

PUD NO 1 OF SKAGIT COUNTY
STATEMENT OF NET POSITION (Unaudited)
AS OF SEPTEMBER 30, 2018

| | <u>2017</u> | <u>2018</u> |
|---------------------------------------|----------------|----------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| CASH AND INVESTMENTS | \$ 4,245,783 | \$ 7,273,948 |
| CUSTOMER ACCOUNTS RECEIVABLE (NET) | 3,075,385 | 3,157,096 |
| ACCOUNTS RECEIVABLE, OTHER | 198,112 | 50,956 |
| MATERIALS INVENTORY | 1,619,653 | 1,485,799 |
| PREPAID EXPENSES | 376,189 | 412,125 |
| OTHER CURRENT ASSETS | 219,138 | 188,854 |
| TOTAL CURRENT ASSETS | 9,734,260 | 12,568,778 |
| RESTRICTED ASSETS | | |
| CASH AND INVESTMENTS | 4,916,049 | 9,435,675 |
| GRANTS AND FED STIMULUS RECEIVABLE | 0 | 0 |
| TOTAL RESTRICTED ASSETS | 4,916,049 | 9,435,675 |
| NONCURRENT ASSETS | | |
| INVESTMENTS | 3,639,006 | 2,178,979 |
| LUD ASSESSMENTS RECEIVABLE | 768,355 | 634,143 |
| PRECONSTRUCTION COSTS | 1,185,063 | 2,047,825 |
| CAPITAL ASSETS | | |
| NON OPERATING PROPERTY | 29,521 | 29,521 |
| LAND AND LAND RIGHTS | 579,821 | 1,950,116 |
| CONSTRUCTION IN PROGRESS | 16,526,103 | 19,089,589 |
| PLANT | 203,729,449 | 211,162,161 |
| EARTHEN IMPOUNDING RESERVOIR | 12,375,489 | 12,340,502 |
| EQUIPMENT | 9,859,376 | 11,577,113 |
| ACCUMULATED DEPRECIATION | (74,348,792) | (80,205,567) |
| TOTAL NONCURRENT ASSETS | 174,343,391 | 180,804,382 |
| TOTAL ASSETS | \$ 188,993,700 | \$ 202,808,835 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| DEFERRED OUTFLOWS RELATED TO PENSIONS | 1,136,027 | 717,153 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 1,136,027 | \$ 717,153 |

PUD No 1 of Skagit County (Skagit PUD) has prepared these financial statements in accordance with generally accepted accounting principles. These financial statements should be read in conjunction with the notes to the financial statements included in Skagit PUD's Annual Report as of December 31, 2016. This information is provided for general information. Not all the information is intended for nor should it be relied upon for making investment decision by current or prospective investors.

PUD NO 1 OF SKAGIT COUNTY
STATEMENT OF NET POSITION (Unaudited)
AS OF SEPTEMBER 30, 2018

| | <u>2017</u> | <u>2018</u> |
|--|----------------|----------------|
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| ACCOUNTS PAYABLE | \$ 964,965 | \$ 961,061 |
| RETAINAGE PAYABLE | 119,860 | 22,535 |
| TAXES PAYABLE | 104,755 | 144,103 |
| CUSTOMER DEPOSITS | 157,847 | 152,158 |
| ACCRUED INTEREST ON DEBT | 191,507 | 352,887 |
| BONDS AND LOANS PAYABLE | 2,519,789 | 2,708,423 |
| OTHER CURRENT LIABILITIES | 145,066 | 234,388 |
| TOTAL CURRENT LIABILITIES | 4,203,789 | 4,575,555 |
| NONCURRENT LIABILITIES | | |
| OTHER POSTEMPLOYMENT BENEFITS | 1,285,524 | 1,555,078 |
| COMPENSATED ABSENCES | 572,043 | 551,493 |
| REVENUE BONDS OUTSTANDING, NET | 9,015,279 | 12,381,938 |
| PUBLIC WORKS TRUST FUND LOANS | 6,168,922 | 4,887,721 |
| DRINKING WATER STATE REV FUND LOANS | 8,221,435 | 10,417,620 |
| TOTAL NONCURRENT LIABILITIES | 25,263,203 | 29,793,850 |
| NET PENSION LIABILITY | 6,078,187 | 4,189,495 |
| TOTAL LIABILITIES | \$ 35,545,179 | \$ 38,558,900 |
| DEFERRED INFLOWS OF RESOURCES | | |
| DEFERRED INFLOWS RELATED TO PENSIONS | 105,213 | 906,074 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ 105,213 | \$ 906,074 |
| NET POSITION | | |
| INVESTED IN CAPITAL ASSETS NET OF DEBT | \$ 133,701,353 | \$ 133,143,260 |
| RESTRICTED ASSETS | 4,916,049 | 9,435,675 |
| UNRESTRICTED ASSETS | 15,861,933 | 21,482,079 |
| TOTAL NET POSITION | \$ 154,479,335 | \$ 164,061,014 |

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PUD NO 1 OF SKAGIT COUNTY
OPERATING REVENUES AND EXPENSE TRACKING (Unaudited)
FOR NINE MONTHS ENDING SEPTEMBER 30, 2018

| | 2017 <u>YTD Actual</u> | 2018 <u>YTD Actual</u> | 2018 <u>YTD Budget</u> | Actual to Budget <u>favorable (unfavorable)</u> | |
|--|---------------------------|---------------------------|---------------------------|--|------|
| OPERATING REVENUE | | | | | |
| WATER SALES | | | | | |
| JUDY SYSTEM | \$ 15,421,407 | \$ 16,592,821 | \$ 16,269,139 | \$ 323,682 | 102% |
| FIDALGO/SIMILK | 299,061 | 342,686 | 357,797 | (15,111) | 96% |
| CEDARGROVE | 73,488 | 82,609 | 72,115 | 10,494 | 115% |
| ROCKPORT | 25,436 | 28,321 | 26,241 | 2,080 | 108% |
| MOUNTAIN VIEW | 8,972 | 10,267 | 8,230 | 2,037 | 125% |
| ALGER/SAMISH | 66,699 | 47,020 | 62,169 | (15,149) | 76% |
| POTLATCH | 32,089 | 38,391 | 36,809 | 1,582 | 104% |
| SKAGIT VIEW VILLAGE | 31,725 | 35,955 | 30,799 | 5,156 | 117% |
| MARBLEMOUNT | 13,461 | 14,918 | 11,108 | 3,810 | 134% |
| TOTAL WATER SALES | <u>15,972,338</u> | <u>17,192,988</u> | <u>16,874,407</u> | <u>318,581</u> | 102% |
| OTHER OPERATING REVENUE | | | | | |
| MISC SERVICE CHARGES | 220,161 | 231,333 | 205,493 | 25,840 | 113% |
| BROADBAND SERVICES, NET OF COSTS | 8,125 | 9,753 | 3,150 | 6,603 | 310% |
| TOTAL OTHER OPERATING REVENUE | <u>228,286</u> | <u>241,086</u> | <u>208,643</u> | <u>32,443</u> | 116% |
| TOTAL OPERATING REVENUE | <u>16,200,624</u> | <u>17,434,074</u> | <u>17,083,050</u> | <u>351,024</u> | 102% |
| OPERATING EXPENSES | | | | | |
| SALARIES/WAGES/BENEFITS | 5,800,025 | 6,102,936 | 6,412,569 | 309,633 | 95% |
| WATER PURCHASED FROM OTHERS | 160,780 | 131,017 | 138,750 | 7,733 | 94% |
| ELECTRICITY PURCHASED FOR PUMPING | 295,060 | 384,161 | 363,375 | (20,786) | 106% |
| CHEMICALS FOR TREATMENT | 333,720 | 346,656 | 319,913 | (26,743) | 108% |
| GENERAL SUPPLIES AND SERVICES | 782,754 | 881,967 | 886,545 | 4,578 | 99% |
| UTILITIES | 124,785 | 149,602 | 143,482 | (6,120) | 104% |
| POSTAGE AND SHIPPING | 69,555 | 51,470 | 71,220 | 19,750 | 72% |
| EQUIP MAINT CONTRACTS | 13,730 | 18,952 | 13,912 | (5,040) | 136% |
| PURCHASED TELECOMMUNICATIONS SVCS | 26,871 | 20,037 | 29,325 | 9,288 | 68% |
| MEMBERSHIPS | 58,173 | 54,952 | 62,300 | 7,348 | 88% |
| TECHNOLOGY/SCADA/SUPPORT | 185,425 | 333,011 | 347,167 | 14,156 | 96% |
| PROFESSIONAL SERVICES | 279,207 | 240,513 | 468,750 | 228,237 | 51% |
| TRAVEL AND TRAINING | 122,042 | 82,059 | 176,907 | 94,848 | 46% |
| EQUIPMENT AND VEHICLE EXPENSE | 111,864 | 117,743 | 145,634 | 27,891 | 81% |
| INSURANCE EXPENSE | 305,802 | 285,710 | 335,314 | 49,604 | 85% |
| ADVERTISING EXPENSE | 24,801 | 19,904 | 29,325 | 9,421 | 68% |
| BAD DEBT EXPENSE | 24,705 | 29,536 | 22,500 | (7,036) | 131% |
| HEALTH PERMITS | 34,010 | 34,010 | 34,265 | 255 | 99% |
| MISCELLANEOUS EXPENSES | 54,233 | 54,988 | 40,970 | (14,018) | 134% |
| UTILITY TAXES | 771,423 | 823,152 | 832,527 | 9,375 | 99% |
| TRANSFERS TO CONSTRUCTION IN PROGRESS | (1,004,611) | (852,789) | (750,000) | 102,789 | 114% |
| TOTAL OPERATING EXPENSES | <u>8,574,354</u> | <u>9,309,587</u> | <u>10,124,750</u> | <u>815,163</u> | 92% |
| NET OPERATING INCOME BEFORE DEPRECIATION AND OPEB COSTS | | | | | |
| | <u>\$ 7,626,270</u> | <u>\$ 8,124,487</u> | <u>\$ 6,958,300</u> | <u>\$ 1,166,187</u> | 117% |

PUD NO 1 OF SKAGIT COUNTY
REVENUES, EXPENSES AND CHANGES IN NET POSITION (Unaudited)
FOR NINE MONTHS ENDING SEPTEMBER 30, 2018

| | 2017 YTD Actual | 2018 YTD Actual | 2018 YTD Budget | Actual to Budget favorable (unfavorable) | |
|---|-----------------------|-----------------------|---------------------|---|-------------|
| OPERATING REVENUE | | | | | |
| RESIDENTIAL-MULTIPLE | \$ 11,150,530 | \$ 11,996,580 | \$ 12,039,848 | \$ (43,268) | 100% |
| COMMERCIAL-INDUSTRIAL-FARMS-FIRE PROTECTION | 3,663,867 | 3,871,803 | 3,889,270 | (17,467) | 100% |
| GOVERNMENTAL | 439,970 | 473,625 | 493,195 | (19,570) | 96% |
| RESALE | 91,851 | 100,583 | 82,627 | 17,956 | 122% |
| IRRIGATION | 626,120 | 750,397 | 369,467 | 380,930 | 203% |
| TOTAL WATER SALES | <u>15,972,338</u> | <u>17,192,988</u> | <u>16,874,407</u> | <u>318,581</u> | <u>102%</u> |
| OTHER WATER REVENUES | 220,161 | 231,333 | 205,493 | 25,840 | 113% |
| BROADBAND REVENUES, NET OF COSTS | 8,125 | 9,753 | 3,150 | 6,603 | 310% |
| TOTAL OPERATING REVENUES | <u>16,200,624</u> | <u>17,434,074</u> | <u>17,083,050</u> | <u>351,024</u> | <u>102%</u> |
| OPERATING EXPENSES | | | | | |
| SUPPLY | 469,839 | 517,446 | 592,596 | 75,150 | 87% |
| TREATMENT | 1,401,145 | 1,618,278 | 1,654,065 | 35,787 | 98% |
| TRANSMISSION AND DISTRIBUTION | 705,350 | 727,055 | 871,621 | 144,566 | 83% |
| PURCHASED TELECOMMUNICATIONS SVCS | 26,871 | 20,037 | 41,400 | 21,363 | 48% |
| CUSTOMER ACCOUNTS | 1,128,926 | 1,194,942 | 1,282,781 | 87,839 | 93% |
| ADMINISTRATIVE AND GENERAL | 4,070,803 | 4,408,678 | 4,849,760 | 441,082 | 91% |
| UTILITY TAXES | 771,423 | 823,152 | 832,527 | 9,375 | 99% |
| DEPRECIATION EXPENSE | 3,814,848 | 4,088,293 | 3,702,677 | (385,616) | 110% |
| TOTAL OPERATING EXPENSES | <u>12,389,205</u> | <u>13,397,881</u> | <u>13,827,427</u> | <u>429,546</u> | <u>97%</u> |
| OPERATING INCOME (LOSS) | <u>3,811,419</u> | <u>4,036,193</u> | <u>3,255,623</u> | <u>780,570</u> | <u>124%</u> |
| NON OPERATING REVENUE | | | | | |
| INTEREST INCOME | 92,184 | 220,218 | 58,650 | 161,568 | 375% |
| INTEREST AND PENALTY INCOME ON LUDS | 16,693 | 19,097 | 24,526 | (5,429) | 78% |
| MISCELLANEOUS INCOME | 30,200 | 22,453 | 33,750 | (11,297) | 67% |
| GAINS ON CAPITAL ASSET DISPOSALS | 14,969 | 26,931 | 0 | 26,931 | 100% |
| TOTAL NON OPERATING REVENUE | <u>154,046</u> | <u>288,699</u> | <u>116,926</u> | <u>171,773</u> | <u>247%</u> |
| NON OPERATING EXPENSE | | | | | |
| MISCELLANEOUS EXPENSE | 766 | 110 | 600 | 490 | 18% |
| INTEREST ON DEBT, NET | 354,614 | 443,405 | 601,449 | 158,044 | 74% |
| TOTAL NON OPERATING EXPENSE | <u>355,380</u> | <u>443,515</u> | <u>602,049</u> | <u>158,534</u> | <u>74%</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS | <u>3,610,085</u> | <u>3,881,377</u> | <u>2,770,500</u> | <u>1,110,877</u> | <u>140%</u> |
| CAPITAL CONTRIBUTIONS | | | | | |
| NON DONATED PLANT | 332,600 | 262,064 | 225,000 | 37,064 | 116% |
| DONATED PLANT | 433,078 | 2,738,198 | 300,000 | 2,438,198 | 913% |
| SYSTEM DEVELOPMENT FEES | 1,156,264 | 1,344,302 | 825,000 | 519,302 | 163% |
| SERVICES | 415,317 | 344,084 | 306,000 | 38,084 | 112% |
| PIPE REPLACEMENT | 458,932 | 464,338 | 458,677 | 5,661 | 101% |
| GRANTS | 0 | 0 | 427,500 | (427,500) | 0% |
| TOTAL CAPITAL CONTRIBUTIONS | <u>2,796,191</u> | <u>5,152,986</u> | <u>2,542,177</u> | <u>2,610,809</u> | <u>203%</u> |
| CHANGE IN NET POSITION | 6,406,276 | 9,034,363 | <u>\$ 5,312,677</u> | <u>\$ 3,721,686</u> | 170% |
| NET POSITION, JANUARY 1 | <u>148,073,061</u> | <u>155,026,651</u> | | | |
| NET POSITION, SEPTEMBER 30 | <u>\$ 154,479,337</u> | <u>\$ 164,061,014</u> | | | |