To the Board of Commissioners

Highland Water District

Monroe, Washington

Management is responsible for the accompanying financial statements of Highland Water District, which comprise the statement of net position as of December 31, 2016 and the related statement of revenues, expenses and changes in fund net position and statement of cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 1 through 4 and the pension plan information on Schedule I be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. This information is the representation of management. This information was subject to our compilation engagement; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

C.P. McAuliffe, C.P.A.

C.P. McAuliffe, C.P.A., P.S.

Certified Public Accountants

April 3, 2017

Highland Water District

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December 31, 2016

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**Brief Discussion of the Basic Financial Statements**

The District’s financial statements include a Statement of Net Position, a Statement of Revenues, Expenses & Changes in Fund Net Position, a Statement of Cash Flows, and Notes to Financial Statements. The financial statements are prepared using the accrual basis of accounting and conform to generally accepted accounting principles as applicable to proprietary funds of governments. The intent of the management’s discussion and analysis is to provide highlights of the District’s financial activities for the year ended December 31, 2016. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

The statement of net position provides a record, or snap shot, 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 the obligations to District creditors (liabilities). It provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the year. This information can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, 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 over the course of the year. It presents information regarding where cash came from and what it was used for.

The notes to the financial statements provide useful information regarding the District's significant accounting policies, explain significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

**Condensed Comparative Statement of Net Position**

The following condensed statements of net position present an overview of the District’s financial position as of December 31, 2016 and 2015.

2016 2015

**Assets**

Current Assets $ 1,179,632 $ 828,690

Noncurrent Assets:

Capital Assets - Net 8,532,749 8,703,422

Other 365,087 376,108

Total Assets $ 10,077,468 $ 9,908,220

**Liabilities**

Current Liabilities $ 474,681 $ 432,862

Noncurrent Liabilities:

Long-Term Debt 4,340,142 4,633,626

Other 10,032 8,456

Total Liabilities $ 4,824,855 $ 5,074,944

**Net Position**

Net Investment in Capital Assets $ 3,899,126 $ 3,775,258

Restricted for Debt Service 144,929 124,500

Restricted for Capital Projects - -

Unrestricted 1,208,558 933,518

Total Net Position $ 5,252,613 $ 4,833,276

**Analysis of the Condensed Comparative Statement of Net Position**

Assets

Current assets consist of cash and cash equivalents held in the maintenance and construction funds which are unrestricted and can be used for day-to-day operations. The balance held in these funds increased by $311,834 in 2016. Current assets also include cash and cash equivalents held in restricted accounts, which include the USDA reserve funds and ULID accounts. Combined, these accounts increased by $34,690 in 2016. The remainder of the current assets include accounts receivable, accrued interest receivable, prepaid expenses, inventories and the current portion of the Friar Creek assessments receivable. Together these accounts increased by $4,418 in 2016.

Noncurrent Assets consist of U.L.I.D. assessments receivable and assessments receivable for Friar Creek, net of the current portion. These items decreased by $11,021 due to the principal collections received in 2016. Noncurrent assets also include capital assets net of accumulated depreciation. These accounts decreased by $170,683 primarily due to the 2016 depreciation expense on these items.

Liabilities

Current liabilities consist of accounts payable, accrued wages, accrued interest payable on debt and the current portion of long-term debt. These items increased $41,819 in 2016.

Noncurrent Liabilities consist of vested employee benefits and long-term debt. Long-term debt decreased by $293,484 in 2016. This decrease was due to required payments of principal during the year in the amount of $289,692. The District did not incur any additional long-term debt during the year.

Net Position consists of assets minus liabilities. The increase in net position for 2016 corresponds to the change in net position from the statement of revenues, expenses, and changes in fund net position. Over time, increases or decreases in the District’s net position indicate the District’s overall financial growth. The increase in net position is a positive sign of the District’s financial strength.

**Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position**

The following statements of revenues, expenses and changes in fund net position present the annual surplus or deficiency of revenues over expenses (the change in net position):

2016 2015

**Revenues**

Water Operating Revenue $ 1,158,034 $ 1,102,348

Interest Income 22,981 22,136

Total Revenues $ 1,181,015 $ 1,124,484

**Expenses**

Operating Expenses $ 856,267 $ 821,844

Nonoperating Expenses 167,811 178,831

Total Expenses $ 1,024,078 $ 1,000,675

Change in Net Position before

Capital Contributions $ 156,937 $ 123,809

Capital Contributions 262,400 38,900

Change in Net Position $ 419,337 $ 162,709

**Total Net Position, January 1** 4,833,276 4,670,567

**Total Net Position, December 31** $ 5,252,613 $ 4,833,276

**Analysis of the Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position**

Revenues

Water operating revenue increased by $55,686 in 2016. Nonoperating revenue, which is interest income from investments, was almost unchanged in 2016. Water operating revenue increased in part due to a rate increase to offset the rate increase from the City of Everett.

Expenses

Operating expenses increased by $34,423 in 2016. The increase was mostly due to increased system maintenance & supplies expenses and general & administrative expenses. System maintenance increase by $15,597 and general & administrative expenses increased by $22,721 in 2016.

Nonoperating expenses consist of interest expense on long-term debt. The interest on long-term debt decreased by $6,927 in 2016 due to a decreasing outstanding loan balance through 2016 as the District paid down its debt. No new borrowings occurred in 2016.

**Analysis of the Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position (Continued)**

Capital Contributions increased by $223,500 in 2016.

Change in Net Position

The District recorded growth in their net position in 2016, reflecting the fact that total revenues exceeded expenses.

**Analysis of Overall Financial Condition**

The District’s financial condition improved in 2016 with adequate liquid assets and positive operating cash flow.

**Capital Assets**

Capital assets consist of land, utility plant and equipment. The District completed its update to the Comprehensive Plan in 2015 and wrote off old items no longer in service. Over the next five years it is not anticipated there will be any major capital spending other than changing out meters.

Capital assets activity for the year ended December 31, 2016 was as follows:

Balance Balance

12/31/16 12/31/15 Change

Land $ 99,147 $ 99,147 $ -

Utility Plant 11,419,111 11,395,123 23,988

Equipment 73,968 73,968 -

Intangibles 89,763 75,866 13,897

Accumulated Depreciation (3,149,240) (2,940,685) (208,555)

Total Capital Assets, Net $ 8,532,749 $ 8,703,419 $ (170,670)

See Note 3 for more information regarding capital assets.

**Long-Term Debt**

At December 31, 2016, the District had total Public Works Trust Fund and Drinking Water State Revolving Fund loans outstanding of $1,149,673, and total United States Department of Agriculture loans outstanding of $3,483,954. The total long-term debt of the District decreased by $289,692 during 2016 due to principal payments made on the loans. See Note 5 for more information regarding long-term debt.

2016

ASSETS

Current Assets

Cash & Cash Equivalents $ 810,617

Accrued Interest Receivable 335

Assessments Receivable - Friar Creek (Current Portion) 10,079

Receivables (Net):

Customer Accounts Receivable 108,367

Restricted Assets:

Cash & Cash Equivalents 211,219

Accrued Interest Receivable 928

Inventories 27,183

Prepayments 10,904

Total Current Assets $ 1,179,632

Noncurrent Assets

Assessments Receivable - Friar Creek (Less Current Portion) $ 357,192

Restricted Assets:

U.L.I.D. Assessments Receivable 7,895

Capital Assets Not Being Depreciated

Land and Land Rights 99,147

Capital Assets Being Depreciated

Plant 11,419,111

Equipment 73,968

Intangibles 89,763

Less Accumulated Depreciation (3,149,240)

Total Noncurrent Assets $ 8,897,836

Total Assets $ 10,077,468

2016

LIABILITIES

Current Liabilities

Accounts Payable $ 49,027

Accrued Wages 7,167

Accrued Interest Payable 4,671

Current Portion of Long-Term Debt 293,485

Developer Deposits 45,233

Payables from Restricted Assets:

Accrued Interest Payable - USDA Loans 75,098

Total Current Liabilities $ 474,681

Noncurrent Liabilities

Department of Agriculture Loans (Less Current Portion) $ 3,396,027

Public Works Trust Fund Loans (Less Current Portion) 887,908

State Revolving Fund Loan (Less Current Portion) 56,207

Vested Benefits 10,032

Total Noncurrent Liabilities $ 4,350,174

Total Liabilities $ 4,824,855

NET POSITION

Net Investment in Capital Assets $ 3,899,126

Restricted for Debt Service 144,929

Unrestricted 1,208,558

Total Net Position $ 5,252,613

2016

Operating Revenues

Water Sales $ 1,142,383

Penalties 12,810

Miscellaneous Revenue 2,841

Total Operating Revenues $ 1,158,034

Operating Expenses

Water Purchases $ 190,172

Labor Costs 168,675

Payroll Taxes & Benefits 59,138

System Maintenance and Supplies 32,129

Other Operating Expenses 18,046

Depreciation Expense 208,555

Business Taxes 61,150

General & Administrative Expenses 118,402

Total Operating Expenses $ 856,267

Operating Income (Loss) $ 301,767

Nonoperating Revenues (Expenses)

Interest on Investments $ 22,981

Interest Expense (167,811)

Total Nonoperating Revenues (Expenses) $ (144,830)

Income Before Contributions $ 156,937

Capital Contributions 262,400

Change in Net Position $ 419,337

Total Net Position, January 1 4,833,276

Total Net Position, December 31 $ 5,252,613

2016

Cash Flows From Operating Activities

Cash Received From Customers $ 1,149,862

Cash Paid to Suppliers (424,635)

Cash Paid to Employees (215,979)

Net Cash Provided by Operating Activities $ 509,248

Cash Flows From Capital & Related

Financing Activities

Acquisition and Construction of Capital Assets $ (37,882)

Principal Payments on Public Works

Trust Fund Loans (149,352)

Principal Payments on State Revolving Fund Loan (56,207)

Principal Payments on Dept. of Agriculture Loans (84,132)

Interest Paid on Long-Term Debt (171,000)

Capital Contributions 272,912

Developer & Other Deposits 40,387

Net Cash (Used) by Capital

& Related Financing Activities $ (185,274)

Cash Flows From Investing Activities

Interest Received on Investments $ 22,550

Net Cash Provided by Investing Activities $ 22,550

Net Increase in Cash & Cash Equivalents $ 346,524

Cash & Cash Equivalents at Beginning of Year 675,312

Cash & Cash Equivalents at End of Year $ 1,021,836

Noncash Investing, Capital and Financing Activities

Contributions of Capital Assets from Developers $ -

2016

Reconciliation of Net Operating Income

to Net Cash Provided by Operating Activities

Net Operating Income (Loss) $ 301,767

Adjustments to Reconcile Net Operating

Income to Net Cash Provided by

Operating Activities

Depreciation $ 208,555

Change in Assets & Liabilities:

(Increase) Decrease in Customer Accounts Receivable (8,172)

(Increase) Decrease in Prepayments 613

(Increase) Decrease in Inventories 4,081

Increase (Decrease) in Accounts Payable 828

Increase (Decrease) in Vested Benefits 1,576

Total Adjustments $ 207,481

Net Cash Provided by Operating Activities $ 509,248

NOTE 1 - DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

Highland Water District is a municipal water district governed by an elected 3 member board. The District operates principally as a purveyor of water in Snohomish County, Washington. The District was formed effective April 1, 1998 under the authority of Highland Water District Resolution No. 98-001, after the Snohomish County Canvassing Board certified that the special election held March 10, 1998 overwhelmingly voted for the formation of Highland Water District. The District merged with the Friar Creek Water Users Association on January 9, 2003. As part of the merger agreement, the properties in the Friar Creek Water Users Association will bear the total expense for, and repayment of, the U.S. Department of Agriculture Rural Development loan to Highland Water District for the new system and additional fire protection. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The District has no component units.

b. Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The District uses the uniform system of accounts for water utilities as prescribed by the National Association of Regulatory Utility Commissioners.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds. Unbilled utility service receivables are recorded at year end. All activities of the District are accounted for within a single proprietary (enterprise) fund.

The District distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District’s principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales and related services. Operating expenses pertain to the furnishing of those services and include the cost of sales and services, administration expenses and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Cash and Cash Equivalents

For 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.

NOTE 1 - DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Capital Assets

Capital assets placed in service are recorded at cost. The District uses a capitalization threshold of $1,000. The provision for depreciation is computed on the straight-line method with the following useful lives: Equipment, 3-10 years; Plant, 5-75 years; Intangibles, 5-10 years. Donations by developers are recorded at the contract price. The assets and liabilities of the Highland Water Association were transferred to the District on April 1, 1998. The costs associated with the formation of the District have been capitalized.

Repairs and maintenance are expensed as incurred, while major renewals, replacements and betterments are capitalized.

Preliminary planning and design costs incurred for proposed projects are held pending construction of the facility. Costs relating to projects that are ultimately constructed are transferred to capitalized utility plant. Costs relating to those projects abandoned are charged to expense when it is determined that they will not be completed.

See Note 3.

e. Restricted Funds

In accordance with bond resolutions and loan agreements, separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including debt service requirements.

f. Receivables

Receivables consist primarily of amounts due from water customers. All receivables are recorded when earned. No allowance for uncollectible accounts is provided since the District has power to record liens for its receivables and, generally, does not experience significant uncollectible amounts.

g. Inventories

Inventory of materials is recorded at cost on the first-in/first-out basis and a physical inventory is taken at the end of each calendar year.

h. Investments

Investments are recorded at cost which generally approximates market value. See Note 2.

NOTE 1 - DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when incurred.

NOTE 2 - DEPOSITS & INVESTMENTS

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 Washington Public Deposit Protection Commission (PDPC).

All investments are under the management of the Snohomish County Treasurer. As required by state law, all investments of the District’s funds are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, the State Treasurer’s Investment Pool, or certificates of deposit with Washington State banks and savings and loan institutions.

The District’s cash and investment balances at year end are shown below. Carrying amount and market value are the same.

12/31/16

Petty Cash Fund $ 399

Bank Deposit Accounts - FDIC Insured 175,557

Cash on Deposit with Snohomish

County Treasurer 82,610

Investment in State Investment Pool 763,270

Total Cash & Investments $ 1,021,836

Credit risk - As of December 31, 2016, the District’s investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSPO).

Interest rate risk - The Pool is a 2a-7 like pool. Consequently, the District’s investments in the Pool are not subject to interest rate risk as the weighted average maturity of the Pool’s portfolio will not exceed 90 days.

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 was as follows:

Beginning Ending

Balance Increase Decrease Balance

Capital assets not being depreciated:

Land $ 99,147 $ - $ - $ 99,147

Total capital assets not

being depreciated 99,147 - - 99,147

Capital assets being depreciated:

Plant 11,395,123 23,988 - 11,419,111

Equipment 73,968 - - 73,968

Intangibles 75,866 13,897 - 89,763

Total capital assets being

depreciated 11,544,957 37,885 - 11,582,842

Less accumulated depreciation for:

Plant 2,845,242 194,444 - 3,039,686

Equipment 67,280 2,973 - 70,253

Intangibles 28,163 11,138 - 39,301

Total accumulated

depreciation 2,940,685 208,555 - 3,149,240

Total capital assets being

depreciated, net 8,604,272 (170,670) - 8,433,602

TOTAL CAPITAL

ASSETS, NET $ 8,703,419 $ (170,670) $ - $ 8,532,749

NOTE 4 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total $2,082,209. Of the committed balance of $2,082,209, the District anticipates raising $1,737,197 by future DWSRF loans.

Project Expended Required

Authorization to 12/31/16 Committed Future Financing

Reservoir Coating $ 183,909 $ - $ 183,909 $ -

Telemetry & Security 150,000 - 150,000 -

Woods Lake Rd project 1,767,197 - 1,767,197 1,737,197

Meter Replacement 50,000 - 50,000 -

GIS/Mapping 50,000 - 50,000 -

$ 2,201,106 $ - $ 2,201,106 $ 1,737,197

NOTE 5 - LONG-TERM DEBT

a. Department of Agriculture Loans

The District has entered into agreements with the United States Department of Agriculture to receive the following loans:

2016

1996 loan - payable at $1,826 monthly (including

interest at 5.5% per annum) through the year 2036

Original debt: $353,858 for main replacement. $ 261,678

2003 loan - payable at $29,858 annually (including

interest at 4.625% per annum) through the year 2027

Original debt: $471,530 for main replacement. 243,809

2003 loan - payable at $27,016 annually (including

interest at 4.5% per annum) through the year 2023

Original debt: $355,503 for main replacement. 140,283

2009 loan - payable at $161,551 annually (including

interest at 4.25% per annum) through the year 2049

Original debt: $3,051,000 for main replacement. 2,838,184

$ 3,483,954

The annual requirements to amortize all Department of Agriculture loans outstanding as of December 31, 2016, including interest, are as follows:

Principal Interest Total

2017 $ 87,927 $ 152,410 $ 240,337

2018 91,892 148,445 240,337

2019 96,038 144,299 240,337

2020 100,372 139,965 240,337

2021 104,903 135,434 240,337

2022 - 2026 485,913 608,984 1,094,897

2027 - 2031 426,669 505,439 932,108

2032 - 2036 502,921 403,158 906,079

2037 - 2041 512,176 295,581 807,757

2042 - 2046 630,665 177,091 807,756

2047 - 2049 444,478 38,224 482,702

$ 3,483,954 $ 2,749,030 $ 6,232,984

NOTE 5 - LONG-TERM DEBT (Continued)

b. Public Works Trust Fund Loans

The District has entered into agreements with the Department of Community, Trade and Economic Development of the State of Washington to receive the following Public Works Trust Fund loans:

2016

2000 loan - payable at $4,931 annually through

the year 2020, plus interest at .5% per annum

Original debt: $124,430 for main replacement $ 19,725

2000 loan - payable at $8,644 annually through

the year 2020, plus interest at .5% per annum

Original debt: $229,755 for main replacement 34,578

2002 loan - payable at $73,786 annually through

the year 2022, plus interest at .5% per annum

Original debt: $1,530,000 for main replacement 442,714

2004 loan - payable at $17,671 annually through

the year 2024, plus interest at .5% per annum

Original debt: $335,750 for Reservoir 2 preconstruction 141,368

2005 loan - payable at $14,122 annually through

the year 2025, plus interest at 2% per annum

Original debt: $362,093 for main replacement 127,098

2005 loan - payable at $30,197 annually through

the year 2025, plus interest at .5% per annum

Original debt: $573,750 for Reservoir 2 271,776

$ 1,037,259

The annual requirements to amortize all Public Works Trust Fund loans outstanding as of December 31, 2015, including interest, are as follows:

Principal Interest Total

2017 $ 149,352 $ 7,093 $ 156,445

2018 149,352 6,134 155,486

2019 149,352 5,176 154,528

2020 149,352 4,217 153,569

2021 135,776 3,258 139,034

2022 - 2026 304,075 5,233 309,308

$ 1,037,259 $ 31,111 $ 1,068,370

NOTE 5 - LONG-TERM DEBT (Continued)

c. Drinking Water State Revolving Fund Loan

The District has entered into an agreement with the Department of Community, Trade and Economic Development of the State of Washington to receive the following Drinking Water State Revolving Fund loan:

1997 loan - payable at $56,207 annually through

the year 2018, plus interest at 4% per annum

Original debt: $1,023,501 for reservoir & PRV $ 112,414

The annual requirements to amortize the Drinking Water State Revolving Fund loan outstanding as of December 31, 2016, including interest, are as follows:

Principal Interest Total

2017 $ 56,206 $ 4,497 $ 60,704

2018 56,208 2,248 58,455

$ 112,414 $ 6,745 $ 119,159

d. Changes in Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

Balance Balance Due Within

1/1/16 Additions Reductions 12/31/16 One Year

U.S. Department of

Agriculture Loans $ 3,568,086 $ - $ 84,132 $ 3,483,954 $ 87,927

Public Works Trust

Fund Loans 1,186,611 - 149,352 1,037,259 149,352

Drinking Water

State Revolving

Fund Loan 168,621 - 56,207 112,414 56,206

Compensated

Absences 8,456 1,576 - 10,032 -

Total Long-Term

Liabilities $ 4,931,774 $ 1,576 $ 289,691 $ 4,643,659 $ 293,485

NOTE 6 - PENSION PLAN

All District employees covered by a collective bargaining agreement are members of the Western Conference of Teamsters Pension Trust fund, a cost-sharing multiple employer union pension plan. The plan provides for retirement, death and/or termination benefits for eligible employees, based on specific eligibility/participation requirements, vesting periods and benefit formulas. The risks of participating in this multiemployer plan are different from a single-employer plan in the following aspects:

Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the multiemployer plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If the District chooses to stop participating in the plan, the District may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. However, cessation of participation in a multiemployer plan and subsequent payment of any withdrawal liability is subject to the collective bargaining process.

Additional information can be obtained by writing to Western Conference of Teamster Pension Plan, 2323 Eastlake Avenue East, Seattle, WA 98102.

Effective January 1, 2016, the District makes pension contributions to the Pension Trust fund, a defined benefit pension plan, on the behalf of all three covered employees at the rate of $0.75 per hour for the first 2,080 hours. In addition to the $0.75 per hour contributed by the District, the covered employees are contributing $0.75 per hour on a pre-tax basis from their pay. The District’s total contributions to the Trust Fund were $4,680 in 2016, $4,680 in 2015, and $4,704 in 2014. The District contributed 100% of the required amount in each of these years. There is no unfunded liability on the District’s part. The current collective bargaining agreement covers the period of January 1, 2015 through December 31, 2017.

As of January 1, 2015, the actuarial value of the assets in the Pension Trust fund was $36,878,833,000, the value of the liabilities was $40,167,661,000 and the funded ratio was 91.8%. The market value of the fund on December 31, 2015 was $36,292,562,294. As of December 31, 2015, the asset allocation of the fund’s assets were as follow: 40% Stocks, 29.1% Investment grade debt instruments, 7.3% High-yield debt instruments, 12.6% Real Estate, 11% Other.

NOTE 7 - RISK MANAGEMENT

The District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal

NOTE 7 - RISK MANAGEMENT (Continued)

Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2016, there are 524 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

* $1,000,000 deductible on liability loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $999,000 on liability loss.
* $250,000 deductible on property loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $249,000 on property loss.
* Enduris is responsible for the $4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is $20 million per occurrence and property coverage limit is $1 billion per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

For years ending December 31, 2014, 2015, and 2016, the District had no claims in excess of their insurance coverage.

NOTE 8 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUPPLEMENTARY INFORMATION

