



**Office of the Washington State Auditor
Pat McCarthy**

August 16, 2018

Board of Commissioners
Public Utility District No. 1 of Clark County
Vancouver, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on Public Utility District No. 1 of Clark County's financial statements for the fiscal year ended December 31, 2017. The District contracted with the CPA firm for this audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The State Auditor's Office did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the State Auditor's Office website as a matter of public record.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Report of Independent Auditors

To the Board of Commissioners
Public Utility District No. 1 of Clark County
Vancouver, Washington

Report on the Financial Statements

We have audited the accompanying individual and combined financial statements of Public Utility District No. 1 of Clark County's Electric System, Generating System, and Water System (the District), which comprise the individual and combined statements of net position as of December 31, 2017, and the related individual and combined statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the combined statement of net position as of December 31, 2016, and the related combined statements of revenues, expenses and changes in net position and cash flows for the year 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the individual and combined financial statements referred to above present fairly, in all material respects, the financial position of Public Utility District No. 1 of Clark County's Electric System, Generating System, and Water System as of December 31, 2017 and 2016, and the results of its individual and combined operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The bonds maturity schedule and selected financial data and statistics are not a required part of the financial statements, but are presented for purposes of additional analysis and are not a required part of the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2018 on our consideration of Public Utility District No. 1 of Clark County's Electric System, Generating System, and Water System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Public Utility District No. 1 of Clark County's Electric System, Generating System, and Water System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
May 24, 2018

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

The Board of Commissioners
Public Utility District No. 1 of Clark County
Vancouver, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Public Utility District No. 1 of Clark County's Electric System, Generating System, and Water System (the District), which comprise the individual and combined statements of net position as of December 31, 2017, and the related individual and combined statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the combined statement of net position as of December 31, 2016, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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. However, material weaknesses may exist that have not been identified.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's individual and combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
May 24, 2018

Management Discussion and Analysis

This discussion and analysis is designed to provide an overview of Clark Public Utilities' financial activities for the year ended December 31, 2017, with comparable information for 2016 and 2015. This supplementary information should be read in conjunction with the District's financial statements.

Clark Public Utilities is a municipal corporation incorporated in 1938 to serve the citizens of Clark County, Washington. The District is governed by an elected independent three-member board of commissioners. The District manages and operates three separate utility systems: Electric, Generating, and Water.

Economic conditions in Clark County were favorable in 2017 and 2016, as evidenced by growth in the number of new residential and business customers. Although we can't accurately predict future conditions, recent economic developments have been included in management forecasts and planning.

Electric System

The Electric System serves all of Clark County, an area of approximately 667 square miles. Power supplies are provided through a combination of power supply contracts and purchases from the Generating System. Weather, customer growth and economic conditions are the primary influences on electricity sales. Generally, extreme temperatures result in higher sales to residential customers, who use electricity for heating and cooling, while moderate temperatures cause reduced sales.

Financial Summary and Analysis

During 2017, the Electric System realized a net income before contributions of \$25.5 million. Factors influencing these results in 2017 include:

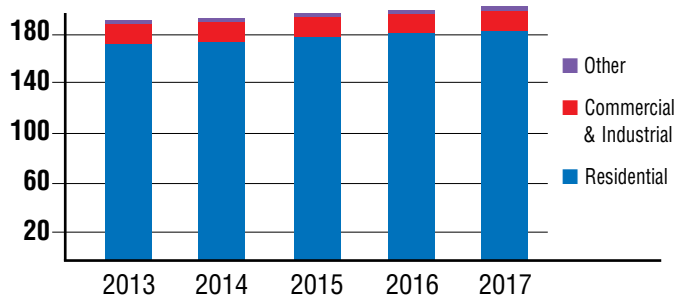
- Sales increased from \$365.3 million in 2016 to \$373.6 million or 2.3%.
- Other operating revenues decreased from \$9.4 million in 2016 to \$9.1 million in 2017 or 2.9%.
- Power supply expenses decreased from \$243.3 million in 2016 to \$242.2 million in 2017 or 0.4%.
- The River Road Generating Plant was shut down for economic displacement and annual maintenance for 3,630 hours in 2017, compared to 2,878 hours in 2016.
- The Board of Commissioners distributed \$10 million from regulatory revenues to Electric System customers. At year-end, the Board of Commissioners increased regulatory revenues \$13 million to be used in future rate periods.

System Rates

The Electric System rates remained unchanged for 2017.

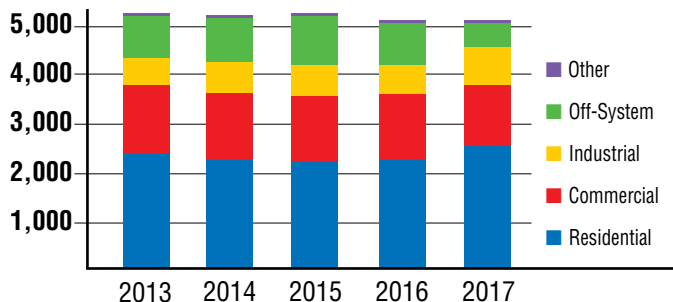
Electric System Customers

(by customer class in thousands)



Electric System Sales

(by customer class in millions of kilowatt-hours)



Electric System (continued)

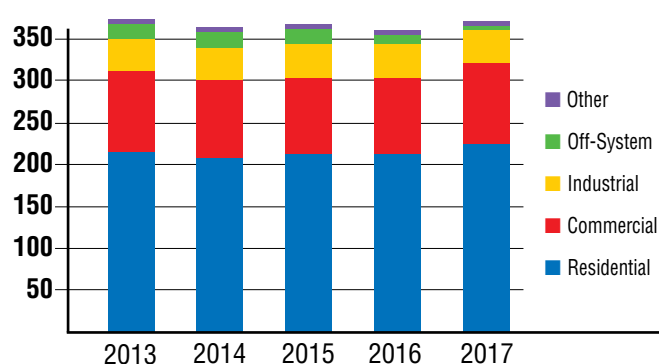
Power Supply

For 2017, the Electric System had contracts with Bonneville Power Administration (BPA), the Generating System, Eurus Combine Hills II LLC and other power suppliers to provide the Electric System's power resources. The Electric System purchases about 56% of the energy requirements from BPA. Beginning October 1, 2011, the Electric System began taking deliveries under a Slice/Block product from BPA's federal power system. This contract expires September 2028. The BPA energy is a renewable hydropower resource. The contract provides for capacity and energy for the Electric System's load needs and requires hourly management of loads and resources. The rates charged by BPA under the contract are subject to periodic adjustments based on BPA's sales, revenue, and financial requirements.

Selected Financial Data

(in thousands)	2017	2016	2015
Operating revenues	\$ 382,722	\$ 374,647	\$ 379,227
Operating expenses	344,539	339,617	342,301
Operating income	38,183	35,030	36,926
Net income before contributions	25,484	19,329	22,373
Contributions in aid of construction	5,105	2,579	2,371
Total assets	\$ 702,784	\$ 688,745	\$ 631,601
Total deferred outflows of resources	8,058	12,184	7,190
Total assets and deferred outflows of resources	\$ 710,842	\$ 700,929	\$ 638,791
Total liabilities	\$ 325,987	\$ 353,168	\$ 311,908
Deferred inflows of resources	67,970	61,465	62,495
Net investment in capital assets	\$ 173,889	\$ 179,516	\$ 173,860
Restricted	18,744	18,744	18,802
Unrestricted	124,252	88,036	71,726
Total net position	\$ 316,885	\$ 286,296	\$ 264,388
Total liabilities and net position	\$ 710,842	\$ 700,929	\$ 638,791
Change in net position	\$ 30,589	\$ 21,908	\$ 24,744

Electric System Revenues
(by customer class in millions of dollars)



Capital Asset and Long-term Debt Activity

Total gross utility plant in service as of December 31, 2017, 2016 and 2015 consisted of the following:

(in thousands)	2017	2016	2015
Intangible plant	\$ 37,673	\$ 34,774	\$ 31,296
Transmission and distribution	751,783	715,887	688,675
General plant	78,209	72,793	68,886
Total utility plant in service	867,665	823,454	788,857
Construction work in progress	9,370	8,277	8,014
Total gross utility plant	\$ 877,035	\$ 831,731	\$ 796,871

In 2017, the Electric System investment in gross utility plant increased by \$45.3 million. As of year-end, the Electric System had \$877.0 million invested in gross utility plant. Utility plant net of depreciation was \$405.4 million, which represents an increase of \$17.3 million over 2016. Funds for capital construction are provided for through a combination of construction fees, cash flow from revenues and long-term revenue bonds.

Total liabilities as of December 31, 2017, 2016 and 2015 consisted of the following:

(in thousands)	2017	2016	2015
Total current liabilities	\$ 77,840	\$ 75,747	\$ 72,620
Total non-current liabilities	223,462	243,655	211,486
Total other liabilities	24,685	33,766	27,802
Total liabilities	\$ 325,987	\$ 353,168	\$ 311,908

At year-end, the Electric System had \$208.7 million in revenue bonds outstanding, versus \$224.7 million last year.

Generating System

The Generating System operates the River Road Generating Plant, a natural gas-fired combined-cycle combustion turbine. The plant is a key element of the Electric System's integrated resource plan, and has operated smoothly and efficiently since beginning commercial operation in 1997. Since March 1, 2000, the plant has been operated under contract by General Electric. Our goal is to operate the plant in an efficient and environmentally friendly manner for the benefit of the utility's customer-owners. The Generating System is a contract resource obligation of the Electric System. Operating income was \$15.1 million and \$14.5 million in 2017 and 2016, respectively.

Fuel Supply

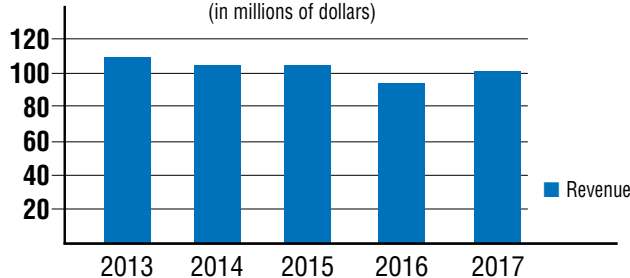
The District's 2017 fuel requirements for the River Road Generating Plant were provided through a combination of short-term fuel purchases and financial commitments with counterparties. The River Road Generating Plant operations are balanced with other power purchase contracts of the District.

Fuel Transportation

The District has agreements for natural gas transportation provided through a series of capacity releases on the Northwest Pipeline. The release agreements provide capacity sufficient to supply River Road Generating Plant with 45,000 mmBtu per day.

Generating System Revenues

(in millions of dollars)



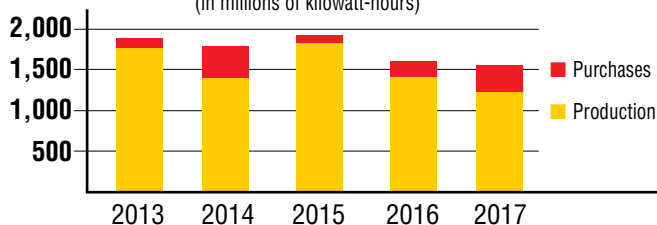
Operating Statistics

(in thousands, except hours and percentages)

	2017	2016	2015
Energy production (megawatt hours)	1,260	1,441	1,813
Power purchased for displacement (mwh)	326	167	131
Total energy output (megawatt hours)	1,586	1,608	1,944
Percent of Electric System			
energy purchases	29%	30%	35%
Fuel expense (less re-marketed fuel)	\$ 48,929	\$ 56,092	\$ 69,067
Production hours	5,130	5,906	7,432
Displacement hours	2,379	815	624
Unavailable hours	1,251	2,063	704
Total hours	8,760	8,784	8,760

Generating System Output

(in millions of kilowatt-hours)



Selected Financial Data

(in thousands)	2017	2016	2015
Operating revenues	\$ 100,695	\$ 94,893	\$ 104,909
Operating expenses	85,563	80,443	90,391
Operating income	15,132	14,450	14,518
Net income before contributions	6,899	7,398	6,921
Contributions in aid of construction	-	-	-
Total assets	\$ 178,755	\$ 183,782	\$ 179,518
Total deferred outflows of resources	23,387	27,363	24,917
Total assets and deferred outflows of resources	\$ 202,142	\$ 211,145	\$ 204,435
Total liabilities	\$ 167,979	\$ 183,881	\$ 184,569
Net investment in capital assets	(628)	(6,326)	(11,141)
Restricted	12,398	12,398	23,886
Unrestricted	22,393	21,192	7,121
Total net position	34,163	27,264	19,866
Total liabilities and net position	\$ 202,142	\$ 211,145	\$ 204,435
Change in net position	\$ 6,899	\$ 7,398	\$ 6,921

Capital Asset and Long-term Debt Activity

In 2017, the Generating System investment in gross utility plant increased by \$10.0 million in capital construction. As of year-end, the Generating System had \$296.2 million invested in gross utility plant. Utility plant net of depreciation was \$138.5 million, which represented an increase of \$0.3 million from 2016. Funds for capital construction are provided for through long-term revenue bonds.

Total gross utility plant in service as of December 31, 2017, 2016 and 2015 consisted of the following:

(in thousands)	2017	2016	2015
Production plant	\$ 261,625	\$ 236,862	\$ 233,479
Source of supply	20	20	20
Pumping plant	170	170	170
Water treatment	697	697	697
Transmission and distribution	18,261	18,261	18,261
General plant	7,052	6,707	6,563
Allowance for funds used	8,316	8,316	8,316
Total utility plant in service	296,141	271,033	267,506
Construction work in progress	103	15,201	33
Total gross utility plant	\$ 296,244	\$ 286,234	\$ 267,539

Total liabilities as of December 31, 2017, 2016 and 2015 consisted of the following:

(in thousands)	2017	2016	2015
Total current liabilities	\$ 22,897	\$ 20,912	\$ 20,950
Total non-current liabilities	145,082	162,969	163,619
Total liabilities	\$ 167,979	\$ 183,881	\$ 184,569

At year-end, the Generating System had \$146.1 million in revenue bonds outstanding as compared to \$162.7 million last year.

Water System

The Water System serves suburban and rural sections of Clark County, using groundwater to meet customer needs. The Water System owns and operates 35 wells and 34 reservoirs. Weather and economic conditions are the primary influences on water sales. Generally, warm, dry weather results in higher sales to residential customers, while wet weather results in lower sales.

Financial Summary and Analysis

During 2017, the Water System's operating revenues increased by \$1.3 million or 7.5%. The Water System realized a net income before contributions of \$2.0 million for 2017. The Board of Commissioners increased regulatory revenue \$2 million to be used in future rate periods.

System Rates

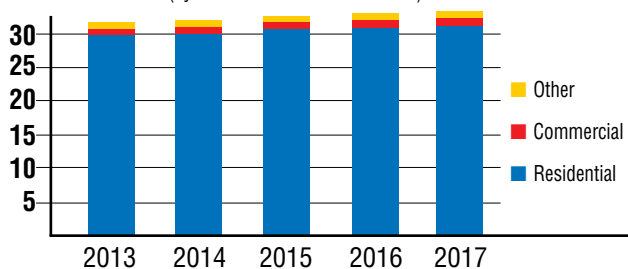
Water System rates remained unchanged for 2017.

Selected Financial Data

(in thousands)	2017	2016	2015
Operating revenues	\$ 18,685	\$ 17,389	\$ 17,471
Operating expenses	14,268	13,324	12,690
Operating income	4,417	4,065	4,781
Net income (loss) before contributions	2,042	2,101	4,242
Contributions in aid of construction	6,130	4,082	1,469
Total assets	\$ 184,007	\$ 155,712	\$ 155,457
Total deferred outflows of resources	735	396	546
Total assets and deferred outflows of resources	\$ 184,742	\$ 156,108	\$ 156,003
Total liabilities	\$ 91,029	\$ 72,962	\$ 78,637
Deferred inflows of resources	2,447	52	455
Net investment in capital assets	72,582	66,997	65,038
Restricted	5,135	4,669	4,669
Unrestricted	13,549	11,428	7,204
Total net position	91,266	83,094	76,911
Total liabilities and net position	\$ 184,742	\$ 156,108	\$ 156,003
Change in net position	\$ 8,172	\$ 6,183	\$ 5,711

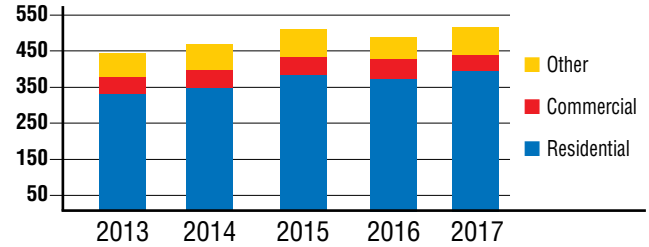
Water System Customers

(by customer class in thousands)



Water System Sales

(by customer class in thousands of cubic feet)



Capital Asset and Long-term Debt Activity

Total gross utility plant in service as of December 31, 2017, 2016 and 2015 consisted of the following:

(in thousands)	2017	2016	2015
Intangible plant	\$ 155	\$ 155	\$ 155
Source of supply	16,270	16,270	16,255
Pumping plant	12,051	12,005	11,915
Water treatment	2,119	2,119	2,119
Transmission & distribution	177,823	166,357	153,813
General plant	3,258	3,203	3,120
Total utility plant in service	211,676	200,109	187,377
Construction work in progress	13,410	11,001	13,669
Total gross utility plant	\$ 225,086	\$ 211,110	\$ 201,046

In 2017, the Water System investment in gross utility plant increased by \$14.0 million. As of year-end, the Water System had \$225.1 million invested in gross utility plant. Utility plant net of depreciation was \$142.2 million, which represented an increase of \$8.3 million over 2016. Funds for capital construction are provided for through a combination of construction fees, cash flow from revenues, long-term revenue bonds, and long-term loans from the state of Washington.

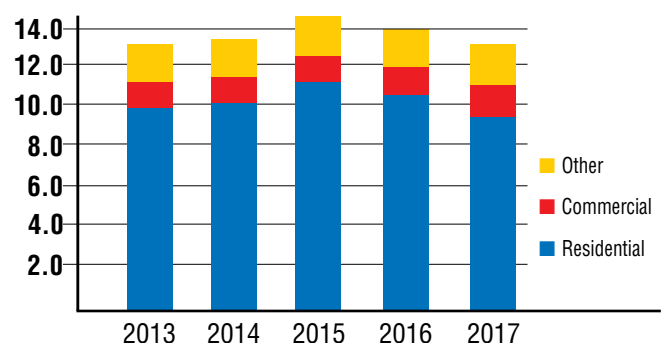
Total liabilities as of December 31, 2017, 2016 and 2015 consisted of the following:

(in thousands)	2017	2016	2015
Total current liabilities	\$ 10,363	\$ 7,903	\$ 6,868
Total non-current liabilities	78,209	63,282	68,562
Total regulatory and other liabilities	2,457	1,777	3,207
Total liabilities	\$ 91,029	\$ 72,962	\$ 78,637

At year-end, the Water System had \$57.7 million in revenue bonds outstanding, versus \$46.3 million last year.

Water System Revenues

(by customer class in millions of dollars)



Combined Statements of Revenues, Expenses and Changes in Net Position

Public Utility District No. 1 of Clark County

For the years ended December 31, 2017 and 2016 (in thousands)

	Electric System	Generating System	Water System	Total 2017	Total 2016
Operating revenues					
Sales	\$ 373,619	\$ 82,088	\$ 12,960	\$ 468,667	\$ 467,312
Other operating revenues	9,103	18,607	5,725	33,435	19,617
Total operating revenues	382,722	100,695	18,685	502,102	486,929
Operating expenses					
Power supply	242,260	-	-	242,260	243,297
Operation and maintenance expense	51,474	73,588	7,704	132,766	124,005
Depreciation and amortization expense	28,674	9,689	5,731	44,094	41,310
Taxes	22,131	2,286	833	25,250	24,772
Total operating expenses	344,539	85,563	14,268	444,370	433,384
Operating income	38,183	15,132	4,417	57,732	53,545
Non-operating revenues (expenses)					
Interest and investment revenue	1,812	258	320	2,390	987
Miscellaneous revenue	8,970	-	91	9,061	5,086
Amortization of debt	2,463	(1,424)	(79)	960	(3)
Interest expense	(10,182)	(7,067)	(2,707)	(19,956)	(19,334)
Miscellaneous expenses	(15,762)	-	-	(15,762)	(11,453)
Total non-operating revenues (expenses)	(12,699)	(8,233)	(2,375)	(23,307)	(24,717)
Net income (loss) before contributions	25,484	6,899	2,042	34,425	28,828
Contributions in aid of construction	5,105	-	6,130	11,235	6,661
Net increase (decrease) in net position	30,589	6,899	8,172	45,660	35,489
Total net position - beginning	286,296	27,264	83,094	396,654	361,165
Total net position - ending	\$ 316,885	\$ 34,163	\$ 91,266	\$ 442,314	\$ 396,654

The accompanying notes are an integral part of these combined financial statements.

Combined Statements of Net Position

Public Utility District No. 1 of Clark County

As of December 31, 2017 and 2016 (in thousands)

	Electric System	Generating System	Water System	Total 2017	Total 2016
Assets					
Current assets:					
Cash and cash equivalents	\$ 196,805	\$ 35,421	\$ 38,489	\$ 270,715	\$ 262,260
Accounts receivable (net)	31,352	946	-	32,298	29,073
Accrued unbilled revenues	32,488	-	158	32,646	30,410
Materials and supplies	3,819	-	-	3,819	3,171
Prepayments and other assets	3,368	-	-	3,368	3,172
Total current assets	267,832	36,367	38,647	342,846	328,086
Utility plant:					
Plant in service	867,665	296,141	211,676	1,375,482	1,294,596
Construction work in progress	9,370	103	13,410	22,883	34,479
Total gross utility plant	877,035	296,244	225,086	1,398,365	1,329,075
Accumulated depreciation and amortization	(471,643)	(157,709)	(82,897)	(712,249)	(668,900)
Net utility plant	405,392	138,535	142,189	686,116	660,175
Regulatory and other assets	29,560	3,853	3,171	36,584	39,978
Total assets	702,784	178,755	184,007	1,065,546	1,028,239
Deferred outflows of resources	8,058	23,387	735	32,180	39,943
Total assets and deferred outflows	\$ 710,842	\$ 202,142	\$ 184,742	\$ 1,097,726	\$ 1,068,182
Liabilities					
Current liabilities:					
Accounts payable	\$ 33,330	\$ 404	\$ 3,152	\$ 36,886	\$ 34,897
Accrued taxes and interest	16,076	4,093	1,490	21,659	19,874
Other accrued liabilities	12,714	-	-	12,714	12,051
Current maturities long-term debt	15,720	18,400	5,721	39,841	37,740
Total current liabilities	77,840	22,897	10,363	111,100	104,562
Long-term debt:					
Revenue bonds	193,015	127,660	54,165	374,840	398,030
Unamortized premium and discount	30,447	14,172	6,900	51,519	54,142
Other long-term debt	-	3,250	17,144	20,394	17,734
Total long-term debt	223,462	145,082	78,209	446,753	469,906
Other liabilities	24,685	-	2,457	27,142	35,543
Total liabilities	325,987	167,979	91,029	584,995	610,011
Deferred inflows of resources	67,970	-	2,447	70,417	61,517
Net position					
Net investment in capital assets	173,889	(628)	72,582	245,843	240,187
Restricted for:					
Debt reserve	18,744	12,398	5,135	36,277	35,811
Unrestricted	124,252	22,393	13,549	160,194	120,656
Total net position	316,885	34,163	91,266	442,314	396,654
Total liabilities, deferred inflows and net position	\$ 710,842	\$ 202,142	\$ 184,742	\$ 1,097,726	\$ 1,068,182

The accompanying notes are an integral part of these combined statements.

Combined Statements of Cash Flows

Public Utility District No. 1 of Clark County

For the years ended December 31, 2017 and 2016 (in thousands)

	Electric System	Generating System	Water System	Total 2017	Total 2016
Cash flows from operating activities:					
Receipts from customers	\$ 380,178	\$ 100,695	\$ 20,685	\$ 501,558	\$ 485,511
Payments to employees for services	(23,415)	-	-	(23,415)	(22,488)
Payments to suppliers for goods and services	(291,898)	(75,446)	(7,023)	(374,367)	(364,796)
Net cash from operating activities	64,865	25,249	13,662	103,776	98,227
Cash flows from investing activities:					
Utility plant additions, net of cost of removal, salvage and allowance for funds used during construction	(40,894)	(10,008)	(7,896)	(58,798)	(57,935)
Interest received and other income (expense)	(4,268)	258	411	(3,599)	(5,558)
Net cash from investing activities	(45,162)	(9,750)	(7,485)	(62,397)	(63,493)
Cash flows from capital financing activities:					
Borrowings from revenue bonds	-	-	35,805	35,805	144,730
Principal payments of revenue bonds	(15,955)	(16,625)	(24,335)	(56,915)	(137,309)
Other long-term debt	(71)	3,250	(498)	2,681	(6,241)
Acquisition of debt	(1)	(2)	4,066	4,063	21,135
Interest paid	(9,294)	(6,872)	(2,392)	(18,558)	(20,883)
Net cash from capital financing activities	(25,321)	(20,249)	12,646	(32,924)	1,432
Net increase (decrease) in cash and cash equivalents	(5,618)	(4,750)	18,823	8,455	36,166
Cash and cash equivalents at beginning of year	202,423	40,171	19,666	262,260	226,094
Cash and cash equivalents at end of year	\$ 196,805	\$ 35,421	\$ 38,489	\$ 270,715	\$ 262,260
Reconciliation of operating income to net cash from operating activities:					
Operating income	\$ 38,183	\$ 15,132	\$ 4,417	\$ 57,732	\$ 53,545
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation and amortization	28,674	9,689	5,731	44,094	41,310
Change in assets and liabilities:					
Accounts receivable (net)	(3,624)	24	-	(3,600)	(1,930)
Other assets	(3,113)	387	32	(2,694)	(732)
Accounts payable and other accrued liabilities	1,510	17	1,514	3,041	6,094
Regulatory and other liabilities	3,235	-	1,968	5,203	(60)
Net cash from operating activities	\$ 64,865	\$ 25,249	\$ 13,662	\$ 103,776	\$ 98,227

Supplemental disclosure of cash flow information

Non-cash capital and related financing and investing activities:

Contributions in aid of construction of \$11,235 and \$6,661 in 2017 and 2016, respectively.

The accompanying notes are an integral part of these combined financial statements.

Notes to Combined Financial Statements

The following notes are an integral part of the accompanying combined financial statements.

Note 1:

Summary of Operations and Significant Accounting Policies

Public Utility District No. 1 of Clark County, Washington (the District) is a municipal corporation owned by the people it serves and is operated for their benefit. The District is comprised of three operating utilities: the Electric, Generating and Water systems. Each operating utility system is physically and financially independent of the others. Electric and water rates are set by the District's elected commissioners.

The District has adopted accounting policies and practices that are in accordance with generally accepted accounting principles for regulated public utilities in the United States. A summary of the significant accounting policies follows:

a) Combined Financial Statements: The financial statements reflect the separate and combined utility operations of the District. The statements do not reflect elimination of transactions among the utilities.

b) Accounting Basis: The financial statements are prepared using the accrual basis of accounting for enterprise funds in conformity with Generally Accepted Accounting Principles (GAAP). The District uses as guidance Governmental Accounting Standards Board (GASB) pronouncements. In addition, the District's accounts are maintained in accordance with the Federal Energy Regulatory Commission's Uniform System of Accounts.

c) Revenue Recognition and Allowance for Doubtful Accounts: The District recognizes revenues as earned. Electric System customers are billed monthly and Water System customers are billed bimonthly. The District offers a program that averages customers' annual utility bills into equal monthly payments. The payments received in advance are offset as a credit against accounts receivable. It is the policy of the Electric System to purchase the receivables from the Water System. The allowance for doubtful accounts is provided entirely by the Electric System. The balance was \$2.8 million and \$2.9 million as of December 31, 2017 and 2016, respectively.

d) Utility Plant: Utility plant assets are stated at cost. Capital assets are tangible and intangible assets owned by the District and have initial useful lives extending beyond a single reporting period. Assets are classified by asset groups and useful lives are valued at industry norms. Management periodically reviews the carrying amounts of its long-lived assets for impairment. Depreciation is calculated on the straight-line method over the estimated useful life of the asset class. Depreciation rates are used for asset groups, and accordingly, no gain or loss is recorded on the disposition of an asset unless it represents a major retirement. The costs of maintenance and repairs are charged to operations as incurred.

e) Regulated Operations: The board of commissioners establishes rates to be charged for services delivered by the District. The established rates recover the costs of providing services to the customers of the District. The District follows industry accounting and capitalization principles for regulated operations. Regulatory assets and deferred inflows of resources are recorded when it is probable that future rates or rate reductions will permit recovery. (See Note 6.)

f) Sinking Funds: Certain bond issues and related agreements require the District to establish separate sinking fund accounts. The assets in these funds are restricted for specific uses, including debt service and other reserve requirements. (See Notes 7 and 10.)

g) Materials and Supplies: Materials and supplies inventories are stated at the lower of cost or market determined on the average cost basis.

h) Compensated Absences: The District records earned vacation leave as a liability and accrues certain salary-related expenses associated with payment of compensated absences. The compensated absences balance was \$12.6 million and \$11.9 million as of December 31, 2017 and 2016, respectively.

i) 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. Specific estimates include allowance for doubtful accounts, unbilled revenue, depreciation, pension benefit obligation and post-employment benefit obligation. Actual results could differ from those estimates.

j) Reclassifications: Certain account balances have been classified in a manner different from the preceding year to provide comparability of the combined financial statements.

Note 2:

Purchased Power Contracts

Power supply is acquired from the River Road Generating Plant and a combination of power purchase contracts. The District is a preference customer of the Bonneville Power Administration (BPA), an agency of the United States Department of Energy. BPA provided 56% of our power supply in 2017, with the remainder produced by the River Road Generating Plant and a small portion is supplied from smaller market power purchases.

The Electric System executes physical and financial transactions for the procurement of natural gas and power. Forward contracts are used to lock in price and firm the physical supply of energy products to match and cover energy loads. Purchased power and natural gas procurement are guided by the principles established in a formal power supply risk management policy.

Notes to Combined Financial Statements

a) BPA Contracts:

Effective October 2011, the District began taking deliveries under the Slice/Block power sales contract with BPA. The BPA contract incorporates details of the District's purchase of the Slice/Block product from the Federal power system and expires September 2028. This contract provides for capacity and energy for the District's load needs and requires hourly management of loads and resources.

The District also has an executed contract for Network Transmission (NT) with BPA from October 2001 through September 2031. The NT agreement is used to deliver resources, power sales contracts and market purchases to serve the District's energy load.

Residential Exchange Program: During 1980, Congress enacted the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act). The Northwest Power Act authorizes Northwest utilities to exchange their generally higher-cost power serving residential and small farm customers for an equivalent amount of energy from BPA. During 2011, Clark signed a Revised Residential Exchange Settlement Agreement with BPA settling the methodology for the calculation of future benefits. The revised agreement took effect October 1, 2011. The District received REP credits from BPA in the amount of \$3.9 million in 2017 and \$2.7 million in 2016. The REP credits are distributed to residential and small farm customers in the form of credits against individual monthly bills.

b) River Road Generating Plant:

The natural gas-fired generating plant produces electric energy to serve the Electric System, which purchases 100% of the output at cost. The plant was shut down for 3,630 hours in 2017 and 2,878 hours in 2016 for maintenance or economic displacement.

c) Combine Hills II LLC Wind Power Agreement:

To meet the requirements of Initiative 937, the Washington Energy Independence Act, the District entered into a power purchase power arrangement in 2009 with Eurus Combine Hills II LLC. Under the agreement, the District purchases the entire output of a 63-megawatt nameplate capacity wind project for a 20-year term beginning in January 2010. The project began commercial operation January 2010. During 2017, the District executed annual agreements to sell 100% of the output from the project, while retaining the accompanying renewable energy credits.

d) Services:

Beginning October 1, 2011, the District entered into an agreement with The Energy Authority (TEA) to provide trading, scheduling, settlements, hedging and forecasting services for all loads and resources for the District's power supply requirements. Shell Energy (US) provided scheduling services for Combine Hills II until April 1, 2016. After that date, TEA provided scheduling services for Combine Hills II.

e) Energy Northwest:

Packwood Hydroelectric Project: Under the terms of a long-term contract with Energy Northwest, the District received 18% of the capability of the Packwood project to serve its energy load needs. The Packwood project is a 27.5 megawatt hydroelectric project, and the District is obligated to pay 18% of the project's annual costs.

Washington Nuclear Projects (WNP) 1, 2 and 3: The District signed "net-billing agreements" with Energy Northwest and BPA. Under terms of these agreements, the District agreed to purchase a maximum of 14.233% and 6.151% of the capability of WNP-1 and WNP-2 and 14.576% of Energy Northwest's 70% ownership share of WNP-3, respectively. The District contractually transferred this capability to BPA. Through the transfer, BPA is obligated to pay the District and the District is obligated to pay Energy Northwest a pro rata share of the total annual costs of each project, including debt service on revenue bonds issued to finance the projects, whether or not the projects are completed, operable, or operating and notwithstanding the suspension, reduction, or curtailment of the projects' output.

Natural Gas Procurement

Natural gas to supply the River Road Generating Plant is provided by a combination of short-term purchase and financial commitments with counterparties. The agreements secure financial commitments and contracts to procure physical natural gas deliveries and mitigate delivery risk.

a) Natural Gas Management: The Electric System has an agreement with Shell Energy (US) LP for fuel, power and heat rate services. Services provided by this contract include re-marketing of surplus natural gas and purchasing natural gas as directed by the District. This terminated contract provided for annual renewals each year after September 2016 at each party's option. In September 2017, both parties exercised their option for renewal through September 2018.

b) Natural Gas Transportation: Agreements for natural gas transportation are provided through a series of capacity releases on the Northwest Pipeline. The release agreements provide capacity sufficient to supply River Road Generating Plant with 45,000 mmBtu per day.

Power Supply Costs

For the years ended December 31
(in thousands)

	2017	2016
Bonneville Power Administration	\$ 97,718	\$ 97,110
From Generating System	82,088	88,047
Packwood	475	459
Market purchases	27,506	20,419
Wind	10,928	14,863
Transmission	24,467	23,023
Power credits	(4,039)	(4,028)
Other production expense	3,117	3,404
Total power supply costs	\$ 242,260	\$ 243,297
Average power cost in mills/kwh	44.41	44.69

Notes to Combined Financial Statements

Note 3:

Litigation

As a result of operations, the District may be involved in litigation. It is the District's policy to defend itself or pursue claims determined to be in the best interests of the District's customers. The District believes the various litigation positions in the cases have merit; however, is not able to predict the outcome of any of the unresolved litigation and the effect, if any.

The District does not believe that any of the current litigation will have a material effect on the reported financial position.

Note 4:

Utility Plant

Utility plant in service as of December 31, 2017 and 2016 consisted of the following:

Electric System

(in thousands)	Balance Dec. 31, 2016	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2017
Intangible plant	\$ 34,774	\$ 2,899	\$ -	\$ 37,673
Trans and distribution	715,887	37,475	1,579	751,783
General plant	72,793	5,453	37	78,209
Total plant in service	\$ 823,454	\$ 45,827	\$ 1,616	\$ 867,655

Generating System

(in thousands)	Balance Dec. 31, 2016	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2017
Source of supply	\$ 20	\$ -	\$ -	\$ 20
Pumping plant	170	-	-	170
Water treatment	697	-	-	697
Production plant	236,862	24,763	-	261,625
Trans and distribution	18,261	-	-	18,261
General plant	6,707	345	-	7,052
Allowance for funds used	8,316	-	-	8,316
Total plant in service	\$ 271,033	\$ 25,108	\$ -	\$ 296,141

Water System

(in thousands)	Balance Dec. 31, 2016	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2017
Intangible plant	\$ 155	\$ -	\$ -	\$ 155
Source of supply	16,270	-	-	16,270
Pumping plant	12,005	46	-	12,051
Water treatment	2,119	-	-	2,119
Trans and distribution	166,357	11,594	128	177,823
General plant	3,203	55	-	3,258
Total plant in service	\$ 200,109	\$ 11,695	\$ 128	\$ 211,676

Note 5:

Other Assets and Liabilities

Other Assets

Other assets as of December 31, 2017 and 2016 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2017	2016
Non-current conservation loans (Note 11)	\$ 3,049	\$ -	\$ -	\$ 3,049	\$ 3,514
Other	180	-	-	180	53
Total	\$ 3,229	\$ -	\$ -	\$ 3,229	\$ 3,567

Other Liabilities

Other liabilities as of December 31, 2017 and 2016 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2017	2016
Net pension liability	\$ 23,509	\$ -	\$ 2,299	\$ 25,808	\$ 34,413
Operation Warm Heart	783	-	-	783	782
Other	393	-	158	551	348
Total	\$ 24,685	\$ -	\$ 2,457	\$ 27,142	\$ 35,543

The District through the Operation Warm Heart program solicits donations from customers to provide payment assistance for qualified customers.

Net pension liability represents the District's portion of the calculated present value of projected benefit payments to be provided to active and inactive employees that is attributed to past periods of employee service, less the pension plan's fiduciary net position. (See Note 8: Pension Plans.)

Notes to Combined Financial Statements

Note 6:

Deferred Outflows and Inflows of Resources

The board of commissioners has taken various actions that result in the recognition of revenues and expenses for ratemaking purposes. These actions result in regulatory assets, deferred outflows of resources, and deferred inflows of resources, which are summarized in the tables below. Changes in their balances, and their inclusion in rates, occur only at the direction of the board.

Regulatory Assets

Regulatory assets as of December 31, 2017 and 2016 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2017	2016
Reg power exp	\$ -	\$ 3,099	\$ -	\$ 3,099	\$ 3,487
Reg pension exp	24,465	-	2,392	26,857	29,185
Reg unamort debt exp	1,866	754	779	3,399	3,739
Total	\$ 26,331	\$ 3,853	\$ 3,171	\$ 33,355	\$ 36,411

Regulatory power expense represents power supply costs paid for in previous years and recognized as expenses in future rate periods.

Regulatory pension expense represents the District's portion of the change in pension items, as defined under GASB 68 and GASB 71. Regulatory accounting is used to recognize pension expense in accordance with the required employer contribution rates set by the Washington state Pension Funding Council. (See Note 8: Pension Plans.)

Regulatory unamortized debt expense represents fees and expenses associated with the issuance of revenue bonds. These costs are amortized over the life of the remaining bonds and recognized as expenses in future rate periods.

Deferred Outflows of Resources

Deferred outflows of resources as of December 31, 2017 and 2016 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2017	2016
Unamortized loss on reacq debt	\$ 4,443	\$ 23,387	\$ 382	\$ 28,212	\$ 33,598
Pension costs	3,615	-	353	3,968	6,345
Total	\$ 8,058	\$ 23,387	\$ 735	\$ 32,180	\$ 39,943

The loss on reacquired debt represents unamortized components associated with revenue bonds. These costs are amortized over the shorter of the remaining term of the refunded bonds or the term of the refunding bonds.

Pension costs represent a portion of the change in net pension items, as defined under GASB 68. Regulatory accounting is used to recognize pension expense in accordance with the required employer contribution rates set by the Washington state Pension Funding Council. (See Note 8: Pension Plans.)

Deferred Inflows of Resources

Deferred inflows of resources as of December 31, 2017 and 2016 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31	
				2017	2016
Reg revenue	\$ 63,400	\$ -	\$ 2,000	\$ 65,400	\$ 60,400
Pension costs	4,570	-	447	5,017	1,117
Total	\$ 67,970	\$ -	\$ 2,447	\$ 70,417	\$ 61,517

The Board of Commissioners distributed \$10 million from regulatory revenue to Electric System customers. At year-end, the Board of Commissioners increased regulatory revenue \$13 million in the Electric System and \$2 million in the Water System to be used in future rate periods.

Pension costs represent a portion of the change in net pension items, as defined under GASB 68. Regulatory accounting is used to recognize pension expense in accordance with the required employer contribution rates set by the Washington state Pension Funding Council. (See Note 8: Pension Plans.)

Notes to Combined Financial Statements

Note 7:

Current and Long-term Debt

Electric System

During the year ended December 31, 2017, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2016	Additions	Reductions	Balance Dec 31, 2017	Amounts due within one year
2005 Revenue and Refunding Bonds	\$ 1,605	\$ -	\$ 1,605	\$ -	\$ -
2007 Revenue and Refunding Bonds	6,955	-	6,955	-	-
2009 Revenue and Refunding Bonds Due in annual installments of \$1,790 - \$1,880 through January 1, 2019; interest at 4.00% - 5.00%.	5,375	-	1,705	3,670	1,790
2011 Revenue and Refunding Bonds Due in annual installments of \$3,020 - \$3,450 through January 1, 2021; interest at 3.25% - 5.00%.	14,240	-	1,300	12,940	3,020
2012 Revenue and Refunding Bonds Due in annual installments of \$1,660 - \$6,255 through January 1, 2033; interest at 3.00% - 5.00%.	51,790	-	3,390	48,400	3,560
2014 Revenue and Refunding Bonds Due in annual installments of \$1,405 - \$3,650 through January 1, 2034; interest at 5.00%.	45,090	-	1,000	44,090	3,310
2016 Revenue and Refunding Bonds Due in annual installments of \$2,200 - \$8,300 through January 1, 2037; interest at 5.00%.	99,635	-	-	99,635	4,040
Total Electric System Revenue Bonds	\$ 224,690	\$ -	\$ 15,955	\$ 208,735	\$ 15,720

Notes to Combined Financial Statements

Generating System

During the year ended December 31, 2017, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2016	Additions	Reductions	Balance Dec 31, 2017	Amounts due within one year
2009 Revenue Bonds	\$ 1,460	\$ -	\$ 1,460	\$ -	\$ -
2010 Revenue Bonds Due in annual installments of \$7,285 - \$14,050 through January 1, 2023; interest at 4.00% - 5.00%.	75,015	-	11,295	63,720	13,380
2012A Revenue Bonds Due in annual installments of \$2,785 - \$11,265 through January 1, 2025; interest at 4.00% - 5.00%.	29,200	-	2,655	26,545	2,785
2012B Revenue Bonds Due in annual installments of \$1,235 - \$1,470 through January 1, 2025; interest at 1.667% - 3.293%.	11,915	-	1,215	10,700	1,235
2016 Revenue Bonds Due in annual installments of \$1,000 - \$14,870 through January 1, 2037; interest at 5.00%.	45,095	-	-	45,095	1,000
Total Generating System Revenue Bonds	\$ 162,685	\$ -	\$ 16,625	\$ 146,060	\$ 18,400

Notes to Combined Financial Statements

Water System

During the year ended December 31, 2017, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2016	Additions	Reductions	Balance Dec 31, 2017	Amounts due within one year
2006 Revenue and Refunding Bonds	\$ 6,775	\$ -	\$ 6,775	\$ -	\$ -
2008 Revenue and Refunding Bonds Due in an annual installment of \$590 on January 1, 2018; interest at 5.50%.	9,855		9,265	590	590
2010 Revenue and Refunding Bonds Due in annual installments of \$465 - \$515 through January 1, 2020; interest at 5.00%.	8,525		7,055	1,470	465
2011 Revenue and Refunding Bonds Due in annual installments of \$605 - \$840 through January 1, 2024; interest at 3.00% - 4.00%.	5,965		685	5,280	715
2014 Revenue and Refunding Bonds Due in annual installments of \$580 - \$1,210 through January 1, 2034; interest at 3.50% - 5.00%.	15,145		555	14,590	580
2017 Revenue and Refunding Bonds Due in annual installments of \$930 - \$2,775 through January 1, 2037; interest at 3.00% - 5.00%.	-	35,805	-	35,805	1,220
Total Water System Revenue Bonds	\$ 46,265	\$ 35,805	\$ 24,335	\$ 57,735	\$ 3,570

During 2017, the District issued Water System Revenue and Refunding Bonds, Series 2017, in the amount of \$35.8 million. The bonds provided funds for capital construction requirements, refunded a portion of the District's Series 2006, Series 2008, and Series 2010 outstanding Water System Revenue Bonds and funded a portion of the reserve account requirements. The refunding of the series 2006, 2008, and 2010 bonds resulted in a positive net present value savings. They mature serially in varying amounts and are subject to early redemption privileges.

Debt Service

The District's revenue bond sinking fund requirements are as follows:

(in thousands)	Electric System			Generating System			Water System		
	Interest	Principal	Total	Interest	Principal	Total	Interest	Principal	Total
2018	\$ 9,330	\$ 16,525	\$ 25,855	\$ 6,142	\$ 19,205	\$ 25,347	\$ 2,606	\$ 3,695	\$ 6,301
2019	8,602	17,245	25,847	5,221	17,600	22,821	2,436	3,865	6,301
2020	7,781	13,740	21,521	4,380	14,175	18,555	2,256	3,535	5,791
2021	7,094	14,355	21,449	3,702	14,855	18,557	2,094	3,695	5,789
2022	6,376	15,070	21,446	3,012	15,545	18,557	1,918	3,870	5,788
2023-27	21,525	61,775	83,300	6,008	33,425	39,433	6,997	17,470	24,467
2028-32	8,849	39,060	47,909	2,561	6,860	9,421	3,147	12,170	15,317
2033-36	1,706	15,245	16,951	707	5,995	6,702	656	5,865	6,521

Notes to Combined Financial Statements

Debt Service Reserve Accounts

The resolutions for outstanding bonds of the District require setting aside amounts in debt service reserve accounts equal to the lesser of maximum annual debt service for each bond series in any fiscal year or 125 percent of average annual debt service for each bond. At December 31, 2017, the debt service reserve accounts are fully cash funded.

Debt service reserve accounts as of December 31, 2017 and 2016 were as follows:

(in thousands)	Electric System	Generating System	Water System	December 31 2017	December 31 2016
Cash deposits	\$ 18,744	\$ 12,398	\$ 5,135	\$ 36,277	\$ 35,811

Municipal Bond Insurance

Historically, the District secured bond insurance for a portion of the debt service reserves. The bond resolutions allow the District to substitute a reserve account instrument for the cash and securities held in the reserve account. After the financial crisis of 2007, the District replaced all bond insurance included in the reserve account with cash. On January 1, 2017, \$6.5 million of the bond insurance expired. With the refunding of the 2006 series bonds the \$1 million of surety bond insurance was extinguished. At December 31, 2017, all municipal bond insurance policies were terminated.

Other Debt

Lines of Credit

The District has authorized and issued the following subordinate lien revenue lines of credit for each of the systems to meet temporary cash requirements:

System	Purpose	Authorized Amount	Amount Outstanding December 31, 2017
Electric	Interim capital requirements and operating expenses	\$ 20 million	\$ -
Generating	Interim capital requirements	\$ 20 million	\$ 3.25 million
Water	Interim capital requirements and operating expenses	\$ 2 million	-

In March 2017, the District replaced the existing Wells Fargo Bank subordinate lien revenue line of credit notes with the U.S. Bank subordinate lien revenue line of credit notes in the amount of \$20 million for the Electric System, \$20 million for the Generating System and \$2 million for the Water System, which mature March 24, 2020.

Water System Other Debt

The District has participated with the state of Washington in financing various long-term capital improvements for the Water System. These funds have been provided from three sources – Public Works Trust Fund, Drinking Water State Revolving Fund, and the Department of Ecology. In order to participate in these financing vehicles the District matches funds with the loan awards. Loans are repaid over terms of 20 to 21 years, with no interest or annual interest rates from .25% to 4.35%. The current outstanding long-term obligations for the Water System reflect the total draw on the loan awards. The carrying amounts approximate the fair value since such loans are exclusive and have no market. Principal and interest payments on these outstanding obligations are as follows:

(in thousands)	Interest	Principal	Total	Outstanding Principal Balance
Balance on Dec. 31, 2017				\$ 19,295
2018	\$ 130	\$ 2,151	\$ 2,281	17,144
2019	112	2,151	2,263	14,993
2020	94	2,076	2,170	12,917
2021	79	1,860	1,939	11,057
2022	68	1,619	1,687	9,438
2023-27	213	6,027	6,240	3,411
2028-32	79	3,117	3,196	294
2033-34	6	294	300	-

Notes to Combined Financial Statements

Note 8:

Pension Plans, Post-employment Benefits, and Deferred Compensation Plans

Pension Plans

District employees participate in a statewide local government retirement system administered by the Washington State Department of Retirement Systems (DRS). The Public Employee Retirement System (PERS) is a cost sharing multiple employer system that provides for retirement and disability benefits based upon compensation and length of service. PERS consists of three separate plans: Plan 1, Plan 2 and Plan 3. Plan 1 is a defined-benefit plan that covers employees hired prior to October 1, 1977. Plan 2 is a defined-benefit plan for employees hired into the PERS system on or after October 1, 1977. Beginning September 1, 2002, PERS statutes made available an optional Plan 3 for new employees and Plan 2 members. Plan 3 is a two-part system, consisting of an employer-funded defined-benefit component and an employee-funded defined-contribution component.

Each plan has specific calculations for eligibility, actuarial deductions, full retirement benefit payments, and survivor or disability payments. Detailed information on all plans is found on the DRS public website at www.drs.wa.gov. The general vesting and retirement eligibility criteria are outlined as follows:

	Defined benefit vesting	Eligibility for retirement
PERS 1	5 years of eligible service	Any age with at least 30 years of service At age 55 with 25 years of service At age 60 and vested
PERS 2	5 years of eligible service	At age 65 and vested At age 55 with 20 years of service at a reduced benefit
PERS 3	5-10 years, depending on age/previous PERS 2	At age 65 and vested At age 55 with 10 years of service at a reduced benefit

PERS Funding Policy

The District and all participating agencies are required to contribute to each plan at rates established by the state Pension Funding Council, using recommendations from the Office of the State Actuary. Each biennium the council sets employer contribution rates for Plan 1, Plan 2 and Plan 3, along with Plan 2 employee contribution rates. The employee contribution rate for Plan 1 is established by state statute and does not vary from year to year. Employee contribution rates for Plan 3 are set by the Employee Retirement Benefits Board. The methods used to determine the contribution requirements are established under state statute.

Plan 2 is funded by the employer and employee contributions and associated investment earnings. The Plan 3 defined-benefit component is funded by the employer contributions and the associated investment earnings. The Plan 3 defined-contribution component is funded by the employee contributions and associated investment earnings. The required contribution rates to the PERS retirement system as of December 31, 2017, are as follows:

	PERS 1	PERS 2	PERS 3
Employer	12.70%	12.70%	12.70%
Employee	6.00%	7.38%	5-15%

Actuarial Assumptions

The total pension liability (TPL) for each of the plans was estimated using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of Office of State Auditor's (OSA) 2007-2012 Experience Study and the 2015 Economic Experience Study.

Additional assumptions for the subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016 to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation (economic)	3.00%
Active Member Payroll Growth	3.75%
Investment Rate of Return	7.50%

Mortality rates for active members, retirees, survivors and disability rates were based on RP-2000 report's Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

The long-term expected rate of return on DRS pension plan investments is forecast using a building block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various times. The long-term expected rate of return of 7.50% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major class are included in the pension plans' target asset allocation as of June 30, 2017. The inflation component used to create the table is 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation. A summary of the estimated rates of return by asset class are as follows:

Asset class	Target allocation	Long-term expected real rate of return arithmetic
Fixed income	20%	1.70%
Tangible assets	5%	4.40%
Real estate	15%	5.80%
Global equity	37%	6.30%
Private equity	23%	9.30%

Notes to Combined Financial Statements

Discount Rate

The discount rate used to measure the total DRS pension liability was 7.50%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the asset sufficiency test included an assumed 7.70% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates. Based on those assumptions, the pension plans' 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 of 7.50% was used to determine the total liability.

Pension Liability Sensitivity

The following table reflects the impact of the discount rate assumptions on the District's proportionate share of net pension liability:

(in thousands)	1% decrease in discount rate 6.5%	Discount rate 7.5%	1% increase in discount rate 8.5%
Proportionate share of the PERS Plan 1 net pension liability (asset)	\$ 16,361	\$ 13,431	\$ 10,892
Proportionate share of the PERS Plan 2/3 net pension liability (asset)	\$ 33,346	\$ 12,377	\$ (4,803)

Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately issued DRS 2017 Comprehensive Annual Financial Report (CAFR). The DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Any information obtained from the DRS is the responsibility of the state of Washington. The District's pension contribution amounts were verified by an internal review of the information provided by DRS. However, the District has relied on the information provided in the Washington State DRS CAFR and the Washington State DRS Participating Employer Financial Information (PEFI) obtained from DRS when recognizing pension cost for 2017 and 2016.

Washington State Retirement System Pension Costs

As of June 30, 2017, Washington State Department of Retirement Systems total pension liability for all covered entities included in the Washington State CAFR for PERS Plans 1 and 2/3 was as follows:

(in thousands)	PERS 1	PERS 2/3	Jun 30, 2017	Jun 30, 2016
Total pension liability	\$ 12,241,998	\$ 38,475,325	\$ 50,717,323	\$ 48,014,417
Plan fiduciary net position	<u>7,496,920</u>	<u>35,000,803</u>	<u>42,497,723</u>	<u>37,609,025</u>
Net pension liability	\$ 4,745,078	\$ 3,474,522	\$ 8,219,600	\$ 10,405,392

District's Proportionate Share of Pension Costs

The District's proportionate share of the Washington State DRS PERS Plans 1 and 2/3 employer contributions were as follows:

	Jun 30, 2017	Jun 30, 2016
PERS 1	0.283048%	0.295011%
PERS 2/3	0.356236%	0.368815%

The District's net pension liability is the District's proportionate share of pension costs multiplied by the Washington State DRS total net pension liability. As of December 31, 2017, the District's proportionate share of the Washington state Retirement System net pension liability was as follows:

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2017	Dec 31, 2016
Total net pension liability	\$ 13,431	\$ 12,377	\$ 25,808	\$ 34,413

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the contributions received by PERS during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERS participating employers as well as the statutorily required contributions required to fund the unfunded actuarial accrued liability.

For the year ended December 31, 2017, the District has elected to use regulatory accounting to recognize pension expense in conjunction with the required employer contribution rates and corresponding District contributions for PERS Plans 1 and 2/3. (See Note 6: Regulatory Asset.)

The District's actual annual contributions to the PERS retirement system were as follows as of year-end:

(in thousands)	2017	2016	2015
District contributions	\$ 4,299	\$ 3,892	\$ 3,491

At December 31, 2017, the District reported its combined proportionate share of pension costs recorded as deferred outflows of resources from the following sources:

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2017
Differences between expected and actual economic experience	\$ -	\$ 1,254	\$ 1,254
Differences between projected and actual investment earnings	-	-	-
Changes in actuarial assumptions	-	132	132
Changes in proportion	-	341	341
Contributions paid to PERS subsequent to the measurement date	<u>927</u>	<u>1,314</u>	<u>2,241</u>
Total	\$ 927	\$ 3,041	\$ 3,968

Amounts reported as deferred outflows of resources are projected to be recognized as an addition of the regulatory asset are as follows:

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2017
2018	\$ 927	\$ 2,127	\$ 3,054
2019	-	424	424
2020	-	122	122
2021	-	112	112
2022	-	111	111
Thereafter	-	145	145
Total	\$ 927	\$ 3,041	\$ 3,968

Notes to Combined Financial Statements

At December 31, 2017, the District reported its combined proportionate share of pension costs recorded as deferred inflows of resources from the following sources:

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2017
Differences between expected and actual economic experience	\$ -	\$ 407	\$ 407
Differences between projected and actual investment earnings	501	3,300	3,801
Changes in proportion	-	809	809
Total	\$ 501	\$ 4,516	\$ 5,017

Amounts reported as deferred inflows of resources are projected to be recognized as an addition/reduction of the regulatory asset as follows:

(in thousands)	PERS 1	PERS 2/3	Dec 31, 2017
2018	\$ (339)	\$ (2,114)	\$ (2,453)
2019	107	(206)	(99)
2020	(25)	(514)	(539)
2021	(244)	(1,512)	(1,756)
2022	-	(74)	(74)
Thereafter	-	(96)	(96)
Total	\$ (501)	\$ (4,516)	\$ (5,017)

Post-employment Benefits Other Than Pensions (OPEB)

Plan Description - By resolution the District provides 100% employer paid post-retirement medical, vision and prescription benefits for qualified retired employees and their eligible dependents until age 65. As of December 31, 2017, there were 41 retirees and their eligible dependents under the plan.

Funding Policy - The District funds its post-employment health care benefits when the actual health care costs are incurred for retirees and their eligible dependents.

Annual OPEB Cost - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer. 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 a period not to exceed 30 years. The District's annual required 2017 OPEB cost (expense) is \$1.4 million and is equal to the annual required contribution including interest.

Funding Status and Funding Progress - In 2017, the payment of employment health care benefits for retirees and qualified dependents totaled \$1.1 million. The current year funding of future OPEB costs resulted in a decrease in the net OPEB asset of \$0.3 million.

The schedule of funding progress for the unfunded actuarial accrued liability (UAAL) is as follows:

(in thousands, except percent)	Dec 31, 2017	Dec 31, 2016
Net OPEB asset	\$ 1,611	\$ 1,885
Entry age normal actuarial accrued liability	\$ 16,209	\$ 15,072
UAAL	\$ 14,598	\$ 13,187
Funded ratio	11%	14%
Covered payroll	\$ 36,009	\$ 34,816
UAAL as percent of covered payroll	41%	38%

Actuarial Assumptions - The actuarial valuation includes estimates of the value reported and assumptions about the probability of the events in the future. The actuarial assumptions included in the valuation included a rate of return on investments of 4% and an annual increase of 4%-6% of health care benefits depending on the plan. Other actuarial assumptions include estimates of future employment levels, retirement ages of active employees, and morbidity/termination rates. These assumptions are reviewed and compared every two years. As these assumptions and costs are re-examined for future periods, new estimates of OPEB costs and liabilities may result.

Deferred Compensation

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 457 and 401(k), permitting employees to contribute and defer a portion of their current salaries up to defined limits. As defined in Section 457 of the IRS Code, the District has placed the 457 deferred compensation plan assets into trust for the exclusive benefit of plan participants and beneficiaries.

Note 9: Refunded Bond Issues

As of December 31, 2017, the following revenue bond series have been extinguished through in-substance defeasance:

(in thousands)	Electric System	Generating System	Water System
Total	\$ 43,720	\$ 33,120	\$ 15,549

Debt service on refunded bonds is met by cash and investments held by the refunding trustees. The amounts held in trust are expected to fully fund debt service from principal and investment earnings. These refunded bonds constitute a contingent liability of the District only to the extent that cash and investments presently in the control of the refunding trustees are insufficient to meet debt service requirements. All refunded revenue bonds are excluded from the financial statements because the likelihood of additional funding requirements is considered remote.

Notes to Combined Financial Statements

Note 10:

Cash, Cash Equivalents and Sinking Funds

As of December 31, 2017, the District had the following cash, cash equivalents and investments at amortized cost:

(in thousands)	Fair Value	
	2017	2016
State investment pool (LGIP)	\$ 217,143	\$ 212,646
Cash	53,572	49,614
Total cash, cash equivalents and sinking funds	\$ 270,715	\$ 262,260

It is the operating practice of the District to invest public funds in a manner that provides the highest invested return with the maximum security of invested funds. These principles are balanced against and conforming to all of Washington state statutes governing investment of public funds, meeting daily cash flow demands of the District and the management and oversight of investing public funds. The District considers all liquid investment securities to be cash equivalents, including sinking fund investments.

The Washington state investment pool (LGIP) is an unrated 2a-7-like pool, as defined by the Governmental Accounting Standards Board (GASB). The LGIP manages a portfolio of securities that meet maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk. Investments are reported on a trade date basis in accordance with generally accepted accounting principles (GAAP).

The LGIP transacts with its participants as a stable net value per share of a \$1.00, the same method used for reporting. Participants may contribute and withdraw funds on a daily basis. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

As of December 31, 2017, the state investment pool balance included the District bond reserve amount of \$36.3 million. (See Note 7: Current and Long-term Debt.)

Interest Rate Risk

The District's balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days.

Credit Risk

As required by state law, all cash and investments of the District are invested in obligations of the U.S. Government and its agencies, the LGIP, or deposits with Washington state banks. The District's deposits in Washington state banks are entirely covered by federal depository insurance (FDIC) or collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. The District's investments or deposits held by the LGIP are all classified as category 1 risk level investments. The LGIP investment portfolio is presented in the state of Washington's June 30, 2017 Comprehensive Annual Financial Report (CAFR).

Note 11:

Conservation Funds

The District promotes energy conservation by providing loans and grants for weatherization, heat pump and market transformation programs. During 1999, a loan program began whereby the District provides conservation loans for up to seven years at 3.5% to 5.25% interest. Under this program, the total loan amount provided was \$1.7 million during 2017 and \$2.0 million in 2016.

Note 12:

Subsequent Events

The following are events determined to be classified as subsequent events through the report date, which is the date the financial statements were issued.

Subordinate Lien Revenue Line of Credit

In March 2018, the Generating System received \$2.0 million from the U.S. Bank line of credit to fund capital requirements.

Water System Other Debt

During March 2018, the Water System received \$1.0 million in Drinking Water State Revolving Fund loan proceeds to fund capital construction requirements.

Electric System Bill Credit

The Board of Commissioners authorized the Electric System to return \$10 million to customers in 2018 from regulatory revenues. (See Note 6: Deferred Inflows of Resources.)

Required Supplementary Information

Public Utility District No. 1 of Clark County

Schedule of Proportionate Share of Pension Liability

Measurement date June 30

(in thousands, except percentages)

	2017	2016	2015	2014
PERS 1				
Proportion of the net pension liability	0.283048%	0.295011%	0.307228%	0.292867%
Proportionate share of the net pension liability	\$ 13,431	\$ 15,843	\$ 16,071	\$ 14,753
Covered payroll PERS 1	\$ 333	\$ 382	\$ 472	\$ 694
Covered payroll PERS 2/3	34,926	34,306	34,149	30,800
Total covered payroll	\$ 35,259	\$ 34,688	\$ 34,621	\$ 31,494
Proportionate share of the net pension liability as a percentage of its covered payroll	38.1%	45.7%	46.4%	46.8%
Plan fiduciary net position as a percentage of the total pension liability	61.2%	57.0%	59.1%	61.2%
PERS 2/3				
Proportion of the net pension liability	0.356236%	0.368815%	0.384777%	0.359035%
Proportionate share of the net pension liability	\$ 12,377	\$ 18,570	\$ 13,748	\$ 7,258
Covered payroll	\$ 34,926	\$ 34,306	\$ 34,149	\$ 30,800
Proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	35.4%	54.1%	40.3%	23.6%
Plan fiduciary net position as a percentage of the total pension liability	91.0%	85.8%	89.2%	93.3%

Schedule of Contributions

As of December 31

(in thousands, except percentages)

	2017	2016	2015	2014
PERS 1				
Contractually required contribution	\$ 1,791	\$ 1,676	\$ 1,509	\$ 1,343
Covered payroll	\$ 35,942	\$ 34,681	\$ 33,963	\$ 32,629
Contributions as a percentage of covered payroll	5.0%	4.8%	4.4%	4.1%
PERS 2/3				
Contractually required contribution	\$ 2,419	\$ 2,139	\$ 1,886	\$ 1,603
Covered payroll	\$ 35,474	\$ 34,331	\$ 33,569	\$ 32,095
Contributions as a percentage of covered payroll	6.8%	6.2%	5.6%	5.0%

Notes to RSI Schedules

- 1) Factors that significantly affect trends in the amounts reported in the schedule include changes in benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions such as the discount rate. DRS allocates a portion of contributions from PERS 2/3 to PERS 1 in order to fund its unfunded actuarially accrued liability (UAAL) pursuant to RCW 41.45.060.
- 2) The District implemented GASB 68 for the year ended December 31, 2015. (See Note 8.) Ten-year trend information will be presented prospectively.
- 3) The District actual contributions represented in Note 8 are different from the amounts reflected in the schedule of contributions shown and are the result of payment timing differences and fees. Covered payroll is the payroll on which the contributions to a pension plan are based. Therefore, Plan 1 covered payroll also includes Plan 2/3 payroll in order to fund the Plan 1 UAAL.

Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

Electric System

In thousands, except for interest rates

Maturity Date	Series 2009		Series 2011		Series 2012		Series 2014		Series 2016		Total	Remaining Bonds Outstanding
	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate		
2018	\$ 1,790	5.000	\$ 3,020	5.000	\$ 3,560	5.000	\$ 3,310	5.000	\$ 4,040	5.000	\$ 15,720	\$ 193,015
2019	1,880	4.000	2,050	3.250	650	3.000	3,480	5.000	4,245	5.000	12,305	180,710
2019			1,125	5.000	3,095	4.000	-	-	-	-	4,220	176,490
2020			125	3.500	3,885	4.000	3,650	5.000	6,415	5.000	14,075	162,415
2020			3,170	5.000	-	-	-	-	-	-	3,170	159,245
2021			3,450	5.000	4,045	5.000	2,095	5.000	4,150	5.000	13,740	145,505
2022					6,255	5.000	2,200	5.000	5,900	5.000	14,355	131,150
2023					4,460	5.000	3,445	5.000	7,165	5.000	15,070	116,080
2024					4,675	5.000	1,405	5.000	7,525	5.000	13,605	102,475
2025					1,660	5.000	3,220	5.000	7,900	5.000	12,780	89,695
2026					1,740	5.000	3,380	5.000	8,300	5.000	13,420	76,275
2027					1,830	5.000	1,625	5.000	8,715	5.000	12,170	64,105
2028					1,920	3.250	1,705	5.000	6,175	5.000	9,800	54,305
2029					1,985	3.350	1,790	5.000	6,485	5.000	10,260	44,045
2030					2,050	3.400	1,880	5.000	3,660	5.000	7,590	36,455
2031					2,120	3.500	1,975	5.000	3,845	5.000	7,940	28,515
2032					1,845	3.500	2,070	5.000	2,220	5.000	6,135	22,380
2032					350	5.000	-	-	-	-	350	22,030
2033					2,275	4.000	2,175	5.000	2,335	5.000	6,785	15,245
2034							2,285	5.000	2,450	5.000	4,735	10,510
2035							2,400	5.000	2,575	5.000	4,975	5,535
2036									2,700	5.000	2,700	2,835
2037									2,835	5.000	2,835	-
Total	\$ 3,670		\$ 12,940		\$ 48,400		\$ 44,090		\$ 99,635		\$ 208,735	

Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

Generating System

In thousands, except for interest rates

Maturity Date	Series 2010		Series 2012A		Series 2012B		Series 2016		Total	Remaining Bonds Outstanding
	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate		
2018	\$ 100	4.000	\$ 2,785	4.000	\$ 1,235	1.667	\$ 1,000	5.000	\$ 5,120	\$ 140,940
2018	13,280	5.000	-	-	-	-	-	-	13,280	127,660
2019	125	4.000	2,900	5.000	1,255	1.967	1,000	5.000	5,280	122,380
2019	13,925	5.000	-	-	-	-	-	-	13,925	108,455
2020	575	4.000	3,045	5.000	1,280	2.443	1,000	5.000	5,900	102,555
2020	11,700	5.000	-	-	-	-	-	-	11,700	90,855
2021	8,670	5.000	3,195	5.000	1,310	2.673	1,000	5.000	14,175	76,680
2022	8,060	5.000	2,300	4.000	1,345	2.773	2,095	5.000	13,800	62,880
2022	-	-	1,055	5.000	-	-	-	-	1,055	61,825
2023	7,285	5.000	-	-	1,380	2.973	6,880	5.000	15,545	46,280
2024			-	-	1,425	3.143	14,870	5.000	16,295	29,985
2025			11,265	5.000	1,470	3.293	1,020	5.000	13,755	16,230
2026							1,070	5.000	1,070	15,160
2027							1,125	5.000	1,125	14,035
2028							1,180	5.000	1,180	12,855
2029							1,240	5.000	1,240	11,615
2030							1,305	5.000	1,305	10,310
2031							1,370	5.000	1,370	8,940
2032							1,435	5.000	1,435	7,505
2033							1,510	5.000	1,510	5,995
2034							1,585	5.000	1,585	4,410
2035							1,665	5.000	1,665	2,745
2036							1,745	5.000	1,745	1,000
2037							1,000	5.000	1,000	-
Total	\$ 63,720		\$ 26,545		\$ 10,700		\$ 45,095		\$ 146,060	

Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

Water System

In thousands, except for interest rates

Maturity Date	Series 2008		Series 2010		Series 2011		Series 2014		Series 2017		Total	Remaining Bonds Outstanding
	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate	Principal Jan. 1	Interest Rate		
2018	\$ 590	5.500	\$ 465	5.000	\$ 715	4.000	\$ 580	5.000	\$ 1,220	5.000	\$ 3,570	\$ 54,165
2019			490	5.000	745	3.000	610	5.000	1,850	5.000	3,695	50,470
2020			515	5.000	765	3.250	640	5.000	1,945	5.000	3,865	46,605
2021					795	3.125	670	5.000	2,070	5.000	3,535	43,070
2022					815	4.000	705	5.000	2,175	5.000	3,695	39,375
2023					840	4.000	740	5.000	2,290	5.000	3,870	35,505
2024					605	4.000	775	3.500	2,405	5.000	3,785	31,720
2025							805	4.000	2,515	5.000	3,320	28,400
2026							835	4.000	2,645	5.000	3,480	24,920
2027							870	4.000	2,775	5.000	3,645	21,275
2028							905	5.000	2,335	5.000	3,240	18,035
2029							950	5.000	2,455	5.000	3,405	14,630
2030							995	5.000	1,535	5.000	2,530	12,100
2031							1,045	5.000	930	5.000	1,975	10,125
2032							1,100	5.000	980	5.000	2,080	8,045
2033							1,155	5.000	1,025	5.000	2,180	5,865
2034							1,210	5.000	1,080	5.000	2,290	3,575
2035									1,135	5.000	1,135	2,440
2036									1,190	5.000	1,190	1,250
2037									1,250	5.000	1,250	0
Total	\$ 590		\$ 1,470		\$ 5,280		\$ 14,590		\$ 35,805		\$ 57,735	

Selected Financial Data and Statistics - Unaudited

Public Utility District No. 1 of Clark County

Comparative Statements of Income from Electric System Operations (in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenues	\$ 382,722	\$ 374,647	\$ 379,227	\$ 375,782	\$ 373,657	\$ 360,729	\$ 355,779	\$ 354,142	\$ 354,237	\$ 369,580
Operating expenses	344,539	339,617	342,301	346,815	339,662	338,230	333,692	334,324	341,595	360,615
Operating income	38,183	35,030	36,926	28,967	33,995	22,499	22,087	19,818	12,642	8,965
Non-operating revenues (expenses)	(12,699)	(15,701)	(14,553)	(14,006)	(15,409)	(15,856)	(12,871)	(10,205)	(13,197)	(8,988)
Net income (loss)	\$ 25,484	\$ 19,329	\$ 22,373	\$ 14,961	\$ 18,586	\$ 6,643	\$ 9,216	\$ 9,613	\$ (555)	\$ (23)

Electric System Statistics

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Electric energy delivered megawatt hours (in thousands)										
Residential	2,525	2,289	2,270	2,316	2,387	2,317	2,389	2,257	2,423	2,426
Commercial	1,335	1,292	1,287	1,289	1,293	1,270	1,287	1,273	1,334	1,388
Industrial	749	720	724	749	735	741	762	789	741	814
Off-system sales	593	907	1,033	901	851	1,022	405	424	383	470
Miscellaneous	29	28	29	27	26	26	29	32	35	34
Total	5,231	5,236	5,343	5,282	5,292	5,376	4,872	4,775	4,916	5,132

Average revenue per kwh (in cents)

Residential	9.17	9.25	9.24	9.21	9.16	9.18	8.86	8.50	8.28	7.85
Commercial	7.37	7.38	7.38	7.38	7.37	7.41	7.30	7.12	6.99	6.63
Industrial	5.57	5.57	5.58	5.58	5.58	5.57	5.51	5.37	5.34	5.13
Miscellaneous	12.15	13.68	13.51	13.59	13.62	13.52	12.20	11.19	10.58	10.36
Average - all classes	8.09	8.07	8.10	7.90	7.79	7.73	7.41	7.55	7.44	7.03

Average number of customers

Residential	183,880	180,241	176,605	174,379	171,449	169,569	168,449	167,634	166,823	166,157
Commercial	16,130	15,703	15,449	15,248	15,021	14,776	14,594	14,441	14,292	13,713
Industrial	29	29	29	29	28	25	26	26	25	26
Miscellaneous	1,484	1,448	1,465	1,471	1,441	1,433	1,419	1,413	1,407	1,387
Total - all classes	201,523	197,421	193,548	191,127	187,939	185,803	184,488	183,514	182,547	181,283

Average annual kwh used per customer

Residential	13,734	12,698	12,853	13,278	13,923	13,667	14,182	13,463	14,521	14,601
Commercial	82,764	82,263	83,333	84,532	86,087	85,936	88,168	88,136	93,370	101,203
Industrial	25,830,198	24,842,179	24,969,726	25,827,682	26,248,173	29,636,712	29,293,402	30,337,381	29,656,732	31,288,395
Miscellaneous	19,379	19,027	19,570	18,597	18,051	18,531	20,588	22,748	24,673	24,672

Selected Financial Data and Statistics - Unaudited

Public Utility District No. 1 of Clark County

Comparative Statements of Income from Water System Operations (in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenues	\$ 18,685	\$ 17,389	\$ 17,471	\$ 15,697	\$ 14,920	\$ 14,144	\$ 12,471	\$ 12,227	\$ 13,047	\$ 11,308
Operating expenses	14,268	13,324	12,690	11,796	11,008	10,586	10,259	10,106	10,594	9,551
Operating income	4,417	4,065	4,781	3,901	3,912	3,558	2,212	2,121	2,453	1,757
Non-operating revenues (expenses)	(2,375)	(1,964)	(539)	(1,997)	(1,166)	(2,215)	(2,241)	(1,800)	(2,012)	(1,403)
Net income (loss)	\$ 2,042	\$ 2,101	\$ 4,242	\$ 1,904	\$ 2,746	\$ 1,343	\$ (29)	\$ 321	\$ 441	\$ 354

Water System Statistics

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Cubic feet delivered (in thousands)										
Residential	382,318	357,535	382,190	350,868	335,558	343,113	329,858	333,002	381,989	370,877
Commercial	60,565	56,742	53,478	50,858	48,708	47,828	44,982	44,302	50,452	54,309
Miscellaneous	77,882	72,996	76,807	64,881	61,415	62,053	60,092	62,278	66,329	65,911
Total	520,765	487,273	512,475	466,607	445,681	452,994	434,932	439,582	498,770	491,097

Average revenue per cubic foot (in cents)

Residential	2.92	2.92	2.87	2.91	2.92	2.85	2.55	2.54	2.44	2.10
Commercial	2.78	2.75	2.74	2.78	2.77	2.75	2.44	2.45	2.41	2.01
Miscellaneous	2.72	2.70	2.70	2.68	2.70	2.64	2.34	2.33	2.27	1.89
Average - all classes	2.87	2.87	2.83	2.86	2.87	2.81	2.51	2.50	2.41	2.06

Average number of customers

Residential	32,276	31,384	30,673	30,091	29,599	29,248	29,025	28,870	28,638	28,490
Commercial	1,167	1,104	1,076	1,081	1,072	1,069	1,042	1,034	1,032	1,027
Miscellaneous	761	760	753	725	711	696	673	667	661	644
Total - all classes	34,204	33,248	32,502	31,897	31,382	31,013	30,740	30,571	30,331	30,161

Average annual cubic feet used per customer

Residential	11,845	11,392	12,460	11,660	11,337	11,731	11,365	11,535	13,339	13,018
Commercial	51,898	51,397	49,701	47,047	45,437	44,741	43,169	42,846	48,888	52,881
Miscellaneous	102,342	96,047	102,001	89,491	86,378	89,157	89,290	93,370	100,346	102,347