



Report of Independent Auditors and Financial
Statements with Supplementary Information for

**Northern Wasco County People's
Utility District**

December 31, 2016 and 2015 (Restated)

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT

DECEMBER 31, 2016

BOARD OF DIRECTORS

Clay Smith, President
3463 West 13th Street
The Dalles, Oregon

Howard Gonser, Vice-President
391 Summit Ridge Drive E.
The Dalles, Oregon

Barbara Nagle, Secretary
917 Myrtle Street West
The Dalles, Oregon

Dan Williams, Director
2805 Three Mile Road
The Dalles, Oregon

Connie Karp, Director
2009 Lewis Street
The Dalles, Oregon

ADMINISTRATIVE STAFF

Roger Kline, General Manager
Paul Titus, Assistant General Manager and Director of Engineering
Harvey Hall, Director of Finance and Enterprise Risk Management
Kurt Conger, Assistant General Manager and Director of Power Resources

REGISTERED AGENT

Roger Kline
2345 River Road
The Dalles, Oregon 97058-3551

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Northern Wasco County People's Utility District
The Dalles, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Wasco County People's Utility District (the "District"), which comprise the statements of net position as of December 31, 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

REPORT OF INDEPENDENT AUDITORS (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Wasco County People's Utility District as of December 31, 2016, and the results of its operations and cash flows for the years 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 Northern Wasco County People's Utility District as of and for the year ended December 31, 2015, before restatement, were audited by other auditors whose report thereon dated April 19, 2016, expressed an unmodified opinion. As discussed in Note 12 to the financial statements, the District has restated its 2015 financial statements during the current year to correctly report unbilled revenue and contributed capital as an increase to net position on the statement of revenues, expenses, and changes in net position and to correctly report unbilled revenue, 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 2016 financial statements, we also audited adjustments described in Note 12 that were applied to restate the 2015 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 2015 financial statement 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 2015 financial statements as a whole.

Other Matters

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 11 and the Schedule of Funding Progress for Retiree Health Plan on page 36 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.

REPORT OF INDEPENDENT AUDITORS (continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The schedule of revenues and expenses, schedule of bond and revenue obligations debt service transactions and schedule of future bond debt service requirements on pages 37 through 40 are not required parts of the financial statements, and are 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 revenues and expenses, schedule of bond and revenue obligations debt service transactions and schedule of future bond debt service requirements are 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 July 14, 2017, 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
July 14, 2017

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section is referred to as the Management's Discussion and Analysis (MD&A). The MD&A section is meant to help the reader understand better, through the eyes of management, the financial activities based on current known facts, decisions and other conditions. Please read this with the understanding that it is a summary of the past two years' activities and some expected future conditions. Be sure to review the financial statements and accompanying notes that follow this report as well.

Financial Highlights

- Issued Series 2016 Electric System Revenue Bonds for \$11,790,000 in 2016.
- The District's net loss was a \$1.3 million decrease in total net position, which represents a 2.3% decrease in net position during 2016.
- Energy sales to our retail electric customers and resale generation sales increased 0.2% or \$71,023 over 2015, but were \$5.8 million less than budget due to warmer than normal weather conditions and lower than forecasted primary loads. Actual kilowatt hours sold also decreased by 49.8 million kWh or 7.7% for 2016. Compared to 2015, this revenue change included a 0.9% increase in Residential; a 0.1% increase in Three Phase Service; a 3.2% decrease in Demand Service; and a 7.6% increase in Industrial Service customers' kilowatt hour sales.
- Operating expenses were \$2.7 million more than 2015. This included an increase in purchased power costs of \$1.6 million. The District's largest operating expense is the cost of purchased power, which represents \$23.3 million (or 69.1%) of the total operating costs. This year we purchased approximately 64.9% of our energy needs from BPA and the remainder was purchased power and generated power from the District's own resources. The next Rate Case period for BPA (BP-18) commenced in summer 2016 for wholesale power and transmission rates effective October 1, 2017, through September 30, 2019. The present rates for the District are set at a level that balances the BP-16 costs with retail revenues. If the BP-18 rate case results in an increase in wholesale power rates, the District will need to review its cost of service revenue requirements, allocations and rate designs to ensure future cost recovery.
- The District's total assets increased by \$13.8 million. Changes included an increase in total electric plant of \$10.3 million. With the addition of an increase in accumulated depreciation of \$1.4 million, the end result was an overall increase of \$8.8 million in net electric plant (see Note 2 to the financial statements). There was also an increase in restricted assets of \$8.4 million. Our OPEB (Other Post-Employment Benefit) reserve fund increased \$27,276, while our Fisheries Mitigation Trust Fund increased by \$7,855. Our current Annual OPEB cost calculation is \$56,820 (see Note 8 to the financial statements). We continue to see a decrease in other assets as the Bonneville Power Administration (BPA) continues to pay its obligation on the 2012 (Refunded 1993) McNary Project bonds, (See Notes 4 and 5 to the financial statements).

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

- In April 2015, rates for residential and irrigation classes increased. The increases scheduled for April 2015 were implemented as approved and planned. The Residential Rate (Single Phase) monthly Customer Service charge was increased by \$3.75 from \$11.25 to \$15.00. The Irrigation Schedule energy charge was increased from \$0.0407 per kWh to \$0.0480 per kWh. At the Board of Directors meeting on December 15, 2015, management was authorized to increase the Schedule 300 energy charge by 2 mills per kWh, increasing the rate from \$0.0341 per kWh to \$0.0361 per kWh for bills issued after February 1, 2016.
- Over the past ten years, the District has saved approximately 50,162,378 kWh due to energy efficiency and conservation measures. These efficiency and conservation measures, with a life up to 25 years, will continue to reduce energy consumption relative to nominal growth with these measures.
- The Bonneville Power Administration (BPA) rate case for Fiscal Years 2018 through 2019 (FY18 – FY19) commenced in April 2016. The rate case is expected to conclude in the late summer of 2017. BPA has engaged its customers in a public process called Focus 2028 to chart a course for rate stability (in real dollar costs) through 2028.
- In October 2015, the District and the joint owner of the McNary Fishway Hydro Project, Klickitat County PUD, embarked on a project to replace the defective turbine runner at the project. On November 28, 2015, a defective weld in the project's crane caused the old runner and appurtenant equipment to drop from a height of approximately 18" into the turbine pit. Parts of the damaged crane, including the sheave, also fell into the open hatch causing damage to the generator stator. The District continues to work with contractors and insurers to overcome the property damage and business interruption losses associated with the crane failure. The estimated cost of the runner replacement, damage recovery and other associated work is approximately \$7 million. Work continues on the project and the unit is expected to return to service in early 2017.
- The District helped install a mobile transformer at the request of BPA to provide capacity necessary for BPA to rebuild a section 69 kV transmission line from Maupin to Tygh Valley. The District also updated the relays. The substation was scheduled to return to normal service by November 2015, but unanticipated delays from BPA extended this condition until the end of July 2016. Mobile transformer accommodation costs were reimbursable.
- As part of its capital improvement plan, the District awarded the Fifteen Mile Relocation project to DJ's Electric from Brush Prairie Washington. The work consists of relocating a three phase distribution line from hard to access areas down along Fifteen Mile Road. Work commenced in late 2015 and was completed by the end of October 2016. The total award of the project was \$538,000.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

The Annual Financial Report includes Management's Discussion and Analysis, Basic Financial Statements with accompanying notes, Required Supplementary Information, Supplementary Information, Independent Auditor's Comments and the Independent Auditor's Report.

The financial statements of the District are designed to provide readers with a broad overview of the District's finances similar to a private-sector business. They have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses recognized in the period in which they are incurred, regardless of the timing of related cash flows. These statements offer short and long-term financial information about the District's activities.

The Statement of Net Position presents information on all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement provides a measurement of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its rates and other charges and to analyze profitability and credit worthiness.

The Statement of Cash Flows provides relevant information about the District's cash receipts and cash payments during the reporting period. This statement reports cash receipts and cash payments resulting from operating, financing and investment activities. When used with related disclosures and information, a statement of cash flows should provide insight into (a) the District's ability to generate future net cash flows; (b) the District's ability to meet its obligations as they come due; (c) the District's needs for external financing; (d) the reasons for differences between operating income and associated cash receipts and payments; and (e) the effects on the District's financial position of both its cash and its noncash investing, capital and financing transactions during the period. The changes in cash balances are an important indicator of the District's liquidity and financial condition.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. This includes, but is not limited to, significant accounting policies, significant financial statement balances and activities, material risks, commitments and obligations and subsequent events, as applicable.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

CONDENSED STATEMENTS OF NET POSITION

<i>(in thousands of dollars)</i>	<u>2016</u>	<u>2015 (restated)</u>	<u>2014 (restated)</u>
ASSETS			
Current assets	\$ 29,062	\$ 31,548	\$ 23,579
Restricted assets	11,798	1,785	9,132
Net utility electric plant	43,287	34,392	33,765
Other assets	<u>12,542</u>	<u>15,136</u>	<u>17,951</u>
Total assets	96,689	82,861	84,427
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	<u>-</u>	<u>-</u>	<u>116</u>
Total assets and deferred outflows of resources	<u>96,689</u>	<u>82,861</u>	<u>84,543</u>
LIABILITIES			
Current liabilities	12,626	11,188	9,266
Long-term debt	25,521	14,087	17,999
Other liabilities	<u>4,633</u>	<u>2,401</u>	<u>2,261</u>
Total liabilities	<u>42,780</u>	<u>27,676</u>	<u>29,526</u>
NET POSITION			
Net investment in capital assets	40,559	34,392	31,245
Restricted for performance assurance deposit	-	1,020	1,520
Restricted for bond debt service	700	-	23
Unrestricted	<u>12,650</u>	<u>19,773</u>	<u>22,229</u>
Total net position	<u>53,909</u>	<u>55,185</u>	<u>55,017</u>
Total liabilities and net position	<u>\$ 96,689</u>	<u>\$ 82,861</u>	<u>\$ 84,543</u>

In review of the statement of net position, we look at the District's financial position at the beginning and ending of the year. Assets include electric plant, segregated funds, current assets, other assets and deferred charges. Electric plant is property owned by the District. Segregated funds are restricted assets held for a specific purpose such as rate stabilization and trust funds. Current assets include cash, accounts receivable, inventory, marketable securities, prepaid expenses and other liquid assets that can be readily converted to cash. Other assets and deferred charges include long-term prepaid expenses and future debt payments due from BPA. Liabilities include long-term debt, current liabilities, and other liabilities and deferred credits. Long-term debt represents outstanding bonds and revenue obligations with a maturity date longer than one (1) year. Current liabilities are debts of the District that should be due in less than one (1) year. Other liabilities and deferred credits are OPEB liabilities and funds held by the District for the Fisheries Mitigation Irrevocable Trust Fund. Net position, which is similar to equity, represents the District's ownership in its total assets.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In review of the liabilities and net position section of the statement of net position, comparing 2016 and 2015, we find current liabilities increased \$1.4 million. This is largely related to an increase in accounts payable of \$0.7 million and an increase in other accruals of \$0.5 million. Outstanding bills related to repair work at McNary Hydro, which began in 2015, contributed to the increase in accounts payable. Additional deposit amounts received from an industrial customer contributed to the increase in customer deposits. Long-term debt increased \$11.4 million due to new bonds issued in 2016 (see Note 6 to the financial statements). Other liabilities increased \$2.2 million. The District's total net position decreased \$1.3 million in 2016. Net position is 55.75% of the total assets. Net position includes 70.25% investment in capital assets (e.g., land, buildings, utility plant and equipment) less that portion of related debt used to acquire those assets which is still outstanding. These capital assets are used to provide services to our customers; consequently, these assets are not available for future spending, nor can they be used to liquidate any liabilities. The investment in these assets increased \$3.5 million in 2016 due to capital work (see Note 12).

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

<i>(in thousands of dollars)</i>	2016	2015 (restated)	2014 (restated)
REVENUES			
Sales of electricity to customers	\$ 30,818	\$ 29,527	\$ 28,456
Generation sales	886	2,106	1,912
Other	521	335	322
Investment income	130	111	82
BPA contract obligation - 2012 bonds	-	396	411
	32,355	32,475	31,183
EXPENSES			
Operating expenses	(33,841)	(31,120)	(29,549)
Interest and debt expense	(246)	(495)	(550)
Other deductions	(1)	(1,059)	23
	(34,088)	(32,674)	(30,076)
NET LOSS BEFORE CONTRIBUTED CAPITAL	(1,733)	(199)	1,107
Contributions in aid of construction	457	367	87
NET POSITION, beginning of year	55,185	55,017	47,201
Restatement of beginning net position	-	-	6,622
	55,185	55,017	53,823
Net position, beginning of year, as restated	55,185	55,017	53,823
NET POSITION, end of year	\$ 53,909	\$ 55,185	\$ 55,017

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The statement of revenues, expenses, and changes in net position provides answers as to the nature and source of these changes. Revenues increased \$13,027, which include the District's sale of electricity, which increased \$71,023 due primarily to increased usage by the District's largest customer. Generation sales decreased \$1.2 million. See Note 4 and Note 5 to the financial statements for more detail on the BPA contract obligation for the 2012A and 2012B bonds. Expenses included an increase in operating expenses of \$2.7 million. Of these operating expenses Cost of Purchased Power increased \$1.6 million, and the remainder was due to small changes in other areas.

Budget Highlights

BUDGET VS. ACTUAL 2016				
<i>(in thousands of dollars)</i>	<u>Budget</u>	<u>Actual</u>	<u>Over/Under</u>	<u>Percent</u>
Total revenues	\$ 38,682,511	\$ 32,812,690	\$ (5,869,821)	-15.2%
Total operations and maintenance expenses	31,892,253	26,599,526	(5,292,727)	-16.6%
Total operating expenses less cost of power	8,603,287	9,537,978	934,691	10.9%

This year's total revenues were under budget by \$5.8 million or 15.2%. The operating expenses were under budget by \$5.2 million, or 16.6%. Total operating expenses less cost of power was over budget by \$0.9 million, or 10.9%.

Capital Assets

As of December 31, 2016, the District had \$73.7 million invested in capital assets. A summary of plant in service is shown in the following schedule:

Hydroelectric generation	\$ 25,775,366
Transmission	2,430,171
Distribution	35,430,496
General plant	10,088,680
Intangible	71,081
	<u>71,081</u>
	<u>\$ 73,795,794</u>

The increase in Electric plant in service was \$1.6 million. Net utility electric plant (additions less retirements and depreciation) increased \$10.1 million (see Note 2 to the financial statements).

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

Total debt of the District includes bonds with a principal payable amount of \$24.6 million, of which BPA is obligated to pay \$12.8 million. Total principal payable increased \$10.4 million, (see Note 6 to the financial statements and the Schedule of Future Bond Debt Service Requirements in the supplementary information section of the Annual Financial Report, for a more detailed analysis of the District's debt).

Request for Information

Any questions or additional information needed in regards to this report may be received by addressing Northern Wasco County PUD, Chief Financial Officer, 2345 River Road, The Dalles, Oregon 97058.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
STATEMENTS OF NET POSITION

ASSETS

	Years Ended December 31,	
	2016	2015 (as restated)
ELECTRIC PLANT		
In service - at cost	\$ 74,698,278	\$ 72,712,957
Construction work in progress	9,921,768	1,592,549
Total electric plant	84,620,046	74,305,506
Less accumulated provision for depreciation	(41,333,047)	(39,913,748)
Net electric plant	43,286,999	34,391,758
Restricted cash and investments		
Debt service reserve	796,175	-
Fisheries mitigation irrevocable trust fund	1,793,032	1,785,177
Construction fund	7,571,577	-
Total restricted cash and investments	10,160,784	1,785,177
Current assets		
Unrestricted cash and cash equivalents	18,110,557	19,446,625
Rate stabilization fund	4,600,000	4,600,000
Post-employment health care benefits reserve fund	272,257	244,981
Bond funds held by Trustee	-	2,229
Accounts receivable (net of allowance for doubtful accounts of \$89,800 in 2016 and \$86,983 in 2015)	3,752,165	2,497,030
Unbilled revenue	990,932	819,614
Other receivables	524,199	1,171,052
Due from the Bonneville Power Administration	1,476,695	1,451,250
Materials and supplies	657,867	889,194
Prepayments	315,043	426,152
Total current assets	30,699,715	31,548,127
Other assets		
Due from the Bonneville Power Administration	12,510,593	14,086,509
Performance assurance deposit held by counterparty	-	1,020,000
Other assets	31,790	29,111
Total other assets	12,542,383	15,135,620
Total assets	\$ 96,689,881	\$ 82,860,682

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
STATEMENTS OF NET POSITION

NET POSITION AND LIABILITIES

	Years Ended December 31,	
	2016	2015 (as restated)
Net position		
Net investment in capital assets	\$ 37,873,320	\$ 34,391,758
Restricted for performance assurance deposit	-	1,020,000
Restricted for debt reserve and accrued interest	700,233	-
Unrestricted	15,335,572	19,773,262
Total net position	53,909,125	55,185,020
Long-term debt		
Bonds, revenue obligations payable, and capital lease, less current maturities	25,521,016	14,086,509
Current liabilities		
Current portion of long-term debt	1,439,719	1,410,000
Accounts payable	4,876,021	4,216,226
Accrued payroll and related liabilities	154,159	106,714
Customer deposits	5,014,987	4,955,354
Accrued interest	95,942	43,479
Accrued compensated absences	383,436	302,290
Other accruals	661,791	154,371
Total current liabilities	12,626,055	11,188,434
Other liabilities		
Unearned contributions in aid of construction	2,381,865	-
Fisheries mitigation irrevocable trust fund	1,793,032	1,785,177
Post-employment health care benefits	415,367	390,002
Other liabilities	43,421	225,540
Total other liabilities	4,633,685	2,400,719
Total net position and liabilities	\$ 96,689,881	\$ 82,860,682

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2016	2015 (as restated)
OPERATING REVENUES		
Sales of electricity	\$ 31,703,737	\$ 31,632,714
Other operating revenues	277,203	335,199
Total operating revenues	31,980,940	31,967,913
OPERATING EXPENSES		
Cost of purchased power	23,279,323	21,676,453
Power production expense	1,023,285	1,217,573
Transmission expense	25,736	18,004
Distribution expense	2,271,182	1,681,786
Customer accounts expense	689,954	628,173
Customer service and information expense	622,269	685,173
Administrative and general expense	2,594,801	1,983,717
Depreciation and amortization of electric plant	2,173,539	2,113,708
Taxes	1,160,497	1,115,825
Total operating expenses	33,840,586	31,120,412
Net operating revenues (expenses)	(1,859,646)	847,501
Nonoperating revenues (expenses)		
Investment income	130,199	111,133
Contractual obligation from the Bonneville Power Administration	-	396,278
Bond issuance costs	(192,272)	-
Patronage capital credits	3,480	9,831
Non-operating rental income	551	-
Gain on disposition of property	17,949	2,550
Loss on disposition of property	(1,014)	-
Interest on debt	(54,713)	(602,387)
Amortization of debt premium and loss on refunding	7,968	106,043
Gain (Loss) on sale of transmission rights	214,339	(141,970)
Hydroelectric generation project abandonment costs	-	(929,701)
Total nonoperating revenues (expenses)	126,487	(1,048,223)
Loss before capital contributions	(1,733,159)	(200,722)
Contributions in aid of construction	457,264	367,779
Changes in net position	(1,275,895)	167,057
NET POSITION, beginning of year as previously reported	55,185,020	48,581,960
Restatement of beginning net position	-	6,436,003
NET POSITION, beginning of year, as restated	55,185,020	55,017,963
NET POSITION, end of year	\$ 53,909,125	\$ 55,185,020

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 35,161,376	\$ 32,426,367
Cash payments for purchased power	(23,716,922)	(21,599,376)
Cash payments to suppliers for goods and services	(2,456,735)	(3,647,983)
Cash payments to employees for services	(4,294,357)	(3,845,190)
Net cash received for performance assurance deposit	1,020,000	500,000
Net cash provided by operating activities	<u>5,713,362</u>	<u>3,833,818</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction and acquisition of plant	(12,089,909)	(2,583,522)
Contributions in aid of construction	457,264	367,779
Proceeds from issuance of bonds	12,993,224	-
Principal payments on bonds and revenue obligations	-	(2,555,000)
Payment of bond issuance costs	(192,272)	-
Interest payments on long-term debt	(2,250)	(75,540)
Net cash provided by (used in) capital and related financing activities	<u>1,166,057</u>	<u>(4,846,283)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,407,848	397,454
Investment and other miscellaneous income	179,458	104,759
Payments received for patronage capital credits	3,480	795
Net cash provided by investing activities	<u>2,590,786</u>	<u>503,008</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,470,205	(509,457)
CASH AND CASH EQUIVALENTS, beginning of year	<u>20,976,900</u>	<u>21,486,357</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 30,447,105</u>	<u>\$ 20,976,900</u>
RECONCILIATION TO THE STATEMENTS OF NET POSITION		
Unrestricted cash and cash equivalents	\$ 18,110,557	\$ 19,446,625
Rate stabilization fund	4,600,000	4,600,000
Post-employment health care benefits reserve fund	272,257	244,981
Bond funds held by Trustee	-	2,229
Restricted cash & investments	10,160,784	1,785,177
Total cash, cash equivalents and investments	33,143,598	26,079,012
Less restricted investments (Note 3)	<u>(2,696,493)</u>	<u>(5,102,112)</u>
Total cash and cash equivalents	<u>\$ 30,447,105</u>	<u>\$ 20,976,900</u>

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015 (as restated)
RECONCILIATION OF NET OPERATING REVENUES TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating revenues (expenses)	\$ (1,859,646)	\$ 847,501
Adjustments to reconcile net operating revenues to net cash provided by operating activities:		
Depreciation and amortization of electric plant	2,173,539	2,113,708
Decrease (increase) in:		
Accounts receivable	(1,255,135)	(533,584)
Unbilled revenue	(171,318)	(54,086)
Other receivables	646,853	(678,347)
Materials and supplies	231,327	(47,292)
Prepayments	111,109	(191,326)
Performance assurance deposit held by counterparty	1,020,000	500,000
Other assets	(2,679)	(156,177)
Increase (decrease) in:		
Operating accounts payable	659,795	295,102
Accrued payroll and related liabilities	47,445	16,425
Customer deposits	59,633	1,724,471
Accrued compensated absences	81,146	(42,530)
Other accruals	507,420	42,303
Post-employment health care benefits	25,365	47,880
Unearned contributions in aid of construction	3,430,653	-
Fisheries mitigation irrevocable trust fund	7,855	(133,800)
Other liabilities	-	83,570
Total adjustments	7,573,008	2,986,317
Net cash provided by operating activities	\$ 5,713,362	\$ 3,833,818
NON-CASH INVESTING, CAPITAL AND RELATED		
FINANCING ACTIVITIES		
Payment of long-term debt by Bonneville Power Administration	\$ 1,558,885	\$ 1,928,599
Gain (loss) on sale of transmission rights	214,339	(141,970)
Acquisition of electric plant through capital lease	29,887	-
Amortization of debt premium and loss on refunding	7,968	106,043
Hydroelectric generation project abandonment costs	-	929,701

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

General – Northern Wasco County People's Utility District (the District) is a people's utility district organized under Oregon Revised Statutes Chapter 261. The District was created by vote in 1939 and began operation in 1949. The District is a power generation and distribution utility primarily serving customers in Wasco County, and also selling electric output of the District's hydroelectric generating project at the North Fishway of The Dalles Dam to an investor-owned electric utility company. The District is governed by an elected five-member Board of Directors, which has the authority to set rates and charges for commodities and services furnished. Substantially all revenues are derived from the sale of electric power to residential, commercial, and industrial customers, and the investor-owned electric utility company.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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. Significant policies are described below.

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.

Description of reporting entity – The financial statements of the District include all financial activities for which the Board of Directors is 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.

Effective January 1, 2016, the District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets Not Within the Scope of GASB 68*, and *Amendments to Certain Provisions of GASB 67 & 68*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

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, employee benefits, and an allowance for funds used during construction. An acquisition adjustment is recorded for any difference between the cost of plant to the original user and the purchase price to the District.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 approximately \$1,000 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:

Production plant	20 – 45 years
Transmission plant	20 – 33 years
Distribution plant	20 – 33 years
General plant	5 – 33 years

Investments – The fair value of the District's investments are estimated based on the quoted market prices for the same or similar assets.

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.

Restricted cash and investments – Cash and investments restricted by provisions of bond resolutions and agreements with other parties are identified as restricted cash and investments. When the restricted cash and investments are expendable within the terms of the agreements, it is the District's policy to spend restricted resources first, then unrestricted resources as needed.

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 are carried at average cost.

Unamortized debt premium – Debt premiums on outstanding bond issues are being amortized over the life of the related debt issues.

Compensated absences – Accumulated unpaid vacation and sick leave is accrued as earned by employees.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Net investment in capital assets – Net investment in capital assets is 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 – Restricted net position represents amounts for which constraints were imposed by creditors (such as through debt covenants), grantors, contributors, 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.

Unrestricted net position – The unrestricted component of net position includes remaining amounts neither restricted nor net investment in capital assets.

Revenue recognition – Utility revenues are generally recognized on the basis of cycle billings and are recorded when customers are billed. In addition, the District recognizes unbilled revenue, revenues from services provided, but not yet billed.

Contributions in aid of construction – 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.

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.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Electric Plant

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

	Balance, January 1, 2016	Increases	Decreases	Balance, December 31, 2016
Electric plant not being depreciated:				
Land	\$ 570,233	\$ 332,250	\$ -	\$ 902,483
Intangible plant	71,081	-	-	71,081
Construction in progress	1,592,549	9,662,091	1,332,872	9,921,768
Total electric plant not being depreciated	<u>2,233,863</u>	<u>9,994,341</u>	<u>1,332,872</u>	<u>10,895,332</u>
Electric plant being depreciated:				
Production	25,767,600	7,766	-	25,775,366
Transmission	2,303,616	126,555	-	2,430,171
Distribution	33,821,579	1,913,831	304,914	35,430,496
General	10,178,848	218,973	309,141	10,088,680
Total electric plant being depreciated	72,071,643	2,267,125	614,055	73,724,713
Less accumulated depreciation:				
Production	14,691,439	712,240	3,628	15,400,051
Transmission and distribution	19,786,793	1,155,540	596,563	20,345,770
General	5,435,516	618,950	467,241	5,587,225
Total electric plant being depreciated, net	<u>32,157,895</u>	<u>(219,605)</u>	<u>(453,377)</u>	<u>32,391,667</u>
Electric plant, net	<u>\$ 34,391,758</u>	<u>\$ 9,774,736</u>	<u>\$ 879,495</u>	<u>\$ 43,286,999</u>

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 2 – Electric Plant (continued)

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

	Balance, January 1, 2015 (restated)	Increases	Decreases	Balance, December 31, 2015 (restated)
Electric plant not being depreciated:				
Land	\$ 570,233	\$ -	\$ -	\$ 570,233
Intangible plant	71,081	-	-	71,081
Construction in progress	301,360	2,157,896	866,707	1,592,549
	<u>942,674</u>	<u>2,157,896</u>	<u>866,707</u>	<u>2,233,863</u>
Total electric plant not being depreciated				
Electric plant being depreciated:				
Production	25,277,216	490,384	-	25,767,600
Transmission	2,293,595	10,190	169	2,303,616
Distribution	32,931,672	950,645	60,738	33,821,579
General	10,145,202	52,775	19,129	10,178,848
	<u>70,647,685</u>	<u>1,503,994</u>	<u>80,036</u>	<u>72,071,643</u>
Total electric plant being depreciated				
Less accumulated depreciation:				
Production	13,986,570	704,869	-	14,691,439
Transmission and distribution	18,787,367	1,106,249	106,823	19,786,793
General	5,050,663	403,982	19,129	5,435,516
	<u>32,823,085</u>	<u>(711,106)</u>	<u>(45,916)</u>	<u>32,157,895</u>
Total electric plant being depreciated, net				
Electric plant, net	<u>\$ 33,765,759</u>	<u>\$ 1,446,790</u>	<u>\$ 820,791</u>	<u>\$ 34,391,758</u>

As allowed by FERC guidelines, the District has charged depreciation expense applicable to transportation equipment totaling \$102,081 in 2016 and \$101,392 in 2015 to overhead clearing accounts.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 3 – Cash and Investments

Cash and investments are comprised of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Working funds	\$ 700	\$ 700
Deposits with financial institutions	5,628,344	3,865,841
Deposits with LGIP	24,818,061	17,110,359
Investments:		
Corporate debt securities	<u>2,696,493</u>	<u>5,102,112</u>
 Total cash and investments	 <u>\$ 33,143,598</u>	 <u>\$ 26,079,012</u>

Deposits – Deposits with financial institutions include bank demand deposits. The total bank balance, as shown on the banks' records, was \$4,285,648 at December 31, 2016, and \$2,985,305 at December 31, 2015. Of these deposits, the total covered by federal depository insurance was \$288,348 at December 31, 2016, and \$258,589 at December 31, 2015, and the total covered to the extent required by law by collateral held in a shared liability pool made up of all public funds depositories in Oregon was \$3,997,300 at December 31, 2016, and \$2,726,716 at December 31, 2015.

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

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

The Oregon Local Government Investment Pool is an external investment pool which is part of the Oregon Short-Term Fund. Investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund does not receive credit quality ratings from nationally recognized statistical rating organizations.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

Investments – State statutes authorize the District to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the Oregon Local Government Investment Pool, among others. The District has no investment policy that would further limit its investment choices.

The composition of the District's investments as of December 31, 2016 and 2015 is as follows:

	2016		2015	
	Fair Value	Percent	Fair Value	Percent
Corporate bonds				
JP Morgan Chase	\$ 980,385	36.4%	\$ 757,753	14.9%
Bank of America	967,006	35.9%	707,337	13.9%
Wells Fargo & Co.	749,102	27.8%	976,552	19.1%
GE Capital Corp.	-	0.0%	703,383	13.8%
Toronto-Dominion Bank	-	0.0%	706,398	13.8%
Canadian Imperial Bank	-	0.0%	501,096	9.8%
Westpac Banking Corp.	-	0.0%	749,593	14.7%
	<u>\$ 2,696,493</u>	<u>100.0%</u>	<u>\$ 5,102,112</u>	<u>100.0%</u>

As of December 31, 2016 and 2015, maturities for the District's other investments are as follows:

	2016		2015	
	Less than One Year	One to Two Years	Less than One Year	One to Two Years
Corporate bonds	\$ 1,947,391	\$ 749,102	\$ 4,394,775	\$ 707,337
	<u>\$ 1,947,391</u>	<u>\$ 749,102</u>	<u>\$ 4,394,775</u>	<u>\$ 707,337</u>

The District's investments in corporate bonds are rated BBB+ or higher by Standard & Poor's and Baa1 or higher by Moody's.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3 – Cash and Investments (continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The securities underlying the District's investment in corporate bonds are held by the District's counterparty, not in the District's name.

Cash and investments as of December 31, 2016 and 2015 are presented on the statement of net position as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted cash and cash equivalents	\$ 18,110,557	\$ 19,446,625
Designated cash and cash equivalents		
Rate stabilization fund	4,600,000	4,600,000
Post-employment health care benefits reserve fund	272,257	244,981
Bond funds held by Trustee	-	2,229
Restricted cash and investments		
Debt service reserve	796,175	-
Fisheries Mitigation Irrevocable Trust Fund	1,793,032	1,785,177
Construction fund	<u>7,571,577</u>	<u>-</u>
Total cash and investments	<u>\$ 33,143,598</u>	<u>\$ 26,079,012</u>

The District created a rate stabilization fund as permitted by the District's System Bond Resolution and is funding it from unrestricted cash and cash equivalents. The Resolution allows the District to use amounts in this fund for its debt service coverage calculation as defined in the District's System Bond Resolution.

The District, acting as both the trustor and trustee, established the Fisheries Mitigation Irrevocable Trust Fund for the purpose of providing compensation for unmitigatable losses to juvenile anadromous fish caused by McNary Dam. This trust fund is being held by the District as the trustee and is being disbursed solely as directed by the Fishery Compensation Committee after it has reviewed and selected mitigation activities.

Note 4 – Fair Value Measurements

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 the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 4 – Fair Value Measurements (continued)

The District determines disclosures related to these investments. They only need to be disaggregated by major type because investing is not a core part of the District's mission.

The District has the following recurring fair value measurements at December 31, 2016:

		Fair Value Measurements Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level				
Debt securities				
Corporate bonds	\$ 2,696,493	\$ 2,696,493	\$ -	\$ -
Total Debt Securities	<u>\$ 2,696,493</u>	<u>\$ 2,696,493</u>	<u>\$ -</u>	<u>\$ -</u>

The District has the following recurring fair value measurements at December 31, 2015:

		Fair Value Measurements Using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level				
Debt securities				
Corporate bonds	\$ 5,102,112	\$ 5,102,112	\$ -	\$ -
Total Debt Securities	<u>\$ 5,102,112</u>	<u>\$ 5,102,112</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5 – Due from the Bonneville Power Administration

On February 15, 1995, the District received Notice to Cease and Desist Work on the McNary Dam Fishway Hydroelectric Project from the Bonneville Power Administration (BPA), and on March 16, 1995, the District suspended construction after completing certain work necessary to rewater the fish ladder. Subsequently, the District and the BPA negotiated a termination of a Power Purchase Agreement pursuant to a Settlement and Termination Agreement (Settlement Agreement) dated April 25, 1995. Except as provided in the Settlement Agreement for demobilization and site restoration, the BPA declined to allow the District to use Series 1993 Bond proceeds to complete the McNary project.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5 – Due from the Bonneville Power Administration (continued)

Following termination of the McNary Project by the BPA, the District solicited interest from other utilities in developing all or part of the McNary Project. As a result of this process, the District and Klickitat County Public Utility District entered into a series of agreements to jointly pursue the McNary Project with each utility having a 50 percent ownership share. In October 1995, both the District and Klickitat issued bonds to fund completion of the McNary Project and construction was restarted on October 23, 1995.

Agreements with the Bonneville Power Administration do not change BPA's obligation to pay debt service on the Series 2012A and Series 2012B Bonds which refunded the Series 1993 Bonds. Accordingly, the amount due from the Bonneville Power Administration at December 31, 2016 and 2015, represents the principal amount payable on the outstanding bonds, plus unamortized bond premium and accrued interest, less amounts held by the Trustee. The BPA deposit amounts directly into a bond trust account and these amounts are used to pay principal and interest on the bonds.

Note 6 – Long-Term Debt

Long-term debt activity for the year ended December 31, 2016 is as follows:

	Principal Transactions				Due in one year
	Outstanding 1/1/2016	2016 Issues	2016 Retirements	Outstanding 12/31/2016	
Series 2012A Bonds	\$ 7,520,000	\$ -	\$ -	\$ 7,520,000	\$ -
Series 2012B Bonds	6,720,000	-	1,410,000	5,310,000	1,435,000
Series 2016 Bonds	-	11,790,000	-	11,790,000	-
Capital lease obligation	-	29,887	-	29,887	4,719
Total	<u>\$ 14,240,000</u>	<u>\$ 11,819,887</u>	<u>\$ 1,410,000</u>	<u>\$ 24,649,887</u>	<u>\$ 1,439,719</u>

Long-term debt activity for the year ended December 31, 2015 is as follows:

	Principal Transactions				Due in one year
	Outstanding 1/1/2015	2015 Issues	2015 Retirements	Outstanding 12/31/2015	
Series 2005 Revenue Obligations	\$ 2,555,000	\$ -	\$ 2,555,000	\$ -	\$ -
Series 2012A Bonds	7,520,000	-	-	7,520,000	-
Series 2012B Bonds	8,110,000	-	1,390,000	6,720,000	1,410,000
Total	<u>\$ 18,185,000</u>	<u>\$ -</u>	<u>\$ 3,945,000</u>	<u>\$ 14,240,000</u>	<u>\$ 1,410,000</u>

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6 – Long-Term Debt (continued)

Long-term debt consists of the following at December 31:

	2016	2015
Bonds and obligations payable		
Series 2012A	\$ 7,520,000	\$ 7,520,000
Series 2012B	5,310,000	6,720,000
Series 2016	11,790,000	-
Capital lease obligation	29,887	-
Total principal payable	24,649,887	14,240,000
Unamortized premium – Series 2016	1,195,256	-
Unamortized premium – Series 2012A	1,115,592	1,256,509
Net long-term debt	26,960,735	15,496,509
Less current maturities of principal	1,439,719	1,410,000
Due after one year	\$ 25,521,016	\$ 14,086,509

Series 2012A (tax-exempt) and Series 2012B (taxable) McNary Dam Fishway Hydroelectric Project Revenue Refunding Bonds – In April 2012, the District issued 2012 Series A (tax-exempt) and Series B (taxable) McNary Dam Fishway Hydroelectric Project Revenue Refunding Bonds in the amounts of \$7,520,000 and \$12,215,000, respectively; the proceeds of which, along with the bond premium of \$1,773,205, were used to currently refund \$20,645,000 of Series 1993 Bonds plus accrued interest on May 24, 2012 and to pay bond issuance costs. Principal on the Series 2012B bonds is payable annually on December 1 through 2020. Principal on the Series 2012A Bonds is payable annually on December 1 beginning in 2020. Interest on the Series 2012A Bonds, at 5% per annum, is payable semi-annually on June 1 and December 1 of each year. Interest on the Series 2012B Bonds, at 1.518%–2.962% per annum, is payable semi-annually on June 1 and December 1 of each year. The Series 2012A and Series 2012B Bonds are not subject to early redemption.

The Series 2012A and Series 2012B Bonds are special limited obligations of the District, payable from and secured by a lien on the Bonneville payments to be made by the Bonneville Power Administration pursuant to the Bonneville Agreement. The Bonneville payments are defined as the amounts required to pay bond principal, interest, and any redemption premium.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6 – Long-Term Debt (continued)

Until the District and the Bonneville Power Administration entered into a Settlement and Termination Agreement (Settlement Agreement, see Note 5), the Series 1993 Bonds were being used to finance the McNary Dam Fishway Hydroelectric Project. Under the Power Purchase Agreement executed as of August 27, 1993, the District had agreed to sell the net output of the project to the BPA for a term of thirty years following the completion date of the project. In return, the BPA had agreed to pay during each operating year an amount equal to the annual debt service on the Series 1993 Bonds.

Series 2016 Electric System Revenue Bonds – In October 2016, the District issued 2016 Series (tax-exempt) Electric System Revenue Bonds (2016 Bonds) in the amount of \$11,790,000; proceeds of which, along with bond premium amount of \$1,203,225, will be used to finance improvements to the District's Electric System. Principal on the Series 2016 Bonds is payable annually on December 1, beginning in 2019 and maturing in 2041. Interest on the 2016 Bonds, at 2.75%–5.00% per annum, is payable semi-annually on June 1 and December 1 of each year. A portion of the 2016 Bonds will be subject to redemption prior to maturity.

Scheduled maturities of bonds payable for all outstanding issues are as follows:

	Principal	Interest	Total
2017	\$ 1,435,000	\$ 1,030,908	\$ 2,465,908
2018	1,460,000	949,856	2,409,856
2019	1,805,000	917,721	2,722,721
2020	1,865,000	867,112	2,732,112
2021	1,950,000	796,013	2,746,013
2022–2026	7,210,000	2,599,963	9,809,963
2027–2031	2,325,000	1,649,225	3,974,225
2032–2036	2,950,000	1,022,375	3,972,375
2037–2041	3,620,000	346,407	3,966,407
Totals	\$ 24,620,000	\$ 10,179,580	\$ 34,799,580

Note 7 – Retirement 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. For employees choosing to opt out of the District's Post-Employment Health Care Benefits Plan, the District agrees to contribute to the 401(k) plan an amount equal to the employee's voluntary contribution to either or both the 401(k) plan and a IRC 457 plan up to a maximum amount of 12% of the employee's straight-time wage. For employees that elect to retain the Post-Employment Health Care Benefits Plan, the District matches employee contributions to the IRC (401k) plan and an IRC 457 plan up to a maximum of 10% of the straight-time wage for each eligible employee with the District match going into the 401(k) plan. Contributions for each employee (and earnings allocated to the employee's account) are fully vested after fifty months of continuous service. Contributions for, and earnings forfeited by, employees who leave employment before fifty months of service are used to reduce the District's current-period contribution requirement.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT NOTES TO FINANCIAL STATEMENTS

Note 7 – Retirement Plan (continued)

The total employer contribution was \$261,981 in 2016 and \$256,745 in 2015, equal to the required employer contribution.

Note 8 – Post-Employment Health Care Benefits

Plan description – The District administers a single-employer defined benefit healthcare plan. The plan provides post-employment benefits options for medical insurance to eligible retirees. Benefit provisions are established through District policy. The criteria to determine eligibility includes employee age and years of service. The District's post-employment healthcare plan does not issue a publicly available financial report. The District follows the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Funding policy – Contribution requirements are established through District policy. Eligible retirees are required to pay set premiums established by the insurer equal to 100% of the premium cost up to age 65. Starting at age 65, the District will reimburse eligible retirees for the premium cost of coverage obtained outside of the District up to a maximum of \$350, prorated based on retirement age plus years of service (increased annually by 3%). Funding is on a pay-as-you-go basis. During 2016 and 2015, the District contributed \$31,454 and \$21,744, respectively, to the plan.

Annual OPEB cost and net OPEB obligation – The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. 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 the 30-year average life expectancy of covered employees

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8 – Post-Employment Health Care Benefits (continued)

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

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 58,120	\$ 70,778
Interest on net OPEB obligation	11,700	10,264
Adjustment to annual required contribution	<u>(13,000)</u>	<u>(11,418)</u>
Annual OPEB cost	56,820	69,624
Contributions made	<u>(31,455)</u>	<u>(21,744)</u>
Increase in net OPEB obligation	25,365	47,880
Net OPEB obligation – beginning of year	<u>390,002</u>	<u>342,122</u>
Net OPEB obligation – end of year	<u><u>\$ 415,367</u></u>	<u><u>\$ 390,002</u></u>

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Contribution</u>
12/31/2016	\$ 56,820	55.4%	\$ 415,367
12/31/2015	\$ 69,624	31.2%	\$ 390,002
12/31/2014	\$ 99,905	21.1%	\$ 342,122

Funding status and funding progress – As of December 31, 2016, the most recent valuation date, the actuarial accrued liability for benefits was \$945,284, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$945,284. The covered payroll (annual payroll of active employees covered by the plan) was \$522,688 for 2016 and the ratio of the UAAL to the covered payroll was 181%.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT NOTES TO FINANCIAL STATEMENTS

Note 8 – Post-Employment Health Care Benefits (continued)

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events, far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities 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 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 valuation conducted as of December 31, 2016, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over the 30-year average life expectancy of covered employees on an open basis. Life expectancies were based on the most recent mortality tables published by the National Center for Health Statistics. Non-group specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid. Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 3% was used. The expected rate of increase in health care insurance premiums was set at 3%, which is based on the Board approved policy for annual increases.

Note 9 – Risk Management

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, workers compensation, and property coverage. Under the membership agreement with SDIS, SDIS is to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The District purchases additional coverage for its hydroelectric projects through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10 – Power Purchase Agreements

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

Tier 2 power purchased from BPA is expected to be priced at or around market. The District has elected to serve AHWM load requirements with non-federal resources.

During 2014, the District executed Power Sale Contracts with another utility under a Western Systems Power Pool (WSPP) Agreement for the purchase of various quantities of firm power for the period October 1, 2015 through September 30, 2017 at contract prices totaling \$13,269,005. During 2015, the District executed a Power Sale Contract with another utility under a WSPP Agreement for the purchase of firm power for the period October 1, 2017 through September 30, 2020 at contract prices totaling \$25,069,782. All power purchased under these contracts will be resold to one customer. Contracts executed under a WSPP Agreement contain early termination provisions whereby the power can be sold back to the seller at market prices with any resulting difference from the contract amounts becoming due from, or payable to, the original buyer as a Termination Payment. Under the terms of a Collateral Annex to the WSPP Agreement, the District may, from time to time, be required to deliver Performance Assurance amounts consisting of cash deposits, letters of credit, or a combination of both, when market conditions create performance risk exposure for the counterparty. Further changes in market conditions may allow the release of Performance Assurance amounts held by the counterparty. As of December 31, 2016, the District possessed secured letters of credit from two different financial institutions totaling \$7,000,000 under this Collateral Annex. A letter of credit for \$2,000,000 was secured by the District from National Rural Utilities Cooperative Finance Corporation and a letter of credit for \$5,000,000 was secured by the District from Bank of the West during 2015. The total \$7,000,000 letter of credit remained unchanged as of December 31, 2016. As of December 31, 2015, the District had placed \$1,020,000 with the counterparty as a Performance Assurance Deposit under this Collateral Annex.

During 2015, the District executed a Resource Agreement with Northwest Intergovernmental Energy Supply for the purchase of a fixed quantity of firm power for the period October 1, 2017 through September 30, 2019 at contract prices totaling \$599,009.

The District generates electricity from The Dalles Dam North Fishway, which it sells to an investor-owned electric utility company, and generates electricity from McNary Dam North Fishway, which it sells to its residential, commercial, and industrial customers.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT NOTES TO FINANCIAL STATEMENTS

Note 11 – Concentrations

The entire net electrical output of the District's hydroelectric generating project at the North Fishway of The Dalles Dam was sold to an investor-owned electric utility company. These sales represented approximately 2.8% and 6.6% of the District's 2016 and 2015 operating revenues, respectively. Approximately 45% and 44% of operating revenues in 2016 and 2015, respectively, were the result of sales to one customer.

Note 12 – 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 2015 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.

During the current year, the District corrected errors related to its lack of accounting for unbilled revenue and has restated its 2015 financial statements to reflect the cumulative effect of the error. The District now presents unbilled revenue as an increase to net position on the statements of revenues, expenses and changes in net position. In addition, current assets now include the effects of the District's estimate for unbilled revenue at year end. The unbilled revenue adjustment increased unrestricted net position by the amounts shown below.

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 12 – Restatement (continued)

Restated balances for net position as of January 1, 2015, for unbilled revenue, electric plant in service – at cost and accumulated provision for depreciation as of December 31, 2015 and for the change in net position for the year ended December 31, 2015 are as follows:

Net Position – January 1, 2015, as originally reported	\$ 48,581,960
Unbilled revenue	765,528
Contributed capital received 2001 – 2014	7,665,070
Cumulative depreciation expense on prior period contributed capital	<u>(1,994,595)</u>
Net Position – January 1, 2015, as restated	<u>\$ 55,017,963</u>
Change in net position, as originally reported	\$ (5,790)
Unbilled revenue	54,086
Contributed capital for the year ended December 31, 2015	367,779
2015 depreciation expense on contributed capital	<u>(249,018)</u>
Change in net position, as restated	<u>167,057</u>
Net Position – December 31, 2015, as restated	<u>\$ 55,185,020</u>
Electric plant in service – at cost – December 31, 2015, as originally reported	\$ 64,680,108
Contributed capital received 2001 – 2014	7,665,070
Contributed capital received 2015	<u>367,779</u>
Electric plant in service – at cost – December 31, 2015, as restated	<u>\$ 72,712,957</u>
Accumulated provision for depreciation – December 31, 2015 as originally reported	\$ (37,670,135)
Cumulative depreciation expense on prior period contributed capital	(1,994,595)
2015 depreciation expense on contributed capital	<u>(249,018)</u>
Accumulated provision for depreciation – December 31, 2015 as restated	<u>\$ (39,913,748)</u>
Unbilled revenue, as originally reported	\$ -
Unbilled revenue	<u>819,614</u>
Unbilled revenue – December 31, 2015, as restated	<u>\$ 819,614</u>

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 12 – Restatement (continued)

The following 2015 balances were also restated:

- Net electric plant increased \$5,789,235
- Total assets increased \$6,608,850
- Sales of electricity increased \$54,086
- Depreciation expense increased \$249,018
- Net operating income decreased \$194,932
- Contributions in aid of construction increased \$367,779
- Change in net position increased \$172,847

The 2015 statement of cash flows was also restated to reflect these balance changes, although there was no effect on actual cash flow.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN**

	Actuarial Valuation Date		
	12/31/2016	12/31/2013	12/31/2010
Actuarial accrued liability (a)	\$ 945,284	\$ 994,858	\$ 819,914
Actuarial value of assets (b)	-	-	-
Unfunded actuarial accrued liability (a-b)	<u>\$ 945,284</u>	<u>\$ 994,858</u>	<u>\$ 819,914</u>
Funded ratio (b/a)	<u>0%</u>	<u>0%</u>	<u>0%</u>
Covered payroll (c)	<u>\$ 522,668</u>	<u>\$ 1,200,000</u>	<u>\$ 1,122,811</u>
Unfunded actuarial accrued liability as a percentage of covered payroll ((a-b)/c)	<u>181%</u>	<u>83%</u>	<u>73%</u>

OTHER SUPPLEMENTARY INFORMATION

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NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
SCHEDULE OF REVENUES AND EXPENSES

	Years Ended December 31,	
	2016	2015 (restated)
OPERATING REVENUES		
Sales of electricity		
Residential	\$ 8,790,988	\$ 8,599,570
Commercial and industrial	21,608,997	20,499,832
Irrigation	160,072	170,293
Public street and highway lighting	253,447	252,827
Other sales	4,193	4,706
The Dalles Dam Hydroelectric	886,040	2,105,486
Other operating revenues	277,203	335,199
Total operating revenues	<u>31,980,940</u>	<u>31,967,913</u>
OPERATING EXPENSES		
Cost of purchased power	<u>23,279,323</u>	<u>21,676,453</u>
Power production expenses		
License and permit costs	89,312	95,854
Operation and maintenance	760,087	910,837
Transmission	173,886	210,882
Total power production expenses	<u>1,023,285</u>	<u>1,217,573</u>
Transmission expenses		
Maintenance of station equipment	11,081	1,881
Maintenance of overhead lines	14,655	16,123
Total transmission expenses	<u>25,736</u>	<u>18,004</u>
Distribution expenses		
Meter expenses	166,994	126,491
Miscellaneous distribution expenses	272,919	223,088
Rents	9,976	10,560
Maintenance of station equipment	102,713	60,435
Maintenance of overhead lines	1,391,529	1,086,379
Maintenance of underground lines	225,563	118,884
Maintenance of line transformers	16,017	7,571
Maintenance of street lighting and signal systems	36,379	22,258
Maintenance of meters	41,148	11,796
Maintenance of miscellaneous distribution plant	7,944	14,324
Total distribution expenses	<u>2,271,182</u>	<u>1,681,786</u>
Customer accounts expenses		
Meter reading expenses	177,929	184,437
Customer records and collection expenses	493,269	424,804
Uncollectible accounts	17,677	18,000
Miscellaneous customer accounts expenses	1,079	932
Total customer accounts expenses	<u>689,954</u>	<u>628,173</u>

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
SCHEDULE OF REVENUES AND EXPENSES

	Years Ended December 31,	
	2016	2015 (restated)
Customer service and informational expenses		
Customer assistance	\$ 475,444	\$ 511,523
Informational	146,825	173,650
Total customer service and informational expenses	<u>622,269</u>	<u>685,173</u>
Administrative and general expenses		
Administrative and general salaries	1,152,876	877,115
Office supplies and expenses	166,481	75,834
Outside services employed	560,113	359,174
Property insurance	186,800	186,162
Injuries and damages	21,031	21,035
Miscellaneous general expenses	507,500	464,397
Total administrative and general expenses	<u>2,594,801</u>	<u>1,983,717</u>
Depreciation and amortization of electric plant	<u>2,173,539</u>	<u>2,113,708</u>
Taxes	<u>1,160,497</u>	<u>1,115,825</u>
TOTAL OPERATING EXPENSES	<u>33,840,586</u>	<u>31,120,412</u>
NET OPERATING REVENUES (EXPENSES)	<u>(1,859,646)</u>	<u>847,501</u>
Nonoperating revenues (expenses)		
Investment income	130,199	111,133
Contractual obligation from the Bonneville Power Administration	-	396,278
Bond issuance costs	(192,272)	-
Patronage capital credits	3,480	9,831
Gain (loss) on disposition of property	16,935	2,550
Non-operating rental income	551	-
Interest on debt	(54,713)	(602,387)
Amortization of debt premium and loss on refunding	7,968	106,043
Loss on sale of transmission rights	214,339	(141,970)
Hydroelectric generation project abandonment costs	-	(929,701)
Total non-operating revenues (expenses)	<u>126,487</u>	<u>(1,048,223)</u>
Loss before capital contributions	<u>(1,733,159)</u>	<u>(200,722)</u>
Contributions in aid of construction	<u>457,264</u>	<u>367,779</u>
Net income (loss)	<u>\$ (1,275,895)</u>	<u>\$ 167,057</u>

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
SCHEDULE OF BOND AND REVENUE OBLIGATIONS DEBT SERVICE TRANSACTIONS
YEAR ENDED DECEMBER 31, 2016

	Principal Transactions			
	Outstanding 1/1/2016	2016 Issues	2016 Retirements	Outstanding 12/31/2016
Series 2012A Bonds	\$ 7,520,000	\$ -	\$ -	\$ 7,520,000
Series 2012B Bonds	6,720,000	-	1,410,000	5,310,000
Series 2016 Bonds	-	11,790,000	-	11,790,000
Totals	<u>\$ 14,240,000</u>	<u>\$ 11,790,000</u>	<u>\$ 1,410,000</u>	<u>\$ 24,620,000</u>
	Interest Transactions			
	Matured 1/1/2016	2016 Maturities	2016 Payments	Matured 12/31/2016
Series 2012A Bonds	\$ -	\$ -	\$ -	\$ -
Series 2012B Bonds	-	521,753	521,753	-
Series 2016 Bonds	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ 521,753</u>	<u>\$ 521,753</u>	<u>\$ -</u>

**NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
SCHEDULE OF FUTURE BOND DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2016**

Year	Series 2012A Bonds			Series 2012B Bonds			Series 2016 Bonds			Total Future Requirements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ -	\$ 376,000	\$ 376,000	\$ 1,435,000	\$ 124,349	\$ 1,559,349	\$ -	\$ 530,559	\$ 530,559	\$ 1,435,000	\$ 1,030,908	\$ 2,465,908
2018	-	376,000	376,000	1,460,000	97,543	1,557,543	-	476,313	476,313	1,460,000	949,856	2,409,856
2019	-	376,000	376,000	1,490,000	65,408	1,555,408	315,000	476,313	791,313	1,805,000	917,721	2,722,721
2020	610,000	376,000	986,000	925,000	27,399	952,399	330,000	463,713	793,713	1,865,000	867,112	2,732,112
2021	1,605,000	345,500	1,950,500	-	-	-	345,000	450,513	795,513	1,950,000	796,013	2,746,013
2022	1,685,000	265,250	1,950,250	-	-	-	355,000	436,713	791,713	2,040,000	701,963	2,741,963
2023	1,765,000	181,000	1,946,000	-	-	-	365,000	426,950	791,950	2,130,000	607,950	2,737,950
2024	1,855,000	92,750	1,947,750	-	-	-	380,000	412,350	792,350	2,235,000	505,100	2,740,100
2025	-	-	-	-	-	-	395,000	400,375	795,375	395,000	400,375	795,375
2026	-	-	-	-	-	-	410,000	384,575	794,575	410,000	384,575	794,575
2027	-	-	-	-	-	-	425,000	368,175	793,175	425,000	368,175	793,175
2028	-	-	-	-	-	-	445,000	351,175	796,175	445,000	351,175	796,175
2029	-	-	-	-	-	-	460,000	333,375	793,375	460,000	333,375	793,375
2030	-	-	-	-	-	-	485,000	310,375	795,375	485,000	310,375	795,375
2031	-	-	-	-	-	-	510,000	286,125	796,125	510,000	286,125	796,125
2032	-	-	-	-	-	-	535,000	260,625	795,625	535,000	260,625	795,625
2033	-	-	-	-	-	-	560,000	233,875	793,875	560,000	233,875	793,875
2034	-	-	-	-	-	-	590,000	205,875	795,875	590,000	205,875	795,875
2035	-	-	-	-	-	-	615,000	176,375	791,375	615,000	176,375	791,375
2036	-	-	-	-	-	-	650,000	145,625	795,625	650,000	145,625	795,625
2037	-	-	-	-	-	-	680,000	113,125	793,125	680,000	113,125	793,125
2038	-	-	-	-	-	-	700,000	91,875	791,875	700,000	91,875	791,875
2039	-	-	-	-	-	-	725,000	70,000	795,000	725,000	70,000	795,000
2040	-	-	-	-	-	-	745,000	47,344	792,344	745,000	47,344	792,344
2041	-	-	-	-	-	-	770,000	24,063	794,063	770,000	24,063	794,063
Totals	\$ 7,520,000	\$ 2,388,500	\$ 9,908,500	\$ 5,310,000	\$ 314,699	\$ 5,624,699	\$ 11,790,000	\$ 7,476,381	\$ 19,266,381	\$ 24,620,000	\$ 10,179,580	\$ 34,799,580

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

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *OREGON AUDIT STANDARDS***

Board of Directors
Northern Wasco County People's Utility District

We have audited the accompanying financial statements of Northern Wasco County People's Utility District (the District) as of and for the year ended December 31, 2016 and have issued our report thereon dated July 14, 2017. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether the 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 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to program funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

The results of our tests disclosed no matters of noncompliance with those provisions that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. 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.

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *OREGON AUDIT STANDARDS* (continued)**

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify a deficiency in internal control over financial reporting that we consider to be material weaknesses as defined above. Discussion of this deficiency can be found in our Communication to Those Charged with Governance and Internal Control Related Matters dated May 12, 2017.

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



Julie Desimone, Partner for Moss Adams LLP
Portland, Oregon
July 14, 2017