

**Jefferson County PUD No. 1**  
**Narrative to Accompany Monthly Financial Statements**  
**For Period Ending November 30, 2016**

**Combined Income Statement**

This report provides an overview of the revenues and expenses from all sources of the PUD as of November 30, 2016. Overall, the District experienced a small loss of \$48k during the month, which is significantly less than the \$418k loss that was budgeted for November 2016. On a year to date basis, net margins remain favorable and are ahead of last year and budget. November's financial results are discussed further in the Income Statement Comparison below.

**Income Statement Comparison Through November 2016**

This report is similar to the Combined Income Statement, however it provides a variance in dollars and percent between 2015 Year to Date and 2016 Year to Date. Notable variances include:

**Line 1. Operating Revenue** – Continues to run ahead of last year and is up \$957k, or 3.3%. The majority of the increase is found in Electric Commercial and Industrial sales, which are up by \$1.7 million. Electric Sales to Public Authorities are up \$130k. Electric Residential Sales are down \$877k on a year to date basis and \$69k in November 2016. Water Commercial Sales are up \$343k but Water Residential Sales are down \$409k year to date.

**Line 3. Cost of Purchased Power** - Includes demand and kWh purchases from BPA, cost of electricity to run the pumps for the water system, and wholesale water purchased for resale. Because electric sales are up, the cost to provide the wholesale power to the end users is also up, but continues to run about 40% of Operating Revenue.

**Line 4. Transmission Expense** – Overall this expense is up \$159k. Transmission of electricity by BPA over the transmission power lines is down \$64k in 2016. Maintenance to the transmission lines is up \$224k, primarily due to mowing the right of way from Discovery Bay to Port Townsend.

**Line 6. Distribution Expense – Operations** – This line represents the routine costs to run the electric and water utility systems and get the energy and water to the end users. Year to date we have a decrease of 14.2%, or \$182k over last year. Routine operational expenses related to overhead and underground plant is up by \$32k while electric meter operations and water operations are down by \$199k.

**Line 7. Distribution Expense – Maintenance** – This line represents the costs to prevent a breakdown of utility service or the costs to repair if a breakdown has occurred. If there are outages or equipment malfunctions, less "outside" labor is available to be charged to Line 6 Operations. If there are no storms or equipment malfunctions, less time will be devoted to maintenance and more to inspecting and testing the system which are Operations activities. Therefore, it is common to combine Line 6 and Line 7 to determine whether or not there are any significant variations between 2015 and 2016. We found several significant changes that increased maintenance costs by \$830k and they include:

- Maintenance of Overhead Lines is \$122k less in November 2016 compared to November 2015, and \$102k less on a year to date basis. In November 2015, one of the three FEMA storms hit the PUD's service area.
- Maintenance of Underground Lines is up by \$146k on a year to date basis and up \$26k in November 2016 compared to 2015.
- Tree Trimming is up \$726k on a year to date basis and \$155k for the month due to clearing the right of way to help prevent future outages from trees getting into the power lines.
- Sewer Plant Maintenance is up \$108k because labor and related costs are charged here rather than Line 6. Operations.

**Line 8. Customers Accounts** – Reported on this line are the costs to read meters, bill customers, collect payments, and expense estimated amounts that will not be collected from customers. Overall expense is down by \$25k.

**Line 9. Customer Service and Informational Expense** – On this line, we are to report the costs to provide customers with information so they can make decisions on how to best use the utility service in a safe and economical way. Historically we have been reporting costs and revenues associated with the BPA conservation program here. In August 2016, we changed the accounting for this program to Non Operating Margins – Other (see Line 25.).

**Line 11. Administrative and General Expense** – Year to date these costs are up \$275k. Significant variances in 2016 compared to 2015 are:

- Rents are \$71k less in 2016 than 2015. During 2015, we were expensing the monthly rental of two trucks and a reel trailer to this expense. In 2016, we correctly charged the rental expense to the functions where the equipment was used, such as to construction or maintenance.
- Office Supplies and Expenses plus Small Office Equipment purchases are down \$51k
- Outside Engineering Services are down \$94k
- General Liability and Property Insurance is up \$50k
- Legal Services are up \$52k
- Outside Accounting Services are up \$199k due to costs of conducting a Cost of Service Study and accounting support for the Controller and Finance Director positions
- Outside Audit Services are up \$142k
- Outside Human Resources/Labor Relation Services are up \$49k.

**Line 12. Total Operation & Maintenance Expense** – is up \$2.0 million, or 10.5%.

**Line 13. Depreciation & Amortization Expense** – Depreciation expense for 2016 is very similar to 2015.

**Line 15. Tax Expense – Other** – State B&O Excise Taxes and State Utility Privilege Taxes are both up in 2016 because these taxes are based on revenue and revenues are up.

**Line 16 – Interest on Long Term Debt** – Is down because the principal amount on debt has been paid down. See the separate Schedule of Long Term Debt and Notes Payable for details.

**Line 20 – Total Cost of Utility Service** – up \$2.1 million or 7.3%.

**Line 22 – Non Operating Margins – Interest** – Is slightly above last year. See the separate Schedule of Cash, Liquid Investments and Special Funds for details.

**Line 25 – Non Operating Margins – Other** – Included on this line are net revenues from PUD activities that are considered non operating, as well as amounts passed through from the Jefferson County Treasurer for Real Property Taxes, Timber Harvest Taxes, and Excise Tax Receipts. Significant amounts recorded year to date in 2016 include:

- Real Property, Timber Harvest and Excise Tax Receipts are \$542k.
- FEMA grant funding is \$228k.
- Net BPA Conservation and Rebate Program funding is \$213k
- Contribution of Aid in Construction is \$432k
- Forgiveness of debt on the Kala Point note payable in the amount of \$545k
- Forgiveness of debt on the Sparling Well/Quimper System note payable in the amount of \$804k
- Grant revenue in the amount of \$59k for the Quilcene and Shine Plat feasibility studies

**Line 27 – Other Capital Credits and Patronage Dividends** – Represents the 2015 patronage allocation from NISC. This cooperative also sent a check for 30 percent of the allocation.

**Line 29 – Net Margins** – Overall increase of \$148k, or 6.0% during 2016.

#### **Income Statement for November 2016 - Electric Utility**

This schedule shows the revenues and expenses for the electric utility only. Year to date, Net Margins are behind 2015 YTD and the 2016 Budget. TIER is 1.37 for the first eleven months of 2016, meaning margins without deducting interest on long term debt are sufficient to pay interest on long term debt 1.37 times.

#### **Income Statement for November 2016 – Water Utility**

This schedule shows the revenues and expenses for the water utility only. For 2016, we are experiencing an operating loss of \$232k, but have a positive Net Margin of \$1.4 million. The favorable variance between Net Margin and Operating Margin is primarily due to the forgiveness of debt on the Kala Point and Sparling Well/Quimper System notes payable.

#### **Income Statement for November 2016 – General Fund**

This schedule shows the revenues and expenses for the PUD that are to provide governance of the organization. Included are the Commissioner's expenses and tax revenues from the Jefferson County Treasurer.

### **Balance Sheet for November 2016**

The Balance Sheet provides a snapshot of amounts owned, amounts due, and current and previous margins as of the last day of the month. The Variance column compares the balance of each as of November 30, 2015 with November 30, 2016. Noteworthy items include:

**Line 5 – Net Utility Plant** – Has decreased \$116k in value over the past 12 months. Wear and tear on the plant recorded as Depreciation Expense is slightly ahead of new plant constructed or added during the past year.

**Line 9 – Investments in Associated Organizations – Other** – NISC, the vendor providing us with our software, is a cooperative and the \$8k is our investment share.

**Line 25 – Other Current and Accrued Assets** – On December 31, 2015, we recorded revenue that had been consumed by customers but not yet billed to them for electric, water, and sewer service. The PUD reads meters throughout the month and sends out utility bills every week. Because of this cycle billing process, we will always have some revenue at the end of each month that hasn't been billed as of the last day of the month. At the end of 2015, we estimated that there was 18 days of revenue that we had not billed. During January 2016, we billed customers over \$3.6 million of which 18 days amounted to \$2.1 million from December 2015.

**Retirement Plan Liability (Line 28 – Other Deferred Debits, Line 45 – Accumulated Operating Provisions, Line 56 – Other Deferred Credits)** – Effective January 1, 2015, the PUD was required to comply with GASB Statement 68, *Accounting and Financial Reporting for Pensions*. This pronouncement requires that we record the liability of the employees' pension plan sponsored by the Washington Department of Retirement Services (PERS). The valuing of this liability is complex. We used Moss Adams to evaluate the liability and then provide the five entries necessary to properly record on our books:

- Deferred Inflow \$535,591
- Deferred Outflow \$299,610
- Net Pension Liability \$2,381,676
- Pension Expense \$517,064
- Prior Year Change in Accounting Principle \$2,100,592

A description of the plan's liability calculations is included in the notes to the 2015 financial statements.

**Current Assets to Current Liabilities** – This ratio measures the PUD's ability to pay current bills with cash. This ratio has improved from 1.91 to 2.15 in the past 12 months.

**Margins and Equities to Total Assets** – This ratio measures the value of assets that have been paid for through margins. The ratio increased from 17.21% to 18.63% in the past 12 months.

**Long-Term Debt to Total Utility Plant** – This ratio measures the amount of utility plant that has been paid for through debt. The PUD has not been borrowing to pay for additions and improvements to its utility plant so the drop in this ratio from 77.69% to 72.88% would be expected.

### **Statement of Cash Flows for Month Ending November 30, 2016**

This report is necessary to understand where cash is coming from and where it is being spent in three key areas: operations, investing, and financing.

**Cash Received from Customers** – Customers provided \$2.4 million during November for utility services and billed on accounts receivable from October 2016.

**Cash Received from Others** – Increased \$63k and includes interest income on investments and special funds; property and harvest taxes; contributions in aid of construction and system development receipts; plus changes in pre-paid expenses.

**Cash Paid to Suppliers & Employees** – Net outflow of \$2.1 million in cash.

**Cash Paid for Interest, Taxes & Other** – Due to the timing of payments, cash actually increased cash by \$77k.

**Net Cash – Investing Activities** – There was an outflow of cash in the amount of \$314k to pay for additions and improvements to utility plant.

**Net Cash – Financing Activities** – \$8k was paid on notes for the water division.

**Net Increase in Cash for the Month** – was an inflow of \$143k.

### **Statement of Cash Flows for January - November, 2016**

This report uses the same concept as the monthly Statement of Cash Flows except that we can review where cash has been generated and where it was spent in the past eleven months.

We have generated \$9.4 million from operations, spent \$4.5 million to add/improve plant and \$4.0 million to retire principal on long term debt. Overall, we generated \$979k in cash since the first of the year.

### **Schedule of Cash, Liquid Investments, and Special Funds**

This schedule provides a detail of the various liquid cash accounts, all of which are currently maintained by the Jefferson County Treasurer except as noted on the report.

The Total Cash and Liquid Investments line of this schedule agrees with the Balance Sheet and Statement of Cash Flows. Line 13 of the Balance Sheet-Special Funds of \$1,494,810 are those accounts with restricted access because of loan covenants. This schedule also shows how much interest has been generated by each account. On LUD #14, #15, and #11, the interest earned is substantial in comparison with the account's balance. The penalties and interest collected by the Treasurer for these assessments is booked as interest. Many of these accounts reported as Line 15 Balance Sheet-Cash-General Funds have a related account on Total Line 18 Balance Sheet-Temporary Investments. Each month, the Treasurer transfers the interest earned in the primary account to the investment account. Note that the investment account shows a higher balance than the related general funds cash account.

### **Schedule of Long Term Debt and Notes Payable**

This schedule provides detail of each loan, bond, and note payable. The principal amounts owed tie back to the Balance Sheet. Year to date interest expense ties back to Line 16., Interest on Long Term Debt, of the Combined Income Statement. The principal payments tie back to the year to date Statement of Cash Flows. Interest rates range from no interest to 6.75%. The average cost of debt is 2.8057%.

### **TIER and DSC – 12 Month Rolling Average - Electric**

This chart shows the trends in Times Interest Earned Ratio (TIER) and Debt Service Coverage (DSC) on a 12-month rolling average from December 2015 through November 2016. The RUS requires that we meet an average TIER and DSC each of 1.25 in the two best years out of the three most recent years. We are also required to meet an average Operating TIER (OTIER) and Operating DSC (ODSC) of 1.1 in the two best out of three recent years. The calculations are the same on OTIER and ODSC except that Operating Margins are used rather than Net Margins. Over the past 12 months, we have remained above RUS's requirements; however, the rolling 12-month trend has been going down. Some of this is explained by the seasonably and/or unseasonably mild temperatures from April through November. However, as identified in the cost of service study, the downward trend in TIER is likely to continue until rates are increased.

### **Financial Analysis and Ratios**

We will provide a variety of financial and operational ratios to assist the Commissioners and management in identifying how well we are doing. We can compare current results with past results and/or compare ourselves with others. Eight ratios are provided for November. A short description of what each analysis means and how it is calculated is included.

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## Financial And Operating Report

## COMBINED INCOME STATEMENT FOR NOVEMBER 2016

Item	Year - To - Date			Period - To - Date	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue	29,321,536	30,278,740	29,525,070	2,854,040	3,451,890
2. Power Production Expense	0	880	9,349	0	9,349
3. Cost of Purchased Power	11,111,817	11,983,201	12,817,732	1,032,330	1,325,798
4. Transmission Expense	1,451,524	1,610,104	1,316,682	151,464	113,095
5. Regional Market Expense	0	0	0	0	0
6. Distribution Expense - Operation	1,282,687	1,100,441	1,440,258	91,632	317,783
7. Distribution Expense - Maintenance	1,847,764	2,677,312	2,092,418	476,403	497,922
8. Customer Accounts Expense	1,281,278	1,256,615	1,395,894	118,063	195,590
9. Customer Service and Informational Expense	13,522	73,419	172,508	5,926	383,137
10. Sales Expense	0	0	0	0	0
11. Administrative and General Expense	1,918,021	2,193,201	2,270,817	211,722	593,637
12. Total Operation & Maintenance Expense (2 thru 11)	18,906,613	20,895,173	21,515,659	2,087,541	3,436,311
13. Depreciation & Amortization Expense	4,734,799	4,819,014	2,271,935	434,364	16,630
14. Tax Expense - Property & Gross Receipts	0	0	1,001	0	1,001
15. Tax Expense - Other	1,720,151	1,799,104	1,301,535	169,616	424,681
16. Interest on Long-Term Debt	3,214,392	3,137,508	2,368,670	264,462	0
17. Interest Charged to Construction - Credit	0	0	0	0	0
18. Interest Expense - Other	582	168	-3,839	0	-3,839
19. Other Deductions	-3,490	0	-3,490	0	-3,490
20. Total Cost of Utility Service (12 thru 19)	28,573,046	30,650,966	27,451,472	2,955,984	3,871,294
21. Operating Margins (1 minus 20)	748,490	-372,225	2,073,598	-101,944	-419,405
22. Non Operating Margins - Interest	120,095	143,266	165	7,490	165
23. Allowance for Funds Used During Construction	0	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0	0
25. Non Operating Margins - Other	1,594,584	2,829,222	524,354	45,980	1,054
26. Generation and Transmission Capital Credits	0	0	0	0	0
27. Other Capital Credits and Patronage Dividends	0	11,266	0	0	0
28. Extraordinary Items	0	0	0	0	0
29. Net Margins (21 thru 28)	2,463,169	2,611,528	2,598,117	-48,474	-418,186
Operating - Margin	748,490	-372,225	2,073,598	-101,944	-419,405
Non Operating - Margin	1,714,679	2,983,753	524,519	53,470	1,219
Times Interest Earned Ratio - Operating	1.23	0.88			
Times Interest Earned Ratio - Net	1.77	1.83			
Times Interest Earned Ratio - Modified	1.77	1.83			

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## Financial And Operating Report

## INCOME STATEMENT COMPARISON THROUGH NOVEMBER 2016

Item	-----Year - To - Date-----			
	Last Year	This Year	Amount Change	Percent Change
1. Operating Revenue	29,321,536	30,278,740	957,204	3.3%
2. Power Production Expense	0	880	880	0.0%
3. Cost of Purchased Power	11,111,817	11,983,201	871,384	7.8%
4. Transmission Expense	1,451,524	1,610,104	158,580	10.9%
5. Regional Market Expense	0	0	0	0.0%
6. Distribution Expense - Operation	1,282,687	1,100,441	-182,246	-14.2%
7. Distribution Expense - Maintenance	1,847,764	2,677,312	829,548	44.9%
8. Customer Accounts Expense	1,281,278	1,256,615	-24,663	-1.9%
9. Customer Service and Informational Expense	13,522	73,419	59,897	443.0%
10. Sales Expense	0	0	0	0.0%
11. Administrative and General Expense	1,918,021	2,193,201	275,180	14.4%
12. Total Operation & Maintenance Expense (2 thru 11)	18,906,613	20,895,173	1,988,560	10.5%
13. Depreciation & Amortization Expense	4,734,799	4,819,014	84,215	1.8%
14. Tax Expense - Property & Gross Receipts	0	0	0	0.0%
15. Tax Expense - Other	1,720,151	1,799,104	78,953	4.6%
16. Interest on Long-Term Debt	3,214,392	3,137,508	-76,884	-2.4%
17. Interest Charged to Construction - Credit	0	0	0	0.0%
18. Interest Expense - Other	582	168	-414	0.0%
19. Other Deductions	-3,490	0	3,490	0.0%
20. Total Cost of Utility Service (12 thru 19)	28,573,046	30,650,966	2,077,920	7.3%
21. Operating Margins (1 minus 20)	748,490	-372,225	-1,120,716	-149.7%
22. Non Operating Margins - Interest	120,095	143,266	23,171	19.3%
23. Allowance for Funds Used During Construction	0	0	0	0.0%
24. Income (Loss) from Equity Investments	0	0	0	0.0%
25. Non Operating Margins - Other	1,594,584	2,829,222	1,234,638	77.4%
26. Generation and Transmission Capital Credits	0	0	0	0.0%
27. Other Capital Credits and Patronage Dividends	0	11,266	11,266	0.0%
28. Extraordinary Items	0	0	0	0.0%
29. Net Margins (21 thru 28)	2,463,169	2,611,528	148,359	6.0%



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## ELECTRIC DIVISION INCOME STATEMENT FOR NOVEMBER 2016

Item	-----Year - To - Date-----			-----Period - To - Date-----	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue	27,330,327	28,313,463	27,417,602	2,700,285	3,124,202
2. Power Production Expense	0	0	0	0	0
3. Cost of Purchased Power	10,980,195	11,862,616	12,684,130	1,023,413	1,307,093
4. Transmission Expense	1,451,524	1,610,104	1,316,682	151,464	113,095
5. Regional Market Expense	0	0	0	0	0
6. Distribution Expense - Operation	770,167	672,623	765,549	51,935	112,594
7. Distribution Expense - Maintenance	1,674,437	2,412,403	1,918,374	468,659	481,985
8. Customer Accounts Expense	1,134,154	1,110,110	1,220,178	99,545	169,684
9. Customer Service and Informational Expense	13,455	73,409	172,508	5,926	383,137
10. Sales Expense	0	0	0	0	0
11. Administrative and General Expense	1,452,131	1,636,349	1,492,255	159,970	168,094
12. Total Operation & Maintenance Expense (2 thru 11)	17,476,063	19,377,614	19,569,676	1,960,913	2,735,682
13. Depreciation & Amortization Expense	4,172,604	4,212,013	2,255,304	379,167	0
14. Tax Expense - Property & Gross Receipts	0	0	1,001	0	1,001
15. Tax Expense - Other	1,618,589	1,699,814	1,250,160	161,535	424,681
16. Interest on Long-Term Debt	2,865,504	2,806,484	2,345,401	260,178	0
17. Interest Charged to Construction - Credit	0	0	0	0	0
18. Interest Expense - Other	582	168	-3,839	0	-3,839
19. Other Deductions	-3,490	0	-3,490	0	-3,490
20. Total Cost of Electric Service (12 thru 19)	26,129,852	28,096,092	25,414,215	2,761,792	3,154,035
21. Patronage Capital & Operating Margins (1 minus 20)	1,200,474	217,372	2,003,387	-61,508	-29,834
22. Non Operating Margins - Interest	12,594	35,430	0	3,795	0
23. Allowance for Funds Used During Construction	0	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0	0
25. Non Operating Margins - Other	941,882	774,977	9,354	-788	1,054
26. Generation and Transmission Capital Credits	0	0	0	0	0
27. Other Capital Credits and Patronage Dividends	0	9,350	0	0	0
28. Extraordinary Items	0	0	0	0	0
29. Net Electric Utility Margins (21 thru 28)	2,154,950	1,037,129	2,012,740	-58,500	-28,780
Operating - Margin	1,200,474	217,372	2,003,387	-61,508	-29,834
Non Operating - Margin	954,475	819,757	9,354	3,007	1,054
Times Interest Earned Ratio - Operating	1.42	1.08			
Times Interest Earned Ratio - Net	1.75	1.37			
Times Interest Earned Ratio - Modified	1.75	1.37			

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## WATER DIVISION INCOME STATEMENT FOR NOVEMBER 2016

Item	-----Year - To - Date -----			-----Period - To - Date -----	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue	1,990,934	1,965,049	2,036,053	153,753	256,273
2. Power Production Expense	0	880	9,349	0	9,349
3. Cost of Wholesale Water and Power	131,622	120,586	133,602	8,917	18,705
4. Transmission Expense	0	0	0	0	0
5. Regional Market Expense	0	0	0	0	0
6. Distribution Expense - Operation	512,520	427,817	674,709	39,697	205,190
7. Distribution Expense - Maintenance	173,326	264,909	174,044	7,744	15,937
8. Customer Accounts Expense	147,124	146,505	175,716	18,517	25,906
9. Customer Service and Informational Expense	67	10	0	0	0
10. Sales Expense	0	0	0	0	0
11. Administrative and General Expense	286,442	269,362	303,173	22,303	59,330
12. Total Operation & Maintenance Expense (2 thru 11)	1,251,102	1,230,070	1,470,594	97,179	334,416
13. Depreciation & Amortization Expense	562,195	607,001	16,630	55,198	16,630
14. Tax Expense - Property & Gross Receipts	0	0	0	0	0
15. Tax Expense - Other	101,562	99,290	51,375	8,082	0
16. Interest on Long-Term Debt	273,698	260,919	23,269	-1,889	0
17. Interest Charged to Construction - Credit	0	0	0	0	0
18. Interest Expense - Other	0	0	0	0	0
19. Other Deductions	0	0	0	0	0
20. Total Cost of Water Service (12 thru 19)	2,188,557	2,197,279	1,561,868	158,570	351,046
21. Operating Margins (1 minus 20)	-197,622	-232,231	474,185	-4,817	-94,773
22. Non Operating Margins - Interest	105,021	98,963	165	2,671	165
23. Allowance for Funds Used During Construction	0	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0	0
25. Non Operating Margins - Other	62,285	1,511,902	0	2,050	0
26. Generation and Transmission Capital Credits	0	0	0	0	0
27. Other Capital Credits and Patronage Dividends	0	1,915	0	0	0
28. Extraordinary Items	0	0	0	0	0
29. Net Water Utility Margins (21 thru 28)	-30,317	1,380,549	474,350	-96	-94,608
Operating - Margin	-197,622	-232,231	474,185	-4,817	-94,773
Non Operating - Margin	167,306	1,612,780	165	4,721	165
Times Interest Earned Ratio - Operating	0.28	0.11			
Times Interest Earned Ratio - Net	0.89	6.29			
Times Interest Earned Ratio - Modified	0.89	6.28			

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## GENERAL FUND DIVISION INCOME STATEMENT FOR NOVEMBER 2016

Item	-----Year - To - Date-----			-----Period - To - Date-----	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue	275	228	71,415	2	71,415
2. Power Production Expense	0	0	0	0	0
3. Cost of Purchased Power	0	0	0	0	0
4. Transmission Expense	0	0	0	0	0
5. Regional Market Expense	0	0	0	0	0
6. Distribution Expense - Operation	0	0	0	0	0
7. Distribution Expense - Maintenance	0	0	0	0	0
8. Customer Accounts Expense	0	0	0	0	0
9. Customer Service and Informational Expense	0	0	0	0	0
10. Sales Expense	0	0	0	0	0
11. Administrative and General Expense	179,448	287,489	475,388	29,449	366,213
12. Total Operation & Maintenance Expense (2 thru 11)	179,448	287,489	475,388	29,449	366,213
13. Depreciation & Amortization Expense	0	0	0	0	0
14. Tax Expense - Property & Gross Receipts	0	0	0	0	0
15. Tax Expense - Other	0	0	0	0	0
16. Interest on Long-Term Debt	75,189	70,105	0	6,173	0
17. Interest Charged to Construction - Credit	0	0	0	0	0
18. Interest Expense - Other	0	0	0	0	0
19. Other Deductions	0	0	0	0	0
20. Total Cost of Electric Service (12 thru 19)	254,637	357,594	475,388	35,622	366,213
21. Operating Margins (1 minus 20)	-254,362	-357,366	-403,973	-35,620	-294,798
22. Non Operating Margins - Interest	2,480	8,873	0	1,024	0
23. Allowance for Funds Used During Construction	0	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0	0
25. Non Operating Margins - Other	590,418	542,343	515,000	44,718	0
26. Generation and Transmission Capital Credits	0	0	0	0	0
27. Other Capital Credits and Patronage Dividends	0	0	0	0	0
28. Extraordinary Items	0	0	0	0	0
29. Net General Fund Margins (21 thru 28)	338,536	193,849	111,027	10,122	-294,798
Operating - Margin	-254,362	-357,366	-403,973	-35,620	-294,798
Non Operating - Margin	592,898	551,216	515,000	45,742	0

*Unaudited-Subject to Change*

## Financial And Operating Report

**BALANCE SHEET FOR NOVEMBER 2016**

	<u>Last Year</u>	<u>This Year</u>	<u>Variance</u>
<b>ASSETS AND OTHER DEBITS</b>			
1. Total Utility Plant in Service	153,676,996	155,335,193	1,658,197
2. Construction Work in Progress	3,691,876	7,173,486	3,481,610
3. Total Utility Plant (1 + 2)	157,368,872	162,508,679	5,139,807
4. Accum. Provision for Depreciation and Amort.	19,715,739	24,971,425	5,255,686
5. Net Utility Plant (3 - 4)	137,653,133	137,537,254	-115,879
6. Non-Utility Property (Net)	0	0	0
7. Invest. in Subsidiary Companies	0	0	0
8. Invest. in Assoc. Org. - Patronage Capital	0	0	0
9. Invest. in Assoc. Org. - Other - General Funds	0	7,886	7,886
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0	0	0
11. Invest. in Economic Development Projects	0	0	0
12. Other Investments	0	0	0
13. Special Funds	1,487,722	1,494,810	7,088
14. Total Other Property & Investments (6 thru 13)	1,487,722	1,502,696	14,974
15. Cash - General Funds	2,997,217	2,337,660	-659,557
16. Cash - Construction Funds - Trustee	1,108,435	0	-1,108,435
17. Special Deposits	0	0	0
18. Temporary Investments	10,938,378	11,640,606	702,227
19. Notes Receivable (Net)	0	0	0
20. Accounts Receivable - Sales of Energy (Net)	2,402,606	1,995,014	-407,592
21. Accounts Receivable - Other (Net)	3,977,717	3,232,977	-744,740
22. Renewable Energy Credits	0	0	0
23. Material and Supplies - Electric & Other	1,771,300	1,498,050	-273,251
24. Prepayments	0	1,019	1,019
25. Other Current and Accrued Assets	0	2,147,309	2,147,309
26. Total Current and Accrued Assets (15 thru 25)	23,195,654	22,852,634	-343,020
27. Regulatory Assets	0	0	0
28. Other Deferred Debits	-102	300,264	300,366
29. Total Assets and Other Debits (5 + 14 + 26 thru 28)	162,336,408	162,192,848	-143,560

Unaudited-Subject to Change

## Financial And Operating Report

## BALANCE SHEET FOR NOVEMBER 2016

	Last Year	This Year	Variance
<b>LIABILITIES AND OTHER CREDITS</b>			
30. Memberships	0	0	0
31. Patronage Capital	0	0	0
32. Operating Margins - Prior Years	0	0	0
33. Operating Margins - Current Year	748,490	-372,225	-1,120,715
34. Non-Operating Margins	1,714,679	2,983,753	1,269,074
35. Other Margins and Equities	25,467,197	27,606,201	2,139,004
36. Total Margins & Equities (30 thru 35)	27,930,366	30,217,728	2,287,362
37. Long-Term Debt - RUS (Net)	112,516,871	110,218,890	-2,297,981
38. Long-Term Debt - FFB - RUS Guaranteed	0	0	0
39. Long-Term Debt - Other - RUS Guaranteed	0	0	0
40. Long-Term Debt - Other (Net)	9,744,606	8,214,003	-1,530,603
41. Long-Term Debt - RUS Econ. Devel. (Net)	0	0	0
42. Payments - Unapplied	0	0	0
43. Total Long-Term Debt (37 thru 41 - 42)	122,261,477	118,432,893	-3,828,584
44. Obligations Under Capital Leases - Noncurrent	0	0	0
45. Accumulated Operating Provisions	0	2,381,676	2,381,676
46. Total Other Noncurrent Liabilities (44 + 45)	0	2,381,676	2,381,676
47. Notes Payable	1,721,740	1,576,511	-145,230
48. Accounts Payable	7,446,002	6,841,552	-604,450
49. Consumers Deposits	84,746	122,100	37,354
50. Current Maturities Long-Term Debt	748,690	0	-748,690
51. Current Maturities Long-Term Debt - Econ. Devel.	0	0	0
52. Current Maturities Capital Leases	33,216	0	-33,216
53. Other Current and Accrued Liabilities	2,110,171	2,084,796	-25,375
54. Total Current & Accrued Liabilities (47 thru 53)	12,144,565	10,624,959	-1,519,606
55. Regulatory Liabilities	0	0	0
56. Other Deferred Credits	0	535,591	535,591
57. Total Liab. & Other Credits (36+43+46+54 thru 56)	162,336,408	162,192,848	-143,560
Current Assets To Current Liabilities	1.91 to 1	2.15 to 1	
Margins and Equities To Total Assets	17.21 %	18.63 %	
Long-Term Debt To Total Utility Plant	77.69 %	72.88 %	

Jefferson County PUD No. 1  
STATEMENT OF CASH FLOWS  
November 30, 2016

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*Unaudited and subject to change*

**CASH FLOW FROM OPERATING ACTIVITIES:**

Operating Revenue	\$2,854,040	
Accounts Receivable - Electric & Water Utility Service (Net)	(378,917)	
Accounts & Notes Receivable - Other (Net)	(44,020)	
CASH RECEIVED FROM CUSTOMERS	<u>\$2,431,103</u>	
Non Operating Margins-Interest	\$7,490	
Non Operating Margins-Other	45,980	
Deferred Debits	9,657	
CASH RECEIVED FROM OTHERS	<u>\$63,127</u>	
CASH RECEIVED FROM OPERATING ACTIVITIES		<u>\$2,494,230</u>
Total Operating & Maintenance Expense	(\$2,087,541)	
Prepayments	(1,018)	
Accounts Payable	(19,757)	
Material & Supplies/Electric & Other	3,550	
CASH PAID (-) TO SUPPLIERS & EMPLOYEES	<u>(\$2,104,766)</u>	
Tax Expense, Other	(\$169,617)	
Interest Long Term Debt	(264,462)	
Other Current & Accrued Liabilities	510,725	
CASH PAID (-) FOR INTEREST, TAXES & OTHER	<u>\$76,646</u>	
CASH DISBURSED (-) FOR OPERATING ACTIVITIES		<u>(\$2,028,120)</u>
NET CASH - OPERATING ACTIVITIES		<u>\$466,110</u>

**CASH FLOW FROM INVESTING ACTIVITIES:**

Investment in Utility and General Plant	(\$313,638)	
Special Funds	(781)	
NET CASH - INVESTING ACTIVITIES		<u>(\$314,419)</u>

**CASH FLOW FROM FINANCING ACTIVITIES:**

Notes Payable	(\$8,155)	
Consumer Deposits	(100)	
CHANGE IN LIABILITIES/DEBT	<u>(8,255)</u>	
NET CASH - FINANCING ACTIVITIES		<u>(\$8,255)</u>

**NET INCREASE (DECREASE) IN CASH FOR THE MONTH** **\$143,436**

<b>PRIOR MONTH'S ENDING CASH BALANCE</b>		<b>\$13,834,830</b>
CURRENT MONTH'S ENDING CASH BALANCE:		
Cash - General Funds	\$2,337,660	
Temporary Investments	11,640,606	
<b>TOTAL - CURRENT MONTH'S ENDING CASH BALANCE</b>		<b><u>\$13,978,266</u></b>

JEFFERSON COUNTY PUBLIC UTILITY DISTRICT #1  
STATEMENT OF CASH FLOWS  
January - November 2016

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*Unaudited and subject to change*

**CASH FLOW FROM OPERATING ACTIVITIES:**

Operating Revenue	\$30,278,741	
Accounts Receivable - Electric & Water Utility Service (Net)	103,398	
Accounts & Notes Receivable - Other (Net)	399,779	
CASH RECEIVED FROM CUSTOMERS	\$30,781,918	
Non Operating Margins-Interest	\$143,263	
Non Operating Margins-Other	2,829,224	
Other Capital Credits	11,266	
Deferred Debits	(654)	
CASH RECEIVED FROM OTHERS	\$2,983,099	
CASH RECEIVED FROM OPERATING ACTIVITIES		\$33,765,017
Total Operating & Maintenance Expense	(\$20,895,174)	
Prepayments	(1,018)	
Accounts Payable	736,744	
Material & Supplies/Electric & Other	309,630	
CASH PAID (-) TO SUPPLIERS & EMPLOYEES	(\$19,849,818)	
Tax Expense, Other	(\$1,799,104)	
Interest Long Term Debt	(3,137,508)	
Interest Expense, Other	(168)	
Other Deductions	2	
Other Current & Accrued Liabilities	425,067	
CASH PAID (-) FOR INTEREST, TAXES & OTHER	(\$4,511,711)	
CASH DISBURSED (-) FOR OPERATING ACTIVITIES		(\$24,361,529)
NET CASH - OPERATING ACTIVITIES		\$9,403,488

**CASH FLOW FROM INVESTING ACTIVITIES:**

Investment in Utility and General Plant	(\$4,466,802)	
Special Funds	(6,897)	
NET CASH - INVESTING ACTIVITIES		(\$4,473,699)

**CASH FLOW FROM FINANCING ACTIVITIES:**

Long Term Debt	(\$3,828,583)	
Notes Payable	(137,510)	
Consumer Deposits	15,700	
CHANGE IN LIABILITIES / DEBT	(3,950,393)	
NET CASH - FINANCING ACTIVITIES		(\$3,950,393)

NET INCREASE (DECREASE) IN CASH DURING THE PERIOD

\$979,396

PRIOR YEAR'S ENDING CASH BALANCE		\$12,998,870
CURRENT MONTH'S ENDING CASH BALANCE:		
Cash - General Funds	\$2,337,660	
Temporary Investments	11,640,606	
TOTAL - CURRENT MONTH'S ENDING CASH BALANCE		<u>\$13,978,266</u>

Jefferson County PUD No. 1  
**SCHEDULE OF CASH, LIQUID INVESTMENTS, AND SPECIAL FUNDS**  
November 30, 2016

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<u>Account Description</u>	<u>Current Balance</u>	<u>YTD Interest Income</u>
Operating Account - Jefferson Co. Treasurer	\$1,678,553	\$27,799
Operating Depository Account - Bank of America	557,009	0
1996 Bond LUD #8 - Jefferson Co. Treasurer	46,508	1,862
DOT Permit #U05-24 Account - Bank of America	29,337	0
1996 Bond LUD #6 - Jefferson Co. Treasurer	13,394	663
2009 Bond LUD #14 - Jefferson Co. Treasurer	10,353	75,051
Working Funds - Petty Cash and CSR Drawers	1,750	0
Payroll Clearing Account - Bank of America	500	0
2008 Bond LUD #15 - Jefferson Co. Treasurer	161	13,961
1999 Bond LUD #11 - Jefferson Co. Treasurer	50	4,114
Payroll Clearing Account - 1st Security Bank	35	0
1997 Bond LUD #13 - Jefferson Co. Treasurer	11	94
<b>TOTAL LINE 15. BALANCE SHEET-CASH-GENERAL FUNDS</b>	<b><u>\$2,337,660</u></b>	<b><u>\$123,545</u></b>
RUS Construction - Jefferson Co. Treasurer	\$0	\$2,672
<b>TOTAL LINE 16. BALANCE SHEET-CASH-CONSTRUCTION FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$2,672</u></b>
Operating Account Related Investment - Jefferson Co. Treasurer	\$5,866,876	\$0
LUD #14 Bond Investment - Jefferson Co. Treasurer	2,170,544	0
Tax Revenue Investment Fund - Jefferson Co. Treasurer	1,925,000	0
Tax Revenue Fund - Jefferson Co. Treasurer	1,259,530	8,873
LUD #15 Bond Investment - Jefferson Co. Treasurer	304,583	0
LUD #11 Bond Investment - Jefferson Co. Treasurer	93,496	0
LUD #13 Bond Investment - Jefferson Co. Treasurer	20,576	0
<b>TOTAL LINE 18. BALANCE SHEET-TEMPORARY INVESTMENTS</b>	<b><u>\$11,640,606</u></b>	<b><u>\$8,873</u></b>
<b>TOTAL CASH AND LIQUID INVESTMENTS</b>	<b><u>\$13,978,265</u></b>	<b><u>\$135,090</u></b>
RUS Bond Reserve Investment Fund - Jefferson Co. Treasurer	\$1,082,177	\$0
LUD #11 Water Reserve Investment Fund - Jefferson Co. Treasurer	222,264	0
Tri Area Bond Reserve Investment Fund - Jefferson Co. Treasurer	171,596	0
Deposit with PURMS - H&W Plan	17,979	0
RUS Bond Reserve Fund - Jefferson Co. Treasurer	573	4,955
LUD #11 Water Reserve Fund - Jefferson Co. Treasurer	118	1,018
Tri Area Bond Reserve Fund - Jefferson Co. Treasurer	91	786
LUD #13 Reserve Fund - Jefferson Co. Treasurer	12	0
<b>TOTAL LINE 13. BALANCE SHEET-RESTRICTED FUNDS</b>	<b><u>\$1,494,810</u></b>	<b><u>\$6,759</u></b>

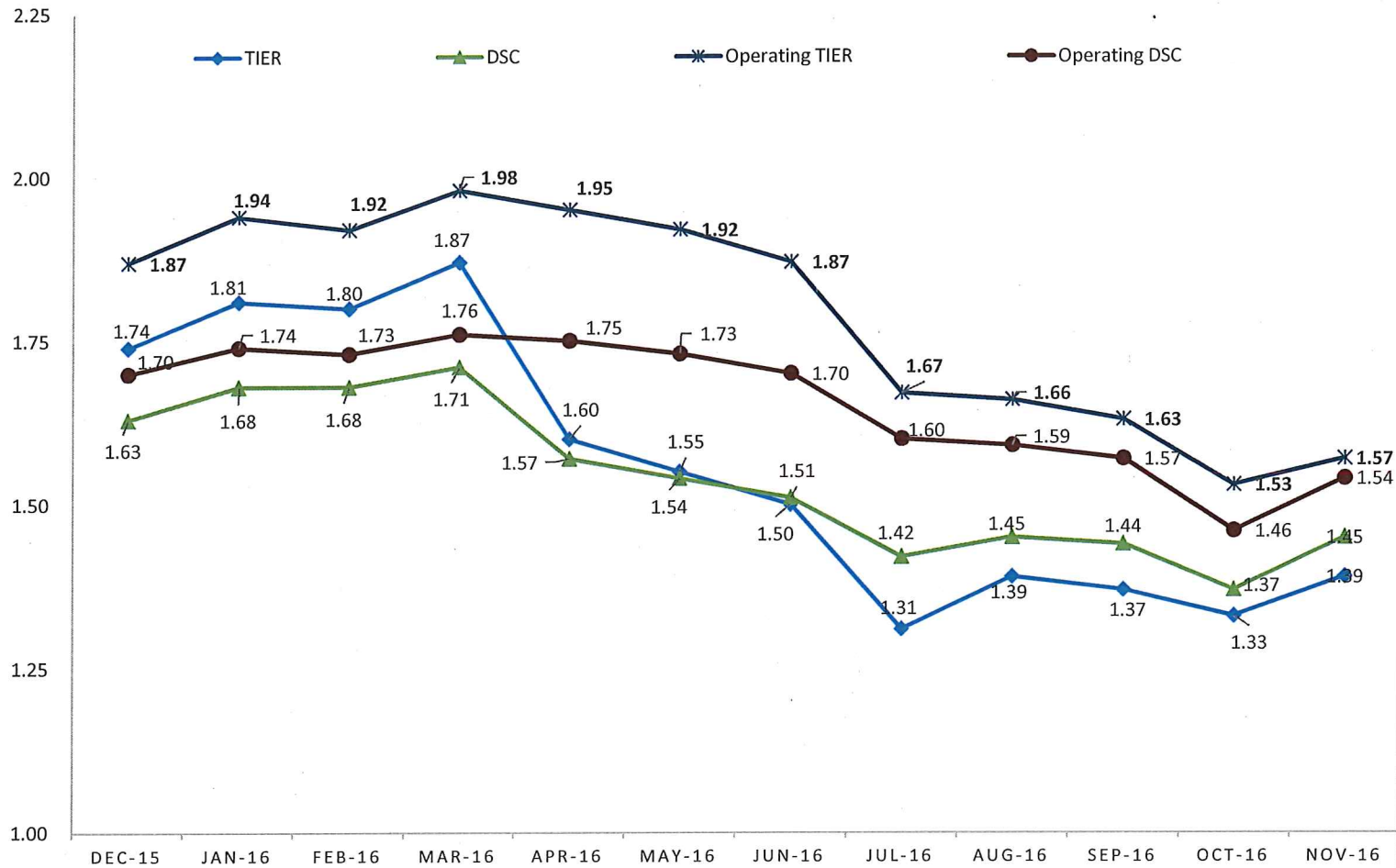


**Jefferson County PUD No. 1**  
**SCHEDULE OF LONG TERM DEBT and NOTES PAYABLE**  
**November 30, 2016**

<u>Description</u>	<u>Note Name/Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>12/31/2015 Principal Balance</u>	<u>Y-T-D Principal Payment</u>	<u>Current Principal Balance</u>	<u>Y-T-D Interest Expense</u>	<u>Y-T-D P&amp;I Payments</u>
RUS/FFB loan for PSE acquisition	H0010	2.728%*	Dec-41	\$111,770,719	(\$2,284,171)	\$109,486,548	\$2,783,235	\$4,551,241
RUS/FFB loan for PSE acquisition	H0015	3.433%*	Dec-41	746,152	(13,810)	732,342	23,249	32,868
<b>LINE 37 BALANCE SHEET-RUS DEBT</b>				<b><u>\$112,516,870</u></b>	<b><u>(\$2,297,980)</u></b>	<b><u>\$110,218,890</u></b>	<b><u>\$2,806,484</u></b>	<b><u>\$4,584,109</u></b>
USDA Tri Area	2003 Revenue Bond	4.500%	Oct-23	\$2,583,278	(\$49,061)	\$2,534,218	\$105,830	\$164,762
LUD #14-Marrowstone Island Water System	2009 Revenue Bond	4.15% - 6.75%	Jul-26	1,455,000	(102,000)	1,353,000	74,142	185,961
LUD #14-Marrowstone Island Water System	PW-05-691-025	0.500%	Jul-25	1,088,063	(108,806)	979,257	4,760	114,247
SRF Loan-Sparling Water Treatment Plant	DM13-952-177	1.000%	Oct-37	582,162	219,021	801,183	5,855	50,685
SRF Loan-Treatment Sparling Well/Quimper System	DM10-952-018	1.000%	Oct-44	1,417,397	(664,558)	752,839	5,533	34,115
SRF Loan-Kala Point Acquisition, Upgrade, Consolidation	DM12-952-091	1.000%	Oct-36	1,089,000	(571,725)	517,275	12,063	589,172
LUD #15-Beckett Pt Large On-Site Sewage System	PW-05-691-024	0.500%	Jul-25	507,758	(50,776)	456,982	2,221	53,315
LUD #11-Bywater Way & Shine	1999 Revenue Bond	5.250%	Mar-28	465,000	(50,000)	415,000	21,066	62,206
LUD #15-Beckett Point	2008 Revenue Bond	3.990%	May-25	233,129	(58,427)	174,702	24,538	86,509
Transfer from City of Port Townsend	PW-02-691-066	1.000%	Oct-18	209,421	(69,807)	139,614	1,629	71,901
Snow Creek Ranch Water System Improvements	PW-00-65120-008	2.500%	Oct-21	49,632	(8,272)	41,360	1,120	9,513
Kala Point Water Reservoir & Meters	98-78898-021	3.350%	Oct-19	44,205	(11,051)	33,154	1,327	12,532
Sound View Villa Emergency Loan	PW-99-691-ELP-301	5.000%	Jul-19	20,561	(5,140)	15,421	835	6,168
<b>LINE 40 BALANCE SHEET-OTHER LTD</b>				<b><u>\$9,744,606</u></b>	<b><u>(\$1,530,603)</u></b>	<b><u>\$8,214,003</u></b>	<b><u>\$260,919</u></b>	<b><u>\$1,441,086</u></b>
Peterson Lake	B. Peterson Family LP	6.000%	Mar-26	\$1,314,021	(\$87,510)	\$1,226,511	\$70,105	\$157,615
Kala Point	Eric Thomas Note	0.000%	Oct-24	400,000	(50,000)	350,000	0	50,000
<b>LINE 47 BALANCE SHEET-NOTES PAYABLE</b>				<b><u>\$1,714,021</u></b>	<b><u>(\$137,510)</u></b>	<b><u>\$1,576,511</u></b>	<b><u>\$70,105</u></b>	<b><u>\$207,615</u></b>
<b>TOTAL LONG TERM DEBT AND RELATED EXPENDITURES</b>				<b><u>\$123,975,497</u></b>	<b><u>(\$3,966,093)</u></b>	<b><u>\$120,009,404</u></b>	<b><u>\$3,137,508</u></b>	<b><u>\$6,232,810</u></b>
<b>WEIGHTED COST OF DEBT</b>				<b><u>2.8057%</u></b>				

\*Interest rate includes 1/8% for Section 9 Fee

## TIER AND DSC - 12 MONTH ROLLING AVERAGE-ELECTRIC



TIER:  $\frac{\text{Net Margins} + \text{Interest on LTD}}{\text{Interest on LTD}}$

DSC:  $\frac{\text{Net Margins} + \text{Interest on LTD} + \text{Depreciation}}{\text{Principal \& Interest Payments on LTD}}$

RUS TIER & DSC Requirement = 1.25  
 RUS OTIER & ODSC Requirement = 1.1

**JEFFERSON COUNTY PUBLIC UTILITY DISTRICT #1**  
**Financial Analysis and Ratios**  
**November 30, 2016**

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**2015**                      **2016**

**Times Interest Earned Ratio (TIER) - Electric - YTD:**

$$\frac{\text{Net Margins} + \text{Interest on Long Term Debt}}{\text{Interest on Long Term Debt}}$$

1.75                      1.37

Measures the PUD's ability to repay interest on long-term debt for the electric division. Minimum is 1.25 for the year but strive for higher.

\*\_\*\_\*\_\*\_\*\_\*

**Operating Times Interest Earned Ratio (OTIER) - Electric - YTD:**

$$\frac{\text{Operating Margins} + \text{Interest on Long Term Debt}}{\text{Interest on Long Term Debt}}$$

1.42                      1.08

Measures the PUD's ability to repay interest on long-term debt for the electric division. Minimum is 1.10 for the year.

\*\_\*\_\*\_\*\_\*\_\*

**Debt Service Coverage (DSC) - Electric - YTD:**

$$\frac{\text{Net Margins} + \text{Interest on Long Term Debt} + \text{Depreciation/Amortization}}{\text{Total Long-Term Debt Service Billed}}$$

2.00                      1.76

Measures the PUD's ability to generate sufficient funds from operating margins to cover the annual debt service payments on the electric division. Minimum is 1.25 for the year.

\*\_\*\_\*\_\*\_\*\_\*

**Operating Debt Service Coverage (ODSC) - Electric - YTD:**

$$\frac{\text{Operating Margins} + \text{Interest on Long Term Debt} + \text{Depreciation/Amortization}}{\text{Total Long-Term Debt Service Billed}}$$

1.80                      1.58

Measures the PUD's ability to generate sufficient funds from operating margins to cover the annual debt service payments on the electric division. Minimum is 1.10 for the year.

\*\_\*\_\*\_\*\_\*\_\*

**Quick Ratio:**

$$\frac{\text{Cash and Accounts Receivable}}{\text{Current Liabilities}}$$

1.60                      1.68

Reveals the protection afforded short-term creditors by the most liquid current assets. The larger the ratio (and it should be above 1.0), the greater the liquidity.

\*\_\*\_\*\_\*\_\*\_\*

**90 Days of Cash for Operations**

$$\frac{12 \text{ Months of Expenditures}}{4}$$

Per Financial Policy, required to keep 90 days of available cash based on planned year's budget.

\$9,494,174              \$9,539,373

**Average Accounts Receivable Collection Period:**

$$\frac{365}{\text{Accounts Receivable Turnover}}$$

23                      20

Expresses the effectiveness of collections in days. Represents the number of days it takes for customers to pay their bill after it has been sent out.

\*\_\*\_\*\_\*\_\*\_\*

**Accounts Payable to Average Daily Purchases:**

$$\frac{\text{Average Accounts Payable}}{\text{Average Daily Purchases}}$$

32                      45

Indicates the number of days required to pay creditors.