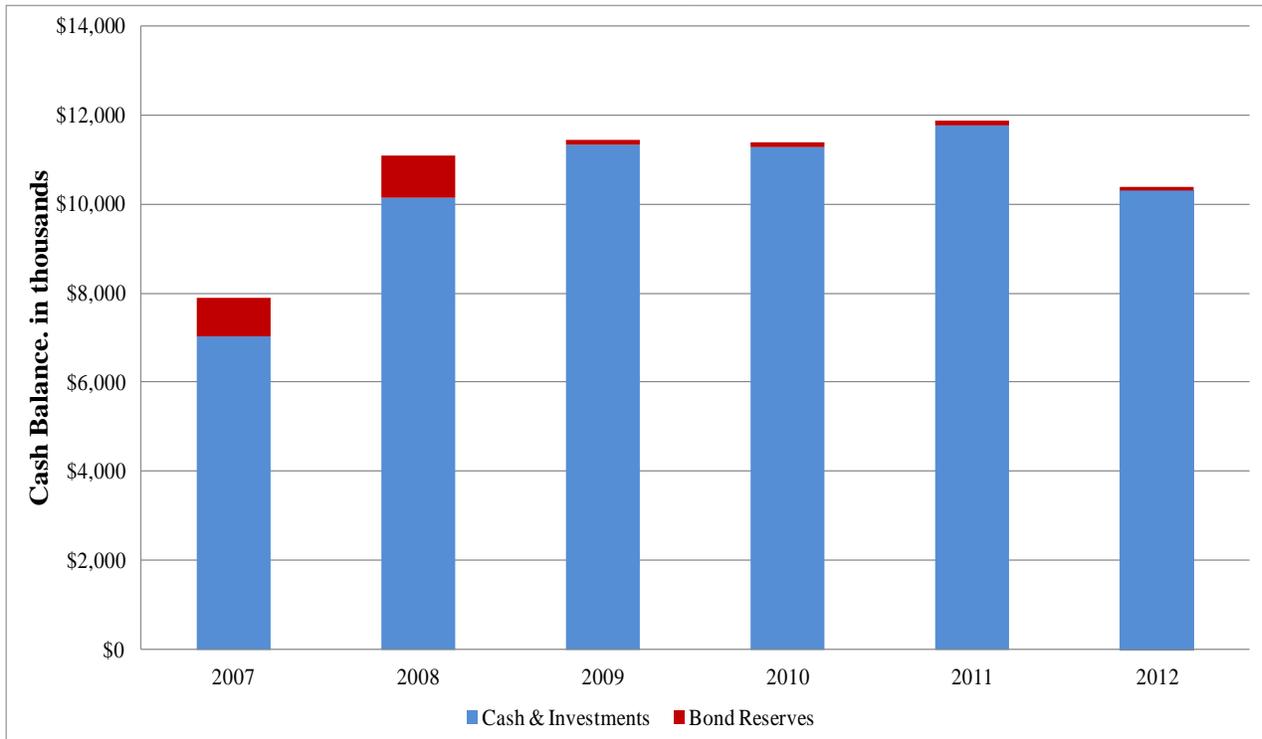
Cash and Investments

(amounts in thousands)	2011	2010	Increase (Decrease)
Operating cash, investments and cash equivalent	\$11,777	\$11,289	\$488
Debt service fund	107	107	0
Total cash and investments	\$11,884	\$11,396	\$488

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

The amount of interest earned during the years ended December 31, 2011, and 2010, totaled \$59,600 and \$62,800 respectively. Investment earnings are directly impacted by historically low interest rates and investment-related fees.

**Five-Year Cash and Bond Reserve Balances
& 2012 Cash Projection**



Capital Assets

At the end of 2011, the PUD's investment in capital assets amounted to \$33.2 million, which is stated net of \$27.0 million of accumulated depreciation and amortization. Total utility plant in service as of December 31, 2009, through 2011, consisted of the following:

Electric Plant

(amounts in thousands)	2011	2010	2009
Transmission	\$1,449	\$1,449	\$1,447
Distribution	38,004	35,740	34,339
General	8,291	8,116	7,600
Plant acquisition adjustment	12,286	12,286	12,286
Construction work in progress	195	252	338
Total electric plant	60,225	57,843	56,010
Less:			
Accumulated depreciation	-18,759	-17,785	-16,719
Amortization of plant acquisition	-8,283	-7,875	-7,467
Total depreciation and amortization	-27,042	-25,660	-24,186
Net electric plant	\$33,183	\$32,183	\$31,824

Capital Projects

During 2011, the PUD invested \$3.0 million in the construction and acquisition of plant which was an increase of \$0.8 million from 2010. Major capital projects during 2011 included the following:

- Purchase of two substation transformers – one for the Scappoose Substation and one for the new Fairgrounds Substation in St. Helens, which will be constructed in 2012.
- Customer line extension and new services work, including meters and transformers.
- System reliability improvements at substations including enhanced communications and SCADA equipment and replacing regulators and reclosers.
- Converting existing overhead facilities to underground.
- Upgrading numerous power lines to increase load capacity and improve system reliability and safety.
- Replacement of damaged or deteriorated poles.

Long-Term Debt

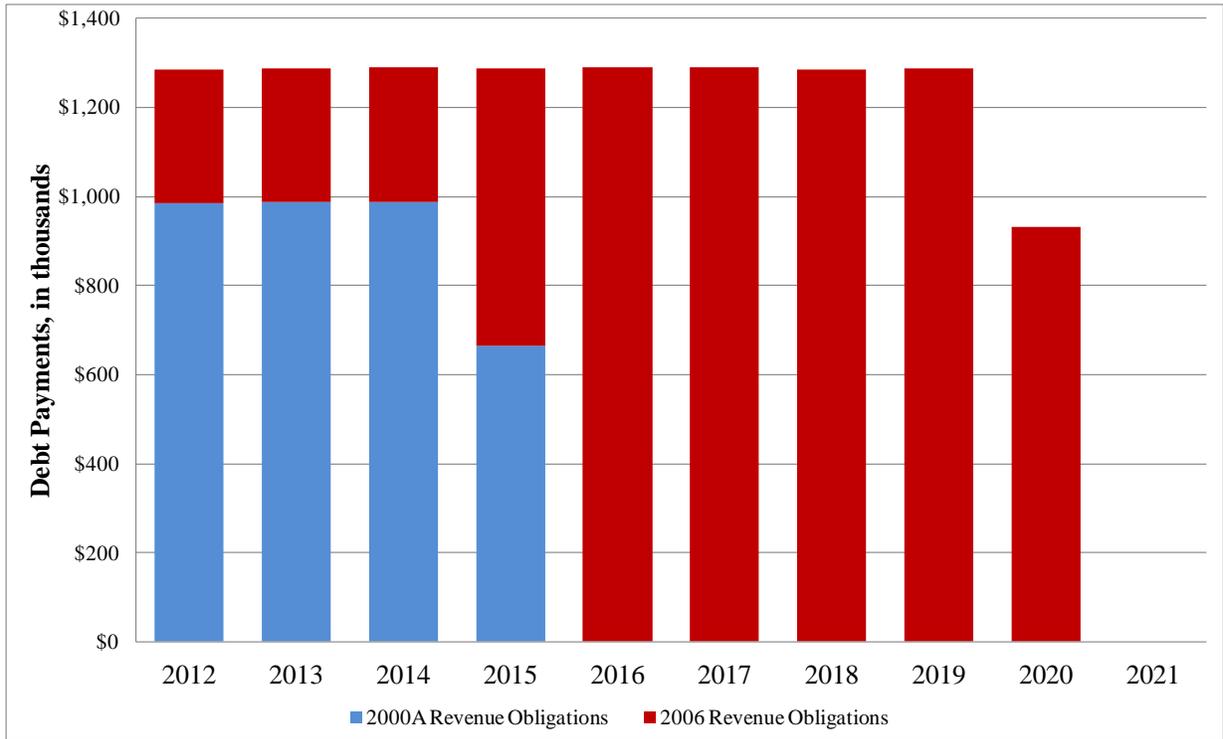
Debt service coverage ratio is a useful indicator of the PUD's debt position. Under its current debt agreements, the PUD is required to maintain coverage of at least one hundred twenty-five percent (or 1.25) of the annual debt service on its 2000A and 2006 System Revenue Obligations. Coverage on the 2000A and 2006 System Revenue Obligations has exceeded coverage requirements at 3.29 in 2011 and 3.36 in 2010.

As of December 31, 2011, the PUD had \$8.3 million of long-term debt outstanding (excluding current maturities), which was down \$0.9 million or 9.5% from the prior year's \$9.2 million. The PUD issued no new debt in 2011 and has no plans to issue any additional long-term debt in the foreseeable future.

Long-Term Debt

(amounts in thousands)	2011	2010	2009
Series 2000A Revenue Obligations	\$3,210	\$3,985	\$4,725
Series 2006 Revenue Obligations	5,990	6,040	6,090
Total long-term debt	\$9,200	\$10,025	\$10,815

**Schedule of Long-Term Debt – Principal and Interest
Balance at Year-End, 2012-2021**



Future debt service requirements are detailed in Schedule 4 of the “Other Supplementary Information” section of the financial statements.

2012 Capital Budget

The PUD plans expenditures of \$2.9 million on system improvement projects, new equipment, and customer work in 2012, less \$0.4 million in customer contributions, with net capital additions totaling \$2.5 million. In 2012, the PUD’s capital plans include constructing the Fairgrounds Substation in St. Helens, rebuilding the transmission line out of the Rose Hill Substation, continuing to convert overhead facilities to underground, completing numerous projects upgrading to larger capacity wire, replacing damaged and rotten poles, as well as performing customer work to meet customer demand. The PUD also plans to purchase a new double bucket truck and a substation maintenance vehicle.

**Condensed Statements of Revenues
Expenses, and Change in Net Assets
Budget – vs. – Actual**

(amounts in thousands)	2012 Budget	2011 Actual	2011 Budget	2010 Actual	2010 Budget
Revenue and Other Income					
Charges for electric services	\$28,134	\$27,366	\$26,844	\$25,905	\$27,272
Interest earnings	60	60	64	63	102
Other income	131	499	574	650	522
Total revenue and other income	28,325	27,925	27,482	26,618	27,896
Expenses					
Expenses for electric services					
Electric – purchased power costs	16,320	15,157	15,623	14,863	15,493
Electric – operating costs	10,256	10,459	10,503	9,263	9,812
Total expenses for services	26,576	25,616	26,126	24,126	25,305
Interest and amortization of debt	476	511	511	550	580
Other	38	98	58	71	55
Total expenses	27,090	26,225	26,695	24,747	25,940
Increase (decrease) in net assets	\$1,235	\$1,700	\$787	\$1,871	\$1,956

Requests for Information

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

FINANCIAL STATEMENTS

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Balance Sheet

<u>Assets</u>	December 31,	
	2011	2010
Electric plant: (Notes 1 and 2)		
In service - at cost	\$ 47,744,440	\$ 45,304,884
Acquisition adjustment	12,286,247	12,286,247
Construction work in progress	194,485	251,754
Total electric plant	60,225,172	57,842,885
Less:		
Accumulated provision for depreciation	(18,758,736)	(17,784,592)
Accumulated provision for amortization of acquisition adjustment	(8,283,663)	(7,875,195)
Net electric plant	33,182,773	32,183,098
Other assets and investments:		
Nonutility property	680	680
Investments in associated organizations	11,675	11,675
Total other assets and investments	12,355	12,355
Current assets:		
Cash and investments (Notes 1 and 3):		
Current cash	11,776,764	11,288,677
Designated for bond debt service	107,227	107,311
Customer accounts receivable (net of allowance for doubtful accounts of \$31,189 in 2011 and \$37,285 in 2010)	3,126,692	2,930,018
Other receivables	159,596	283,289
Materials and supplies (Note 1)	365,351	395,205
Prepayments	286,382	303,403
Total current assets	15,822,012	15,307,903
Deferred charges - unamortized debt expense (Notes 1 and 4)	470,327	531,829
Total assets	\$ 49,487,467	\$ 48,035,185

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Balance Sheet

<u>Net Assets and Liabilities</u>	December 31,	
	<u>2011</u>	<u>2010</u>
Net assets:		
Invested in capital assets - net of related debt	\$ 23,983,453	\$ 22,158,778
Restricted for bond retirement	72,506	69,151
Unrestricted	<u>11,767,443</u>	<u>11,895,669</u>
Total net assets	<u>35,823,402</u>	<u>34,123,598</u>
Long-term debt:		
Revenue obligations payable, less current maturities (Note 4)	8,330,000	9,200,000
Unamortized premium on revenue obligations (Note 4)	<u>47,812</u>	<u>53,051</u>
Total long-term debt	<u>8,377,812</u>	<u>9,253,051</u>
Current liabilities:		
Current maturities of long-term debt (Note 4)	870,000	825,000
Accounts payable	2,067,924	1,958,921
Accrued franchise taxes payable	529,481	507,581
Accrued interest	34,721	38,160
Accrued compensated absences (Note 1)	534,750	483,495
Customer deposits	554,486	504,457
Other accruals	<u>330,449</u>	<u>120,299</u>
Total current liabilities	<u>4,921,811</u>	<u>4,437,913</u>
Deferred credits:		
Post-employment health care benefits obligation (Note 6)	242,023	140,412
Customer advances for construction	101,020	56,186
Other deferred credits	<u>21,399</u>	<u>24,025</u>
Total deferred credits	<u>364,442</u>	<u>220,623</u>
Total net assets and liabilities	<u>\$ 49,487,467</u>	<u>\$ 48,035,185</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

	Years Ended December 31,	
	2011	2010
Operating revenues:		
Sales of electricity	\$ 27,365,941	\$ 25,904,993
Other operating revenues	312,021	314,638
Total operating revenues	27,677,962	26,219,631
Operating expenses:		
Cost of power	15,156,680	14,862,923
Transmission and distribution expense	2,143,629	2,096,391
Customer accounts expense	758,682	701,090
Customer service and informational expense	438,085	224,215
Administrative and general expense	4,139,913	3,430,827
Depreciation and amortization	2,014,377	1,910,653
Taxes and franchise fees	964,193	899,567
Total operating expenses	25,615,559	24,125,666
Net operating revenues	2,062,403	2,093,965
Nonoperating income-(expenses):		
Interest on investments	59,628	62,842
Interest expense	(454,476)	(493,433)
Amortization of debt expense and premium	(56,263)	(56,261)
Other nonoperating income	88,512	263,482
Total nonoperating income-(expenses)	(362,599)	(223,370)
Net income	1,699,804	1,870,595
Net assets - beginning of year	34,123,598	32,253,003
Net assets - end of year	\$ 35,823,402	\$ 34,123,598

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Cash Flows

	Years Ended December 31,	
	2011	2010
Cash flows from operating activities:		
Cash received from customers	\$ 27,655,010	\$26,021,275
Cash payments for purchased power	(15,131,703)	(15,087,387)
Cash payments to suppliers for goods and services	(2,775,143)	(2,737,482)
Cash payments to employees for services	(5,129,020)	(4,657,396)
Other cash receipts	88,512	263,482
Net cash provided by operating activities	4,707,656	3,802,492
Cash flows from capital and related financing activities:		
Construction and acquisition of plant	(3,041,200)	(2,278,415)
Principal payments on revenue obligations payable	(825,000)	(790,000)
Interest payments on revenue obligations payable	(457,915)	(496,663)
Customer advances for construction	44,834	(347,413)
Net cash used in capital and related financing activities	(4,279,281)	(3,912,491)
Cash flows from investing activities:		
Decrease in cash and investments designated for bond debt service	84	145
Interest on investments	59,628	62,842
Net cash provided by investing activities	59,712	62,987
Net increase-(decrease) in cash and cash equivalents	488,087	(47,012)
Cash and cash equivalents - beginning of year	11,288,677	11,335,689
Cash and cash equivalents - end of year	\$ 11,776,764	\$11,288,677

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>2011</u>	<u>2010</u>
Reconciliation of net operating revenues to net cash provided by operating activities:		
Net operating revenues	<u>\$ 2,062,403</u>	<u>\$ 2,093,965</u>
Adjustments to reconcile net operating revenues to net cash provided by operating activities:		
Depreciation and amortization	2,014,377	1,910,653
Other nonoperating income	88,512	263,482
Decrease-(increase) in:		
Customer accounts receivable	(196,674)	(81,244)
Other receivables	123,693	(148,407)
Materials and supplies	29,854	14,955
Prepayments	17,021	26,050
Increase-(decrease) in:		
Accounts payable	136,151	(368,043)
Accrued franchise taxes payable	21,900	(23,067)
Accrued compensated absences	51,255	36,543
Customer deposits	50,029	31,295
Other accruals	210,150	37,888
Post-employment health care benefits obligation	101,611	11,910
Other deferred credits	<u>(2,626)</u>	<u>(3,488)</u>
Total adjustments	<u>2,645,253</u>	<u>1,708,527</u>
Net cash provided by operating activities	<u>\$ 4,707,656</u>	<u>\$ 3,802,492</u>
Noncash capital and related financing activities:		
Deferred charges - unamortized debt expense	\$ 61,502	\$ 61,501
Long-term debt - unamortized premium on bonds and revenue obligations	(5,239)	(5,240)
Amortization of debt expense and premium	<u>(56,263)</u>	<u>(56,261)</u>
Total noncash capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

Columbia River People's Utility District (PUD) is a people's utility district organized under Oregon Revised Statutes Chapter 261. The PUD was created by vote in 1940 and began operation in 1984. The PUD is a power distribution utility that employs 52 people and serves 18,600 customers. The PUD's service area encompasses 240 square miles in the south and east portions of Columbia County, and a small portion of northwest Multnomah County, Oregon. The PUD is governed by an elected five member Board of Directors which has the authority to set rates and charges for commodities and services furnished. Substantially all revenues are derived from the sale of electric power to residential, industrial and commercial customers.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant policies are described below.

Description of Reporting Entity

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

Basis of Accounting

The PUD uses the accrual basis of accounting for financial reporting purposes. Revenues are recognized when earned and expenses are recognized when incurred. 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, 2011, and 2010

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

Basis of Accounting (Contd)

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

Electric Plant

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

Depreciation and Amortization

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

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

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

Investments

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

Cash and Cash Equivalents

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

Materials and Supplies

Materials and supplies are carried at average cost.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

Unamortized Debt Expense

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

Compensated Absences

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

Restricted Net Assets

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

Operating Revenues

Approximately 24.7% in 2011 and 24.0% in 2010 of operating revenues were the result of sales to eight industrial customers.

2 - ELECTRIC PLANT:

Electric plant activity for the year ended December 31, 2011 was as follows:

	Balance January 1, 2011	Increases	Decreases	Balance December 31, 2011
Electric plant not being depreciated:				
Land	\$ 649,099	\$ -	\$ -	\$ 649,099
Construction in progress	251,754	3,439,253	3,496,522	194,485
Total electric plant not being depreciated	900,853	3,439,253	3,496,522	843,584
Electric plant being depreciated:				
Transmission	1,448,159	-	-	1,448,159
Distribution	35,167,782	2,849,318	585,245	37,431,855
General	8,039,844	305,422	129,939	8,215,327
Acquisition adjustment	12,286,247	-	-	12,286,247
Total electric plant being depreciated	56,942,032	3,154,740	715,184	59,381,588
Less accumulated depreciation:				
Transmission	611,518	39,514	-	651,032
Distribution	12,740,269	977,405	516,390	13,201,284
General	4,432,805	588,990	115,375	4,906,420
Less accumulated provision for amortization of acquisition adjustment	7,875,195	408,468	-	8,283,663
Total electric plant being depreciated, net	31,282,245	1,140,363	83,419	32,339,189
Electric plant, net	<u>\$ 32,183,098</u>	<u>\$ 4,579,616</u>	<u>\$ 3,579,941</u>	<u>\$ 33,182,773</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

2 - ELECTRIC PLANT: (Contd)

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

	Balance January 1, 2010	Increases	Decreases	Balance December 31, 2010
Electric plant not being depreciated:				
Land	\$ 718,588	\$ 260	\$ 69,749	\$ 649,099
Construction in progress	337,776	1,947,372	2,033,394	251,754
Total electric plant not being depreciated	<u>1,056,364</u>	<u>1,947,632</u>	<u>2,103,143</u>	<u>900,853</u>
Electric plant being depreciated:				
Transmission	1,446,353	1,806	-	1,448,159
Distribution	33,697,556	1,582,328	112,102	35,167,782
General	7,523,535	883,985	367,676	8,039,844
Acquisition adjustment	12,286,247	-	-	12,286,247
Total electric plant being depreciated	<u>54,953,691</u>	<u>2,468,119</u>	<u>479,778</u>	<u>56,942,032</u>
Less accumulated depreciation:				
Transmission	568,984	42,534	-	611,518
Distribution	11,801,018	1,008,553	69,302	12,740,269
General	4,349,028	451,098	367,321	4,432,805
Less accumulated provision for amortization of acquisition adjustment	<u>7,466,727</u>	<u>408,468</u>	<u>-</u>	<u>7,875,195</u>
Total electric plant being depreciated, net	<u>30,767,934</u>	<u>557,466</u>	<u>43,155</u>	<u>31,282,245</u>
Electric plant, net	<u>\$ 31,824,298</u>	<u>\$ 2,505,098</u>	<u>\$ 2,146,298</u>	<u>\$ 32,183,098</u>

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

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

3 - CASH AND INVESTMENTS:

Cash and investments are comprised of the following as of December 31, 2011, and 2010:

	<u>2011</u>	<u>2010</u>
Working funds	\$ 608	\$ 608
Deposits with financial institutions	362,903	263,774
Investments	<u>11,520,480</u>	<u>11,131,606</u>
Total cash and investments	<u>\$ 11,883,991</u>	<u>\$ 11,395,988</u>

Deposits

Deposits with financial institutions include bank demand deposits. The total bank balance, as shown on the banks' records, was \$463,002 at December 31, 2011, and \$386,417 at December 31, 2010. Of these deposits, the total covered by federal depository insurance was \$273,905 at December 31, 2011, and \$295,553 at December 31, 2010.

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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the PUD's deposits may not be returned to it. The PUD does not have a policy for deposits custodial credit risk. Of the PUD's bank balance, \$189,097 was exposed to custodial credit risk as of December 31, 2011, and \$90,864 was exposed to custodial credit risk as of December 31, 2010, because deposits in excess of FDIC insurance were uncollateralized and/or were collateralized but not held by the third-party custodian bank in the PUD's name.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

3 - CASH AND INVESTMENTS: (Contd)

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, 2011, and 2010, the PUD's investments consisted of:

	<u>2011</u>	<u>2010</u>
Investment in Oregon Local Government Investment Pool	<u>\$ 11,520,480</u>	<u>\$ 11,131,606</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.

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, 2011 were: 65% mature within 93 days, 16% mature from 94 days to one year, and 19% mature from one to three years. Weighted average maturities of investments in the Oregon Short-Term Fund at December 31, 2010 were: 75% mature within 93 days, 7% mature from 94 days to one year, and 18% mature from one to three years.

The PUD has designated cash and investments totaling \$107,227 at December 31, 2011, and \$107,311 at December 31, 2010, for bond debt service.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

4 - LONG-TERM DEBT:

Revenue Obligations Payable

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

In April 2006, the PUD issued Series 2006 Electric System Revenue Refunding Obligations totaling \$6,090,000. Proceeds of the Series 2006 Revenue Refunding Obligations were used to advance refund \$5,570,000 of Series 2000B Revenue Obligations through an in-substance defeasance. The in-substance defeasance was accomplished by placing the Series 2006 Revenue Refunding Obligations proceeds in an irrevocable trust. All Series 2000B Revenue Obligations were redeemed on December 1, 2010 at par. Series 2006 Revenue Refunding Obligations are special limited obligations of the 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.

Revenue obligations principal and interest transactions for 2011 are as follows:

	<u>Balance</u> <u>January 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>December 31, 2011</u>
Principal	<u>\$ 10,025,000</u>	<u>\$ -</u>	<u>\$ 825,000</u>	<u>\$ 9,200,000</u>
	<u>Balance</u> <u>January 1, 2011</u>	<u>Matured</u>	<u>Paid</u>	<u>Balance</u> <u>December 31, 2011</u>
Interest	<u>\$ -</u>	<u>\$ 457,925</u>	<u>\$ 457,925</u>	<u>\$ -</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

4 - LONG-TERM DEBT: (Contd)

Revenue Obligations Payable (Contd)

At December 31, 2011, and 2010, revenue obligations payable consist of the following:

	<u>2011</u>	<u>2010</u>
Series 2000A Revenue Obligations, principal payable annually on December 1. Interest at 5.2% to 5.45% per annum payable semi-annually on June 1 and December 1 each year.	\$ 3,210,000	\$ 3,985,000
Series 2006 Revenue Refunding Obligations, principal payable annually on December 1. Interest at 3.65% to 4.75% per annum payable semi-annually on June 1 and December 1 each year.	<u>5,990,000</u>	<u>6,040,000</u>
	9,200,000	10,025,000
Less current maturities	<u>870,000</u>	<u>825,000</u>
Long-term debt	<u>\$ 8,330,000</u>	<u>\$ 9,200,000</u>

As of December 31, 2011, scheduled annual maturities of revenue obligations principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 870,000	\$ 416,650	\$ 1,286,650
2013	915,000	372,262	1,287,262
2014	965,000	325,051	1,290,051
2015	1,015,000	274,352	1,289,352
2016	1,065,000	225,388	1,290,388
2017-2020	<u>4,370,000</u>	<u>424,800</u>	<u>4,794,800</u>
Total	<u>\$ 9,200,000</u>	<u>\$ 2,038,503</u>	<u>\$ 11,238,503</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

4 - LONG-TERM DEBT: (Contd)

Revenue Obligations Payable (Contd)

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

5 - RETIREMENT PLANS:

PENSION PLAN:

Plan Description

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

Funding Policy

PERS members are required to contribute 6% of their annual covered salary after fulfilling a mandatory six-month waiting period as public employees to become members of PERS. The PUD is required to contribute an actuarially determined rate; the rate was 8.93% of annual covered payroll during all of 2010 and the first six months of 2011, and 10.95% of annual covered payroll during the last six months of 2011. The PUD also contributed for Oregon Public Service Retirement Plan member employees at a rate of 10.32% during all of 2010 and the first six months of 2011, and 10.38% during the last six months of 2011. The PUD contributes the employer's portion and the employee's portion for all employees. The contribution requirements of plan members and the PUD are established and may be amended by the Public Employees Retirement Board.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

5 - RETIREMENT PLANS: (Contd)

PENSION PLAN: (CONTD)

Annual Pension Cost

For 2011 and 2010, the PUD's annual pension costs, for the employer's portion only, of \$412,776 and \$369,562, respectively, for the system were equal to the PUD's required and actual contributions. The required contributions for all of 2010 and the first six months of 2011 were determined as part of the December 31, 2007 actuarial valuation which used the projected unit credit actuarial cost method. The required contributions for the last six months of 2011 were determined as part of the December 31, 2009 actuarial valuation which used the projected unit credit actuarial cost method.

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

The December 31, 2009 actuarial valuation, which provided employer contribution rates which became effective July 1, 2011, uses the projected unit credit actuarial cost method. The unfunded actuarial liability is being amortized as a level percentage of combined valuation payroll over a closed 20-year period (for Retiree Healthcare a closed 10-year period is used). Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 years for Retiree Healthcare and 16 years for Oregon Public Service Retirement Plan) from the odd-year valuation in which they are first recognized. On December 31, 2009, the actuarial value of assets was equal to the market value of assets. Significant actuarial assumptions used in the valuation include (a) consumer price inflation of 2.75% per year, (b) a rate of return on the investment of assets of 8.00% compounded annually, and (c) future general wage inflation of 3.75% per year.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

5 - RETIREMENT PLANS: (Contd)

PENSION PLAN: (CONTD)

Annual Pension Cost (Contd)

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12-31-11	\$ 412,776	100%	\$ -
12-31-10	\$ 369,562	100%	\$ -
12-31-09	\$ 380,615	100%	\$ -

Funding Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 86% funded. The actuarial value of assets was \$12,073,472, and the actuarial accrued liability for benefits was \$14,110,150, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,036,678. The covered payroll was \$3,977,426, and the ratio of the UAAL to the covered payroll was 51%.

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

The December 31, 2010 actuarial valuation uses the projected unit credit actuarial cost method. The unfunded actuarial liability is being amortized as a level percentage of combined valuation payroll over a closed 20-year period (for Retiree Healthcare a closed 10-year period is used). Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 years for Retiree Healthcare and 16 years for Oregon Public Service Retirement Plan) from the odd-year valuation in which they are first recognized. On December 31, 2010, the actuarial value of assets was equal to the market value of assets. Significant actuarial assumptions used in the valuation include (a) consumer price inflation of 2.75% per year, (b) a rate of return on the investment of assets of 8.00% compounded annually, and (c) future general wage inflation of 3.75% per year.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

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 2011 and 2010, the PUD made the required contributions of \$208,255 and \$205,660, 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 \$51,192, respectively, to the plan during 2011 and 2010.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

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	\$ 103,724
Interest on net OPEB obligation	7,021
Adjustment to annual required contribution	<u>(9,134)</u>
Annual OPEB cost	101,611
Contributions made	<u>-</u>
Increase in net OPEB obligation	101,611
Net OPEB obligation - beginning of year	<u>140,412</u>
Net OPEB obligation - end of year	<u><u>\$ 242,023</u></u>

The PUD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010 and 2009 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 101,611	0.0%	\$ 242,023
12/31/2010	\$ 63,102	81.1%	\$ 140,412
12/31/2009	\$ 63,865	0.0%	\$ 128,502

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$747,480 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$747,480. The covered payroll (annual payroll of active employees covered by the plan) was \$3,918,791 for 2010 and the ratio of the UAAL to the covered payroll was 19%.

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

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements
December 31, 2011, and 2010

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

Actuarial Methods and Assumptions

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

In the actuarial valuation conducted as of January 1, 2011, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized using the level-dollar method over a 30-year period on an open basis. Actuarial assumptions included a discount rate of 5% and an annual healthcare cost trend rate of 8% initially, reduced to an ultimate rate of 5% beginning in 2014.

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

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.

9 - POWER PURCHASE AGREEMENTS:

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

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

REQUIRED SUPPLEMENTARY INFORMATION

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Funding Progress for Retirement Plan

	Actuarial Valuation Date		
	<u>12-31-10</u>	<u>12-31-09</u>	<u>12-31-08</u>
Actuarial value of assets (a)	\$ 12,073,472	\$ 10,976,475	\$ 9,237,840
Actuarial accrued liability (b)	<u>14,110,150</u>	<u>12,944,562</u>	<u>11,926,365</u>
Unfunded actuarial accrued liability-(funding excess) (b-a)	<u>\$ 2,036,678</u>	<u>\$ 1,968,087</u>	<u>\$ 2,688,525</u>
Funded ratio (a/b)	<u>86%</u>	<u>85%</u>	<u>77%</u>
Covered payroll (c)	<u>\$ 3,977,426</u>	<u>\$ 3,947,347</u>	<u>\$ 3,627,190</u>
Unfunded actuarial accrued liability-(funding excess) as a percentage of covered payroll ((b-a)/c)	<u>51%</u>	<u>50%</u>	<u>74%</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Funding Progress for Retiree Health Plan

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

OTHER SUPPLEMENTARY INFORMATION

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Revenue Obligations Principal and Interest Transactions
Year Ended December 31, 2011

	Principal Transactions			Outstanding 12-31-11
	Outstanding 1-1-11	2011 Issues	2011 Retirements	
Series 2000A Revenue Obligations	\$ 3,985,000	\$ -	\$ 775,000	\$ 3,210,000
Series 2006 Revenue Obligations	6,040,000	-	50,000	5,990,000
Totals	<u>\$ 10,025,000</u>	<u>\$ -</u>	<u>\$ 825,000</u>	<u>\$ 9,200,000</u>

	Interest Transactions			Matured 12-31-11
	Matured 1-1-11	2011 Maturities	2011 Payments	
Series 2000A Revenue Obligations	\$ -	\$ 209,807	\$ 209,807	\$ -
Series 2006 Revenue Obligations	-	248,118	248,118	-
Totals	<u>\$ -</u>	<u>\$ 457,925</u>	<u>\$ 457,925</u>	<u>\$ -</u>

SCHEDULE 4

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Future Revenue Obligations Principal and Interest Requirements
December 31, 2011

Year	Series 2000A Revenue Obligations			Series 2006 Revenue Obligations		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 815,000	\$ 170,283	\$ 985,283	\$ 55,000	\$ 246,367	\$ 301,367
2013	860,000	127,902	987,902	55,000	244,360	299,360
2014	905,000	82,753	987,753	60,000	242,298	302,298
2015	630,000	34,335	664,335	385,000	240,017	625,017
2016	-	-	-	1,065,000	225,388	1,290,388
2017	-	-	-	1,115,000	174,800	1,289,800
2018	-	-	-	1,155,000	130,200	1,285,200
2019	-	-	-	1,205,000	84,000	1,289,000
2020	-	-	-	895,000	35,800	930,800
Totals	<u>\$ 3,210,000</u>	<u>\$ 415,273</u>	<u>\$ 3,625,273</u>	<u>\$ 5,990,000</u>	<u>\$ 1,623,230</u>	<u>\$ 7,613,230</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Future Revenue Obligations Principal and Interest Requirements
December 31, 2011

Total Future Requirements		
<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 870,000	\$ 416,650	\$ 1,286,650
915,000	372,262	1,287,262
965,000	325,051	1,290,051
1,015,000	274,352	1,289,352
1,065,000	225,388	1,290,388
1,115,000	174,800	1,289,800
1,155,000	130,200	1,285,200
1,205,000	84,000	1,289,000
895,000	35,800	930,800
<u>\$ 9,200,000</u>	<u>\$2,038,503</u>	<u>\$11,238,503</u>

STATISTICAL INFORMATION

TABLE 1

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

	Statistical Information Last Five Years				
	2011	2010	2009	2008	2007
Number of customers: (1)					
Residential	16,118	16,121	16,084	16,011	15,779
General service - 30kW or less	1,672	1,662	1,660	1,713	1,708
General service - over 30kW	234	229	220	214	207
Industrial	8	8	8	9	9
Street lighting and signals	515	512	513	562	551
Irrigation	57	58	57	60	60
Total customers	<u>18,604</u>	<u>18,590</u>	<u>18,542</u>	<u>18,569</u>	<u>18,314</u>
Energy requirements: (MWh)					
Energy sales:					
Residential	217,729	209,135	218,328	215,038	205,536
General service - 30kW or less	26,538	26,021	26,955	27,107	26,340
General service - over 30kW	59,384	58,516	60,261	64,009	62,865
Industrial	169,387	154,606	162,561	203,521	202,724
Street lighting and signals	1,825	1,815	1,905	2,115	2,147
Irrigation	2,481	1,904	1,716	1,929	1,834
Total energy sales	<u>477,344</u>	<u>451,997</u>	<u>471,726</u>	<u>513,719</u>	<u>501,446</u>
Used by utility	507	544	538	484	457
Losses	<u>15,596</u>	<u>11,378</u>	<u>15,476</u>	<u>15,146</u>	<u>13,970</u>
Total energy requirements	<u>493,447</u>	<u>463,919</u>	<u>487,740</u>	<u>529,349</u>	<u>515,873</u>
Operating revenues:					
Sales of electricity:					
Residential	\$ 14,287,146	\$ 13,538,499	\$ 14,127,055	\$ 14,078,591	\$ 13,409,132
General service - 30kW or less	1,965,561	1,901,876	1,972,243	1,994,088	1,969,972
General service - over 30kW	3,955,556	3,884,088	3,955,073	4,184,141	4,097,912
Industrial	6,825,468	6,286,237	6,530,560	8,136,854	8,208,173
Street lighting and signals	175,045	172,645	178,990	208,949	237,791
Irrigation	157,165	121,648	110,330	123,248	117,642
Total sales of electricity	<u>27,365,941</u>	<u>25,904,993</u>	<u>26,874,251</u>	<u>28,725,871</u>	<u>28,040,622</u>
Other operating revenues	<u>312,021</u>	<u>314,638</u>	<u>291,176</u>	<u>305,657</u>	<u>374,808</u>
Total operating revenues	<u>\$27,677,962</u>	<u>\$26,219,631</u>	<u>\$27,165,427</u>	<u>\$29,031,528</u>	<u>\$28,415,430</u>
Average annual kWh used per customer:					
Residential	13,508	12,973	13,574	13,431	13,026
General service - 30kW or less	15,872	15,656	16,238	15,824	15,422
General service - over 30kW	253,778	255,528	273,914	299,107	303,696
Industrial	21,173,375	19,325,750	20,320,125	22,613,444	22,524,889
Street/area lighting and signals	3,544	3,545	3,713	3,763	3,897
Irrigation	43,526	32,828	30,105	32,150	30,567
Average revenue per kWh: (in cents)					
Residential	6.562	6.474	6.471	6.547	6.524
General service - 30kW or less	7.407	7.309	7.317	7.356	7.479
General service - over 30kW	6.661	6.638	6.563	6.537	6.519
Industrial	4.030	4.066	4.017	3.998	4.049
Street/area lighting and signals	9.592	9.512	9.396	9.879	11.076
Irrigation	6.335	6.389	6.429	6.389	6.415
Average all classes	<u>5.733</u>	<u>5.731</u>	<u>5.697</u>	<u>5.592</u>	<u>5.592</u>

(1) Annual monthly average

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

INDEPENDENT AUDITOR'S COMMENTS
REQUIRED BY OREGON STATE REGULATIONS

March 12, 2012

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

We have audited the financial statements of Columbia River People's Utility District as of and for the year ended December 31, 2011, and have issued our report thereon dated March 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Columbia River People's Utility District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.