

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

Combined Income Statement

This report provides an overview of the revenues and expenses from all sources of the PUD as of June 30, 2016. Year to date, our net margins are ahead of June 30, 2015 and 2016 budget. However, operating margins are lagging behind the six months ending June 30, 2015 and 2016 budget.

We will continue to use this “canned” report out of IVUE until we have time available to customize it to better meet the PUD’s needs. The current form is designed for rural electric cooperatives.

Income Statement Comparison Through June 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 and Patronage Capital – Is up \$1.2 million, or 6.9% in 2016 over 2015. The majority of the increase is found in the Electric Commercial and Industrial sales by \$1 million. Electric Sales to Public Authorities is up \$100k. Electric Residential Sales are down \$140k. Water Commercial Sales are up \$180k but Water Residential Sales are down \$190k.

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 will be, and is up, also.

Line 4. Transmission Expense – Overall this expense is down \$22k. Transmission of electricity by BPA over the transmission power lines is down \$60k in 2016. Maintenance to the transmission lines is up \$35k compared to 2015.

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 see a small 3.4%, or \$23k increase over last year. However, there are several significant items to report here:

- Load Dispatching is down \$10k
- Substation Expenses are up \$33k
- Overhead Line Expenses are up \$36k
- Underground Line Expenses are up \$59k
- Meter Expenses are down \$85k – we will be reviewing labor charged in 2015 to determine if some of this should have been capitalized, rather than expensed, when installing meters.
- Water Division Salaries are down \$20k

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 boosted maintenance costs by \$671k and they include:

- Maintenance of Overhead Lines is up \$190k due to wind storms and outages earlier this year
- Tree Trimming is up \$440k because contractors are clearing right of way to help prevent future outages from trees getting into the power lines
- Sewer Maintenance is up \$22k

Line 8. Customers Accounts – Reported on this line are the costs to read meters, bill customers, and collect payments. During 2016, there has been a \$38k increase, primarily due to additional labor to read meters.

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. For some time, we have been running the costs and refunds of several rebate programs through this line. That is not the proper way to handle these transactions. Instead, we should and will report the amount received through the rebate granting agency (BPA, etc.) as a payable and then process rebate checks to customers out of the same payable account.

Line 11. Administrative and General Expense – Year to date these costs are up \$170k as follows:

- Administrative and General Salaries are down \$10k
- Office Supplies and Expenses are down \$46k due to charging the monthly answering service to this account in 2015 and in 2016 charging same to Overhead and Underground Maintenance (Line 7).
- Legal Services are up \$15k
- Engineering Services are down \$25k
- Outside Accounting Services are up \$70k 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 \$102k
- Outside Human Resources/Labor Relation Services are up \$15k
- Property Insurance is up \$25k
- Safety Equipment and Training is up \$18k – depending on the type of equipment and training, these costs probably should be transferred to a functional account of the utility or to a general operations account (Line 6)

Line 12. Total Operation & Maintenance Expense – is up \$1.3 million, or 12.5%

Line 13. Depreciation & Amortization Expense – we are in the process of reviewing the investment in utility plant and related depreciation. Presently there is no amount booked for depreciation of the water system in 2015 and we have too much depreciation booked on the electric plant also in 2015. If there are any changes to the depreciation for 2016, those will be minor. This research will be completed before the 2015 audit.

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 on LTD for details.

Line 19 – Other Deductions – Donations for Power Boost have been processed through this account. This will be corrected. Future collections from employees and customers will be recorded in a payable account and then paid from this same account when the donation is passed on to the recipient organizations.

Line 20 – Total Cost of Electric and Water Service – up almost \$1.4m or 8.7%

Line 22 – Non Operating Margins – Interest – amount is similar to last year. See the separate Schedule on Cash and Liquid Investments for details.

Line 25 – Non Operating Margins – Other – Included on this line are amounts collected from Jefferson County Treasurer for Real Property Taxes, Timber Harvest Taxes, and Excise Tax Receipts and then passed on to the PUD. Year to date, these amounts are \$346k and \$302k for 2015 and 2016, respectively. A one-time forgiveness of principal on the Kala Point note in the amount of \$544,500 in 2016 is also reported on this line.

Line 29 – Patronage Capital or Margins – Overall increase of \$323k, or 16.5% during 2016

Income Statement for June 2016 - Electric Utility

This schedule shows the revenues and expenses for the electric utility only. Actual Net Margins are ahead of 2015 and 2016 Budget. TIER is 2.18 for the first half of 2016, meaning margins without deducting interest on long term debt are sufficient to pay interest on long term debt more than 2 times.

Income Statement for June 2016 – Water Utility

This schedule shows the revenues and expenses for the water utility only. For 2016, we are experiencing an operating loss of \$322k. Note that there is no depreciation recorded in 2015 on Line 13 but there will be. The current operating margins of \$68k for 2015 will result in an operating loss after depreciation is recorded. We anticipate that the depreciation expense in 2015 will be similar to the amount in 2016.

Income Statement for June 2016 – General Fund

This schedule shows the revenues and expenses for the PUD that are not water nor electric but to provide governance of the organization. Included are the Commissioner's expenses and tax revenues from Jefferson County Treasurer.

Balance Sheet for June 2016

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

Line 5 – Net Utility Plant – Has decreased \$1.1 million in value over the past 12 months. This would suggest that plant additions have been a slower pace than the amount of wear and tear on plant in service that is recorded as depreciation.

Line 21 – Accounts Receivable – Other (Net) – The \$5.4 million increase in value is misleading. Accounts Receivable has actually decreased between 2015 and 2016 in the amount of \$600k as customers have paid on the LUD Assessments. There is a \$6 million increase in the accounts used to balance the Electric Division, Water Division, and General Fund Division. Those accounts will be reconciled before the 2015 audit occurs.

Line 23 – Material and Supplies – The PUD has implemented the A-B-C method for managing inventory. "A" items are high unit value, slower moving items. These include poles, transformers, regulators, concrete vaults, etc. These items are counted each month. "B" items are valued between \$20 - \$499 per unit plus wire. "B" items will be counted once per year. "C" items represent less than 1% of the total value of inventory. If they are counted, it is seldom. The A-B-C method causes operations to focus on the most important items in inventory. During July 2016, 70% of the total value of inventory was physically counted. Material Inventory increased \$487k during the past 12 months. Based on following the A-B-C method of inventory management, using various analytical tools in NISC's software, and reporting key ratios to management and those charged with purchasing inventory, we will be able to determine if we have the right amount of inventory at the right time.

Line 35 – Other Margins and Equities – The increase of \$1,188,039 represents 2015's margins. This amount may change as we continue to add or correct transactions in 2015.

Line 44 – Obligations Under Capital Leases – This is an area that has not been reviewed but will be before the 2015 audit.

Line 48 – Accounts Payable - The \$6.4 million increase in value is misleading. Accounts Payable increased about \$100k between June 30 of both years. The difference of \$6.3 million is related to transactions posted to balance the Electric Division, Water Division, and General Fund Division. Those accounts will be reconciled before the 2015 audit occurs.

Line 50 – Current Maturities on Long Term Debt – This is the amount of principal to be paid on the RUS debt between July 1 – December 31, 2015.

Current Assets to Current Liabilities – This ratio measures the PUD’s ability to pay current bills with cash. This ratio has dropped from 1.88 to 1.65 in the past 12 months. Once we have reconciled the accounts used to balance the three divisions, this ratio will be more accurate and meaningful.

Margins and Equities to Total Assets – This ratio measures the amount of assets that have been paid for through margins. The ratio increased from 17.59% to 18.1% 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 77.97% to 74.48% would be expected.

Statement of Cash Flows for Month Ending June 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 \$1.9 million during June through amounts we billed them for utility service and paying on accounts receivable from May 31, 2016. The Accounts & Notes Receivable shows that customers charged more than they paid on LUD Assessments. Again, this is misleading because some of the accounts that help us balance the three divisions are included on this line.

Cash Paid to Suppliers & Employees – generated \$515k in cash. This is misleading because some of the accounts that help us balance the three divisions are included.

Cash Paid for Interest, Taxes & Other – reduced cash by almost \$1.5 million. The majority of this was the payment of interest on the RUS loan that had been accrued over the past two months.

Net Cash – Investing Activities – There was an outflow of cash in the amount of \$293k to pay for additions and improvements to utility plant.

Net Cash – Financing Activities – Almost \$768k was paid and applied to principal on long term debt; the majority was to retire debt with RUS.

Net Decrease to Cash for the Month – was an outflow of \$86k.

Statement of Cash Flows for January - June, 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 six months.

We have generated \$6.5 million from operations and spent \$2.6 million to add/improve plant and \$2.6 million to retire principal on long term debt. Overall, we generated almost \$1.3 million 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 Jefferson County Treasurer except the Working Funds (petty cash and cash drawers), BOA Permit #U05-24 and BOA Payroll Clearing Accounts. We are in the process of transferring the Payroll Clearing Account to the control of the Treasurer. 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 \$1,472,687 are those accounts with restricted access because of loan covenants. One of the duties of the Controller will be to ensure that we are properly accounting for the type of access we have: liquid vs. restricted. This schedule also shows how much interest has been generated by each account. On LUD #11, #14, and #15, penalties and interest collected by the Treasurer for these assessments are booked as interest. Many of these accounts reported as Line 15 Balance Sheet-Cash-General Funds have a related account under 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. The total interest expense ties back to Line 16. Interest on Long Term Debt on the Combined Income Statement. The principal payments tie back to the Statement of Cash Flows. Interest rates range from no interest to 6.75%. The average cost of debt is 2.8066%.

Future Reports

We plan to add another schedule to report important financial, operational, and statistical ratios.

A few charts may be added to help show trends in TIER, Operating TIER, Debt Service Coverage, and Operating Debt Service Coverage. These are the four ratios that RUS requires that we meet certain minimums. By viewing trends over a period of time, we can be alerted in advance so that modifications can be made in operations or discussions can occur well ahead of the time to implement new rates.

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COMBINED INCOME STATEMENT FOR JUN 2016

Item	Year - To - Date			Period - To - Date	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue and Patronage Capital	17,327,689	18,530,917	17,327,283	2,261,417	2,306,405
2. Power Production Expense	0	880	0	0	0
3. Cost of Purchased Power	6,528,900	6,952,690	7,496,793	908,549	923,283
4. Transmission Expense	865,841	843,872	897,801	95,073	132,693
5. Regional Market Expense	0	0	0	0	0
6. Distribution Expense - Operation	668,011	690,999	666,106	84,605	115,279
7. Distribution Expense - Maintenance	671,493	1,343,200	671,103	160,117	152,928
8. Customer Accounts Expense	646,771	684,530	686,738	122,955	129,334
9. Customer Service and Informational Expense	-4,223	478	-4,223	5,629	-20,789
10. Sales Expense	0	0	0	0	0
11. Administrative and General Expense	1,071,086	1,240,729	1,055,552	221,891	176,076
12. Total Operation & Maintenance Expense (2 thru 11)	10,447,878	11,757,378	11,469,870	1,598,819	1,608,804
13. Depreciation & Amortization Expense	2,603,873	2,630,768	1,350,811	430,489	225,695
14. Tax Expense - Property & Gross Receipts	0	0	0	0	0
15. Tax Expense - Other	1,024,518	1,096,415	1,037,948	133,376	100,954
16. Interest on Long-Term Debt	1,750,709	1,721,535	1,560,125	285,373	781,830
17. Interest Charged to Construction - Credit	0	0	0	0	0
18. Interest Expense - Other	0	0	0	0	0
19. Other Deductions	0	4,064	0	2,512	0
20. Total Cost of Electric Service (12 thru 19)	15,826,978	17,210,161	15,418,754	2,450,570	2,717,283
21. Patronage Capital & Operating Margins (1 minus 20)	1,500,711	1,320,756	1,908,529	-189,153	-410,879
22. Non Operating Margins - Interest	103,521	104,092	0	6,704	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	356,662	859,571	258,300	5,161	8,300
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. Patronage Capital or Margins (21 thru 28)	1,960,894	2,284,419	2,166,829	-177,288	-402,579
Operating - Margin	1,500,711	1,320,756	1,908,529	-189,153	-410,879
Non Operating - Margin	460,183	963,663	258,300	11,865	8,300
Times Interest Earned Ratio - Operating	1.86	1.77			
Times Interest Earned Ratio - Net	2.12	2.33			
Times Interest Earned Ratio - Modified	2.12	2.33			

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Financial And Operating Report

INCOME STATEMENT COMPARISON THROUGH JUNE 2016

Item	Year - To - Date			
	Last Year	This Year	Amount Change	Percent Change
1. Operating Revenue and Patronage Capital	17,327,689	18,530,917	1,203,228	6.9%
2. Power Production Expense	0	880	880	0.0%
3. Cost of Purchased Power	6,528,900	6,952,690	423,790	6.5%
4. Transmission Expense	865,841	843,872	-21,969	-2.5%
5. Regional Market Expense	0	0	0	0.0%
6. Distribution Expense - Operation	668,011	690,999	22,988	3.4%
7. Distribution Expense - Maintenance	671,493	1,343,200	671,707	100.0%
8. Customer Accounts Expense	646,771	684,530	37,759	5.8%
9. Customer Service and Informational Expense	-4,223	478	4,701	-111.3%
10. Sales Expense	0	0	0	0.0%
11. Administrative and General Expense	1,071,086	1,240,729	169,643	15.8%
12. Total Operation & Maintenance Expense (2 thru 11)	10,447,879	11,757,378	1,309,499	12.5%
13. Depreciation & Amortization Expense	2,603,873	2,630,768	26,895	1.0%
14. Tax Expense - Property & Gross Receipts	0	0	0	0.0%
15. Tax Expense - Other	1,024,518	1,096,415	71,897	7.0%
16. Interest on Long-Term Debt	1,750,709	1,721,535	-29,174	-1.7%
17. Interest Charged to Construction - Credit	0	0	0	0.0%
18. Interest Expense - Other	0	0	0	0.0%
19. Other Deductions	0	4,064	4,064	0.0%
20. Total Cost of Electric Service (12 thru 19)	15,826,979	17,210,160	1,383,181	8.7%
21. Patronage Capital & Operating Margins (1 minus 20)	1,500,710	1,320,757	-179,953	-12.0%
22. Non Operating Margins - Interest	103,521	104,092	571	0.6%
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	356,662	859,571	502,909	141.0%
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. Patronage Capital or Margins (21 thru 28)	1,960,893	2,284,420	323,527	16.5%

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INCOME STATEMENT FOR JUN 2016

Division: 1 ELECTRIC UTILITY

Item	Year - To - Date			Period - To - Date	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue and Patronage Capital	16,342,687	17,567,043	16,342,467	2,082,700	2,108,297
2. Power Production Expense	0	0	0	0	0
3. Cost of Purchased Power	6,471,276	6,886,452	7,439,169	897,572	910,656
4. Transmission Expense	865,841	843,872	897,801	95,073	132,693
5. Regional Market Expense	0	0	0	0	0
6. Distribution Expense - Operation	383,641	429,334	381,736	43,744	62,578
7. Distribution Expense - Maintenance	573,680	1,209,813	573,680	120,121	127,641
8. Customer Accounts Expense	577,625	621,700	610,752	112,937	114,091
9. Customer Service and Informational Expense	-4,223	468	-4,223	5,629	-20,789
10. Sales Expense	0	0	0	0	0
11. Administrative and General Expense	813,817	907,548	815,362	157,445	117,287
12. Total Operation & Maintenance Expense (2 thru 11)	9,681,656	10,899,187	10,714,276	1,432,521	1,444,158
13. Depreciation & Amortization Expense	2,603,873	2,299,714	1,350,811	375,188	225,695
14. Tax Expense - Property & Gross Receipts	0	0	0	0	0
15. Tax Expense - Other	976,618	1,048,011	1,021,806	124,446	92,755
16. Interest on Long-Term Debt	1,560,125	1,523,772	1,560,125	253,097	781,830
17. Interest Charged to Construction - Credit	0	0	0	0	0
18. Interest Expense - Other	0	0	0	0	0
19. Other Deductions	0	4,064	0	2,512	0
20. Total Cost of Electric Service (12 thru 19)	14,822,271	15,774,749	14,647,018	2,187,764	2,544,438
21. Patronage Capital & Operating Margins (1 minus 20)	1,520,416	1,792,294	1,695,449	-105,064	-436,142
22. Non Operating Margins - Interest	6,163	15,358	0	2,812	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	8,300	0	8,300	0	8,300
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. Patronage Capital or Margins (21 thru 28)	1,534,878	1,807,652	1,703,749	-102,252	-427,842
Operating - Margin	1,520,416	1,792,294	1,695,449	-105,064	-436,142
Non Operating - Margin	14,463	15,358	8,300	2,812	8,300
Times Interest Earned Ratio - Operating	1.97	2.18			
Times Interest Earned Ratio - Net	1.98	2.19			
Times Interest Earned Ratio - Modified	1.98	2.19			

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INCOME STATEMENT FOR JUN 2016

Division: 2 WATER UTILITY

Item	Year - To - Date			Period - To - Date	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue and Patronage Capital	984,816	963,677	984,816	178,538	198,108
2. Power Production Expense	0	880	0	0	0
3. Cost of Purchased Power	57,624	66,238	57,624	10,977	12,627
4. Transmission Expense	0	0	0	0	0
5. Regional Market Expense	0	0	0	0	0
6. Distribution Expense - Operation	284,370	261,664	284,370	40,860	52,701
7. Distribution Expense - Maintenance	97,813	133,387	97,423	39,996	25,287
8. Customer Accounts Expense	69,145	62,830	75,985	10,019	15,243
9. Customer Service and Informational Expense	0	10	0	0	0
10. Sales Expense	0	0	0	0	0
11. Administrative and General Expense	169,264	183,364	169,654	23,194	46,976
12. Total Operation & Maintenance Expense (2 thru 11)	678,217	708,373	685,057	125,046	152,833
13. Depreciation & Amortization Expense	0	331,054	0	55,302	0
14. Tax Expense - Property & Gross Receipts	0	0	0	0	0
15. Tax Expense - Other	47,900	48,404	16,142	8,930	8,199
16. Interest on Long-Term Debt	190,584	197,763	0	32,276	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)	916,702	1,285,595	701,200	221,554	161,032
21. Patronage Capital & Operating Margins (1 minus 20)	68,114	-321,917	283,616	-43,016	37,076
22. Non Operating Margins - Interest	96,158	85,124	0	3,231	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	0	544,500	0	0	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. Patronage Capital or Margins (21 thru 28)	164,272	307,706	283,616	-39,785	37,076
Operating - Margin	68,114	-321,917	283,616	-43,016	37,076
Non Operating - Margin	96,158	629,624	0	3,231	0
Times Interest Earned Ratio - Operating	1.36	-0.63			
Times Interest Earned Ratio - Net	1.86	2.56			
Times Interest Earned Ratio - Modified	1.86	2.56			

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INCOME STATEMENT FOR JUN 2016

Division: 3 GENERAL FUND

Item	Year - To - Date			Period - To - Date	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue and Patronage Capital	186	196	0	179	0
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	88,005	149,818	70,536	41,252	11,813
12. Total Operation & Maintenance Expense (2 thru 11)	88,005	149,818	70,536	41,252	11,813
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	0	0	0	0	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)	88,005	149,818	70,536	41,252	11,813
21. Patronage Capital & Operating Margins (1 minus 20)	-87,819	-149,621	-70,536	-41,073	-11,813
22. Non Operating Margins - Interest	1,201	3,611	0	661	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	348,362	315,071	250,000	5,161	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. Patronage Capital or Margins (21 thru 28)	261,744	169,060	179,464	-35,251	-11,813
Operating - Margin	-87,819	-149,621	-70,536	-41,073	-11,813
Non Operating - Margin	349,563	318,682	250,000	5,822	0
Times Interest Earned Ratio - Operating	0.00	0.00			
Times Interest Earned Ratio - Net	0.00	0.00			
Times Interest Earned Ratio - Modified	0.00	0.00			

Unaudited-Subject to Change

Financial And Operating Report Electric Distribution

BALANCE SHEET FOR JUN 2016

	Last Year	This Year	Variance
ASSETS AND OTHER DEBITS			
1. Total Utility Plant in Service	152,294,390	153,831,407	1,537,017
2. Construction Work in Progress	4,432,254	6,911,134	2,478,880
3. Total Utility Plant (1 + 2)	156,726,644	160,742,541	4,015,897
4. Accum. Provision for Depreciation and Amort.	19,182,746	24,329,105	5,146,359
5. Net Utility Plant (3 - 4)	137,543,898	136,413,436	-1,130,462
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	0	0
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	1,468,769	1,472,687	3,918
14. Total Other Property & Investments (6 thru 13)	1,468,769	1,472,687	3,918
15. Cash - General Funds	1,884,126	1,809,814	-74,311
16. Cash - Construction Funds - Trustee	1,107,700	1,110,655	2,955
17. Special Deposits	0	0	0
18. Temporary Investments	12,679,917	11,367,366	-1,312,551
19. Notes Receivable (Net)	0	0	0
20. Accounts Receivable - Sales of Energy (Net)	1,374,257	1,690,732	316,475
21. Accounts Receivable - Other (Net)	7,161,715	12,569,705	5,407,991
22. Renewable Energy Credits	0	0	0
23. Material and Supplies - Electric & Other	1,300,688	1,787,888	487,200
24. Prepayments	0	0	0
25. Other Current and Accrued Assets	0	0	0
26. Total Current and Accrued Assets (15 thru 25)	25,508,402	30,336,161	4,827,759
27. Regulatory Assets	0	0	0
28. Other Deferred Debits	201,118	198,344	-2,774
29. Total Assets and Other Debits (5 + 14 + 26 thru 28)	164,722,186	168,420,628	3,698,441

Unaudited-Subject to Change

Financial And Operating Report Electric Distribution

BALANCE SHEET FOR JUN 2016

	Last Year	This Year	Variance
LIABILITIES AND OTHER CREDITS			
30. Memberships	0	0	0
31. Patronage Capital	0	0	0
32. Operating Margins - Prior Years	0	0	0
33. Operating Margins - Current Year	1,500,711	1,320,756	-179,955
34. Non-Operating Margins	460,183	963,663	503,480
35. Other Margins and Equities	27,014,720	28,202,759	1,188,039
36. Total Margins & Equities (30 thru 35)	28,975,614	30,487,178	1,511,564
37. Long-Term Debt - RUS (Net)	112,516,871	110,984,584	-1,532,287
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)	9,677,500	8,730,892	-946,608
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)	122,194,371	119,715,476	-2,478,895
44. Obligations Under Capital Leases - Noncurrent	-111,506	-257,851	-146,345
45. Accumulated Operating Provisions	0	0	0
46. Total Other Noncurrent Liabilities (44 + 45)	-111,506	-257,851	-146,345
47. Notes Payable	1,809,768	1,666,884	-142,884
48. Accounts Payable	8,592,970	14,969,794	6,376,824
49. Consumers Deposits	120,893	90,489	-30,404
50. Current Maturities Long-Term Debt	1,492,512	0	-1,492,512
51. Current Maturities Long-Term Debt - Econ. Devel.	0	0	0
52. Current Maturities Capital Leases	208,115	208,115	0
53. Other Current and Accrued Liabilities	1,364,199	1,465,293	101,094
54. Total Current & Accrued Liabilities (47 thru 53)	13,588,457	18,400,575	4,812,119
55. Regulatory Liabilities	0	0	0
56. Other Deferred Credits	75,250	75,250	0
57. Total Liab. & Other Credits (36+43+46+54 thru 56)	164,722,186	168,420,628	3,698,442
Current Assets To Current Liabilities	1.88 to 1	1.65 to 1	
Margins and Equities To Total Assets	17.59 %	18.10 %	
Long-Term Debt To Total Utility Plant	77.97 %	74.48 %	

JEFFERSON COUNTY PUBLIC UTILITY DISTRICT #1
STATEMENT OF CASH FLOWS
June 30, 2016
Unaudited and subject to change

CASH FLOW FROM OPERATING ACTIVITIES:

Operating Revenue	\$2,261,417	
Accounts Receivable - Electric & Water Utility Service (Net)	89,448	
Accounts & Notes Receivable - Other (Net)	(422,401)	
CASH RECEIVED FROM CUSTOMERS	\$1,928,464	
Non Operating Margins-Interest	\$6,702	
Non Operating Margins-Other	5,161	
Other Current & Accrued Assets	0	
Deferred Debits	2,786	
CASH RECEIVED FROM OTHERS	\$14,649	
CASH RECEIVED FROM OPERATING ACTIVITIES		\$1,943,113
Total Operating & Maintenance Expense	(\$1,598,817)	
Prepayments	0	
Accounts Payable	2,074,957	
Material & Supplies/Electric & Other	39,272	
CASH PAID (-) TO SUPPLIERS & EMPLOYEES	\$515,412	
Tax Expense, Property	\$0	
Tax Expense, Other	(133,376)	
Interest Long Term Debt	(285,373)	
Interest Expense, Other	0	
Other Deductions	(2,513)	
Other Current & Accrued Liabilities	(1,061,143)	
Deferred Credits	0	
CASH PAID (-) FOR INTEREST, TAXES & OTHER	(\$1,482,405)	
CASH DISBURSED (-) FOR OPERATING ACTIVITIES		(\$966,993)
NET CASH - OPERATING ACTIVITIES		\$976,120

CASH FLOW FROM INVESTING ACTIVITIES:

Investment in Utility and General Plant	(\$292,889)	
Other Investments	0	
Special Funds	(504)	
Special Deposits	0	
Non-Utility Property	0	
NET CASH - INVESTING ACTIVITIES		(\$293,393)

CASH FLOW FROM FINANCING ACTIVITIES:

Operating Margins-Prior Year	\$0	
Other Margins & Equities	0	
CHANGE IN EQUITY AND OTHER MARGINS	\$0	
Long Term Debt	(\$768,618)	
Notes Payable	0	
Consumer Deposits	(200)	
CHANGE IN LIABILITIES/DEBT	(768,818)	
NET CASH - FINANCING ACTIVITIES		(\$768,818)

NET INCREASE (DECREASE) IN CASH FOR THE MONTH **(\$86,091)**

PRIOR MONTH'S ENDING CASH BALANCE \$14,373,926

CURRENT MONTH'S ENDING CASH BALANCE:

Cash - General Funds	\$1,809,814	
Cash - Construction Fund	1,110,655	
Temporary Investments	11,367,366	
TOTAL - CURRENT MONTH'S ENDING CASH BALANCE	\$14,287,835	

JEFFERSON COUNTY PUBLIC UTILITY DISTRICT #1
STATEMENT OF CASH FLOWS
January - June 2016
Unaudited and subject to change

CASH FLOW FROM OPERATING ACTIVITIES:

Operating Revenue	\$18,530,917	
Accounts Receivable - Electric & Water Utility Service (Net)	454,952	
Accounts & Notes Receivable - Other (Net)	(2,016,601)	
CASH RECEIVED FROM CUSTOMERS	\$16,969,268	
Non Operating Margins-Interest	\$104,092	
Non Operating Margins-Other	859,571	
Other Current & Accrued Assets	0	
Deferred Debits	2,774	
CASH RECEIVED FROM OTHERS	\$966,437	
CASH RECEIVED FROM OPERATING ACTIVITIES		\$17,935,705
Total Operating & Maintenance Expense	(\$11,757,378)	
Prepayments	0	
Accounts Payable	3,470,170	
Material & Supplies/Electric & Other	27,593	
CASH PAID (-) TO SUPPLIERS & EMPLOYEES	(\$8,259,615)	
Tax Expense, Property	\$0	
Tax Expense, Other	(1,096,415)	
Interest Long Term Debt	(1,721,535)	
Interest Expense, Other	0	
Other Deductions	(4,064)	
Other Current & Accrued Liabilities	(320,596)	
Deferred Credits	0	
CASH PAID (-) FOR INTEREST, TAXES & OTHER	(\$3,142,610)	
CASH DISBURSED (-) FOR OPERATING ACTIVITIES		(\$11,402,225)
NET CASH - OPERATING ACTIVITIES		\$6,533,480

CASH FLOW FROM INVESTING ACTIVITIES:

Investment in Utility and General Plant	(\$2,650,900)	
Other Investments	0	
Special Funds	(2,753)	
Special Deposits	0	
Non-Utility Property	0	
NET CASH - INVESTING ACTIVITIES		(\$2,653,653)

CASH FLOW FROM FINANCING ACTIVITIES:

Operating Margins-Prior Year	\$0	
Other Margins & Equities	0	
CHANGE IN EQUITY AND OTHER MARGINS	\$0	
Long Term Debt	(\$2,546,000)	
Notes Payable	(47,137)	
Consumer Deposits	9,000	
CHANGE IN LIABILITIES/DEBT	(2,584,137)	
NET CASH - FINANCING ACTIVITIES		(\$2,584,137)

NET INCREASE (DECREASE) IN CASH DURING THE PERIOD		\$1,295,690
PRIOR YEAR'S ENDING CASH BALANCE		\$12,992,145
CURRENT MONTH'S ENDING CASH BALANCE:		
Cash - General Funds	\$1,809,814	
Cash - Construction Fund	1,110,655	
Temporary Investments	11,367,366	
TOTAL - CURRENT MONTH'S ENDING CASH BALANCE	\$14,287,835	

JEFFERSON COUNTY PUD NO. 1
SCHEDULE OF CASH, LIQUID INVESTMENTS, AND SPECIAL FUNDS
June 30, 2016

	CURRENT BALANCE	Y-T-D INTEREST INCOME
1 131.11 CASH - OPERATING DEPOSITORY BOA	\$377,521	\$0
1 131.12 CASH - JEFF CO TREASURER GENERAL ACCT	1,143,594	11,261
1 131.14 CASH - BOA - PERMIT #U05-24	29,335	0
1 131.15 CASH - PAYROLL CLEARING -BOA	102,634	0
1 135.21 WORKING FUNDS	1,750	0
2 131.03 CASH - 1989 BOND LUD #3	85	0
2 131.05 CASH - 1994 BOND LUD #5	53	0
2 131.10 CASH - 1996 BOND LUD #6	11,084	82
2 131.11 CASH - 1996 BOND LUD #8	42,893	448
2 131.12 CASH - 1999 BOND LUD #11	86,541	3,860
2 131.13 CASH - 1997 BOND LUD #13	7	0
2 131.14 CASH - 2009 BOND LUD #14	14,213	65,933
2 131.15 CASH - 2008 BOND LUD #15	104	13,135
TOTAL LINE 15. BALANCE SHEET-CASH-GENERAL FUNDS	<u>\$1,809,814</u>	<u>\$94,718</u>
1 131.20 CASH - JEFFCO TREASURER RUS CONSTRUCTION	\$380	\$2,076
1 136.19 RUS CONSTRUCTION INVESTMENT	1,110,276	0
TOTAL LINE 16. BALANCE SHEET-CASH-CONSTRUCTION FUNDS	<u>\$1,110,655</u>	<u>\$2,076</u>
1 136.10 TEMP INVEST JEFFCO TREASURER GEN	\$5,866,876	\$0
1 136.11 TEMP INVESTMENTS - PUD TREASURER	0	0
2 136.12 LUD #11 BOND INVESTMENT	93,560	3,611
2 136.13 LUD #13 BOND INVESTMENT	20,524	38
2 136.14 LUD #14 BOND INVESTMENT	2,129,487	0
2 136.15 LUD #15 BOND INVESTMENT	303,814	0
3 136.12 TAX REVENUE FUND	1,028,106	0
3 136.13 TAX REVENUE FUND INVESTMENT	1,925,000	0
TOTAL LINE 18. BALANCE SHEET-TEMPORARY INVESTMENTS	<u>\$11,367,366</u>	<u>\$3,649</u>
TOTAL CASH AND LIQUID INVESTMENTS	<u>\$14,287,836</u>	<u>\$100,444</u>
1 125.10 RUS BOND RESERVE FUND	\$369	\$2,018
1 125.11 RUS BOND FUND RESERVE INVESTMENT	1,079,279	0
2 126.13 LUD #13 RESERVE FUND	12	0
2 126.15 LUD #15 RESERVE FUND	28	0
2 126.21 TRI AREA BOND RESERVE	59	320
2 126.31 TRI AREA BOND RESERVE INVESTMENT	171,162	0
2 126.41 LUD #11 WATER RESERVE	76	415
2 126.51 LUD #11 INVESTED RESERVE	221,703	0
TOTAL LINE 13. BALANCE SHEET-SPECIAL FUNDS	<u>\$1,472,687</u>	<u>\$2,753</u>

JEFFERSON COUNTY PUD NO. 1
SCHEDULE OF LONG TERM DEBT and NOTES PAYABLE
JUNE 30, 2016

Description	Note Name/Number	Interest Rate	Maturity Date	12/31/2015	Y-T-D	Current	Y-T-D	Y-T-D
				Principal Balance	Principal Payment	Principal Balance	Interest Expense	P&I Payments
RUS/FFB loan for PSE acquisition	H0010	2.728%*	Dec-41	\$111,770,719	(\$1,523,074)	\$110,247,645	\$1,511,073	\$3,034,147
RUS/FFB loan for PSE acquisition	H0015	3.433%*	Dec-41	746,152	(9,213)	736,939	12,699	21,911
LINE 37 BALANCE SHEET-RUS DEBT				\$112,516,870	(\$1,532,287)	\$110,984,584	\$1,523,772	\$3,056,058
Sound View Villa Emergency Loan	PW-99-691-ELP-301	5.000%	Jul-19	\$20,561	(\$5,140)	\$15,421	\$514	\$6,168
Snow Creek Ranch Water System Improvements	PW-00-65120-008	2.500%	Oct-21	49,632	0	49,632	620	0
Transfer from City of Port Townsend	PW-02-691-066	1.000%	Oct-18	209,421	(69,807)	139,614	1,047	71,901
LUD #11-Bywater Way & Shine	1999 Revenue Bond	5.250%	Mar-28	465,000	(50,000)	415,000	11,988	62,206
LUD #14-Marrowstone Island Water System	PW-05-691-025	0.500%	Jul-25	1,088,063	(108,806)	979,257	2,720	114,247
LUD #14-Marrowstone Island Water System	2009 Revenue Bond	Various	Jul-26	1,455,000	(102,000)	1,353,000	40,922	185,961
LUD #15-Beckett Point Large On-Site Sewage System	PW-05-691-024	0.500%	Jul-25	507,758	(50,776)	456,982	1,269	53,315
LUD #15-Beckett Point	2008 Revenue Bond	3.990%	May-25	233,129	(58,427)	174,702	13,840	86,509
SRF Loan-Treatment of New Sparling Well, Quimper Water System	DM10-952-018	1.000%	Oct-44	1,417,397	0	1,417,397	6,967	0
SRF Loan-Kala Point Acquisition, Upgrade, Consolidation	DM12-952-091	1.000%	Oct-36	1,089,000	(544,500)	544,500	17,447	544,500
SRF Loan-Sparling Water Treatment Plant	DM13-952-177	1.000%	Oct-37	582,162	0	582,162	2,911	0
Kala Point Water Reservoir & Meters	98-78898-021	3.350%	Oct-19	44,205	0	44,205	740	0
USDA Tri Area	2003 Revenue Bond	4.500%	Oct-23	2,583,278	(24,257)	2,559,021	57,942	82,381
LINE 40 BALANCE SHEET-OTHER LTD				\$9,744,606	(\$1,013,714)	\$8,730,892	\$158,928	\$1,207,188
Kala Point	Eric Thomas Note	0.000%	Oct-24	\$400,000	\$0	\$400,000	\$0	\$0
Peterson Lake	Bernard W. Peterson Family LP Note	6.000%	Mar-26	1,314,021	(47,137)	1,266,884	38,835	85,972
LINE 47 BALANCE SHEET-NOTES PAYABLE				\$1,714,021	(\$47,137)	\$1,666,884	\$38,835	\$85,972
TOTAL LONG TERM DEBT AND RELATED EXPENDITURES				\$123,975,497	(\$2,593,137)	\$121,382,360	\$1,721,535	\$4,349,218
WEIGHTED COST OF DEBT				<u>2.8066%</u>				

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