

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

## **AUDIT REPORT**

**Years Ended December 31, 2013, and 2012**

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INDEPENDENT AUDITOR'S REPORT

March 13, 2014

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

**Report on the Financial Statements**

We have audited the financial statements of Columbia River People's Utility District, which comprise the balance sheets as of December 31, 2013 and 2012, 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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Supplementary Information and Statistical Information*

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

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

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

## Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated March 13, 2014 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

### 2013 Audit

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This section presents management's overview of Columbia River PUD's (PUD) financial condition and performance during the year ended December 31, 2013. It also serves as an introduction to the financial statements, the notes to financial statements, and to the supplementary information provided with the financial statements. Management's Discussion and Analysis is compiled using summary financial statements, key financial and operational indicators used in the strategic plan, budget documents, 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 position, 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, 2013, and 2012.
- **Statement of Revenues, Expenses and Changes in Net Position** – This statement presents the result 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 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.

# Columbia River PUD

## Management Discussion and Analysis

### 2013 Audit

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#### Overview of 2013 Financial Performance

Columbia River PUD's net income of \$483 thousand increased net position from \$35.2 million in 2012 to \$35.7 million in 2013. Net income was \$977 thousand higher than 2012 levels and reflects management's continued efforts to:

- Shore-up revenues with a 4.6% rate increase in October 2013
- Manage controllable expenses through continuous process improvement
- Retain focus on long term strategic capital and financial plan
- Invest in capital infrastructure to maintain excellent reliability, safety and service levels
- Maintain a strong level of cash reserves
- Maintain an "A+ Stable" bond rating and remain on-track to pay off all debt by 2020

#### COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

##### Condensed Balance Sheets

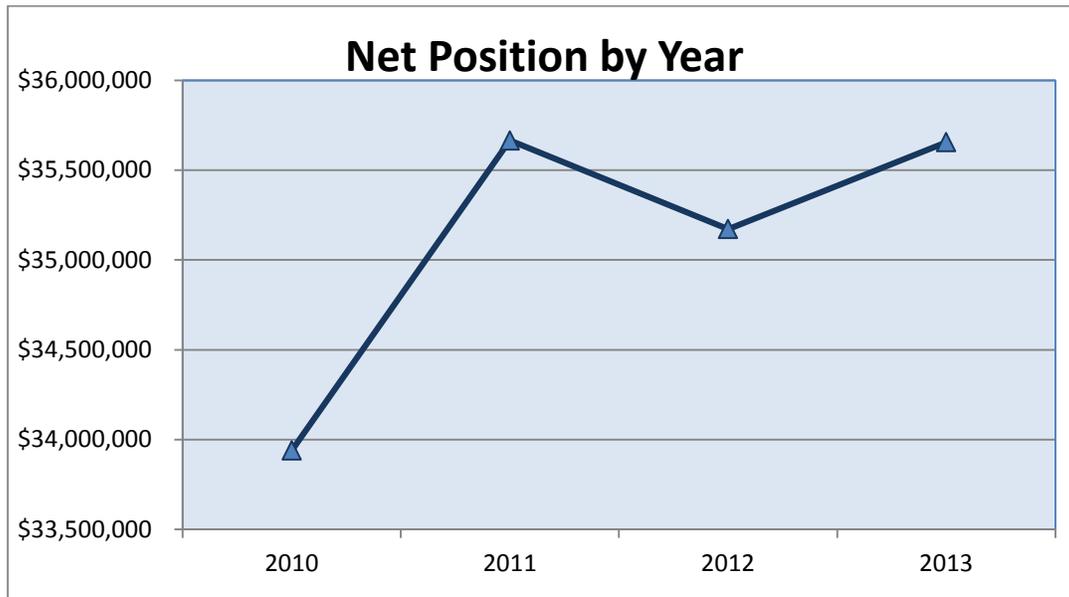
##### 2011-2013

(thousands \$)

	2013	2012	2011
<b>Assets</b>			
Utility plant (net)	\$ 33,080	\$ 32,992	\$ 33,183
Cash and other current assets	14,648	14,589	15,822
Deferred charges and other	255	290	324
<b>Total Assets</b>	<b>47,983</b>	<b>47,871</b>	<b>49,329</b>
<b>Liabilities</b>			
Long-term debt	6,487	7,458	8,378
Current liabilities	5,365	4,844	4,922
Deferred credits	475	397	364
<b>Total Liabilities</b>	<b>12,327</b>	<b>12,699</b>	<b>13,664</b>
<b>Net Position</b>			
Net investment in plant	25,871	24,898	24,248
Restricted for debt service	80	76	72
Unrestricted	9,705	10,198	11,345
<b>Total Net Position</b>	<b>\$ 35,656</b>	<b>\$ 35,172</b>	<b>\$ 35,665</b>

# Columbia River PUD Management Discussion and Analysis 2013 Audit

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## Economic Conditions

Columbia County is continuing its gradual recovery from the Great Recession. Unemployment in Columbia County decreased from 9.1% in December 2012 to 7.5% in December 2013, yet it remains above the Oregon state unemployment rate of 7.1% and the national unemployment rate of 6.7% as of December 2013. During 2013, Columbia County added just 120 non-farm jobs for a population of 49,850 and the civilian labor force shrunk by 1.4%. Thus most of the improvement in the unemployment rate is due to workers finding employment outside Columbia County or from workers giving up looking for work. These changes are causing additional strain on the local economy, and a number of small retail and service business that have closed due to a declining customer base.

In the industrial sector, an aggregate mining operator saw a strong increase in business during the year due to a short-term contract to supply aggregate for a large construction project in neighboring Washington County. A construction materials manufacturer added production staff towards the end of the year in order to lengthen the plant's work week, and a logging company increased the size of their operation, adding local jobs. Partially offsetting these gains was the closure of a calcium carbonate plant in 2013.

The PUD continues to support local economic development projects in the county, working closely with community leaders and prospective businesses to bring living-wage jobs back in the area. Even with this, Columbia County remains an economically depressed area, with a low level of growth expected for the immediate future.

# Columbia River PUD Management Discussion and Analysis 2013 Audit

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## Customer Usage

Total energy sales for all PUD customers in 2013 was 466,939 MWh, a 1.3% increase from 2012. This growth was primarily in the large general service sector, though all customer classes other than irrigation saw increased usage in 2013.

### *Residential*

Residential customer usage increased less than 0.5%, from 211,529 MWh in 2012 to 212,559 MWh in 2013. Residential usage is highly correlated to temperature. Even though December was exceptionally cold compared to prior years, spring of 2013 was warmer than normal. Overall, 2012 and 2013 average temperatures for the year ran relatively close to historical averages, with 2013 slightly colder than 2012.

### *Small General Service*

Small general service customer usage increased from 26,730 MWh in 2012 to 27,116 MWh in 2013. Small general service usage correlates closely with residential usage as temperature changes also closely impact small businesses.

### *Large General Service*

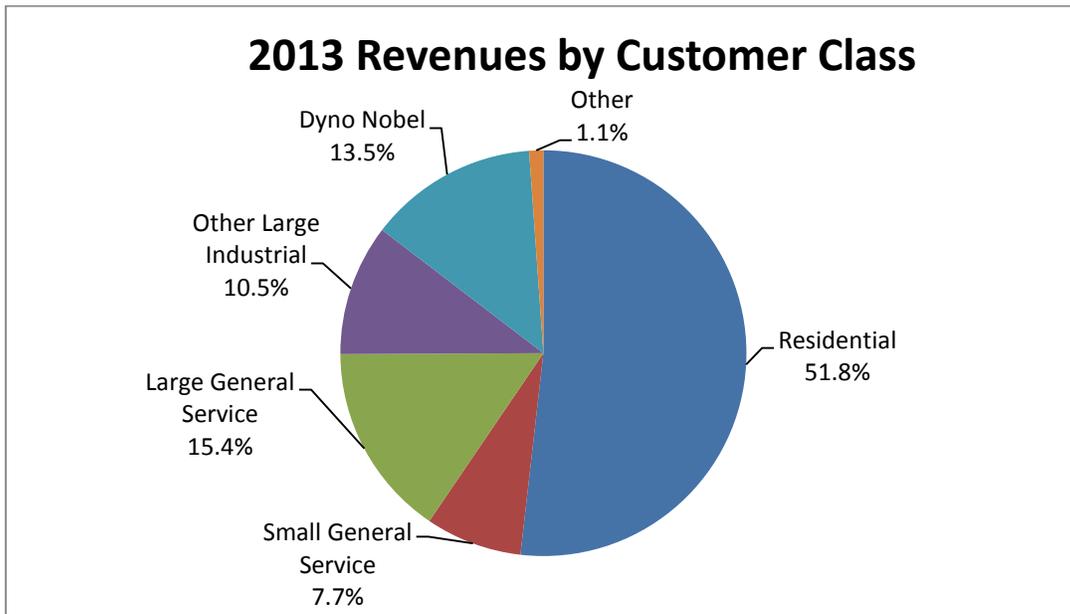
Large general service customer usage increased from 59,412 MWh in 2012 to 62,408 MWh in 2013. This 5.0% increase was caused primarily by the reclassification of two large industrial customers as large general service because their usage levels had dropped.

### *Large Industrial*

Usage among large industrial customers increased from 158,804 MWh in 2012 to 160,996 MWh in 2013. This increase was caused primarily by increased usage from a large industrial customer that had a maintenance shutdown in 2012. The increase was partially offset by the closure of a local industrial plant and the reclassification of two customers to large general service.

# Columbia River PUD Management Discussion and Analysis 2013 Audit

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## Rates

In October 2013, an overall rate increase of 4.6% took effect for PUD customers. Though the increase had only a modest impact on 2013 revenues, it will shore up revenues going forward and enable the PUD to meet future power cost obligations. PUD rates are expected to remain stable through September 2015 in conjunction with BPA's rate process.

# Columbia River PUD

## Management Discussion and Analysis

### 2013 Audit

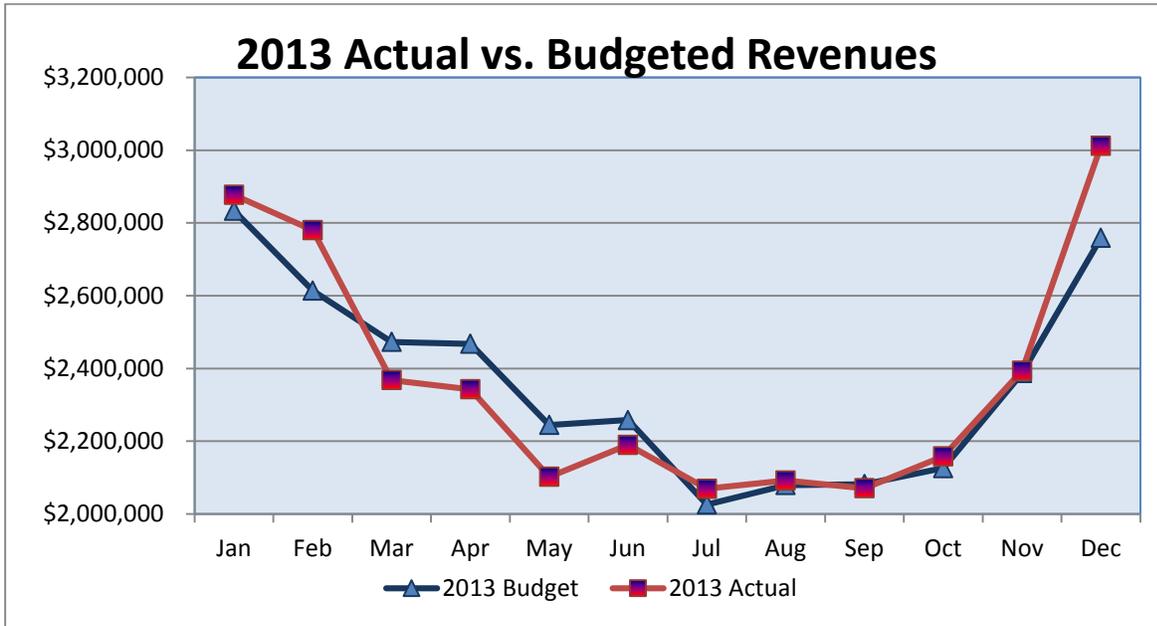
**COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT**  
**Condensed Statements of Revenues, Expenses and Change in Net Position**  
**2011-2013**  
**(thousands \$)**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Revenue and Other Income</b>			
Charges for electric services	\$ 28,135	\$ 27,467	\$ 27,366
Interest earnings	60	67	60
Other income	464	574	499
Total revenue and other income	<u>28,659</u>	<u>28,108</u>	<u>27,925</u>
<b>Expenses</b>			
Expenses for service			
Electric - purchased power costs	17,095	16,440	15,157
Electric - operating costs	10,623	11,640	10,459
Total expenses for services	<u>27,718</u>	<u>28,080</u>	<u>25,616</u>
Interest and amortization of debt	398	443	484
Other	59	78	99
Total expenses	<u>28,175</u>	<u>28,601</u>	<u>26,199</u>
<b>Increase (decrease in net position)</b>	<b>484</b>	<b>(493)</b>	<b>1,726</b>
<b>Total net position - beginning of year</b>	<b>35,172</b>	<b>35,665</b>	<b>33,939</b>
<b>Total net position - end of year</b>	<b>\$ 35,656</b>	<b>\$ 35,172</b>	<b>\$ 35,665</b>

### Revenues

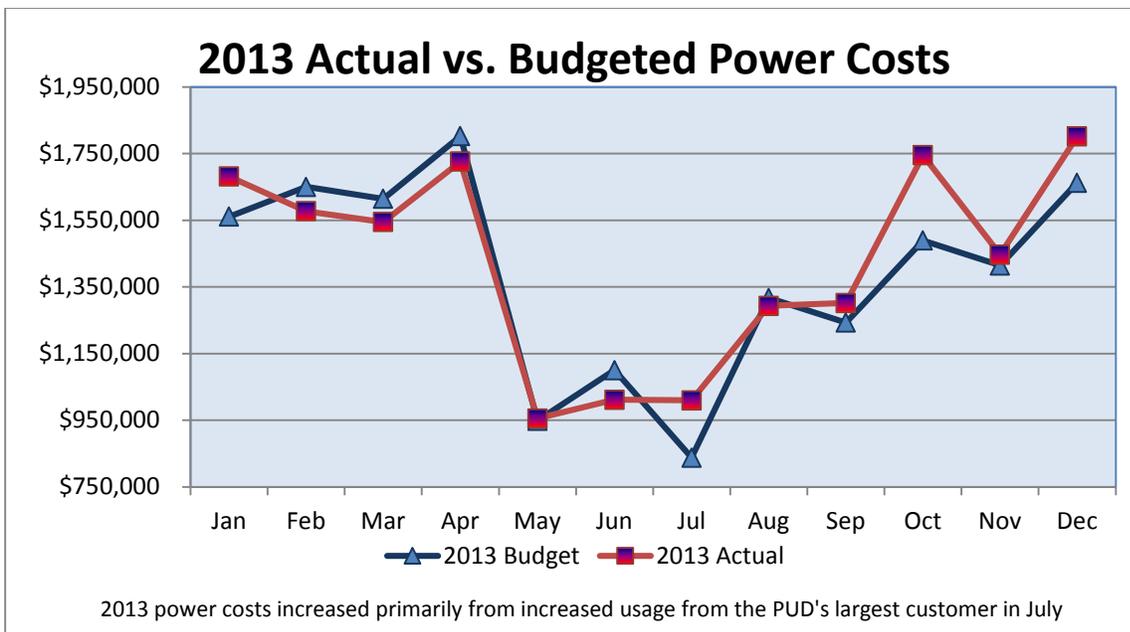
Operating revenues were \$28.5 million in 2013, an increase of \$678 thousand (2.4%) from 2012 levels and slightly higher than the 2013 budgeted amount of \$28.4 million. Revenues trended mostly as expected, running slightly lower in the spring and higher in the winter months.

# Columbia River PUD Management Discussion and Analysis 2013 Audit



## Power Costs

Net power costs in 2013 were \$17.1 million, up \$655 thousand from 2012 and \$452 thousand more than budgeted. The additional power costs came primarily from a colder than normal December that caused a \$298 thousand increase in power costs over December of 2012. The additional usage due to colder temperatures at the beginning of the year also contributed to increased power costs.



# Columbia River PUD

## Management Discussion and Analysis

### 2013 Audit

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#### Other Operating Expenses

Operating expenses, excluding power costs, were \$1.0 million lower than 2012 and \$593 thousand lower than the 2013 budget. This decrease was caused in part by \$600 thousand of incentives for two large industrial efficiency projects in 2012. The PUD did not have any self-funded efficiency initiatives in 2013. Additionally, the PUD continued its efforts to reduce costs through ongoing expense management efforts. This includes redistributing workload associated with vacant positions among existing employees and thoroughly reviewing each vacant position before it is filled.

#### Other Operating Expenses (excluding power costs) (thousands \$)

	2013	2012	Difference
Transmission and distribution expense	\$ 2,283	\$ 2,410	\$ (127)
Customer accounts expense	645	693	(48)
Customer service and informational expense	440	1,160	(721)
Administrative and general expense	4,098	4,189	(92)
Depreciation	2,157	2,214	(57)
Taxes	1,001	973	28
Total other operating expenses	<u>\$ 10,623</u>	<u>\$ 11,640</u>	<u>\$ (1,016)</u>

#### Capital Projects

The PUD undertook a number of capital projects in 2013, including commencement of construction on the new Fairgrounds Substation in St. Helens, conversion of overhead facilities to underground, upgrading segments of the distribution system to larger capacity wire, replacing old poles, purchasing two new bucket trucks, completing phase 1 of a remodeling project at the head office and completing customer work to meet customer demand. These investments flow from the PUD's 5-year capital plan, are fully-funded with cash reserves and contribute to the PUD's ability to maintain excellent reliability and service levels. Capital investment will continue in 2014, including:

- Continuation of the office remodel and expansion
- Completion of the Fairgrounds Substation
- Installation of voltage regulators in the Goble area
- Another phase of the multi-year Columbia River Highway line rebuild
- Overhead line replacements along Canaan, Tide Creek, South Vernonia and Pittsburg Roads, 2<sup>nd</sup> Street in St Helens and other locations

# Columbia River PUD

## Management Discussion and Analysis

### 2013 Audit

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- Underground cable replacements at the Scappoose Bay Marina, Bunker Hill Road, Maple Street in St Helens, Ridge Drive in Scappoose and other locations

The total budget for 2014 system improvements is \$1.6 million, which will continue to be fully funded with cash and will not add to the PUD’s long-term debt obligations.

#### Assets

Assets increased by \$112 thousand in 2013, primarily due to additional investments in plant of \$1.6 million. These investments were mostly offset by additional accumulated depreciation.

#### Liabilities

Liabilities decreased by \$372 thousand from 2012. This decrease is due to \$877 thousand of debt principal payments, bringing the 2013 year-end level of total long-term debt to \$7.5 million (includes \$965 thousand of current maturities). This reduction was partially offset by increases in accounts payable, customer deposits and deferred credits.

The PUD issued no new debt in 2013 and has no plans to issue any additional long-term debt in the future. The PUD looks forward to 2020 when it expects to be debt free.

### Long-Term Debt

(thousands \$)

	2013	2012	2011	2010
Series 2000A Revenue Obligations	\$ 1,545	\$ 2,395	\$ 3,210	\$ 3,985
Series 2006 Revenue Obligations	5,908	5,935	5,990	6,040
Total long-term debt	\$ 7,453	\$ 8,330	\$ 9,200	\$ 10,025

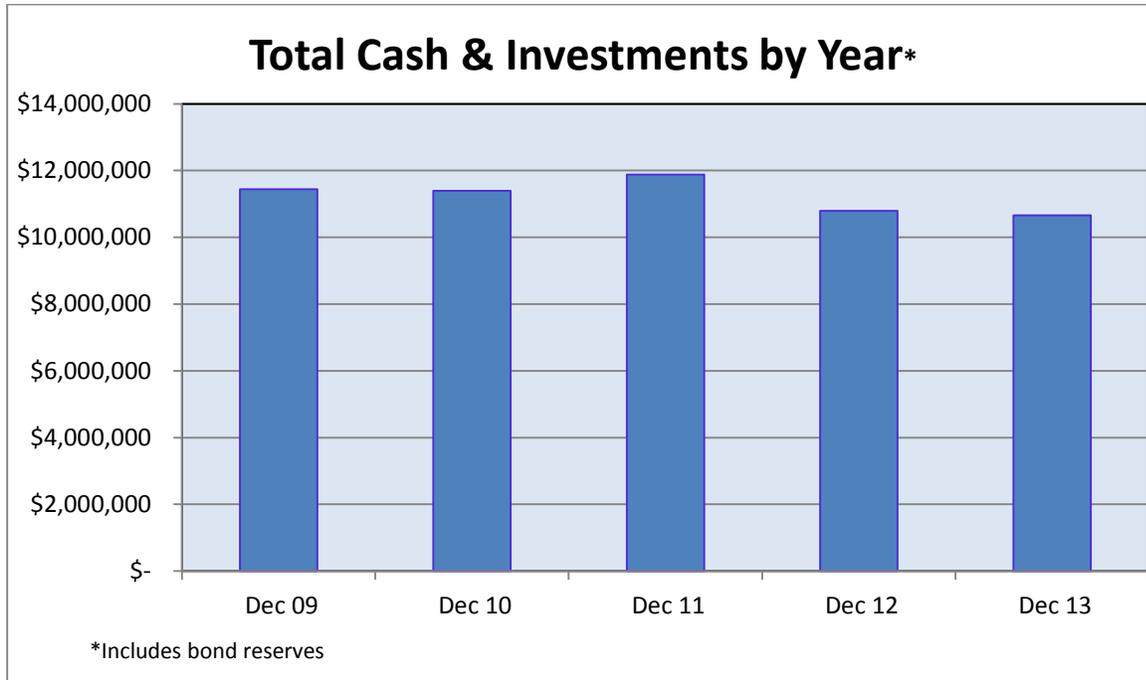
Note: includes current maturities

#### Bond Rating

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

# Columbia River PUD Management Discussion and Analysis 2013 Audit

## Cash



Cash balances decreased by \$140 thousand due to planned investment in capital. However, cash balances decreased less than planned due to continued expense management and delays in capital projects. The combined \$10.7 million of cash, investments and revenue obligation reserves at the end of 2013 was well above the PUD's minimum cash reserve policy level of \$8.5million. This additional cash will help fund an aggressive 5-year capital improvement program, including upgrading transformers at four substations, adding office space and a fire suppression system at the PUD headquarters facility, and continuing to provide customers with rate stabilization.

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 the notes to the financial statements.

### Requests for Information

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

## **FINANCIAL STATEMENTS**

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Balance Sheet

<u>Assets</u>	December 31,	
	2013	2012
Electric plant: (Notes 1 and 2)		
In service - at cost	\$ 50,291,355	\$ 48,942,526
Acquisition adjustment	12,286,247	12,286,247
Construction work in progress	665,540	370,142
Total electric plant	63,243,142	61,598,915
Less:		
Accumulated provision for depreciation	(21,062,780)	(19,914,789)
Accumulated provision for amortization of acquisition adjustment	(9,100,599)	(8,692,131)
Net electric plant	33,079,763	32,991,995
Other assets and investments:		
Nonutility property	680	680
Investments in associated organizations	11,675	11,675
Total other assets and investments	12,355	12,355
Current assets:		
Cash and investments (Notes 1 and 3):		
Current cash	10,549,730	10,689,964
Designated for debt service	107,250	107,288
Customer accounts receivable (net of allowance for doubtful accounts of \$33,443 in 2013 and \$30,863 in 2012)	3,188,153	2,817,492
Other receivables	91,973	262,856
Materials and supplies (Note 1)	387,085	419,892
Prepayments	323,760	291,740
Total current assets	14,647,951	14,589,232
Total assets	47,740,069	47,593,582
<u>Deferred Outflows of Resources</u>		
Unamortized loss on refunding (Notes 1 and 4)	242,425	277,265
Total assets and deferred outflows of resources	\$ 47,982,494	\$ 47,870,847

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Balance Sheet

<u>Net Position and Liabilities</u>	December 31,	
	<u>2013</u>	<u>2012</u>
Net position:		
Net investment in capital assets	\$ 25,870,534	\$ 24,897,367
Restricted for debt service	80,163	76,266
Unrestricted	<u>9,704,631</u>	<u>10,198,304</u>
Total net position	<u>35,655,328</u>	<u>35,171,937</u>
Long-term debt:		
Revenue obligations payable, less current maturities (Note 4)	6,450,000	7,415,000
Unamortized premium on revenue obligations (Note 4)	<u>37,334</u>	<u>42,573</u>
Total long-term debt	<u>6,487,334</u>	<u>7,457,573</u>
Current liabilities:		
Current maturities of long-term debt (Note 4)	965,000	915,000
Accounts payable	2,470,504	2,057,549
Accrued franchise taxes payable	554,578	547,584
Accrued interest	27,087	31,022
Accrued compensated absences (Note 1)	523,315	555,547
Customer deposits	634,805	569,072
Other accruals	<u>189,246</u>	<u>168,507</u>
Total current liabilities	<u>5,364,535</u>	<u>4,844,281</u>
Deferred credits:		
Post-employment health care benefits obligation (Note 6)	338,988	294,123
Contributions in aid of construction advances	121,168	63,545
Other deferred credits	<u>15,141</u>	<u>39,388</u>
Total deferred credits	<u>475,297</u>	<u>397,056</u>
Total net position and liabilities	<u>\$ 47,982,494</u>	<u>\$ 47,870,847</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,	
	2013	2012
Operating revenues:		
Sales of electricity	\$ 28,135,023	\$ 27,466,716
Other operating revenues	321,717	311,754
Total operating revenues	28,456,740	27,778,470
Operating expenses:		
Cost of power	17,095,484	16,440,126
Transmission and distribution expense	2,282,766	2,409,915
Customer accounts expense	645,387	693,013
Customer service and informational expense	439,516	1,160,036
Administrative and general expense	4,097,557	4,189,455
Depreciation and amortization	2,157,395	2,213,995
Taxes and franchise fees	1,000,755	973,224
Total operating expenses	27,718,860	28,079,764
Net operating revenues-(loss)	737,880	(301,294)
Nonoperating income-(expenses):		
Interest on investments	59,749	66,714
Interest expense	(368,327)	(412,951)
Amortization of loss on refunding and premium	(29,601)	(29,601)
Other nonoperating income	83,690	183,889
Total nonoperating income-(expenses)	(254,489)	(191,949)
Net income-(loss)	483,391	(493,243)
Net position - beginning of year	35,171,937	35,665,180
Net position - end of year	\$ 35,655,328	\$ 35,171,937

The accompanying notes are an integral part of this statement.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statement of Cash Flows

	Years Ended December 31,	
	2013	2012
Cash flows from operating activities:		
Cash received from customers	\$ 28,322,695	\$27,998,996
Cash payments for purchased power	(16,638,086)	(16,773,296)
Cash payments to suppliers for goods and services	(3,560,875)	(3,897,064)
Cash payments to employees for services	(5,045,939)	(5,512,054)
Other cash receipts	83,690	183,889
Net cash provided by operating activities	3,161,485	2,000,471
Cash flows from capital and related financing activities:		
Construction and acquisition of plant	(2,463,509)	(2,047,223)
Principal payments on revenue obligations payable	(915,000)	(870,000)
Interest payments on revenue obligations payable	(372,262)	(416,650)
Contributions in aid of construction	389,265	179,949
Net cash used in capital and related financing activities	(3,361,506)	(3,153,924)
Cash flows from investing activities:		
Change in cash and investments designated for debt service	38	(61)
Interest on investments	59,749	66,714
Net cash provided by investing activities	59,787	66,653
Net decrease in cash and cash equivalents	(140,234)	(1,086,800)
Cash and cash equivalents - beginning of year	10,689,964	11,776,764
Cash and cash equivalents - end of year	\$ 10,549,730	\$10,689,964

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>2013</u>	<u>2012</u>
Reconciliation of net operating revenues-(loss) to net cash provided by operating activities:		
Net operating revenues-(loss)	\$ 737,880	\$ (301,294)
Adjustments to reconcile net operating revenues-(loss) to net cash provided by operating activities:		
Depreciation and amortization	2,157,395	2,213,995
Other nonoperating income	83,690	183,889
Decrease-(increase) in:		
Customer accounts receivable	(370,661)	309,200
Other receivables	170,883	(103,260)
Materials and supplies	32,807	(54,541)
Prepayments	(32,020)	(5,358)
Increase-(decrease) in:		
Accounts payable	299,659	(203,793)
Accrued franchise taxes payable	6,994	18,103
Accrued compensated absences	(32,232)	20,797
Customer deposits	65,733	14,586
Other accruals	20,739	(161,942)
Post-employment health care benefits obligation	44,865	52,100
Other deferred credits	(24,247)	17,989
Total adjustments	<u>2,423,605</u>	<u>2,301,765</u>
Net cash provided by operating activities	<u>\$ 3,161,485</u>	<u>\$ 2,000,471</u>
Noncash capital and related financing activities:		
Deferred charges - unamortized loss on refunding	\$ 34,840	\$ 34,840
Long-term debt - unamortized premium on revenue obligations	(5,239)	(5,239)
Amortization of loss on refunding and premium	<u>(29,601)</u>	<u>(29,601)</u>
Total noncash capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

## 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 48 people and serves 18,612 customers. The PUD's service area encompasses 240 square miles in the south and east portions of Columbia County, and a small portion of northwest Multnomah County, Oregon. The PUD is governed by an elected five member Board of Directors which has the authority to set rates and charges for commodities and services furnished. Substantially all revenues are derived from the sale of electric power to residential, industrial and commercial customers.

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

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

Significant policies are described below.

### Description of Reporting Entity

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

### Basis of Accounting

The PUD uses the accrual basis of accounting for financial reporting purposes. Revenues are recognized when earned and expenses are recognized when incurred. Revenues related to the PUD's principal operations are considered to be operating revenues. All other revenues are considered to be nonoperating. Although not required by the Oregon Local Budget Law, the PUD prepares an operating budget annually.

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

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

### Electric Plant

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

Other than general plant assets, the costs of additions, renewals and betterments with a useful life exceeding one year are capitalized regardless of dollar amount. General plant additions of approximately \$1,000 or more with a useful life exceeding one year are capitalized. Repairs and minor replacements are charged to operating expenses. The cost of property retired, together with removal cost less salvage, is charged to accumulated depreciation when property is removed.

### Contributions in Aid of Construction (CIAC)

Payments are received from customers for construction costs primarily relating to the expansion of the electric system. FERC guidelines are followed in recording CIAC, which direct the reduction of utility plant assets by the amount of contributions received toward the construction of utility plant. CIAC of \$331,642 in 2013, and \$217,424 in 2012, was recorded as a reduction of utility plant assets.

### Depreciation and Amortization

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

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

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

### Investments

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

### Cash and Cash Equivalents

For purposes of the 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 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, 2013, and 2012

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

### Unamortized Loss on Refunding

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

### Compensated Absences

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

### Restricted Net Position

Restricted net position reported in the balance sheet 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 23.7% in 2013 and 24.1% in 2012 of operating revenues were the result of sales to six industrial customers.

## 2 - ELECTRIC PLANT:

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

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

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

2 - ELECTRIC PLANT: (Contd)

Electric plant activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Increases	Decreases	Balance December 31, 2012
Electric plant not being depreciated:				
Land	\$ 649,099	\$ -	\$ -	\$ 649,099
Construction in progress	194,485	2,382,319	2,206,662	370,142
Total electric plant not being depreciated	<u>843,584</u>	<u>2,382,319</u>	<u>2,206,662</u>	<u>1,019,241</u>
Electric plant being depreciated:				
Transmission	1,448,159	103,016	6,790	1,544,385
Distribution	37,431,855	976,797	228,053	38,180,599
General	8,215,327	388,739	35,623	8,568,443
Acquisition adjustment	12,286,247	-	-	12,286,247
Total electric plant being depreciated	<u>59,381,588</u>	<u>1,468,552</u>	<u>270,466</u>	<u>60,579,674</u>
Less accumulated depreciation:				
Transmission	651,032	40,095	15,709	675,418
Distribution	13,201,284	1,192,473	613,693	13,780,064
General	4,906,420	572,959	20,072	5,459,307
Less accumulated provision for amortization of acquisition adjustment	<u>8,283,663</u>	<u>408,468</u>	<u>-</u>	<u>8,692,131</u>
Total electric plant being depreciated, net	<u>32,339,189</u>	<u>(745,443)</u>	<u>(379,008)</u>	<u>31,972,754</u>
Electric plant, net	<u>\$ 33,182,773</u>	<u>\$ 1,636,876</u>	<u>\$ 1,827,654</u>	<u>\$ 32,991,995</u>

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

3 - CASH AND INVESTMENTS:

Cash and investments are comprised of the following as of December 31, 2013, and 2012:

	2013	2012
Working funds	\$ 608	\$ 608
Deposits with financial institutions	617,847	272,557
Investments	<u>10,038,525</u>	<u>10,524,087</u>
Total cash and investments	<u>\$ 10,656,980</u>	<u>\$ 10,797,252</u>

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

## 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 \$640,022 at December 31, 2013, and \$304,319 at December 31, 2012. Of these deposits, the total covered by federal depository insurance was \$288,179 at December 31, 2013, and \$284,313 at December 31, 2012.

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 follows State law with respect to custodial credit risk and has not adopted a separate policy. Of the PUD's bank balance, \$351,843 was exposed to custodial credit risk as of December 31, 2013, and \$20,006 was exposed to custodial credit risk as of December 31, 2012, 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.

### 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, 2013, and 2012, the PUD's investments consisted of:

	<u>2013</u>	<u>2012</u>
Investment in Oregon Local Government Investment Pool	<u>\$ 10,038,525</u>	<u>\$ 10,524,087</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, 2013, and 2012

## 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, 2013 were: 63% mature within 93 days, 14% mature from 94 days to one year, and 23% mature from one to three years. Weighted average maturities of investments in the Oregon Short-Term Fund at December 31, 2012 were: 70% mature within 93 days, 15% mature from 94 days to one year, and 15% mature from one to three years.

The PUD has designated cash and investments totaling \$107,250 at December 31, 2013, and \$107,288 at December 31, 2012, for debt service.

## 4 - LONG-TERM DEBT:

### Revenue Obligations Payable

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

In April 2006, the PUD issued Series 2006 Electric System Revenue Refunding Obligations totaling \$6,090,000. Proceeds of the Series 2006 Revenue Refunding Obligations were used to advance refund \$5,570,000 of Series 2000B Revenue Obligations through an in-substance defeasance. All Series 2000B Revenue Obligations were subsequently redeemed. Series 2006 Revenue Refunding Obligations are special limited obligations of the PUD payable solely from and secured by a pledge of the net operating revenues of the electric system and amounts on deposit in the debt service account and the reserve account.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

4 - LONG-TERM DEBT: (Contd)

Revenue Obligations Payable (Contd)

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

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

Revenue obligations principal and interest transactions for 2012 are as follows:

	Principal Transactions			Outstanding 12/31/2012	Interest Matured and Paid
	Outstanding 1/1/2012	2012 Issues	2012 Retirements		
Series 2000A Revenue Obligations	\$ 3,210,000	\$ -	\$ 815,000	\$ 2,395,000	\$ 170,283
Series 2006 Revenue Obligations	5,990,000	-	55,000	5,935,000	246,367
Total	<u>\$ 9,200,000</u>	<u>\$ -</u>	<u>\$ 870,000</u>	<u>\$ 8,330,000</u>	<u>\$ 416,650</u>

At December 31, 2013, and 2012, revenue obligations payable consist of the following:

	<u>2013</u>	<u>2012</u>
Series 2000A Revenue Obligations, principal payable annually on December 1. Interest at 5.25% to 5.45% per annum payable semi-annually on June 1 and December 1 each year.	\$ 1,535,000	\$ 2,395,000
Series 2006 Revenue Refunding Obligations, principal payable annually on December 1. Interest at 3.75% to 4.75% per annum payable semi-annually on June 1 and December 1 each year.	<u>5,880,000</u>	<u>5,935,000</u>
	7,415,000	8,330,000
Less current maturities	<u>965,000</u>	<u>915,000</u>
Long-term debt	<u>\$ 6,450,000</u>	<u>\$ 7,415,000</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

4 - LONG-TERM DEBT: (Contd)

Revenue Obligations Payable (Contd)

As of December 31, 2013, scheduled annual maturities of revenue obligations principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,115,000	174,800	1,289,800
2018	1,155,000	130,200	1,285,200
2019-2020	2,100,000	119,800	2,219,800
Total	<u>\$ 7,415,000</u>	<u>\$ 1,249,591</u>	<u>\$ 8,664,591</u>

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

5 - RETIREMENT PLANS:

PENSION PLAN:

Plan Description

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

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

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

## 5 - RETIREMENT PLANS: (Contd)

PENSION PLAN: (Contd)

### Funding Policy

PERS members are required to contribute 6% of their annual covered salary after fulfilling a mandatory six-month waiting period as public employees to become members of PERS. The PUD is required to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan; the rate was 10.95% of annual covered payroll during all of 2012 and the first six months of 2013, and 10.28% of annual covered payroll during the last six months of 2013. The PUD is also required to contribute at a general service rate for the qualifying employees under the OPSRP plan; the rate was 10.38% during all of 2012 and the first six months of 2013, and 8.49% during the last six months of 2013. The PUD contributes the employer's portion and the employee's portion for all employees. The contribution requirements of plan members and the PUD are established and may be amended by the Public Employees Retirement Board.

### Annual Pension Cost

For 2013 and 2012, the PUD's annual pension costs, for the employer's portion only, of \$422,093 and \$457,736, respectively, for the system were equal to the PUD's required and actual contributions. The required contributions for all of 2012 and the first six months of 2013 were determined as part of the December 31, 2009 actuarial valuation which used the projected unit credit actuarial cost method. The required contributions for the last six months of 2013 were determined as part of the December 31, 2011 actuarial valuation which used the projected unit credit actuarial cost method.

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

The December 31, 2011 actuarial valuation, which provided employer contribution rates which became effective July 1, 2013, uses the projected unit credit actuarial cost method. The unfunded actuarial liability is being amortized as a level percentage of combined valuation payroll over a closed 20-year period (for Retiree Healthcare a closed 10-year period is used). Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 years for Retiree Healthcare and 16 years for

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

5 - RETIREMENT PLANS: (Contd)

PENSION PLAN: (Contd)

Annual Pension Cost (Contd)

Oregon Public Service Retirement Plan) from the odd-year valuation in which they are first recognized. On December 31, 2011, the actuarial value of assets was equal to the market value of assets. Significant actuarial assumptions used in the valuation include (a) consumer price inflation of 2.75% per year, (b) a rate of return on the investment of assets of 8.00% compounded annually, and (c) future general wage inflation of 3.75% per year.

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12-31-13	\$ 422,093	100%	\$ -
12-31-12	\$ 457,736	100%	\$ -
12-31-11	\$ 412,776	100%	\$ -

Funding Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 90% funded. The actuarial value of assets was \$12,840,692, and the actuarial accrued liability for benefits was \$14,267,091, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,426,399. The covered payroll was \$4,454,644, and the ratio of the UAAL to the covered payroll was 32%.

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, 2012 actuarial valuation uses the entry age normal actuarial cost method. The unfunded actuarial liability is being amortized as a level percentage of combined valuation payroll over a closed 20-year period (for Retiree Healthcare a closed 10-year period is used and for Oregon Public Service Retirement Plan a closed 16-year period is used). Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over a closed 20-year period. On December 31, 2012, the actuarial value of assets was equal to the market value of assets. Significant actuarial assumptions used in the valuation include (a) consumer price inflation of 2.75% per year, (b) a rate of return on the investment of assets of 7.75% compounded annually, and (c) future general wage inflation of 3.75% per year.

# COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

## 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 2013 and 2012, the PUD made the required contributions of \$207,759 and \$215,811, 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 \$54,432 and \$47,981, respectively, to the plan during 2013 and 2012.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

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	14,706
Adjustment to annual required contribution	<u>(19,133)</u>
Annual OPEB cost	99,297
Contributions made	<u>(54,432)</u>
Increase in net OPEB obligation	44,865
Net OPEB obligation - beginning of year	<u>294,123</u>
Net OPEB obligation - end of year	<u><u>\$ 338,988</u></u>

The PUD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012 and 2011 were as follows:

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/2013	\$ 99,297	54.8%	\$ 338,988
12/31/2012	\$ 100,081	47.9%	\$ 294,123
12/31/2011	\$ 101,611	0.0%	\$ 242,023

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, 2013, and 2012

## 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, 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.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Notes to Financial Statements  
December 31, 2013, and 2012

9 - POWER PURCHASE AGREEMENT:

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

**REQUIRED SUPPLEMENTARY INFORMATION**

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Funding Progress for Retirement Plan

	Actuarial Valuation Date		
	12-31-12	12-31-11	12-31-10
Actuarial value of assets (a)	\$ 12,840,692	\$ 11,614,143	\$ 12,073,472
Actuarial accrued liability (b)	14,267,091	13,958,378	14,110,150
Unfunded actuarial accrued liability (b-a)	<u>\$ 1,426,399</u>	<u>\$ 2,344,235</u>	<u>\$ 2,036,678</u>
Funded ratio (a/b)	<u>90%</u>	<u>83%</u>	<u>86%</u>
Covered payroll (c)	<u>\$ 4,454,644</u>	<u>\$ 4,487,797</u>	<u>\$ 3,977,426</u>
Unfunded actuarial accrued liability as a percentage of covered payroll ((b-a)/c)	<u>32%</u>	<u>52%</u>	<u>51%</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Funding Progress for Retiree Health Plan

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

**OTHER SUPPLEMENTARY INFORMATION**

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Revenue Obligations Principal and Interest Transactions  
Year Ended December 31, 2013

	Principal Transactions			Outstanding 12-31-13
	Outstanding 1-1-13	2013 Issues	2013 Retirements	
Series 2000A Revenue Obligations	\$ 2,395,000	\$ -	\$ 860,000	\$ 1,535,000
Series 2006 Revenue Obligations	5,935,000	-	55,000	5,880,000
Totals	<u>\$ 8,330,000</u>	<u>\$ -</u>	<u>\$ 915,000</u>	<u>\$ 7,415,000</u>

	Interest Transactions			Matured 12-31-13
	Matured 1-1-13	2013 Maturities	2013 Payments	
Series 2000A Revenue Obligations	\$ -	\$ 127,902	\$ 127,902	\$ -
Series 2006 Revenue Obligations	-	244,360	244,360	-
Totals	<u>\$ -</u>	<u>\$ 372,262</u>	<u>\$ 372,262</u>	<u>\$ -</u>

SCHEDULE 4

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Future Revenue Obligations Principal and Interest Requirements  
December 31, 2013

Year	Series 2000A Revenue Obligations			Series 2006 Revenue Obligations		
	Principal	Interest	Total	Principal	Interest	Total
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>\$ 1,535,000</u>	<u>\$ 117,088</u>	<u>\$ 1,652,088</u>	<u>\$ 5,880,000</u>	<u>\$ 1,132,503</u>	<u>\$ 7,012,503</u>

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Schedule of Future Revenue Obligations Principal and Interest Requirements  
December 31, 2013

<u>Total Future Requirements</u>		
<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 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>\$ 7,415,000</u>	<u>\$ 1,249,591</u>	<u>\$ 8,664,591</u>

## **STATISTICAL INFORMATION**

## COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT

Statistical Information  
Last Five Years

	2013	2012	2011	2010	2009
Number of customers: (1)					
Residential	16,050	16,111	16,118	16,121	16,084
General service - 30kW or less	1,744	1,698	1,672	1,662	1,660
General service - over 30kW	241	243	234	229	220
Industrial	6	8	8	8	8
Street lighting and signals	515	520	515	512	513
Irrigation	56	57	57	58	57
Total customers	18,612	18,637	18,604	18,590	18,542
Energy requirements: (MWh)					
Energy sales:					
Residential	212,559	211,529	217,729	209,135	218,328
General service - 30kW or less	27,116	26,730	26,538	26,021	26,955
General service - over 30kW	62,408	59,412	59,384	58,516	60,261
Industrial	160,996	158,804	169,387	154,606	162,561
Street lighting and signals	1,992	1,926	1,825	1,815	1,905
Irrigation	1,868	2,661	2,481	1,904	1,716
Total energy sales	466,939	461,062	477,344	451,997	471,726
Used by utility	492	503	507	544	538
Losses	16,117	14,468	15,596	11,378	15,476
Total energy requirements	483,548	476,033	493,447	463,919	487,740
System peak (MW)	95.0	88.9	93.1	91.6	103.4
Operating revenues:					
Sales of electricity:					
Residential	\$ 14,575,698	\$ 14,259,016	\$ 14,287,146	\$ 13,538,499	\$ 14,127,055
General service - 30kW or less	2,162,754	2,084,434	1,965,561	1,901,876	1,972,243
General service - over 30kW	4,341,869	4,077,343	3,955,556	3,884,088	3,955,073
Industrial	6,738,130	6,683,918	6,825,468	6,286,237	6,530,560
Street lighting and signals	183,555	184,727	175,045	172,645	178,990
Irrigation	133,017	177,278	157,165	121,648	110,330
Total sales of electricity	28,135,023	27,466,716	27,365,941	25,904,993	26,874,251
Other operating revenues	321,717	311,754	312,021	314,638	291,176
Total operating revenues	\$ 28,456,740	\$ 27,778,470	\$ 27,677,962	\$ 26,219,631	\$ 27,165,427
Average annual kWh used per customer:					
Residential	13,244	13,129	13,508	12,973	13,574
General service - 30kW or less	15,548	15,742	15,872	15,656	16,238
General service - over 30kW	258,954	244,494	253,778	255,528	273,914
Industrial	26,832,667	19,850,500	21,173,375	19,325,750	20,320,125
Street/area lighting and signals	3,868	3,704	3,544	3,545	3,713
Irrigation	33,357	46,684	43,526	32,828	30,105
Average revenue per kWh: (in cents)					
Residential	6.857	6.741	6.562	6.474	6.471
General service - 30kW or less	7.976	7.798	7.407	7.309	7.317
General service - over 30kW	6.957	6.863	6.661	6.638	6.563
Industrial	4.185	4.209	4.030	4.066	4.017
Street/area lighting and signals	9.215	9.591	9.592	9.512	9.396
Irrigation	7.121	6.662	6.335	6.389	6.429
Average all classes	6.025	5.957	5.733	5.731	5.697

(1) Annual monthly average

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

INDEPENDENT AUDITOR'S COMMENTS  
REQUIRED BY OREGON STATE REGULATIONS

March 13, 2014

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, 2013, and have issued our report thereon dated March 13, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Columbia River People's Utility District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Columbia River People's Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia River People's Utility District's internal control.

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

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

**Compliance**

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

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

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

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

### **Purpose of this Report**

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

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

*Kenneth Kuhns & Co.*

Kenneth Kuhns & Co.