EWEB

Eugene Water & Electric Board

Independent Auditor's Reports and Financial Statements

December 31, 2015 and 2014

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Eugene Water & Electric Board

Board of Commissioners

Mr. Steve Mital, Wards 1 & 8, President

Mr. John Simpson, “At Large,” Vice-president

Mr. John Brown, Wards 4 & 5, Member

Mr. James Manning, Wards 6 & 7, Member

Mr. Dick Helgeson, Wards 2 & 3, Member

Officers

Mr. Roger Gray, General Manager, Secretary

Ms. Anne Kah, Assistant Secretary

Ms. Susan Fahey, Treasurer

Ms. Susan Eicher, Assistant Treasurer

REPORT OF INDEPENDENT AUDITORS

The Board of Commissioners
Eugene Water & Electric Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric System, Water System and Combined Total Systems of Eugene Water & Electric Board (the "Board"), which comprise the individual and combined statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

REPORT OF INDEPENDENT AUDITORS (continued)

Opinions

In our opinion, the individual and combined financial statements referred to above present fairly, in all material respects, the financial position of the Board as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Board adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective July 1, 2014. The December 31, 2014 financial statements have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's financial statements. The Electric System and Water System long-term bonded debt and interest payment requirements (including current portion) schedules and the Electric System and Water System analysis of certain restricted cash and investments for debt service schedules ("supplementary information") are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

REPORT OF INDEPENDENT AUDITORS (continued)

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated March 4, 2016, on our consideration of the Board's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statues 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

For Moss Adams LLP
Portland, Oregon
March 4, 2016

The following discussion provides an overview of the financial results of the Eugene Water & Electric Board for the years ended 2015, 2014, and 2013. This unaudited discussion is intended to be used in conjunction with the financial statements and note disclosures following this section.

The Eugene Water & Electric Board (EWEB or the Board) is the largest publicly owned electric and water utility in Oregon. The City of Eugene commenced utility operations in 1908 with the purchase of a privately owned water system. In 1911, upon completion of the City's first municipal hydroelectric power plant, the City organized the Eugene Water Board to operate the City's electric and water utilities. The name of the Eugene Water Board was changed to the Eugene Water & Electric Board in 1949.

EWEB is an administrative unit of the City of Eugene, Oregon (the City). As chartered by the City, EWEB operates as a primary government, and is not considered a component unit of the City. The Board supplies electric and water service within the city limits of Eugene and to certain areas outside the city limits. EWEB is governed by a five member Board of Commissioners who are elected by voters residing in the City. The Board of Commissioners has authority to set rates for water and electric and provide governance to the Board. Rates for water and electric are set based on the cost of delivery of service, including operating, capital, and debt service expenses.

Electric System

The Electric System supplies service to 90,000 residential, commercial, and industrial customers within the 236 square miles encompassing the City of Eugene, and certain customers along the McKenzie River between the cities of Walterville and Vida, where the Board owns generation facilities. The Electric System, owns and operates 1,132 miles of overhead and underground distribution lines, and 167 miles of transmission lines. Power to supply customers is provided by contracts with Bonneville Power Authority (BPA), generation resources owned by EWEB, other contracted resources, and purchases from the wholesale energy markets. Excess power not needed for customer load is sold in the wholesale energy markets.

2015	**mWh**	
EWEB owned generation	718,080	14%
Contracted generation	2,671,891	54%
Market purchases	1,563,582	32%
	4,953,553	100%

The EWEB power supply resource mix is primarily hydro-power, but also includes wind, biomass, and steam.

2015	**mWh**	
Hydro-power	3,015,734	61%
Wind	187,052	4%
Steam	70,367	1%
Biomass	116,818	2%
Other market purchases	1,563,582	32%
	4,953,553	100%

The Electric System entered into a contract to sell a EWEB owned hydro-power resource, the Smith Falls generation facility in northern Idaho. The transfer of ownership was in process, but not yet complete at year-end. The sale of Smith Falls will not have a material effect on generation capacity or revenue.

Net Operating Revenue

Electric System net operating revenue for 2015 decreased compared to both 2014 and 2013. Decreases were due to economic factors including market prices for power and weather trends.

Electric System - Net Operating Revenue

(in thousands)	2015	*restated* 2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Operating revenue	$ 238,983	$ 257,170	$ 238,060	$ (18,187)	$ 923
Operating expense	(217,418)	(222,780)	(207,504)	5,362	(9,914)
Net operating revenue	$ 21,565	$ 34,390	$ 30,556	$ (12,825)	$ (8,991)

Operating Revenue

Operating Revenue varies from year to year based on customer load, generation available for sale, and the market prices for generation available for sale. Residential customers make up 90% of EWEB's customer base and approximately 50% of retail sales. Electric System customer rates did not increase in 2015. In 2014, there was an overall average increase of 4%, and in 2013, there was a total average rate change of 5.75%, with 1.75% being a pass through of BPA rate changes.

Sales to residential customers are variable based on weather trends. Operating revenue from residential customers was impacted by the unusually warm first quarter of 2015, a time when consumption is generally at its peak for the year. The first quarter of 2014 included very cold weather in January and February.

The remainder of 2015 was close to budget expectations for operating revenue, but the deficit from first quarter resulted in a $5 million deficit compared to 2015 budget and was $1.2 million lower compared to 2014 sales. Commercial and industrial sales make up 10% of the EWEB customer base, and approximately 50% of customer revenue. Commercial and industrial sales are more reactive to economic conditions than weather conditions. Commercial and industrial sales have increased compared to both 2014 and 2013, as economic conditions have continued to stabilize from the post 2008 recession years.

Electric System - Sales to Customers

(in thousands)	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Residential	$ 93,321	$ 94,554	$ 93,466	$ (1,233)	$ (145)
Commericial and Industrial	98,153	97,732	90,306	421	7,847
	$ 191,474	$ 192,286	$ 183,772	$ (812)	$ 7,702

Electric System - Sales to Customers mWh

	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Residential	893,001	919,175	980,515	(26,174)	(87,514)
Commericial and Industrial	1,484,380	1,492,279	1,427,880	(7,899)	56,500
	2,377,381	2,411,454	2,408,395	(34,073)	(31,014)

Power not needed to serve retail load is sold into the wholesale markets. The Electric System has an active hedging program to ensure prices for power sold into the wholesale market do not drop below the amount anticipated in the annual budget. Prices for market sales have reached historic lows, largely due to downward pressure on prices from low cost natural gas powered resources and decreases in the price of oil. When customer load is lower than anticipated, unsold power is sold at market prices much lower than retail rates, resulting in lower operating revenue overall.

	2015	2014	2013
Retail sales	$ 191,473,612	$ 192,285,437	$ 183,771,914
Retail volume	2,377,381	2,411,454	2,408,395
Average price per mWh	$ 80.54	$ 79.74	$ 76.30
Wholesale sales	$ 38,761,472	$ 57,729,892	$ 48,494,081
Wholesale volume	1,687,954	1,818,055	1,584,695
Average price per mWh	$ 22.96	$ 31.75	$ 30.60

Operating Expense

Electric System operating expenses include purchased power and transmission expense, including the cost of power from BPA and other contracted resources, and market purchases. Prices for BPA and contracted resources are set by their respective contracts, which may escalate over time. Market purchases are made at times when resources aren't adequate for customer load or to support the EWEB hedging program, and are subject to price variability to the extent those sales are not fully hedged. Overall, purchased power expense decreased compared to 2015 and was nearly the same as 2013.

Most non-power operating expenses decreased compared to both 2014 and 2013, with the exception of transmission, distribution and depreciation. The change in transmission and distribution expense was a result of performing more operations and maintenance work in 2015 than in prior years. Depreciation increased due to the addition of plant assets with short depreciable lives.

The Electric System implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) in 2015. Under GASB 68, the Electric System recognizes on the Statement of Net Position its share of the Net Pension Liability, or Asset, of the Oregon Public Employees Retirement System (PERS) system. GASB 68 results in pension expense that has "non-cash" components representing the change from year-to year in the Net Pension Liability. EWEB has elected to treat the non-cash portion of pension expense as a regulatory deferral as allowed under regulatory accounting, since the Electric System does not intend to recover this expense in current rates. Deferred pension expense will be recognized over time as actual expenses are recovered in rates. Total operating expenses were:

Electric System - Operating Expense

(in thousands)	2015	*restated* 2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Operating expense	$ 217,418	$ 222,780	$ 207,504	$ (5,362)	$ 9,914

Other Non-operating Revenue, Expense, and Capital Contributions

Electric System - Non Operating Revenue and Expense

(in thousands)	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Non-operating revenue	$ 6,461	$ 9,596	$ 7,793	$ (3,135)	$ (1,332)
Non-operating expense	(12,294)	(16,321)	(16,840)	4,027	4,546
Capital contributions	4,006	2,808	2,617	1,198	1,389
Total	$ (1,827)	$ (3,917)	$ (6,430)	$ 2,090	$ 4,603

For the Electric System, non-operating revenues are primarily miscellaneous revenues from sources unrelated to core business functions, including interest earnings, proceeds from disposal of assets, and grant revenue. Non-operating revenue has decreased from both 2014 and 2013; 2014 included a large grant from FEMA for storm restoration and the gain on sale of a surplus property.

Non-operating expenses consist primarily of interest expense on debt, and are generally in excess of non-operating revenue and capital contributions. However, several factors have led to a decrease overall in the excess. Due to the maturity and retirement of a note payable for the Harvest Wind project and ongoing payment of existing debt, interest expense has decreased compared to both 2014 and 2013. Capital contributions represent amounts customers contribute to construct assets that become part of plant in service for the Electric system. Capital contributions increased due to customer demand for new service, and due to significant work to upgrade or relocate EWEB lines and services in advance construction of the Lane Transit District EmX Rapid Transit system.

Total Assets and Deferred Outflows of Resources

Total assets for the Electric System include utility plant, net of depreciation, current assets representing cash and investments, accounts receivable, materials inventory, pre-paid expenses, and non-current assets such as equity investments, and long-term investments.

Current assets are influenced by cash balances, investments having maturities less than one year, and changes in balances of customer and other receivables at year end. Current assets have decreased since 2014 and 2013 due to use of cash to pay off a short-term note for the Harvest Wind Project, and decreases in customer receivables for retail and wholesale sales of power.

Non-current assets have decreased since 2014 and 2013, with the most significant changes being a decrease in the balance of long-term investments, and a decrease in the balance of non-utility property due to the sale of surplus property.

Deferred outflows of resources represents transactions that will occur in future periods and cannot be considered assets. Prior to implementation of GASB 68, deferred outflows were primarily the unrealized mark-to-market value of hedging derivatives. For 2015 and 2014, deferred outflows include deferral of changes in net pension liability and pension expense.

Electric System - Assets and Deferred Outflows

(in thousands)	2015	*restated* 2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Net utility plant	$ 365,398	$ 367,914	$ 369,622	$ (2,516)	$ (4,224)
Current assets	168,727	181,049	173,547	(12,322)	(4,820)
Non-current assets	165,513	186,001	171,016	(20,488)	(5,503)
Deferred outflows of resources	8,937	6,951	2,936	1,986	6,001
Total assets and deferred outflows of resources	$ 708,575	$ 741,915	$ 717,121	$ (33,340)	$ (8,546)

Capital Asset Activity

Electric System - Capital Assets

(in thousands)	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Plant in service	$ 752,863	$ 728,250	$ 706,852	$ 24,613	$ 46,011
Accumulated depreciation	(393,797)	(371,953)	(352,189)	(21,844)	(41,608)
Property for future use	827	827	3,436	-	(2,609)
Construction work in progress	5,505	10,790	11,523	(5,285)	(6,018)
Net utility plant	$ 365,398	$ 367,914	$ 369,622	$ (2,516)	$ (4,224)

Net utility plant has decreased each year since 2013 despite an increasing balance in plant in service. The balance of construction work in progress decreased by approximately 50% from 2014 and 2013, and property for future use decreased by 76% from 2013 after the removal from plant, and sale of a commercial property that was declared surplus.

Capital projects for the Electric System are categorized by "type", with the type representing the source of funds and strategic category of the work in the capital plan. Type 1 projects are ongoing capital improvements and replacements to be funded through the Capital Reserve. The Capital Reserve is funded by customer rates. Significant Type 1 projects for 2015 included ongoing capital replacements of the transmission and distribution system, generation facilities, information technology projects, buildings and land, and fleet vehicles. Work for installation of customer infrastructure, most of which is reimbursed by contributions in aid of construction, is also considered Type 1.

Type 2 Projects are rehabilitation and expansion projects and may be funded by either rates or issuance of bonds. Current Type 2 projects include work on the downtown network, relocation of services to accommodate the Lane Transit District EmX rapid transit project, and information technology projects.

Type 3 projects are strategic projects generally funded by the issuance of bonds. The Carmen Smith relicensing project is the primary Type 3 project.

Ongoing capital improvements include:

Electric System - Capital projects

2015	2014	2013
Generation	Generation	Generation
Substations & Telecom	Substations & Telecom	Substations & Telecom
Transmission & Distribution	Transmission & Distribution	Transmission & Distribution
Information Technology	Information Technology	Information Technology
Transportation Equipment	Transportation Equipment	Transportation Equipment
Buildings & Land	Buildings & Land	Buildings & Land
Carmen Smith License Implementation	Carmen Smith License Implementation	Carmen Smith License Implementation
Lane Transit District EmX Project	Lane Transit District EmX Project	
Leaburg Roll Gate Rebuild	Leaburg Roll Gate Rebuild	

More detailed information about plant activity is available in Note 3 – Utility Plant, in the note disclosures to the financial statements.

Debt Activity

The Electric System issues revenue bonds or notes payable to fund capital projects. Current bond funded projects include Carmen Smith relicensing work and the downtown network. No additional debt was issued in 2015, 2014, or 2013.

During 2015, Fitch Ratings reviewed and affirmed the Electric System bond rating of A+, with a stable outlook. Electric system bonds are rated AA- by Standard and Poors Ratings Services, and Aa3 by Moody's Investors Service

A short term note for financing of project costs for the Harvest Wind Project matured in May of 2015, and the entire $29 million balance was retired. The retirement of the Harvest Wind note and scheduled principal payments on bonded debt resulted in a significant decrease in total outstanding debt over the last three years.

Electric System - Debt Activity

(in thousands)	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Total outstanding debt	$ 236,148	$ 277,600	$ 289,183	$ (41,452)	$ (53,035)

More detailed information about debt activity can be found in the note disclosure to the financial statements, Note – 11 Long-term Debt, and in the unaudited supplementary schedules following the note disclosures.

Liabilities

Trends in total liabilities and deferred inflows of resources for the Electric System were influenced by the recognition of net pension liability, and deferral of the non-cash portion of pension expense for implementation of GASB 68. All of the effects of GASB 68 implementation are recorded as either non-current liabilities, or deferred inflows of resources for 2015 and 2014 only. The Electric System recognized a net pension liability of $37 million in 2015, compared to a $16 million net pension asset for 2014. The change from a net pension asset to net pension liability was due primarily to the Oregon Supreme Court Moro decision, which overturned certain PERS reforms that had been expected to lead to significant savings for the PERS system. Regulatory deferred inflows of $22 million were recognized in 2014 due to the deferral of non-cash pension expense, and a regulatory asset of $6 million was recognized in 2015 as Pension debits.

Current liabilities are primarily accounts and payroll payable, and the current portion of long-term debt. With the exception of 2014 when the $29 million Harvest Wind note was reclassified as current, current liabilities have decreased since 2013.

Electric System - Liabilities and Deferred Inflows

(in thousands)	2015	*restated* 2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Current liabilities	$ 41,929	$ 72,010	$ 45,505	$ (30,081)	$ (3,576)
Total liabilities	322,445	329,290	346,151	(6,845)	(23,706)
Deferred inflows of resources	13,732	59,966	3,749	(46,234)	9,983
Total Liabilities and deferred inflows of resources	$ 378,106	$ 461,266	$ 395,405	$ (83,160)	$ (17,299)

Net Position

The net investment in capital assets component of net position, which reflects the value of capital assets net of the debt incurred to acquire those assets has increased each year since 2013. Capital assets have been added each year, while no additional debt has been incurred.

Restricted net assets are subject to external legal restrictions on their use, and are primarily representative of reserves for payment of debt service, unspent proceeds from the issuance of bonded debt, and amounts deposited in escrow accounts relating to the Harvest Wind Project.

Unrestricted net position represents the accumulation of net assets that are not capital assets, or subject to external restrictions on their use. Unrestricted net position includes, but does not solely represent unrestricted cash position, as it incorporates the effects of non-cash transactions, including the effects of GASB 68 implementation for 2015 and 2014.

Overall net position has increased by approximately 6% compared to 2014, and 1% compared to 2013.

Electric System - Net Position

(in thousands)	2015	*restated* 2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Net investment in capital assets	$ 169,833	$ 164,313	$ 149,739	$ 5,520	$ 20,094
Restricted	17,529	17,844	16,949	(315)	580
Unrestricted	185,036	170,502	200,534	14,534	(15,498)
Total net position	$ 372,398	$ 352,659	$ 367,222	$ 19,739	$ 5,176

Reserves and Investment Activity

The Board of Commissioners has established Electric System designated reserve accounts for purposes including funding routine capital activity and significant one-time expenses, and to protect customers from the effects of large fluctuations in power prices, generation volume and counterparty risk. The Board has authority to re-evaluate and redirect reserves based on current priorities. During 2015, the most significant changes to designated reserves were due to the retirement of a $29 million note taken out to fund the Harvest Wind Project. Additional deposits were made to increase the Rate Stabilization Fund, which is available for one-time expenses, and the Pension and Medical reserve, which is accumulated with the intent to pay down the Electric System PERS or Other Post-employment liabilities.

The Electric System also maintains restricted reserves for purposes including payment of principal and interest on debt, and proceeds from bond issuance restricted for use on capital projects.
Working cash and short term investments are not held in reserve and are available for the day-to-day operations of the utility.

All Electric System working cash and reserves are held in bank accounts, the Local Government Investment Pool, or in high quality securities. Investment strategy focuses on preserving principal, liquidity of funds and lastly on investment returns.

Water System

The source of supply for the Water System is the McKenzie River, with its headwaters in the Cascade Range west of Eugene. Intake and purification of water is performed at the Hayden Bridge Water Filtration Plant. In addition to the filtration plant, the Water System owns and operates 23 reservoirs, 27 pump stations, and 800 miles of transmission and distribution mains. The Water System provides water service to residential, commercial, industrial customers within the EWEB service territory. The Water system delivers service to customers residing in neighboring water districts and bills those water districts at wholesale rates. Water is also sold at wholesale rates to a nearby city and a privately owned water company.

Net Operating Revenue

Water net operating revenue has increased by 21% compared to 2014, and 50% compared to 2013.

Water System - Net Operating Revenue

(in thousands)	2015	*restated* 2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Operating revenue	$ 37,521	$ 35,066	$ 32,584	$ 2,455	$ 4,937
Operating expense	(21,296)	(21,614)	(21,769)	318	473
Net operating revenue	$ 16,225	$ 13,452	$ 10,815	$ 2,773	$ 5,410

Operating Revenue

Consumption of water varies depending on the season and the weather pattern of a particular year. Peak consumption is generally in the summer months, but can begin sooner in warmer years. Consumption has trended upward every year since 2013. Water rates were restructured to recover more fixed costs in the monthly basic charge starting in 2013 when there was an overall average 20% increase. For 2014 and 2015, average rates increased by 5.7% and 4.9%.

Residential customers make up 90% of the customer base of the Water System, and, similar to the Electric system, residential consumption is more responsive to weather conditions than commercial and industrial. Water sales revenue and consumption for retail customers has increased by 7% compared to 2014, and by 14% compared to 2013.

Water System - Sales to Customers

(in thousands)	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Residential	$ 20,150	$ 18,710	$ 17,628	$ 1,440	$ 2,522
Commericial and Industrial	13,879	13,003	12,126	876	1,753
	$ 34,029	$ 31,713	$ 29,754	$ 2,316	$ 4,275

Water System - Sales to Customers Kgal

(in thousands)	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Residential	4,042	3,972	3,932	70	110
Commericial and Industrial	3,528	3,389	3,320	139	208
	7,570	7,361	7,252	209	318

The Water System revenue increase includes the effect of a series of rate increases intended to recover more of the fixed costs of the system and to accumulate reserves to fund the Alternative Water Supply (AWS) project. The purpose of the AWS project is to secure a second source of water to supply customers in the event the current source is compromised. Willamette River water rights have been secured, and work was underway to acquire land for a second filtration plant. To avoid substantial rate increases when AWS construction begins, the Board adopted a rate smoothing strategy over the ten-year financial plan.

Wholesale sales include sales to River Road and Santa Clara Water Districts, the City of Veneta, and the Willamette Water Company. Rates for wholesale sales have also increased since 2013, but the wholesale rates do not include the component to accumulate reserves for the AWS project.

	2015	2014	2013
Retail sales	$ 34,029,013	$ 31,713,862	$ 29,754,833
Retail volume	7,569,669	7,361,214	7,252,444
Average price per Kgal	$ 4.50	$ 4.31	$ 4.10
Wholesale sales	$ 2,130,001	$ 2,213,221	$ 1,893,850
Wholesale volume	745,187	867,226	768,580
Average price per Kgal	$ 2.86	$ 2.55	$ 2.46

Operating Expense
The Water System pumps and purifies all water sold, and does not have wholesale purchase expense. The largest production expenses are purification, transmission and distribution of water. Other significant expenses are administrative and general, and depreciation. Water operating expenses have decreased by approximately 1% per year since 2013.

The Water System also implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). Under GASB 68, the Water Utility recognizes on the Statement of Net Position its share of the Net Pension Liability, or Asset, of the PERS system. GASB 68 results in pension expense that has "non-cash" components representing the change from year-to year in the Net Pension Liability. EWEB has elected to treat the non-cash portion of pension expense as a regulatory deferral, as allowed under regulatory accounting, since the Water System does not intend to recover this expense in current rates. Deferred pension expense will be recognized over time as actual expenses are recovered in rates. Total operating expenses were:

Water System - Operating Expense

(in thousands)	2015	*restated* 2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Operating expense	$ 21,296	$ 21,614	$ 21,769	$ (318)	$ (473)

Other Non-operating Revenue, Expense, Capital Contributions, and System Development Charges
Non-operating revenue of the Water System consists primarily of miscellaneous revenue not associated with core business activities, and interest and investment revenue. Non-operating expense is primarily interest expense for long-term debt and capital leases. Capital contributions are related to customer work to extend or relocate water mains and services. Non-operating revenue has decreased compared to 2014 and 2013, while non-operating expense has decreased as ongoing debt service is paid. The Water System has seen a large increase in capital contributions and System Development Charges (SDCs) in 2015 compared to 2014 and 2013. The increase is due to upgrades and relocation of mains and services in advance of the LTD EmX project and an increase in assets constructed by contractors becoming a part of the Water System.

Water System - Non Operating Revenue and Expense

(in thousands)	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Non-operating revenue	$ 206	$ 823	$ 956	$ (617)	$ (750)
Non-operating expense	$ (3,364)	$ (3,525)	$ (3,818)	$ 161	$ 454
Capital contributions	$ 6,874	$ 2,975	$ 2,916	$ 3,899	$ 3,958
Total	$ 3,716	$ 273	$ 54	$ 3,443	$ 3,662

Total Assets and Deferred Outflows of Resources
Total assets for the Water System include utility plant, net of depreciation, current assets that represent cash and short-term investments, accounts receivable, materials inventory, and pre-paid expenses, and non-current assets such as long-term investments.

Recent rate increases have allowed for accumulation of a higher level of working cash and establishment of reserves.

Non-current assets have increased since 2014 and 2013, with the most significant changes being an increase in the balance of long-term investments.

Deferred outflows of resources represent transactions that will occur in future periods and cannot yet be considered an asset. Prior to implementation of GASB 68, deferred inflows were primarily the unamortized premiums related to issuance of long-term debt. For 2015 and 2014, deferred outflows include deferral of changes in net pension liability and pension expense.

Water System - Assets and Deferred Outflows

(in thousands)	2015	*restated* 2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Net utility plant	$ 154,067	$ 144,697	$ 136,168	$ 9,370	$ 17,899
Current assets	30,908	28,449	24,581	2,459	6,327
Non-current assets	9,078	6,249	6,139	2,829	2,939
Deferred outflows of resources	2,237	1,910	843	327	1,394
Total assets and deferred outflows of resources	$ 196,290	$ 181,305	$ 167,731	$ 14,985	$ 28,559

Capital Asset Activity

Water System - Capital Assets

(in thousands)	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Plant in service	$ 254,513	$ 237,294	$ 221,916	$ 17,219	$ 32,597
Accumulated depreciation	(105,624)	(100,581)	(94,454)	(5,043)	(11,170)
Property for future use	1,137	968	968	169	169
Construction work in progress	4,041	7,016	7,738	(2,975)	(3,697)
Net utility plant	$ 154,067	$ 144,697	$ 136,168	$ 9,370	$ 17,899

Capital projects for the Water System are categorized by "type", with the type representing the source of funds and strategic category of the work in the capital plan. Type 1 projects are ongoing capital improvements and replacements funded through the Capital Reserve. The Capital Reserve is funded by customer rates. Significant Type 1 projects for 2015 included ongoing capital replacements of the water intake and distribution system, information technology projects, buildings and land, and fleet vehicles. Work for installation of customer infrastructure, most of which is reimbursed by contributions in aid of construction, is also considered Type 1.

Type 2 Projects are rehabilitation and expansion projects, and may be funded by either rates or issuance of bonds. Current Type 2 projects include, relocation and replacement of mains and of services to accommodate the Lane Transit District EmX rapid transit project, information technology projects and larger intake pumping and distribution system work.

Type 3 projects are strategic projects generally funded by the issuance of bonds. The Alternative Water Supply is currently the only Type 3 project for the Water system.

Ongoing capital improvements included:

Water System - Capital projects

2015	2014	2013
Water Intake and Filtration Plant	Water Intake and Filtration Plant	Water Intake and Filtration Plant
Water Mains	Water Mains	Water Mains
Services and meters	Services and meters	Services and meters
Reservoirs	Reservoirs	Reservoirs
Distribution system	Distribution system	Distribution system
Information Technology	Information Technology	Information Technology
Buildings & Land	Buildings & Land	Buildings & Land
Transportation Equipment	Transportation Equipment	Transportation Equipment
Lane Transit District EmX Project	Lane Transit District EmX Project	
Alternative Water Supply		

More detailed information about plant activity is available in Note 3 – Utility Plant, in the note disclosures to the financial statements.

Debt Activity

The balance of long-term debt for the Water System has decreased each year since 2013 due to the ongoing payment of debt service. No new bonds were issued in 2015, 2014, or 2013. Water System bonds are rated AA+ by Fitch Ratings, AA by Standard and Poors Ratings Services, and Aa2 by Moody's Investors Service.

Water System - Debt Activity

(in thousands)	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Total outstanding debt	$ 45,846	$ 47,705	$ 49,504	$ (1,859)	$ (3,658)

More detailed information about debt activity can be found in the note disclosure to the financial statements, Note – 11 Long-term Debt, and in the unaudited supplementary schedules following the note disclosures.

Liabilities

Trends in total liabilities and deferred inflows of resources for the Water System were influenced by the recognition of net pension liability, and deferral of the non-cash portion of pension expense for implementation of GASB 68. All of the effects of GASB 68 implementation are recorded as either non-current liabilities, or deferred inflows of resources for 2015 and 2014 only. The Water System recognized a net pension liability of $8 million in 2015, compared to a $4 million net pension asset for 2014. The change from a net pension asset to net pension liability was primarily due to the Oregon Supreme Court Moro decision, which overturned certain PERS reforms that had been expected to lead to significant savings for the PERS system. Regulatory deferred inflows of $5 million were recognized in 2014 due to the deferral of non-cash pension expense, and a regulatory asset of $1 million was recognized in 2015 as Pension debits.

Current liabilities are primarily accounts and payroll payable, and the current portion of long-term debt. Current liability balances have decreased compared to 2014, but increased compared to 2013.

Water System - Liabilities and Deferred Inflows

(in thousands)	2015	restated 2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Current liabilities	$ 6,029	$ 6,503	$ 5,749	$ (474)	$ 280
Total liabilities	75,798	70,661	72,641	5,137	3,157
Deferred inflows of resources	1,947	12,042	328	(10,095)	1,619
Total Liabilities and deferred inflows of resources	$ 83,774	$ 89,206	$ 78,718	$ (5,432)	$ 5,056

Net Position

The net investment in capital assets component of net position, which reflects the value of capital assets net of the debt incurred to acquire those assets has increased each year since 2013. Capital assets have been added each year, while no additional debt has been incurred.

Restricted net assets are subject to external legal restrictions on their use and are primarily representative of reserves for payment of debt service, deposits of SDCs to a restricted reserve for work not yet completed, and unspent proceeds from the issuance of bonded debt. Restricted net assets increased in 2015 primarily due to an increase in SDC reserves.

Unrestricted net position represents the accumulation of net assets that are not capital assets, or subject to external restrictions on their use. Unrestricted net position includes, but does not solely represent unrestricted cash position, as it incorporates the effects of non-cash transactions, including the effects of GASB 68 implementation for 2015 and 2014. The Water System unrestricted net position have increased 115% compared to 2014 and 67% compared to 2013, reflecting improvements in net income and unrestricted cash position after two years of strong consumption combined with rate increases to improve fixed cost recovery

Overall net position has increased by approximately 20% compared to 2014, and 25% compared to 2013.

Water System - Net Position

(in thousands)	2015	restated 2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2015/2013
Net investment in capital assets	$ 90,478	$ 83,589	$ 78,008	$ 6,889	$ 12,470
Restricted	6,142	4,851	3,603	1,291	2,539
Unrestricted	21,924	10,162	13,151	11,762	8,773
Total net position	$ 118,544	$ 98,602	$ 94,762	$ 19,942	$ 23,782

Reserves and Investment Activity

The Board of Commissioners has established Water System designated reserve accounts for purposes including funding routine capital activity and significant one-time expenses, and to accumulate funding for pension and post-retirement benefits. The Board has authority to re-evaluate and redirect reserves based on current priorities. During 2015, the most significant reserve activity was the establishment of a Rate Stabilization fund, and the continuing accumulation of the Alternative Water Supply reserve. The Water System had sufficient funds to increase the balance of the Pension and Medical reserve first established in 2014.

The Water System maintains restricted reserves for purposes including payment of principal and interest on debt, and proceeds from bond issuance restricted for use on capital projects.
Working cash and short term investments are not held in reserve and are available for the day-to-day operations of the utility.

All Water System working cash and reserves are held in bank accounts, the Local Government Investment Pool, or in high quality securities. Investment strategy focuses on preserving principal, liquidity of funds and lastly on investment returns.

STATEMENTS OF NET POSITION
December 31, 2015 and 2014

	Electric System		Water System		Total System	
	2015	2014	2015	2014	2015	2014
ASSETS		*(as restated)*		*(as restated)*		*(as restated)*
Capital assets						
Utility plant in service	$ 752,863,250	$ 728,250,069	$ 254,512,937	$ 237,294,361	$ 1,007,376,187	$ 965,544,430
Less accumulated depreciation	393,797,390	371,953,881	105,624,389	100,581,170	499,421,779	472,535,051
Net utility plant in service	359,065,860	356,296,188	148,888,548	136,713,191	507,954,408	493,009,379
Property held for future use	827,449	827,449	1,137,570	968,578	1,965,019	1,796,027
Construction work in progress	5,505,140	10,790,207	4,040,590	7,015,689	9,545,730	17,805,896
Net utility plant	365,398,449	367,913,844	154,066,708	144,697,458	519,465,157	512,611,302
Current assets						
Cash and cash equivalents	14,689,960	1,700,961	7,342,484	8,750,418	22,032,444	10,451,379
Short-term investments	8,715,300	8,152,378	1,014,695	-	9,729,995	8,152,378
Restricted cash and investments	42,121,803	47,639,426	7,142,756	8,192,430	49,264,559	55,831,856
Designated cash and investments	58,915,274	77,277,389	9,702,084	5,907,009	68,617,358	83,184,398
Receivables, less allowances	31,603,034	32,838,274	3,353,602	3,254,441	34,956,636	36,092,715
Due from Water System	887,148	867,504	-	-	-	-
Materials and supplies	4,286,899	4,547,729	1,011,704	918,358	5,298,603	5,466,087
Prepaids	6,931,033	7,270,294	1,340,697	1,425,860	8,271,730	8,696,154
Option premiums short-term	576,960	754,720	-	-	576,960	754,720
Total current assets	168,727,411	181,048,675	30,908,022	28,448,516	198,748,285	208,629,687
Non-current assets						
Investments - designated	34,257,786	25,835,323	5,641,524	1,592,830	39,899,310	27,428,153
Investments - unrestricted	9,399,833	26,614,427	1,094,392	-	10,494,225	26,614,427
Receivables, conservation and other	5,160,480	4,857,478	196,101	227,458	5,356,581	5,084,936
Due from Water System	17,266,499	17,936,308	-	-	-	-
Investment in WGA	2,786,809	432,010	-	-	2,786,809	432,010
Investment in Harvest Wind	25,067,481	26,278,520	-	-	25,067,481	26,278,520
Net pension asset	-	16,010,707	-	3,514,544	-	19,525,251
Preliminary investigations	40,821,423	40,412,334	-	-	40,821,423	40,412,334
Other assets	30,752,543	27,624,381	2,145,501	914,186	32,898,044	28,538,567
Total non-current assets	165,512,854	186,001,488	9,077,518	6,249,018	157,323,873	174,314,198
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	8,936,627	6,951,100	2,237,313	1,910,401	11,173,940	8,861,501
Total assets and deferred outflows of resources	$ 708,575,341	$ 741,915,107	$ 196,289,561	$ 181,305,393	$ 886,711,255	$ 904,416,688

Note: Inter-system receivables and payables are eliminated in the total systems columns.

See accompanying notes

STATEMENTS OF NET POSITION
December 31, 2015 and 2014

	Electric System		Water System		Total System	
	2015	2014	2015	2014	2015	2014
LIABILITIES		*(as restated)*		*(as restated)*		*(as restated)*
Current liabilities						
Payables	$ 18,892,593	$ 20,965,415	$ 1,200,732	$ 1,829,473	$ 20,093,325	$ 22,794,888
Accrued payroll and benefits	4,909,776	4,535,917	1,181,216	1,095,929	6,090,992	5,631,846
Interest payable	-	226,665	-	-	-	226,665
Note payable	-	28,752,398	-	-	-	28,752,398
Due to Electric System	-	-	887,148	867,504	-	-
Payable from restricted assets						
Accrued interest on long-term debt	4,616,586	4,829,232	840,235	870,069	5,456,821	5,699,301
Long-term debt due within one year	13,510,000	12,700,000	1,920,000	1,840,000	15,430,000	14,540,000
Total current liabilities	41,928,955	72,009,627	6,029,331	6,502,975	47,071,138	77,645,098
Non-current liabilities						
Long-term debt	232,865,868	247,703,815	43,925,956	45,864,998	276,791,824	293,568,813
Due to Electric System	-	-	17,266,499	17,936,308	-	-
Net pension liability	37,311,057	-	8,190,233	-	45,501,290	-
Other liabilities	10,339,481	9,576,697	385,843	356,841	10,725,324	9,933,538
Total liabilities	322,445,361	329,290,139	75,797,862	70,661,122	380,089,576	381,147,449
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	13,732,200	59,966,242	1,947,248	12,041,796	15,679,448	72,008,038
NET POSITION						
Net investment in capital assets	169,832,994	164,313,120	90,478,405	83,589,681	260,311,399	247,902,801
Restricted	17,528,492	17,843,802	6,142,255	4,850,766	23,670,747	22,694,568
Unrestricted	185,036,294	170,501,804	21,923,791	10,162,028	206,960,085	180,663,832
Total net position	372,397,780	352,658,726	118,544,451	98,602,475	490,942,231	451,261,201
Total liabilities, deferred inflows of resources and net position	$ 708,575,341	$ 741,915,107	$ 196,289,561	$ 181,305,393	$ 886,711,255	$ 904,416,688

Note: Inter-system receivables and payables are eliminated in the total systems columns.

See accompanying notes.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended December 31, 2015 and 2014

	Electric System		Water System		Total System	
	2015	2014	2015	2014	2015	2014
		(as restated)		*(as restated)*		*(as restated)*
Residential	$ 93,321,059	$ 94,553,818	$ 20,149,706	$ 18,709,892	$ 113,470,765	$ 113,263,710
Commercial and industrial	98,152,553	97,731,619	13,879,307	13,003,980	112,031,860	110,735,599
Sales for resale and other	47,509,022	64,884,772	3,491,974	3,352,559	51,000,996	68,237,331
Operating revenues	238,982,634	257,170,209	37,520,987	35,066,431	276,503,621	292,236,640
Purchased power	108,239,149	115,015,794	-	-	108,239,149	115,015,794
System control	5,902,729	6,828,337	-	-	5,902,729	6,828,337
Wheeling	12,903,605	12,866,001	-	-	12,903,605	12,866,001
Steam and hydraulic generation	11,631,177	12,180,126	-	-	11,631,177	12,180,126
Transmission and distribution	22,147,905	20,924,788	5,171,972	5,956,708	27,319,877	26,881,496
Source of supply, pumping and purification	-	-	6,034,985	4,630,143	6,034,985	4,630,143
Customer accounting	8,151,904	9,285,136	993,499	1,339,873	9,145,403	10,625,009
Conservation expenses	3,885,029	3,766,563	180,023	150,779	4,065,052	3,917,342
Administrative and general	21,018,247	22,381,311	3,188,522	3,948,406	24,206,769	26,329,717
Depreciation on utility plant	23,537,801	19,532,135	5,726,510	5,588,237	29,264,311	25,120,372
Operating expenses	217,417,546	222,780,191	21,295,511	21,614,146	238,713,057	244,394,337
Net operating income	21,565,088	34,390,018	16,225,476	13,452,285	37,790,564	47,842,303
Investment earnings	678,899	1,204,649	67,736	75,519	746,635	1,280,168
Interest earnings, Water	1,119,164	1,139,644	-	-	-	-
Other revenue	4,663,328	7,252,159	138,884	747,311	4,802,212	7,999,470
Non-operating revenues	6,461,391	9,596,452	206,620	822,830	5,548,847	9,279,638

Note: Inter-system interest earnings and expenses are eliminated in the total systems columns.

See accompanying notes.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended December 31, 2015 and 2014

	Electric System		Water System		Total System	
	2015	2014	2015	2014	2015	2014
		(as restated)		*(as restated)*		
Other revenue deductions	$ 1,259,881	$ 3,917,888	$ 61,622	$ 128,464	$ 1,321,503	$ 4,046,352
Interest expense and related amortization	11,033,773	12,403,032	2,183,680	2,256,448	13,217,453	14,659,480
Interest expense, Electric	-	-	1,119,164	1,139,644	-	-
Non-operating expenses	12,293,654	16,320,920	3,364,466	3,524,556	14,538,956	18,705,832
Income before capital contributions	15,732,825	27,665,550	13,067,630	10,750,559	28,800,455	38,416,109
Contributions in aid of construction	3,085,774	2,792,653	4,010,687	1,150,317	7,096,461	3,942,970
Contributed plant assets	920,455	15,678	1,507,744	-	2,428,199	15,678
System development charges	-	-	1,355,915	1,825,117	1,355,915	1,825,117
Capital contributions	4,006,229	2,808,331	6,874,346	2,975,434	10,880,575	5,783,765
Change in net position	19,739,054	30,473,881	19,941,976	13,725,993	39,681,030	44,199,874
Total net position at beginning of year	352,658,726	322,184,845	98,602,475	84,876,482	451,261,201	407,061,327
Total net position at end of year	$ 372,397,780	$ 352,658,726	$ 118,544,451	$ 98,602,475	$ 490,942,231	$ 451,261,201

Note: Inter-system interest earnings and expenses are eliminated in the total systems columns.

See accompanying notes.

STATEMENTS OF CASH FLOWS
Years ended December 31, 2015 and 2014

	Electric System		Water System		Total System	
	2015	2014	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 253,119,191	$ 272,882,838	$ 37,536,550	$ 35,421,430	$ 290,655,741	$ 308,304,268
FEMA proceeds	-	1,307,677	-	-	-	1,307,677
Other receipts	1,164,715	4,177,594	97,080	545,467	1,261,795	4,723,061
Power purchases	(109,889,303)	(118,063,119)	-	-	(109,889,303)	(118,063,119)
Payments to employees	(35,084,969)	(33,631,214)	(8,780,531)	(8,308,131)	(43,865,500)	(41,939,345)
Payments to suppliers	(49,504,566)	(54,276,717)	(7,785,903)	(5,914,563)	(57,290,469)	(60,191,280)
Proceeds from sale of real property	3,000,000	-	-	-	3,000,000	-
Contributions in lieu of taxes	(13,148,342)	(12,658,191)	-	-	(13,148,342)	(12,658,191)
Net cash from operating activities	49,656,726	59,738,868	21,067,196	21,744,203	70,723,922	81,483,071
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investment securities	(71,773,549)	(152,783,790)	(25,628,922)	(7,139,450)	(97,402,471)	(159,923,240)
Proceeds from sale and maturities of investments	101,419,183	141,439,364	15,360,621	11,188,800	116,779,804	152,628,164
Interest on investments	2,070,267	1,940,645	176,358	83,228	2,246,625	2,023,873
Distributions from equity investment in Harvest Wind	1,545,000	1,660,000	-	-	1,545,000	1,660,000
Distributions from equity investment in WGA	200,000	-	-	-	200,000	-
Net cash from investing activities	33,460,901	(7,743,781)	(10,091,943)	4,132,578	23,368,958	(3,611,203)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Note receipts/(payments) to Electric from Water	207,277	207,277	(207,277)	(207,277)	-	-
Interest receipts/(payments) to Electric from Water	1,120,908	1,141,307	(1,120,908)	(1,141,307)	-	-
Lease receipts/(payments) to Electric from Water	441,143	420,744	(441,143)	(420,744)	-	-
Principal payments	(30,272,398)	(2,553,371)	-	-	(30,272,398)	(2,553,371)
Interest payments	(1,923,770)	(2,730,837)	-	-	(1,923,770)	(2,730,837)
Net cash from non-capital financing activities	(30,426,840)	(3,514,880)	(1,769,328)	(1,769,328)	(32,196,168)	(5,284,208)

Note: Inter-system note, lease and interest receipts and payments are eliminated in the total systems columns.

See accompanying notes.

STATEMENTS OF CASH FLOWS
Years ended December 31, 2015 and 2014

	Electric System		Water System		Total System	
	2015	2014	2015	2014	2015	2014
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments	$ (11,180,000)	$ (9,030,000)	$ (1,840,000)	$ (1,780,000)	$ (13,020,000)	$ (10,810,000)
Additions to plant and non-utility property, net	(23,196,199)	(20,678,305)	(14,748,803)	(14,961,030)	(37,945,002)	(35,639,335)
Interest payments	(10,346,381)	(10,724,556)	(2,088,161)	(2,151,716)	(12,434,542)	(12,876,272)
Additions to preliminary surveys and other	(296,388)	(728,859)	-	-	(296,388)	(728,859)
Capital contributions	4,006,230	2,808,331	6,874,346	2,975,434	10,880,576	5,783,765
Net cash from capital and related financing activities	(41,012,738)	(38,353,389)	(11,802,618)	(15,917,312)	(52,815,356)	(54,270,701)
CHANGE IN CASH AND CASH EQUIVALENTS	11,678,049	10,126,818	(2,596,693)	8,190,141	9,081,356	18,316,959
CASH AND CASH EQUIVALENTS, beginning of year	56,061,216	45,934,398	19,333,012	11,142,871	75,394,228	57,077,269
CASH AND CASH EQUIVALENTS, end of year Including cash and cash equivalents restricted or designated: $53,049,305 and $9,393,835 ($54,360,258 and $10,582,594 in 2014) for Electric and Water, respectively	$ 67,739,265	$ 56,061,216	$ 16,736,319	$ 19,333,012	$ 84,475,584	$ 75,394,228

NON-CASH CAPITAL ACTIVITY:

In 2015, plant assets contributed by developers were $920,455 for the electric system, and $1,507,744 for the water system ($15,678 for the electric system, and $0 for the water system in 2014)

In September 2015, the water system acquired land and easements valued at $211,900 in exchange for land valued at $160,000 and cash.

Note: Inter-system note, lease and interest receipts and payments are eliminated in the total systems columns.

See accompanying notes.

Continued

STATEMENTS OF CASH FLOWS
Years ended December 31, 2015 and 2014

	Electric System				Water System				Total System			
	2015		2014		2015		2014		2015		2014	
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES												
Net operating income	$	21,565,088	$	34,390,018	$	16,225,476	$	13,452,285	$	37,790,564	$	47,842,303
Adjustments to reconcile net operating income to net cash from operating activities												
Depreciation, including allocated		24,724,331		20,703,788		5,726,510		5,588,237		30,450,841		26,292,025
Other revenue		552,830		5,852,443		211,805		655,370		764,635		6,507,813
Other revenue deductions		(1,039,139)		(1,965,140)		(40,555)		(268,295)		(1,079,694)		(2,233,435)
(Increase) decrease in assets												
Receivables		1,971,477		2,709,619		(99,161)		245,095		1,872,316		2,954,714
Materials and supplies		260,830		362,296		(190,936)		279,631		69,894		641,927
Prepayments and special deposits		339,261		1,534,240		85,163		282,450		424,424		1,816,690
Conservation loans, net		(714,193)		269,026		-		-		(714,193)		269,026
Prepaid retirement obligation		-		-		-		-		-		-
Other assets		(2,199,079)		(2,809,944)		-		-		(2,199,079)		(2,809,944)
(Increase) decrease in deferred outflows of resources												
Decrease in fair value of hedging derivatives		(353,866)		993,642		-		-		(353,866)		993,642
Increase (decrease) in liabilities												
Accounts payable, accrued payroll and benefits		(2,552,550)		(4,218,830)		(851,106)		1,509,430		(3,403,656)		(2,709,400)
Other liabilities		14,015		(936,639)		-		-		14,015		(936,639)
Increase (decrease) in deferred inflows of resources		7,087,721		2,854,349		-		-		7,087,721		2,854,349
Net cash from operating activities	$	49,656,726	$	59,738,868	$	21,067,196	$	21,744,203	$	70,723,922	$	81,483,071

See accompanying notes.

Note 1 – Summary of significant accounting policies

Reporting Entity
The Eugene Water & Electric Board (Board or EWEB) is an administrative unit of the City of Eugene, Oregon. However, as established by the Governmental Accounting Standards Board (GASB) definition of a reporting entity, the Board is considered a primary government and is not a component unit of another entity, nor are there any component units of which the Board is financially accountable. The Board is responsible for the ownership and operation of the Electric and Water Systems, and the basic financial statements include these two Systems.

The Board provides energy and water service to residential, commercial and industrial customers located in a 236 square mile area, including the City of Eugene and adjacent suburban areas. The Board has the authority to fix rates and charges. In order to secure power resources, the Board has taken ownership of various generation facilities, and entered into various power purchase agreements.

In addition, the Board has entered into joint ventures, whereby it has taken an equity position in various generation facilities. The operations and sale of energy generated from the Board's relationship with each of the facilities is subject to certain risks. Operations are contingent on various factors, such as regulation, licensing agreements, river flow levels and weather patterns.

The Board is subject to various forms of regulation under federal, state and local laws and is subject to various Federal Energy Regulatory Commission (FERC) regulations. Laws and regulations are subject to change and may have a direct impact on the operations of the Board.

Eliminations
Amounts receivable and payable between the Electric and Water Systems and related interest earnings and expenses are eliminated in the Total Systems columns of the financial statements (see Note 12).

Method of Accounting
The Board maintains its accounting records in accordance with accounting principles generally accepted in the United States of America. The Board applies accounting and reporting standards of the GASB, exclusively. The financial statements use a flow of economic resources measurement focus to determine financial position and the change in financial position. The accounting records are maintained on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Change in Accounting Principle
Effective January 1, 2015, the Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements provide accounting guidance for net pension liabilities/assets, also defining balances to be included in deferred outflows of resources and deferred inflows of resources. Affected items were previously reported under the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.*

(Note 1 – Summary of significant accounting policies, continued)

Previous standards defined pension liabilities in terms of the Annually Required Contribution (ARC). Statement No. 68 defines the net pension liability as the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service, net of the pension plan's fiduciary net position.

Statement No. 68 also requires recognition of deferred outflows of resources and deferred inflows of resources related to pensions. Items related to pensions to be presented as deferred outflows of resources or deferred inflows of resources include: differences between expected and actual experience, changes of assumptions, net difference between projected and actual earnings on investments, and changes in the proportion and differences between employer contributions and proportionate share of contributions. Deferred balances are to be recognized in pension expense over a five year period or using a systematic and rational method equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan determined as of the beginning of the measurement period. In November 2013, the GASB issued Statement No. 71, amending Statement No. 68. Statement No. 71 requires contributions made by participating employers to pension plans after the measurement date for the net pension liability but before the end of the financial statement period for the employer be reported as deferred outflows of resources.

(Note 1 – Summary of significant accounting policies, continued)

Implementation of these statements resulted in the restatement of the 2014 financial statements.

	Electric System		
	As Originally Reported	As Restated	Effect of Change
Statement of Net Position			
Prepaids	$ 8,214,554	$ 7,270,294	$ (944,260)
Prepaid retirement obligation	11,016,379	-	(11,016,379)
Net pension asset	-	16,010,707	16,010,707
Other assets	27,922,348	27,624,381	(297,967)
Deferred outflows of resources	1,731,136	6,951,100	5,219,964
Other liabilities	(9,874,664)	(9,576,697)	297,967
Deferred inflows of resources	(6,603,300)	(59,966,242)	(53,362,942)
Unrestricted net position	(214,594,714)	(170,501,804)	44,092,910
	$ (182,188,261)	$ (182,188,261)	$ -
Statement of Revenues, Expenses and Changes in Net Position			
Change in net position	$ 29,529,619	$ 30,473,881	$ 944,262
Beginning net position	367,222,017	322,184,845	(45,037,172)
Ending net position	$ 396,751,636	$ 352,658,726	$ (44,092,910)

	Water System		
	As Originally Reported	As Restated	Effect of Change
Statement of Net Position			
Prepaids	$ 1,633,137	$ 1,425,860	$ (207,277)
Prepaid retirement obligation	2,418,238	-	(2,418,238)
Net pension asset	-	3,514,544	3,514,544
Other assets	979,593	914,186	(65,407)
Deferred outflows of resources	764,555	1,910,401	1,145,846
Other liabilities	(422,247)	(356,841)	65,406
Deferred inflows of resources	(327,980)	(12,041,796)	(11,713,816)
Unrestricted net position	(19,840,970)	(10,162,028)	9,678,942
	$ (14,795,674)	$ (14,795,674)	$ -
Statement of Revenues, Expenses and Changes in Net Position			
Change in net position	$ 13,518,716	$ 13,725,993	$ 207,277
Beginning net position	94,762,701	84,876,482	(9,886,219)
Ending net position	$ 108,281,417	$ 98,602,475	$ (9,678,942)

The change in net position increased during 2014 by $944,000 for the electric utility and $207,000 for the water utility. Prepaid retirement obligations related to PERS are now recorded within the larger context of the Board’s presented net pension asset / liability. Employer contributions made after the PERS plan’s measurement date have been adjusted from expense to deferred outflows of resources.

The GASB issued Statement No 69, *Government Combinations and Disposals of Government Operations,* in January 2013. The accounting and reporting standards established by this statement do not have any impact upon the Board during this year of implementation.

(Note 1 – Summary of significant accounting policies, continued)

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Reclassifications
Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no effect on previous change in net position or net position.

Utility Plant in Service and Depreciation
Utility plant is stated at original cost. Costs include labor, materials and related indirect costs, such as engineering, transportation and allowance for funds used during construction (i.e. interest). Additions, renewals, and betterments with a minimum cost of $5,000 or greater per item are capitalized. Repairs and minor replacements are recorded as operating expenses. Depreciation is computed using straight-line group rates. When property is retired, the property cost and any removal costs are charged to accumulated depreciation. The estimated useful lives of assets are those used commonly in the utility industry or they are based on the Board's experience with similar assets.

Asset Class	Estimated Depreciable Lives in Years	
	Electric System	Water System
Land	n/a	n/a
Intangible assets	n/a	n/a
Distribution plant	20-50	-
Hydraulic production	15-50	-
Steam production	15-50	-
Other production	15-50	-
Telecommunications	10	-
Transmission plant	25-50	-
General plant	3-50	3-50
Pumping plant	-	15-50
Supply plant	-	20-50
Treatment plant	-	15-50
T&D plant	-	15-50

(Note 1 – Summary of significant accounting policies, continued)

Cash Equivalents

For purposes of these statements, cash equivalents are defined as short-term, highly liquid investments both readily convertible to known amounts of cash and so near maturity they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. The Board considers money market accounts and government investment pool holdings to be cash equivalents.

Fair Value of Financial Instruments

The carrying amounts of current assets, including unrestricted, designated and restricted cash and investments, and current liabilities approximate fair value due to the short-term maturity of those instruments. The fair value of the Board's investments and debt are estimated based on the quoted market prices for the same or similar issues.

Restricted Assets

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

Materials and Supplies

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

Preliminary Investigations

At December 31, 2015, the Electric System had $40.8 million ($40.4 million at December 31, 2014) in deferred costs for the preliminary investigation of projects it believes will be viable in the future. Most of the balance was for preconstruction relicensing costs of the Carmen-Smith Project.

Fair Value of Renewable Energy Certificates

Renewable Energy Certificates (RECs) are tradable environmental attributes. Each certificate represents 1 megawatt hour of generation from a renewable generation resource. The Board records the fair market value of its portfolio of RECs as an other asset and an offsetting other liability. Fair value represents prices quoted by brokers.

(Note 1 – Summary of significant accounting policies, continued)

Regulatory Assets & Deferred Inflows of Resources
The Board has deferred inflows of resources and other assets to be charged to future periods matching the reporting periods when the revenues and expenses are included for rate-making purposes.

Regulatory Assets

- **Conservation Assets**
  Conservation assets for the Electric System represent installations of energy saving measures at customer properties. The deferred balance is reduced as costs are recovered, which for the most part represent debt service payments included in rates for related borrowing. Conservation assets are amortized as other revenue deductions on the statements of revenues, expenses and changes in net position.

- **Unamortized Bond Issue Costs**
  Unamortized bond issue costs represent the remaining expense related to various debt issuances. The asset is amortized over the duration of the related debt and recognition of these costs is included in the rate making process.

- **Accreted Interest on Capital Appreciation Bonds**
  Capital appreciation bonds are issued with a deep discount payable when the bonds mature. Interest accrued, but not yet paid, is included in other liabilities. Retail rates include interest costs as they become payable on a cash basis.

- **Pension debits**
  Pension debits represent a portion of the change in net pension items, 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 Oregon Public Employees Retirement System.

Regulatory Deferred Inflows of Resources

- **Inventory Adjustment**
  An inventory adjustment was made for unrecorded items purchased and paid for in previous periods. The deferred inflow is reduced as materials are used or written-off.

- **Pension credits**
  Pension credits represent a portion of the change in net pension items, 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 Oregon Public Employees Retirement System.

(Note 1 – Summary of significant accounting policies, continued)

Debt Refundings
For current and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt (gain or loss) is deferred and amortized as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter. These amounts are reported as a deferred outflow of resources on the statement of net position.

Net Position
Net position consists of:

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

- **Restricted**
  Restricted components of net position have constraints placed on their use. Constraints include those imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation.

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

Net position was as follows:

	2015		2014	
	Electric System	Water System	Electric System	Water System
Net investment in capital assets	$ 169,832,994	$ 90,478,405	$ 164,313,120	$ 83,589,681
Restricted for:				
Customer care program	487,648	-	1,108,735	-
Harvest Wind escrow	2,070,097	-	2,105,446	-
System development charges	-	2,973,201	-	1,715,781
Debt service	14,970,747	3,169,054	14,629,621	3,134,985
	17,528,492	6,142,255	17,843,802	4,850,766
Unrestricted	185,036,294	21,923,791	170,501,804	10,162,028
	$ 372,397,780	$ 118,544,451	$ 352,658,726	$ 98,602,475

(Note 1 – Summary of significant accounting policies, continued)

Operating Revenue and Expense

Operating revenues are recorded on the basis of service delivered while operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenues are derived primarily from the sale and transmission of electricity and from the sale of water. Revenue is recognized when power or water is delivered to and received by the customer. Approximately 10% of 2015 Electric System retail revenues were the result of sales to one industrial customer (9% of retail sales were the result of sales to one customer in 2014). Estimated revenues are accrued for power and water deliveries not yet billed to customers from meter reading dates prior to month end (unbilled revenue).

The credit practices of the Board require an evaluation of new customer's credit worthiness on a case-by-case basis. At the discretion of management, a deposit may be obtained from the customer. Concentrations of credit risk with respect to receivables for residential customers are limited due to the large number of customers comprising the Board's customer base. Credit losses have been within management's expectations. Similar to its evaluation of residential, commercial and industrial customers' credit reviews, the Board continually evaluates its wholesale power customers (sales for resale revenue) by reviewing credit ratings and financial credit worthiness of existing and new wholesale customers.

Receivables are recorded net of the allowance for doubtful accounts. The allowance is determined by an examination of write off experience in the preceding five years, and consideration of other influences as appropriate. Total amounts written off for the year ended December 31, 2015 were $646,000 ($731,000 for 2014) for the Electric System and $63,000 ($73,000 for 2014) for the Water System.

Contributions in Lieu of Taxes

In accordance with ORS 225.270, *Use of surplus earnings*, the Electric System makes contributions in lieu of tax (CILT) payments to the City of Eugene at the rate of 6% of retail sales and a fixed component equal to $825,000 for 2015. The fixed amount is subject to certain annual inflationary adjustments. The Board makes CILT payments to the City of Springfield at the rate of 3% of retail sales for customers within the boundaries of the City of Springfield. Total contributions in lieu of taxes for the year ended December 31, 2015 were $13.0 million ($12.6 million for 2014).

Environmental Expenses

Fish and plant habitat enhancements, as well as pollution prevention improvements are expensed or capitalized depending on their future economic benefits. Most pollution remediation outlays, legal obligations to address existing pollution, do not qualify for capitalization and are accrued as liabilities and expenses according to the estimated remediation costs on a current cost basis (rather than present value of future costs).

Note 2 – Power Risk Management

The Board's Power Risk Management Guidelines set forth policies, limits and control systems governing power purchase and sale activities for the Electric System. The objectives of such policies are to maximize benefits to the customers from wholesale activities while minimizing the risk wholesale activities will adversely affect retail prices. The Board does not enter into contracts for speculative purposes. During periods when resources are in excess of retail load, the Board may sell excess capacity into the wholesale markets, and is exposed to commodity price risk. The Board enters into forward contracts intended to manage the price risk associated with power sales in the wholesale market.

Derivative Financial Instruments
In accordance with policy guidelines, the Board utilizes derivative instruments to minimize its exposure to commodity price risk. Hedging derivatives are reported on the statement of net position at fair value. The fair value of an option is determined using the Black formula. The fair value of financial swaps is determined by comparing the contract prices with the forecasted market prices. Premiums on option transactions are recorded as assets and amortized as each period of exercise expires over the term of each option.

All potential hedging derivatives were evaluated for effectiveness using the consistent critical terms method. A derivative instrument is effective under criteria for consistent critical terms when the significant terms of the hedging instrument and the hedgeable item are alike. The significant terms for hedging derivatives are the time period, quantity, price index, and point of delivery.

As of December 31, 2015, hedging derivatives with a fair value of $4.7 million were reported as an other asset and deferred inflow of resources. Hedging derivatives with a fair value of $895,000 were reported as other liabilities and deferred outflow of resources. Changes in fair value are reported as an increase in other assets or other liabilities and deferred inflows or outflows of resources until the time of settlement. When hedging derivatives settle, revenue or expense is recorded as either purchased power or wholesale sales.

Investment Derivatives
Hedging derivatives found through testing to be ineffective are classified as investment derivatives. At that time, the fair value, including any fair value changes previously deferred on the balance sheet, are recorded as investment revenue and a deferred inflow or outflow. A loss of $564,000 was recognized in investment earnings from derivatives in 2015, and a gain of $262,000 was recognized in investment earnings from derivatives in 2014. As of December 31, 2015, there were no investment derivatives recorded in deferred outflows of resources and investment revenue, ($47,686) was recorded in 2014. Investment derivatives with a fair value of $0 ($309,500 for 2014) were recorded as deferred inflows of resources and investment revenue.

(Note 2 – Power Risk Management, continued)

	Options and Swaps			
	Hedging Derivatives		Investment Derivatives	
	2015	2014	2015	2014
Notional value	$ 11,678,920	$ 20,295,040	-	$ 1,294,500
Fair value - asset	$ 4,688,639	$ 5,157,956	-	$ 309,500
Fair value - liability	$ 895,480	$ 589,300	-	$ 47,686
Cash paid	$ 716,840	$ 884,360	-	$ 49,000
Reference rates	Mid-C index	Mid-C index	-	Mid-C index
Dates entered into	1/13 through 12/15	5/12 through 12/14	-	5/12 through 7/14
Dates of maturity	1/16 through 12/17	1/15 through 12/17	-	1/15 through 9/15

Credit Risk

The Board enters into forward purchase and sale contracts for electricity utilities and marketers. Through this participation, the utility is exposed to credit risk related to the possibility of non-performance by its counterparties. To limit the risk of counterparty default or non-performance, the Board uses an evaluation process assigning an internal measure of credit worthiness to the Board's counterparties and sets limits to the dollar value of business transacted with counterparties. The Board generally chooses not to do business with counterparties with credit risk ratings giving rise to cash collateral requirements. On a case-by-case basis, the Board may require letters of credit or other assurances in lieu of cash collateral. Other assurances may include accelerated invoicing or pre-payment. Generally, the Board enters into master netting agreements with counterparties. The Board's counterparties are concentrated in the wholesale energy marketing and trading sector. Maximum possible loss is $440,000. Counterparty credit ratings range from A2 through Baa3.

Termination Risk

Hedging derivative contracts may be terminated by mutual agreement of the Board and the counterparty, or upon the occurrence of a termination event. Termination events include non-payment, non-delivery, deterioration of creditworthiness, or other material adverse changes. During the years 2015 and 2014, there were no terminations.

Note 3 – Utility plant

The major classifications of utility plant in service are as follows.

Electric Utility Plant

	Balance at December 31, 2014	Increases	Decreases	Balance at December 31, 2015
Plant in service not subject to depreciation				
Land	$ 10,252,637	$ -	$ -	$ 10,252,637
Intangible assets	4,468,034	91,105	-	4,559,139
Plant in service subject to depreciation				
Steam production	10,283,972	-	-	10,283,972
Hydro production	170,643,383	384,387	-	171,027,770
Wind production	11,789,767	-	-	11,789,767
Transmission	85,061,149	2,278,730	(67,065)	87,272,814
Distribution	264,918,133	10,117,193	(1,854,814)	273,180,512
Telecommunications	18,209,984	4,081	-	18,214,065
General plant	145,471,973	8,543,386	(848,669)	153,166,690
Completed construction, not yet classified	7,151,037	13,115,884	(7,151,037)	13,115,884
Total utility plant in service	728,250,069	34,534,766	(9,921,585)	752,863,250
Accumulated depreciation	(371,953,881)	(24,724,328)	2,880,819	(393,797,390)
Plant not subject to depreciation:				
Property held for future use	827,449	-	-	827,449
Construction work in progress	10,790,207	18,297,768	(23,582,835)	5,505,140
Net utility plant	$ 367,913,844	$ 28,108,206	$ (30,623,601)	$ 365,398,449

	Balance at December 31, 2013	Increases	Decreases	Balance at December 31, 2014
Plant in service not subject to depreciation				
Land	$ 10,252,637	$ -	$ -	$ 10,252,637
Intangible assets	4,451,122	16,912	-	4,468,034
Plant in service subject to depreciation				
Steam production	10,283,972	-	-	10,283,972
Hydro production	169,168,246	1,475,137	-	170,643,383
Wind production	11,789,767	-	-	11,789,767
Transmission	82,054,323	3,006,826	-	85,061,149
Distribution	251,798,961	13,330,591	(211,419)	264,918,133
Telecommunications	17,886,814	323,170	-	18,209,984
General plant	135,256,979	10,536,344	(321,350)	145,471,973
Completed construction, not yet classified	13,909,381	7,151,037	(13,909,381)	7,151,037
Total utility plant in service	706,852,202	35,840,017	(14,442,150)	728,250,069
Accumulated depreciation	(352,189,557)	(20,703,786)	939,462	(371,953,881)
Plant not subject to depreciation:				
Property held for future use	3,436,406	-	(2,608,957)	827,449
Construction work in progress	11,523,260	19,326,855	(20,059,908)	10,790,207
Net utility plant	$ 369,622,311	$ 34,463,086	$ (36,171,553)	$ 367,913,844

(Note 3 – Utility plant, continued)

Water Utility Plant

	Balance at December 31, 2014	Increases	Decreases	Balance at December 31, 2015
Plant in service not subject to depreciation				
Land	$ 1,435,733	$ -	$ -	$ 1,435,733
Intangible assets	41,926	12,501	-	54,427
Plant in service subject to depreciation				
Source of supply	20,579,273	-	-	20,579,273
Pumping	10,305,882	-	-	10,305,882
Water treatment	28,695,579	1,860,241	-	30,555,820
Transmission & distribution	139,137,282	8,937,656	(879,835)	147,195,103
General plant	33,516,978	2,065,940	-	35,582,918
Completed construction, not yet classified	3,581,708	8,803,781	(3,581,708)	8,803,781
Total utility plant in service	237,294,361	21,680,119	(4,461,543)	254,512,937
Accumulated depreciation	(100,581,170)	(5,978,443)	935,224	(105,624,389)
Plant not subject to depreciation:				
Property held for future use	968,578	168,992	-	1,137,570
Construction work in progress	7,015,689	12,871,174	(15,846,273)	4,040,590
Net utility plant	$ 144,697,458	$ 28,741,842	$ (19,372,592)	$ 154,066,708

	Balance at December 31, 2013	Increases	Decreases	Balance at December 31, 2014
Plant in service not subject to depreciation				
Land	$ 1,435,733	$ -	$ -	$ 1,435,733
Intangible assets	41,692	234	-	41,926
Plant in service subject to depreciation				
Source of supply	15,935,520	4,643,753	-	20,579,273
Pumping	10,243,726	62,156	-	10,305,882
Water treatment	26,091,088	2,604,491	-	28,695,579
Transmission & distribution	128,620,163	10,540,375	(23,256)	139,137,282
General plant	32,015,587	1,884,127	(382,736)	33,516,978
Completed construction, not yet classified	7,532,014	3,581,708	(7,532,014)	3,581,708
Total utility plant in service	221,915,523	23,316,844	(7,938,006)	237,294,361
Accumulated depreciation	(94,453,719)	(6,518,974)	391,523	(100,581,170)
Plant not subject to depreciation:				
Property held for future use	968,578	-	-	968,578
Construction work in progress	7,737,813	13,680,098	(14,402,222)	7,015,689
Net utility plant	$ 136,168,195	$ 30,477,968	$ (21,948,705)	$ 144,697,458

(Note 3 – Utility plant, continued)

Capital Contributions
Contributions in Aid of Construction and System Development Charges are paid by developers and customers to cover the cost of new electric and water infrastructure (capital assets). When developers install and cover the costs of the infrastructure directly, those assets are referred to as Contributed Plant Assets.

Note 4 – Cash and investments

The Board maintains cash and investments in several fund accounts in accordance with bond resolutions and Board authorization. Descriptions of these fund account types are as follows:

Restricted Cash and Investments

- **Customer Deposits and Other**
  Used to account for 1) deposits collected from retail customers and held for future refund or application to customer account balances, and 2) donations to the Customer Care Program.

- **Harvest Wind Escrow Accounts**
  Funds include amounts held in escrow related to EWEB's investment in the Harvest Wind Project, consisting of funds deposited to escrow from the receipt of federal energy grant funds in 2010, and a deposit in lieu of letter of credit with regard to the Project's transmission contract with Klickitat PUD.

- **Construction Funds**
  Used to account for legally restricted cash and investments for the purpose of construction of capital projects. Funds include proceeds from the issuance of bonds and notes.

- **System Development Charge Reserves**
  Used to account for charges assessed and collected in conjunction with installation of new water services in the Water System and are restricted by State of Oregon Statutes to system enhancements and other related capital expenditures.

- **Debt Service Reserves**
  Deposits held for debt service coverage pursuant to bond indentures and/or in lieu of bond sureties.

- **Investments for Bond Principal and Interest**
  Used to account for cash and investments restricted by Bond Indentures of Trust for future payment of principal and interest on debt.

(Note 4 – Cash and investments, continued)

Detailed amounts for restricted cash and investments were as follows:

	2015		2014	
	Electric System	Water System	Electric System	Water System
Debt service reserves	$ 9,338,115	$ 2,368,501	$ 9,336,247	$ 2,368,027
Customer deposit and other	1,618,064	-	2,314,878	-
Harvest Wind escrow accounts	2,070,097	-	2,105,446	-
Construction funds	18,846,308	-	23,760,249	2,460,567
System development charge reserves	-	3,133,467	-	1,726,809
Investments for bond principal and interest	10,249,219	1,640,788	10,122,606	1,637,027
Total restricted cash and investments	$ 42,121,803	$ 7,142,756	$ 47,639,426	$ 8,192,430

Designated Cash and Investments

- **Rate Stabilization Fund**
  Used to account for cash and investments the Board has designated to reserve for one time expenditures, with any allocations made at Board discretion.

- **Power Reserve**
  Used to account for cash and investments the Board has designated to reserve for fluctuations in purchased power costs, load, generation levels, or margin requirements.

- **Capital Improvement Reserve**
  Used to account for cash and investments the Board has designated to reserve for capital improvements.

- **Alternate Water Supply Reserve**
  Used to account for cash and investments the Board has designated to reserve for costs incurred to create a secondary water source.

- **Carmen-Smith Reserve**
  Used to account for cash and investments the Board has designated to reserve for relicensing and construction costs at the Carmen-Smith Hydroelectric Project.

- **Operating Reserves**
  Used to account for cash and investments the Board has designated for payments of emergency operating costs, self-insured claims, and funds set aside for payment of the Harvest Wind bank anticipation note.

- **Pension and Medical Reserve**
  Used to account for cash and investments the Board has designated to reserve for pension and post-retirement medical costs.

(Note 4 – Cash and investments, continued)

Detailed amounts for designated cash and investments were as follows:

	2015		2014	
	Electric System	Water System	Electric System	Water System
Rate stabilization fund	$ 12,426,316	$ 3,612,468	$ 147,488	$ -
Power reserve	27,359,486	-	23,360,630	-
Capital improvement reserve	23,563,093	6,415,418	18,930,343	4,915,296
Alternate water source reserve	-	2,884,511	-	890,369
Carmen-Smith reserve	15,790,304	-	15,701,736	-
Operating reserve	5,796,972	1,466,899	39,064,392	1,212,492
Pension and medical reserve	8,236,889	964,312	5,908,123	481,682
Total designated cash and investments	$ 93,173,060	$ 15,343,608	$ 103,112,712	$ 7,499,839

Deposits with financial institutions are comprised of bank demand deposits and money market accounts. The total bank balances, as recorded in bank records at December 31, 2015, were $43.8 million. Of the bank balances, $500,000 were covered by federal depository insurance and $43.3 million were collateralized with securities.

Custodial credit risk for deposits is in the event of failure of a depository financial institution a depositor will not be able to recover deposits or will not be able to recover collateral securities in possession of an outside party. Deposits not covered by depository insurance are exposed to custodial credit risk when collateral for deposits is held by the pledging institution or its trust department or agency, but not in the name of the depositor. Within the Public Funds Collateralization Program (PFCP) in Oregon, securities pledged by financial institutions are required to be held in the name of the pool, and, therefore, cannot be in the Board’s name. However, provided an entity is recognized by the PFCP administrator as an entity covered by the pool, balances in excess of FDIC are covered by the collateral of the pool.

The Board’s investments during the year, which included obligations of the U.S. Government, are authorized by State of Oregon Statutes and bond resolution and by the Board’s investment policy. Authorized investments include the Oregon Local Government Investment Pool (LGIP), US Treasury securities, US Government Agency securities, public funds money market accounts, corporate commercial paper and bonds, and other investments enumerated in and authorized by ORS 294.035, *Investments of surplus funds of political subdivisions*.

(Note 4 – Cash and investments, continued)

The LGIP is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. The OSTF is not subject to SEC regulation. The OSTF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the OSTF Board. The Governor appoints the members of the Oregon Investment Council and OSTF Board. The fair value of the Board's position in the pool is the same as the value of the pool shares. Financial statements for the OSTF may be obtained from the Oregon State Treasurer's website.

As of December 31, 2015, the Board held the following investments (Electric and Water Systems combined):

Investment Type	Credit Rating	Carrying Value	Weighted Average Maturity (Years)	% of Portfolio
Local Government Investment Pool	Unrated	$ 46,675,975	0.00	28.8%
U.S. Agency Securities				
FHLB		28,261,988		17.4%
FNMA		16,077,183		9.9%
FHLMC		12,659,800		7.8%
FFCB		6,082,930		3.7%
FAMCA		13,096,674		8.1%
Other Agency		8,470,691		5.2%
Subtotal US Agency	AA	84,649,266	1.21	52.1%
U.S. Treasury Securities	AAA	13,103,117	0.97	8.1%
Municipal Bonds	AA	2,466,039	0.90	1.5%
Corporate Bonds	AA	15,343,885	0.91	9.5%
Subtotal all securities		115,562,307	1.14	71.2%
Total		$ 162,238,282	0.81	100.0%

The underlying average credit rating of the investment pool is "AA."

(Note 4 – Cash and investments, continued)

As of December 31, 2014, the Board held the following investments (Electric and Water Systems combined):

Investment Type	Credit Rating	Carrying Value	Weighted Average Maturity (Years)	% of Portfolio
Local Government Investment Pool	Unrated	$ 46,334,141	0.00	25.4%
U.S. Agency Securities				
FHLB		33,644,569		18.4%
FNMA		12,267,336		6.7%
FHLMC		15,915,248		8.7%
FFCB		21,891,617		12.0%
FAMCA		16,096,710		8.8%
Other Agency		9,391,040		5.2%
Subtotal US Agency	AA	109,206,520	1.26	59.8%
U.S. Treasury Securities	AAA	7,065,700	1.88	3.9%
Municipal Bonds	AA	2,574,553	1.81	1.4%
Corporate Bonds	AA	17,421,587	0.91	9.5%
Subtotal all securities		136,268,360	1.26	74.6%
Total		$ 182,602,501	0.94	100.0%

The underlying average credit rating of the investment pool is "AA."

Concentration risk is when investments are concentrated in one issuer. This concentration presents a heightened risk of potential loss. This does not apply for pooled investments or investments directly in the US government. ORS 294.035 limits investment in any single issuer of bonds to 5% of a portfolio; there is not a limit for investment in US Agencies. Many government-sponsored agency securities are not backed by the full faith and credit of the US government, including those held by the Board, although market participants widely believe the government would provide financial support to an agency if the need arose. The Board does not have a policy for investment concentration in those agencies. Regarding the LGIP, with the exception of pass-through funds, the maximum amount of pooled investments to be placed in the pool is limited by ORS 294.810, *Local governments authorized to place limited funds in pool*, to $47.0 million as of December 31, 2015.

(Note 4 – Cash and investments, continued)

The "weighted average maturity in years" calculation assumes all investments are held until maturity.

As a means of limiting its exposure to fair value losses resulting from changes in interest rates, the Board's investment policy limits at least 75% of its investment portfolio to maturities of less than 18 months. Investment maturities are limited as follows:

Maturity	Minimum Investment
Less than 30 days	5%
Less than 90 days	15%
Less than 180 days	25%
Less than 18 months	75%
Less than 3 years	100%

Custodial credit risk for investments is in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities in the possession of an outside party because they are neither insured nor registered and they are held by the counterparty or the counterparty's trust department or agent, but not in the investor's name. All of the aforementioned investments, and the investments in the LGIP, which are not evidenced by securities, are held in the Board's name by a third-party custodian.

The Board's policy, which adheres to Oregon statutes, is to limit its investments to the top two ratings issued by nationally recognized credit rating organizations. As a general practice, and in a further effort to minimize credit risk, the Board invests primarily in U.S. agency investments and in the LGIP.

(Note 4 – Cash and investments, continued)

Cash and investments consisted of the following:

	Restricted Cash and Investments	Cash and Cash Equivalents and Short-term Investments	Designated Funds	Total Carrying Amount 2015	Total Carrying Amount 2014
ELECTRIC SYSTEM					
Cash on hand	$ -	$ 13,560	$ -	$ 13,560	$ 13,560
Cash in bank	20,075,461	7,226,216	-	27,301,677	20,571,244
Investments in the State of Oregon local government investment pool	5,821,570	7,450,184	27,152,274	40,424,028	35,476,415
Investments - US Agencies, Treasuries and Corp.	16,224,772	18,115,133	66,020,786	100,360,691	131,158,685
Total electric system	42,121,803	32,805,093	93,173,060	168,099,956	187,219,904
WATER SYSTEM					
Cash in bank	4,009,289	6,475,083	-	10,484,372	8,475,286
Investments in the State of Oregon local government investment pool	913,148	867,401	4,471,398	6,251,947	10,857,726
Investments - US Agencies, Treasuries and Corp.	2,220,319	2,109,087	10,872,210	15,201,616	5,109,675
Total water system	7,142,756	9,451,571	15,343,608	31,937,935	24,442,687
	$ 49,264,559	$ 42,256,664	$ 108,516,668	$ 200,037,891	$ 211,662,591

Note 5 – Receivables

Significant receivables were as follows:

	2015 Electric System	2015 Water System	2014 Electric System	2014 Water System
Current receivables				
Accounts receivable	$ 28,877,291	$ 2,974,304	$ 30,806,963	$ 3,091,902
Allowance for doubtful accounts	(442,285)	(46,391)	(429,600)	(49,402)
Net accounts receivable	28,435,006	2,927,913	30,377,363	3,042,500
Loans to customers	2,372,881	368,351	1,636,644	193,642
Interest receivable	374,391	57,338	403,569	18,299
Miscellaneous receivables	420,756	-	420,698	-
Receivables, less allowances	$ 31,603,034	$ 3,353,602	$ 32,838,274	$ 3,254,441
Long-term receivables				
Incentive loans to customers	$ 2,889,536	$ 196,101	$ 2,911,580	$ 227,458
Note receivable (BPA)	49,000	-	49,000	-
Interest receivable (WGA)	2,221,944	-	1,896,898	-
Long-term receivables, conservation and other	$ 5,160,480	$ 196,101	$ 4,857,478	$ 227,458

Note 6 – Payables

Current payables were as follows:

	2015 Electric System	2015 Water System	2014 Electric System	2014 Water System
Accounts payable	$ 15,399,583	$ 918,432	$ 16,143,764	$ 1,193,744
Construction payables	389,439	248,720	1,062,180	516,207
Contributions in lieu of taxes	1,252,664	-	1,398,177	-
Customer deposits	1,130,417	-	1,206,143	-
Equipment purchases	461,745	28,990	881,523	89,487
Miscellaneous payables	110,367	4,590	237,951	30,035
Preliminary investigations payables	148,378	-	35,677	-
Total payables	$ 18,892,593	$ 1,200,732	$ 20,965,415	$ 1,829,473

Note 7 – Other assets and other liabilities

Other assets and other liabilities were as follows:

	2015		2014	
	Electric System	Water System	Electric System	Water System
Other assets				
Non-utility property	$ 7,830,500	$ 153,888	$ 10,439,457	$ 153,888
Derivatives at fair value	4,688,639	-	5,157,956	-
Option premiums long-term	318,520	-	178,641	-
Joint-use equipment	28,770	12,124	41,100	17,320
Fair value of renewable energy certificates	721,995	-	865,128	-
Prepaid transmission expense - Harvest Wind	1,256,166	-	1,353,417	-
Regulatory assets				
Pension debits	5,946,661	1,305,364	-	-
Conservation assets	1,329,641	-	1,382,424	-
Unamortized bond issue costs	1,709,080	674,125	2,032,456	742,978
Accreted interest - capital appreciation bonds	6,922,571	-	6,173,802	-
Other assets	$ 30,752,543	$ 2,145,501	$ 27,624,381	$ 914,186
Other liabilities				
Derivatives at fair value	$ 895,480	$ -	$ 589,300	$ -
Accreted interest on capital appreciation bonds	6,922,571	-	6,173,802	-
Environmental clean up	771,806	-	957,301	128,240
Fair value of renewable energy certificates	721,996	-	865,128	-
Sick leave - upon retirement	1,027,628	225,577	991,166	217,573
System development charge	-	160,266	-	11,028
Other liabilities	$ 10,339,481	$ 385,843	$ 9,576,697	$ 356,841

Note 8 – Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources and deferred inflows of resources were as follows:

	2015		2014	
	Electric System	Water System	Electric System	Water System
Deferred outflows of resources				
Accumulated change in fair value of hedging derivatives	$ 895,480	$ -	$ 589,300	$ -
Accumulated change in fair value of investment derivatives	-	-	(47,686)	-
Unamortized losses on bond refunding	987,777	689,012	1,189,521	764,555
Differences between expected and actual experience	2,012,001	441,659	-	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,555,227	341,391	1,072,389	235,402
Pension contributions subsequent to measurement date	3,486,142	765,251	4,147,576	910,444
Deferred outflows of resources	$ 8,936,627	$ 2,237,313	$ 6,951,100	$ 1,910,401
Deferred inflows of resources				
Accumulated change in fair value of hedging derivatives	$ 4,688,639	$ -	$ 5,157,956	$ -
Accumulated change in fair value of investment derivatives	-	-	(309,500)	-
Net difference between projected and actual earnings on investments	7,821,244	1,716,858	30,894,177	6,781,648
Regulatory deferred inflows				
Pension credit	-	-	22,468,765	4,932,168
Inventory adjustment	1,222,317	230,390	1,754,844	327,980
Deferred inflows of resources	$ 13,732,200	$ 1,947,248	$ 59,966,242	$ 12,041,796

Note 9 – Investment in WGA

The Board is a party to an Intergovernmental Agency, which is governed equally by the Board and Clatskanie PUD. The Board was obligated to make equity investments in the Western Generation Agency (the Agency) as partial funding for the construction of the Wauna Cogeneration Project (the Project). As of December 31, 1996, the Board had made all required equity investments, totaling $15.1 million, to the Agency. The Project agreements allow the Board to be repaid its equity investment plus a cumulative preferred dividend at 7.875% should the operating revenues of the Project be sufficient to cover operating costs, debt service, plus other reserve requirements. In October 2006, the Agency accomplished a refunding of its debt, which allowed the Board to be repaid a significant portion of its remaining equity investment ($10.4 million was repaid in 2006). The balance of the original investment at December 31, 2006 was $2.2 million. Repayment of the equity investment is not due until the Agency's Series C 2006 debt is paid off, and as it is further contingent upon the successful operation of the Project, it is not guaranteed. Should the Project fail to generate sufficient revenues, the repayment of the equity contribution may occur only in part or not at all. At December 31, 2015, the Board had a receivable in the amount of $2.2 million ($1.9 million at December 31, 2014) for interest on the cumulative preferred dividend on the remaining equity investment. Revenue from preferred dividends is included with investment earnings.

The investment in Western Generation Agency consists of the balance of the initial equity contribution, 50% of the Agency's net income and losses, and distributions from excess cash. Under bond agreements, distributions to the Board are limited to $400,000 per year. During 2015, $200,000 in distributions were received (none were received in 2014). The balance of the investment as of December 31, 2015 was $2.8 million ($432,000, in 2014). During 2013, the Agency performed a major maintenance and then experienced an unplanned outage with significant damage to Agency owned equipment. As a result of the extended outage, the Agency recorded a net loss. An associated insurance claim was filed based on the equipment damage and lost revenues. Proceeds of 1.5 million for partial settlement of the claim were received during 2014. Additional proceeds of $2.0 million were received in 2015 for final settlement of the claim.

The Board is committed, through a power purchase agreement, to purchase the output from the Project through the year 2021. The Board has agreed to suspend its agreement with the Agency in favor of a separate purchase power agreement between the Agency and BPA through April 2016. Financial information for the Project is included in the financial statements of the Agency and may be obtained from the Agency's trustee, US Bank.

Note 10 – Investment in Harvest Wind

The Board is a party to a joint ownership agreement, whereby the Board made an equity investment in the Harvest Wind project, a 98.9 megawatt wind generating facility located in Klickitat County, Washington. The Board's ownership share of Harvest Wind is 20%. Other owners are Peninsula Light Co., 20%, Cowlitz PUD, 30%, and Lakeview Light & Power, 30%. Commercial operations began on December 15, 2009.

During 2009, the joint owners of Harvest Wind elected to classify the project as an association taxable as a corporation. At the time of the election, all project assets were treated as contributed to the corporation. The corporation received a 4% share, and the joint owners received shares in proportion to their ownership. Owners share in power output, income and expenses according to their ownership shares.

The investment in Harvest Wind consists of the Board's share of the costs to develop the project, 20% of the Project's net income and losses, and any preferred distributions. At December 31, 2015, the balance of the Board's investment in Harvest Wind was $25.0 million ($26.3 at December 31, 2014) including estimated income of $334,000 ($402,000 in 2014) and distributions of $1.5 million ($1.7 million in 2014).

The Board is committed, through an energy purchase agreement, to purchase its share of the output from the Project, and pay its share of project expenses through year 2029. Additionally, the Board is committed, through a transmission service agreement and a transmission payment agreement, to subsidize the initial construction of transmission lines, deposit funds to ensure contract performance, and purchase transmission from the owner of the transmission lines through the year 2029.

Under the terms of a payment agreement, the Board has deposited $1,340,000 from 2010 distributions in an escrow account to ensure payment of its share of contingent liabilities of the corporation. If no such contingencies occur, the funds will be released from escrow.

Under the terms of a transmission agreement, the Board has $730,000 on deposit in an escrow account to ensure the payment of monthly transmission interconnection expenses.

Financial information for the project is included in the financial statements of the project and may be obtained from the Board.

Note 11 – Long-term debt

Bonds and notes payable were as follows:

	2015	2014
Electric Utility System Revenue and Refunding Bonds		
2001 Series A, 11-15-01 issue		
Term Bonds, 6.32%, due 2012-2022	$ 18,160,000	$ 19,680,000
Capital appreciation, 7.13% - 7.21%, due 2023-2027	4,067,556	4,067,556
2005 Series, 5-10-05 issue		
Serial Bonds, 3.75% - 5.0%, due 2012-2020	2,855,000	3,355,000
Term bonds, 4.50%, due 2021 & 2025	3,530,000	3,530,000
2006 Series, 8-24-06 issue		
Serial Bonds 4.00% - 4.50%, due 2012-2026	8,440,000	9,015,000
2008 Series A, 7-17-08 issue		
Serial bonds 4.00% - 5.00%, due 2012-2028	27,575,000	29,065,000
Term bonds, 5.00%, due 2029-2033	15,995,000	15,995,000
2008 Series B, 7-17-08 issue		
Serial Bonds 4.00% - 5.00%, due 2012-2022	23,220,000	25,170,000
2011 Series A, 6-08-11 issue		
Serial Bonds 3.00% - 5.00%, due 2013-2032	46,325,000	48,340,000
Term Bonds, 5.00%, due 2033-2040	14,375,000	14,375,000
2011 Series B, 6-08-11 issue		
Serial Bonds 1.00% - 4.35%, due 2013-2023	6,940,000	7,695,000
2012 Series, 8-1-12 issue		
Serial Bonds 2.00% - 5.00%, due 2013-2032	46,025,000	49,920,000
Term Bonds, 5.00%, due 2033-2038	10,165,000	10,165,000
Term Bonds, 3.75%, due 2039-2042	8,475,000	8,475,000
	236,147,556	248,847,556
Add unamortized premium	10,228,312	11,556,259
Electric System bonds payable, long-term and current portion	246,375,868	260,403,815
Less current portion	(13,510,000)	(12,700,000)
Electric System bonds payable, long-term portion	232,865,868	247,703,815
Junior lien loan payable to Bank of America, Harvest Wind Project	-	28,752,398
Less current portion	-	(28,752,398)
Electric System bonds and note payable, net of current portion	232,865,868	247,703,815

(Note 11 – Long-term debt, continued)

	2015	2014
Water Utility System Revenue and Refunding Bonds		
2002 Series, 8-1-02 issue, Serial Bonds 3.25% - 4.70%, due 2012-2022	$ 5,220,000	$ 5,840,000
2005 Series, 8-16-05 issue		
Serial Bonds, 3.50% - 5.00%, due 2012-2025	6,135,000	6,610,000
Term bonds, 4.35%, due 2030	4,180,000	4,180,000
2008 Series, 7-17-08 issue		
Serial Bonds, 4.00% - 5.00%, due 2012-2026	4,785,000	5,120,000
Term bonds, 4.50% - 5.25%, due 2027-2038	8,755,000	8,755,000
2011 Series, 6-29-11 issue		
Serial Bonds, 2.00% - 4.25%, due 2014-2031	8,550,000	8,960,000
Term bonds, 4.50% - 5.00%, due 2032-2040	7,935,000	7,935,000
Note payable - Electric		
11-15-01 issue, 6.32% - 7.21%, due 2012-2027	2,210,949	2,418,226
	47,770,949	49,818,226
Add unamortized premium	352,747	380,196
Less unamortized discount	(66,791)	(75,198)
Less inter-system payable	(2,210,949)	(2,418,226)
Water System bonds and note payable, long-term and current portion	45,845,956	47,704,998
Less current portion	(1,920,000)	(1,840,000)
Water System bonds payable, net of current portion	43,925,956	45,864,998
Total Systems long-term debt, net of current portion	$ 276,791,824	$ 293,568,813

(Note 11 – Long-term debt, continued)

The schedule of maturities for principal and interest on bonded debt and note payable is as follows:

	Electric System		Water System	
	Principal	Interest	Principal	Interest
2016	13,510,000	11,079,808	1,920,000	2,016,551
2017	14,480,000	10,445,974	1,995,000	1,938,464
2018	15,525,000	9,744,411	2,080,000	1,860,476
2019	16,680,000	8,969,968	2,160,000	1,776,952
2020	17,895,000	8,169,447	2,265,000	1,687,582
2021 - 2025	65,396,437	38,804,921	9,980,000	7,091,209
2026 - 2030	39,476,119	25,474,687	10,170,000	5,114,400
2031 - 2035	29,630,000	8,896,245	7,460,000	3,081,464
2036 - 2040	19,165,000	3,558,877	7,530,000	1,036,449
2041 - 2042	4,390,000	248,438	-	-
	$ 236,147,556	$ 125,392,776	$ 45,560,000	$ 25,603,547

The resolutions authorizing the issuance of revenue bonds contain various covenants, sinking fund requirements and obligations with which the Board must comply. The principal and interest requirements are reflected in the supplementary schedule “Long-Term Bonded Debt and Interest Payment Requirements.” To comply with sinking fund deposit requirements, the Board deposits monthly one-twelfth of the annual deposit requirement with the trustee, less accumulated interest earnings. The interest payments are made semi-annually on February 1 and August 1, and principal payments on August 1. At December 31, 2015 and 2014, no assets were pledged as security for the outstanding bonds of the Electric and Water Systems.

(Note 11 – Long-term debt, continued)

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

	Outstanding January 1, 2015	Issued During Year	Redeemed During Year	Outstanding December 31, 2015	Due Within One Year
Electric Revenue and Revenue Refunding Bonds - Current Interest, interest rates from 1.0% to 6.32%, maturing through 2033 (original issue $280,200,000)	$ 244,780,000	$ -	$ (12,700,000)	$ 232,080,000	$ 13,510,000
Electric Revenue Bonds - Capital Appreciation interest rates from 7.13% to 7.21%, maturing from 2023 through 2027 (original issue $4,067,556)	4,067,556	-	-	4,067,556	-
Electric Note Payable interest rate 4.73%, maturing in 2015 (original note $34,000,000)	28,752,398	-	(28,752,398)	-	-
Total Electric System	277,599,954	-	(41,452,398)	236,147,556	13,510,000
Water Revenue Refunding Bonds interest rates from 3.5% to 5.0% maturing through 2030 (original issue $12,540,000)	10,790,000	-	(475,000)	10,315,000	500,000
Water Revenue Bonds interest rates from 2.75% to 5.25% maturing through 2040 (original issue $42,895,000)	36,610,000	-	(1,365,000)	35,245,000	1,420,000
Total Water System	47,400,000	-	(1,840,000)	45,560,000	1,920,000
Total bonded debt	$ 324,999,954	$ -	$ (43,292,398)	$ 281,707,556	$ 15,430,000

(Note 11 – Long-term debt, continued)

Long-term debt activity for the year ended December 31, 2014 was as follows:

	Outstanding January 1, 2014	Issued During Year	Redeemed During Year	Outstanding December 31, 2014	Due Within One Year
Electric Revenue and Revenue Refunding Bonds - Current Interest, interest rates from 1.0% to 6.32%, maturing through 2042 (original issue $280,200,000)	$ 255,120,000	$ -	$ (10,340,000)	$ 244,780,000	$ 12,700,000
Electric Revenue Bonds - Capital Appreciation interest rates from 7.13% to 7.21%, maturing from 2023 through 2027 (original issue $4,067,556)	4,067,556	-	-	4,067,556	-
Electric Note Payable interest rate 4.73%, maturing in 2015 (original note $34,000,000)	29,995,768	-	(1,243,370)	28,752,398	28,752,398
Total Electric System	289,183,324	-	(11,583,370)	277,599,954	41,452,398
Water Revenue Refunding Bonds interest rates from 3.5% to 5.0% maturing through 2030 (original issue $12,540,000)	11,250,000	-	(460,000)	10,790,000	475,000
Water Revenue Bonds interest rates from 2.75% to 5.25% maturing through 2040 (original issue $42,895,000)	37,930,000	-	(1,320,000)	36,610,000	1,365,000
Total Water System	49,180,000	-	(1,780,000)	47,400,000	1,840,000
Total bonded debt	$ 338,363,324	$ -	$ (13,363,370)	$ 324,999,954	$ 43,292,398

Note 12 – Intersystem receivables and payables

	2015		
	Electric System	Water System	Total Systems
Due from Water, (Due to) Electric			
Current			
Interest	$ 217,339	$ (217,339)	$ -
Note - prepaid retirement obligation	207,277	(207,277)	-
Lease	462,532	(462,532)	-
	887,148	(887,148)	-
Non-current			
Note - prepaid retirement obligation	2,210,949	(2,210,949)	-
Lease	15,055,550	(15,055,550)	-
	17,266,499	(17,266,499)	-
Totals	$ 18,153,647	$ (18,153,647)	$ -

	2014		
	Electric System	Water System	Total Systems
Due from Water, (Due to) Electric			
Current			
Interest	$ 219,084	$ (219,084)	$ -
Note - prepaid retirement obligation	207,277	(207,277)	-
Lease	441,143	(441,143)	-
	867,504	(867,504)	-
Non-current			
Note - prepaid retirement obligation	2,418,226	(2,418,226)	-
Lease	15,518,082	(15,518,082)	-
	17,936,308	(17,936,308)	-
Totals	$ 18,803,812	$ (18,803,812)	$ -

Amounts receivable and payable between the Electric and Water Systems and related interest earnings and expense are eliminated in the Total Systems columns of the financial statements.

Roosevelt Operations Center Lease

The Electric System has financed the acquisition and construction of the Board's Roosevelt Operations Center consisting of land, buildings, equipment and personal property placed into service November 2010. Both the Electric and Water Systems occupy the property. A direct financing lease beginning November 1, 2010 represents the economic substance of an arrangement whereby the Water System will repay the Electric System for the cost to create what is determined to be the Water System's share of the property, and also assume all of the economic benefits and risks of ownership. Future minimum lease payments were estimated to cover the fair value of the Water System's share of the property, and associated financing costs incurred by the Electric System without gain to the Electric System. The transaction was recorded in equal amounts as Plant in Service and a Capital Lease Obligation for the Water System, along with depreciation expense and a lease receivable for the Electric System.

(Note 12 – Intersystem receivables and payables, continued)

Lease payments are revised for refinancing of underlying contributions made by the Electric System. The amount financed by the lease is also revised for capitalized improvements at the facility if they are financed by the Electric System. As of December 31, 2015 (and as of December 31, 2014), minimum lease payments were $99,000 per month through year 2035, and $13,000 per month for years 2035 through 2040 on a capitalized value of $17.6 million.

Annual totals for lease payments (including interest) as of December 31, 2015 were as follows:

2016	$ 1,187,406
2017	1,187,406
2018	1,187,406
2019	1,187,406
2020	1,187,406
2021 - 2025	5,937,028
2026 - 2030	5,937,028
2031 - 2035	5,764,487
2036 - 2040	710,104
	$ 24,285,677

Note 13 – Power supply resources

Bonneville Power Administration

- **Bonneville Power Administration Contracts**
  A new contract was signed on December 4, 2008 providing power to EWEB from October 1, 2011 through September 30, 2028. The Board reselected a combination of both Block and Slice System power products from those offered by Bonneville Power Administration (BPA) in the previous contract which ended September 30, 2011. While Slice and Block are still the offered products, BPA has implemented new policies on how it sells power and what it will charge to meet customer's future load growth. Under BPA's new tiered rate methodology policy, BPA has allocated the power output and operational costs of the existing low-cost federal resources into a tier 1 pool. Rates for tier 1 are the lowest cost power available from BPA. The tier 1 power was allocated to public power customers like EWEB based on each customer's 2010 actual weather-adjusted load. The allocation determines the maximum planned amount of tier 1 power that a customer is eligible to purchase in each year of the contract.

(Note 13 – Power supply resources, continued)

Each product provides attributes bringing different kinds of flexibility to the Board's power portfolio. The Slice product provides a percentage of BPA's resources and contracts rather than a guaranteed amount of power and in exchange the Board pays its Slice contract percentage share of BPA's costs. Slice output, in combination with the Block and other EWEB resources, may be more or less than what is needed to serve EWEB's hourly retail loads. In the spring months, available must-run water in the Columbia system is typically high due to the runoff from snow melting, and the increased power generation may require BPA to rely on spilling water as a tool to balance generation with demand. However, in order to maintain safe water conditions to protect fish, spills are limited. The risk associated with the Slice product is managing the water variability and available Slice storage to economically meet hourly load obligations and to optimally dispatch the value of the surplus portion of the Slice product.

The Slice product consists of a Slice share of BPA's Federal Base System generation. Under the new contract, the Board's initial Slice percentage share is 1.81%, compared to the historical 2.40% in the previous Requirements Slice contract. The amount of actual power received under the Slice Product contract will vary with seasonal water year conditions, the performance of the CGS Nuclear plant and the performance and availability of all other Federal Base System resources. In years of heavy water flow and lack of overall storage in the Federal System, the Board may have rights to power in excess of their needs, and in low water years the Board would need to augment its share of Slice output with its own generation, market purchases, or storage releases from EWEB's share of Slice storage.

The second BPA product purchased is the Block, which provides a fixed hourly amount for the month, and varies by month. The value of the Block product is the certainty of a fixed volume of power shaped to monthly load requirement and the monthly predictability of prices for the known quantity of power.

The annual amount of power the Board is entitled to under these contracts based on the actual load during the period between October 1, 2009 and September 30, 2010, with some adjustments specified in BPA's tiered rate methodology, is approximately 250 aMW.

- **BPA Transmission Contract**
  In 2001, the Board signed the Network Integration Transmission Service contract with BPA to provide transmission for the Board's generation projects and BPA power contracts to serve EWEB's load. The current contract term extends through September 30, 2028. EWEB has firm roll-over rights with this contract.

(*Note 13 – Power supply resources, continued)*

EWEB-Owned Resources

- **Carmen-Smith and Trailbridge Hydroelectric Project**
  EWEB owns and operates the Carmen-Smith Hydroelectric Project (Carmen-Smith Project) within the McKenzie River basin. The Carmen-Smith Project includes the Carmen Power House with two generating units with a nameplate capacity of 52 MW each. The Carmen-Smith Project also includes the Trail Bridge re-regulating facility, with an additional generating unit with a nameplate capacity of 10 MW.

  The federal operating license for the Carmen-Smith Project expired on November 30, 2008. The Board submitted an application to relicense the facility to the FERC in 2006, and supplemented the application with a comprehensive settlement agreement, signed by state and federal agencies, Native American tribes and non-governmental organizations, in 2008. EWEB and the other settlement parties are currently crafting revisions to the Settlement Agreement that are expected to be submitted to FERC by mid-2016. FERC action on EWEB's license application remains pending but is expected in 2017. Since 2008, EWEB has received, and will continue to receive, an annual operating license from FERC until the new license is issued.

- **International Paper Industrial Energy Center Cogeneration Project**
  The Board and International Paper Company jointly operate a cogeneration facility at the International Paper Springfield plant. The unit, which has a nameplate capacity of 25.4 MW (average output is approximately 20 aMW), is owned by the Board, with International Paper providing operation and fuel. Under terms of the current agreement (which expires in 2019), the project costs and output for this unit are shared equally by the parties.

- **Leaburg Walterville Hydroelectric Project**
  The Board owns and operates the Leaburg Walterville Hydroelectric Project (L-W Project) on the McKenzie River in Lane County, Oregon. The L-W Project is comprised of two run-of-river facilities located at different points on the McKenzie River. The Leaburg facility includes a diversion dam on the McKenzie River, a canal and two generating units with a combined nameplate capacity of 15.9 MW. The Walterville facility includes a canal diverting water from the McKenzie River and one generating unit with a nameplate capacity of 8 MW. In 2001, FERC granted the Board a new hydroelectric license for the L-W Project. The new license is for a term of 40 years.

- **Stone Creek Hydroelectric Project**
  The Stone Creek Project has one turbine with a peak capability of 12 MW. The facilities are on the Clackamas River approximately 45 miles southeast of Portland. The project is a run-of-the-river development located between two hydroelectric facilities that are owned and operated by PGE. The Stone Creek facility is operated and maintained for EWEB by PGE and is licensed through 2038.

(Note 13 – Power supply resources, continued)

- **Smith Creek Hydroelectric Project**
  The Smith Creek project is a run-of-the-river hydroelectric project on Smith Creek, a tributary of the Kootenai River in Northern Idaho. It is comprised of three units with a combined nameplate capacity of 38.3 MW. In April 2001, the Board took ownership of the project, which is licensed through 2037. In 2015, the Board entered into an agreement to sell the project and believes the transaction is more likely than not to close in early 2016.

- **Foote Creek I Wind Project**
  The Board and PacifiCorp are the joint owners of the Foote Creek I Wind Project with the Board having a 21.21% ownership, which translates to 8.8 MW of the project capacity. The project is located along the Foote Creek Rim in Carbon County, Wyoming. EWEB has sold 26% or 2.3 MW of its share to BPA under terms of a 25 year power purchase agreement, pursuant to which BPA has committed to purchase 15.3 MW of the Project's total capacity. Net of sales to BPA, the Board receives approximately 2.5 aMW per year from the Foote Creek I Project.

- **Harvest Wind Project**
  The Board, Cowlitz PUD, Lakeview Light and Power, and Peninsula Light Company are the joint owners of the Harvest Wind Project, with the Board having a 20% ownership share. The project has a nameplate capacity of 98.9 MW and is located in Klickitat County, Washington. All project assets are held by a corporation formed by the owners. The Board and other owners have committed to purchase power from the corporation in proportion to their ownership shares through December 2029.

Contract Resources

- **Stateline Wind Project**
  In 2002, the Board agreed to purchase 25 MW from Phase 1 of the Stateline Wind Project (Stateline) located in Walla Walla County, Washington and Umatilla County, Oregon. The project consists of 399 wind turbines with total generating capacity of about 450 MW. The contract for this power expires on December 31, 2026.

- **Klondike III Wind Project**
  The Board agreed to purchase 25 MW from Phase 3 of the Klondike Wind project located near the town of Wasco in Sherman County, Oregon. The project consists of 125 wind turbines with total generating capacity of about 224 MW. The Board's 25 MW share translates to about 11.2% of Klondike III total plant capability. The contract for this power expires on October 31, 2027.

- **Seneca Sustainable Energy**
  On February 25, 2010, the Board entered into a Renewable Power Purchase Agreement with Seneca Sustainable Energy LLC (SSE) to purchase the output of the biomass fueled electric cogeneration facility located in Eugene, Oregon. The contract term is for 15 years commencing on the commercial date of April 5, 2011. Nameplate capacity is 19.8 MW. Expected average output is approximately 14 aMW.

(Note 13 – Power supply resources, continued)

- **Priest Rapids and Wanapum Hydroelectric Projects**
  The Board purchases power from the Priest Rapids Project composed of the Priest Rapids Dam and the Wanapum Dam, two large hydroelectric developments on the Columbia River in Washington owned by Public Utility District No. 2 of Grant County, Washington (Grant County PUD). The most recent power purchase contract with Grant County PUD continues through October 31, 2059. Under this renewed contract, EWEB's share of purchased physical power from Grant County PUD will be 0.14% of the project output or about 1.4 aMW per year.

- **Solar PV Purchases**
  EWEB supports the development of Solar PV generation in Eugene through the provision of net metering rates to those customers with small systems that wish to self-generate power and standard offers for long-term power purchases at fixed rates for customers with larger systems. As of the close of 2015, EWEB had acquired contracts with total capacity slightly over 2 MW and 0.24 aMW of energy.

Note 14 – Retirement benefits

1. Pension Plan

Plan Description
Board employees are provided with pensions through Oregon Public Employees Retirement System (OPERS). It is a cost sharing multiple-employer defined benefit pension plan. All Board employees are eligible to participate in OPERS after six months of employment. Oregon PERS, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained from the OPERS website, www.oregon.gov/pers.

Description of Benefit Terms
All benefits of the OPERS are established by the legislature pursuant to ORS Chapters 238 and 238A.

- **Tier One/Tier Two Retirement Benefit (Chapter 238)** Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

  Pension Benefits
  The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. Retirement benefits are determined as 1.67 percent of the employee's final average salary times the employee's years of retirement credit. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

(Note 14 – Retirement benefits, continued)

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with the Board. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

(Note 14 – Retirement benefits, continued)

- **OPSRP Pension Program (OPSRP DB)**

  Pension Benefits

  The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

  A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

  Death Benefits

  Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

  Disability Benefits

  A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

  Benefit Changes After Retirement

  Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

(Note 14 – Retirement benefits, continued)

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions rates changed during 2015, based on the December 31, 2013 actuarial valuation. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced. The Board has elected to make lump-sum payments to OPERS, during 2007 and 2001, which has had the effect of lowering the employer contribution rate. The Board’s contribution rates effective December 31, 2012 were 24.89% for Tier One/Tier Two members and 19.71% for OPSRP General service members. The Board’s contribution rates effective July 1, 2015 were 21.99% for Tier One/Tier Two members and 16.94% for OPSRP General service members.

Employer contributions for the year ended December 31, 2015 were $8.9 million, excluding amounts to fund employer specific liabilities.

Pension asset, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At December 31, 2015, the Board reported a net pension liability of $45,501,290 for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension asset for each plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015 using standard update procedures. The Board’s proportion of the net pension liability was based on a projection of the Board’s long-term share of contributions to the plan relative to the projected contributions for all participating employers, actuarially determined. The Board’s proportionate share of the net pension liability as of June 30, 2015 was 0.79250364%.

For the year ended December 31, 2015, the Board’s proportionate share of system pension expense was $44.8 million. The Board has elected to use regulatory accounting to recognize pension expense in conjunction with the required employer contribution rates. Accordingly, the Board recognized pension expense related to Tier One/Tier Two and OPSRP of $8.9 million.

(Note 14 – Retirement benefits, continued)

As of December 31, 2015, the Board 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
Net difference between projected and actual earnings on plan investments		$ 9,538,102
Differences between expected and actual experience	$ 2,453,660	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,896,618	
Pension contributions subsequent to measurement date	4,251,393	
	$ 8,601,671	$ 9,538,102

$4.2 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are to be amortized as pension debits and pension credits as follows:

Fiscal Year	Net difference between projected and actual earnings on investments	Differences between expected and actual experience	Changes in proportion and differences between employer contributions and proportionate share of contributions
2016	(4,739,264)	557,650	482,741
2017	(4,739,264)	557,650	482,741
2018	(4,739,264)	557,650	482,741
2019	4,679,690	557,650	369,022
2020	-	223,060	79,373
	$ (9,538,102)	$ 2,453,660	$ 1,896,618

(Note 14 – Retirement benefits, continued)

Actuarial Methods and Assumptions Used in Developing the Total Pension Liability

The total pension liability in the December 31, 2013 actuarial valuations were determined using the following actuarial assumptions.

Valuation date	December 31, 2013
Measurement date	June 30, 2015
Actuarial cost method	Entry age normal
Actuarial Assumptions:	
Discount rate	7.75%
Inflation	2.75%
Payroll growth	3.75%
Projected salary increase	3.75%
Investment rate of return	7.75%

Mortality rates for healthy retirees and beneficiaries were based on the RP-2000 Sex-distinct tables, as appropriate, with adjustments for mortality improvements based on Scale AA. Mortality rates for active members are a percentage of healthy retiree rates that vary by group, as described in the valuation. For disabled retirees, mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

(Note 14 – Retirement benefits, continued)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation-Mean		2.75

Sensitivity Analysis

Employers' Net Pension Liability	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Defined Benefit Pension Plan	$109,824,154	$45,501,290	($8,698,520)

Pension plan fiduciary net position

Detailed information about each pension plan's fiduciary net position is available in the separately issued OPERS financial reports.

(Note 14 – Retirement benefits, continued)

Payable to the pension plan
The Board had $509,000 in contributions payable to the pension plan for the year ended December 31, 2015.

Changes in plan provisions during the measurement period
The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bill was passed will continue to receive a COLA tied to the Consumer Price Index normally resulting in a 2% increase annually. Restoration payments will be made to those benefit recipients. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms subsequent to the measurement date of June 30, 2014 and has been reflected in the current measurement period.

Changes in plan provisions subsequent to the measurement period
At its July 31, 2015 meeting, the PERS Board lowered the "assumed rate" to 7.5% effective, January 1, 2016. The assumed rate is the rate of investment return (including inflation) that PERS Fund's plans are expected to earn over the long term. Oregon Administrative Rule 459-007-0001(2) states that the assumed rate "means the actuarial assumed rate of return on investments as adopted by the Board for the most recent actuarial valuation."

- **Defined contribution pension - OPSRP Individual Account Program (OPSRP IAP)**

  Pension Benefits
  Participants in the OPERS defined benefit pension plan also participate in the OPERS defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

  Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

  Death Benefits
  Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

  Recordkeeping
  PERS contracts with VOYA Financial to maintain IAP participant records.

(Note 14 – Retirement benefits, continued)

Contributions
Covered employees are required to contribute 6% of their salary to the plan. The Board has chosen to pay the employees' contributions to the plan. For 2015, the Board contributed $2.6 million for employees.

2. Post Employment Benefits Plan Other than Pensions

Plan Description
In addition to pension benefits, the Board provides post-employment health care and life insurance benefits to all employees who retire under OPERS or OPSRP with at least 11 years of service. It is a single-employer defined benefit plan. The latest actuarial valuation dated December 31, 2014, included 461 retirees or surviving spouses of retired employees and 517 active employees are covered under the plan. The life insurance benefit is a fixed amount of $5,000 per retiree. Health care coverage reimburses 80% of the amount of validated claims for certain medical, dental, vision and hospitalization costs. In 2007, the Board created the Eugene Water & Electric Board Retirement Benefits Trust for other post employment benefits (OPEB) other than pensions. The OPEB trust issues a publicly available set of audited financial statements obtainable by writing to the Board.

Funding Policy
The contribution requirements of plan participants are established by the Board and may be amended from time to time. Contributions by the plan participants are based on either a flat rate or a percentage of the premium cost and vary by participant according to years of service, year of retirement, age, and/or plan coverage. It is the Board's intent to pay the actuarially determined OPEB cost annually to the trust.

Annual OPEB Cost
The Board's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC). The ARC is an amount actuarially determined, based on the entry age normal method, determined in accordance with the guidance of GASB Statement 45.

The ARC represents level funding, that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities over an open 10-year period. Amortization is calculated as a level percentage of projected payroll. Actual contributions were $1.5 million during 2014 and $1.2 million during 2015.

(Note 14 – Retirement benefits, continued)

Other actuarial assumptions include a rate of return on investments of present and future assets of 7% and 15% annual rate increase in the per capita cost of covered health care benefits for 2015. Health care premiums are assumed to increase by 12.0% in 2016 and 9% in 2017 gradually decreasing to 4% in the year 2026 and remain level thereafter. The salary scale assumption is 4.0% and the payroll growth rate is 3.5%.

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

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation or asset for 2015 and the preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
12/31/2013	$ 1,535,043	550%	$ (6,997,531)
12/31/2014	$ 1,535,043	100%	$ (7,004,361)
12/31/2015	$ 1,166,812	100%	$ (6,680,934)

Funding Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 72% funded. The actuarial accrued liability for benefits was $26 million, and the actuarial value of assets was $19 million, resulting in an unfunded actuarial accrued liability (UAAL) of $7 million.

The following table presents a schedule of funding progress for the Board's OPEB Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	$ 11,259,871	$ 34,105,920	$ 22,846,049	33%	$ 41,865,384	55%
6/1/2013	$ 19,257,425	$ 31,281,002	$ 12,023,577	62%	$ 42,796,406	28%
12/31/2014	$ 19,172,194	$ 26,579,575	$ 7,407,381	72%	$ 45,250,685	16%

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

Note 15 – Deferred compensation

The Board offers all employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits them to defer a portion of their salary until future years. Participation in the plan is optional. Payment from the plan is not available to employees until termination, retirement, death or unforeseeable emergency.

The Board works with separate investment providers who also provide third-party administration for all deferred compensation program funds. Participating employees have several investment options with varying degrees of market risk. The Board has no liability for losses under the plan, but does have the duty to administer the plan in a prudent manner.

The Board has little administrative involvement with the plan and does not perform the investing function. Therefore, in accordance with GASB No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the plan assets are not included in the accompanying Statements of Net Position.

Note 16 – Trojan nuclear plant

The Trojan Nuclear Plant (Project) is jointly owned by Portland General Electric Company (PGE), 67.5%; the City of Eugene, acting by and through Eugene Water & Electric Board, 30%; and Pacific Power and Light Company, 2.5%; as tenants in common. The Project ceased commercial operation in 1993 and is being decommissioned. In accordance with GASB No. 14, The Financial Reporting Entity, the Project is reported as a joint venture on the equity method of accounting.

Under the terms of Net Billing Agreements, executed in 1970, BPA is obligated to pay the Board amounts sufficient to pay all of the Board’s costs related to the Project, including decommissioning and debt service, notwithstanding the termination of plant output. BPA pays those costs primarily by issuing credits against the Net Billing Participant’s purchases of electricity from BPA, but in some cases also makes payments in cash. The Board is required to transfer from its Electric System Fund to the Trojan Project Fund an amount equal to all net billing credits received through this agreement. The Board is then responsible for making payments from the Trojan Project Fund to the Trojan Project for the Board’s share of decommissioning costs.

Since BPA is obligated to pay the Board’s share of all Trojan Project costs, and has provided the Board with legally binding written assurances of its commitment to that obligation, the Board does not expect the closure and decommissioning of the Trojan Project to have any adverse effect on the Board’s Electric or Water Systems. As such, the equity interest in the Project is zero. However, under the terms of the original agreements, if one of the tenants in common fails to perform on their obligation for decommissioning costs, the other tenants may be liable. This obligation may not be covered under the Net Billing Agreement mentioned previously. However, the Board believes this risk is minimal.

(Note 16 – Trojan nuclear plant, continued)

A summary of the balance sheets for EWEB's share of the Trojan Project as of September 30, 2015 and September 30, 2014 is as follows.

	Unaudited September 30, 2015	Unaudited September 30, 2014
Assets		
Current assets	$ 813,938	$ 533,376
Long-term receivable, BPA, net	37,864,426	39,467,631
Total assets	$ 38,678,364	$ 40,001,007
Liabilities		
Current liabilities	$ 1,461,999	$ 2,268,521
Accumulated provision for decommissioning costs	37,216,365	37,732,486
Total liabilities	$ 38,678,364	$ 40,001,007

The Trojan Nuclear Plant financial statements can be obtained from the Board.

Note 17 – Commitments and contingencies

Electric Projects

- **Construction**
  Contractual commitments for repair of Leaburg dam roll gates, powerhouse upgrades at Carmen-Smith, and acquisition of distribution assets at December 31, 2015 were $9.1 million ($2.6 million for roll gate repair and crane refurbishment at December 31, 2014).

- **Carmen-Smith Relicensing**
  Contracts for preconstruction engineering of fish passage improvements were approximately $300,000 at December 31, 2015 ($3.8 million for engineering, environmental services and transformer purchases at December 31, 2014).

  An arrangement with the US Forest Service to provide for maintenance and enhancement measures on the National Forest Service land where the project is located. The Board expects to make annual payments of varying, prescheduled amounts to the Forest Service in accordance with settlement provisions. The payments are to total approximately $1.5 million before inflation indexing over the life of the 50-year license.

(Note 17 – Commitments and contingencies, continued)

Water Projects
Construction contracts for relocation of water mains, improvements at the filtration plant and a reservoir were $5.2 million at December 31, 2015 ($1.2 million at December 31, 2014 for intake improvements at the filtration plant and relocation of water mains).

Other Projects
Contractual commitments for advanced metering infrastructure were $4.2 million. There are also contractual commitments for HVAC improvements at downtown offices for $210,000. As of December 31, 2014, the Board had contractual commitments of $340,000 for completion of an asset management system.

The Board has publically agreed to enter into contracts which will include provisions to set aside reserves:

- Agreed-upon deal points for the future sale of surplus property at the Board's downtown location include setting aside $1 million for potential environmental cleanup at the site.

- $250,000 was pledged to the McKenzie River Trust pending the trust's final acquisition of 252 acres of floodplain forest on both sides of the McKenzie River where the Board has an interest in protecting water quality as well as wildlife and habitat along the waterway where it operates hydro projects. The Board will also contribute up to $500,000 to match funds raised by the McKenzie River Trust during a fundraising campaign in year 2016.

Self-Insurance
The Board is exposed to various risks of loss because of the Board's self-insurance retention, up to the first $2,000,000 of exposure, per occurrence. Excess liability coverage protects the Board after the Board's self-insured limit is exhausted. However, public entities are also protected under State of Oregon tort limits ORS 30.260 – 30.300, *Tort actions against public bodies*, which reduce the liability to any single claimant to approximately $100,000 for property damage and approximately $700,000 for personal injury. Consequently, except in extreme cases, the Board's exposure is mitigated by law. The limit is subject to change by State of Oregon legislation.

Claims liabilities recorded in the basic financial statements are based on the estimated ultimate loss as of the balance sheet date, adjusted from current trends through a case-by-case review of all claims, including incurred but not reported claims. Non-incremental claims adjustment costs such as salaries are not included in the claims estimates. At December 31, 2015, a total claims liability of approximately $9,500 is reported in the basic financial statements. All prior and current-year claim liabilities were fully reserved and have not been discounted.

(Note 17 – Commitments and contingencies, continued)

		Liability Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance at End of Year
2013	General Liability	$ 323,437	$ 94,046	$ (290,749)	$ 126,734
2014	General Liability	126,734	112,241	(108,975)	130,000
2015	General Liability	130,000	(65,780)	(54,720)	9,500

Claims and Other Legal Proceedings

The Board is involved in various litigations. In the opinion of management, the ultimate outcome of these claims will not have a material effect on the Board's financial position beyond amounts already accrued as of December 31, 2015.

Required Supplementary Information

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2015
LAST TEN YEARS*

	2014	2015
Proportion of the net pension asset/(liability)	0.86138989%	0.79250364%
Proportionate share of the net pension asset/(liability)	$ 19,525,251	$ (45,501,290)
Covered - employee payroll	$ 41,130,143	$ 45,250,685
Proportionate share of the net pension asset/(liability) as percentage of covered-employee payroll	47%	101%
Plan's fiduciary net position	$ 65,401,492,664	$ 64,923,626,094
Plan fiduciary net position as a percentage of the total pension liability	103.60%	91.90%

*10 year trend information will be presented prospectively.

SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2015
LAST TEN YEARS*

	2014	2015
Contractually required contribution (actuarially determined)	$ 9,544,586	$ 9,734,173
Contributions in relation to the actuarially determined contribution	$ 9,544,586	$ 9,734,173
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 41,130,143	$ 45,250,685
Contributions as a percentage of covered-employee payroll	23.21%	21.51%

Notes to Schedule

Valuation date:	12/31/2012, rolled forward to June 30, 2014	12/31/2013, rolled forward to June 30, 2015

Methods and assumptions used to determine contribution rates:

Single and agent employers example	Entry age normal	Entry age normal
Experience study report	2012, published September 18, 2013	2012, published September 18, 2013
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	Tier one/tier two - 20 year; OPSRP - 16 years	Tier one/tier two - 20 year; OPSRP - 16 years
Asset valuation method	Market value of assets	Market value of assets
Inflation	2.75%	2.75%
Salary increases	3.75%	3.75%
Investment rate of return	7.75%	7.75%
Retirement age	55 for Tier 1/Tier 2; 65 for OPSRP	55 for Tier 1/Tier 2; 65 for OPSRP
Mortality	RP-2000 Sex-distinct tables	RP-2000 Sex-distinct tables
Discount rate	7.75%	7.75%

*10 year trend information will be presented prospectively.

ELECTRIC SYSTEM (Unaudited)
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2015

	Revenue, including Capital Appreciation 2001A Series 11-15-01		Revenue 2005 Series 5-10-05		Revenue 2006 Series 8-24-06	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 1,745,000	$ 1,147,712	$ 525,000	$ 282,750	$ 600,000	$ 348,576
2017	1,990,000	1,037,428	550,000	256,500	625,000	324,576
2018	2,255,000	911,660	570,000	234,500	655,000	299,576
2019	2,545,000	769,144	595,000	210,275	690,000	273,376
2020	2,860,000	608,300	615,000	184,988	720,000	245,776
2021	3,200,000	427,548	645,000	158,850	760,000	216,076
2022	3,565,000	225,308	675,000	129,825	795,000	184,726
2023	867,106	3,097,894	705,000	99,450	835,000	151,933
2024	839,611	3,305,389	735,000	67,725	875,000	116,863
2025	814,720	3,520,280	770,000	34,650	920,000	80,113
2026	789,579	3,740,421	-	-	965,000	41,013
2027	756,540	3,913,460	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
	22,227,556	22,704,544	6,385,000	1,659,513	8,440,000	2,282,604
Less current portion	1,745,000	-	525,000	-	600,000	-
	$ 20,482,556	$ 22,704,544	$ 5,860,000	$ 1,659,513	$ 7,840,000	$ 2,282,604

ELECTRIC SYSTEM (Unaudited)
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2015

	Revenue 2008 A Series 7-17-08		Revenue Refunding 2008B Series 7-17-08		Revenue and Revenue Refunding 2011A Series 6-08-11	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 1,565,000	$ 2,130,175	$ 2,235,000	$ 1,161,000	$ 2,055,000	$ 2,948,706
2017	1,645,000	2,051,925	2,550,000	1,049,250	2,155,000	2,845,956
2018	1,725,000	1,969,675	2,895,000	921,750	2,225,000	2,759,756
2019	1,810,000	1,883,425	3,260,000	777,000	2,335,000	2,648,506
2020	1,905,000	1,792,925	3,650,000	614,000	2,475,000	2,531,756
2021	2,000,000	1,697,675	4,085,000	431,500	1,575,000	2,432,756
2022	2,095,000	1,597,675	4,545,000	227,250	1,660,000	2,354,006
2023	2,200,000	1,492,925	-	-	2,480,000	2,271,006
2024	2,300,000	1,393,925	-	-	2,610,000	2,147,006
2025	2,405,000	1,290,425	-	-	2,645,000	2,016,506
2026	2,520,000	1,176,188	-	-	3,030,000	1,884,256
2027	2,640,000	1,056,486	-	-	3,180,000	1,732,756
2028	2,765,000	931,088	-	-	3,440,000	1,573,756
2029	2,895,000	799,750	-	-	3,510,000	1,401,756
2030	3,040,000	655,000	-	-	3,685,000	1,226,256
2031	3,190,000	503,000	-	-	3,865,000	1,042,006
2032	3,350,000	343,500	-	-	3,400,000	863,250
2033	3,520,000	176,000	-	-	1,505,000	718,750
2034	-	-	-	-	1,580,000	643,500
2035	-	-	-	-	1,660,000	564,500
2036	-	-	-	-	1,745,000	481,500
2037	-	-	-	-	1,830,000	394,250
2038	-	-	-	-	1,920,000	302,750
2039	-	-	-	-	2,015,000	206,750
2040	-	-	-	-	2,120,000	106,000
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
	43,570,000	22,941,762	23,220,000	5,181,750	60,700,000	38,097,996
Less current portion	1,565,000	-	2,235,000	-	2,055,000	-
	$ 42,005,000	$ 22,941,762	$ 20,985,000	$ 5,181,750	$ 58,645,000	$ 38,097,996

ELECTRIC SYSTEM (Unaudited)
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2015

	Revenue Refunding 2011B Series 6-08-11		Revenue and Revenue Refunding 2012 Series 8-01-12		Total Electric System Payments		
	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2016	$ 775,000	$ 259,870	$ 4,010,000	$ 2,801,019	$ 13,510,000	$ 11,079,808	$ 24,589,808
2017	790,000	239,720	4,175,000	2,640,619	14,480,000	10,445,974	24,925,974
2018	815,000	215,625	4,385,000	2,431,869	15,525,000	9,744,411	25,269,411
2019	840,000	188,323	4,605,000	2,219,919	16,680,000	8,969,968	25,649,968
2020	875,000	155,983	4,795,000	2,035,719	17,895,000	8,169,447	26,064,447
2021	915,000	120,983	4,990,000	1,843,919	18,170,000	7,329,307	25,499,307
2022	945,000	83,010	5,200,000	1,644,319	19,480,000	6,446,119	25,926,119
2023	985,000	42,848	2,635,000	1,384,319	10,707,106	8,540,375	19,247,481
2024	-	-	1,040,000	1,278,919	8,399,611	8,309,827	16,709,438
2025	-	-	1,085,000	1,237,319	8,639,720	8,179,293	16,819,013
2026	-	-	1,135,000	1,183,069	8,439,579	8,024,947	16,464,526
2027	-	-	1,195,000	1,126,319	7,771,540	7,829,021	15,600,561
2028	-	-	1,255,000	1,066,569	7,460,000	3,571,413	11,031,413
2029	-	-	1,315,000	1,003,819	7,720,000	3,205,325	10,925,325
2030	-	-	1,360,000	962,725	8,085,000	2,843,981	10,928,981
2031	-	-	1,400,000	918,525	8,455,000	2,463,531	10,918,531
2032	-	-	1,445,000	873,025	8,195,000	2,079,775	10,274,775
2033	-	-	1,495,000	826,063	6,520,000	1,720,813	8,240,813
2034	-	-	1,570,000	751,313	3,150,000	1,394,813	4,544,813
2035	-	-	1,650,000	672,813	3,310,000	1,237,313	4,547,313
2036	-	-	1,730,000	590,313	3,475,000	1,071,813	4,546,813
2037	-	-	1,815,000	503,813	3,645,000	898,063	4,543,063
2038	-	-	1,905,000	413,063	3,825,000	715,813	4,540,813
2039	-	-	2,005,000	317,813	4,020,000	524,563	4,544,563
2040	-	-	2,080,000	242,625	4,200,000	348,625	4,548,625
2041	-	-	2,155,000	164,625	2,155,000	164,625	2,319,625
2042	-	-	2,235,000	83,813	2,235,000	83,813	2,318,813
	6,940,000	1,306,362	64,665,000	31,218,245	236,147,556	125,392,776	361,540,332
Less current portion	775,000	-	4,010,000	-	13,510,000	-	13,510,000
	$ 6,165,000	$ 1,306,362	$ 60,655,000	$ 31,218,245	$ 222,637,556	$ 125,392,776	$ 348,030,332

WATER SYSTEM (Unaudited)
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2015

	Revenue 2002 Series 8-01-02		Revenue Refunding 2005 Series 8-16-05		Revenue 2008 Series 7-17-08	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 645,000	$ 234,221	$ 500,000	$ 451,055	$ 350,000	$ 642,600
2017	675,000	206,809	520,000	426,055	365,000	627,550
2018	710,000	178,121	545,000	400,055	380,000	612,950
2019	740,000	147,059	570,000	372,805	395,000	597,750
2020	780,000	113,759	600,000	344,305	415,000	581,555
2021	815,000	77,879	630,000	320,305	430,000	564,125
2022	855,000	40,185	655,000	295,105	450,000	545,850
2023	-	-	675,000	268,905	465,000	526,725
2024	-	-	705,000	241,230	490,000	505,800
2025	-	-	735,000	212,149	510,000	483,750
2026	-	-	765,000	181,830	535,000	460,800
2027	-	-	800,000	148,552	560,000	436,725
2028	-	-	835,000	113,753	585,000	411,525
2029	-	-	870,000	77,430	610,000	385,200
2030	-	-	910,000	39,585	635,000	357,750
2031	-	-	-	-	665,000	329,175
2032	-	-	-	-	695,000	299,250
2033	-	-	-	-	730,000	262,763
2034	-	-	-	-	770,000	224,438
2035	-	-	-	-	810,000	184,013
2036	-	-	-	-	855,000	141,488
2037	-	-	-	-	895,000	96,600
2038	-	-	-	-	945,000	49,611
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
	5,220,000	998,033	10,315,000	3,893,119	13,540,000	9,327,993
Less current portion	645,000	-	500,000	-	350,000	-
	$ 4,575,000	$ 998,033	$ 9,815,000	$ 3,893,119	$ 13,190,000	$ 9,327,993

WATER SYSTEM (Unaudited)
Long-term bonded debt and interest payment requirements, including current portion
Year ended December 31, 2015

	Revenue 2011 Series 6-29-11		Total Water System Payments		
	Principal	Interest	Principal	Interest	Totals
2016	$ 425,000	$ 688,675	$ 1,920,000	$ 2,016,551	$ 3,936,551
2017	435,000	678,050	1,995,000	1,938,464	3,933,464
2018	445,000	669,350	2,080,000	1,860,476	3,940,476
2019	455,000	659,338	2,160,000	1,776,952	3,936,952
2020	470,000	647,963	2,265,000	1,687,582	3,952,582
2021	480,000	633,863	2,355,000	1,596,172	3,951,172
2022	495,000	619,463	2,455,000	1,500,603	3,955,603
2023	510,000	603,375	1,650,000	1,399,005	3,049,005
2024	530,000	585,525	1,725,000	1,332,555	3,057,555
2025	550,000	566,975	1,795,000	1,262,874	3,057,874
2026	570,000	546,350	1,870,000	1,188,980	3,058,980
2027	590,000	524,975	1,950,000	1,110,252	3,060,252
2028	610,000	501,375	2,030,000	1,026,653	3,056,653
2029	635,000	476,975	2,115,000	939,605	3,054,605
2030	660,000	451,575	2,205,000	848,910	3,053,910
2031	690,000	423,525	1,355,000	752,700	2,107,700
2032	720,000	394,200	1,415,000	693,450	2,108,450
2033	755,000	358,875	1,485,000	621,638	2,106,638
2034	795,000	321,975	1,565,000	546,413	2,111,413
2035	830,000	283,250	1,640,000	467,263	2,107,263
2036	875,000	241,750	1,730,000	383,238	2,113,238
2037	920,000	198,000	1,815,000	294,600	2,109,600
2038	965,000	152,000	1,910,000	201,611	2,111,611
2039	1,010,000	103,750	1,010,000	103,750	1,113,750
2040	1,065,000	53,250	1,065,000	53,250	1,118,250
	16,485,000	11,384,402	45,560,000	25,603,547	71,163,547
Less current portion	425,000	-	1,920,000	-	1,920,000
	$ 16,060,000	$ 11,384,402	$ 43,640,000	$ 25,603,547	$ 69,243,547

ELECTRIC SYSTEM (Unaudited)
Analysis of certain restricted cash and investments for debt service
Year ended December 31, 2015

	Investments for Bond Principal & Interest	Debt Service Reserve	Construction Funds	Customer & Escrow Deposit Reserve	Total All Funds
Ending balance - December 31, 2014	$ 10,122,606	$ 9,336,247	$ 23,760,249	$ 4,420,324	$ 47,639,426
Deposits from general fund	24,415,012	-	27,728,775	271,199	52,414,986
Interest earnings	1,758	1,868	126,748	843	131,217
Receipts	24,416,770	1,868	27,855,523	272,042	52,546,203
Principal payments	12,700,000	-	29,432,392	-	42,132,392
Interest payments	11,590,157	-	-	-	11,590,157
Transfers to general fund	-	-	3,337,072	1,004,205	4,341,277
Disbursements	24,290,157	-	32,769,464	1,004,205	58,063,826
U.S. agency securities, at market	-	-	13,354,155	2,870,617	16,224,772
Cash in bank	10,249,219	9,338,115	-	488,127	20,075,461
State of Oregon Local Government Investment Pool	-	-	5,492,153	329,417	5,821,570
Ending balance - December 31, 2015	$ 10,249,219	$ 9,338,115	$ 18,846,308	$ 3,688,161	$ 42,121,803

WATER SYSTEM (Unaudited)
Analysis of certain restricted cash and investments for debt service
Year ended December 31, 2015

	Investments for Bond Principal & Interest	Debt Service Reserves	SDC Reserves	Construction Funds	Total All Funds
Ending balance - December 31, 2014	$ 1,637,027	$ 2,368,027	$ 1,726,809	$ 2,460,567	$ 8,192,430
Deposits from general fund	3,931,654	-	1,411,055	-	5,342,709
Interest earnings	268	474	7,312	17,845	25,899
Receipts	3,931,922	474	1,418,367	17,845	5,368,608
Principal payments	1,840,000	-	-	-	1,840,000
Interest payments	2,088,161	-	-	-	2,088,161
Transfers to general fund	-	-	11,709	2,478,412	2,490,121
Disbursements	3,928,161	-	11,709	2,478,412	6,418,282
U.S. agency securities, at market	-	-	2,220,319		2,220,319
Cash in bank	1,640,788	2,368,501	-	-	4,009,289
State of Oregon Local Government Investment Pool	-	-	913,148		913,148
Ending balance - December 31, 2015	$ 1,640,788	$ 2,368,501	$ 3,133,467	$ -	$ 7,142,756

Audit Comments

(Disclosures and comments required by state regulations)

Oregon Administrative Rules 162-10-050 through 162-10-320, *the Minimum Standards for Audits of Oregon Municipal Corporations,* prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required financial statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth following.

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

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

Board of Commissioners
Eugene Water & Electric Board

We have audited the individual and combined financial statements of the Eugene Water & Electric Board (the "Board") as of and for the year ended December 31, 2015 and have issued our report thereon dated March 4, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance of which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets.
- 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.

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

Purpose of this Report

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

Julie Desimone

Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
March 4, 2016

Rely on us.

EWEB

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