



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

Clearview Water Supply Agency

Snohomish County

For the period January 1, 2013 through December 31, 2014

Published May 26, 2015

Report No. 1014330





Washington State Auditor

May 26, 2015

Board of Commissioners
Clearview Water Supply Agency
Lynnwood, Washington

Report on Financial Statements

Please find attached our report on the Clearview Water Supply Agency's financial statements.

We are issuing this report in order to provide information on the Agency's financial condition.

Sincerely,

A handwritten signature in cursive script, reading "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Clearview Water Supply Agency
Snohomish County
January 1, 2013 through December 31, 2014**

Board of Commissioners
Clearview Water Supply Agency
Lynnwood, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Clearview Water Supply Agency, Snohomish County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated May 5, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

May 5, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Clearview Water Supply Agency Snohomish County January 1, 2013 through December 31, 2014

Board of Commissioners
Clearview Water Supply Agency
Lynnwood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Clearview Water Supply Agency, Snohomish County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clearview Water Supply Agency, as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 13 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2015 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Jan M. Jutte". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

May 5, 2015

FINANCIAL SECTION

**Clearview Water Supply Agency
Snohomish County
January 1, 2013 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014
Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014
Statement of Net Position – 2013
Statement of Revenues, Expenses and Changes in Fund Net Position – 2014
Statement of Revenues, Expenses and Changes in Fund Net Position – 2013
Statement of Cash Flows – 2014
Statement of Cash Flows – 2013
Notes to Financial Statements – 2014
Notes to Financial Statements – 2013

CLEARVIEW WATER SUPPLY AGENCY
Management's Discussion and Analysis
For the Year Ended December 31, 2014

Overview of the Financial Statements

As Management of Clearview Water Supply Agency (Agency), we have prepared a narrative overview and analysis of the financial activities of the Agency for the fiscal year ended December 31, 2014. Please read this in conjunction with the financial statements, including the footnotes.

We think it would be helpful to first explain the purpose of the Agency's three basic financial statements:

1. *Statement of Net Position*
2. *Statement of Revenues, Expenses, and Changes in Fund Net Position*
3. *Statement of Cash Flows*

The *Statement of Net Position* presents detailed information on all of the Agency's assets and liabilities, with the difference between total assets and total liabilities, represented as "net position". This statement reports all of the Agency's assets and liabilities at a precise date, in our case December 31. It is like taking a "financial photograph" of the Agency on the last day of the year.

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* represents revenue and expenses beginning January 1 and ending December 31, the same ending date as the *Statement of Net Position*. This statement, in part, measures the success of the Agency's operations to collect enough revenue to pay for the costs of providing water services. It also reports other non-operating revenue and expenses such as investment interest income.

The *Statement of Cash Flows* reflects the sources and uses of cash. This statement includes a reconciliation of Operating Income from the accrual basis statements to the Net Cash Provided by Operating Activities. Other non financial factors such as changes in funding structures and the condition of operating assets should be considered when assessing the overall health of the Agency.

Notes to the financial statements - These notes provide additional information that is essential to a full understanding of the information provided in the financial statements.

Total Net Position

	<u>2014</u>	<u>2013</u>	<u>\$ Change</u>	<u>% Change</u>
Current and Other Assets	\$ 2,828,330	\$ 1,545,775	\$ 1,282,555	83.0%
Total Assets	<u>2,828,330</u>	<u>1,545,775</u>	<u>1,282,555</u>	<u>83.0%</u>
Current and Other Liabilities	1,598,048	315,902	1,282,146	405.9%
Total Liabilities	<u>1,598,048</u>	<u>315,902</u>	<u>1,282,146</u>	<u>405.9%</u>
Net Investment in Capital Assets				
Restricted	-	-		
Unrestricted	1,230,282	1,229,873	409	0.03%
Total Net Position	<u>\$ 1,230,282</u>	<u>\$ 1,229,873</u>	<u>\$ 409</u>	<u>0.03%</u>

For the twelve months ending December 31, 2014, the total net position of the Agency increased by \$409 or 0.03%. The increase is the net of an increase in current assets of \$1,282,555 and an increase in current liabilities of \$1,282,146. The components of current assets are \$853,788 in cash and investments and \$674,017 in receivables. The only component of current liabilities is \$297,523 in accounts payable. Included in current and other assets is a receivable from the City of Everett in the amount of \$1,300,525 to reimburse the Agency for overcharges during the period 2011 – 2014, which occurred due to faulty metering. This sum is also included in the current and other liabilities since it will be distributed to the partner water districts (\$715,859 payable to Alderwood Water & Wastewater District; \$506,311 payable to Silver Lake Water & Sewer District; \$78,355 payable to Cross Valley Water District) based on water consumption over the four year period. The impact of these Everett transactions is zero as noted on the statement of cash flows.

Revenues, Expenses, and Changes in Fund Net Position

Total revenues for 2014 were \$3,796,571. This is a decrease of \$921,843 or 19.5% from 2013 (\$4.72 million to \$3.80 million). Total operating expenses decreased from \$4,718,414 in 2013 to \$3,796,571 in 2014. This includes a decrease of \$335,463 or 9.5% in purchased water, an increase in cost of power of \$18,443 or 8.1%, a decrease in operating expenses of \$271,293 or 84.8%, and a decrease in maintenance expenses of \$333,530 or 52.7%. The decrease in revenue is primarily due to a decrease in maintenance and operating expenses that are billed to the three partner water districts. A decrease of roughly 10% in purchased water expense also contributed to the decrease in revenue. This sizable reduction in purchased water expense stems from the discovery in 2014 of inaccurate metering of water sold to the Agency from the City of Everett. Clearview recognized this billing error in 2014 to compensate for the overbilled water consumption, which reduced the 2014 amount by roughly 10%. All normal expenses are billed back to the represented entities, either based on water use (purchased water and power) or on ownership share (operating and maintenance expenses). Thus by policy, expenses will be equal to utility revenue. The non-operating revenue of \$409 is interest income which flows through to the change in net position.

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Change</u>
Utility Revenue	\$ 3,796,571	\$ 4,718,414	\$ (921,843)	-19.5%
Non-Operating Revenue	409	961	(552)	-57.4%
Total Revenues	<u>3,796,980</u>	<u>4,719,375</u>	<u>(922,395)</u>	<u>-19.5%</u>
Purchased Water	3,201,262	3,536,725	(335,463)	-9.5%
Cost of Power	247,144	228,701	18,443	8.1%
Operating Expenses	48,444	319,737	(271,293)	-84.8%
Maintenance Expenses	299,721	633,251	(333,530)	-52.7%
Total Expenses	<u>3,796,571</u>	<u>4,718,415</u>	<u>(921,843)</u>	<u>-19.5%</u>
Income Before Contributed Operational Funds	<u>409</u>	<u>961</u>	<u>(552)</u>	<u>-57.5%</u>
Change in Net Position	409	961	(552)	-57.4%
Beginning Net Position	1,229,873	1,228,912	961	0.1%
Ending Net Position	<u>\$ 1,230,282</u>	<u>\$ 1,229,873</u>	<u>\$ 409</u>	<u>0.0%</u>

Management's Discussion and Analysis For the year ended December 31, 2013

Overview of the Financial Statements

As Management of Clearview Water Supply Agency (Agency), we have prepared a narrative overview and analysis of the financial activities of the Agency for the fiscal year ended December 31, 2013. Please read this in conjunction with the financial statements, including the footnotes.

We think it would be helpful to first explain the purpose of the Agency's three basic financial statements:

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The *Statement of Revenues, Expenses and Changes in Fund Net Position* represents revenue and expenses beginning January 1 and ending December 31, the same ending date as the *Statement of Net Position*. This statement, in part, measures the success of the Agency's operations to collect enough revenue to pay for the costs of providing water services. It also reports other non-operating revenue and expenses such as investment interest income.

The *Statement of Cash Flows* reflects the sources and uses of cash. This statement includes a reconciliation of Operating Income from the accrual basis statements to the Net Cash Provided by Operating Activities. Other non financial factors such as changes in funding structures and the condition of operating assets should be considered when assessing the overall health of the Agency.

Notes to the financial statements - These notes provide additional information that is essential to a full understanding of the information provided in the financial statements.

Total Net Position

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
Current and Other Assets	\$ 1,545,775	\$ 1,580,282	\$ (34,507)	-2.2%
Total Assets	<u>1,545,775</u>	<u>1,580,282</u>	<u>(34,507)</u>	<u>-2.2%</u>
Current Liabilities	315,902	351,370	(35,468)	-10.1%
Total Liabilities	<u>315,902</u>	<u>351,370</u>	<u>(35,468)</u>	<u>-10.1%</u>
Net Investment in Capital Assets				
Restricted	-	-		
Unrestricted	<u>1,229,873</u>	<u>1,228,912</u>	<u>961</u>	<u>0.08%</u>
Total Net Position	<u>\$ 1,229,873</u>	<u>\$ 1,228,912</u>	<u>\$ 961</u>	<u>0.08%</u>

For the twelve months ending December 31, 2013, the total net position of the Agency increased by \$961 or 0.08%. The increase is the net of a decrease in current assets of \$34,507 and a decrease in current liabilities of \$35,468. The components of current assets are \$909,979 in cash and investments, and \$635,796 in receivables. The only component of current liabilities is \$315,902 in accounts payable.

Management's Discussion and Analysis
For the year ended December 31, 2013

Revenues, Expenses and Changes in Fund Net Position

Total revenues for 2013 were \$4,719,375. This is a decrease of \$126,935 or 2.6% from 2012 (\$4.85 million to \$4.72 million). Total operating expenses decreased to \$4,718,415. This includes a decrease of \$339,653 or 8.8% in purchased water, a decrease in cost of power of \$13,007 or 5.4%, an increase in operating expenses of \$279,146 or 687.7%, and a decrease in maintenance expenses of \$53,411 or 7.8%. The decrease in revenue is due primarily to a decrease in the amount of water sold and to a lesser degree a decrease in the price charged per CCF (hundred cubic feet) for wholesale water provided by the Alderwood Water & Wastewater District (AWWD). The increase in operating expenses is a result of recognizing the initial reservoir ground lease rent of \$255,000 per the lease agreement between the Agency and AWWD that became effective May 15, 2013. Annual ongoing rent is \$1 during the 75-year term of the agreement. All normal expenses are billed back to the represented entities, either based on water use (purchased water and power) or on ownership share (operating and maintenance expenses). Thus by policy, expenses will be equal to utility revenue. The non-operating revenue of \$961 is interest income which flows through to the change in net position.

	2013	2012	\$ Change	% Change
Utility Revenue	\$ 4,718,415	\$ 4,845,339	\$ (126,925)	-2.6%
Non-Operating Revenue	961	587	374	63.7%
Total Revenues	<u>4,719,375</u>	<u>4,845,926</u>	<u>(126,551)</u>	<u>-2.6%</u>
Purchased Water	3,536,725	3,876,378	(339,653)	-8.8%
Cost of Power	228,701	241,708	(13,007)	-5.4%
Operating Expenses	319,737	40,591	279,146	687.7%
Maintenance Expenses	633,251	686,662	(53,411)	-7.8%
Total Expenses	<u>4,718,415</u>	<u>4,845,339</u>	<u>(126,925)</u>	<u>-2.6%</u>
Income Before Contributed Operational Funds	<u>961</u>	<u>587</u>	<u>374</u>	<u>63.7%</u>
Change in Net Position	961	587	374	63.7%
Beginning Net Position	1,228,912	1,228,325	587	0.0%
Ending Net Position	<u>\$ 1,229,873</u>	<u>\$ 1,228,912</u>	<u>\$ 961</u>	<u>0.1%</u>

CLEARVIEW WATER SUPPLY AGENCY
Statement of Net Position
December 31, 2014

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 443,891
Investments	409,897
Receivables	674,017
Other Receivables	<u>1,300,525</u>

Total Current Assets	<u>2,828,330</u>
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Total Assets	<u><u>2,828,330</u></u>
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LIABILITIES

Current Liabilities:

Accounts Payable	297,523
Accounts Payable - Other	<u>1,300,525</u>

Total Current Liabilities	<u>1,598,048</u>
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Total Liabilities	<u><u>1,598,048</u></u>
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NET POSITION

Net Investment in Capital Assets	-
Restricted	-
Unrestricted	<u>1,230,282</u>
Total Net Position	<u><u>\$ 1,230,282</u></u>

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

CLEARVIEW WATER SUPPLY AGENCY
STATEMENT OF NET POSITION
December 31, 2013

ASSETS

Current Assets:

Cash and cash equivalents	\$ 500,490
Investments	409,489
Receivables	<u>635,796</u>

Total Current Assets	<u>1,545,775</u>
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Total Assets	<u><u>1,545,775</u></u>
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LIABILITIES

Current Liabilities:

Accounts Payable	<u>315,902</u>
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Total Liabilities	<u>315,902</u>
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NET POSITION

Net Investment in Capital Assets	-
Restricted	-
Unrestricted	<u>1,229,873</u>

Total Net Position	<u><u>\$ 1,229,873</u></u>
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The Notes to the financial statements are an integral part of this statement.

CLEARVIEW WATER SUPPLY AGENCY
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2014

OPERATING REVENUES:

Alderwood Water & Wastewater District Revenue	\$	2,066,874
Silver Lake Water & Sewer District Revenue		1,454,927
Cross Valley Water District Revenue		274,770

Total Operating Revenue		3,796,571
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OPERATING EXPENSES:

Water Purchased for Resale		3,201,262
Cost of Power		247,144
General Operations		48,444
Maintenance		299,721

Total Operating Expenses		3,796,571
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OPERATING INCOME (LOSS)

		-
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NONOPERATING REVENUES (EXPENSES):

Interest Income		409
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Total Nonoperating Revenues (Expenses)		409
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CHANGE IN NET POSITION		409
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TOTAL NET POSITION, January 1		1,229,873
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TOTAL NET POSITION, December 31	\$	1,230,282
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The notes to the financial statements are an integral part of this statement.

CLEARVIEW WATER SUPPLY AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ending December 31, 2013

OPERATING REVENUES:	
Alderwood Water & Wastewater District Revenue	\$ 2,623,256
Silver Lake Water & Sewer District Revenue	1,699,260
Cross Valley Water District Revenue	395,898
	<hr/>
Total Operating Revenue	4,718,415
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OPERATING EXPENSES:	
Water Purchased for Resale	3,536,725
Cost of Power	228,701
General Operations	319,737
Maintenance	633,251
	<hr/>
Total Operating Expenses	4,718,415
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OPERATING INCOME (LOSS)	-
	<hr/>
NONOPERATING REVENUES (EXPENSES):	
Interest Income	961
	<hr/>
Total Nonoperating Revenues (Expenses)	961
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CHANGE IN NET POSITION	961
TOTAL NET POSITION, January 1	1,228,912
TOTAL NET POSITION, December 31	<u><u>\$ 1,229,873</u></u>

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

CLEARVIEW WATER SUPPLY AGENCY
Statement of Cash Flows
For the Year Ended December 31, 2014

CASH FLOWS from OPERATING ACTIVITIES	
Receipts from customers	\$ 3,758,350
Payments for purchased water	(3,213,902)
Payments to suppliers	(601,048)
Net cash provided (used) by operating activities	<u>(56,600)</u>
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES	
Contributed operational funds	<u>-</u>
Net cash provided (used) by non-capital financing activities	-
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES	
Net Cash provided (used) by capital and related financing activities	<u>-</u>
CASH FLOWS from INVESTING ACTIVITIES	
Interest received on investments	<u>409</u>
Net cash provided by investing activities	409
Net Increase (decrease) in cash and cash equivalents	<u>(56,191)</u>
Balances - beginning of the year	909,979
Balances - end of the year	<u><u>\$ 853,788</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	-
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(38,221)
Increase (decrease) in accounts payable	(18,379)
Decrease (increase) in accounts receivable (other) Everett purchased water refund	(1,300,525)
Increase (decrease) in accounts payable (other) distribution to partners from Everett refund	1,300,525
Net cash provided by operating activities	<u><u>\$ (56,600)</u></u>

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

**CLEARVIEW WATER SUPPLY AGENCY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 4,782,832
Cash paid for purchased water	(3,582,893)
Cash payments to suppliers	(1,170,989)
Net Cash Provided (Used) by Operating Activities	<u>28,950</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Contributed Operational Funds	-
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>-</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Net Cash Provided (Used) for Capital Financing Activities	<u>-</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received on investments	961
Net Cash Provided (Used) by Investing Activities	<u>961</u>

NET INCREASE (DECREASE) IN CASH	<u>29,911</u>
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Cash and Equivalents at Beginning of Year	880,068
Cash and Equivalents at End of Year	<u><u>\$ 909,979</u></u>

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

Net Operating Income	-
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease (Increase) in accounts receivable	64,418
Increase (Decrease) in accounts payable	(35,468)

Net Cash Provided by Operating Activities	<u><u>\$ 28,950</u></u>
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The notes to the financial statements are an integral part of this statement.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

These notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clearview Water Supply Agency (Agency) 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.

A. Reporting Entity

Clearview Water Supply Agency is a municipal corporation governed by an appointed three member Board of Commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Clearview Water Supply Agency has no component units.

B. Basis of Accounting and Presentation

The accounting records of the Agency are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Agency uses the following accounting manual:

(1) Uniform System of Accounts for Class A Water Utilities - National Association of Regulatory Utility Commissioners

The Agency 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.

The Agency distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Agency's ongoing operations. The principal operating revenues of the Agency are the charges for water to the Agency's three customers, Alderwood Water & Wastewater District, Silver Lake Water & Sewer District and Cross Valley Water District. Operating expenses for the Agency include the cost to purchase water and power, administrative expenses, operating and maintenance expenses. 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 Agency considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

D. Utility Plant and Depreciation

There is no utility plant and depreciation. All utility plant assets are owned by the Agency's customers: Alderwood Water & Wastewater District, Silver Lake Water & Sewer District and Cross Valley Water District.

E. Receivables

The Agency consists of three customers, Alderwood Water & Wastewater District, Silver Lake Water & Sewer District, and Cross Valley Water District.

F. Investments

See Note 3.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 2 – JOINT VENTURE

In accordance with generally accepted accounting principles, Clearview Water Supply Agency is a joint venture with each entity's equity interest reported on its member entities' financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

Clearview Water Supply Agency deposits 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).

Investments

As of December 31, 2014, the Agency had the following deposits and investments:

	Fair Value 12/31/2014	Fair Value 12/31/2013
Deposits:	\$ 443,891	\$ 500,490
Investment in State Treasurer's Investment Pool	\$ 409,897	\$ 409,489
Total Deposits and Investment Pool	\$ 853,788	\$ 909,979

Investments are stated at fair value on the statement of net assets. Changes in fair value, when material, are recorded and presented in the statement of revenues, expenses, and changes in fund net position as an increase or decrease in fair value.

The LGIP is managed in a manner generally consistent with Security and Exchange Commission (SEC) regulated Rule 2a-7 money market funds. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The portfolio is made up of high-quality, highly liquid securities, and its relatively short average maturity reduces the pool's price sensitivity to market interest rate fluctuations. The LGIP maintains a weighted average maturity of 60 days or less and a weighted average life of 120 days or less. Investments are either fully insured or held by the LGIP's third party custody provider in the name of the LGIP. The LGIP's annual financial statements are audited by an independent Certified Public Accounting firm.

NOTE 4 - RISK MANAGEMENT

The Clearview Water Supply Agency is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 68 members. The Pool's fiscal year is November 1st through October 31st.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 4 - RISK MANAGEMENT - continued

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group purchased insurance coverage for its members: Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability; Crime; Public Officials Liability; Identity Fraud Reimbursement Program; and bonds of various types. All coverages are on an "occurrence" basis.

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$10,000 and See (C) below	\$25,000	\$1,000,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$75,000,000 (\$25,000,000 dedicated to Alderwood and \$50,000,000 shared by all members)
Terrorism	\$1,000 - \$10,000	\$25,000 Primary layer	\$100,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000-\$10,000	\$25,000	\$10,000,000
Liability:			
Commercial General Liability	\$1,000 - \$10,000	\$200,000	\$10,000,000
Auto Liability	\$1,000 - \$10,000	\$200,000	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$10,000	\$200,000	\$10,000,000
Employment Practices	\$1,000 - \$10,000	\$200,000	\$10,000,000
TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION	EXCESS LIMITS
Other:			
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$10,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$25,000	\$0
A. \$100,000 member deductibles, per occurrence, in Flood Zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. If the stated deductible is on a percentage basis, the deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber Liability is \$100,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.			

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 4 - RISK MANAGEMENT - continued

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above except where noted as follows. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the Cyber Liability, and that part of a Boiler & Machinery deductible which exceeds \$25,000.

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2015, written notice must be in possession of the Pool by April 30, 2015). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with Arcadia Claims Services.

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting, and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2013**

These notes are an integral part of the accompanying financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clearview Water Supply Agency (Agency) 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.

A. Reporting Entity

Clearview Water Supply Agency is a municipal corporation governed by an appointed three member Board of Commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. Clearview Water Supply Agency has no component units.

B. Basis of Accounting and Presentation

The accounting records of the Agency are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Agency uses the following accounting manual:

(1) Uniform System of Accounts for Class A Water Utilities -National Association of Regulatory Utility Commissioners

The Agency 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.

The Agency distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Agency's ongoing operations. The principal operating revenues of the Agency are the charges for water to the Agency's three customers, Alderwood Water & Wastewater District, Silver Lake Water & Sewer District and Cross Valley Water District. Operating expenses for the Agency include the cost to purchase water and power, administrative expenses, operating and maintenance expenses. 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 Agency considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

D. Utility Plant and Depreciation

There is no utility plant and depreciation. All utility plant assets are owned by the Agency's customers: Alderwood Water & Wastewater District, Silver Lake Water & Sewer District and Cross Valley Water District.

E. Receivables

The Agency consists of three customers, Alderwood Water & Wastewater District, Silver Lake Water & Sewer District and Cross Valley Water District.

F. Investments

See Note 3.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2013**

NOTE 2 – JOINT VENTURE

In accordance with generally accepted accounting principles, Clearview Water Supply Agency is a joint venture with each entity's equity interest reported on its member entities' financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

Clearview Water Supply Agency deposits 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).

Investments

As of December 31, 2013, the Agency had the following deposits and investments:

	Fair Value 12/31/2013	Fair Value 12/31/2012
Deposits:	\$ 500,490	\$ 221,540
Investment in State Treasurer's Investment Pool	\$ 409,489	\$ 658,528
Total Deposits and Investment Pool	\$ 909,979	\$ 880,068

Investments are stated at fair value on the Statement of Net Position. Changes in fair value, when material, are recorded and presented in the statement of revenues, expenses and changes in fund net position as an increase or decrease in fair value.

The LGIP is managed in a manner generally consistent with Security and Exchange Commission (SEC) regulated Rule 2a-7 money market funds. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The portfolio is made up of high-quality, highly liquid securities, and its relatively short average maturity reduces the pool's price sensitivity to market interest rate fluctuations. The LGIP maintains a weighted average maturity of 60 days or less and a weighted average life of 120 days or less. Investments are either fully insured or held by the LGIP's third party custody provider in the name of the LGIP. The LGIP's annual financial statements are audited by an independent Certified Public Accounting firm.

NOTE 4 - RISK MANAGEMENT

The Agency is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 70 members. The Pool's fiscal year is November 1st through October 31st.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2013**

NOTE 4 - RISK MANAGEMENT – continued

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group purchased insurance coverage for its members: Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability; Crime; Public Officials Liability; Identity Fraud Reimbursement Program; and bonds of various types. All coverages are on an "occurrence" basis.

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

TYPE OF COVERAGE		MEMBER DEDUCTIBLE	SELF-INSURED RETENTION	EXCESS LIMITS
Property Loss:				
Buildings and Contents		\$1,000 - \$10,000	\$25,000	\$1,000,000,000
Flood		See (A) below	\$25,000	\$50,000,000
Earthquake		See (B) below	\$25,000	\$75,000,000
Terrorism		\$1,000 - \$10,000	\$25,000	\$100,000,000
Boiler & Machinery		\$1,000 - \$10,000	\$25,000 - \$350,000	\$100,000,000
Auto - Physical Damage		\$25,000	\$200,000	\$10,000,000
Liability:				
Comprehensive General Liability		\$1,000 - \$10,000 (C)	\$200,000	\$10,000,000
Auto Liability		\$1,000 - \$10,000	\$200,000	\$10,000,000
Public Officials Errors and Omissions		\$1,000 - \$10,000	\$200,000	\$10,000,000
Employment Practices/Benefits		\$1,000 - \$10,000	\$200,000	\$10,000,000
Crime		\$1,000 - \$10,000	\$25,000	\$2,000,000
Terrorism		\$1,000 - \$10,000	\$200,000	\$100,000,000
Identity Fraud		\$0	\$25,000	\$0
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.				
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. If the stated deductible is a flat dollar amount, the deductible will apply on a per occurrence basis, unless otherwise states. If the stated deductible is on a percentage basis, the deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.				
C. Cyber liability has a 10% coinsurance for Public Relations Consultancy and Credit File Monitoring. Cyber liability retention is \$50,000 per occurrence for each insured/member with TIV up to \$500,000,000 at the time of loss. \$100,000 per occurrence for each insured/member with TIV greater than \$500,000,000 at the time of loss. 8 hour waiting period for first party claims.				

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2013**

NOTE 4 - RISK MANAGEMENT – continued

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims).

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2014, written notice must be in the Pool possession by April 30, 2014). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with Arcadia Claims Services.

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting, and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

NOTE 5 - Operating Lease

The Agency leases the reservoir ground site under a noncancelable operating lease. The total cost for this lease was \$255,000 for the year ended December 31, 2013. Per the lease agreement signed in 2013, future annual lease payments will be \$1 (one dollar).

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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