Clark Public Utilities

the POWER of PEOPLE

2018 ANNUAL REPORT

About Us

Clark Public Utilities is a customer-owned public utility district that provides electric and water service in Clark County, Washington. The utility is a municipal corporation organized under laws of the state of Washington. It was formed by a vote of the people in 1938. The utility consists of three separate operating systems: electric, generation, and water.

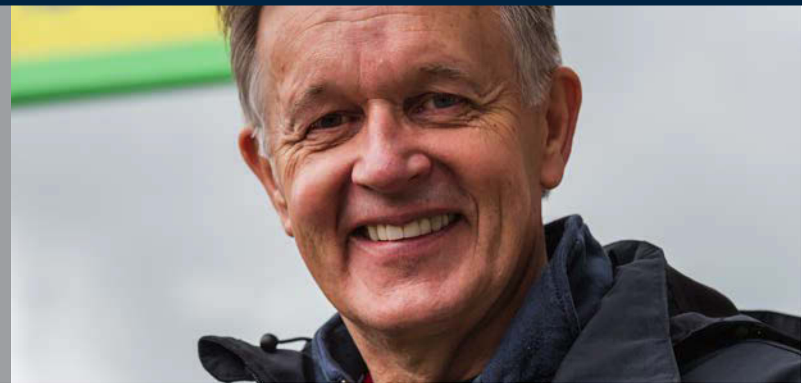
The utility is governed by a three-member elected board of commissioners. Each member serves a six-year term with one of the positions open every two years.

Highlights

	2018	2017
ELECTRIC SYSTEM		
Customers (year end)	208,717	203,975
Total operating revenue	$370,902,000	$382,722,000
Electricity sales (megawatt hours)	5,260,659	5,230,977
Peak demand (megawatts)	952	1,074
Net income (loss)	$14,912,000	$25,484,000
Employees (year end)	353	359
GENERATING SYSTEM		
Total operating revenue	$89,853,000	$100,695,000
Electricity generation (megawatt hours)	1,192,593	1,259,618
Displacement (megawatt hours)	292,925	325,625
Employees (year end)	1	1
WATER SYSTEM		
Customers (year end)	35,898	34,775
Total operating revenue	$20,966,000	$18,685,000
Water sales (cubic feet)	564,366,000	520,765,000
Peak 24-hour demand (gallons)	28,382,000	20,500,000
Net income (loss)	$4,481,000	$2,042,000
Employees (year end)	31	31

Report from the CEO/General Manager

Wayne W. Nelson



Giving Back to the Communities We Serve

At the heart of public power is a recognition that customer-owned utilities are a public benefit. Clark Public Utilities, formed by a vote of Clark County citizens 80 years ago, is an outstanding example of how a public power system can enrich the lives of residents and the work of businesses. We work year round to provide our customer-owners with outstanding service at an affordable price.

Solid Foundation for Outstanding Service

The utility continues to be operated in a sound manner with no electric rate increases in seven years, upgraded credit ratings and consistently high reliability measures. Operational and maintenance costs remain the lowest per customer of any electric utility in the state.

Infrastructure and facilities are continually maintained and upgraded to ensure that the system is as resilient as possible. Efforts to improve already high reliability include investments in year-round tree trimming, underground cable treatment and the ongoing installation of coated tree wire in rural areas.

These investments include operational facilities such as our customer service lobby at the downtown location, which was updated this year to improve customer accessibility and employee safety. Increased security measures, controlled access plus a safe and healthy work area were coupled with interior design elements to maintain customer privacy and improve the overall customer experience.

Our solid financial position allowed us to return $10 million of surplus funds to customers, for the

Continues on page 4

From CEO Continues...
from page 3

second time in two years. The utility's board of commissioners approved returning funds as credits on customer bills when the utility's revenues exceeded budget estimates. The credit represents steadfast recognition that the utility is a steward of our customer-owners' resources, and funds in excess of what is required to reliably operate and provide services belong to our customers and ought to be returned when feasible.

In addition to the bill credit, the board approved $2 million toward a program to replace thermostats in limited-income households with more efficient models or where possible, a smart thermostat. This program is a complement to the variety of financial assistance and low-income energy efficiency programs currently available to customers struggling to pay utility bills.

Planning for Growth

As the economy improves, the utility has remained focused on responding to immediate electric and water needs, while anticipating the needs for the future.

The River Road Generating Plant had a combustion inspection during the annual maintenance outage to ensure the facility remains ready to provide flexibility in the utility's power supply and serve load as is economically beneficial.

River Road is a natural gas fired generating facility that provides about 30 percent of our power supply. We operate the plant to take advantage of surplus power often available from the region's large hydroelectric system. When it's less expensive to purchase this surplus power, we shut down River Road.

Potential state and/or federal legislation relating to carbon emissions could impact the operation of River Road, and we're monitoring this issue.

We remain involved in regional power supply issues relating to the federal Bonneville Power Administration, which supplies more than 60 percent of our energy resources, largely from renewable hydroelectric resources. We're also working to integrate new customer-owned renewable generation into the system.

Our robust energy efficiency programs, targeted at residential, commercial and industrial customers, are effectively saving electricity while saving our customers money.

In all areas, the utility is integral in the planning and support of economic investment in Clark County and is committed to providing customers

Continues on page 5

From CEO Continues...

from page 4

with the highest quality electric and water service at cost.

Work is also underway to upgrade existing electric facilities to provide reliable service to the downtown waterfront development. Construction of the water utility's Paradise Point Wellfield continues as residential and commercial demand grows in the Discovery Corridor.

Operationally, a focus remains on organizational staffing, recruiting, retention and succession planning. As the utility industry evolves, it's important we are prepared with the right people in the right places. Progress in this area is reflected in industry recognition for professional development, and leadership training opportunities for employees to support proactive staffing plans for the future.

Communicating Values, Inside and Out

The core of an organization's culture lives in the shared values of customers and employees, which are reflected in our programs, services and communications. Who we are is embedded in the way we talk about our commitment to maintaining affordability, increasing reliability, delivering quality customer service and contributing to our community in relevant and responsible ways. To this end we are thoughtful in our investments in technology and tools to help spread our messages and reinforce our values.

Customer expectations for communication continue to evolve and our focus remains on providing relevant information to the appropriate customers in targeted and effective ways. Whether that's on social media like Facebook and Nextdoor, digital platforms including our website and community news sites, or printed publications like local newspapers and utility materials, we work hard every day to ensure that all customers continue to know how this utility can help make their homes and businesses more cost effective, more comfortable and more convenient.

A culture of customer focus starts with our employees, and to help capture and nurture our commitment to service, employees now have a refreshed internal communications platform: Clark360. This integrated intranet provides employee updates and news, access to benefit and work resources, and insight into utility initiatives and activities. It also serves as a hub of company culture, used to celebrate milestones and communicate shared vision and values.

Continues on page 6

From CEO Continues...
from page 5

Powering the Future

Engaging and inspiring young people to explore opportunities in the energy industry is an important activity and this year we have further extended our efforts to connect with local students at every grade level. From community events that capture interest with simple electrical safety activities, to in-depth curriculum development related to renewable energy technologies and career opportunities, the utility is investing in student education year-round.

In its inaugural year, the Solar Car Challenge, a student design and engineering competition, revved up with nearly one hundred teams of elementary, middle and high school students racing miniature solar cars in a rousing display of innovation, skill and creativity. In partnership with the Bonneville Environmental Foundation's Clean Energy program, and funded by voluntary Green Lights contributions, the Solar Car Challenge provided local teachers with hands-on training, tailored classroom activities and instruction, and solar car kits for all participating teams.

The process culminated in a race-day competition that brought together hundreds of students of all ages and celebrated the talent and diversity of students from schools across the utility's service area. Employee volunteers from all utility departments donated time to produce and host the event, and serve as race officials, interview judges and scorekeepers. Several utility electricians and engineers assisted students at qualifying and repair tables throughout the competition and all are looking forward to making this an annual utility event.

In addition to the Solar Car Challenge, ongoing educational initiatives include the popular student tour program, which hosts 5,000 fourth-grade students for a behind-the-scenes look at our Operations Center throughout the school year, and dozens of classroom visits and career fairs to ensure middle and high school students are aware of the breadth of career opportunities in the utility industry.

Making Connections

Ultimately, a public power system is an organization powered by friends, families, neighbors and partner businesses. Together we work to provide our customer-owners with vital services at cost and with the highest reliability. So it makes sense to use energy and resources to make Clark County an even better place to work and play.

Continues on page 7

From CEO Continues...
from page 6

Annual utility events draw tens of thousands of customers and are made possible by generous partnerships with local companies, community groups and environmental organizations. Every year Clark Public Utilities employees donate hundreds of hours to produce events like the Race for Warmth, a fundraising run and walk to benefit our Operation Warm Heart program that helps those in financial crisis pay heating bills; the StreamTeam Earth Day Fest with the largest tree-planting in the county and a free family festival with activities and entertainment; and the Home & Garden Idea Fair, a local tradition held the final weekend every April.

Each of these events, and the dozens of other community parades, markets and festivals where employees participate on behalf of the utility, provides an opportunity to connect with customers in meaningful ways. From electrical safety awareness to the benefits of LED lightbulbs, every interaction helps the customers who own our utility understand the many ways we're here to help.

Our customers appreciate the service we provide. Clark Public Utilities was ranked highest in customer satisfaction among midsize electric utilities in the West by J.D. Power for the 11th year in a row. This prestigious recognition is yet another indication that our ongoing commitment to doing what's right for customers is valued in the communities we serve.

Wayne W. Nelson
CEO/General Manager

Clark Public Utilities

Commissioners

Nancy E. Barnes
First elected 1992, term ends 2022

Jim Malinowski
First elected 2012, term ends 2024

Jane Van Dyke
Elected 2014, term ends 2020

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 statements of net position as of December 31, 2018, 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, 2017, 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 individual and combined 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 individual and combined financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the individual and combined 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 individual and combined 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 individual and combined financial statements.

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

Opinion
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, 2018, and the results of its individual and combined operations and cash flows for the year then ended and the combined statement of net position as of December 31, 2017, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

continues on page 9

Other Matter

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, the schedule of District contributions and the schedule of changes in total OPEB liability and related ratios 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the individual and combined financial statements taken as a whole. The bonds maturity schedule and selected financial data and statistics are not a required part of the financial statements, but are supplemental and other information presented for the purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Moss Adams LLP

Portland, Oregon
May 8, 2019

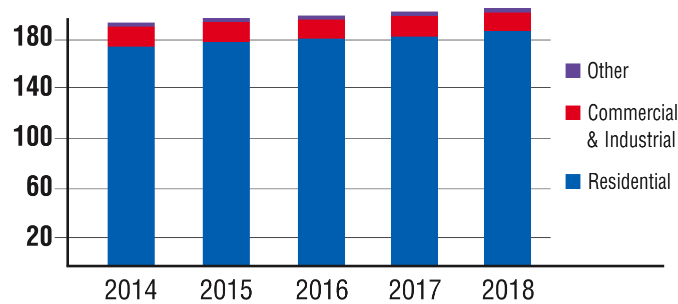
Management Discussion and Analysis

This discussion and analysis is designed to provide an overview of Clark Public Utilities' financial activities for the year ended December 31, 2018, with comparable information for 2017 and 2016. This supplementary information should be read in conjunction with the District's financial statements.

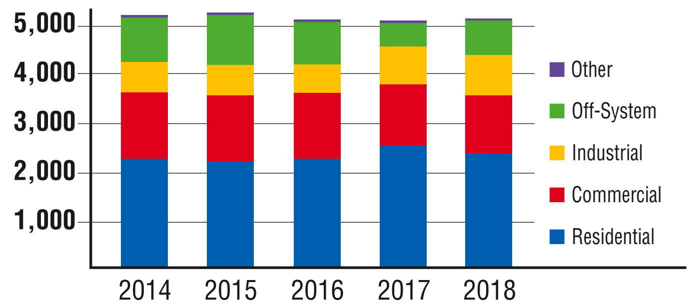
Clark Public Utilities is a municipal corporation incorporated in 1938 to serve the citizens of Clark County, Washington. The District is governed by an elected independent three-member board of commissioners. The District manages and operates three separate utility systems: Electric, Generating, and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

Economic conditions in Clark County were favorable in 2018 and 2017, 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 Customers
(by customer class in thousands)



Electric System Sales
(by customer class in millions of kilowatt-hours)



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 2018, the Electric System realized a net income before contributions of $14.9 million. Factors influencing these results in 2018 include:

- Sales decreased from $373.6 million in 2017 to $361.6 million in 2018 or 3.2%.
- Other operating revenues increased from $9.1 million in 2017 to $9.4 million in 2018 or 2.7%.
- Power supply expenses decreased from $242.2 million in 2017 to $239.4 million in 2018 or 1.2%.
- The River Road Generating Plant was shut down for economic displacement and annual maintenance for 3,891 hours in 2018, compared to 3,630 hours in 2017.
- The Board of Commissioners distributed $10 million from regulatory revenues to Electric System customers. At year-end, the Board of Comissioners increased regulatory revenues $18 million to be used in future rate periods.

System Rates
The Electric System rates remained unchanged for 2018.

Electric System (continued)

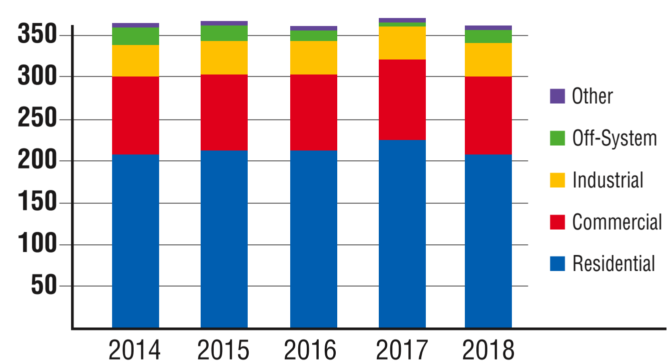
Power Supply

For 2018, 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)	2018	2017	2016
Operating revenues	$ 370,902	$ 382,722	$ 374,647
Operating expenses	343,936	344,539	339,617
Operating income	26,966	38,183	35,030
Net income before contributions	14,912	25,484	19,329
Contributions in aid of construction	6,947	5,105	2,579
Total assets	$ 766,261	$ 702,784	$ 688,745
Total deferred outflows of resources	6,991	8,058	12,184
Total assets and deferred outflows of resources	$ 773,252	$ 710,842	$ 700,929
Total liabilities	$ 356,700	$ 325,987	$ 353,168
Deferred inflows of resources	79,419	67,970	61,465
Net investment in capital assets	$ 203,856	$ 173,889	$ 179,516
Restricted	19,153	18,744	18,744
Unrestricted	114,124	124,252	88,036
Total net position	$ 337,133	$ 316,885	$ 286,296
Total liabilities, deferred inflows and net position	$ 773,252	$ 710,842	$ 700,929
Change in net position	$ 21,859	$ 30,589	$ 21,908

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, 2018, 2017 and 2016 consisted of the following:

(in thousands)	2018	2017	2016
Intangible plant	$ 40,955	$ 37,673	$ 34,774
Transmission and distribution	784,255	751,783	715,887
General plant	81,839	78,209	72,793
Total utility plant in service	907,049	867,665	823,454
Construction work in progress	13,011	9,370	8,277
Total gross utility plant	$ 920,060	$ 877,035	$ 831,731

In 2018, the Electric System investment in gross utility plant increased by $30.0 million. As of year-end, the Electric System had $920.1 million invested in gross utility plant. Utility plant net of depreciation was $421.1 million, which represents an increase of $15.7 million over 2017. 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, 2018, 2017 and 2016 consisted of the following:

(in thousands)	2018	2017	2016
Total current liabilities	$ 80,559	$ 77,840	$ 75,747
Total non-current liabilities	242,478	223,462	243,655
Total other liabilities	33,663	24,685	33,766
Total liabilities	$ 356,700	$ 325,987	$ 353,168

At year-end, the Electric System had $228.6 million in revenue bonds outstanding, versus $208.7 million last year.

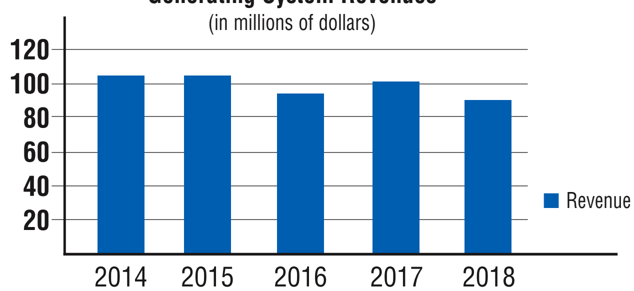
Generating System

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 $14.6 million and $15.1 million in 2018 and 2017, respectively.

Fuel Supply
The District's 2018 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.

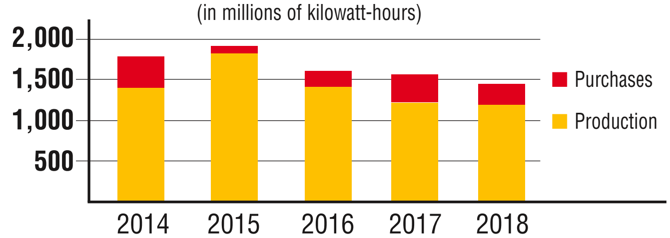
Generating System Revenues
(in millions of dollars)



Operating Statistics
(in thousands, except hours and percentages)

	2018	2017	2016
Energy production (megawatt-hours)	1,193	1,260	1,441
Power purchased for displacement (mwh)	293	326	167
Total energy output (megawatt-hours)	1,486	1,586	1,608
Percent of Electric System energy purchases	27%	29%	30%
Fuel expense (less re-marketed fuel)	$ 32,654	$ 48,929	$ 56,092
Production hours	4,869	5,130	5,906
Displacement hours	3,079	2,379	815
Unavailable hours	812	1,251	2,063
Total hours	8,760	8,760	8,784

Generating System Output
(in millions of kilowatt-hours)



Selected Financial Data

(in thousands)	2018	2017	2016
Operating revenues	$ 89,853	$ 100,695	$ 94,893
Operating expenses	75,283	85,563	80,443
Operating income	14,570	15,132	14,450
Net income before contributions	6,925	6,899	7,398
Contributions in aid of construction	-	-	-
Total assets	$ 186,473	$ 178,755	$ 183,782
Total deferred outflows of resources	19,275	23,387	27,363
Total assets and deferred outflows of resources	$ 205,748	$ 202,142	$ 211,145
Total liabilities	$ 164,660	$ 167,979	$ 183,881
Net investment in capital assets	$ 6,197	$ (628)	$ (6,326)
Restricted	12,021	12,398	12,398
Unrestricted	22,870	22,393	21,192
Total net position	$ 41,088	$ 34,163	$ 27,264
Total liabilities and net position	$ 205,748	$ 202,142	$ 211,145
Change in net position	$ 6,925	$ 6,899	$ 7,398

Capital Asset and Long-term Debt Activity
In 2018, the Generating System investment in gross utility plant increased by $3.3 million in capital construction. As of year-end, the Generating System had $299.5 million invested in gross utility plant. Utility plant net of depreciation was $131.7 million, which represented an increase of $6.8 million from 2017. Funds for capital construction are provided for through long-term revenue bonds.

Total gross utility plant in service as of December 31, 2018, 2017 and 2016 consisted of the following:

(in thousands)	2018	2017	2016
Production plant	$ 264,748	$ 261,625	$ 236,862
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	7,330	7,052	6,707
Allowance for funds used	8,316	8,316	8,316
Total utility plant in service	299,542	296,141	271,033
Construction work in progress	7	103	15,201
Total gross utility plant	$ 299,549	$ 296,244	$ 286,234

Total liabilities as of December 31, 2018, 2017 and 2016 consisted of the following:

(in thousands)	2018	2017	2016
Total current liabilities	$ 23,508	$ 22,897	$ 20,912
Total non-current liabilities	141,152	145,082	162,969
Total liabilities	$ 164,660	$ 167,979	$ 183,881

At year-end, the Generating System had $146.8 million in revenue bonds outstanding versus $146.1 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 36 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 2018, the Water System's operating revenues increased by $2.3 million or 12.2%. The Water System realized a net income before contributions of $4.5 million for 2018.

System Rates

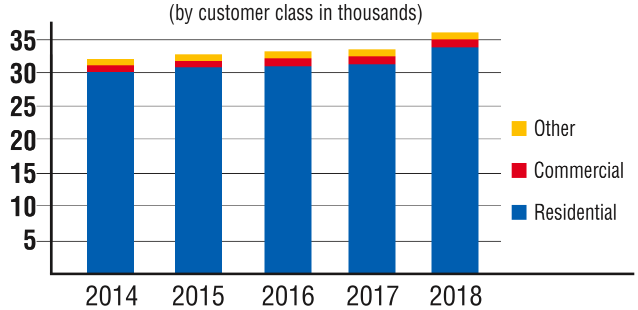
Water System rates remained unchanged for 2018.

Selected Financial Data

(in thousands)	2018	2017	2016
Operating revenues	$ 20,966	$ 18,685	$ 17,389
Operating expenses	15,001	14,268	13,324
Operating income	5,965	4,417	4,065
Net income (loss) before contributions	4,481	2,042	2,101
Contributions in aid of construction	4,874	6,130	4,082
Total assets	$ 188,675	$ 184,007	$ 155,712
Total deferred outflows of resources	643	735	396
Total assets and deferred outflows of resources	$ 189,318	$ 184,742	$ 156,108
Total liabilities	$ 85,939	$ 91,029	$ 72,962
Deferred inflows of resources	2,758	2,447	52
Net investment in capital assets	$ 79,192	$ 72,582	$ 66,997
Restricted	5,135	5,135	4,669
Unrestricted	16,294	13,549	11,428
Total net position	$ 100,621	$ 91,266	$ 83,094
Total liabilities and net position	$ 189,318	$ 184,742	$ 156,108
Change in net position	$ 9,355	$ 8,172	$ 6,183

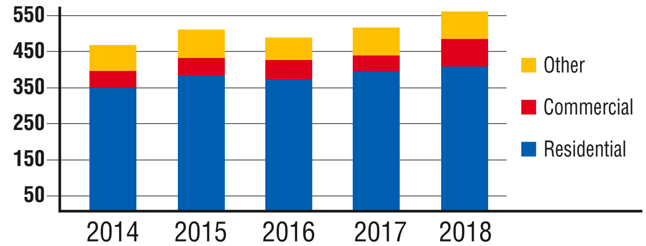
Water System Customers

(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, 2018, 2017 and 2016 consisted of the following:

(in thousands)	2018	2017	2016
Intangible plant	$ 193	$ 155	$ 155
Source of supply	16,248	16,270	16,270
Pumping plant	14,199	12,051	12,005
Water treatment	2,119	2,119	2,119
Transmission and distribution	188,732	177,823	166,357
General plant	3,895	3,258	3,203
Total utility plant in service	225,386	211,676	200,109
Construction work in progress	13,030	13,410	11,001
Total gross utility plant	$ 238,416	$ 225,086	$ 211,110

In 2018, the Water System investment in gross utility plant increased by $13.3 million. As of year-end, the Water System had $238.4 million invested in gross utility plant. Utility plant net of depreciation was $150.2 million, which represented an increase of $8.0 million over 2017. 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.

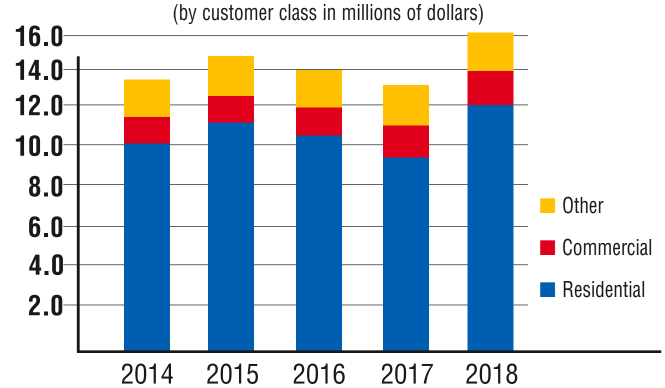
Total liabilities as of December 31, 2018, 2017 and 2016 consisted of the following:

(in thousands)	2018	2017	2016
Total current liabilities	$ 9,336	$ 10,363	$ 7,903
Total non-current liabilities	73,185	78,209	63,282
Total regulatory and other liabilities	3,418	2,457	1,777
Total liabilities	$ 85,939	$ 91,029	$ 72,962

At year-end, the Water System had $54.2 million in revenue bonds outstanding, versus $57.7 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, 2018 and 2017 (in thousands)

	Electric System	Generating System	Water System	Total 2018	Total 2017
Operating revenues					
Sales	$ 361,551	$ 65,304	$ 16,147	$ 443,002	$ 468,667
Other operating revenues	9,351	24,549	4,819	38,719	33,435
Total operating revenues	370,902	89,853	20,966	481,721	502,102
Operating expenses					
Power supply	239,370	-	-	239,370	242,260
Operation and maintenance expense	53,092	63,223	8,068	124,383	132,766
Depreciation and amortization expense	30,002	10,145	6,056	46,203	44,094
Taxes	21,472	1,915	877	24,264	25,250
Total operating expenses	343,936	75,283	15,001	434,220	444,370
Operating income	26,966	14,570	5,965	47,501	57,732
Non-operating revenues (expenses)					
Interest and investment revenue	2,775	565	624	3,964	2,390
Miscellaneous revenue	6,633	-	127	6,760	9,061
Amortization of debt	2,249	(1,749)	533	1,033	960
Interest expense	(9,712)	(6,461)	(2,768)	(18,941)	(19,956)
Miscellaneous expenses	(13,999)	-	-	(13,999)	(15,762)
Total non-operating revenues (expenses)	(12,054)	(7,645)	(1,484)	(21,183)	(23,307)
Net income (loss) before contributions	14,912	6,925	4,481	26,318	34,425
Contributions in aid of construction	6,947	-	4,874	11,821	11,235
Net increase (decrease) in net position	21,859	6,925	9,355	38,139	45,660
Total net position - beginning	316,885	34,163	91,266	442,314	396,654
Adjustment to net position - beginning	(1,611)	-	-	(1,611)	-
Total net position - ending	$ 337,133	$ 41,088	$ 100,621	$ 478,842	$ 442,314

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, 2018 and 2017 (in thousands)

	Electric System	Generating System	Water System	Total 2018	Total 2017
Assets					
Current assets:					
Cash and cash equivalents	$ 239,894	$ 50,213	$ 34,065	$ 324,172	$ 270,715
Accounts receivable (net)	26,473	1,039	-	27,512	32,298
Accrued unbilled revenues	32,523	-	125	32,648	32,646
Materials and supplies	4,340	-	-	4,340	3,819
Prepayments and other assets	1,567	-	-	1,567	3,368
Total current assets	304,797	51,252	34,190	390,239	342,846
Utility plant:					
Plant in service	907,049	299,542	225,386	1,431,977	1,375,482
Construction work in progress	13,011	7	13,030	26,048	22,883
Total gross utility plant	920,060	299,549	238,416	1,458,025	1,398,365
Accumulated depreciation and amortization	(498,962)	(167,853)	(88,182)	(754,997)	(712,249)
Net utility plant	421,098	131,696	150,234	703,028	686,116
Regulatory and other assets	40,366	3,525	4,251	48,142	36,584
Total assets	766,261	186,473	188,675	1,141,409	1,065,546
Deferred outflows of resources	6,991	19,275	643	26,909	32,180
Total assets and deferred outflows	$ 773,252	$ 205,748	$ 189,318	$ 1,168,318	$ 1,097,726

	Electric System	Generating System	Water System	Total 2018	Total 2017
Liabilities					
Current liabilities:					
Accounts payable	$ 35,313	$ 626	$ 1,969	$ 37,908	$ 36,886
Accrued taxes and interest	15,495	3,677	1,412	20,584	21,659
Other accrued liabilities	13,226	-	-	13,226	12,714
Current maturities long-term debt	16,525	19,205	5,955	41,685	39,841
Total current liabilities	80,559	23,508	9,336	113,403	111,100
Long-term debt:					
Revenue bonds	212,110	127,595	50,470	390,175	374,840
Unamortized premium and discount	30,368	13,557	6,088	50,013	51,519
Other long-term debt	-	-	16,627	16,627	20,394
Total long-tem debt	242,478	141,152	73,185	456,815	446,753
Other liabilities	33,663	-	3,418	37,081	27,142
Total liabilities	356,700	164,660	85,939	607,299	584,995
Deferred inflows of resources	79,419	-	2,758	82,177	70,417
Net position					
Net investment in capital assets	203,856	6,197	79,192	289,245	245,843
Restricted for:					
Debt reserve	19,153	12,021	5,135	36,309	36,277
Unrestricted	114,124	22,870	16,294	153,288	160,194
Total net position	337,133	41,088	100,621	478,842	442,314
Total liabilities, deferred inflows and net position	$ 773,252	$ 205,748	$ 189,318	$ 1,168,318	$ 1,097,726

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, 2018 and 2017 (in thousands)

	Electric System	Generating System	Water System	Total 2018	Total 2017
Cash flows from operating activities:					
Receipts from customers	$ 384,129	$ 89,853	$ 20,909	$ 494,891	$ 501,558
Payments to employees for services	(24,564)	-	-	(24,564)	(23,415)
Payments to suppliers for goods and services	(287,751)	(64,791)	(10,075)	(362,617)	(374,367)
Net cash from operating activities	71,814	25,062	10,834	107,710	103,776
Cash flows from investing activities:					
Utility plant additions, net of cost of removal, salvage and allowance for funds used during construction	(38,759)	(3,307)	(9,227)	(51,293)	(58,798)
Interest received and other income (expense)	(3,887)	565	790	(2,532)	(3,599)
Net cash used by investing activities	(42,646)	(2,742)	(8,437)	(53,825)	(62,397)
Cash flows from capital financing activities:					
Borrowings from revenue bonds	35,620	19,140	-	54,760	35,805
Principal payments of revenue bonds	(15,720)	(18,400)	(3,570)	(37,690)	(56,915)
Other long-term debt	-	(3,250)	(408)	(3,658)	2,681
Acquisition of debt	3,795	1,690	-	5,485	4,063
Interest paid	(9,774)	(6,708)	(2,843)	(19,325)	(18,558)
Net cash from capital financing activities	13,921	(7,528)	(6,821)	(428)	(32,924)
Net increase (decrease) in cash and cash equivalents	43,089	14,792	(4,424)	53,457	8,455
Cash and cash equivalents at beginning of year	196,805	35,421	38,489	270,715	262,260
Cash and cash equivalents at end of year	$ 239,894	$ 50,213	$ 34,065	$ 324,172	$ 270,715
Reconciliation of operating income to net cash from operating activities:					
Operating income	$ 26,966	$ 14,570	$ 5,965	$ 47,501	$ 57,732
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation and amortization	30,002	10,145	6,056	46,203	44,094
Change in assets and liabilities:					
Accounts receivable (net)	4,960	(92)	33	4,901	(3,600)
Other assets	(9,876)	387	(1,268)	(10,757)	(2,694)
Accounts payable and other accrued liabilities	327	52	(1,131)	(752)	3,041
Regulatory and other liabilities	19,435	-	1,179	20,614	5,203
Net cash from operating activities	$ 71,814	$ 25,062	$ 10,834	$ 107,710	$ 103,776

Supplemental disclosure of cash flow information

Non-cash capital and related financing and investing activities:

Contributions in aid of construction of $11,821 and $11,235 in 2018 and 2017, 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 $2.6 million and $2.8 million as of December 31, 2018 and 2017, 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 $13.1 million and $12.6 million as of December 31, 2018 and 2017, 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, net pension liability and other post-employment benefit liability. 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.

k) Change in Accounting Principle: The District adopted GASB Statement 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Affected items were previously reported under the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended. The District implemented regulatory accounting to recognize the OPEB expenses (See Notes 5, 6 and 8.) Implementation of the change in accounting principle resulted in an adjustment to the 2018 beginning net position of $1.6 million.

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 2018, 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 Residential Exchange Program credits from BPA in the amount of $5.8 million in 2018 and $3.9 million in 2017. 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 3,891 hours in 2018 and 3,630 hours in 2017 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 2018, 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. TEA also has provided scheduling services for Combine Hills II since April 1, 2016.

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 2018, both parties exercised their option for renewal through September 2019.

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)	2018	2017
Bonneville Power Administration	$ 101,720	$ 97,718
From Generating System	65,304	82,088
Packwood	489	475
Market purchases	34,002	27,506
Wind	14,516	10,928
Transmission	23,977	24,467
Power credits	(4,076)	(4,039)
Other production expense	3,438	3,117
Total power supply costs	$ 239,370	$ 242,260
Average power cost in mills/kwh	43.69	44.41

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, 2018 and 2017 consisted of the following:

Electric System

(in thousands)	Balance Dec. 31, 2017	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2018
Intangible plant	$ 37,673	$ 3,282	$ -	$ 40,955
Trans and distribution	751,783	35,101	2,629	784,255
General plant	78,209	4,652	1,022	81,839
Total plant in service	$ 867,665	$ 43,035	$ 3,651	$ 907,049

Generating System

(in thousands)	Balance Dec. 31, 2017	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2018
Source of supply	$ 20	$ -	$ -	$ 20
Pumping plant	170	-	-	170
Water treatment	697	-	-	697
Production plant	261,625	3,123	-	264,748
Trans and distribution	18,261	-	-	18,261
General plant	7,052	278	-	7,330
Allowance for funds used	8,316	-	-	8,316
Total plant in service	$ 296,141	$ 3,401	$ -	$ 299,542

Water System

(in thousands)	Balance Dec. 31, 2017	Additions/ Reclassifications	Retirements/ Reclassifications	Balance Dec. 31, 2018
Intangible plant	$ 155	$ 38	$ -	$ 193
Source of supply	16,270	-	22	16,248
Pumping plant	12,051	2,148	-	14,199
Water treatment	2,119	-	-	2,119
Trans and distribution	177,823	11,709	800	188,732
General plant	3,258	654	17	3,895
Total plant in service	$ 211,676	$ 14,549	$ 839	$ 225,386

Note 5:
Other Assets and Liabilities

Other Assets

Other assets as of December 31, 2018 and 2017 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2018	2017
Non-current conservation loans (Note 11)	$ 3,361	$ -	$ -	$ 3,361	$ 3,049
Other	78	-	-	78	180
Total	$ 3,439	$ -	$ -	$ 3,439	$ 3,229

Other Liabilities

Other liabilities as of December 31, 2018 and 2017 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2018	2017
Net pension liability	$ 16,658	$ -	$ 1,702	$ 18,360	$ 25,808
OPEB liability	15,526	-	1,592	17,118	-
Operation Warm Heart	763	-	-	763	783
Other	716	-	124	840	551
Total	$ 33,663	$ -	$ 3,418	$ 37,081	$ 27,142

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.)

OPEB liability represents an actuarial measurement of the future cost of healthcare benefits to be received by retirees, attributable to those employees' past periods of services defined under GASB 75. (See Note 1 and 8: OPEB.)

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

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, 2018 and 2017 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2018	2017
Reg power exp	$ -	$ 2,712	$ -	$ 2,712	$ 3,099
Reg OPEB exp	14,228	-	1,459	15,687	-
Reg pension exp	20,772	-	2,122	22,894	26,857
Reg unamort debt exp	1,927	813	670	3,410	3,399
Total	$ 36,927	$ 3,525	$ 4,251	$ 44,703	$ 33,355

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

Regulatory OPEB expense represents a portion of the change in net OPEB items, as defined under GASB 75. Regulatory accounting is used to recognize OPEB expense. (See Notes 1 and 8: OPEB.)

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, 2018 and 2017 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2018	2017
Unamortized loss on reaq debt	$ 2,756	$ 19,275	$ 210	$ 22,241	$ 28,212
OPEB costs	1,298	-	133	1,431	-
Pension costs	2,937	-	300	3,237	3,968
Total	$ 6,991	$ 19,275	$ 643	$ 26,909	$ 32,180

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.

OPEB costs represent a portion of the change in net OPEB items, as defined under GASB 75. Regulatory accounting is used to recognize OPEB expense. (See Note 1 and 8: OPEB.)

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, 2018 and 2017 consisted of the following:

(in thousands)	Electric System	Generating System	Water System	December 31 2018	2017
Reg revenue	$ 72,368	$ -	$ 2,038	$ 74,406	$ 65,400
Pension costs	7,051	-	720	7,771	5,017
Total	$ 79,419	$ -	$ 2,758	$ 82,177	$ 70,417

The board of commissioners distributed $10 million from regulatory revenue to Electric System customers in 2017 and 2018. At year-end, the Board of Commissioners increased regulatory revenue $18 million in the Electric 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, 2018, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2017	Additions	Reductions	Balance Dec 31, 2018	Amounts due within one year
2009 Revenue and Refunding Bonds Due in an annual installments of $1,880 on January 1, 2019; interest at 4.00%.	$ 3,670	$ -	$ 1,790	$ 1,880	$ 1,880
2011 Revenue and Refunding Bonds Due in annual installments of $3,175 - $3,450 through January 1, 2021; interest at 3.25% - 5.00%.	12,940	-	3,020	9,920	3,175
2012 Revenue and Refunding Bonds Due in annual installments of $1,660 - $6,255 through January 1, 2033; interest at 3.00% - 5.00%.	48,400	-	3,560	44,840	3,745
2014 Revenue and Refunding Bonds Due in annual installments of $1,405 - $3,650 through January 1, 2034; interest at 5.00%.	44,090	-	3,310	40,780	3,480
2016 Revenue and Refunding Bonds Due in annual installments of $2,200 - $8,300 through January 1, 2037; interest at 5.00%.	99,635	-	4,040	95,595	4,245
2018 Revenue and Refunding Bonds Due in annual installments of $1,075 - $2,720 through January 1, 2039; interest at 5.00%.	-	35,620	-	35,620	-
Total Electric System Revenue Bonds	$ 208,735	$ 35,620	$ 15,720	$ 228,635	$ 16,525

During 2018, the District issued Electric System Revenue Bonds, Series 2018 in the amount of $35.6 million. The bonds provided funds for capital construction requirements and the reserve account requirements for the 2018 issuance. They mature serially in varying amounts and are subject to early redemption privileges.

Notes to Combined Financial Statements

Generating System
During the year ended December 31, 2018, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2017	Additions	Reductions	Balance Dec 31, 2018	Amounts due within one year
2010 Revenue Bonds Due in annual installments of $7,285 - $14,050 through January 1, 2023; interest at 4.00% - 5.00%.	$ 63,720	$ -	$ 13,380	$ 50,340	$ 14,050
2012A Revenue Bonds Due in annual installments of $2,900 - $11,265 through January 1, 2025; interest at 4.00% - 5.00%.	26,545	-	2,785	23,760	2,900
2012B Revenue Bonds Due in annual installments of $1,255 - $1,470 through January 1, 2025; interest at 1.967% - 3.293%.	10,700	-	1,235	9,465	1,255
2016 Revenue Bonds Due in annual installments of $1,000 - $14,870 through January 1, 2037; interest at 5.00%.	45,095	-	1,000	44,095	1,000
2018 Revenue Bonds Due in annual installments of $2,350 - $3,150 through January 1, 2026; interest at 5.00%.	-	19,140	-	19,140	-
Total Generating System Revenue Bonds	$ 146,060	$ 19,140	$ 18,400	$ 146,800	$ 19.205

During 2018, the District issued Generating System Revenue Bonds, Series 2018 in the amount of $19.1 million. The bonds provided funds for capital construction requirements and paid $7.25 million of outstanding draws on the Generating System line of credit. They mature serially in varying amounts and are subject to early redemption privileges.

Notes to Combined Financial Statements

Water System
During the year ended December 31, 2018, the following changes occurred in revenue bonds:

(in thousands)	Balance Dec 31, 2017	Additions	Reductions	Balance Dec 31, 2018	Amounts due within one year
2008 Revenue and Refunding Bonds	$ 590	$ -	$ 590	$ -	$ -
2010 Revenue and Refunding Bonds Due in annual installments of $490 - $515 through January 1, 2020; interest at 5.00%.	1,470		465	1,005	490
2011 Revenue and Refunding Bonds Due in annual installments of $605 - $840 through January 1, 2024; interest at 3.00% - 4.00%.	5,280		715	4,565	745
2014 Revenue and Refunding Bonds Due in annual installments of $610 - $1,210 through January 1, 2034; interest at 3.50% - 5.00%.	14,590		580	14,010	610
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	-	1,220	34,585	1,850
Total Water System Revenue Bonds	$ 57,735	$ -	$ 3,570	$ 54,165	$ 3,695

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

	Electric System			Generating System			Water System		
(in thousands)	**Interest**	**Principal**	**Total**	**Interest**	**Principal**	**Total**	**Interest**	**Principal**	**Total**
2019	$ 10,383	$ 18,320	$ 28,703	$ 6,178	$ 19,950	$ 26,128	$ 2,436	$ 3,865	$ 6,301
2020	9,508	14,870	24,378	5,219	16,645	21,864	2,256	3,535	5,791
2021	8,765	15,545	24,310	4,418	17,445	21,863	2,094	3,695	5,789
2022	7,987	16,315	24,302	3,598	18,265	21,863	1,918	3,870	5,788
2023	7,172	14,915	22,087	2,713	19,155	21,868	1,732	3,785	5,517
2024-28	25,164	66,025	91,189	4,853	24,520	29,373	6,167	17,090	23,257
2029-33	11,640	43,235	54,875	2,218	7,205	9,423	2,538	11,055	13,593
2034-38	2,861	22,885	25,746	408	4,410	4,818	363	3,575	3,938

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, 2018, the debt service reserve accounts are fully cash funded.

Debt service reserve accounts as of December 31, 2018 and 2017 were as follows:

(in thousands)	Electric System	Generating System	Water System	December 31 2018	2017
Cash deposits	$ 19,153	$ 12,021	$ 5,135	$ 36,309	$ 36,277

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, 2018
Electric	Interim capital requirements and operating expenses	$ 20 million	$ -
Generating	Interim capital requirements	$ 20 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, 2018				$ 18,887
2019	$ 138	$ 2,260	$ 2,398	16,627
2020	118	2,185	2,303	14,442
2021	102	1,969	2,071	12,473
2022	90	1,728	1,818	10,745
2023	79	1,728	1,807	9,017
2024-28	251	5,683	5,934	3,334
2029-33	92	3,126	3,218	208
2034	3	208	211	-

Note 8:
Pension Plans, Postemployment 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.

Notes to Combined Financial Statements

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, 2018, are as follows:

	PERS 1	PERS 2	PERS 3
Employer	12.83%	12.83%	12.83%
Employee	6.00%	7.41%	5-15%

Actuarial Assumptions - Pension: The total pension liability (TPL) for each of the plans was estimated using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. 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 2017 Economic Experience Study.

Additional assumptions for the subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017 to June 30, 2018, 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, 2018 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 disabilitants 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 7.40% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class - Pension: 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, 2018. 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 arithmatic real rate of return
Fixed income	20%	1.70%
Tangible assets	7%	4.90%
Real estate	18%	5.80%
Global equity	32%	6.30%
Private equity	23%	9.30%

Discount Rate: The discount rate used to measure the total DRS pension liability was 7.40%. 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 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40% 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 7.40% 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 6.4%	Discount rate 7.4%	1% increase in discount rate 8.4%
Proportionate share of the PERS Plan 1 net pension liability (asset)	$ 15,295	$ 12,446	$ 9,978
Proportionate share of the PERS Plan 2/3 net pension liability (asset)	$ 27,049	$ 5,914	$ (11,415)

Notes to Combined Financial Statements

Pension Plan Fiduciary Net Position: Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately issued DRS 2018 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 2018 and 2017.

Washington State Retirement System Pension Costs: As of June 30, 2018, 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, 2018	Jun 30, 2017
Total pension liability	$ 12,143,412	$ 40,392,728	$ 52,536,140	$ 50,717,323
Plan fiduciary net position	7,677,378	38,685,317	46,362,695	42,497,723
Net pension liability	$ 4,466,034	$ 1,707,411	$ 6,173,445	$ 8,219,600

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, 2018	Jun 30, 2017
PERS 1	0.278681%	0.283048%
PERS 2/3	0.346350%	0.356236%

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, 2018, 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, 2018	Dec 31, 2017
Total net pension liability	$ 12,446	$ 5,914	$ 18,360	$ 25,808

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2017 through June 30, 2018, 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, 2018, 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 Assets.)

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

(in thousands)	2018	2017	2016
District contributions	$ 4,725	$ 4,299	$ 3,892

At December 31, 2018, 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, 2018
Differences between expected and actual economic experience	$ -	$ 725	$ 725
Differences between projected and actual investment earnings	-	-	-
Changes in actuarial assumptions	-	69	69
Changes in proportion	-	97	97
Contributions paid to PERS subsequent to the measurement date	965	1,381	2,346
Total	$ 965	$ 2,272	$ 3,237

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

(in thousands)	PERS 1	PERS 2/3
2019	$ 965	$ 1,796
2020	-	118
2021	-	108
2022	-	108
2023	-	109
Thereafter	-	33
Total	$ 965	$ 2,272

At December 31, 2018, 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, 2018
Differences between expected and actual economic experience	$ -	$ (1,035)	$ (1,035)
Differences between projected and actual investment earnings	(495)	(3,628)	(4,123)
Changes in assumptios	-	(1,683)	(1,683)
Changes in proportion	-	(930)	(930)
Total	$ (495)	$ (7,276)	$ (7,771)

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	
2019	$ 21	$ (1,185)	$ (1,164)
2020	(108)	(1,481)	(1,589)
2021	(324)	(2,451)	(2,775)
2022	(84)	(1,052)	(1,136)
2023	-	(534)	(534)
Thereafter	-	(573)	(573)
Total	$ (495)	$ (7,276)	$ (7,771)

Postemployment Benefits Other Than Pensions (OPEB)
By resolution, the District provides 100% employer-paid postretirement medical, vision and prescription benefits for qualified retired employees and their eligible dependents until age 65, known as the retiree medical plan (plan). Employees hired after August 13, 2013 must be at least 55 years old and have 20 years of service. As of December 31, 2018 there were 42 retirees participating in the plan and 385 active employees.

The plan is funded by the District on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. The plan is accounted for under the requirements of GASB statement no. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

For the year ended December 31, 2018, the District has elected to use regulatory accounting to recognize the changes in the OPEB liability and record the actual plan expenses each year. The changes in the OPEB liability are recognized as an addition to the regulatory OPEB expense. The District's actual annual OPEB expense was $997,308 at year-end. (See Note 6: Regulatory Assets.)

Actuarial Assumptions and other inputs - OPEB: The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of pay for each year of employment between entry age (defined as age at hire) and assumed exit (until maximum retirement age). The portion of this actuarial present value allocated to a valuation year is called the normal cost.

The economic assumption for inflation is 2.3 percent. Projected payroll increases are assumed at a rate of 3.05% per year. The health cost trend rate is 6.3% trending down to 5.7% in 2037. Starting in 2022, the health cost trend rate also includes an estimate for the Affordable Care Act excise tax.

Demographic assumptions regarding retirement, turnover, and mortality are based upon the Washington State Public Employees' Retirement System (PERS) Plan 2 as shown in the 2007-2012 Experience Study by the Washington State Public Retirement Systems. Mortality rates were based on the RP-2000 Healthy Mortality, sex distinct projected with 100% of Scale BB offset one year (-1).

A discount rate of 3.44% was used to compute the total OPEB liability based on the 20-year tax exempt municipal bond yields as of December 31, 2017.

OPEB Liability Sensitivity: The following table reflects the impact of discount rate assumptions on the District's total OPEB liability.

(in thousands)	1% decrease	Current rate	1% increase
Healthcare cost trend rate	$ 14,826	$ 17,118	$ 19,907
Discount rate	$ 18,616	$ 17,118	$ 15,710

Changes in Total OPEB Liability: The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, calculated based on the discount rate above, and then projected to the measurement date of December 31, 2017. There have been no significant changes between the valuation date and December 31, 2018. (See Note 5: Other Liabilities.)

The changes in the total OPEB liability for the measurement period ending December 31, 2017 are as follows:

(in thousands)	Increase (decrease) total OPEB liability
Balance as of Dec. 31, 2016	$ 16,506
Changes for the year:	
Service cost	870
Interest on total OPEB liability	631
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	490
Expected benefit payments	(1,379)
Balance as of December 31, 2017	$ 17,118

Deferred Outflows of Resources: At December 31, 2018, the District reported deferred outflows of resources (See Note 6: Deferred Outflows of Resources) from the following sources:

(in thousands)	Dec 31, 2018
Differences between expected and actual experience	$ -
Changes of assumptions	434
Contributions subsequent to the measurement date	997
Total	$ 1,431

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

For measurement period ending December 31 (in thousands)	
2018	$ 1,053
2019	56
2020	56
2021	55
2022	55
Thereafter	156
Total	$ 1,431

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.

Notes to Combined Financial Statements

Note 9:
Refunded Bond Issues

As of December 31, 2018, 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	$ 6,769

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.

Note 10:
Cash, Cash Equivalents and Sinking Funds

As of December 31, 2018, the District had the following cash, cash equivalents and investments at amortized cost:

Fair Value (in thousands)	2018	2017
State investment pool (LGIP)	$ 270,060	$ 217,143
Cash	54,112	53,572
Total cash, cash equivalents and sinking funds	$ 324,172	$ 270,715

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, 2018, 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, 2018 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 $2.3 million during 2018 and $1.7 million in 2017.

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)

	2018	2017	2016	2015	2014
PERS 1					
Proportion of the net pension liability	0.278681%	0.283048%	0.295011%	0.307228%	0.292867%
Proportionate share of the net pension liability	$ 12,446	$ 13,431	$ 15,843	$ 16,071	$ 14,753
Covered payroll PERS 1	$ 490	$ 333	$ 382	$ 472	$ 694
Covered payroll PERS 2/3	35,871	34,926	34,306	34,149	30,800
Total covered payroll	$ 36,361	$ 35,259	$ 34,688	$ 34,621	$ 31,494
Proportionate share of the net pension liability as a percentage of its covered payroll	34.2%	38.1%	45.7%	46.4%	46.8%
Plan fiduciary net position as a percentage of the total pension liability	63.2%	61.2%	57.0%	59.1%	61.2%
PERS 2/3					
Proportion of the net pension liability	0.346350%	0.356236%	0.368815%	0.384777%	0.359035%
Proportionate share of the net pension liability	$ 5,914	$ 12,377	$ 18,570	$ 13,748	$ 7,258
Covered payroll	$ 35,871	$ 34,926	$ 34,306	$ 34,149	$ 30,800
Proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	16.5%	35.4%	54.1%	40.3%	23.6%
Plan fiduciary net position as a percentage of the total pension liability	95.8%	91.0%	85.8%	89.2%	93.3%

Schedule of Contributions

As of December 31
(in thousands, except percentages)

	2018	2017	2016	2015	2014
PERS 1					
Contractually required contribution	$ 1,901	$ 1,791	$ 1,676	$ 1,509	$ 1,343
Covered payroll	$ 36,941	$ 35,942	$ 34,681	$ 33,963	$ 32,629
Contributions as a percentage of covered payroll	5.1%	5.0%	4.8%	4.4%	4.1%
PERS 2/3					
Contractually required contribution	$ 2,739	$ 2,419	$ 2,139	$ 1,886	$ 1,603
Covered payroll	$ 36,525	$ 35,474	$ 34,331	$ 33,569	$ 32,095
Contributions as a percentage of covered payroll	7.5%	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's 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.

Required Supplementary Information
Public Utility District No. 1 of Clark County

Schedule of Changes in Total OPEB Liability and Related Ratios
For measurement period ended December 31, 2017
(in thousands, except percentages)

Total OPEB Liability	
Service cost	$ 870
Interest on total OPEB liability	631
Changes of benefit terms	-
Effect of economic/demographic gains (losses)	-
Effect of assumption changes or inputs	490
Expected benefit payments	(1,379)
Net change in total OPEB liability	612
Total OPEB liability, beginning	16,506
Total OPEB liability, ending	17,118
Covered employee payroll	36,009
Total OPEB liability as a percentage of covered employee payroll	47.54%

Notes to RSI Schedules
1) There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.
2) There are no changes of benefit terms.
3) Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.
4) Covered employee payroll is provided from the actuarial report and determined as of the December 31, 2017 measurement date.

Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

Electric System

In thousands, except for interest rates

Maturity Date	Series 2009 Principal Jan 1	Series 2009 Interest Rate	Series 2011 Principal Jan 1	Series 2011 Interest Rate	Series 2012 Principal Jan 1	Series 2012 Interest Rate	Series 2014 Principal Jan 1	Series 2014 Interest Rate	Series 2016 Principal Jan 1	Series 2016 Interest Rate	Series 2018 Principal Jan 1	Series 2018 Interest Rate	Total	Remaining Bonds Outstanding
2019	$ 1,880	4.000	$ 2,050	3.250	$ 650	3.000	$ 3,480	5.000	$ 4,245	5.000	$ -	-	$ 12,305	$ 216,330
2019			1,125	5.000	3,095	4.000	-	-	-	-	-	-	4,220	212,110
2020			125	3.500	3,885	4.000	3,650	5.000	6,415	5.000	1,075	5.000	15,150	196,960
2020			3,170	5.000	-	-	-	-	-	-	-	-	3,170	193,790
2021			3,450	5.000	4,045	5.000	2,095	5.000	4,150	5.000	1,130	5.000	14,870	178,920
2022					6,255	5.000	2,200	5.000	5,900	5.000	1,190	5.000	15,545	163,375
2023					4,460	5.000	3,445	5.000	7,165	5.000	1,245	5.000	16,315	147,060
2024					4,675	5.000	1,405	5.000	7,525	5.000	1,310	5.000	14,915	132,145
2025					1,660	5.000	3,220	5.000	7,900	5.000	1,375	5.000	14,155	117,990
2026					1,740	5.000	3,380	5.000	8,300	5.000	1,445	5.000	14,865	103,125
2027					1,830	5.000	1,625	5.000	8,715	5.000	1,515	5.000	13,685	89,440
2028					1,920	3.250	1,705	5.000	6,175	5.000	1,590	5.000	11,390	78,050
2029					1,985	3.350	1,790	5.000	6,485	5.000	1,670	5.000	11,930	66,120
2030					2,050	3.400	1,880	5.000	3,660	5.000	1,755	5.000	9,345	56,775
2031					2,120	3.500	1,975	5.000	3,845	5.000	1,845	5.000	9,785	46,990
2032					1,845	3.500	2,070	5.000	2,220	5.000	1,935	5.000	8,070	38,920
2032					350	5.000	-	-	-	-	-	-	350	38,570
2033					2,275	4.000	2,175	5.000	2,335	5.000	2,030	5.000	8,815	29,755
2034							2,285	5.000	2,450	5.000	2,135	5.000	6,870	22,885
2035							2,400	5.000	2,575	5.000	2,240	5.000	7,215	15,670
2036									2,700	5.000	2,350	5.000	5,050	10,620
2037									2,835	5.000	2,470	5.000	5,305	5,315
2038											2,595	5.000	2,595	2,720
2039											2,720	5.000	2,720	-
Total	$ 1,880		$ 9,920		$ 44,840		$ 40,780		$ 95,595		$ 35,620		$ 228,635	

Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

Generating System

In thousands, except for interest rates

Maturity Date	Series 2010 Principal Jan. 1	Series 2010 Interest Rate	Series 2012A Principal Jan. 1	Series 2012A Interest Rate	Series 2012B Principal Jan. 1	Series 2012B Interest Rate	Series 2016 Principal Jan. 1	Series 2016 Interest Rate	Series 2018 Principal Jan. 1	Series 2018 Interest Rate	Total	Remaining Bonds Outstanding
2019	$ 125	4.000	$ 2,900	5.000	$ 1,255	1.967	$ 1,000	5.000	$ -	-	$ 5,280	141,520
2019	13,925	5.000	-	-	-	-	-	-	-	-	13,925	127,595
2020	575	4.000	3,045	5.000	1,280	2.443	1,000	5.000	2,350	5.000	8,250	119,345
2020	11,700	5.000	-	-	-	-	-	-	-	-	11,700	107,645
2021	8,670	5.000	3,195	5.000	1,310	2.673	1,000	5.000	2,470	5.000	16,645	91,000
2022	8,060	5.000	2,300	4.000	1,345	2.773	2,095	5.000	2,590	5.000	16,390	74,610
2022	-	-	1,055	5.000	-	-	-	-	-	-	1,055	73,555
2023	7,285	5.000	-	-	1,380	2.973	6,880	5.000	2,720	5.000	18,265	55,290
2024			-	-	1,425	3.143	14,870	5.000	2,860	5.000	19,155	36,135
2025			11,265	5.000	1,470	3.293	1,020	5.000	3,000	5.000	16,755	19,380
2026							1,070	5.000	3,150	5.000	4,220	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	$ 50,340		$ 23,760		$ 9,465		$ 44,095		$ 19,140		$ 146,800	

Bonds Maturity Schedules - Unaudited

Public Utility District No. 1 of Clark County

Water System

In thousands, except for interest rates

Maturity Date	Series 2010 Principal Jan. 1	Series 2010 Interest Rate	Series 2011 Principal Jan. 1	Series 2011 Interest Rate	Series 2014 Principal Jan. 1	Series 2014 Interest Rate	Series 2017 Principal Jan. 1	Series 2017 Interest Rate	Total	Remaining Bonds Outstanding
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	-
Total	$ 1,005		$ 4,565		$ 14,010		$ 34,585		$ 54,165	

Selected Financial Data and Statistics - Unaudited

Public Utility District No. 1 of Clark County

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenues	$ 370,902	$ 382,722	$ 374,647	$ 379,227	$ 375,782	$ 373,657	$ 360,729	$ 355,779	$ 354,142	$ 354,237
Operating expenses	343,936	344,539	339,617	342,301	346,815	339,662	338,230	333,692	334,324	341,595
Operating income	26,966	38,183	35,030	36,926	28,967	33,995	22,499	22,087	19,818	12,642
Non-operating revenues (expenses)	(12,054)	(12,699)	(15,701)	(14,553)	(14,006)	(15,409)	(15,856)	(12,871)	(10,205)	(13,197)
Net income (loss)	$ 14,912	$ 25,484	$ 19,329	$ 22,373	$ 14,961	$ 18,586	$ 6,643	$ 9,216	$ 9,613	$ (555)

Electric System Statistics

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Electric energy delivered megawatt hours (in thousands)										
Residential	2,365	2,525	2,289	2,270	2,316	2,387	2,317	2,389	2,257	2,423
Commercial	1,310	1,335	1,292	1,287	1,289	1,293	1,270	1,287	1,273	1,334
Industrial	765	749	720	724	749	735	741	762	789	741
Off-system sales	796	593	907	1,033	901	851	1,022	405	424	383
Miscellaneous	25	29	28	29	27	26	26	29	32	35
Total	5,261	5,231	5,236	5,343	5,282	5,292	5,376	4,872	4,775	4,916
Average revenue per kwh (in cents)										
Residential	9.27	9.17	9.25	9.24	9.21	9.16	9.18	8.86	8.50	8.28
Commercial	7.41	7.37	7.38	7.38	7.38	7.37	7.41	7.30	7.12	6.99
Industrial	5.56	5.57	5.57	5.58	5.58	5.58	5.57	5.51	5.37	5.34
Miscellaneous	14.10	12.15	13.68	13.51	13.59	13.62	13.52	12.20	11.19	10.58
Average - all classes	8.12	8.09	8.07	8.10	7.90	7.79	7.73	7.41	7.55	7.44
Average number of customers										
Residential	188,131	183,880	180,241	176,605	174,379	171,449	169,569	168,449	167,634	166,823
Commercial	16,527	16,130	15,703	15,449	15,248	15,021	14,776	14,594	14,441	14,292
Industrial	29	29	29	29	29	28	25	26	26	25
Miscellaneous	1,524	1,484	1,448	1,465	1,471	1,441	1,433	1,419	1,413	1,407
Total - all classes	206,211	201,523	197,421	193,548	191,127	187,939	185,803	184,488	183,514	182,547
Average annual kwh used per customer										
Residential	12,570	13,734	12,698	12,853	13,278	13,923	13,667	14,182	13,463	14,521
Commercial	79,272	82,764	82,263	83,333	84,532	86,087	85,936	88,168	88,136	93,370
Industrial	26,365,602	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
Miscellaneous	16,687	19,379	19,027	19,570	18,597	18,051	18,531	20,588	22,748	24,673

Selected Financial Data and Statistics - Unaudited

Public Utility District No. 1 of Clark County

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenues	$ 20,966	$ 18,685	$ 17,389	$ 17,471	$ 15,697	$ 14,920	$ 14,144	$ 12,471	$ 12,227	$ 13,047
Operating expenses	15,001	14,268	13,324	12,690	11,796	11,008	10,586	10,259	10,106	10,594
Operating income	5,965	4,417	4,065	4,781	3,901	3,912	3,558	2,212	2,121	2,453
Non-operating revenues (expenses)	(1,484)	(2,375)	(1,964)	(539)	(1,997)	(1,166)	(2,215)	(2,241)	(1,800)	(2,012)
Net income (loss)	$ 4,481	$ 2,042	$ 2,101	$ 4,242	$ 1,904	$ 2,746	$ 1,343	$ (29)	$ 321	$ 441

Water System Statistics

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Cubic feet delivered (in thousands)										
Residential	412,919	382,318	357,535	382,190	350,868	335,558	343,113	329,858	333,002	381,989
Commercial	67,174	60,565	56,742	53,478	50,858	48,708	47,828	44,982	44,302	50,452
Miscellaneous	84,273	77,882	72,996	76,807	64,881	61,415	62,053	60,092	62,278	66,329
Total	564,366	520,765	487,273	512,475	466,607	445,681	452,994	434,932	439,582	498,770
Average revenue per cubic foot (in cents)										
Residential	2.90	2.92	2.92	2.87	2.91	2.92	2.85	2.55	2.54	2.44
Commercial	2.83	2.78	2.75	2.74	2.78	2.77	2.75	2.44	2.45	2.41
Miscellaneous	2.73	2.72	2.70	2.70	2.68	2.70	2.64	2.34	2.33	2.27
Average - all classes	2.86	2.87	2.87	2.83	2.86	2.87	2.81	2.51	2.50	2.41
Average number of customers										
Residential	33,373	32,276	31,384	30,673	30,091	29,599	29,248	29,025	28,870	28,638
Commercial	1,253	1,167	1,104	1,076	1,081	1,072	1,069	1,042	1,034	1,032
Miscellaneous	758	761	760	753	725	711	696	673	667	661
Total - all classes	35,384	34,204	33,248	32,502	31,897	31,382	31,013	30,740	30,571	30,331
Average annual cubic feet used per customer										
Residential	12,373	11,845	11,392	12,460	11,660	11,337	11,731	11,365	11,535	13,339
Commercial	53,610	51,898	51,397	49,701	47,047	45,437	44,741	43,169	42,846	48,888
Miscellaneous	111,178	102,342	96,047	102,001	89,491	86,378	89,157	89,290	93,370	100,346

In memory of
Al Apana,
colleague
and friend.

Clark Public Utilities

PO Box 8900 • Vancouver, WA 98668

360-992-3000 • mailbox@clarkpud.com • clarkpublicutilities.com

Design/layout by Imagineering Graphics, Inc.