

# ANNUAL REPORT

## Public Utility District No. 1 of Whatcom County

MCAG No. 1806

Submitted pursuant to RCW 43.09.230

To the

WASHINGTON STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED December 31, 2018

### GOVERNMENT INFORMATION:

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### PREPARER INFORMATION and CERTIFICATION:

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I certify the 14<sup>th</sup> day of May 2019 that annual report information is complete, accurate and in conformity with the Budgeting, Accounting and Reporting Systems Manual, to the best of my knowledge and belief, having reviewed this information and taken all appropriate steps in order to provide such certification. I acknowledge and understand our responsibility for the design and implementation of controls to prevent and detect fraud. Finally, I acknowledge and understand our responsibility for immediately submitting corrected annual report information if any errors or an omission in such information is subsequently identified.

Audit Contact or Preparer Signature:

A handwritten signature in blue ink, appearing to read "Annette Smith", is written over a horizontal line.

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**Public Utility District No. 1 of Whatcom County**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended December 31, 2018

**OVERVIEW OF FINANCIAL STATEMENTS**

The District's Annual Financial Report consists of the following four parts:

1. Management's Discussion and Analysis (MD & A) (this section)
2. Financial statements
3. Notes to the financial statements
4. Required supplemental information

The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements.

The statement of net position provides a record of the assets and liabilities of the District at the close of the year. It provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). An elimination column is included to remove from assets and liabilities amounts owing within the District. It provides a basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The statement of revenues, expenses and changes in net position presents the results of the District's business activities for an annual period of time. The information contained in this statement can be used to determine whether the District is successfully recovering its costs through user fees and other charges, and to evaluate profitability and credit worthiness.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities for a year's period of time.

The notes to the financial statements provide information regarding the District's significant accounting policies and significant account balances and activities.

All District funds are operated as individual enterprise funds and collectively represent the financial operation of the District. A condensed comparative Statement of Net Position is shown below:

	2018	2017
<b>ASSETS</b>		
Current Assets	\$ 11,582,416	\$ 10,661,116
Non-Current Assets	3,681,952	3,756,158
Capital Assets (Net)	43,342,846	43,790,136
<b>TOTAL ASSETS</b>	<b>\$ 58,607,214</b>	<b>\$ 58,207,409</b>
<b>LIABILITIES</b>		
Current Liabilities	4,371,841	4,173,740
Non-Current Liabilities	22,729,963	25,262,945
<b>TOTAL LIABILITIES</b>	<b>\$ 27,101,804</b>	<b>\$ 29,436,685</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	19,227,119	17,249,949
Restricted for Debt Service	3,737,372	3,734,606
Restricted for Miscellaneous Reserves	52,350	52,350
Unrestricted	8,488,569	7,733,820
<b>TOTAL NET POSITION</b>	<b>\$ 31,505,410</b>	<b>\$ 28,770,725</b>

**Public Utility District No. 1 of Whatcom County**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended December 31, 2018

A condensed comparative Statement of Revenue, Expenses and Changes in Net Position for the District is shown below:

	2018	2017
<b>REVENUES</b>		
Operating Revenue	\$ 20,793,410	\$ 19,526,338
Nonoperating Revenue	613,526	500,444
<b>TOTAL REVENUE</b>	<b>\$ 21,406,936</b>	<b>\$ 20,026,782</b>
<b>EXPENSES</b>		
Operating Expenses	17,268,461	15,353,873
Nonoperating Expenses	1,403,790	1,480,531
<b>TOTAL EXPENSES</b>	<b>\$ 18,672,251</b>	<b>\$ 16,834,405</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS</b>	<b>\$ 2,734,686</b>	<b>\$ 3,192,377</b>
Capital Contributions	-	-
Special / Extraordinary Items	-	-
<b>CHANGE IN NET POSITION</b>	<b>\$ 2,734,686</b>	<b>\$ 3,192,377</b>
<b>BEGINNING NET POSITION</b>	<b>\$ 28,770,725</b>	<b>\$ 25,578,347</b>
<b>ENDING NET POSITION</b>	<b>\$ 31,505,410</b>	<b>\$ 28,770,725</b>

**FINANCIAL POSITION**

**Analysis of Changes in Total Net Position from 2017-2018**

For the twelve months ending December 31, 2018, the total net position of the District increased by approximately \$2,735,000 or 9.5%. Total assets increased by \$400,000 and total liabilities decreased by \$2,335,000 producing a net increase in net position.

The major components contributing to the increase in assets were an increase in Cash and Cash Equivalents of \$944,000 from the slow-down in capital projects and extraordinary maintenance projects, a decrease in Net Receivables of \$80,000 due primarily to timing of customer payments, an increase of \$2,000 in Prepayments, a decrease of \$22,000 in Deferred Charges due to the standard amortization, an increase in Restricted Cash and Cash Equivalents of \$55,000, a decrease in Restricted Investments of \$52,000 and a decrease in Total Capital Assets Net of Depreciation of \$447,000.

The major components of the decrease in total liabilities included a increase in Accounts Payables of \$8,000 due to timing of payments, an increase of \$62,000 in Accrued Employee Payable due to an adjustment in the liability for vacation and sick leave payouts and the addition of the Teamster Withdrawal Liability, a decrease in the Accrued Insurance Claims Reserve of \$3,000, an increase in Utility Taxes of \$22,000, an increase of \$31,000 in Contractor Retainage, and a net decrease in the bonds principal and interest payable of \$2,455,000 due to debt service payments.

**Public Utility District No. 1 of Whatcom County**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For The Year Ended December 31, 2018

**RESULTS OF OPERATIONS**

**Analysis of changes in Revenue, Expenses, and change in Net Position for 2017-2018**

Total Net Position (excluding Extraordinary Items and Capital Contributions) decreased from \$3,192,000 in 2017 to \$2,735,000 in 2018 (a rounded \$458,000 decrease). Operating Revenue increased by \$1,267,000 due to a combination of rate increases by both the District and BPA and 2017 having a Phillips 66 turnaround. Operating expenses increased by \$1,915,000, mainly due to the increased use of power by Phillips 66. Non-operating Revenue increased by \$113,000, due primarily to an increase in Grant Revenue. Non-operating Expenses reflected an overall decrease of \$77,000, resulting primarily from a decrease in interest expense.

**CAPITAL ASSETS**

**Analysis of Changes in Capital Assets from 2017-2018**

During 2018, total capital assets decreased by \$447,000 and were comprised of an overall increase in non-depreciated assets, including construction-work-in-progress for \$280,000 (\$21,000 of construction-work-in-progress was expensed during 2018 mainly consisting of labor and equipment which did not qualify for capitalization), and the following change in capital assets: the Industrial Water Utility increased by \$95,000, the Grandview Water Utility decreased by \$18,000, the Electric Utility increased by \$278,000, a \$261,000 increase for general utility and office assets accounted for in the Internal Services Fund and an increase in accumulated depreciation of \$1,343,000. SEE NOTE 4.

**LONG-TERM DEBT**

**Analysis of Changes in Long-Term Debt from 2017-2018**

During 2018, the District's indebtedness for the 2010 LTGO bonds was reduced by \$1,358,000, the 2012 LTGO bond issue was reduced by \$660,000, the District's indebtedness for the 2013 LTGO bonds was reduced by \$284,000, and the District's indebtedness for the 2016 LTGO bonds reduced by \$146,000, for a total reduction of \$2,448,000. SEE NOTE 7.

**REQUEST FOR INFORMATION**

The basic financial statements, notes and management discussion and analysis are designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report should be directed to the Director of Finance of the Public Utility District No. 1 of Whatcom County, PO Box 2308, Ferndale, WA 98248.

**Public Utility District No. 1 of Whatcom County**  
**STATEMENT OF NET POSITION**  
As of December 31, 2018

**ASSETS****CURRENT ASSETS**

Cash & Cash Equivalents	
Cash	\$ 15,043
Whatcom County Investment Pool	9,469,213
Total Cash & Cash Equivalents	9,484,256
Receivables (Net):	
Customers	1,727,084
Other	1,859
Total Accounts Receivables (Net)	1,728,943
Restricted Cash & Cash Equivalents	327,299
Prepayments	41,918
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 11,582,416</b>

**NON-CURRENT ASSETS**

Bond Issue Costs	219,530
Restricted Assets	
Investments - Bond Reserves	3,462,423
Investments - Assessments	-
Investments - Other	-
Capital Assets Not Being Depreciated	
Land	108,000
Construction in Progress	445,609
Capital Assets Being Depreciated:	
Buildings & Structures	23,442,735
Machinery & Equipment	37,771,086
Intangible	866,000
Less Accumulated Depreciation	(19,290,583)
Total Capital Assets (Net)	43,342,846
<b>TOTAL NONCURRENT ASSETS</b>	<b>\$ 47,024,798</b>

**TOTAL ASSETS**

	<b>\$ 58,607,214</b>
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The notes to financial statements are an integral part of this statement.

**Public Utility District No. 1 of Whatcom County**  
**STATEMENT OF NET POSITION**  
As of December 31, 2018

**LIABILITIES****CURRENT LIABILITIES**

Accounts Payable	\$ 918,530
Accrued Employee Payable	431,488
Accrued Insurance Claims Reserve	60,274
Accrued Utility Taxes	317,334
Contractor Retainage	45,178
Bonds, Notes, and Loans Payable	
2010 LTGO Series A&B Bonds Principal - Current	1,415,000
2010 LTGO Series A&B Interest	69,131
2012 LTGO Series A&B Bonds Principal - Current	675,000
2012 LTGO Series A&B Interest	6,632
2013 LTGO Bond Principal - Current	270,000
2013 LTGO Bond Interest	15,225
2016 LTGO Bond Principal - Current	145,763
2016 LTGO Bond Interest	2,285
Deposits & Other Payables	0
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 4,371,841</u></b>

**NON-CURRENT LIABILITIES**

Bonds, Notes, and Loans Payable	
2010 LTGO Series A&B Bonds Principal	14,825,266
2012 LTGO Bond Principal	1,907,221
2013 LTGO Bond Principal	4,831,374
2016 LTGO Bond Principal	1,166,102
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b><u>\$ 22,729,963</u></b>

**TOTAL LIABILITIES****\$ 27,101,804****NET POSITION**

Net Investment in Capital Assets	19,227,119
Restricted for Debt Service	3,737,372
Restricted for Miscellaneous Reserves	52,350
Unrestricted	8,488,569
<b>TOTAL NET POSITION</b>	<b><u>\$ 31,505,410</u></b>

The notes to financial statements are an integral part of this statement.

**Public Utility District No. 1 of Whatcom County**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
For The Year Ended December 31, 2018

**OPERATING REVENUE**

Utility Sales and Service Revenues	\$ 20,774,919
Other Operating Revenue	18,491
<b>TOTAL OPERATING REVENUE</b>	<b><u>\$ 20,793,410</u></b>

**OPERATING EXPENSES**

Operations:	
Purchased Power	9,143,378
Water Purification	237,913
Taxes / Process / Delivery Costs	570,993
General Operations	900,461
Maintenance	1,402,003
Administration:	
General Administration	2,710,551
Planning and Development Expense	82,522
Depreciation Expense	1,639,794
Utility Tax Expense	580,846
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 17,268,461</u></b>

**OPERATING INCOME (LOSS)****\$ 3,524,949****NONOPERATING REVENUE**

Lease Income	23,276
Grant Revenue	205,478
Assessment Income	173,751
Interest Income	220,288
Interest Fees	(10,503)
Penalties	1,237
<b>TOTAL NONOPERATING REVENUE</b>	<b><u>\$ 613,526</u></b>

**NONOPERATING EXPENSE**

Interest Expense	1,169,664
Amortization	21,855
Grant Expenses	179,547
Loss (Gain) on Property Disposal	32,724
<b>TOTAL NONOPERATING EXPENSE</b>	<b><u>\$ 1,403,790</u></b>

**INCOME BEFORE CONTRIBUTIONS,  
AND EXTRAORDINARY ITEMS**
**\$ 2,734,686**

Capital Contributions (Connection Charges)	-
Special / Extraordinary Items	-

**CHANGE IN NET POSITION****\$ 2,734,686****TOTAL NET POSITION - JANUARY 1st****\$ 28,770,725****TOTAL NET POSITION - DECEMBER 31st****\$ 31,505,411**

The notes to financial statements are an integral part of this statement



**Public Utility District No. 1 of Whatcom County**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended December 31, 2018

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 20,819,750
Payments to suppliers	(13,505,204)
Payments to employees (Labor only)	(1,951,519)

**NET CASH PROVIDED (USED) BY OPERATING  
ACTIVITIES**

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**\$ 5,363,027**

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**CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES**

Payments Received (Paid) for Non-operating work	50,444
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**NET CASH PROVIDED (USED) BY NONCAPITAL  
FINANCING ACTIVITIES**

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**\$ 50,444**

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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of Capital Assets	(1,225,228)
Principal paid on Capital Debt	(2,420,763)
Interest paid on Capital Debt	(1,203,937)
Assessments Received for 2007 & 2016 debt payments	173,751

**NET CASH PROVIDED (USED) BY CAPITAL  
AND RELATED FINANCING ACTIVITIES**

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**\$ (4,676,176)**

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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	209,784
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**NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES**

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**\$ 209,784**

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**NET INCREASE (DECREASE) IN CASH AND  
CASH EQUIVALENTS**

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**947,079**

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**BALANCE BEGINNING OF YEAR**

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12,326,899**BALANCE END OF YEAR**

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**\$ 13,273,978**

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The notes to financial statements are an integral part of this statement

**Public Utility District No. 1 of Whatcom County**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended December 31, 2018

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 3,524,949
<b>Adjustments to reconcile operating income to net cash</b>	
<b>Cash Provided (Used) by operating activities:</b>	
Depreciation	1,639,794
<b>Change in Assets and Liabilities:</b>	
Decrease (Increase) in Net Accounts Receivable	79,713
Decrease (Increase) in Prepayments	(1,585)
Increase (Decrease) in Account Payable	7,674
Increase (Decrease) in Accrued Employee Payable	61,600
Increase (Decrease) in Accrued Insurance Claims Reserve	(2,688)
Increase (Decrease) in Accrued Utility Taxes	21,892
Increase (Decrease) in Contractor Retainage	30,708
Increase (Decrease) in Deposits & Other Payables	969
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 5,363,027</u></b>

The notes to financial statements are an integral part of this statement

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Public Utility District No. 1 of *Whatcom County* ("District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below (including identification of those policies, which result in material departures from generally accepted accounting principles):

**A. Reporting Entity**

Public Utility District No. 1 of *Whatcom County* was incorporated in 1937 and operates under the laws of the state of Washington, RCW Chapter 54, applicable to a municipal corporation governed by an elected three-member board.

As required by generally accepted accounting principles, the financial statements represent the entire District. The District has no component units.

**B. Basis of Presentation**

The District reports the following major enterprise funds: Industrial Water Utility which serves the heavy industries located in the Cherry Point region along with irrigation customers located adjacent to the water transmission lines, the Grandview Utility which serves the light industrial customers in the Grandview service area, and the Electric Utility which serves our one external electric customer, Phillips 66, along with our two water treatment plants.

As a general rule, the effect of the intrafund activity has been eliminated for the district-wide financial statements.

The Internal service fund accounts for the administrative, general expenses not identified with one specific fund. These expenditures are allocated to the enterprise funds based on the amount of operating labor hours. Certain expenses are not allocated to the Grandview Utility. Only the expenses Grandview would incur if it operated as a stand-alone utility are allocated.

**C. Measurement Focus, Basis of Accounting**

The statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

The District distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water delivery and electric service. The District also recognizes as operating revenue income from outside consulting and some miscellaneous income. Operating expenses for the District include the cost of sales and services, administrative expenses, planning and business development expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Budgetary Information**

**1. Scope of Budget**

Annual appropriated budgets are adopted for all funds on the cash basis of accounting. Budgets for debt service

**Public Utility District No. 1 of Whatcom County**  
NOTES TO FINANCIAL STATEMENT  
For The Year Ended December 31, 2018

and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

2. Amending the Budget

The General Manager is authorized to transfer budgeted amounts between departments within any fund; however, the commission must approve any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions or salary ranges.

**E. Assets, Liabilities, Fund Balance, Net Position**

1. Cash and Cash Equivalents

It is the District's policy to invest all temporary cash surpluses. At December 31, 2018, the treasurer was holding \$9,469,213 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as Cash and Cash Equivalents in various funds. The interest on these investments is prorated to the various funds based on existing balances.

For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The cash referenced on the Statement of Cash Flows will include Cash & Cash Equivalents, and also the Restricted Investments under Non-current assets.

2. Investments See Note 3, *Deposits and Investments*.

3. Receivables

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

4. Restricted Assets and Liabilities

These accounts contain resources for mitigation and debt service. Specific debt service reserve requirements are described in Note 7, *Long Term Debt*. The \$52,350 reflected under Restricted Cash and Cash Equivalents and also under Miscellaneous Reserves on the Net Position refers to a permitting requirement that a reserve be set aside for possible wetland mitigation expenses on a project constructed at Phillips 66. The fund was originally established in 2011 by Resolution 634. Restricted funds currently include the following:

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2018

<b>RESTRICTED RESERVE BALANCES</b>	<b>2018</b>
Bond Reserves	
2010 LTGO Series A&B Bond Reserve	\$ 2,249,713
2012 LTGO Bond Reserve	759,910
2013 LTGO Bond Reserve	452,800
Total Bond Reserves	<u>\$ 3,462,423</u>
Other Restricted Funds	
LUD #2 Cash Investments	274,949
Project Reserve Fund	52,350
	<u>\$ 327,299</u>
<b>TOTAL RESTRICTED RESERVE BALANCES</b>	<b>\$ 3,789,722</b>

5. Capital Assets See Note 4, *Capital Assets*.

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable fund. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized when projects are finished.

Property, plant, and equipment of the district, is depreciated using the straight-line method over the following estimated useful lives:

<u>ASSET</u>	<u>YEARS</u>
Buildings & Structures	5-60
Vehicles	3-10
Machinery & Equipment	3-60
Computer Hardware & Software	2-20
Intangible	20

6. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and floaters (in lieu of holidays). 2009 was the first year the District reflected accrued compensated absence pay in the financial statements as an expense and liability. All leave is accrued when incurred. All leave is paid at the employee's current rate of pay when used. Since the timing of when the Vacation, Holiday or Sick leave will be taken is unknown, but is possible to be taken within a year, the liability is reflected under Current Liabilities as Accrued Employee Payable. The General Manager's compensated absences are separately negotiated as part of his employment contract.

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
**For The Year Ended December 31, 2018**

Vacation pay may be carried over at year-end at a balance not greater than 80 hours plus the employee's annual accrual. Unused vacation is payable upon resignation, retirement, termination without cause, or death. Union employees may cash out up to 40 hours per year of accumulated vacation.

Sick Leave may be accumulated up to a total of 1080 hours for non-union employees and 1136 hours for union employees, and is not convertible. Upon termination of employment, unused sick leave is compensated at 25% of accrued benefit for non-union, 50% for union. Union employees may cash out in December any hours accrued over 1040 hours. If a non-union employee dies while currently employed at the district, sick leave is compensated at 100%

Floating Holidays may be used at any time once accrued for leave. Non-union employees earn 12 floaters per year. Union employees earn 100 hours of floaters each year. Unused floaters must be cashed-out at the end of the year and cannot be carried forward to the next fiscal year.

7. Other Accrued Liabilities

These accounts consist of Accrued Wages, Accrued Employee Benefits, Accrued Insurance Claims Reserve, Accrued Utility Taxes, Deposits and Contractor Retainage.

8. Long-Term Debt See Note 7, *Long-Term Debt*

**NOTE 2 – ACCOUNTING AND REPORTING CHANGES**

**2018**

1. **GASB 89** *Accounting for Interest Cost Incurred before the end of a construction period* – Although the District is not currently accruing interest on any construction project, it is likely to be applicable in the near future. The Summary of Significant Accounting Policies was changed to reflect this. See Note 1, *Summary of Significant Accounting Policies*
2. **INTERNAL** – Schedules 1, 9, 15, and 21 were removed from the end of the Annual Report. They are still reported to the State Auditor's office. An additional liability was added to reflect the amount owed if the District withdrew from the Teamsters Union.

**2017**

1. **INTERNAL** – The District decided to add an intrafund charge between the Electric Utility and the Industrial Water Utility to cover a portion of the indirect costs incurred by the Electric Utility.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

Cash on hand at December 31, 2018 was \$13,273,978. The carrying amount of the District's deposits was \$13,273,978, and the bank balance was the same.

The District's deposits, and certificates of deposit, are entirely covered by Federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Whatcom County Investment Pool (WCIP) pursuant to RCW 39.58.

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2018

**B. Investments**

The agent for the District's investments is the Whatcom County Treasurer's Office and all investments are held in the Whatcom County Investment Pool [WCIP].

**Investments in Whatcom County Investment Pool [WCIP]**

The District is a participant in the WCIP, an external investment pool. The District reports its investment in the Pool at the amortized cost, which is the same as the value of the Pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County's investment policy is established by the Administrative Finance Committee, consisting of the Treasurer as Chairman, the Auditor as Secretary, and the Chair of the County Council. The County external investment pool does not have a credit rating and had a weighted average maturity of 0.90 years as of December 31, 2018. Short-term Whatcom County Investment Pool funds are classified as Cash and Cash Equivalents on the Statement of Net Position.

As of December 31, 2018, the District had the following investments:

	<b>2018</b>	
	<u><i>Maturities</i></u>	<u><i>Amortized Cost</i></u>
<b>INVESTMENTS</b>		
<b>Short-Term Investments</b>		
Whatcom County Investment Pool	\$ 9,796,512	\$ 9,796,512
<b>Non-Current</b>		
Whatcom County Investment Pool	3,462,423	3,462,423
<b>TOTAL INVESTMENTS</b>	<u><b>\$ 13,258,935</b></u>	<u><b>\$ 13,258,935</b></u>

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2018

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ending December 31, 2018 was as follows:

	2018 Beginning Balance	2018 Activity		2018 Ending Balance
		Increase	Decrease	
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
LAND				
Industrial Water Utility	\$ 108,000	\$ -	\$ -	\$ 108,000
TOTAL LAND	108,000	-	-	108,000
CONSTRUCTION-IN-PROGRESS				
Industrial Water Utility	103,754	282,769	(180,582)	205,941
Grandview Potable Water Utility	-	-	-	-
Electric Utility	38,774	576,440	(417,107)	198,107
General Utility & Office (Internal Services Utility)	22,909	344,134	(325,483)	41,561
TOTAL CONSTRUCTION-IN-PROGRESS	165,437	1,203,343	(923,172)	445,609
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>\$ 273,437</b>	<b>\$ 1,203,343</b>	<b>\$ (923,172)</b>	<b>\$ 553,609</b>
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
BUILDINGS & STRUCTURES				
Industrial Water Utility	17,227,345	103,003	-	17,330,348
Grandview Water Utility	98,977	-	(5,170)	93,807
Electric Utility	4,457,485	-	-	4,457,485
General Utility & Office (Internal Services Utility)	1,545,117	15,978	-	1,561,095
TOTAL BUILDINGS & STRUCTURES	23,328,924	118,981	(5,170)	23,442,735
MACHINERY & EQUIPMENT				
Industrial Water Utility	20,035,609	99,463	(107,383)	20,027,689
Grandview Water Utility	3,144,204	-	(13,124)	3,131,080
Electric Utility	11,929,278	417,107	(139,070)	12,207,315
General Utility & Office (Internal Services Utility)	2,159,803	309,505	(64,307)	2,405,001
TOTAL MACHINERY & EQUIPMENT	37,268,895	826,075	(323,884)	37,771,086
INTANGIBLE				
Industrial Water Utility	866,000	-	-	866,000
TOTAL INTANGIBLE	866,000	-	-	866,000
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>\$ 61,463,819</b>	<b>\$ 945,056</b>	<b>\$ (329,055)</b>	<b>\$ 62,079,820</b>
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Structures	(5,901,327)	(455,893)	5,170	(6,352,049)
Machinery & Equipment	(11,569,494)	(1,140,600)	291,160	(12,418,934)
Intangible	(476,300)	(43,300)	-	(519,600)
TOTAL ACCUMULATED DEPRECIATION	(17,947,120)	(1,639,793)	296,331	(19,290,583)
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED (NET)</b>	<b>\$ 43,516,699</b>	<b>\$ (694,737)</b>	<b>\$ (32,724)</b>	<b>\$ 42,789,237</b>
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$ 43,790,136</b>	<b>\$ 508,606</b>	<b>\$ (955,896)</b>	<b>\$ 43,342,846</b>

Initial depreciation on utility plant is recorded in the year subsequent to purchase or completion.

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that relate to abandoned projects are expensed. The District expensed \$20,600 in CWIP projects in 2018.



**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2018

**NOTE 5 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

A. Construction Commitments

The District has active construction projects as of December 31, 2018. The projects include:

		2018		
	District Capital Project #	Spent Through 12/31/18	Remaining Commitment	Required Future Financing
CONSTRUCTION IN PROGRESS				
Fiber Install	IS15	\$ 40,455	\$ 300,000	\$ -
Server Back-up Power	IS18	1,106	75,000	
Ferndale Substation build	E22	198,107	4,190,000	-
Industrial Water - Grandview connect	RW32	164,955	2,600,000	1,600,000
PSE Whitehorn Meter/Valve Relocate	RW34	40,986	260,000	-
TOTAL CONSTRUCTION IN PROGRESS		\$ 445,609	\$ 7,425,000	\$ 1,600,000

At year-end, the District commitments with contractors are as follows:

PROJECT	SPENT TO DATE	REMAINING COMMITMENT
BKI-WO1-Electric system standards	\$ 7,036	\$ 20,964
BKI-WO3-Ferndale Substation Design and Cost	7,775	9,725
BKI-WO4-Ferndale Substation Design and Permit	48,463	591,077
BKI-WO5-Refinery Substation Modifications	-	20,000
EPS-WO18-Backbone Communication Fiber	56,919	15,081
MAR-WO1-Consult Electric System Stds	1,000	14,000
PIT-WO2-SCADA Support	10,649	9,351
PSE-WO6-Vista Drive Watermain Extension	129,285	80,126
PSE-WO8-Wetland Monitoring	-	2,925
PSE-WO10-Grandview Customer Connection	-	7,500
PSE-WO11-Alcoa Property Easement	-	16,125
PSE-WO12-Plant 1 Surveying	-	23,080
RH2-WO3-Industrial Water Supply Phase 2	161,698	27,169
RH2-WO8-PSE-Whitehorn Meter Vault	33,886	27,414
RH2-WO12-Technical Assistance WRIA1	25,351	9,649
RH2-WO1-Drought Contingency	89,120	10,880
WES-WO2-Enterprise Substation Meter Testing	-	35,037
	<b>\$ 571,184</b>	<b>\$ 920,101</b>

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
**For The Year Ended December 31, 2018**

**B. Other Commitments**

The District currently has a power supply contract with the Bonneville Power Administration (“BPA”) that covers its entire electric load requirements. The contract with BPA runs through September 30, 2028.

In August 2008, the District approved a new Network Transmission Agreement (“NT Agreement”) with BPA which provides for an extension of the term of the NT Agreement through August 31, 2038 and assures sufficient transmission capacity to accommodate both the District’s existing power supply requirements moved over BPA’s transmission system and future electric load growth.

In 2017, the District entered in to an agreement with BPA related to services BPA would provide to the District to assure compliance with the NERC electric system reliability standards associated with the Transmission Operator function (“TOP”). During the 4<sup>th</sup> quarter of 2017, the District entered into contract negotiations with BPA related to an agreement related to services BPA would provide to the District to support the District’s compliance with NERC electric system reliability standards related to the Transmission Planner function (“TP”). The agreement was completed and executed on May 22, 2018.

The District also executed a short-term construction agreement with BPA for communications facilities on November 5, 2018.

**NOTE 6– SHORT-TERM DEBT**

The District had no short-term debt obligations in 2018.

**NOTE 7 - LONG-TERM DEBT**

**A. Long-Term Debt**

The District issues general obligation and revenue bonds to finance the acquisition or construction of expanded facilities and replacement of aging infrastructure. Bonded indebtedness has also been entered into (currently and in prior years) to advance refund several general obligation and revenue bonds. General obligation bonds have been issued for business-type activities and are being repaid from the applicable resources.

General obligation bonds currently outstanding are as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
<b>2010 LTGO Series A</b> - Refunded 1999 Water Revenue Bonds	2011-2019	4.88%	\$ 2,660,000	\$ 410,000
<b>2010 LTGO Series B</b> - Funded Water Plant 2 rebuild and the purchase of two substations	2011-2030	4.88%	\$ 20,980,000	\$ 945,000
<b>2012 LTGO</b> - Refunded the 2004 LTGO bonds	2012-2024	2.60%	\$ 5,980,000	\$ 660,000
<b>2013 LTGO</b> - Funding to complete the Water Plant 2 rebuild	2014-2032	2.66%	\$ 6,025,000	\$ 260,000
<b>2016 LTGO</b> - Advanced refunded 2007 Water Revenue Bonds	2018-2027	2.09%	\$ 1,457,628	\$ 145,763

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2018

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31:	2010 LTGO BONDS		2012 LTGO BONDS		2013 LTGO BONDS		2016 LTGO BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2019	\$ 1,415,000	\$ 829,575	\$ 675,000	\$ 79,588	\$ 270,000	\$ 182,700	\$ 145,763	\$ 27,418
2020	1,035,000	762,050	360,000	63,388	275,000	174,600	145,763	24,372
2021	1,090,000	710,300	365,000	53,488	285,000	166,350	145,763	21,325
2022	1,145,000	655,800	380,000	42,538	295,000	157,800	145,763	18,279
2023	1,200,000	598,550	395,000	29,998	305,000	146,000	145,763	15,232
2024-2028	6,980,000	2,012,188	410,000	15,580	1,710,000	537,600	583,050	30,464
2029-2032	3,335,000	264,863			1,635,000	166,800		
<b>TOTAL</b>	<b>\$ 16,200,000</b>	<b>\$ 5,833,325</b>	<b>\$ 2,585,000</b>	<b>\$ 284,578</b>	<b>\$ 4,775,000</b>	<b>\$ 1,531,850</b>	<b>\$ 1,311,865</b>	<b>\$ 137,090</b>

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset and bond are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of the debt issue costs and discount.

At December 31, 2018, restricted assets in proprietary funds contain \$3,737,372 in reserves as required by bond indentures.

The Public Utility District No. 1 of Whatcom County has pledged future Grandview assessment revenue to repay \$2,845,000 in revenue bonds issued in November, 2007 and originally payable through 2027. Proceeds from the bonds provided financing for the Grandview line extension. The 2007 bonds were advanced refunded in 2016 with \$1,457,628 of LTGO bonds. The bonds are payable from Grandview LUD #2 Assessment revenues and revenues of the water system and are payable through 2027. The total principal and interest remaining to be paid on the bonds is \$1,448,955. Principal and interest paid for the current year and total Grandview assessment revenue were \$176,227 and \$173,751 respectively.

**NOTE 8 – RESTRICTED COMPONENT OF NET POSITION**

The District's statement of net position reports \$3,737,372 of restricted component of net position for debt service, of which everything is restricted by enabling legislation. The net position also includes \$52,350 of restricted component of net position for miscellaneous reserves for a project mitigation reserve.

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2018

**NOTE 9 - PENSION PLANS**

The District's employees do not participate in any of the plans of the Washington State Department of Retirement Systems.

a. **NON-UNION**

In lieu of the state retirement program, the District offers its non-union employees an optional deferred compensation plan in accordance with Internal Revenue Service Code Section 457. This plan was adopted in 1989. An Administrative Service Agreement was established with Mass Mutual Retirement Services (previously Hartford) to provide individual investment choices for participants with detailed accounting to both the participants and the District. The District approves a contribution percentage of gross earnings annually to be paid in addition to gross earnings to eligible employees. The 2018 rate of District contribution to the employee is 7.80% of gross earnings. Employees may or may not elect to contribute any portion up to the allowable limit to the Mass Mutual plan. The Plan, available to eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District has neither fiduciary responsibility nor liability for the Plan and accordingly no records are reflected on the Districts accounts.

b. **UNION**

At year-end, the District's union employees (six water operator positions) were eligible to be covered under the collective bargaining agreement with Teamsters Union Local No. 231 of Whatcom County's pension plan. This plan is a multiemployer, defined benefit pension plan. Financial statements for the Pension plan may be found here: <http://www.wctpension.org/forms-documents-webcasts/plan-documents>. This link also connects to the Summary Plan Description which describes the benefits available. Benefits include pension, disability, and survivor benefits. The current contract, outlining the District's responsibilities with Teamsters, is scheduled to expire at the end of 2021 and will be renegotiated. Payment is made to the Pension plan monthly for each of the union employees.

The contributions to the plan are based on the collective-bargaining agreement. Currently the District contributes \$5.75 per qualified hour, per employee, up to a maximum of 2080 hours (\$11,960 currently) per year per employee. No minimum contribution is required if no qualified hours are worked. If the District was to exit the plan, an 'unfunded withdrawal liability' could be required. The liability would be based on the previous 5 years of contributions compared to the fund total. This liability was added to the District's statements starting in 2018. The employees do not contribute to this plan. The last ten years of contribution rates per qualified hour are as follows:

<u><b>2009</b></u>	<u>\$ 4.25</u>	<u><b>2014</b></u>	<u>\$ 5.25</u>
<u><b>2010</b></u>	<u>\$ 4.40</u>	<u><b>2015</b></u>	<u>\$ 5.50</u>
<u><b>2011</b></u>	<u>\$ 4.50</u>	<u><b>2016</b></u>	<u>\$ 5.50</u>
<u><b>2012</b></u>	<u>\$ 4.75</u>	<u><b>2017</b></u>	<u>\$ 5.50</u>
<u><b>2013</b></u>	<u>\$ 5.00</u>	<u><b>2018</b></u>	<u>\$ 5.75</u>

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2018

**NOTE 10 – SEGMENT INFORMATION**

The District operated four proprietary segments and an Internal Services Fund in 2018. The following changes occurred in the District's segments during 2018:

a.       **INDUSTRIAL WATER UTILITY**

The District has been working on upgrades and non-routine maintenance projects specific to Water Treatment Plant #1. Routine maintenance projects on Water Treatments Plants #1 and #2 are ongoing for the entire water system facilities including IT and SCADA projects.

b.       **GRANDVIEW WATER UTILITY**

The District has been continuing to work on extending the Industrial water system waterline from a connection on the Aldergrove transmission line to the Grandview fire system. Grandview added one new connection in 2018. Water consumption was up 125% from 2017.

c.       **ELECTRIC UTILITY**

The Electric Utility continues to make electric system improvements designed to assure reliability of electric service to the District's water treatment plants and to its retail electric customer. In 2018, the District replaced pole structures and continued the yearly routine maintenance. The District worked with engineers to plan the replacement of the Ferndale substation, located at water treatment plant 1. Construction is planned to start in 2019. Starting in 2017, a portion of the General Services fee was allocated to the Industrial Water utility.

d.       **ALCOA SERVICES FUND**

The Alcoa Services Fund continues to be a resource of funds for projects outside of the regular operating scope of the District. The funds were utilized in 2018 to pay off an interfund load between the Grandview and Electric utility. May 2010 concluded the agreement with Alcoa. No future revenues besides interest income are anticipated. As of December 31, 2018, the remaining fund balance is \$263,240.

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
For The Year Ended December 31, 2018

	<b>403</b>	<b>411</b>	<b>481</b>	<b>490</b>	<b>500</b>		
	<b>INDUSTRIAL WATER</b>	<b>GRANDVIEW</b>	<b>ELECTRIC</b>	<b>ALCOA SVCS</b>	<b>INTERNAL</b>	<b>ELIMINATION</b>	<b>DISTRICT</b>
	<b>UTILITY</b>	<b>UTILITY</b>	<b>UTILITY</b>		<b>SERVICES FUND</b>		<b>TOTAL</b>
<b>OPERATING REVENUE</b>							
Utility Sales and Service Revenues	\$ 9,105,269	\$ 235,558	\$ 11,520,000	\$ -	\$ -	\$ (85,908)	\$ 20,774,919
Other Operating Revenue	17,276	220	996	-	-	-	18,491
<b>TOTAL OPERATING REVENUE</b>	<b>\$ 9,122,545</b>	<b>\$ 235,778</b>	<b>\$ 11,520,995</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (85,908)</b>	<b>\$ 20,793,410</b>
<b>OPERATING EXPENSES</b>							
Operations:							
Purchased Power	597,000	7,465	8,538,913	-	-		9,143,378
Water Purification	236,998	915	-	-	-		237,913
Taxes / Process / Delivery Costs	-	-	570,993	-	-		570,993
General Operations	659,837	78,242	162,382	-	-		900,461
Maintenance	1,102,971	18,055	280,977	-	-		1,402,003
Administration							
General Administration	1,664,981	19,455	1,112,024	-	-	(85,908)	2,710,551
Planning and Development Expenses	82,522	-	-	-	-		82,522
Depreciation Expense	1,073,969	75,720	490,104	-	-		1,639,794
Utility Tax Expense	454,099	11,857	114,890	-	-		580,846
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 5,872,377</b>	<b>\$ 211,710</b>	<b>\$ 11,270,282</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (85,908)</b>	<b>\$ 17,268,461</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 3,250,168</b>	<b>\$ 24,068</b>	<b>\$ 250,713</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,524,949</b>
<b>NONOPERATING REVENUE</b>							
Lease Income	23,276	-	-	-	-		23,276
Grant Revenue	205,478	-	-	-	-		205,478
Assessment Income	-	173,751	-	-	-		173,751
Interest Income	157,304	10,323	47,344	5,317	-		220,288
Interest Fees	(7,488)	(470)	(2,288)	(258)	-		(10,503)
Penalties	1,237	-	-	-	-		1,237
<b>TOTAL NONOPERATING REVENUE</b>	<b>\$ 379,806</b>	<b>\$ 183,604</b>	<b>\$ 45,056</b>	<b>\$ 5,059</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 613,526</b>
<b>NONOPERATING EXPENSE</b>							
Interest Expense	1,023,494	30,211	115,960	-	-		1,169,664
Amortization	16,255	1,661	3,939	-	-		21,855
Interfund Expense	180,499	79,607	(350,106)	90,000	-		-
Grant Expenses	179,547	-	-	-	-		179,547
Loss (Gain) on Property Disposal	4,204	-	28,521	-	-		32,724
<b>TOTAL NONOPERATING EXPENSE</b>	<b>\$ 1,403,999</b>	<b>\$ 111,478</b>	<b>\$ (201,687)</b>	<b>\$ 90,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,403,790</b>
<b>INCOME BEFORE CONTRIBUTIONS, AND EXTRAORDINARY ITEMS</b>	<b>2,225,976</b>	<b>\$ 96,194</b>	<b>\$ 497,456</b>	<b>\$ (84,941)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,734,686</b>
Capital Contributions	-	-	-	-	-		-
Extraordinary Items	-	-	-	-	-		-
<b>CHANGE IN NET POSITION</b>	<b>\$ 2,225,976</b>	<b>\$ 96,194</b>	<b>\$ 497,456</b>	<b>\$ (84,941)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,734,686</b>
<b>NET POSITION - JANUARY 1st</b>	<b>\$ 14,351,667</b>	<b>\$ 1,118,995</b>	<b>\$ 12,530,325</b>	<b>\$ 725,671</b>	<b>\$ 44,067</b>		<b>\$ 28,770,725</b>
<b>NET POSITION - DECEMBER 31st</b>	<b>\$ 16,577,643</b>	<b>\$ 1,215,189</b>	<b>\$ 13,027,781</b>	<b>\$ 640,730</b>	<b>\$ 44,067</b>		<b>\$ 31,505,410</b>

The notes to financial statements are an integral party of this statement

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
**Statement of Net Position**  
As of December 31, 2018

	<b>403</b> <b>INDUSTRIAL</b> <b>WATER UTILITY</b>	<b>411</b> <b>GRANDVIEW</b> <b>UTILITY</b>	<b>481</b> <b>ELECTRIC</b> <b>UTILITY</b>	<b>490</b> <b>ALCOA SVC</b>	<b>500</b> <b>INTERNAL</b> <b>SERVICES FUND</b>	<b>ELIMINATION</b>	<b>DISTRICT</b> <b>TOTAL</b>
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash & Cash Equivalents							
Cash	\$ (7,062)	\$ 2,651	\$ 4,719	\$ 308	\$ 14,428	\$ -	\$ 15,043
Whatcom County Investment Pool	6,783,322	329,920	2,011,902	262,933	81,136	-	9,469,213
Total Cash & Cash Equivalents	6,776,259	332,572	2,016,621	263,240	95,563	-	9,484,256
Receivables (Net):							
Customers	796,774	26,811	903,500	-	-		1,727,084
Other	1,669	-	-	-	190		1,859
Interfund Receivables	119,607	-	(162,122)	162,122	-	(119,607)	-
Interfund Transfers - Capital	1,871,460	-	641,417	215,368	(2,728,245)		-
Interfund Transfers - Employee	(277,102)	-	(132,579)	-	409,680		-
Total Accounts Receivables (Net)	2,512,408	26,811	1,250,216	377,490	(2,318,375)	(119,607)	1,728,943
Other Current Assets							
Restricted Cash & Cash Equivalents	-	274,949	52,350	-	-		327,299
Prepayments	-	-	-	-	41,918		41,918
Other							
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 9,288,667</b>	<b>\$ 634,332</b>	<b>\$ 3,319,188</b>	<b>\$ 640,730</b>	<b>\$ (2,180,893)</b>	<b>\$ (119,607)</b>	<b>\$ 11,582,416</b>
<b>NON-CURRENT ASSETS</b>							
Bond Issue Costs	175,779	14,948	28,804	-	-		219,530
Noncurrent Restricted Assets							
Investments - Bond Reserves	2,849,655	-	612,767	-	-		3,462,423
Capital Assets Not Being Depreciated							
Land	108,000	-	-	-	-		108,000
Construction in Progress	205,941	-	198,107	-	41,561		445,609
Capital Assets Being Depreciated:							
Buildings & Structures	17,330,348	93,807	4,457,485	-	1,561,095		23,442,735
Machinery & Equipment	20,027,689	3,131,080	12,207,315	-	2,405,001		37,771,086
Intangible	866,000	-	-	-	-		866,000
Less Accumulated Depreciation	(12,336,237)	(1,216,742)	(4,458,193)	-	(1,279,412)		(19,290,583)
Total Capital Assets (Net)	26,201,742	2,008,144	12,404,715	-	2,728,245		43,342,846
<b>TOTAL NONCURRENT ASSETS</b>	<b>\$ 29,227,176</b>	<b>\$ 2,023,092</b>	<b>\$ 13,046,286</b>	<b>\$ -</b>	<b>\$ 2,728,245</b>	<b>\$ -</b>	<b>\$ 47,024,798</b>
<b>TOTAL ASSETS</b>	<b>\$ 38,515,843</b>	<b>\$ 2,657,423</b>	<b>\$ 16,365,473</b>	<b>\$ 640,730</b>	<b>\$ 547,352</b>	<b>\$ (119,607)</b>	<b>\$ 58,607,214</b>

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
**Statement of Net Position**  
As of December 31, 2018

	<b>403 INDUSTRIAL WATER UTILITY</b>	<b>411 GRANDVIEW UTILITY</b>	<b>481 ELECTRIC UTILITY</b>	<b>490 ALCOA SVC</b>	<b>500 INTERNAL SERVICES FUND</b>	<b>ELIMINATION</b>	<b>DISTRICT TOTAL</b>
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable	\$ 171,664	\$ 4,993	\$ 725,372	\$ -	\$ 16,501	\$ -	\$ 918,530
Accrued Employee Payable	20,234	1,574	-	-	409,680		431,488
Accrued Insurance Claims Reserve	7,687	970	1,676	-	49,941		60,274
Accrued Utility Taxes	36,708	940	279,686	-	-		317,334
Contractor Retainage	15,124	-	2,891	-	27,163		45,178
Interfund Payables	-	119,607	-	-	-	(119,607)	-
Bonds, Notes, and Loans Payable							
2010 LTGO Bond Series A&B - Current	1,311,316	-	103,684	-	-		1,415,000
2010 LTGO Bond Series A&B - Interest	62,015	-	7,117	-	-		69,131
2012 LTGO Bond Series A&B - Current	300,968	-	374,032	-	-		675,000
2012 LTGO Bond Series A&B - Interest	5,046	-	1,586	-	-		6,632
2013 LTGO Bond - Current	270,000	-	-	-	-		270,000
2013 LTGO Bond - Interest	15,225	-	-	-	-		15,225
2016 LTGO Bond - Current	-	145,763	-	-	-		145,763
2016 LTGO Bond - Interest	-	2,285	-	-	-		2,285
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 2,215,987</b>	<b>\$ 276,132</b>	<b>\$ 1,496,044</b>	<b>\$ -</b>	<b>\$ 503,285</b>	<b>\$ (119,607)</b>	<b>\$ 4,371,841</b>
<b>NON-CURRENT LIABILITIES</b>							
Bonds, Notes, and Loans Payable							
2010 LTGO Bond Series A&B Principal	13,264,712	-	1,560,554	-	-		14,825,266
2012 LTGO Bond Principal	1,626,127	-	281,094	-	-		1,907,221
2013 LTGO Bond Principal	4,831,374	-	-	-	-		4,831,374
2016 LTGO Bond Principal	-	1,166,102	-	-	-		1,166,102
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>\$ 19,722,213</b>	<b>\$ 1,166,102</b>	<b>\$ 1,841,648</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,729,963</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 21,938,200</b>	<b>\$ 1,442,234</b>	<b>\$ 3,337,692</b>	<b>\$ -</b>	<b>\$ 503,285</b>	<b>\$ (119,607)</b>	<b>\$ 27,101,804</b>
<b>NET POSITION</b>							
Net Investment in Capital Assets	5,381,049	696,279	10,421,547	-	2,728,245		19,227,119
Restricted for Debt Service	2,849,655	274,949	612,767	-	-		3,737,372
Restricted for Miscellaneous Reserves	-	-	52,350	-	-		52,350
Unrestricted	8,346,940	243,961	1,941,117	640,730	(2,684,178)		8,488,569
<b>TOTAL NET POSITION</b>	<b>\$ 16,577,643</b>	<b>\$ 1,215,189</b>	<b>\$ 13,027,781</b>	<b>\$ 640,730</b>	<b>\$ 44,067</b>	<b>\$ -</b>	<b>\$ 31,505,410</b>



**Public Utility District No. 1 of Whatcom County**

NOTES TO FINANCIAL STATEMENT

**Statement of Cash Flows**

As of December 31, 2018

	<b>403</b>	<b>411</b>	<b>481</b>	<b>490</b>	<b>500</b>	
	<b>INDUSTRIAL</b>	<b>GRANDVIEW</b>	<b>ELECTRIC</b>	<b>BPA-ALCOA</b>	<b>INTERNAL</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>WATER</b>			<b>ESCROW</b>	<b>SERVICE</b>	
Receipts from Customers	\$ 9,155,301	\$ 210,969	\$ 11,445,762	\$ -	\$ 7,717	\$ 20,819,750
Payments to suppliers	(2,295,155)	(63,983)	(9,763,949)	(17,016)	(1,365,101)	(13,505,204)
Payments to employees (Labor only)					(1,951,519)	(1,951,519)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 6,860,147</b>	<b>\$ 146,986</b>	<b>\$ 1,681,813</b>	<b>\$ (17,016)</b>	<b>\$ (3,308,903)</b>	<b>\$ 5,363,027</b>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from (to) Other Utilities	(2,692,012)	(98,710)	(779,582)	(72,984)	3,643,288	0
Payments Received for Non-operating work	229,991					229,991
Payments (Paid) for Non-operating work	(179,547)					(179,547)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>\$ (2,641,568)</b>	<b>\$ (98,710)</b>	<b>\$ (779,582)</b>	<b>\$ (72,984)</b>	<b>\$ 3,643,288</b>	<b>\$ 50,444</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of Capital Assets	(304,654)	(0)	(576,440)		(344,134)	(1,225,228)
Principal paid on Capital Debt	(1,819,994)	(145,763)	(455,006)			(2,420,763)
Interest paid on Capital Debt	(1,056,274)	(30,464)	(117,198)			(1,203,937)
Assessments Received for 2007 & 2016 debt payments		173,751				173,751
<b>NET CASH PROVIDED / (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (3,180,922)</b>	<b>\$ (2,476)</b>	<b>\$ (1,148,644)</b>	<b>\$ -</b>	<b>\$ (344,134)</b>	<b>\$ (4,676,176)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	149,717	9,853	45,009	5,059	146	209,784
<b>NET CASH PROVIDED / (USED) FROM INVESTING ACTIVITIES</b>	<b>\$ 149,717</b>	<b>\$ 9,853</b>	<b>\$ 45,009</b>	<b>\$ 5,059</b>	<b>\$ 146</b>	<b>\$ 209,784</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 1,187,374</b>	<b>\$ 55,653</b>	<b>\$ (201,404)</b>	<b>\$ (84,941)</b>	<b>\$ (9,603)</b>	<b>\$ 947,079</b>
<b>BALANCE BEGINNING OF YEAR</b>	<b>8,438,540</b>	<b>551,868</b>	<b>2,883,143</b>	<b>348,181</b>	<b>105,166</b>	<b>12,326,899</b>
<b>BALANCE END OF PERIOD</b>	<b>\$ 9,625,914</b>	<b>\$ 607,521</b>	<b>\$ 2,681,739</b>	<b>\$ 263,240</b>	<b>\$ 95,563</b>	<b>\$ 13,273,978</b>

**Public Utility District No. 1 of Whatcom County**

NOTES TO FINANCIAL STATEMENT

**Statement of Cash Flows**

As of December 31, 2018

	<b>403</b>	<b>411</b>	<b>481</b>	<b>490</b>	<b>500</b>	
	<b>INDUSTRIAL</b>	<b>GRANDVIEW</b>	<b>ELECTRIC</b>	<b>BPA-ALCOA</b>	<b>INTERNAL</b>	<b>TOTAL</b>
	<b>WATER</b>			<b>ESCROW</b>	<b>SERVICE</b>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>						
Operating Income (Loss)	\$ 3,250,168	\$ 24,068	\$ 250,713	\$ (0)	\$ (0)	\$ 3,524,949
<b>Adjustments to reconcile operating income to net cash</b>						
<b>provided (used) by operating activity</b>						
Depreciation	943,129	75,720	427,087	-	193,858	1,639,794
Decrease (Increase) in Net Accounts Receivable	83,659	(7,492)	4,323	-	(777)	79,713
Decrease (Increase) in Prepayments	-	-	-	-	(1,585)	(1,585)
Interfund Transfers	2,503,276	48,710	997,980	(17,016)	(3,532,950)	(0)
Increase (Decrease) in Account Payable	56,776	4,414	(13,453)	-	(40,062)	7,674
Increase (Decrease) in Accrued Employee Payable	20,234	1,574	-	-	39,792	61,600
Increase (Decrease) in Accrued Insurance Claims Reserve	(1,248)	(157)	(273)	-	(1,010)	(2,688)
Increase (Decrease) in Accrued Utility Taxes	(467)	150	22,209	-	-	21,892
Increase (Decrease) in Contractor Retainage	3,651	-	(6,773)	-	33,831	30,708
Increase (Decrease) in Deposits & Other Payables	969	-	-	-	-	969
<b>NET CASH PROVIDED BY OPERATING</b>						
<b>ACTIVITIES</b>	<b>\$ 6,860,147</b>	<b>\$ 146,986</b>	<b>\$ 1,681,813</b>	<b>\$ (17,016)</b>	<b>\$ (3,308,903)</b>	<b>\$ 5,363,027</b>

**Public Utility District No. 1 of Whatcom County**  
NOTES TO FINANCIAL STATEMENT  
For The Year Ended December 31, 2018

**NOTE 11 - PROPERTY TAXES**

The Whatcom County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar	
January 1	Tax is levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Whatcom County annually publishes the 'Statement of Assessed Valuations, Tax Rates, and Taxes Levied Within the Various Taxing Districts of Whatcom County'. The District's assessed value is equal to the Total Value of Taxable Property of Whatcom County. The District's assessed valuation of taxable property for 2018 was \$28,763,666,830. This information can be found at <http://www.co.whatcom.wa.us/178/Annual-Tax-Book>.

The District may levy up to \$0.45 per \$1,000 of assessed valuation for general District services.

The District had no tax levies for 2018 or 2017.

Washington State Constitution and Washington State Law, RCW 84.55.010 and RCW 54.16.080, limit the rate.

**NOTE 12 - RISK MANAGEMENT**

The District has had no settlements with outside parties within the last three years.

In January 2002 the Public Utility District No.1 of Whatcom County became a member of the Public Utility Risk Management Services, [PURMS], a joint self-insurance fund. Its membership is comprised of 16 Public Utility Districts and NOANET, a Washington nonprofit mutual corporation providing broadband communications services.

The Public Utility Risk Management Services, Joint Self-Insurance Fund was organized as of December 30, 1976, pursuant to the provisions of the Revised Code of Washington, Chapter 54.16.200 and inter-local agreements. The program's general objectives are to formulate, develop, and administer, on behalf of the member public utilities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

The District is a member of the Liability and Property Pools. The risks shared by the members are defined in the member's Self-Insurance Agreement. Both pools (liability and property) operate independently of one another. The Fund maintains assets from which liability claims against the member Districts and property losses of member Districts are paid and, through assessments of the members to replenish these assets, the members share joint liability among themselves for losses incurred. The Fund also purchases excess insurance for losses above the \$1,000,000 for liability and above \$250,000 for property.

The members, through the Fund, provide liability self-insurance for the first \$1 million of individual loss claims. Assessments for the liability pool are based upon a formula whose elements include; basic fees, historic claims experience and workers hours. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. In 2018, the Designated Balance of the Liability pool was \$3,450,000. Interim assessments are levied whenever the level of the liability program falls below \$500,000 of the Designated Liability Pool balance.

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
**For The Year Ended December 31, 2018**

Through PURMS, an AEGIS liability policy covers an additional \$35 million over the initial \$1 million. At the end of 2009, the District decided to also add another \$25 million in coverage through an EIM policy over the previous \$36 million in coverage.

Effective April 1, 1997 the Fund established a self-insurance program for member's property. The property program provides property self-insurance for the first \$250,000 of individual loss claims. Assessments for the property pool are based upon a formula whose elements include: basis fees, property values and risk based rates. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. For the property program, member Districts are obligated to replenish to a level of \$750,000 through annual assessments. Interim assessments are levied whenever the level of the property program is reduced to an amount less than \$500,000. PURMS maintains an Excess Property Insurance for its members in the Property Pool of \$200 million.

PURMS, per an annual actuarial report, maintains an asset on their books called the Year-End Claims Reserve Receivable. This is an estimate of unreported and unresolved claims outstanding at year-end. It was recommended that this Reserve needs to be reflected on the balance sheet of the insurance pool members. The District started recording this reserve in 2016. Per the year-end Actuarial report, the District's share of the Claims Reserve Receivable at year end was \$60,274 (\$49,730 for the Liability Pool, \$10,544 for the Property Pool), compared to the 2017 share balance of \$62,962 (\$50,705 for the Liability Pool, \$12,257 for the Property Pool), a \$2,688 reduction.

A comprehensive 2018 Annual Report can be obtained by contacting:

Public Utility Risk Management Services  
Administered by Pacific Underwriters  
PO Box 68787, Seattle, WA 98168  
Phone; 800-562-5226 FAX: 206-248-0130

**Public Utility District No. 1 of Whatcom County**  
**NOTES TO FINANCIAL STATEMENT**  
For The Year Ended December 31, 2018

Risk pool insurance premiums and pool assessments for the District were as follows for 2018 and 2017:

INVOICE DATE	CARRIER	TYPE	KIND	PREMIUM / ASSESSMENT		DISTRICT COST
<b>PURMS 2017</b>						
<b><u>LIABILITY</u></b>						
1/9/2017	AEGIS	LIABILITY	LIAB \$35M EXCESS \$1M	1,288,881.81		
1/6/2016	EIM	LIABILITY	LIAB \$25M EXCESS \$36M	210,624.13	1.43%	21,453.72
1/6/2017	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	50,835.00	1.57%	800.58
5/31/2017	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	1,079,768.00	1.53%	16,486.79
6/30/2017	AEGIS	LIABILITY	PROF LIAB [E&O]	166,868.16	1.42%	2,374.16
9/20/2017	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	567,044.00	1.57%	8,917.14
11/7/2017	RETENTION FUNDING ASSESS.	LIABILITY	RETENTION FUNDING	100,000.00	1.64%	1,641.98
11/17/2017	EVEREST NATIONAL	LIABILITY	FRONTING POLICY	5,000.00	1.42%	71.14
11/17/2017	BERKLEY	LIABILITY	CYBER POLICY \$10M EXCE	109,791.20	1.50%	1,642.68
12/31/2017	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	478,227.00	1.60%	7,648.22
				<b>4,057,039.30</b>	<b>1.50%</b>	<b>61,036.41</b>
<b><u>PROPERTY</u></b>						
1/6/2017	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	226,185.00	3.32%	7,512.20
1/30/2017	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	280,357.00	3.24%	9,085.20
4/4/2017	NATIONAL UNION & HOMESITE	PROPERTY	EXCESS PROPERTY POLICY	858,145.14	2.77%	23,805.39
9/20/2017	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	267,109.00	3.24%	8,661.80
12/31/2017	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	123,591.00	3.24%	4,002.45
				<b>1,755,387.14</b>	<b>3.02%</b>	<b>53,067.04</b>
<b>PURMS 2018</b>						
<b><u>LIABILITY</u></b>						
1/3/2018	AEGIS	LIABILITY	LIAB \$35M EXCESS \$1M	1,386,050.38		
1/3/2018	EIM	LIABILITY	LIAB \$25M EXCESS \$36M	220,834.13	1.56%	25,031.13
7/2/2018	AEGIS	LIABILITY	PROF LIAB [E&O]	164,511.69	1.56%	2,562.68
7/9/2018	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	553,952.00	1.70%	9,441.77
11/13/2018	EVEREST NATIONAL	LIABILITY	FRONTING POLICY	5,000.00	1.56%	77.90
11/13/2018	BERKLEY	LIABILITY	CYBER POLICY \$10M EXCE	112,029.22	1.65%	1,843.86
11/13/2018	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	585,226.00	1.59%	9,303.22
12/31/2018	GENERAL ASSESSMENT	LIABILITY	LIAB GENRL ASSESS	194,917.00	1.76%	3,421.96
				<b>3,222,520.42</b>	<b>1.60%</b>	<b>51,682.52</b>
<b><u>PROPERTY</u></b>						
4/6/2018	NATIONAL UNION & HOMESITE	PROPERTY	\$200M EXCESS \$250K	936,227.45	2.77%	25,971.21
7/9/2018	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	256,354.00	3.24%	8,313.71
12/31/2018	GENERAL ASSESSMENT	PROPERTY	PROP GENRL ASSESS	190,060.00	3.25%	6,184.88
				<b>1,382,641.45</b>	<b>2.93%</b>	<b>40,469.80</b>

**MCAG NO. 1806**

**Public Utility District No. 1 of Whatcom County**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**Western Conference of Teamsters Pension Plan**  
**Schedule of Employer Contributions**  
**For The Year Ended December 31, 2018**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contribution Rate per Qualified Hour	\$ 5.75	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.25	\$ 5.00	\$ 4.75	\$ 4.50	\$ 4.40	\$ 4.25
Annual Maximum Hours	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080
Maximum Annual Contribution per Employee	\$ 11,960	\$ 11,440	\$ 11,440	\$ 11,440	\$ 10,920	\$ 10,400	\$ 9,880	\$ 9,360	\$ 9,152	\$ 8,840
# Covered Employees at 12/31	6	6	6	6	6	6	6	6	7	7
Actual Contributions	\$ 72,444	\$ 73,521	\$ 68,833	\$ 73,194	\$ 65,723	\$ 60,916	\$ 61,645	\$ 60,542	\$ 68,238	\$ 63,485
Covered-employee payroll	\$423,316	\$487,409	\$420,577	\$407,579	\$405,406	\$421,384	\$390,873	\$414,130	\$423,233	\$402,241
Contributions as a % of covered-employee payroll	17.1%	15.1%	16.4%	18.0%	16.2%	14.5%	15.8%	14.6%	16.1%	15.8%

Note: The contribution is solely based on straight-time compensable hour paid to the employee.