



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

**CENTRAL LINCOLN PEOPLE'S UTILITY DISTRICT**

June 30, 2021 and 2020



MOSSADAMS

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## Board of Directors

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|               |   |                                 |
|---------------|---|---------------------------------|
| Curt Abbott   | 760 Range Drive<br>Waldport, Oregon 97394   | President & Assistant Treasurer |
| Paul Davies   | 231 NE San Bay Cir<br>Newport, Oregon 97365 | Vice President                  |
| Judy Matheny  | 2196 13th Street<br>Florence, Oregon 97439  | Treasurer                       |
| Jim Chambers  | 565 NW Aspen St<br>Toledo, Oregon 97391     | Secretary                       |
| Keith Tymchuk | 1405 Ranch Road<br>Reedsport, Oregon 97467  | Board Member                    |

## Administrative Staff

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|                    |  |
|--------------------|--|
| Randy Grove        | General Manager  |
| Mark Freeman       | Director of Employee, Customer, and Community Services |
| Ty Hillebrand      | Director of Engineering and Operations                 |
| Brandon Hignite    | Director of Shared Services                            |
| Sunnetta Capovilla | Executive Assistant                                    |
| Ken Murray         | Information Technology Manager                         |
| Teri Turner        | Human Resources Manager                                |
| Gail Malcolm       | Senior 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 statements of fiduciary net position of the Pension Plan Trust (the Pension Trust Fund) as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows of the District for the years then ended, and the statement of changes in fiduciary net position of the Pension Trust Funds for the years 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, 2021 and 2020, 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 years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 5 through 11, and the schedules of changes in the District's net pension liability and related ratios on pages 41–42, District contributions for defined benefit pension plan on page 43, investment returns on page 44, and changes in the District's total OPEB liability and related ratios on page 45 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 46 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 October 13, 2021, 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  
October 13, 2021

## **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 or the Utility) with registered office in Newport, Oregon for the fiscal year ended June 30, 2021. 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 40,117 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 18, 2019 effective October 1, 2019. All remaining customers were served through June 30, 2021 under a rate schedule adopted June 17, 2019, that went into effect July 1, 2019.

# Central Lincoln People's Utility District

## Management's Discussion and Analysis

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### Analysis of operating revenues and expenses:

|  | Years Ended June 30, |               |               |
|--|----------------------|---------------|---------------|
|  | 2021                 | 2020          | 2019          |
| <b>OPERATING REVENUES</b>              |                      |               |               |
| Sales of electricity                   |                      |               |               |
| Residential                            | \$ 43,879,844        | \$ 42,667,713 | \$ 40,743,344 |
| Commercial                             | 15,960,840           | 15,980,762    | 16,326,509    |
| Industrial                             | 31,698,060           | 31,984,357    | 32,444,906    |
| Other                                  | 850,343              | 878,295       | 838,790       |
| <b>OTHER OPERATING REVENUES</b>        |                      |               |               |
| Rent from electric plant               | 752,515              | 790,762       | 751,330       |
| Transmission of electricity for others | 409,260              | 409,260       | 409,260       |
| Miscellaneous service revenue          | 1,200,505            | 680,351       | 1,381,254     |
| Total operating revenues               | 94,751,367           | 93,391,500    | 92,895,393    |
| <b>OPERATING EXPENSES</b>              |                      |               |               |
| Cost of power                          | 53,180,892           | 54,045,320    | 55,183,807    |
| T&D – operations                       | 4,065,728            | 3,904,449     | 4,285,222     |
| T&D – maintenance                      | 7,000,378            | 6,695,798     | 5,670,340     |
| Customer accounts                      | 2,065,908            | 2,168,922     | 2,096,581     |
| Customer service and informational     | 399,381              | 400,252       | 515,589       |
| Administrative and general             | 10,335,803           | 10,167,453    | 10,038,313    |
| Depreciation                           | 9,034,591            | 8,638,314     | 8,576,321     |
| Taxes and franchise fees               | 3,712,180            | 3,619,168     | 3,378,677     |
| Total operating expenses               | 89,794,861           | 89,639,676    | 89,744,850    |
| Net operating revenues                 | \$ 4,956,506         | \$ 3,751,824  | \$ 3,150,543  |



## **Central Lincoln People's Utility District**

### **Management's Discussion and Analysis**

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#### **Analysis of FY 20 to FY 21 activity**

Retail customers experienced no rate increase from FY20 to FY21, however, total operating revenues increased 1.45%. This was mostly driven by increased Residential sales. Residential energy consumption increased in both FY20 and FY21, while Commercial and Industrial energy consumption decreased, though not as dramatically. This has been the trend since the beginning of the Covid-19 pandemic and is likely due to more people staying at home. Miscellaneous service revenue was up due to the mutual aid received this year.

Total operating expenses increased 0.2% between FY20 and FY21. This indicates that expenses are being controlled and increasing at a rate below projections.

Power Supply cost for the year ending June 2021 is \$864,428 (1.6%) less than the prior year despite higher energy sales. This is due to BPA's Financial Reserves Policy Surcharge in the prior year and a larger Load Shaping True Up credit in the Current Year.

T&D Operations and Maintenance were up 4.1% and 4.5% respectively. This is caused by closing work orders that should have been expensed in prior periods as we continue to focus on closing older open work orders.

## **Central Lincoln People's Utility District**

### **Management's Discussion and Analysis**

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#### **Analysis of FY 19 to FY 20 activity**

Most retail customers experienced a rate increase of 3% from FY19 to FY20, however, total operating revenues, only increased 0.5%. The retail rate increase was tempered by the effects of COVID-19. Residential revenue was higher due to the rate increase, COVID-19, and a slightly cooler winter. Commercial and Industrial sales were down noticeably in the fourth quarter due to COVID-19 restrictions. Miscellaneous service revenue was down due to the mutual aid received in the prior year.

Total operating expenses decreased 0.1% between FY19 and FY20. The biggest driver was the additional payment of \$1,420,953 for the Lakeside Substation metering back-bill in the prior year. Additional decreases include T&D Operations (8.8%) and Customer service and informational (22.3%). These decreases were partially offset by an increase in T&D Maintenance 18.0% and Taxes and franchise fees of 7.1%.

Power Supply cost for the year ended June 2020 is \$1,138,487 (2.1%) less than the prior year. The year ending June 2019 included the \$1,420,953 payment for back-billing of the Lakeside Substation. If not for the back-billing, Power Supply for fiscal year ended June 2020 would have been \$282,466 higher than the prior year. Although energy sales were lower than last year, Power Supply net of the back-billing increased because October 2019 began a new Rate Period with slightly higher rates and BPA collected a Financial Reserves Surcharge beginning December 2019 through the end of Central Lincoln's fiscal year.

T&D Operations decreased 8.8% while T&D Maintenance increased 18.0%, these expenses vary due to the type of work performed on the system.

Customer accounts expense decreased largely due to the redistribution of employees' salaries to better align with their work. The majority of the labor and benefits were reallocated to administrative and general expenses.

Taxes and franchise fees for FY20 increased from FY19 due to additional plant investment resulting in higher property value.

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

### *Analysis of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position*

|  | As of June 30,        |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | 2021                  | 2020                  | 2019                  |
| <b>ASSETS</b>                              |                       |                       |                       |
| Net electric plant                         | \$ 160,047,371        | \$ 157,327,328        | \$ 154,961,349        |
| Current assets                             | 49,639,641            | 48,305,651            | 47,579,728            |
| Regulatory asset related to pension        | 14,752,151            | 17,195,948            | 18,397,330            |
| Unamortized transmission agreement expense | 305,787               | 362,246               | 418,705               |
| <b>Total assets</b>                        | <b>224,744,950</b>    | <b>223,191,173</b>    | <b>221,357,112</b>    |
| Deferred outflows of resources             | 2,280,148             | 2,835,627             | 1,211,457             |
| <b>LIABILITIES</b>                         |                       |                       |                       |
| Long-term debt                             | 32,350,039            | 33,861,568            | 35,328,097            |
| Current liabilities                        | 10,901,295            | 11,018,564            | 11,833,120            |
| Other liabilities                          | 15,098,413            | 22,478,376            | 22,082,254            |
| <b>Total liabilities</b>                   | <b>58,349,747</b>     | <b>67,358,508</b>     | <b>69,243,471</b>     |
| Deferred inflows of resources              | 6,146,446             | 1,944,618             | 2,119,292             |
| <b>NET POSITION</b>                        |                       |                       |                       |
| Net investment in capital assets           | 126,332,332           | 122,145,760           | 118,363,253           |
| Restricted for bond debt service           | 3,566,694             | 3,540,461             | 3,511,283             |
| Unrestricted                               | 32,629,879            | 31,037,453            | 29,331,270            |
| <b>Total net position</b>                  | <b>\$ 162,528,905</b> | <b>\$ 156,723,674</b> | <b>\$ 151,205,806</b> |

### **Analysis of FY 20 to FY 21 activity**

As of June 30, 2021, Central Lincoln had \$306.7 million invested in a variety of capital assets in service. This represents an increase of \$5.9 million or 1.96% from FY20. See Note 2 in the accompanying notes to financial statements for additional information.

Regulatory Asset related to pension decreased significantly due to a higher than expected return on investment. The balances in deferred outflows and deferred inflows changed as the regulatory asset was amortized. See Notes 1, 6 and 7 in the accompanying notes to financial statements for additional explanation.

Long-term debt continues to decrease as Central Lincoln makes principal payments on the 2013 and 2016 Bonds according to schedule. Other liabilities decreased significantly due to the decrease in pension liability.

The \$5,805,231 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 People's Utility District**

## **Management's Discussion and Analysis**

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### **Analysis of FY 19 to FY 20 activity**

Current assets increased slightly due to reduced expenses in response to COVID-19. The balances in deferred outflows and deferred inflows changed as the regulatory asset was amortized. See Notes 1, 6 and 7 in the accompanying notes to financial statements for additional explanation.

As of June 30, 2020, Central Lincoln had \$300.8 million invested in a variety of capital assets in service. This represents an increase of \$14.6 million or 5.10% from FY19. See Note 2 in the accompanying notes to financial statements for additional information.

Long-term debt continues to decrease as Central Lincoln makes principal payments on the 2013 and 2016 Bonds according to schedule. Current liabilities decreased due to the BPA Lakeside back-bill in accounts payable in FY19 and early refunding of customer deposits.

The \$5,517,868 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.

### **Economic outlook and rates**

Central Lincoln experienced lower commercial and industrial sales but increased residential sales in FY21. This change in sales between customer groups is likely due to the COVID-19 pandemic and government restrictions surrounding it. The increased residential sales resulted in an increase in revenue. COVID-19 also resulted in lower expenses as most travel was suspended. Central Lincoln continues to work with customers to lower Accounts Receivable and monitor its effects on future write-offs.

Central Lincoln avoided a rate increase in both 2020 and 2021. This was accomplished by controlling costs and savings related to the pandemic. Central Lincoln will perform a cost of service analysis (COSA) in FY22 using FY21 historical data. The COSA will make recommendations on rates for all customer classes. Central Lincoln will continue to focus on managing costs and maintaining affordable rates for customers while passing on power cost increases as appropriate.

## 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 Pension 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. The District has identified the Pension Trust Fund as a fiduciary fund in the District's financial statements. The following chart displays assets, liabilities and net position of the Pension Trust Fund as well as the funded status of the plan as of June 30:

|                         | 2021                 | 2020                 | 2019                 |
|-------------------------|----------------------|----------------------|----------------------|
| Trust assets            | \$ 32,717,147        | \$ 23,610,383        | \$ 20,905,259        |
| Trust liabilities       | -                    | -                    | -                    |
| Trust net position      | <u>\$ 32,717,147</u> | <u>\$ 23,610,383</u> | <u>\$ 20,905,259</u> |
| Total pension liability | \$ 42,789,507        | \$ 40,754,654        | \$ 38,621,583        |
| Funded percentage       | 76.5%                | 57.9%                | 54.1%                |

Total fiduciary net position as of June 30, 2021 increased by \$9,106,764 or 39%, due to contributions of \$3,302,243 in fiscal year 2021, investment income of \$7,115,740, and offset by reductions due to payment of retirement benefits of \$1,311,219.

Total fiduciary net position as of June 30, 2020 increased by \$2,705,124 or 12.9%, due to contributions of \$3,311,249 in fiscal year 2020, investment income of \$479,922, and offset by reductions due to payment of retirement benefits of \$1,086,047.

The following chart displays changes in net position for the years ended June 30:

|                                     | 2021                        | 2020                        | 2019                        |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Employer and employee contributions | \$ 3,302,243                | \$ 3,311,249                | \$ 3,550,831                |
| Investment income                   | <u>7,115,740</u>            | <u>479,922</u>              | <u>1,226,296</u>            |
| Total additions                     | 10,417,983                  | 3,791,171                   | 4,777,127                   |
| Benefit payments                    | <u>1,311,219</u>            | <u>1,086,047</u>            | <u>1,947,904</u>            |
| Total deductions                    | 1,311,219                   | 1,086,047                   | 1,947,904                   |
| Change in net position              | 9,106,764                   | 2,705,124                   | 2,829,223                   |
| Fiduciary net position, beginning   | <u>23,610,383</u>           | <u>20,905,259</u>           | <u>18,076,036</u>           |
| Fiduciary net position, ending      | <u><u>\$ 32,717,147</u></u> | <u><u>\$ 23,610,383</u></u> | <u><u>\$ 20,905,259</u></u> |

# Central Lincoln People's Utility District

## Statements of Net Position

|  | June 30,       |                |
|--|----------------|----------------|
|  | 2021           | 2020           |
| <b>ASSETS</b>  |                |                |
| Electric plant   |                |                |
| In-service, at cost  | \$ 306,728,313 | \$ 300,799,048 |
| Construction in progress   | 8,724,099      | 6,429,321      |
| Total electric plant   | 315,452,412    | 307,228,369    |
| Less accumulated provision for depreciation  | (155,405,041)  | (149,901,041)  |
| Net electric plant   | 160,047,371    | 157,327,328    |
| <b>CURRENT ASSETS</b>  |                |                |
| Cash and cash equivalents  |                |                |
| Unrestricted   | 34,667,680     | 33,492,004     |
| Restricted for bond debt service   | 3,668,658      | 3,646,219      |
| Customer accounts receivable (net of allowance for doubtful accounts of \$150,000 in 2021 and \$149,999 in 2020) | 6,844,690      | 7,083,102      |
| Other receivables  | 765,690        | 399,166        |
| Materials and supplies   | 3,064,186      | 2,970,508      |
| Prepayments  | 549,807        | 630,235        |
| Other  | 78,930         | 84,417         |
| Total current assets   | 49,639,641     | 48,305,651     |
| <b>OTHER ASSETS</b>  |                |                |
| Regulatory asset related to pension  | 14,752,151     | 17,195,948     |
| Unamortized transmission agreement expense   | 305,787        | 362,246        |
| Total other assets   | 15,057,938     | 17,558,194     |
| Total assets   | 224,744,950    | 223,191,173    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                |                |
| Deferred outflows related to pension   | 1,314,444      | 1,703,421      |
| Deferred outflows related to OPEB  | 965,704        | 1,132,206      |
| Total deferred outflows of resources   | 2,280,148      | 2,835,627      |
| Total assets and deferred outflows of resources  | \$ 227,025,098 | \$ 226,026,800 |

# Central Lincoln People's Utility District

## Statements of Net Position

|  | June 30,       |                |
|--|----------------|----------------|
|  | 2021           | 2020           |
| <b>NET POSITION</b>  |                |                |
| Net investment in capital assets                                   | \$ 126,332,332 | \$ 122,145,760 |
| Restricted for bond debt service                                   | 3,566,694      | 3,540,461      |
| Unrestricted   | 32,629,879     | 31,037,453     |
| Total net position   | 162,528,905    | 156,723,674    |
| <b>LIABILITIES</b>   |                |                |
| Long-term debt   |                |                |
| Bonds payable, less current maturities                             | 29,725,000     | 31,090,000     |
| Unamortized bond premium   | 2,625,039      | 2,771,568      |
| Total long-term debt   | 32,350,039     | 33,861,568     |
| <b>CURRENT LIABILITIES</b>   |                |                |
| Current maturities of long-term debt                               | 1,365,000      | 1,320,000      |
| Accounts payable   | 6,539,795      | 6,726,590      |
| Accrued compensated absences                                       | 2,408,838      | 2,175,904      |
| Customer deposits  | 482,395        | 686,500        |
| Accrued interest – long-term debt                                  | 101,964        | 105,758        |
| Accrued interest – customer deposits                               | 3,303          | 3,812          |
| Total current liabilities  | 10,901,295     | 11,018,564     |
| <b>OTHER LIABILITIES</b>   |                |                |
| Net pension liability  | 10,072,360     | 17,144,271     |
| Total OPEB liability   | 4,457,324      | 4,764,588      |
| Liability reserves   | 278,914        | 270,013        |
| Unearned revenues  | 289,815        | 299,504        |
| Total other liabilities  | 15,098,413     | 22,478,376     |
| Total liabilities  | 58,349,747     | 67,358,508     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                |                |
| Deferred inflows related to pension                                | 5,994,235      | 1,755,098      |
| Deferred inflows related to OPEB                                   | 152,211        | 189,520        |
| Total deferred inflows of resources                                | 6,146,446      | 1,944,618      |
| Total net position, liabilities, and deferred inflows of resources | \$ 227,025,098 | \$ 226,026,800 |

# Central Lincoln People's Utility District

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

|   | Years Ended June 30,  |                       |
|---|-----------------------|-----------------------|
|   | 2021                  | 2020                  |
| <b>OPERATING REVENUES</b>                           |                       |                       |
| Sales of electricity                                |                       |                       |
| Residential   | \$ 43,879,844         | \$ 42,667,713         |
| Commercial  | 15,960,840            | 15,980,762            |
| Industrial  | 31,698,060            | 31,984,357            |
| Other   | 850,343               | 878,295               |
| Other operating revenues                            |                       |                       |
| Rent from electric plant                            | 752,515               | 790,762               |
| Transmission of electricity of others               | 409,260               | 409,260               |
| Miscellaneous service revenue                       | 1,200,505             | 680,351               |
| <b>Total operating revenues</b>                     | <b>94,751,367</b>     | <b>93,391,500</b>     |
| <b>OPERATING EXPENSES</b>                           |                       |                       |
| Cost of power                                       | 53,180,892            | 54,045,320            |
| Transmission and distribution expense – operations  | 4,065,728             | 3,904,449             |
| Transmission and distribution expense – maintenance | 7,000,378             | 6,695,798             |
| Customer accounts expense                           | 2,065,908             | 2,168,922             |
| Customer service and informational expense          | 399,381               | 400,252               |
| Administrative and general expense                  | 10,335,803            | 10,167,453            |
| Depreciation  | 9,034,591             | 8,638,314             |
| Taxes and franchise fees                            | 3,712,180             | 3,619,168             |
| <b>Total operating expenses</b>                     | <b>89,794,861</b>     | <b>89,639,676</b>     |
| <b>Net operating revenues</b>                       | <b>4,956,506</b>      | <b>3,751,824</b>      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>             |                       |                       |
| Interest on investments                             | 255,544               | 736,494               |
| Interest expense – long-term debt                   | (1,242,575)           | (1,290,335)           |
| Interest expense – other                            | (1,388)               | (2,034)               |
| Amortization of bond premium                        | 146,529               | 146,529               |
| <b>Total nonoperating expenses</b>                  | <b>(841,890)</b>      | <b>(409,346)</b>      |
| <b>Income before capital contributions</b>          | <b>4,114,616</b>      | <b>3,342,478</b>      |
| <b>Contributions in aid of construction</b>         | <b>1,690,615</b>      | <b>2,175,390</b>      |
| <b>Changes in net position</b>                      | <b>5,805,231</b>      | <b>5,517,868</b>      |
| <b>NET POSITION, beginning of year</b>              | <b>156,723,674</b>    | <b>151,205,806</b>    |
| <b>NET POSITION, end of year</b>                    | <b>\$ 162,528,905</b> | <b>\$ 156,723,674</b> |



# Central Lincoln People's Utility District

## Statements of Cash Flows

|   | Years Ended June 30,        |                             |
|---|-----------------------------|-----------------------------|
|   | 2021                        | 2020                        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                             |                             |
| Cash received from customers                                    | \$ 94,419,150               | \$ 92,847,535               |
| Cash payments for purchased power                               | (53,055,031)                | (54,156,780)                |
| Cash payments to suppliers for goods and services               | (14,269,262)                | (13,883,713)                |
| Cash payments to employees for services                         | (13,520,001)                | (13,506,410)                |
| Net cash provided by operating activities                       | <u>13,574,856</u>           | <u>11,300,632</u>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                             |                             |
| Construction and acquisition of plant                           | (11,754,634)                | (11,004,293)                |
| Contributions in aid of construction                            | 1,690,615                   | 2,175,390                   |
| Proceeds from sale of property and equipment                    | -                           | -                           |
| Principal payments on bonds payable                             | (1,320,000)                 | (1,270,000)                 |
| Interest payments on bonds payable                              | (1,246,369)                 | (1,294,568)                 |
| Other interest payments   | (1,897)                     | (2,649)                     |
| Net cash used in capital and related financing activities       | <u>(12,632,285)</u>         | <u>(11,396,120)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                             |                             |
| Interest on investments   | <u>255,544</u>              | <u>736,494</u>              |
| Net cash provided by investing activities                       | <u>255,544</u>              | <u>736,494</u>              |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                | 1,198,115                   | 641,006                     |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>             | <u>37,138,223</u>           | <u>36,497,217</u>           |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>                   | <u><u>\$ 38,336,338</u></u> | <u><u>\$ 37,138,223</u></u> |

## Central Lincoln People's Utility District

### Statements of Cash Flows

|  | Years Ended June 30, |               |
|--|----------------------|---------------|
|  | 2021                 | 2020          |
| RECONCILIATION OF NET OPERATING REVENUES TO<br>NET CASH PROVIDED BY OPERATING ACTIVITIES |                      |               |
| Net operating revenues   | \$ 4,956,506         | \$ 3,751,824  |
| Adjustments to reconcile net operating revenues to<br>net cash provided by activities    |                      |               |
| Depreciation   | 9,034,591            | 8,638,314     |
| Non-cash portion of OPEB expense   | 439,219              | 285,786       |
| Transmission agreement amortization expense  | 56,459               | 56,459        |
| Decrease (increase) in   |                      |               |
| Customer accounts receivable   | 238,412              | (63,153)      |
| Other receivables  | (366,524)            | (39,660)      |
| Materials and supplies   | (93,678)             | 191,302       |
| Prepayments  | 80,428               | (166,068)     |
| Other current assets   | 5,487                | (7,338)       |
| Increase (decrease) in   |                      |               |
| Accounts payable   | (186,795)            | (683,683)     |
| Accrued compensated absences   | 232,934              | 265,127       |
| Customer deposits  | (204,105)            | (441,152)     |
| Total OPEB liability   | (617,290)            | (498,825)     |
| Liability reserves   | 8,901                | 8,368         |
| Unearned revenue   | (9,689)              | 3,331         |
| Total adjustments  | 8,618,350            | 7,548,808     |
| Net cash provided by operating activities  | \$ 13,574,856        | \$ 11,300,632 |

**Central Lincoln People's Utility District**  
**Statements of Pension Trust Fund's Fiduciary Net Position**

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|   | June 30,      |               |
|---|---------------|---------------|
|   | 2021          | 2020          |
| <b>ASSETS</b>                                   |               |               |
| Cash and cash equivalents                       | \$ 103,801    | \$ 263,523    |
| Investments in mutual funds                     |               |               |
| Fixed income                                    | 12,255,323    | 9,081,640     |
| Domestic equity                                 | 20,345,640    | 14,252,055    |
|   | 32,600,963    | 23,333,695    |
| Contributions receivable                        | 12,383        | 13,165        |
| Total assets                                    | 32,717,147    | 23,610,383    |
| Net position held in trust for pension benefits | \$ 32,717,147 | \$ 23,610,383 |

**Central Lincoln People's Utility District**  
**Statements of Changes in Pension Trust Fund's Fiduciary Net Position**

---

|  | Years Ended June 30, |                      |
|--|----------------------|----------------------|
|  | 2021                 | 2020                 |
| ADDITIONS  |                      |                      |
| Contributions  |                      |                      |
| Employer   | \$ 3,061,623         | \$ 3,060,858         |
| Employee   | 240,620              | 250,391              |
| Total contributions  | 3,302,243            | 3,311,249            |
| Investment income  |                      |                      |
| Dividends and interest   | 847,135              | 679,708              |
| Unrealized gain (loss), net  | 5,863,093            | (2,092,568)          |
| Realized gains, net  | 405,512              | 1,892,782            |
| Net investment income  | 7,115,740            | 479,922              |
| Total additions  | 10,417,983           | 3,791,171            |
| DEDUCTIONS   |                      |                      |
| Benefit payments to participants                                   | 1,311,219            | 1,086,047            |
| Changes in net position  | 9,106,764            | 2,705,124            |
| Net position held in trust for pension benefits, beginning of year | 23,610,383           | 20,905,259           |
| Net position held in trust for pension benefits, end of year       | <u>\$ 32,717,147</u> | <u>\$ 23,610,383</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 Pension Trust Fund). The investments, pension funding, contributions, and benefit payment activity and the fiduciary net position are reported in the respective Pension 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 approximately 27% of the District's operating revenues are derived from sales to Georgia-Pacific Corporation for the years ended June 30, 2021 and 2020.

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 other than the fiduciary component units described previously.

#### **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 Pension Trust Fund, a defined benefit pension plan. The financial activities of the Pension Trust Fund are included in the pension trust fund fiduciary statements of this report.

# Central Lincoln People's Utility District

## Notes to Financial Statements

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

#### 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.

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 CIAC when a legally enforceable claim is established. Until the District meets the criteria to record the amounts described above as CIAC, any amounts received are recorded within unearned contributions in aid of construction on the statements of net position. No such amounts were required to be recorded as unearned contributions in aid of construction on the statements of net position as of June 30, 2021 and 2020.

#### Fair value of financial instruments

The fair value of the Pension Fund's investments are estimated based on the quoted market prices for the same or similar issues.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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

##### **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. No allowance for doubtful accounts was deemed necessary over other receivables given that the amounts are considered fully collectible.

##### **Materials and supplies**

Materials and supplies provide additions and repairs to electric plant and are stated at weighted average cost.

##### **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.

##### **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 and Trust.

##### **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 straight-line method, over the term of the bonds.

##### **Compensated absences**

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

# Central Lincoln People's Utility District

## Notes to Financial Statements

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

#### Customer deposits

The District requires deposits from certain customers upon request for service and are refundable under certain circumstances.

#### 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 Pension Trust Fund and additions to/deductions from the Pension 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.

#### Other Post-Employment Benefits (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.

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

#### Revenue recognition

Electric 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 customer 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.



## Central Lincoln People's Utility District

### Notes to Financial Statements

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

##### 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 2 – Electric Plant

Electric plant activity for the year ended June 30, 2021 was as follows:

|   | July 1, 2020          | Increases            | Decreases           | June 30, 2021         |
|---|-----------------------|----------------------|---------------------|-----------------------|
| Electric plant not being depreciated:       |                       |                      |                     |                       |
| Intangible                                  | \$ 147,817            | \$ -                 | \$ -                | \$ 147,817            |
| Land  | 7,563,534             | 88,320               | -                   | 7,651,854             |
| Construction in progress                    | 6,429,321             | 10,718,089           | 8,423,311           | 8,724,099             |
|   | <u>14,140,672</u>     | <u>10,806,409</u>    | <u>8,423,311</u>    | <u>16,523,770</u>     |
| Total electric plant not being depreciated  |                       |                      |                     |                       |
|   | <u>14,140,672</u>     | <u>10,806,409</u>    | <u>8,423,311</u>    | <u>16,523,770</u>     |
| Electric plant being depreciated:           |                       |                      |                     |                       |
| Transmission                                | 19,670,844            | 1,174,308            | 322,893             | 20,522,259            |
| Distribution                                | 200,932,810           | 5,311,343            | 2,384,719           | 203,859,434           |
| General                                     | 72,484,043            | 2,321,478            | 258,572             | 74,546,949            |
|   | <u>293,087,697</u>    | <u>8,807,129</u>     | <u>2,966,184</u>    | <u>298,928,642</u>    |
| Total electric plant being depreciated      |                       |                      |                     |                       |
|   | <u>293,087,697</u>    | <u>8,807,129</u>     | <u>2,966,184</u>    | <u>298,928,642</u>    |
| Accumulated depreciation                    | 149,901,041           | 9,578,586            | 4,074,586           | 155,405,041           |
|   | <u>149,901,041</u>    | <u>9,578,586</u>     | <u>4,074,586</u>    | <u>155,405,041</u>    |
| Total electric plant being depreciated, net |                       |                      |                     |                       |
|   | <u>143,186,656</u>    | <u>(771,457)</u>     | <u>(1,108,402)</u>  | <u>143,523,601</u>    |
| Electric plant, net                         | <u>\$ 157,327,328</u> | <u>\$ 10,034,952</u> | <u>\$ 7,314,909</u> | <u>\$ 160,047,371</u> |

## Central Lincoln People's Utility District

### Notes to Financial Statements

#### Note 2 – Electric Plant (continued)

Electric plant activity for the year ended June 30, 2020 was as follows:

|   | July 1, 2019   | Increases     | Decreases     | June 30, 2020  |
|---|----------------|---------------|---------------|----------------|
| Electric plant not being depreciated:       |                |               |               |                |
| Intangible                                  | \$ 147,817     | \$ -          | \$ -          | \$ 147,817     |
| Land  | 7,230,171      | 333,363       | -             | 7,563,534      |
| Construction in progress                    | 11,317,247     | 10,211,274    | 15,099,200    | 6,429,321      |
| Total electric plant not being depreciated  | 18,695,235     | 10,544,637    | 15,099,200    | 14,140,672     |
| Electric plant being depreciated:           |                |               |               |                |
| Transmission                                | 19,536,463     | 179,902       | 45,521        | 19,670,844     |
| Distribution                                | 188,574,025    | 13,372,777    | 1,013,992     | 200,932,810    |
| General                                     | 70,736,703     | 1,892,479     | 145,139       | 72,484,043     |
| Total electric plant being depreciated      | 278,847,191    | 15,445,158    | 1,204,652     | 293,087,697    |
| Accumulated depreciation                    | 142,581,077    | 9,119,863     | 1,799,899     | 149,901,041    |
| Total electric plant being depreciated, net | 136,266,114    | 6,325,295     | (595,247)     | 143,186,656    |
| Electric plant, net                         | \$ 154,961,349 | \$ 16,869,932 | \$ 14,503,953 | \$ 157,327,328 |

#### Note 3 – Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following as of June 30, 2021 and 2020:

|   | 2021          | 2020          |
|---|---------------|---------------|
| Working funds   | \$ 3,950      | \$ 3,950      |
| Deposits with financial institutions                      | 978,633       | 1,464,086     |
| Deposits with the Oregon Local Government Investment Pool | 37,353,755    | 35,670,187    |
| Total cash and investments                                | \$ 38,336,338 | \$ 37,138,223 |

#### Deposits

Deposits with financial institutions include bank demand deposits. The total bank balance, as shown on the banks' records, was \$786,663 at June 30, 2021 and \$1,316,279 at June 30, 2020. Of these deposits, the total covered by federal depository insurance was \$473,380 at June 30, 2021 and \$539,997 at June 30, 2020.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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

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. Institutions with deposits in excess of FDIC coverage participate in the Oregon Public Funds Collateralization Program as defined in Oregon Revised Statutes 295. This provides additional protection for public funds in the event of a bank failure, although it does not guarantee 100% protection. The Office of the State Treasurer categorizes financial institutions in Oregon.

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.

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, 2021 were: 60% mature within 93 days, 24% mature from 94 days to one year, and 16% mature from one to three years. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2020 were: 61% mature within 93 days, 23% mature from 94 days to one year, and 16% mature from one to three years.

The District has restricted cash and investments for bond debt service totaling \$3,668,658 at June 30, 2021 and \$3,646,219 at June 30, 2020.

# Central Lincoln People's Utility District

## Notes to Financial Statements

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### Note 4 – 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. The Series 2013 Revenue Bonds are subject to various financial covenants including a debt service coverage ratio, a reserve requirement, and a net revenues coverage requirement.

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. The Series 2016 Revenue Bonds are subject to various financial covenants including a debt service coverage ratio, a reserve requirement, and a net revenues coverage requirement.

Bonds payable consist of the following at June 30:

|  | <u>2021</u>                 | <u>2020</u>                 |
|--|-----------------------------|-----------------------------|
| Series 2013 Revenue Bonds, principal payable annually on December 1 beginning in 2013. Interest at 2.00% – 4.00% per annum payable semi-annually on June 1 and December 1 each year. Final maturity December 2027. | \$ 4,855,000                | \$ 5,455,000                |
| Series 2016 Revenue Bonds, principal payable annually on December 1 beginning in 2016. Interest at 1.60% – 5.00% per annum payable semi-annually on June 1 and December 1 each year. Final maturity December 2045. | <u>26,235,000</u>           | <u>26,955,000</u>           |
|  | 31,090,000                  | 32,410,000                  |
| Less current maturities  | <u>1,365,000</u>            | <u>1,320,000</u>            |
| Long-term debt   | <u><u>\$ 29,725,000</u></u> | <u><u>\$ 31,090,000</u></u> |

## Central Lincoln People's Utility District

### Notes to Financial Statements

#### Note 4 – Long-Term Debt (continued)

Bond principal and interest transactions for the year ended June 30, 2021 are as follows:

|             | Balance<br>July 1, 2020 | Issued      | Retired             | Balance<br>June 30, 2021 | Due Within<br>One Year | Interest<br>Matured<br>and Paid |
|-------------|-------------------------|-------------|---------------------|--------------------------|------------------------|---------------------------------|
| Series 2013 | \$ 5,455,000            | \$ -        | \$ 600,000          | \$ 4,855,000             | \$ 625,000             | \$ 168,400                      |
| Series 2016 | 26,955,000              | -           | 720,000             | 26,235,000               | 740,000                | 1,077,969                       |
|             | <u>\$ 32,410,000</u>    | <u>\$ -</u> | <u>\$ 1,320,000</u> | <u>\$ 31,090,000</u>     | <u>\$ 1,365,000</u>    | <u>\$ 1,246,369</u>             |

Bond principal and interest transactions for the year ended June 30, 2020 are as follows:

|             | Balance<br>July 1, 2019 | Issued      | Retired             | Balance<br>June 30, 2020 | Due Within<br>One Year | Interest<br>Matured<br>and Paid |
|-------------|-------------------------|-------------|---------------------|--------------------------|------------------------|---------------------------------|
| Series 2013 | \$ 6,030,000            | \$ -        | \$ 575,000          | \$ 5,455,000             | \$ 600,000             | \$ 193,900                      |
| Series 2016 | 27,650,000              | -           | 695,000             | 26,955,000               | 720,000                | 1,100,668                       |
|             | <u>\$ 33,680,000</u>    | <u>\$ -</u> | <u>\$ 1,270,000</u> | <u>\$ 32,410,000</u>     | <u>\$ 1,320,000</u>    | <u>\$ 1,294,568</u>             |

Scheduled maturities of bonds payable for all outstanding issues at June 30, 2021 are as follows:

|                            | Principal            | Interest             | Total                |
|----------------------------|----------------------|----------------------|----------------------|
| Years ending June 30, 2022 | \$ 1,365,000         | \$ 1,201,369         | \$ 2,566,369         |
| 2023                       | 1,415,000            | 1,150,869            | 2,565,869            |
| 2024                       | 1,475,000            | 1,096,444            | 2,571,444            |
| 2025                       | 1,520,000            | 1,047,769            | 2,567,769            |
| 2026                       | 1,565,000            | 1,001,244            | 2,566,244            |
| 2027-2031                  | 6,815,000            | 4,309,781            | 11,124,781           |
| 2032-2036                  | 6,265,000            | 3,042,844            | 9,307,844            |
| 2037-2041                  | 4,800,000            | 1,827,916            | 6,627,916            |
| 2042-2046                  | 5,870,000            | 753,056              | 6,623,056            |
| Total                      | <u>\$ 31,090,000</u> | <u>\$ 15,431,292</u> | <u>\$ 46,521,292</u> |

# Central Lincoln People's Utility District

## Notes to Financial Statements

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### Note 5 – Liability Reserves

Liability reserves consist of the following at June 30:

|                              | 2021              | 2020              |
|------------------------------|-------------------|-------------------|
| Unemployment claims          | \$ 5,248          | \$ 5,248          |
| Medical, dental, and optical | 267,700           | 259,640           |
| Unclaimed checks             | 5,966             | 5,125             |
| Total                        | <u>\$ 278,914</u> | <u>\$ 270,013</u> |

### Note 6 – Defined Benefit Pension Plan and Trust

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

The Central Lincoln People's Utility District Pension Plan and Trust Fund accounts for the assets of the employee defined 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 of Directors (the 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 Pension 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 Pension Plan covers the District's union and non-union employees. The District's Board has the power to alter, amend or terminate the Pension Plan.

*Benefits provided* – The Pension 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 120 month certain and life annuity, is equal to the sum of the following:

- 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.

In addition to the normal form, members may elect to receive the value of their normal retirement benefit as a lump sum payment, a 50% Joint and Survivor annuity, or a 100% Joint and Survivor annuity.

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.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 6 – Defined Benefit Pension Plan and Trust (continued)

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.

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 their contributions in the Pension 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 Pension Plan does not provide for annual cost-of-living adjustments.

*Method used to value investments* – Pension 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 Pension Trust Fund are valued using quoted market prices (Level 1 inputs).

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

|  | July 1, |      |
|--|---------|------|
|  | 2021    | 2020 |
| Inactive employees or beneficiaries currently receiving benefits | 25      | 22   |
| Inactive employees entitled to but not yet receiving benefits    | 10      | 10   |
| Active employees   | 51      | 54   |
| Total  | 86      | 86   |

# Central Lincoln People's Utility District

## Notes to Financial Statements

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### Note 6 – Defined Benefit Pension Plan and Trust (continued)

In June 2010, the District's Board amended the Pension Plan such that no employees hired on or after July 1, 2010 will be eligible to participate in the Pension 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, 2021, the District's contribution rate was 49.0% of expected annual payroll, and for the year ended June 30, 2020, the District's contribution rate was 47.5% of expected annual payroll. Additionally, employees must contribute 1% of annual compensation and the District must contribute a supplemental contribution of 2% of annual compensation. Employees may elect to make voluntary contributions up to a maximum of 10% of compensation.

*Rate of return* – For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on Pension Trust Fund investments, net of Pension Trust Fund investment expense, was 29.12% and 2.19%, respectively. 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, 2021 was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's net pension liability as of June 30, 2020 was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The significant actuarial assumptions used in the July 1, 2021 valuation were the same as those used in the July 1, 2020 valuation.

#### Actuarial assumptions

The total pension liability in the July 1, 2021 and July 1, 2020 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumption for the projected salary increase was changed from 5% in the July 1, 2020 valuation to 4% in the July 1, 2021 valuation. No other changes were made to the assumptions between the July 1, 2021 and July 1, 2020 actuarial valuations.

|                           |                         |
|---------------------------|-------------------------|
| Valuation date            | July 1, 2021            |
| Measurement date          | June 30, 2021           |
| Actuarial cost method     | Entry age normal        |
| Actuarial Assumptions:    |                         |
| Discount rate             | 7.00%                   |
| Inflation                 | 3.00%                   |
| Projected salary increase | 4.00%                   |
| Investment rate of return | 7.00%                   |
| Mortality table           | PRI 2012, Scale MP 2020 |

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



## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 6 – Defined Benefit Pension Plan and Trust (continued)

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 20 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 and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Trust Fund's asset allocations as of June 30, 2021 and 2020, are summarized in the following table:

| Asset Class          | June 30, 2021     |  | June 30, 2020     |  |
|----------------------|-------------------|--|-------------------|--|
|                      | Target Allocation | Long-term Expected Real Rate of Return | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic equity      | 49.00%            | 6.75%                                  | 49.00%            | 6.75%                                  |
| Fixed income         | 40.00%            | 2.23%                                  | 40.00%            | 2.23%                                  |
| International equity | 11.00%            | 4.75%                                  | 11.00%            | 4.75%                                  |

As of June 30, 2021, the Pension Trust Fund had investments of more than 5% of the total fiduciary net position, as follows:

|   |        |
|---|--------|
| Fidelity 500 Index Fund                 | 36.95% |
| Fidelity Extended Market Index Fund     | 14.64% |
| Hotchkis & Wiley High Yield Fund        | 12.66% |
| Dodge & Cox Global BD FD                | 12.31% |
| Fidelity Total International Index Fund | 5.40%  |
| Lazard International Equity Instl       | 5.20%  |

As of June 30, 2020, the Pension Trust Fund had investments of more than 5% of the total fiduciary net position, as follows:

|  |        |
|--|--------|
| Fidelity 500 Index Fund                  | 36.65% |
| Fidelity Extended Market Index Fund      | 13.79% |
| Hartford World Bond Fund                 | 13.09% |
| Hotchkis & Wiley High Yield Fund         | 11.64% |
| Metropolitan West Total Return Bond Plan | 5.49%  |
| Fidelity US Bond Index Fund              | 5.42%  |
| Fidelity Total International Index Fund  | 5.06%  |

# Central Lincoln People's Utility District

## Notes to Financial Statements

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### Note 6 – Defined Benefit Pension Plan and Trust (continued)

#### Discount rate

The discount rate used to measure the total pension liability was 7% as of June 30, 2021 and 2020. 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 Pension Trust Fund'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.

#### Changes in the net pension liability

Changes in the net pension liability for the year ended June 30, 2021 are as follows:

|  | Increase (Decrease)     |                             |                       |
|--|-------------------------|-----------------------------|-----------------------|
|  | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances as of June 30, 2020                   | \$ 40,754,654           | \$ 23,610,383               | \$ 17,144,271         |
| Changes for the year:                          |                         |                             |                       |
| Service cost                                   | 833,540                 | -                           | 833,540               |
| Interest on total pension liability            | 2,865,281               | -                           | 2,865,281             |
| Effect of economic/demographic gains or losses | 224,891                 | -                           | 224,891               |
| Effect of changes in assumptions or inputs     | (757,879)               | -                           | (757,879)             |
| Benefit payments                               | (1,311,219)             | (1,311,219)                 | -                     |
| Employer contributions                         | -                       | 3,061,623                   | (3,061,623)           |
| Member contributions                           | 180,239                 | 240,620                     | (60,381)              |
| Net investment income                          | -                       | 7,115,740                   | (7,115,740)           |
| Administrative expense                         | -                       | -                           | -                     |
| Net changes                                    | 2,034,853               | 9,106,764                   | (7,071,911)           |
| Balances as of June 30, 2021                   | \$ 42,789,507           | \$ 32,717,147               | \$ 10,072,360         |

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 6 – Defined Benefit Pension Plan and Trust (continued)

Changes in the net pension liability for the year ended June 30, 2020 are as follows:

|   | Increase (Decrease)         |                                |                             |
|---|-----------------------------|--------------------------------|-----------------------------|
|   | Total Pension<br>Liability  | Plan Fiduciary<br>Net Position | Net Pension<br>Liability    |
| Balances as of June 30, 2019                      | <u>\$ 38,621,583</u>        | <u>\$ 20,905,259</u>           | <u>\$ 17,716,324</u>        |
| Changes for the year:                             |                             |                                |                             |
| Service cost                                      | 842,510                     | -                              | 842,510                     |
| Interest on total pension liability               | 2,724,475                   | -                              | 2,724,475                   |
| Effect of economic/demographic gains<br>or losses | (499,911)                   | -                              | (499,911)                   |
| Effect of changes in assumptions or inputs        | (27,469)                    | -                              | (27,469)                    |
| Benefit payments                                  | (1,086,047)                 | (1,086,047)                    | -                           |
| Employer contributions                            | -                           | 3,060,858                      | (3,060,858)                 |
| Member contributions                              | 179,513                     | 250,391                        | (70,878)                    |
| Net investment income                             | -                           | 479,922                        | (479,922)                   |
| Administrative expense                            | -                           | -                              | -                           |
| Net changes                                       | <u>2,133,071</u>            | <u>2,705,124</u>               | <u>(572,053)</u>            |
| Balances as of June 30, 2020                      | <u><u>\$ 40,754,654</u></u> | <u><u>\$ 23,610,383</u></u>    | <u><u>\$ 17,144,271</u></u> |

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 6 – 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, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate.

|                         | As of June 30, 2021  |                                  |                     |
|-------------------------|----------------------|----------------------------------|---------------------|
|                         | 1% Decrease<br>6.0%  | Current<br>Discount Rate<br>7.0% | 1% Increase<br>8.0% |
| Total pension liability | \$ 45,268,401        | \$ 42,789,507                    | \$ 40,551,956       |
| Fiduciary net position  | <u>32,717,147</u>    | <u>32,717,147</u>                | <u>32,717,147</u>   |
| Net pension liability   | <u>\$ 12,551,254</u> | <u>\$ 10,072,360</u>             | <u>\$ 7,834,809</u> |

  

|                         | As of June 30, 2020  |                                  |                      |
|-------------------------|----------------------|----------------------------------|----------------------|
|                         | 1% Decrease<br>6.0%  | Current<br>Discount Rate<br>7.0% | 1% Increase<br>8.0%  |
| Total pension liability | \$ 43,087,119        | \$ 40,754,654                    | \$ 38,633,584        |
| Fiduciary net position  | <u>23,610,383</u>    | <u>23,610,383</u>                | <u>23,610,383</u>    |
| Net pension liability   | <u>\$ 19,476,736</u> | <u>\$ 17,144,271</u>             | <u>\$ 15,023,201</u> |

##### Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

The District's actuarially determined pension expense was \$617,826 and \$1,859,476 for the years ended June 30, 2021 and 2020, 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 \$3,061,623 and \$3,060,858 for the years ended June 30, 2021 and 2020, respectively.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 6 – Defined Benefit Pension Plan and Trust (continued)

At June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows of Resources |                     | Deferred Inflows of Resources |                     |
|---|--------------------------------|---------------------|-------------------------------|---------------------|
|   | 2021                           | 2020                | 2021                          | 2020                |
| Differences between expected and actual experience                  | \$ 420,166                     | \$ 361,903          | \$ 307,637                    | \$ 403,774          |
| Changes to assumptions  | 213,088                        | 426,177             | 1,300,183                     | 1,055,621           |
| Net difference between projected and actual earnings on investments | 681,190                        | 915,341             | 4,386,415                     | 295,703             |
|   | <u>\$ 1,314,444</u>            | <u>\$ 1,703,421</u> | <u>\$ 5,994,235</u>           | <u>\$ 1,755,098</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2021 will be amortized as regulatory assets as follows:

|                       |       |                       |
|-----------------------|-------|-----------------------|
| Years ending June 30, | 2022  | \$ (1,148,934)        |
|                       | 2023  | (1,293,793)           |
|                       | 2024  | (1,069,574)           |
|                       | 2025  | <u>(1,167,490)</u>    |
|                       | Total | <u>\$ (4,679,791)</u> |

#### Note 7 – 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 2020-21, the District contributed \$617,290 and participants receiving benefits contributed \$59,997 to the plan. During 2019-20, the District contributed \$498,825 and participants receiving benefits contributed \$68,929 to the plan.

## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 7 – Post-Employment Health Care Benefits (continued)

##### Total OPEB liability

The District's total other postemployment benefits (OPEB) liability as of June 30, 2021 and 2020 of \$4,457,324 and \$4,764,588, respectively was measured as of June 30, 2021 and 2020, respectively, and was determined by an actuarial valuation as of June 30, 2020.

##### Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2021 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, 2020          |
| Measurement date                    | June 30, 2021          |
| Actuarial cost method               | Entry age normal       |
| Actuarial assumptions:              |                        |
| Discount rate                       | 2.21%                  |
| Inflation                           | 3.00%                  |
| Projected salary increase           | 5.00%                  |
| Healthcare trends – medical         | 5.00%                  |
| Healthcare trends – dental & vision | 3.00%                  |
| Mortality table                     | RP-2014, Scale MP 2019 |

There were no changes to benefit terms or assumptions during the year.

The discount rate of 2.21% is the June 30, 2021 rate in the 20-year General Obligation Municipal Bond Index.

# Central Lincoln People's Utility District

## Notes to Financial Statements

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### Note 7 – Post-Employment Health Care Benefits (continued)

#### Changes in the total OPEB liability

Changes in the total OPEB liability for the year ended June 30, 2021 are shown below:

|                                  | <u>Total OPEB<br/>Liability</u> |
|----------------------------------|---------------------------------|
| Balance as of July 1, 2020       | <u>\$ 4,764,588</u>             |
| Changes for the year:            |                                 |
| Service cost                     | 131,446                         |
| Interest on total OPEB liability | 99,352                          |
| Benefit payments                 | <u>(538,062)</u>                |
| Net change                       | <u>(307,264)</u>                |
| Balance as of June 30, 2021      | <u><u>\$ 4,457,324</u></u>      |

Changes in the total OPEB liability for the year ended June 30, 2020 are shown below:

|  | <u>Total OPEB<br/>Liability</u> |
|--|---------------------------------|
| Balance as of July 1, 2019                     | <u>\$ 3,808,112</u>             |
| Changes for the year:                          |                                 |
| Service cost                                   | 125,187                         |
| Interest on total OPEB liability               | 78,131                          |
| Effect of economic/demographic gains or losses | 846,188                         |
| Effect of changes in assumptions or inputs     | 452,520                         |
| Benefit payments                               | <u>(545,550)</u>                |
| Net change                                     | <u>956,476</u>                  |
| Balance as of June 30, 2020                    | <u><u>\$ 4,764,588</u></u>      |

# Central Lincoln People's Utility District

## Notes to Financial Statements

### Note 7 – Post-Employment Health Care Benefits (continued)

#### Sensitivity of the total OPEB liability

The following presents the total OPEB liability of the District as of June 30, 2021 and 2020, as well as what the District's liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

|  | <u>1% Decrease</u> | <u>Current<br/>Health Care<br/>Trend Rates</u> | <u>1% Increase</u> |
|--|--------------------|--|--------------------|
| Total OPEB liability as of June 30, 2021 | \$ 4,091,517       | \$ 4,457,324                                   | \$ 4,880,820       |
| Total OPEB liability as of June 30, 2020 | \$ 4,424,777       | \$ 4,764,588                                   | \$ 5,156,840       |

The following presents the total OPEB liability of the District as of June 30, 2021 and 2020, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

|  | <u>1% Decrease<br/>1.21%</u> | <u>Current<br/>Discount<br/>Rate<br/>2.21%</u> | <u>1% Increase<br/>3.21%</u> |
|--|------------------------------|--|------------------------------|
| Total OPEB liability as of June 30, 2021 | \$ 4,712,837                 | \$ 4,457,324                                   | \$ 4,214,924                 |
| Total OPEB liability as of June 30, 2020 | \$ 5,035,855                 | \$ 4,764,588                                   | \$ 4,507,686                 |

#### OPEB expense and deferred outflows of resources and deferred inflows of resources

For the years ended June 30, 2021 and 2020, the District recognized OPEB expense of \$359,991 and \$332,511, respectively. At June 30, 2021 and 2020, 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> |                   |
|--|---------------------------------------|---------------------|--------------------------------------|-------------------|
|  | <u>2021</u>                           | <u>2020</u>         | <u>2021</u>                          | <u>2020</u>       |
| Differences between expected and actual experience | \$ 629,216                            | \$ 737,702          | \$ 70,617                            | \$ 87,927         |
| Changes to assumptions or other inputs             | <u>336,488</u>                        | <u>394,504</u>      | <u>81,594</u>                        | <u>101,593</u>    |
| Year ended June 30                                 | <u>\$ 965,704</u>                     | <u>\$ 1,132,206</u> | <u>\$ 152,211</u>                    | <u>\$ 189,520</u> |



## Central Lincoln People's Utility District

### Notes to Financial Statements

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#### Note 7 – 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:

|                       |            |                     |
|-----------------------|------------|---------------------|
| Years ending June 30, | 2022       | \$ (129,193)        |
|                       | 2023       | (129,193)           |
|                       | 2024       | (129,193)           |
|                       | 2025       | (129,193)           |
|                       | 2026       | (163,527)           |
|                       | Thereafter | <u>(133,194)</u>    |
|                       | Total      | <u>\$ (813,493)</u> |

#### Note 8 – Defined Contribution Plan

The District provides retirement benefits for all of its qualified employees through a defined contribution plan (Internal Revenue Code Section 401(k)). 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. The District is required to match employee contributions to the plan in accordance with the Plan Document, and District contributions for each employee (and earnings allocated to the employee's account) are fully vested. The total employer contributions were \$600,956 and \$516,701 for the years ended June 30, 2021 and 2020, respectively.

#### Note 9 – 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.

# Central Lincoln People's Utility District

## Notes to Financial Statements

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### **Note 9 – Risk Management (continued)**

#### **Other risks and uncertainties**

During the year ended June 30, 2020, an outbreak of a novel coronavirus (COVID-19) occurred in the United States along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the District is unknown.

### **Note 10 – 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 forecasted 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 MW purchase which began October 1, 2012 and continued through September 30, 2013. Bonneville's latest HWM process, ending September 17, 2020, resulted in a significantly reduced HWM for Central Lincoln. Central Lincoln will procure power through another market purchase of 4 MW from October 2021 through September 2023.

## **Required Supplementary Information**

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

|  | Years Ended June 30, |                      |                      |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2021                 | 2020                 | 2019                 | 2018                 | 2017                 | 2016                 | 2015                 | 2014                 |
| Total pension liability                              |                      |                      |                      |                      |                      |                      |                      |                      |
| Service cost   | \$ 833,540           | \$ 842,510           | \$ 906,276           | \$ 1,076,462         | \$ 1,137,436         | \$ 1,243,490         | \$ 1,168,482         | \$ 960,128           |
| Interest on total pension liability                  | 2,865,281            | 2,724,475            | 2,572,247            | 2,201,747            | 2,045,582            | 1,971,792            | 2,136,472            | 1,604,466            |
| Effect of plan changes                               | -                    | -                    | -                    | -                    | -                    | -                    | 126,416              | 6,316,633            |
| Effect of economic/demographic gains or losses       | 224,891              | (499,911)            | 116,824              | 82,208               | 467,346              | 77,662               | 59,390               | 1,570,266            |
| Effect of changes in assumptions or inputs           | (757,879)            | (27,469)             | (26,079)             | (2,032,694)          | -                    | -                    | 1,704,711            | 1,393,405            |
| Benefit payments                                     | (1,311,219)          | (1,086,047)          | (1,947,904)          | (641,234)            | (1,646,605)          | (2,621,784)          | (3,524,512)          | (5,911,889)          |
| Voluntary member contributions                       | 180,239              | 179,513              | 186,155              | 187,642              | 169,252              | 184,247              | 195,607              | 195,188              |
| Net change in total pension liability                | 2,034,853            | 2,133,071            | 1,807,519            | 874,131              | 2,173,011            | 855,407              | 1,866,566            | 6,128,197            |
| Total pension liability – beginning                  | 40,754,654           | 38,621,583           | 36,814,064           | 35,939,933           | 33,766,922           | 32,911,515           | 31,044,949           | 24,916,752           |
| Total pension liability – ending (a)                 | <u>\$ 42,789,507</u> | <u>\$ 40,754,654</u> | <u>\$ 38,621,583</u> | <u>\$ 36,814,064</u> | <u>\$ 35,939,933</u> | <u>\$ 33,766,922</u> | <u>\$ 32,911,515</u> | <u>\$ 31,044,949</u> |
| Plan fiduciary net position                          |                      |                      |                      |                      |                      |                      |                      |                      |
| Employer contributions                               | \$ 3,061,623         | \$ 3,060,858         | \$ 3,297,424         | \$ 3,717,623         | \$ 4,008,798         | \$ 4,240,730         | \$ 4,178,918         | \$ 2,812,117         |
| Total member contributions                           | 240,620              | 250,391              | 253,407              | 256,298              | 242,277              | 279,818              | 282,512              | 302,877              |
| Net investment income                                | 7,115,740            | 479,922              | 1,226,296            | 1,285,721            | 1,369,128            | 447,723              | (387,274)            | 445,374              |
| Benefit payments                                     | (1,311,219)          | (1,086,047)          | (1,947,904)          | (641,234)            | (1,646,605)          | (2,621,784)          | (3,524,512)          | (5,911,889)          |
| Net change in plan fiduciary net position            | 9,106,764            | 2,705,124            | 2,829,223            | 4,618,408            | 3,973,598            | 2,346,487            | 549,644              | (2,351,521)          |
| Plan fiduciary net position – beginning              | 23,610,383           | 20,905,259           | 18,076,036           | 13,457,628           | 9,484,030            | 7,137,543            | 6,587,899            | 8,939,420            |
| Plan fiduciary net position – ending (b)             | <u>32,717,147</u>    | <u>23,610,383</u>    | <u>20,905,259</u>    | <u>18,076,036</u>    | <u>13,457,628</u>    | <u>9,484,030</u>     | <u>7,137,543</u>     | <u>6,587,899</u>     |
| District's net position liability – ending (a) - (b) | <u>\$ 10,072,360</u> | <u>\$ 17,144,271</u> | <u>\$ 17,716,324</u> | <u>\$ 18,738,028</u> | <u>\$ 22,482,305</u> | <u>\$ 24,282,892</u> | <u>\$ 25,773,972</u> | <u>\$ 24,457,050</u> |

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

|  | Years Ended June 30, |              |              |              |              |              |              |              |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2021                 | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
| Plan fiduciary net position as a percentage of the total pension liability   | 76.46%               | 57.93%       | 54.13%       | 49.10%       | 37.44%       | 28.09%       | 21.69%       | 21.22%       |
| Covered-employee payroll   | \$ 6,040,372         | \$ 6,101,118 | \$ 6,724,914 | \$ 7,033,170 | \$ 6,792,068 | \$ 7,641,327 | \$ 8,500,992 | \$ 8,978,341 |
| District's net pension liability as a percentage of covered-employee payroll | 166.75%              | 281.00%      | 263.44%      | 266.42%      | 331.01%      | 317.78%      | 303.19%      | 272.40%      |

**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. For the year ended June 30, 2021 projected salary increase was updated from 5.0% to 4.0%.

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

|  | Years Ended June 30, |              |              |              |              |              |              |              |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2021                 | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
| Actuarially determined contribution                                  | \$ 3,061,623         | \$ 3,060,858 | \$ 3,297,424 | \$ 3,717,623 | \$ 3,990,255 | \$ 4,240,730 | \$ 4,126,720 | \$ 2,809,677 |
| Contributions in relation to the<br>actuarially defined contribution | 3,061,623            | 3,060,858    | 3,297,424    | 3,717,623    | 4,008,798    | 4,240,730    | 4,178,918    | 2,812,117    |
| Contribution deficiency (excess)                                     | \$ -                 | \$ -         | \$ -         | \$ -         | \$ (18,543)  | \$ -         | \$ (52,198)  | \$ (2,440)   |
| Covered-employee payroll   | \$ 6,040,372         | \$ 6,101,118 | \$ 6,724,914 | \$ 7,033,170 | \$ 6,792,068 | \$ 7,641,327 | \$ 8,500,992 | \$ 8,978,341 |
| Contributions as a percentage<br>of covered-employee<br>payroll      | 50.69%               | 50.17%       | 49.03%       | 52.86%       | 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**  
**Last Eight Fiscal Years**

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|   | Years Ended June 30, |       |       |       |        |       |        |
|---|----------------------|-------|-------|-------|--------|-------|--------|
|   | 2021                 | 2020  | 2019  | 2018  | 2017   | 2016  | 2015   |
| Rate of return, net of investment expense | 29.12%               | 2.19% | 6.65% | 8.64% | 12.40% | 6.30% | -4.96% |

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

|  | 2021                | Years Ended June 30, |                     | 2018                |
|--|---------------------|----------------------|---------------------|---------------------|
|  |                     | 2020                 | 2019                |                     |
| Total OPEB liability                                 |                     |                      |                     |                     |
| Service cost   | \$ 131,446          | \$ 125,187           | \$ 114,714          | \$ 109,251          |
| Interest cost  | 99,352              | 78,131               | 146,558             | 166,384             |
| Change in assumptions                                | -                   | 452,520              | -                   | (161,590)           |
| Experience (gain) loss                               | -                   | 846,188              | -                   | (139,857)           |
| Benefit payments                                     | (538,062)           | (545,550)            | (480,370)           | (492,590)           |
| Net change in total OPEB liability                   | (307,264)           | 956,476              | (219,098)           | (518,402)           |
| Total OPEB liability, beginning                      | 4,764,588           | 3,808,112            | 4,027,210           | 4,545,612           |
| Total OPEB liability, ending                         | <u>\$ 4,457,324</u> | <u>\$ 4,764,588</u>  | <u>\$ 3,808,112</u> | <u>\$ 4,027,210</u> |
| Covered-employee payroll                             | \$ 8,700,733        | \$ 8,286,412         | \$ 10,014,351       | \$ 9,537,477        |
| Total OPEB liability as a percent of covered payroll | 51.23%              | 57.50%               | 38.03%              | 42.23%              |

**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.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% as of June 30, 2018 actuarial valuation to 2.21% as of June 30, 2020. In addition, changes of assumptions were made during the 2021 measurement period to update healthcare costs and trends.



## **Other Supplementary Information**

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## Central Lincoln People's Utility District

### Schedule of Electric Plant in Service

|                                      | June 30,       |                |
|--------------------------------------|----------------|----------------|
|                                      | 2021           | 2020           |
| Intangible plant                     |                |                |
| Organization                         | \$ 14,743      | \$ 14,743      |
| Franchises and consents              | 1,387          | 1,387          |
| Miscellaneous                        | 131,687        | 131,687        |
| Total intangible plant               | 147,817        | 147,817        |
| Transmission plant                   |                |                |
| Land and land rights                 | 2,217,668      | 2,217,668      |
| Station equipment                    | 50,344         | 50,344         |
| Poles, towers, and fixtures          | 13,661,263     | 12,960,724     |
| Overhead conductors and devices      | 6,458,515      | 6,307,639      |
| Underground conduit                  | 54,999         | 54,999         |
| Underground conductors and devices   | 297,138        | 297,138        |
| Total transmission plant             | 22,739,927     | 21,888,512     |
| Distribution plant                   |                |                |
| Land and land rights                 | 2,407,789      | 2,319,469      |
| Structures and improvements          | 4,972,167      | 4,934,850      |
| Station equipment                    | 50,893,832     | 55,780,177     |
| Poles, towers, and fixtures          | 45,640,204     | 43,946,516     |
| Overhead conductors and devices      | 20,354,116     | 18,967,717     |
| Underground conduit                  | 17,821,837     | 16,240,567     |
| Underground conductors and devices   | 19,748,040     | 18,301,457     |
| Line transformers                    | 26,329,649     | 25,481,913     |
| Services                             | 7,467,153      | 7,102,715      |
| Meters and devices                   | 6,692,977      | 6,569,489      |
| Installations on customers' premises | 663,541        | 666,580        |
| Street lighting equipment            | 3,275,918      | 2,940,829      |
| Total distribution plant             | 206,267,223    | 203,252,279    |
| General plant                        |                |                |
| Land and land rights                 | 3,026,397      | 3,026,397      |
| Structures and improvements          | 34,285,667     | 33,729,229     |
| Office furniture and equipment       | 11,223,653     | 11,123,713     |
| Transportation equipment             | 9,511,010      | 8,629,041      |
| Stores equipment                     | 6,697          | 6,697          |
| Tools and shop equipment             | 1,694,688      | 1,583,540      |
| Laboratory equipment                 | 702,139        | 717,045        |
| Communications equipment             | 17,061,340     | 16,633,023     |
| Miscellaneous equipment              | 61,755         | 61,755         |
| Total general plant                  | 77,573,346     | 75,510,440     |
| Total electric plant in service      | \$ 306,728,313 | \$ 300,799,048 |

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

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**Report of Independent Auditors on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Auditing Standards***

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

We have audited the accompanying financial statements of the Central Lincoln People's Utility District (the District) as of and for the year ended June 30, 2021, and have issued our report thereon dated October 13, 2021. 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 of material misstatement.

**Compliance**

As part of obtaining reasonable assurance about whether the Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules (OAR) 162-010-000 to 162-010-330, 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 over financial reporting.
- 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 programs 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.

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

## **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 controls. 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 not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing and 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. This report is an integral part of an audit performed in accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julie Desimone, Partner, for  
Moss Adams LLP  
Portland, Oregon  
October 13, 2021

