



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

CENTRAL LINCOLN PEOPLE'S UTILITY DISTRICT

June 30, 2018 and 2017



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## Board of Directors

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Judy Matheny	2196 13 <sup>th</sup> Street Florence, Oregon 97439	President
Keith Tymchuk	1405 Ranch Road Reedsport, Oregon 97467	Vice-President
Ron Benfield	714 S.E. Marine Court Newport, Oregon 97365	Treasurer
Curt Abbott	760 Range Drive Waldport, Oregon 97394	Assistant Treasurer
Jill Lyon	829 Fir St. Toledo, Oregon 97391	Secretary

## Administrative Staff

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Brian Barth, CPA	Interim General Manager and Registered Agent
Mark Freeman	Director of Employee, Customer, and Community Services
Randy Grove	Director of Engineering and Operations
Ty Hillebrand	Director of Shared Services
Sunnetta Capovilla	Executive Assistant
Brandon Hignite	Finance and Resource Planner
Teri Turner	Human Resources Manager
Gail Malcolm	Project Manager
Chris Chandler	Public Affairs Manager

## Administrative Office

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Location: 2129 N. Coast Highway

Mailing Address: P.O. Box 1126  
Newport, Oregon 97365

Web Site: [www.clpud.org](http://www.clpud.org)

Telephone: (877) 265-3211

## **Report of Independent Auditors**

To the Board of Directors  
Central Lincoln People's Utility District

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

We have audited the accompanying statements of net position of Central Lincoln People's Utility District (the District) and the statement of fiduciary net position of the Pension Plan Trust Fund (the Pension Trust Fund) as of June 30, 2018, and the related statements of revenues, expenses, and changes in net position and cash flows of the District for the year then ended, and the statement of changes in fiduciary net position of the Pension Trust Fund for the year then ended, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

### ***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 audit 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District and the Pension Trust Fund as of June 30, 2018, and the respective results of operations and of cash flows for the District, and changes in financial position for the Pension Trust Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

### *Adjustments to Prior Period Financial Statements*

The financial statements of Central Lincoln People's Utility District as of and for the year ended June 30, 2017, before restatement, were audited by other auditors whose report thereon dated October 19, 2017, expressed an unmodified opinion. As discussed in Note 13 to the financial statements, the District has restated its 2017 financial statements during the current year to correctly report contributed capital as an increase to net position on the statement of revenues, expenses, and changes in net position and to correctly report electric plant and net position on the statement of net position, in accordance with accounting principles generally accepted in the United States of America.

As part of our audit of the 2018 financial statements, we also audited adjustments described in Note 13 that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the District other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

## ***Other Matter***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 5 through 10, and the schedules of changes in the District's net pension liability and related ratios on page 43, District contributions for defined benefit pension plan on page 44, schedule of investment returns on page 45 and changes in the District's net OPEB liability on page 46 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of electric plant in service on page 47 is not a required part of the financial statements, and is supplemental information presented for purposes of additional analysis. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of electric plant in service is fairly stated in all material respects in relation to the financial statements as a whole.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Auditors of Oregon Municipal Corporations, we have issued our report dated November 7, 2018, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of the Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Julie Desimone, Partner for  
Moss Adams LLP  
Portland, Oregon  
November 7, 2018

# Central Lincoln People's Utility District Management's Discussion and Analysis

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This discussion and analysis is designed to provide an overview of the financial activities of Central Lincoln People's Utility District (Central Lincoln) with registered office in Newport, Oregon for the fiscal year ended June 30, 2018. This supplementary information is to be read with Central Lincoln's financial statements.

## **Administration**

Central Lincoln is a municipal corporation duly authorized by Section 12, Article XI of the Constitution of the State of Oregon and organized under Chapter 261, Oregon Revised Statutes. Central Lincoln was formed in 1940 and took over operations of West Coast Power Company in 1943. The utility is governed by a five-member elected Board of Directors serving staggered four- year terms.

## **Service Area**

Central Lincoln's service territory is located along the Oregon coast and extends through Lincoln, Lane, Douglas and Coos counties providing service to 39,040 customers. The area has a total length of 112 miles and varies in width from one to 25 miles. Central Lincoln purchases all required energy from the Bonneville Power Administration (BPA), who delivers power at nine points of delivery: Toledo, Florence, Mapleton, Berrydale, Gardiner, Reedsport, Lakeside, Hauser and Glasgow.

## **Financial Summary and Analysis**

### Rate Summary

Central Lincoln's largest customer operated under a rate schedule adopted September 26, 2017. All remaining customers were served through June 30, 2018 under a rate schedule adopted June 14, 2017, that went into effect July 1, 2017.

### 2016 Bonded Debt Issuance

On March 31, 2016 Central Lincoln sold \$29,455,000 worth of 30-year bonds at a true interest cost of 3.425%. Proceeds of the Series 2016 Revenue Bonds were used to provide funds for capital improvements including the Northern Operations Center (NOC) and Florence area Reinforcement Project and to pay issuance costs. As of August 2017, all bond proceeds had been spent as anticipated.

### Major Accounting Change

A major accounting change was implemented in fiscal year 2015 that is reflected in the results as of June 30<sup>th</sup>, 2016 2017 and 2018. Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* was designed to improve accounting and financial reporting by state and local governments for pension costs. The new standard also significantly changes how government entities measure and report the long-term obligations and annual costs of the pension benefit they provide.

To manage the impact of GASB 68, Central Lincoln also adopted GASB Statement No. 62, Paragraphs 476-500 - Regulated Operations. This standard allows the utility to recognize certain expenses and credits at the time they are included in rates and recovered from customers. Adopting GASB 62 allowed Central Lincoln to record a 'regulatory asset' which offsets the previously unrecorded pension liability without reducing "Net Position."

## Central Lincoln People's Utility District Management's Discussion and Analysis

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In FY17, Central Lincoln began accruing the revenue associated with sales that were delivered but not billed, and this change required a restatement of revenues for FY16.

In FY18, Central Lincoln adopted GASB 75, *Accounting and Financial Reporting for Post-employment Benefits other than Pensions*, which established new standards for recognizing and measuring OPEB related liabilities, deferred outflows of resources, deferred inflows of resources, and expense / expenditures. As of October 1, 2017, post-employment benefits were successfully closed to represented employees; this aligns with the closure to non-represented employees hired on or after July 1, 2010. Central Lincoln also adopted GASB 84, *Fiduciary Activities*, which established the requirement to audit the pension plan.

Beginning June 2018, Central Lincoln made a major accounting change to the treatment of contribution in aid of construction payments, and began recording the contributions as income in accordance with GASB Statement 33. The contributions are now shown as income and assets are booked at full value and depreciated over their respective useful life. Non-operating revenue and depreciation have increased as a result of the accounting adjustment, which increased Central Lincoln's net position. Prior to this, in accordance with FERC Title 18, Chapter 1, Subchapter C, Part 101, contribution in aid of construction payments were accounted for by reducing the cost of capitalized assets, which in-turn reduced depreciation. Financial statements have been restated to reflect this change for FY16, FY17 and FY18. See Note 13 in the accompanying Notes to Financial Statements for details.

## Central Lincoln People's Utility District Management's Discussion and Analysis

### Analysis of operating revenues and expenses:

	Years Ended June 30,		
	2018	2017 (Restated)	2016 (Restated)
<b>OPERATING REVENUES</b>			
Sales of electricity			
Residential	\$ 40,753,828	\$ 40,322,903	\$ 35,306,528
Commercial	16,331,265	15,525,708	14,384,525
Industrial	33,100,378	32,234,489	30,565,398
Other	839,940	1,135,596	1,198,444
<b>OTHER OPERATING REVENUES</b>			
Rent from electric plant	764,188	723,731	720,389
Transmission of electricity for others	409,260	402,048	387,623
Miscellaneous service revenue	562,633	431,657	327,870
<b>Total operating revenues</b>	<b>92,761,492</b>	<b>90,776,132</b>	<b>82,890,777</b>
<b>OPERATING EXPENSES</b>			
Cost of power	54,377,178	52,484,039	49,258,603
T&D – operations	4,132,137	3,671,226	3,852,716
T&D – maintenance	5,716,169	4,420,615	3,617,118
Customer accounts	2,226,225	2,008,258	1,859,122
Customer service and informational	496,576	429,022	355,066
Administrative and general	10,428,628	11,176,182	11,221,500
Depreciation	8,025,179	8,183,893	10,425,473
Taxes and franchise fees	3,116,805	3,409,620	3,416,956
<b>Total operating expenses</b>	<b>88,518,897</b>	<b>85,782,855</b>	<b>84,006,554</b>
<b>Net operating revenues/(loss)</b>	<b>\$ 4,242,595</b>	<b>\$ 4,993,277</b>	<b>\$ (1,115,777)</b>

Operating revenues for FY18 increased by approximately 2% over FY17 levels. The increase is attributable to the 4% rate action that went into effect on July 1, 2017 which helped to offset a mild to average winter. However, Central Lincoln did not experience a 4% increase in sales overall because the utility's largest industrial customer was not subject to the rate increase. Instead, the customer had a power supply increase October 1, 2017 in accordance with the contract which calls for a wholesale rate "pass through." Across all revenue categories, kWh sales were down (1.6%) from 1,330 million kWh during FY17 to 1,308 million kWh for FY18. The overall (1.6%) included decreases for residential customers of (3.8%) which were in part offset by increases from commercial customers of 1.2%.

The totals noted above include a decrease to unit (kWh) sales by customers served under Rate Schedules 300 and 350 of (7.1%). Although kWh sales declined, revenue was still up approximately \$600,000 largely due to demand charges. Overall, revenue from industrial sales increased by approximately 3% during FY18.

## Central Lincoln People's Utility District Management's Discussion and Analysis

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Total Operating Expenses increased approximately 3% between FY17 and FY18; the biggest drivers were increases in the Cost of Power 3.6%, T&D – Operations 12.6%, T&D – Maintenance 29%, Customer Accounts 10.8%, Customer Service and Informational 15.7%. These increases were partially offset by a decrease in Administration & General (6.7%), and Taxes and Franchise Fees (8.6%).

The increase in power cost was largely due to the BPA rate increase effective October 1, 2017. The BPA increase is a yearly 5% average, but will vary by month. However, 3.6% for the nine months in which the rate increase was effective is consistent with 5% over the year. There was no BPA Rate increase during FY17, and nine months of the FY16 cost was based on BPA rates that went into effect on October 1, 2015.

On a combined basis, Transmission & Distribution – Operations and Maintenance went up by approximately 22% in FY18 over FY17. There were several drivers for the increase. In FY18, significant resources were deployed in the NISC MapWise implementation which meant less design work associated with capital projects, and more charged to T&D – Operations and T&D – Maintenance. Overhead costs (payroll taxes and benefits) were allocated for the full year in FY18 as opposed to a partial year for FY17. The shifting of costs associated with the overhead allocations (which follow the employee labor distribution); is expected to level-off over the next year as work moves back to capital projects. The change in accounting practice, with regard to overhead allocations, impacted a number of accounts during FY18; the offset can be seen in General and Administrative expense and Taxes and Franchise Fees.

Customer Accounts expense was up in large part due to NISC lease payments for FY18, this increase will continue going forward and is expected to level-off over time. Customer Service & Informational expense also increased due to budgeting self-funded conservation projects.

Depreciation Expense in FY18 was down slightly from FY17 primarily due to software assets fully depreciating during the year. Administrative and General Expense was down slightly due to the previously mentioned increase in overhead allocations, and the labor associated with the NISC MapWise implementation project.

Taxes and Franchise Fees for FY18 have continued to shift downward compared with FY17 as a result of allocating payroll taxes with labor dollars for the entire year, which was partially offset by increased franchise fees.

Net Operating Revenue of \$4,242,595 was down (15%) from FY17, largely due to the increase in power cost. Recent losses, including those in FY16, were a result of not fully incorporating BPA power cost increases into Central Lincoln's retail rate structure. Subsequent rate actions taken by the Board of Directors, including the July 1, 2016 and July 1, 2017 increases, were designed to change that trajectory. The unseasonably cold temperatures and higher than forecast sales in FY17 accelerated the turnaround.

### Analysis of Assets, Liabilities, and Net Position

Net Electric Plant increased by \$5.8 million from fiscal year end 2017 due primarily to increased investment in capital assets.

## Central Lincoln People's Utility District Management's Discussion and Analysis

Current Assets dropped accordingly as the remaining unspent bond proceeds from FY17 were spent on the NOC construction project. The balances in Other Assets as well as Deferred Outflows and Deferred Inflows Related to Pension changed as the regulatory asset (allowed by adoption GASB 62), which offsets the pension liability required by GASB 68, was amortized. See Notes 1 and 7 in the accompanying Notes to Financial Statements for additional explanation.

	As of June 30,		
	2018	2017 (Restated)	2016 (Restated)
<b>ASSETS</b>			
Net electric plant	\$ 153,757,360	\$ 147,924,499	\$ 125,389,711
Current assets	45,837,074	50,701,620	64,736,070
Regulatory asset related to pension	19,643,586	21,123,494	22,333,138
Unamortized transmission agreement expense	475,164	531,623	588,082
Total assets	<u>219,713,184</u>	<u>220,281,236</u>	<u>213,047,001</u>
Deferred outflows related to pension	<u>1,524,151</u>	<u>1,561,390</u>	<u>1,949,754</u>
<b>LIABILITIES</b>			
Long-term debt	36,744,626	38,121,154	39,462,683
Current liabilities	11,385,085	14,456,684	10,807,427
Other liabilities	23,274,842	27,000,310	28,058,540
Total liabilities	<u>71,404,553</u>	<u>79,578,148</u>	<u>78,328,650</u>
Deferred inflows related to pension	<u>2,693,847</u>	<u>202,579</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	115,782,734	111,837,784	106,724,166
Restricted for bond debt service	3,487,949	3,467,529	3,259,343
Unrestricted	27,868,252	26,756,586	26,684,596
Total net position	<u>\$ 147,138,935</u>	<u>\$ 142,061,899</u>	<u>\$ 136,668,105</u>

Long-Term Debt continues to decrease as Central Lincoln makes principal payments on the 2013 and 2016 Bonds according to schedule. Current liabilities were down significantly (\$3.06 million) due to decreased accounts payable associated with completing the Northern Operations Center. Other Liabilities decreased by \$3.46 million due to decreased pension liability.

The \$5,077,036 increase in Net Position was driven by Central Lincoln's Five-Year Financial Plan. As investments are made in capital assets and long-term debt is paid down, the Net Position will continue to increase over time. Central Lincoln will continue to focus on managing costs, maintaining affordable rates for customers while passing on power cost increases as appropriate. Central Lincoln will be performing a Cost of Service Analysis based on FY18 historical data, and will bring any future rate action discussion to the Board in the Spring of 2019.

## Central Lincoln People's Utility District Management's Discussion and Analysis

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### Central Lincoln People's Utility District Pension Plan and Trust Fund

The Central Lincoln People's Utility District Pension Plan and Trust Fund (the Trust Fund) accounts for the assets of the employee benefit plan held by the District in a trustee capacity. The pension plan covers most District employees hired before July 1, 2010. As described in Note 1 to the financial statements, the District adopted GASB Statement No. 84, *Fiduciary Activities*, as of July 1, 2017, which resulted in the District identifying and including the Trust Fund as a fiduciary fund in the District's financial statements. The following chart displays assets, liabilities and net position of the Trust Fund as well as the funded status of the plan as of June 30, 2018:

	<u>2018</u>
Trust assets	\$ 18,076,036
Trust liabilities	-
Trust net position	<u>\$ 18,076,036</u>
Total pension liability	\$ 36,814,064
Funded percentage	49.1%

Total fiduciary net position as of June 30, 2018 increased by \$4,618,408 or 34.3%, due to contributions of \$3,973,921 in fiscal year 2018, investment income of \$1,257,098, and offset by reductions due to payment of retirement benefits of \$612,611.

The following chart displays changes in net position for the year ended June 30, 2018:

	<u>2018</u>
Employer and employee contributions	\$ 3,973,921
Investment income	<u>1,257,098</u>
Total additions	5,231,019
Benefit payments	<u>612,611</u>
Total deductions	612,611
Change in net position	4,618,408
Fiduciary net position, beginning	<u>13,457,628</u>
Fiduciary net position, ending	<u>\$ 18,076,036</u>

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## Central Lincoln People's Utility District

### Statements of Net Position

	June 30,	
	2018	2017 (as restated)
<b>ASSETS</b>		
Electric Plant		
In-service – at cost	\$ 288,967,098	\$ 254,681,533
Construction in progress	9,607,702	31,155,960
Total electric plant	298,574,800	285,837,493
Less: accumulated provision for depreciation	(144,817,440)	(137,912,994)
Net electric plant	153,757,360	147,924,499
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Unrestricted	31,005,023	32,106,839
Restricted for capital improvements	-	3,229,169
Restricted for bond debt service	3,601,018	3,582,593
Customer accounts receivable (net of allowance for doubtful accounts of \$149,220 in 2018 and \$150,000 in 2017)	6,961,293	7,614,140
Other receivables	422,342	657,109
Materials and supplies	3,109,967	2,866,836
Prepayments	654,653	575,804
Other	82,778	69,130
Total current assets	45,837,074	50,701,620
<b>OTHER ASSETS</b>		
Regulatory asset related to pension	19,643,586	21,123,494
Unamortized transmission agreement expense	475,164	531,623
Total other assets	20,118,750	21,655,117
Total assets	219,713,184	220,281,236
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension	1,524,151	1,561,390
Total assets and deferred outflows of resources	\$ 221,237,335	\$ 221,842,626

## Central Lincoln People's Utility District Statements of Net Position

	June 30,	
	2018	2017 (as restated)
<b>NET POSITION</b>		
Net investment in capital assets	\$ 115,782,734	\$ 111,837,784
Restricted for bond debt service	3,487,949	3,467,529
Unrestricted	27,868,252	26,756,586
Total net position	147,138,935	142,061,899
<b>LIABILITIES</b>		
Long-term debt		
Bonds payable, less current maturities	33,680,000	34,910,000
Unamortized bond premium	3,064,626	3,211,154
Total long-term debt	36,744,626	38,121,154
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	1,230,000	1,195,000
Accounts payable	6,635,321	10,020,072
Accrued compensated absences	2,143,291	2,129,710
Customer deposits	1,256,581	988,476
Accrued interest – long-term debt	113,069	115,064
Accrued interest – customer deposits	6,823	8,362
Total current liabilities	11,385,085	14,456,684
<b>OTHER LIABILITIES</b>		
Net pension liability	18,738,028	22,482,305
OPEB liability	4,027,210	3,944,847
Liability reserves	256,264	320,794
Unearned revenues	253,340	252,364
Total other liabilities	23,274,842	27,000,310
Total liabilities	71,404,553	79,578,148
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension	2,429,709	202,579
Deferred inflows related to OPEB	264,138	-
Total net position, liabilities, and deferred inflows of resources	\$ 221,237,335	\$ 221,842,626

## Central Lincoln People's Utility District

### Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2018	2017 (as restated)
<b>OPERATING REVENUES</b>		
Sales of electricity		
Residential	\$ 40,753,828	\$ 40,322,903
Commercial	16,331,265	15,525,708
Industrial	33,100,378	32,234,489
Other	839,940	1,135,596
Other operating revenues		
Rent from electric plant	764,188	723,731
Transmission of electricity of others	409,260	402,048
Miscellaneous service revenue	562,633	431,657
	<u>92,761,492</u>	<u>90,776,132</u>
<b>OPERATING EXPENSES</b>		
Cost of power	54,377,178	52,484,039
Transmission and distribution expense – operations	4,132,137	3,671,226
Transmission and distribution expense – maintenance	5,716,169	4,420,615
Customer accounts expense	2,226,225	2,008,258
Customer service and informational expense	496,576	429,022
Administrative and general expense	10,428,628	11,176,182
Depreciation	8,025,179	8,183,893
Taxes and franchise fees	3,116,805	3,409,620
	<u>88,518,897</u>	<u>85,782,855</u>
	<u>4,242,595</u>	<u>4,993,277</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest on investments	538,153	457,194
Interest expense – long-term debt	(1,366,824)	(1,389,144)
Interest expense – other	(2,589)	(2,274)
Amortization of bond premium	146,529	146,529
	<u>(684,731)</u>	<u>(787,695)</u>
	<u>3,557,864</u>	<u>4,205,582</u>
Contributions in aid of construction	1,519,172	1,188,212
	<u>5,077,036</u>	<u>5,393,794</u>
NET POSITION, beginning of year, as originally reported	142,061,899	120,230,293
Restatement of beginning of year net position	-	16,437,812
	<u>142,061,899</u>	<u>136,668,105</u>
NET POSITION, end of year	<u>\$ 147,138,935</u>	<u>\$ 142,061,899</u>

## Central Lincoln People's Utility District Statements of Cash Flows

	Years Ended June 30,	
	2018	2017 (as restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 93,917,211	\$ 89,564,498
Cash payments for purchased power	(54,593,550)	(52,308,550)
Cash payments to suppliers for goods and services	(15,960,691)	(11,090,469)
Cash payments to employees for services	(13,306,868)	(12,209,818)
Net cash provided by operating activities	10,056,102	13,955,661
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Construction and acquisition of plant	(13,858,040)	(29,421,505)
Contributions in aid of construction	1,519,172	2,553,125
Proceeds from sale of property and equipment	-	294,066
Principal payments on bonds payable	(1,195,000)	(1,005,000)
Interest payments on bonds payable	(1,368,819)	(1,390,819)
Other interest payments	(4,128)	(2,513)
Net cash used in capital and related financing activities	(14,906,815)	(28,972,646)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	538,153	457,194
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
	(4,312,560)	(14,559,791)
CASH AND CASH EQUIVALENTS, beginning of year	38,918,601	53,478,392
CASH AND CASH EQUIVALENTS, end of year	\$ 34,606,041	\$ 38,918,601

## Central Lincoln People's Utility District

### Statements of Cash Flows

	Years Ended June 30,	
	2018	2017 (as restated)
RECONCILIATION OF NET OPERATING REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating revenues	\$ 4,242,595	\$ 4,993,277
Adjustments to reconcile net operating revenues to net cash provided by activities:		
Depreciation	8,025,179	8,183,893
OPEB expense	725,828	-
Transmission agreement amortization expense	56,459	56,459
Decrease (increase) in:		
Customer accounts receivable	652,847	(990,505)
Other receivables	234,767	(274,269)
Materials and supplies	(243,131)	440,584
Prepayments	(78,849)	(29,306)
Other current assets	(13,648)	6,512
Increase (decrease) in:		
Operating accounts payable	(3,384,751)	732,275
Accrued compensated absences	13,581	60,234
Customer deposits	268,105	34,150
Total OPEB liability	(379,326)	717,796
Liability reserves	(64,530)	12,083
Unearned revenue	976	12,478
Total adjustments	5,813,507	8,962,384
Net cash provided by operating activities	\$ 10,056,102	\$ 13,955,661

**Central Lincoln People's Utility District**  
**Statement of Trust Fund Fiduciary Net Position**  
**June 30, 2018**

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ASSETS	
Cash and cash equivalents	\$ 927,775
Investments in mutual funds:	
Fixed income	6,239,063
Equity	<u>10,896,700</u>
Total investments in mutual funds	<u>17,135,763</u>
Contributions receivable	12,498
Total assets	<u>18,076,036</u>
Net position held in trust for pension benefits	<u><u>\$ 18,076,036</u></u>

**Central Lincoln People's Utility District**  
**Statement of Trust Fund Changes in Fiduciary Net Position**  
**Year Ended June 30, 2018**

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ADDITIONS	
Contributions	
Employer	\$ 3,717,623
Employee	<u>256,298</u>
Total contributions	<u>3,973,921</u>
Investment income	
Dividends	348,660
Unrealized gains	205,517
Realized gains, net	731,544
Less investment expense	<u>(28,623)</u>
Total investment income, net	<u>1,257,098</u>
Total additions	<u>5,231,019</u>
DEDUCTIONS	
Benefit payments to participants	<u>612,611</u>
Total deductions	<u>612,611</u>
Changes in net position	4,618,408
Net position held in trust for pension benefits, beginning of year	<u>13,457,628</u>
Net position held in trust for pension benefits, end of year	<u>\$ 18,076,036</u>

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### **Note 1 – Summary of Significant Accounting Policies**

**General** – Central Lincoln People's Utility District (the District) is a municipal corporation organized under Oregon Revised Statutes (ORS) Chapter 261. The District has provided electric services to residential, commercial and industrial customers along a one hundred twelve-mile section of the central Oregon coast since 1943. The District is governed by a five-member elected Board of Directors serving staggered four-year terms. The Board 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, commercial and industrial customers. The District also has fiduciary responsibility for its pension plan, the Central Lincoln People's Utility District Pension Plan and Trust (the Trust Fund). The investment, pension funding and benefit payment activity and the fiduciary net position are reported in the Trust Fund.

The District is empowered and required by law to establish, maintain and collect rates and charges for electric power which are fair and nondiscriminatory. It has received from the Oregon Public Utilities Commission the exclusive rights to approximately 95% of its voter authorized territory. This represents approximately 99% of the District's load excluding the District's largest customer, Georgia-Pacific Corporation. Georgia-Pacific Corporation is in a nonexclusive portion of the District's service area. A total of 28 percent of the District's operating revenues are derived from sales to Georgia-Pacific Corporation for the years ended June 30, 2018 and 2017.

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

**Description of reporting entity** – The financial statements of the District include all financial activities for which the Board of Directors are financially accountable. The District has no component units.

**Basis of accounting** – The District uses the accrual basis of accounting for financial reporting purposes. Revenues are recognized when earned and expenses are recognized when incurred. Revenues related to the District's principal operations are considered to be operating revenues. All other revenues are considered to be nonoperating. The District has a fiduciary responsibility for its Trust Fund, a defined benefit pension plan. The financial activities of the Trust Fund are included in the trust fund statements of this report.

**Use of estimates** – 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.

**Electric plant** – Electric plant is recorded at cost. Cost includes materials, labor, payments to contractors, and indirect costs, such as transportation and construction equipment use, and employee benefits.

# Central Lincoln People's Utility District

## Notes to Financial Statements

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### Note 1 – Summary of Significant Accounting Policies (continued)

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 \$5,000 or more with a useful life exceeding one year are capitalized. Repairs and minor replacements are charged to operating expenses as incurred. The cost of property retired, together with removal cost less salvage, is charged to accumulated depreciation when property is removed.

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

Structures and improvements	40 years
Station equipment, line transformers and street lighting equipment	30 years
Overhead conductor and devices	30 years
Underground conductor and devices	30 years
Poles, towers, and fixtures	30 years
AMI meters	15 years
Transportation equipment	12 years
Office furniture and equipment	6 years

**Contributions in Aid of Construction (CIAC)** – A portion of the District's electric plant has been funded through amounts charged to developers for plant constructed by the District. These items are recognized within electric plant as construction is completed for plant constructed by the District based on the cost of the items, when received for contributed electric plant based on the actual or estimated fair value of the contributed items, or upon completion of the related project. The District records amounts received within contributions in aid of construction when a legally enforceable claim is established. Until the District meets the criteria to record the amounts described above as contributions in aid of construction, any amounts received are recorded within unearned contributions in aid of construction on the statements of net position.

**Fair value of financial instruments** – The fair value of the Trust Fund's investments is estimated based on the quoted market prices for the same or similar issues.

**Cash and cash equivalents** – For purposes of the statement of cash flows, cash, demand deposits, the Oregon Local Government Investment Pool and short-term investments purchased with original maturities of three months or less are considered to be cash and cash equivalents.

**Accounts receivable** – Accounts receivable are recorded when invoices are issued and are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on the District's historical losses, the existing economic conditions and the financial stability of its customers. Generally, the District considers accounts receivable past due after 30 days.

**Materials and supplies** – Materials and supplies provide additions and repairs to utility plant and are stated at weighted average cost.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 1 – Summary of Significant Accounting Policies (continued)

**Regulatory asset related to pension** – The District has other noncurrent assets to be charged to future periods matching the reporting periods when the revenues are included for rate-making purposes. The regulatory asset related to pension represents a portion of the change in the net pension liability, as defined under GASB Statement No. 68. Regulatory accounting is used to recognize pension expense in accordance with the required employer contribution rates set by the Central Lincoln People's Utility District Pension Plan.

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

**Unamortized bond premium** – Unamortized bond premiums are amortized to interest expense, using the effective interest method, over the term of the bonds.

**Compensated absences** – Accumulated unpaid vested personal leave is accrued as earned by employees.

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

**OPEB plan** – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the District has relied on actuarial reports. The District pays a subsidy on behalf of certain retirees for health insurance coverage to reduce the amount retirees pay to the same amount as active employees. The related expense is recognized as the District pays premiums.

**Net position** – Net position comprises the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net position is classified in the following three categories:

*Net investment in capital assets* – consists of all capital assets, net of accumulated depreciation and outstanding balances of any bonds and other borrowings attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* – consists of amounts for which constraints were imposed by creditors, grantors, contributors or laws or regulations. The District's policy is to first use restricted resources when an expense is incurred for which both restricted and unrestricted net position is available.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 1 – Summary of Significant Accounting Policies (continued)

*Unrestricted net position* – consists of all other net position that is not included in the other categories previously mentioned.

**Revenue recognition** – Utility revenues are recognized on the accrual basis, whereby unbilled revenues are estimated and recorded in the period in which the revenue is earned. Unbilled revenues are recorded within accounts receivable, net, on the Statements of Net Position. Revenues related to the District's principal operations are considered to be operating revenues. All other revenues are considered to be nonoperating.

**Reclassifications** – Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications have no effect on previously reported net position.

**New Accounting Pronouncements** – On July 1, 2017, the District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended. Specifically, Statement No. 75 recognizes the long-term obligation for health benefits offered to retirees. The accounting change adopted to conform to the provisions of GASB 75 was applied prospectively as the data needed to implement the standard for all prior periods presented was not available for periods prior to July 1, 2017. The District has elected not to restate information presented for the period ended June 30, 2017 and has also elected not to restate beginning net position as of July 1, 2017. The District has instead recorded the impact of adoption to operations for the year ended June 30, 2018.

On July 1, 2017, the District early adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying fiduciary activities. The criteria focuses on whether the reporting entity is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Activities meeting the criteria are required to be reported in a fiduciary fund in the basic financial statements. The adoption of this standard resulted in the District including the Trust Fund as a fiduciary fund and including a statement of fiduciary net position and a statement of changes in fiduciary net position.

## Central Lincoln People's Utility District

### Notes to Financial Statements

#### Note 2 – Electric Plant

Electric plant activity for the year ended June 30, 2018 was as follows:

	July 1, 2017 (as restated)	Increases	Decreases	June 30, 2018
Electric plant not being depreciated:				
Intangible	\$ 147,817	\$ -	\$ -	\$ 147,817
Land	7,322,708	5,000	41,462	7,286,246
Construction in progress	31,156,230	13,372,117	34,920,645	9,607,702
	<u>38,626,755</u>	<u>13,377,117</u>	<u>34,962,107</u>	<u>17,041,765</u>
Total electric plant not being depreciated				
Electric plant being depreciated:				
Transmission	19,143,171	414,980	17,955	19,540,196
Distribution	176,766,999	6,109,486	749,571	182,126,914
General	51,300,838	29,254,582	689,495	79,865,925
	<u>247,211,008</u>	<u>35,779,048</u>	<u>1,457,021</u>	<u>281,533,035</u>
Total electric plant being depreciated				
Accumulated depreciation	137,912,994	8,025,179	1,120,733	144,817,440
	<u>109,298,014</u>	<u>27,753,869</u>	<u>336,288</u>	<u>136,715,595</u>
Total electric plant being depreciated, net				
Electric plant, net	<u>\$ 147,924,769</u>	<u>\$ 41,130,986</u>	<u>\$ 35,298,395</u>	<u>\$ 153,757,360</u>

Electric plant activity for the year ended June 30, 2017 was as follows:

	July 1, 2016 (as restated)	Increases	Decreases	June 30, 2017 (as restated)
Electric plant not being depreciated:				
Intangible	\$ 147,817	\$ -	\$ -	\$ 147,817
Land	7,275,431	47,277	-	7,322,708
Construction in progress	9,400,154	29,392,089	7,636,013	31,156,230
	<u>16,823,402</u>	<u>29,439,366</u>	<u>7,636,013</u>	<u>38,626,755</u>
Total electric plant not being depreciated				
Electric plant being depreciated:				
Transmission	18,423,419	973,964	254,212	19,143,171
Distribution	171,407,961	6,676,741	1,317,973	176,766,729
General	51,243,176	920,945	863,283	51,300,838
	<u>241,074,556</u>	<u>8,571,650</u>	<u>2,435,468</u>	<u>247,210,738</u>
Total electric plant being depreciated				
Accumulated depreciation	132,508,517	8,372,281	2,967,804	137,912,994
	<u>108,566,039</u>	<u>199,369</u>	<u>(532,336)</u>	<u>109,297,744</u>
Total electric plant being depreciated, net				
Electric plant, net	<u>\$ 125,389,441</u>	<u>\$ 29,638,735</u>	<u>\$ 7,103,677</u>	<u>\$ 147,924,499</u>

# Central Lincoln People’s Utility District

## Notes to Financial Statements

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### Note 3 – Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Working funds	\$ 3,650	\$ 3,650
Deposits with financial institutions	951,986	1,179,590
Deposits with the Oregon Local Government Investment Pool	<u>33,650,405</u>	<u>37,735,361</u>
Total cash and investments	<u>\$ 34,606,041</u>	<u>\$ 38,918,601</u>

**Deposits** – Deposits with financial institutions include bank demand deposits. The total bank balance, as shown on the banks’ records, was \$1,448,806 at June 30, 2018 and \$1,593,505 at June 30, 2017. Of these deposits, the total covered by federal depository insurance was \$563,409 at June 30, 2018 and \$547,172 at June 30, 2017.

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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District follows State law with respect to custodial credit risk and has not adopted a separate policy. Of the District’s bank balance, \$885,397 was exposed to custodial credit risk as of June 30, 2018, and \$1,046,333 was exposed to custodial credit risk as of June 30, 2017, because deposits in excess of FDIC insurance were uncollateralized and/or were collateralized but not held by the third-party custodian bank in the District’s name.

The Oregon Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio pool. Participants’ account balances in the pool are determined by the amount of participants’ deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant’s account based on the ending account balance and a variable interest rate determined periodically by the Oregon Short-Term Fund.

The LGIP 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. The LGIP includes investments in external investment pools and does not meet the requirements for “leveling” disclosures as established in GASB Statement No. 72. Therefore, fair value of the LGIP is determined by the pool’s underlying portfolio.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### **Note 3 – Cash and Investments (continued)**

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 June 30, 2018 were: 57% mature within 93 days, 22% mature from 94 days to one year, and 21% mature from one to three years. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2017 were: 65% mature within 93 days, 20% mature from 94 days to one year, and 15% mature from one to three years.

The District has restricted cash and investments for bond debt service totaling \$3,601,018 at June 30, 2018 and \$3,582,593 at June 30, 2017. The District has no restricted cash and investments for capital improvements at June 30, 2018 and reported \$3,229,169 at June 30, 2017.

#### **Note 4 – Unamortized Transmission Agreement Expense**

The District entered into a transmission agreement with Consumers Power, Inc. for the use of transmission facilities for emergency and backup service for District transmission facilities south of the Yaquina River. Under the agreement the District paid Consumers Power, Inc. \$1,640,035 during 1995. The District is amortizing this cost over the thirty-year term of the agreement.

#### **Note 5 – Long-Term Debt**

During January 2013, the District issued Series 2013 Electric System Revenue Bonds totaling \$9,185,000. Proceeds of the Series 2013 Revenue Bonds were used to provide funds for capital improvements, to fund a reserve account and to pay costs of issuance. Series 2013 Revenue Bonds are special limited obligations of the District payable solely from and secured by a pledge of the net revenues of the electric system and amounts on deposit in the debt service account and bond reserve account.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 5 – Long-Term Debt (continued)

During March 2016, the District issued Series 2016 Electric System Revenue Bonds totaling \$29,455,000. Proceeds of the Series 2016 Revenue Bonds are being used to provide funds for capital improvements, to fund a reserve account and to pay costs of issuance. Series 2016 Revenue Bonds are special limited obligations of the District payable solely from and secured by a pledge of the net revenues of the electric system and amounts on deposit in the debt service account and bond reserve account.

At June 30, 2018 and 2017, bonds payable consist of the following:

	<u>2018</u>	<u>2017</u>
Series 2013 Revenue Bonds, principal payable annually on December 1 beginning in 2013. Interest at 2% – 4% per annum payable semi-annually on June 1 and December 1 each year. Final maturity December 2027.	6,585,000	\$ 7,125,000
Series 2016 Revenue Bonds, principal payable annually on December 1 beginning in 2016. Interest at 1.6% – 5% per annum payable semi-annually on June 1 and December 1 each year. Final maturity December 2045.	<u>28,325,000</u>	<u>28,980,000</u>
	34,910,000	36,105,000
Less current maturities	<u>1,230,000</u>	<u>1,195,000</u>
Long-term debt	<u><u>\$ 33,680,000</u></u>	<u><u>\$ 34,910,000</u></u>

Bond principal and interest transactions for 2017 – 2018 are as follows:

	<u>Balance July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>	<u>Interest Matured and Paid</u>
Series 2013	\$ 7,125,000	\$ -	\$ 540,000	\$ 6,585,000	\$ 555,000	\$ 226,550
Series 2016	<u>28,980,000</u>	<u>-</u>	<u>655,000</u>	<u>28,325,000</u>	<u>675,000</u>	<u>1,140,277</u>
	<u><u>\$ 36,105,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,195,000</u></u>	<u><u>\$ 34,910,000</u></u>	<u><u>\$ 1,230,000</u></u>	<u><u>\$ 1,366,827</u></u>

## Central Lincoln People's Utility District

### Notes to Financial Statements

#### Note 5 – Long-Term Debt (continued)

Bond principal and interest transactions for 2016 – 2017 are as follows:

	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017	Due Within One Year	Interest Matured and Paid
Series 2013	\$ 7,655,000	\$ -	\$ 530,000	\$ 7,125,000	\$ 540,000	\$ 238,150
Series 2016	29,455,000	-	475,000	28,980,000	655,000	1,152,669
	<u>\$ 37,110,000</u>	<u>\$ -</u>	<u>\$ 1,005,000</u>	<u>\$ 36,105,000</u>	<u>\$ 1,195,000</u>	<u>\$ 1,390,819</u>

Schedule maturities of bonds payable for all outstanding issues are as follows as of June 30:

	Principal	Interest	Total
2019	\$ 1,230,000	\$ 1,338,419	\$ 2,568,419
2020	1,270,000	1,294,569	2,564,569
2021	1,320,000	1,246,369	2,566,369
2022	1,365,000	1,201,369	2,566,369
2023	1,415,000	1,150,869	2,565,869
2024-2028	7,840,000	4,999,494	12,839,494
2029-2033	6,135,000	3,848,631	9,983,631
2034-2038	5,470,000	2,495,719	7,965,719
2039-2043	5,175,000	1,452,459	6,627,459
2044-2047	3,690,000	282,750	3,972,750
Total	<u>\$ 34,910,000</u>	<u>\$ 19,310,647</u>	<u>\$ 54,220,647</u>

#### Note 6 – Liability Reserves

Liability reserves consist of the following at June 30, 2018 and 2017:

	2018	2017
Unemployment claims	\$ 5,248	\$ 5,248
Medical, dental, and optical	244,000	308,500
Unclaimed checks	7,016	7,046
Total	<u>\$ 256,264</u>	<u>\$ 320,794</u>

# Central Lincoln People's Utility District

## Notes to Financial Statements

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### Note 7 – Defined Benefit Pension Plan and Trust

#### General information about the Pension Plan and Trust

The Central Lincoln People's Utility District Pension Plan Trust Fund accounts for the assets of the employee benefit plan held by the District in a trustee capacity. The District is the sole administrator for the pension plan and the District's Board has appointed trustees to oversee the management of the pension plan.

*Plan description* – The Central Lincoln People's Utility District Pension Plan and Trust (the Plan) is a single-employer defined benefit pension plan. Assets are held separately and may be used only for the payment of benefits to its members. The Trust Fund covers the District's union and non-union employees. The District's Board of Directors has the power to alter, amend or terminate the Trust.

*Benefits provided* – The Plan provides retirement, disability and death benefits. Members are eligible for normal retirement benefits on the first of the month after age 65. The normal retirement benefit, payable as a life annuity with 120 monthly payments certain, is equal to 1/12th of a) plus b) plus c) below.

- a) 2.00% of average annual compensation times credited service prior to July 1, 2000.
- b) 2.25% of average annual compensation times credited service between July 1, 2000 and the June 30 prior to the plan year of termination or retirement, or the June 30 of the plan year of termination or retirement if active in June of that plan year.
- c) 2.25% of compensation received after the period reflected in b) above.

Average annual compensation is updated at the end of each plan year for members active during June to be the average annual compensation received for the current and two prior years. No such average annual pay update shall cause a member's benefit to decrease.

Credited service means continuous employment while a member. For periods prior to July 1, 1962, continuous employment is deemed to begin on the July 1 after the date of hire or the date of election of membership, whichever is later. If a member was required to complete a period greater than twelve months of initial employment before becoming a member, the member will be allowed to buy back twelve months of credited service.

Members may retire early with reduced benefits based on age and years of employment at date of retirement.

Any member who becomes totally and permanently disabled, as determined by the Trustees, is entitled to a benefit at age 65 equal to the normal retirement benefit accrued as of the date of disablement.

## Central Lincoln People's Utility District Notes to Financial Statements

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### Note 7 – Defined Benefit Pension Plan and Trust (continued)

If a member dies prior to retiring and prior to eligibility for early retirement, the beneficiary will receive a lump sum payment of the return of all member contributions including interest. If a member dies prior to retiring and after eligibility for early retirement, the beneficiary will receive a benefit equal to one-half of the accrued early retirement benefit the member would have received had the member retired on the date of death.

If a member has 5 years of employment and terminates employment for any reason other than death, disability or retirement, the member may elect to leave his contributions in the Trust and begin a monthly benefit at age 65 equal to the accrued normal retirement benefit as of the date of termination. If a member is not vested and terminates employment for any reason other than death or disability, the member will receive a lump sum refund of all member contributions including interest. The Plan does not provide for annual cost-of-living adjustments.

*Method used to value investments* – Trust Fund investments are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Investments of securities held in the Trust Fund are valued using quoted market prices (Level 1 inputs).

*Employees covered by benefit terms* – The following employees were covered by the benefit terms:

	July 1,	
	2018	2017
Inactive employees or beneficiaries currently receiving benefits	11	7
Inactive employees entitled to but not yet receiving benefits	13	13
Active employees	65	69
Total	89	89

In June 2010, the Board of Directors (the Board) amended the Plan such that no employees hired on or after July 1, 2010 will be eligible to participate in the Plan. Employees hired on or after July 1, 2010 are able to participate in a defined contribution 401(k) plan.

*Funding policy* – The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, the District's average contribution rate was 53.6 percent of annual payroll and for the year ended June 30, 2017, the District's average contribution rate was 54.8 percent of annual payroll. Additionally, employees must contribute 1.0 percent of annual payroll and the District must contribute a supplemental contribution of 2% of annual payroll.

# Central Lincoln People’s Utility District

## Notes to Financial Statements

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### Note 7 – Defined Benefit Pension Plan and Trust (continued)

*Rate of return* – For the year ended June 30, 2018, the annual money-weighted rate of return on Trust Fund investments, net of Trust Fund investment expense, was 8.64%. The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net pension liability** – The District’s net pension liability as of June 30, 2018 was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District’s net pension liability as of June 30, 2017 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The significant actuarial assumptions used in the July 1, 2018 valuation were the same as those used in the July 1, 2017 valuation, with the exception of the discount rate and the investment rate of return, which both increased from 6.0 percent in the July 1, 2017 valuation to 7.0 percent in the July 1, 2018 valuation.

**Actuarial assumptions** – The total pension liability in the July 1, 2018, and July 1, 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Actuarial Assumptions:	
Discount rate	7.0%
Inflation	3.0%
Projected salary increase	5.0%
Investment rate of return	7.0%
Mortality table	RP-2014, Scale MP 2017

The actuarial assumptions used in the actuarial valuations were based on prior experience and the assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns for 30 years, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by the asset allocation percentage and by adding expected inflation.

## Central Lincoln People's Utility District Notes to Financial Statements

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### Note 7 – Defined Benefit Pension Plan and Trust (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's asset allocations as of June 30, 2018 and 2017, are summarized in the following table:

Asset Class	June 30, 2018		June 30, 2017	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	49.00%	6.75%	50.70%	4.69%
Fixed income	40.00%	2.23%	38.30%	2.02%
International equity	11.00%	4.75%	10.70%	5.68%
Cash and deposits	0.00%	0.00%	0.30%	0.36%

As of June 30, 2018, the Trust had investments of more than 5% of the total fiduciary net position, as follows:

Vanguard Institutional Index Fund	35.5%
Vanguard Extended Market Index Fund	14.6%
Hotchkis & Wiley High Yield Fund	11.9%
Hartford World Bond Fund	11.0%
Lazard International Equity Fund	5.0%

**Discount rate** – The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions were made based on the projected actuarially determined contributions. Historically the District and its employees have, at a minimum, always contributed the actuarially determined contribution. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the expected rate of return on plan investments was applied to all periods of projected benefit payments to determine total pension liability.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 7 – Defined Benefit Pension Plan and Trust (continued)

**Changes in the net pension liability** – Changes in the net pension liability for the year ended June 30, 2018 are shown below.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
Balances as of June 30, 2017	\$ 35,939,933	\$ 13,457,628	\$ 22,482,305
Changes for the year:			
Service cost	1,076,462	-	1,076,462
Interest on total pension liability	2,201,747	-	2,201,747
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	82,208	-	82,208
Effect of assumptions changes or inputs	(2,032,694)	-	(2,032,694)
Benefit payments	(641,234)	(641,234)	-
Employer contributions	-	3,717,623	(3,717,623)
Member contributions	187,642	256,298	(68,656)
Net investment income	-	1,285,721	(1,285,721)
Administrative expense	-	-	-
Net changes	874,131	4,618,408	(3,744,277)
Balances as of June 30, 2018	\$ 36,814,064	\$ 18,076,036	\$ 18,738,028

**Central Lincoln People's Utility District**  
**Notes to Financial Statements**

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**Note 7 – Defined Benefit Pension Plan and Trust (continued)**

Changes in the net pension liability for the year ended June 30, 2017 are shown below.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
Balances as of June 30, 2016	\$ 33,766,922	\$ 9,484,030	\$ 24,282,892
Changes for the year:			
Service cost	1,137,436	-	1,137,436
Interest on total pension liability	2,045,582	-	2,045,582
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	467,346	-	467,346
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(1,646,605)	(1,646,605)	-
Employer contributions	-	4,008,798	(4,008,798)
Member contributions	169,252	242,277	(73,025)
Net investment income	-	1,369,128	(1,369,128)
Administrative expense	-	-	-
Net changes	<u>2,173,011</u>	<u>3,973,598</u>	<u>(1,800,587)</u>
Balances as of June 30, 2017	<u>\$ 35,939,933</u>	<u>\$ 13,457,628</u>	<u>\$ 22,482,305</u>

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 7 – Defined Benefit Pension Plan and Trust (continued)

**Sensitivity analysis** – The following presents the net pension liability of the District, calculated using the pre-retirement discount rate of 6.0 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.0 percent) or 1 percentage point higher (7.0 percent) than the current rate.

	As of June 30, 2018		
	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Total pension liability	\$ 38,497,237	\$ 36,814,064	\$ 35,237,984
Fiduciary net position	18,076,036	18,076,036	18,076,036
Net pension liability	<u>\$ 20,421,201</u>	<u>\$ 18,738,028</u>	<u>\$ 17,161,948</u>
	As of June 30, 2017		
	1% Decrease 5.0%	Current Discount Rate 6.0%	1% Increase 7.0%
Total pension liability	\$ 37,701,869	\$ 35,939,933	\$ 34,258,026
Fiduciary net position	13,457,628	13,457,628	13,457,628
Net pension liability	<u>\$ 24,244,241</u>	<u>\$ 22,482,305</u>	<u>\$ 20,800,398</u>

**Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions** – The District's actuarially determined pension expense was \$2,237,715 and \$2,799,155 for the years ended June 30, 2018 and 2017, respectively. The District has elected to use regulatory accounting to recognize pension expense in conjunction with the required contribution rates. Accordingly, the District recognized pension expense related to required contributions of \$3,717,623 and \$4,008,798 for the years ended June 30, 2018 and 2017, respectively.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 7 – Defined Benefit Pension Plan and Trust (continued)

At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Differences between expected and actual experience	\$ 480,557	\$ 495,946	\$ -	\$ -
Changes to assumptions	852,355	1,065,444	1,693,912	-
Net difference between projected and actual earnings on investments	<u>191,239</u>	<u>-</u>	<u>735,797</u>	<u>202,579</u>
Year Ended December 31	<u>\$ 1,524,151</u>	<u>\$ 1,561,390</u>	<u>\$ 2,429,709</u>	<u>\$ 202,579</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2018 will be amortized as regulatory assets as follows:

Year ending June 30,	\$	(64,401)
2019		(240,646)
2020		(248,144)
2021		(103,754)
2022		<u>(248,613)</u>
2023		
Total	<u>\$</u>	<u>(905,558)</u>

#### Note 8 – Defined Contribution Plan

The District provides pension benefits for all of its qualified employees through a defined contribution plan (Internal Revenue Code Section 401(k)) administered by the District. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All employees hired on or after July 1, 2010 are eligible for the plan after completing a six-month trial employment period.

## Central Lincoln People’s Utility District

### Notes to Financial Statements

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#### Note 8 – Defined Contribution Plan (continued)

The plan was authorized by and may be amended by the District's Board of Directors and requires the District to match employee contributions to the plan based on the following percentage of the employee's base salary:

<u>Employee Contribution</u>	<u>Employer Contribution</u>	<u>Total</u>
2%	3%	5%
3%	5%	8%
4%	8%	12%
5%	10%	15%

The District will provide for 1% on an employee's base salary to go toward the employee's contribution to the plan. District contributions for each employee (and earnings allocated to the employee's account) are fully vested. The total employer contribution was \$414,390 for the year ended June 30, 2018 and \$392,596 for the year ended June 30, 2017, equal to the required employer contribution.

#### Note 9 – Post-Employment Health Care Benefits

**Plan description** – The District administers a single-employer defined benefit health care plan. The plan provides post-employment health care benefits for eligible retirees (until age 65) and their spouses through the District's health care plan, which covers both active and retired participants. Benefit provisions are established through District policy. The criteria to determine eligibility includes employee age, years of service and date of hire. No non-union employees hired on or after July 1, 2010 will be eligible for the plan benefits. No union employees hired on or after October 1, 2017 will be eligible for the plan benefits. The District's post-employment health care plan does not issue a publicly available financial report.

**Funding policy** – Contribution requirements are established through District policy. In general, retirees are required to contribute 14% of the standard COBRA premium. Funding is on a pay-as-you-go basis. During 2017-18, the District contributed \$379,326 and participants receiving benefits contributed \$67,078 to the plan. During 2016-17, the District contributed \$300,637 and participants receiving benefits contributed \$66,990 to the plan.

**Total OPEB liability** – The District's total other postemployment benefits (OPEB) liability of \$4,027,210 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 9 – Post-Employment Health Care Benefits (continued)

**Actuarial assumptions and other inputs** – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2018
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Actuarial Assumptions:	
Discount rate	3.87%
Inflation	3.0%
Projected salary increase	5.0%
Healthcare trends - medical	5.0%
Healthcare trends - dental & vision	3.0%
Mortality table	RP-2014, Scale MP 2017

There were no changes to benefit terms during the year. Changes of assumptions and other inputs reflect a change in the discount rate from 4% as of June 30, 2015 to 3.87% as of June 30, 2018. In addition, changes of assumptions were made to update healthcare costs and trends.

The discount rate of 3.87% is the June 30, 2018 rate in the 20-year General Obligation Municipal Bond Index.

**Changes in the total OPEB liability** – Changes in the total OPEB liability for the year ended June 30, 2018 are shown below:

	<u>Total OPEB Liability</u>
Balance as of July 1, 2017	<u>\$ 4,545,612</u>
Changes for the year:	
Service cost	109,251
Interest on total OPEB liability	166,384
Effect of economic/demographic gains or losses	(139,857)
Effect of assumptions changes or inputs	(161,590)
Benefit payments	<u>(492,590)</u>
Net change	<u>(518,402)</u>
Balances as of June 30, 2018	<u><u>\$ 4,027,210</u></u>

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 9 – Post-Employment Health Care Benefits (continued)

**Sensitivity of the total OPEB liability** – The following presents the total OPEB liability of the District, as well as what the District's liability would be if it were calculated using healthcare cost trend rates that are one percent lower or one percent higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Health Care Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 3,758,320	\$ 4,027,210	\$ 4,335,991

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current discount rate:

	<u>1% Decrease 2.87%</u>	<u>Current Discount Rate 3.87%</u>	<u>1% Increase 4.87%</u>
Total OPEB liability	\$ 4,245,706	\$ 4,027,210	\$ 3,820,130

**OPEB expense and deferred outflows or resources and deferred inflows of resources** – For the year ended June 30, 2018, the District recognized OPEB expense of \$238,326. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 122,547
Changes to assumptions	-	141,591
Total	<u>\$ -</u>	<u>\$ 264,138</u>

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 9 – Post-Employment Health Care Benefits (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expenses as follows:

Year ending June 30, 2019	\$	(37,309)
2020		(37,309)
2021		(37,309)
2022		(37,309)
2023		(37,309)
Thereafter		<u>(77,593)</u>
Total	<u>\$</u>	<u>(264,138)</u>

#### Fiscal Year 2017 (pre-implementation of GASB Statement No. 75)

**Annual OPEB cost and net OPEB obligation** – The District's annual 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 10–15 year period.

The following table shows the components of the District's annual OPEB cost for the year, amounts actually contributed to the plan, and changes in the District's net OPEB obligation for the year ended June 30, 2017:

Annual required contribution	\$	1,179,596
Interest on net OPEB obligation		129,082
Adjustment to annual required contribution		<u>(290,245)</u>
Annual OPEB cost		1,018,433
Contributions made		<u>(300,637)</u>
Increase in OPEB obligation		<u>717,796</u>
Net OPEB obligation – beginning of year		<u>3,227,051</u>
Net OPEB obligation – end of year	<u>\$</u>	<u>3,944,847</u>

## Central Lincoln People’s Utility District

### Notes to Financial Statements

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#### Note 9 – Post-Employment Health Care Benefits (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2016-17 and 2015-16 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	1,018,433	30%	\$ 3,944,847
6/30/2016	960,934	39%	3,227,051

**Funding status and funding progress** – As of the June 30, 2015 actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$4,709,103 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,709,103. The anticipated covered payroll (annual payroll of active employees covered by the plan) was \$10,914,785, and the ratio of the UAAL to the anticipated covered payroll was 43%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events 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.

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 is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**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 June 30, 2015, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized using the level percent of pay method over the service of the active employee between assumed entry age and assumed exit age. Actuarial assumptions included a discount rate of 4.0% and an annual medical and dental and vision cost trend rate of 5% initially, reduced gradually to an ultimate rate of 3.75% in 2045 and thereafter.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### **Note 10 – Risk Management**

**Health and unemployment** – The District administers risk management programs for employee health and unemployment on a cost-reimbursement basis. Significant losses are covered by commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in any of the past three years. Claims liability for health insurance is adjusted monthly based on actual claims submitted weekly to the District.

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

#### **Note 11 – Income Tax Status**

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

#### **Note 12 – Power Purchase Agreements**

The District is a statutory preference customer of the Bonneville Power Administration (Bonneville) and historically purchased all of its power from Bonneville. Starting October 1, 2011, the District began purchasing power from Bonneville under a long-term power supply agreement which will last through September 30, 2028. Under this agreement, the District may purchase a certain portion of the output of the Federal System (the District's High Water Mark "HWM") at cost-based or "Tier 1" rates. Bonneville will set its rates as well as each of its customer's HWM every two years through a rate case process in which the District participates along with several trade groups of which the District is a member.

If the District's load is forecast to exceed its HWM, it may purchase "Tier 2" power from Bonneville or procure the power through a market purchase or its own generating resource. Currently, the District has committed to supply above its HWM load through a market purchase with Northwest Energy Management Services through 2024. This includes a 1 aMW purchase which began October 1, 2012 and continued through September 30, 2013. Aside from this first year, the District forecasts no above HWM load for at least the following 7 years.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 13 – Restatement

During the current year, the District determined it had been improperly recording contributions in aid of construction since the implementation of GASB Statement No. 33 in 2001, and has restated its 2017 financial statements to reflect the cumulative effect of the error. The District now presents contributions in aid of construction as an increase to net position on the statements of revenues, expenses and changes in net position. In addition, construction work in process is capitalized to electric plant at the gross amount of total expenditures as opposed to net of contributions in aid of construction. The contributions in aid of construction adjustment increased net position – net investment in capital assets by the amounts shown below.

Restated balances for net position as of July 1, 2016, for electric plant in service – at cost and accumulated provision for depreciation as of June 30, 2017 and for the change in net position for the year ended June 30, 2017 are as follows:

Net position – July 1, 2016, as originally reported	\$ 120,230,293
Contributed capital received 2001 – 2016	21,602,892
Cumulative depreciation expense on prior period contributed capital	<u>(5,165,080)</u>
Net position – July 1, 2016, as restated	<u>\$ 136,668,105</u>
Change in net position, as originally reported	\$ 4,965,285
Contributed capital for the year ended June 30, 2017	1,188,212
2017 depreciation expense on contributed capital	<u>(759,703)</u>
Change in net position, as restated	<u>5,393,794</u>
Net position – June 30, 2017, as restated	<u>\$ 142,061,899</u>
Electric plant in service – at cost – June 30, 2017, as originally reported	\$ 231,890,429
Contributed capital received 2001 – 2016	21,602,892
Contributed capital received 2017	<u>1,188,212</u>
Electric plant in service – at cost – June 30, 2017, as restated	<u>\$ 254,681,533</u>
Accumulated provision for depreciation – June 30, 2017, as originally reported	(131,988,211)
Cumulative depreciation expense on prior period contributed capital	(5,165,080)
2017 depreciation expense on contributed capital	<u>(759,703)</u>
Accumulated provision for depreciation – June 30, 2017 as restated	<u>\$ (137,912,994)</u>

## Central Lincoln People's Utility District Notes to Financial Statements

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### Note 13 – Restatement (continued)

The following 2017 balances were also restated:

- Net electric plant increased \$16,866,321
- Total assets and deferred outflows of resources increased \$16,866,321
- Depreciation expense increased \$759,703
- Net operating income decreased \$759,703
- Contributions in aid of construction increased \$1,188,212
- Change in net position increased \$428,509

The 2017 statement of cash flows was also restated to reflect these balance changes, although there was no effect on actual cash flow.

## **Required Supplementary Information**

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**Central Lincoln People's Utility District**  
**Schedule of Changes in the District's**  
**Net Pension Liability and Related Ratios**  
**Last Four Fiscal Years**

	Year Ended			
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total pension liability				
Service cost	\$ 1,076,462	\$ 1,137,436	\$ 1,243,490	\$ 1,168,482
Interest on total pension liability	2,201,747	2,045,582	1,971,792	2,136,472
Effect of plan changes	-	-	-	126,416
Effect of economic/demographic gains or losses	82,208	467,346	77,662	59,390
Effect of assumptions changes or inputs	(2,032,694)	-	-	1,704,711
Benefit payments	(641,234)	(1,646,605)	(2,621,784)	(3,524,512)
Voluntary member contributions	187,642	169,252	184,247	195,607
Net change in total pension liability	874,131	2,173,011	855,407	1,866,566
Total pension liability – beginning	35,939,933	33,766,922	32,911,515	31,044,949
Total pension liability – ending (a)	<u>\$ 36,814,064</u>	<u>\$ 35,939,933</u>	<u>\$ 33,766,922</u>	<u>\$ 32,911,515</u>
Plan fiduciary net position				
Employer contributions	\$ 3,717,623	\$ 4,008,798	\$ 4,240,730	\$ 4,178,918
Total member contributions	256,298	242,277	279,818	282,512
Net investment income	1,285,721	1,369,128	447,723	(387,274)
Benefit payments	(641,234)	(1,646,605)	(2,621,784)	(3,524,512)
Administrative expense	-	-	-	-
Net change in fiduciary net position	4,618,408	3,973,598	2,346,487	549,644
Plan fiduciary net position – beginning	13,457,628	9,484,030	7,137,543	6,587,899
Plan fiduciary net position – ending (b)	<u>18,076,036</u>	<u>13,457,628</u>	<u>9,484,030</u>	<u>7,137,543</u>
District's net position liability – ending (a) - (b)	<u>\$ 18,738,028</u>	<u>\$ 22,482,305</u>	<u>\$ 24,282,892</u>	<u>\$ 25,773,972</u>
Plan fiduciary net position as a percentage of the total pension liability	49.10%	37.44%	28.09%	21.69%
Covered-employee payroll	\$ 7,033,170	\$ 6,792,068	\$ 7,641,327	\$ 8,500,992
District's net pension liability as a percentage of covered-employee payroll	266.42%	331.01%	317.78%	303.19%

Notes to Schedule:

**Schedule Presentation:** This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10- year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**Benefit Change:** The year ended June 30, 2014 reflects a plan amendment to automatically update a member's annual compensation to include the most recent three years at each plan year end for members active in June.

**Changes of Assumptions:** For the year ended June 30, 2014 the load for participants choosing an annuity instead of a lump sum was increased to 7% from 2%. For the year ended June 30, 2015 future investment earnings were updated from 7.0% to 6.0% to reflect current market expectations and retirement rates were updated to reflect recent plan experience.

**Central Lincoln People's Utility District**  
**Schedule of District Contributions**  
**for Defined Benefit Pension Plan**  
**Last Ten Fiscal Years**

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 3,717,623	\$ 3,990,255	\$ 4,240,730	\$ 4,126,720	\$ 2,809,677
Contributions in relation to the actuarially defined contribution	<u>3,717,623</u>	<u>4,008,798</u>	<u>4,240,730</u>	<u>4,178,918</u>	<u>2,812,117</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (18,543)</u>	<u>\$ -</u>	<u>\$ (52,198)</u>	<u>\$ (2,440)</u>
Covered-employee payroll	\$ 6,935,863	\$ 6,792,068	\$ 7,641,327	\$ 8,500,992	\$ 8,978,341
Contributions as a percentage of covered-employee payroll	53.60%	59.02%	55.50%	49.16%	31.32%

Notes to Schedule:

**Schedule Presentation:** This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10- year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**Benefit Change:** The contributions for the year ended June 30, 2015 reflects a plan amendment to automatically update a member's annual compensation to include the most recent three years at each plan year end for members active in June.

**Central Lincoln People's Utility District**  
**Schedule of Investment Returns**  
**For Defined Benefit Pension Plan Trust**

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	Year Ended June 30,				
	2018	2017	2016	2015	2014
Rate of return, net of investment expense	8.64%	12.40%	6.30%	-4.96%	5.60%

**Central Lincoln People's Utility District**  
**Schedule of Changes in the District's**  
**Total OPEB Liability**

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	<u>2018</u>
<i>Total OPEB Liability</i>	
Service cost	\$ 109,251
Interest cost	166,384
Change in assumptions	(161,590)
Experience (gain) loss	(139,857)
Benefit payments	<u>(492,590)</u>
Net change in total OPEB liability	(518,402)
Total OPEB liability, beginning	<u>4,545,612</u>
Total OPEB liability, ending	<u><u>\$ 4,027,210</u></u>
Covered-employee payroll	\$ 9,537,477
Total OPEB liability as a percent of covered payroll	42.23%

Notes to Schedule:

Changes of assumptions and other inputs reflect a change in the discount rate from 4.0% as of June 30, 2015 actuarial valuation to 3.87% as of June 30, 2018. In addition, changes of assumptions were made during the 2018 measurement period to update healthcare costs and trends.

**Schedule Presentation:** This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10- year trend as been compiled, information is presented only for the years for which the required supplementary information is available.

## **Other Supplementary Information**

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## Central Lincoln People's Utility District Schedule of Electric Plant in Service

	June 30,	
	2018	2017 (Restated)
Intangible plant		
Organization	\$ 14,743	\$ 14,743
Franchises and consents	1,387	1,387
Miscellaneous	131,687	131,687
Total intangible plant	<u>147,817</u>	<u>147,817</u>
Transmission plant		
Land and land rights	2,217,668	2,239,585
Station equipment	50,344	50,344
Poles towers, and fixtures	12,858,095	12,598,004
Overhead conductors and devices	6,279,620	6,142,686
Underground conduit	54,999	54,999
Underground conductors and devices	297,138	297,138
Total transmission plant	<u>21,757,864</u>	<u>21,382,756</u>
Distribution plant		
Land and land rights	1,986,106	1,991,827
Structures and improvements	4,518,537	4,267,909
Station equipment	45,482,973	43,039,740
Poles, towers, and fixtures	42,175,234	41,843,943
Overhead conductors and devices	17,856,296	16,867,293
Underground conduit	14,844,990	14,555,050
Underground conductors and devices	16,785,727	16,511,452
Line transformers	24,098,346	23,766,937
Services	6,710,460	6,356,839
Meters and devices	6,453,959	6,420,842
Installations on customers' premises	676,529	677,709
Street lighting equipment	2,523,863	2,459,285
Total distribution plant	<u>184,113,020</u>	<u>178,758,826</u>
General plant		
Land and land rights	3,082,472	3,091,296
Structures and improvements	35,813,125	11,444,448
Office furniture and equipment	19,338,852	15,825,765
Transportation equipment	7,585,532	7,196,724
Stores equipment	8,529	8,529
Tools and shop equipment	1,463,932	1,472,111
Laboratory equipment	659,845	675,922
Communications equipment	14,934,355	14,615,584
Miscellaneous equipment	61,755	61,755
Total general plant	<u>82,948,397</u>	<u>54,392,134</u>
Total electric plant in service	<u>\$ 288,967,098</u>	<u>\$ 254,681,533</u>

**Independent Auditor's Comments  
Required by Oregon State Regulations**

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## **Independent Auditor's Comments Required by Oregon State Regulations**

Board of Directors  
Central Lincoln People's Utility District Newport, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Central Lincoln People's Utility District as of and for the year ended June 30, 2018, and have issued our report thereon dated November 7, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Lincoln 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 Central Lincoln People's Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Lincoln 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. We did identify deficiencies in internal control over financial reporting, in the aggregate, that we consider to be a material weakness as defined above. Discussion of the material weakness can be found in our Communication to Those Charged with Governance and Internal Control Related Matters dated November 7, 2018.

## **Compliance**

As part of obtaining reasonable assurance about whether Central Lincoln 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 Central Lincoln 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.



Portland, Oregon  
November 7, 2018

