Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

East Wenatchee Water District

Douglas County

For the period January 1, 2015 through December 31, 2016

Published December 7, 2017

Report No. 1020303

Office of the Washington State Auditor
Pat McCarthy

December 7, 2017

Board of Commissioners
East Wenatchee Water District
East Wenatchee, Washington

Report on Financial Statements

Please find attached our report on the East Wenatchee Water District's financial statements.

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

Sincerely,

Pat McCarthy

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*

East Wenatchee Water District
Douglas County
January 1, 2015 through December 31, 2016

Board of Commissioners
East Wenatchee Water District
East Wenatchee, 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 East Wenatchee Water District, Douglas County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2017.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the District has elected to change its method of presenting approximately $4.2 million of investments by classifying them as cash and cash equivalents. In prior years, the District classified these accounts as temporary investments.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District's financial statements are free from material misstatement, we performed tests of the District'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 District'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 District'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.

Pat McCarthy

State Auditor

Olympia, WA

November 16, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

East Wenatchee Water District
Douglas County
January 1, 2015 through December 31, 2016

Board of Commissioners
East Wenatchee Water District
East Wenatchee, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the East Wenatchee Water District, Douglas County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 10.

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 opinions 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 District'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 District'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the East Wenatchee Water District, as of December 31, 2016 and 2015, 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.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2015, the District has elected to change its method of presenting approximately $4.2 million of investments by classifying them as cash and cash equivalents. In prior years, the District classified these accounts as temporary investments. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 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 November 16, 2017 on our consideration of the District'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 District's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

November 16, 2017

FINANCIAL SECTION

East Wenatchee Water District
Douglas County
January 1, 2015 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The mission of the Board of Commissioners and the employees of the East Wenatchee Water District is to provide high quality, safe, and reliable drinking water as well as excellent customer service while effectively managing the District's infrastructure to provide a cost-effective, reliable water system for today and for future generations.

The following section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2016, and our financial performance for the year then ended.

The following statements report the net position of the District and the changes to that position. The District's net position (the difference between its assets and liabilities) is a way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether financial health is improving or deteriorating. However, you will also need to consider other non-financial factors, such as changes in economic conditions, customer growth, and legislative mandates.

DISCUSSION OF FINANCIAL STATEMENT

The District's basic financial statements consist of the following:

Management's Discussion and Analysis
Financial Statements
Notes to Financial Statements

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

The statement of net position provides a record, 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 invested 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 business activities over the course of the year. The information is used to determine whether the District has successfully recovered all of the costs through its user fees and charges, its profitability, and its credit worthiness.

The cash flow statement 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 was generated and what is 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.

CONDENSED STATEMENT OF NET POSITION AT DECEMBER 31

	2016	2015
CAPITAL ASSETS	38,028,456	37,123,068
CURRENT & OTHER ASSETS	8,510,666	8,979,889
DEFERRED OUTFLOWS	329,744	182,344
TOTAL ASSETS & DEFERRED OUTFLOWS	46,868,866	46,285,302
LONG-TERM LIABILITTIES	14,485,650	14,582,771
CURRENT LIABILITIES	1,442,037	1,394,309
DEFERRED INFLOWS	39,362	181,685
TOTAL LIABILITIES & DEFERRED INFLOWS	15,967,049	16,158,764
NET INVESTMENT IN CAPITAL ASSETS	24,552,589	23,392,120
RESTRICTED	1,225,217	1,225,217
UNRESTRICTED	5,124,011	5,509,201
TOTAL NET POSITION	30,901,817	30,126,538

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED

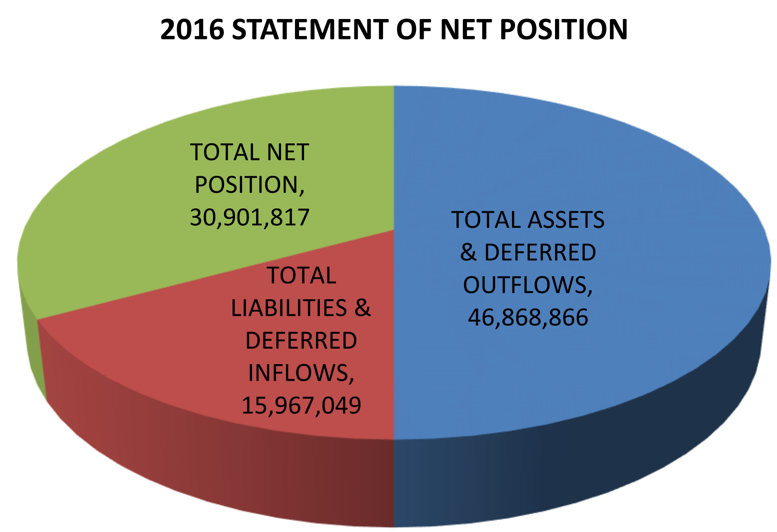
	2016	2015
OPERATING REVENUES	5,057,438	4,700,830
NONOPERATING REVENUE	207,829	150,363
TOTAL REVENUES	5,265,267	4,851,193
WATER PURCHASED FOR RESALE	452,137	526,183
MAINTENANCE & OPERATIONS	726,144	698,090
GENERAL ADMINISTRATION	2,002,026	1,618,213
DEPRECIATION/AMORTIZATION	1,389,051	1,393,599
OTHER OPERATING EXPENSES	197,544	412,498
NON-OPERATING EXPENSES	23,463	-
INTEREST EXPENSES	255,636	268,049
BOND EXPENSE	-	-
TOTAL EXPENSES	5,046,000	4,916,632
INCOME BEFORE CAPITAL GRANTS	219,267	(65,439)
CAPITAL GRANTS	556,012	1,278,517
CHANGE IN NET ASSETS	775,279	1,213,078
APPLICATION OF NEW ACCOUNTING-GASB	-	(1,254,282)
BEGINNING NET POSITION	30,126,536	30,167,740
ENDING NET POSITION	30,901,815	30,126,536

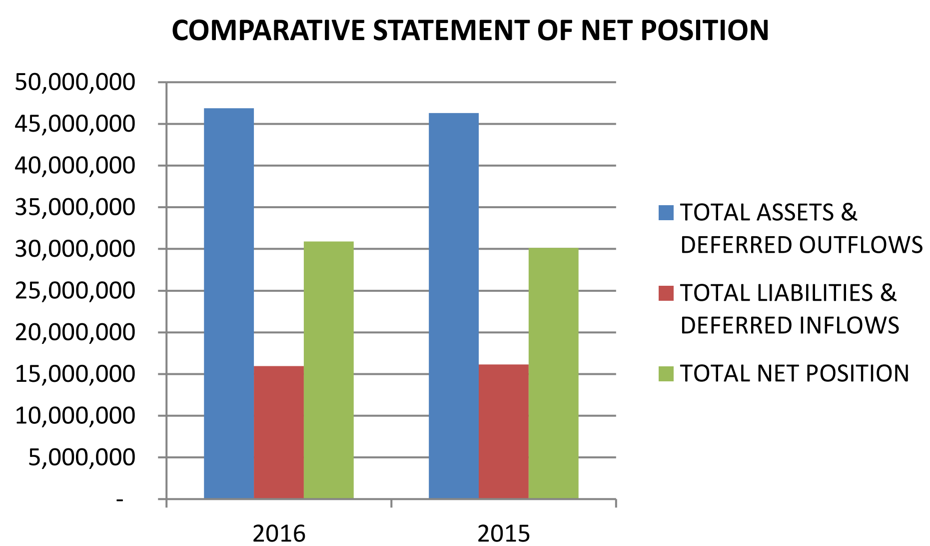
OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULT OF OPERATIONS

The District's financial position continues to be strong and stable for the year ending December 31, 2016. The District's total assets and deferred outflows of resources increased by $583,565 or 1.26%. ($ 46,868,866 in 2016 vs $ 46,285,302 in 2015). The increase is directly related to the large capital construction improvement projects completed in 2016.

Total liabilities and deferred inflows decreased by $191,716 or -1.19% ($15,967,049 in 2016 vs $16,158,764 in 2015). The decrease is due to the District paying down long term debt.

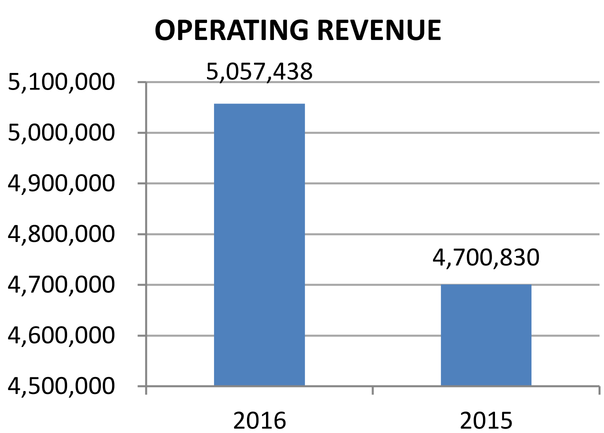
Total net position increased by $775,279 or 2.57% ($30,901,817 in 2016 vs $30,126,538 in 2015). The change in total net position is attributed to the large capital improvement projects adding additional value to the capital assets of the District.

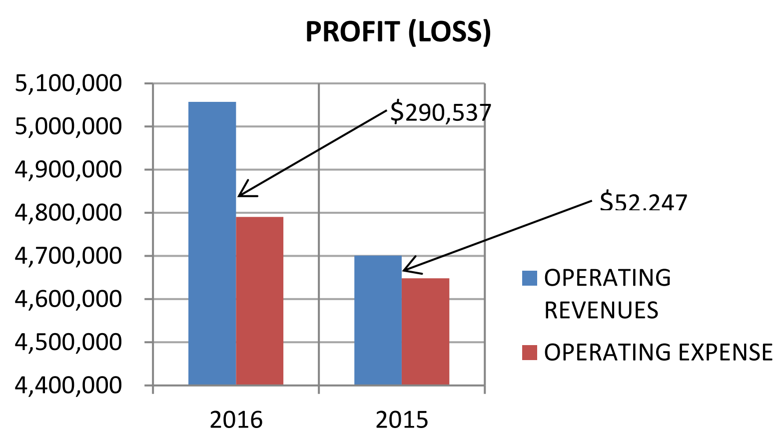


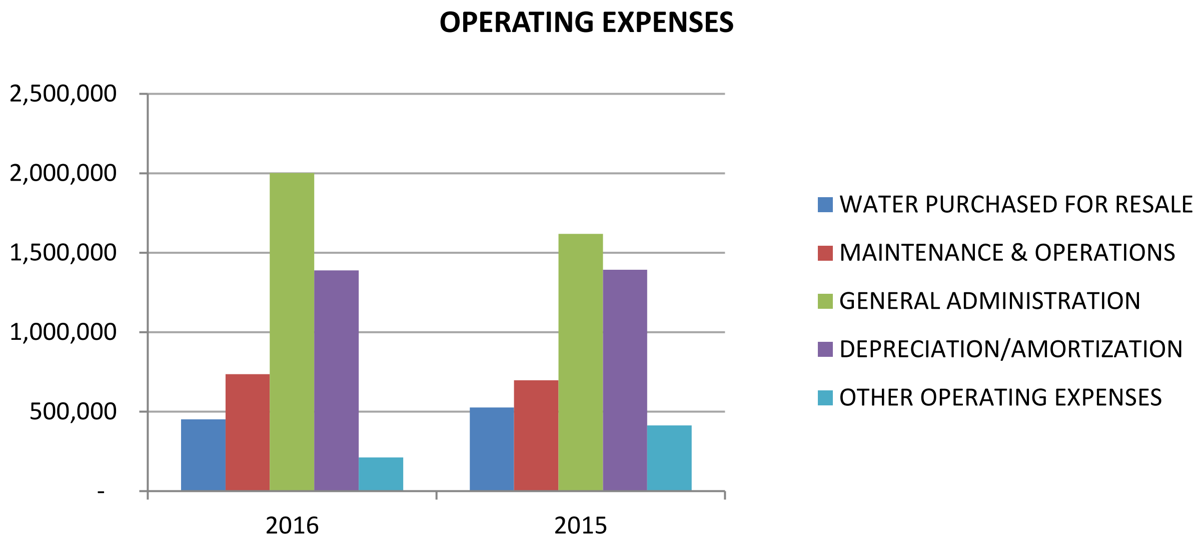


Operating revenue increased by $356,608 or 7.59% ($5,057,438 in 2016 vs $4,700,830 in 2015). This was due to water rate schedule and structure increased for all customers, including additional multi-family unit accounts. Base rate per ERU increased $4.00 from $49.00 to $53.00 and additional multi-family units increased $2.80 from $39.20 to $42.00. Excess water consumption increased $0.10 per 100cf (cubic feet) from $1.55 to $1.65. Senior Levels 1-3 increased $4.00. Metered consumption followed a more average summer trend. Total consumption decreased by 50,328,000 gallons (1,257,937,000 gallons in 2016 vs 1,308,265,000 gallons in 2015).

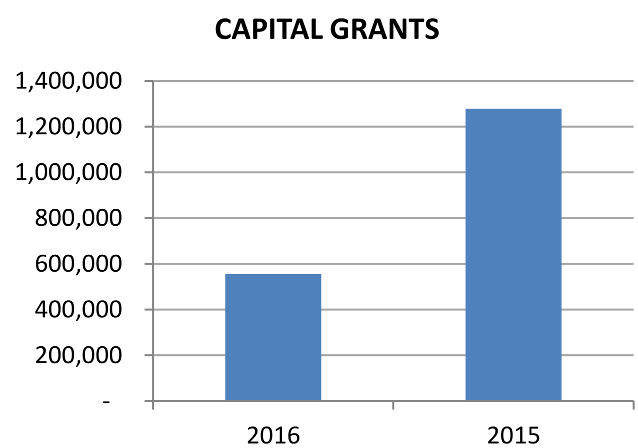
Total expenses increased $129,368 or 2.63% ($5,046,000 in 2016 vs $4,916,632 in 2015). This was largely the result of running at full staff for 2016. Water purchased for resale decreased $74,046 or -14.07%. A cooler summer trend contributed to a decrease in water consumption. Maintenance and general operations increased $28,054 or 4.02%. “Other” operating expenses decreased $214,954 or -52.11%. The large change was a direct result of District accounting re-structuring and can be attributed to the re-distribution of the professional services contracts. General Administration increased due to an increase in personnel expenditures of $383,813 or 23.72% ($2,002,026 in 2016 vs $1,618,213 in 2015). Department of Retirement Pers 1 employee liability pay out, increasing employee compensated absences and not receiving any cost savings benefit from the L&I retro pool were the contributing factors for the increase.







Capital Grants including the Developer Contributed Systems, non-cash transactions and other capital additions, including customer payments of connection charges decreased by $722,505 or -56.51% ($556,012 in 2016 vs $1,278,517 in 2015). Local economic factors continue to play large role in the contributed developer systems. Enchanted View Subdivision, Maryhill Estates Phase 1 and 2, Reynold's SP and Ackerman Subdivision were all Developer grants benefiting the District in the amount of $372,812. Plant investment fees in the amount of $183,200 all benefited the District for a total of $556,012 received in 2016.



CAPITAL ASSETS AND LONG-TERM DEBT

The overall increase in capital assets of the District in 2016 is due to capital additions being greater than depreciation. This year's major additions include:

District-Funded

Reservoirs $4,015,735 (10th Street Reservoir)

Main Line Upgrades $1,591,551 (10th Street NE, 13th Street NE, Stark Ave N., Tedford, Valley Mall Parkway)

Service Line Upgrade $ 123,714 (Tedford, and System Wide)

Developer Mains	$ 369,212	(Ackerman, Enchanted View, Reynold's SP, Maryhill Ph. 1&2)
Telemetry	$ 69,132	(System upgrades at Pearcot, Pangborn and Canyon Hills)

Since many projects rehabilitate deteriorating mains and replace aging infrastructure within the District, the impact on operating and maintenance is expected to be favorable. Revenue from growth will continue to play a valuable role in the strength of the District.

The overall increase in long-term debt in 2016 is due to funding Capital Improvements with Public Works Trust Fund loans (PWTF).

- 10th Street Main $ 1,358,000 (PWTF)
- 10th Street Reservoir $ 385,000 (PWTF)

The District's FY 2017 capital budget plans for investing $4,109,000 in capital projects include:

- District Meter Replacements $100,000 (EWWD)
- 5th Baker to Eastmont $157,000 (EWWD)
- Tedford $371,000 (EWWD)
- South Iowa $1,100,000 (EWWD)
- South June $172,000 (EWWD)
- South Houston $429,000 (EWWD)
- Baker Ave. Reconstruction $1,034,000 (EWWD)
- Highline Drive $380,000 (EWWD)
- N. Nevada $342,000 (EWWD
- 35th Street NE Main $24,000 (EWWD)

As of December 31, 2016, the District has:

Outstanding revenue bonds in the amount of	$6,265,000
Outstanding PWTF Loans in the amount of	$7,364,447

Standard and Poor's rated the 2010 bond with an AA rating and views this rating as being stable for years to come.

Refer to the **Notes to Financial Statements** for more detail.

OTHER POTENTIALLY SIGNIFICANT MATTERS

The District is moving away from its historic trend of a revenue and expense balancing. The change in operating income is due to the rate structures that were implemented. The overall change in total net position is directly related to the large capital additions that were added to the system. Aging infrastructure escalates the Districts need to address system upgrades and replacement options. With the demise of the Public Works Trust Fund (PWTF) and the ability to finance capital projects at a reduced financial impact to the customers, the District will need to consider other options to facilitate its short and long term capital infrastructure needs. A Revenue Requirement Analysis and Rate Model will be paramount in moving ahead with future Capital Planning.

Both the City of East Wenatchee as well as the Douglas County Land and Transportation Department have applied for federal grant money above and beyond their planned 6-year Transportation Improvement Plan (TIP). The result of a successful grant will result in unplanned additions to District infrastructure within these improvement areas. All of these factors combined will force the District to look at increasing its long-term debt through future bond sales and/or meter rate and structure changes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's ratepayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Controller at the East Wenatchee Water District, 692 Eastmont Ave., East Wenatchee, WA 98802.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The mission of the Board of Commissioners and the employees of the East Wenatchee Water District is to provide high quality, safe, and reliable drinking water as well as excellent customer service while effectively managing the District's infrastructure to provide a cost-effective, reliable water system for today and for future generations.

The following section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2015, and our financial performance for the year then ended.

The following statements report the net position of the District and the changes to that position. The District's net position (the difference between its assets and liabilities) is a way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether financial health is improving or deteriorating. However, you will also need to consider other non-financial factors, such as changes in economic conditions, customer growth, and legislative mandates.

DISCUSSION OF FINANCIAL STATEMENT

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CONDENSED STATEMENT OF NET POSITION AT DECEMBER 31

	2015	2014
CAPITAL ASSETS	37,123,068	33,276,492
CURRENT & OTHER ASSETS	8,979,889	8,995,760
DEFERRED OUTFLOWS	182,344	69,627
TOTAL ASSETS & DEFERRED OUTFLOWS	46,285,302	42,341,879
LONG-TERM LIABILITTIES	14,582,771	11,107,655
CURRENT LIABILITIES	1,394,309	1,066,482
DEFERRED INFLOWS	181,685	-
TOTAL LIABILITIES & DEFERRED INFLOWS	16,158,764	12,174,137
NET INVESTMENT IN CAPITAL ASSETS	23,392,120	22,143,708
RESTRICTED	1,225,217	1,225,217
UNRESTRICTED	5,509,201	6,798,816
TOTAL NET POSITION	30,126,538	30,167,741

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED

	2015	2014
OPERATING REVENUES	4,700,830	4,386,646
NONOPERATING REVENUE	150,363	147,442
TOTAL REVENUES	4,851,193	4,534,088
WATER PURCHASED FOR RESALE	526,183	508,601
MAINTENANCE & OPERATIONS	698,090	624,126
GENERAL ADMINISTRATION	1,618,213	1,592,934
DEPRECIATION/AMORTIZATION	1,393,599	1,407,153
OTHER OPERATING EXPENSES	412,498	316,213
INTEREST EXPENSES	268,049	266,539
BOND EXPENSE	-	11,800
TOTAL EXPENSES	4,916,632	4,727,366
INCOME BEFORE CAPITAL GRANTS	(65,439)	(193,278)
CAPITAL GRANTS	1,278,517	524,903
CHANGE IN NET ASSETS	1,213,078	331,625
APPLICATION OF NEW ACCOUNTING-GASB	(1,254,282)	
BEGINNING NET POSITION	30,167,740	29,836,115
ENDING NET POSITION	30,126,536	30,167,740

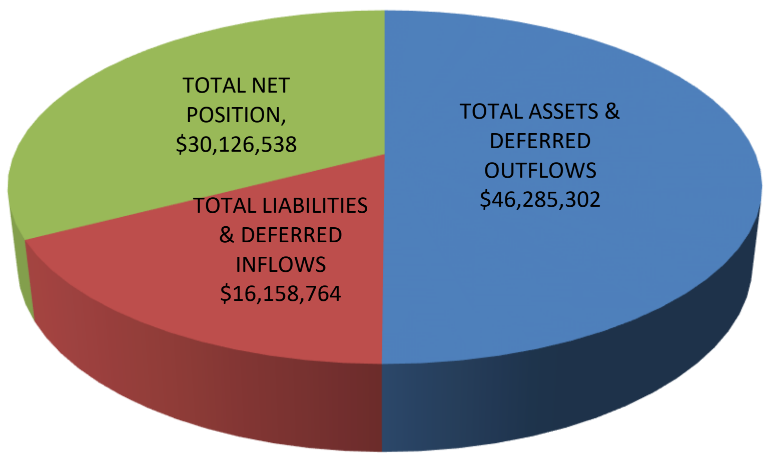
OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULT OF OPERATIONS

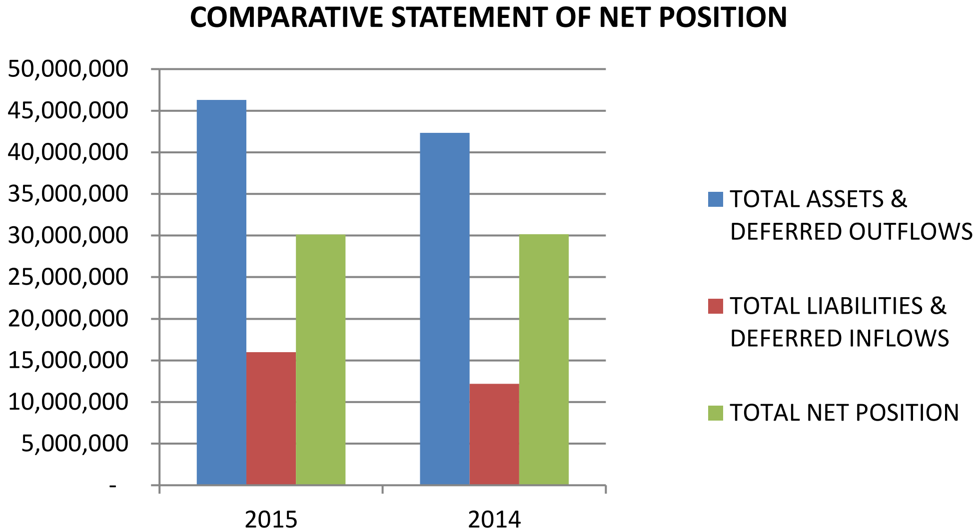
The District's financial position continues to be strong and stable for the year ending December 31, 2015. The District's total assets and deferred outflows of resources increased by $3,943,423 or 9.31%. ($46,285,302 in 2015 vs. $42,341,879 in 2014). The increase is directly related to capital construction improvements.

Total liabilities and deferred inflows increased by $3,984,627 or 32.7% ($16,158,764 in 2015 vs. $12,174,137 in 2014). The increase is largely due to funding capital construction improvements through Public Works Trust Fund (PWTF) loans. The District has continued to have an aggressive capital improvement program by funding these improvements with low interest loans ensuring infrastructure is dependable and has sufficient capacity to accommodate future growth.

Total net position decreased by $41,203 or -0.14% ($30,126,538 in 2015 vs. $30,167,741 in 2014). The change in total net position is largely attributed to the District adopting GASB 68. The new accounting procedures implemented in 2015 included adjusting net position to account for pension liability and deferred pension inflows/outflows.

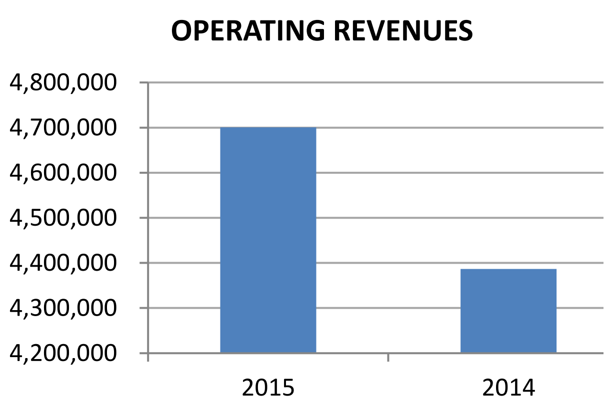
2015 STATEMENT OF NET POSITION

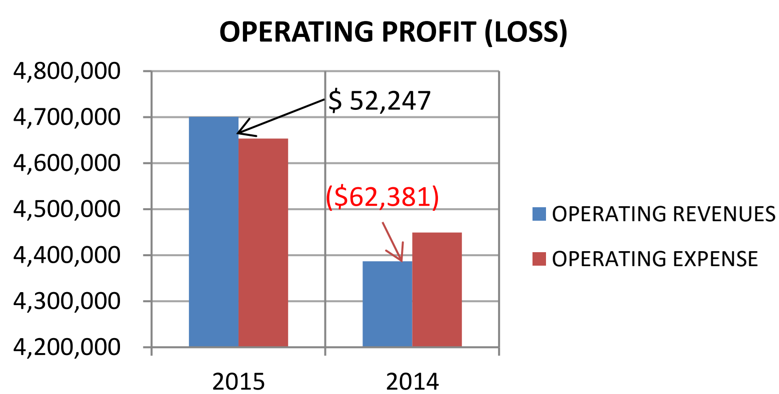


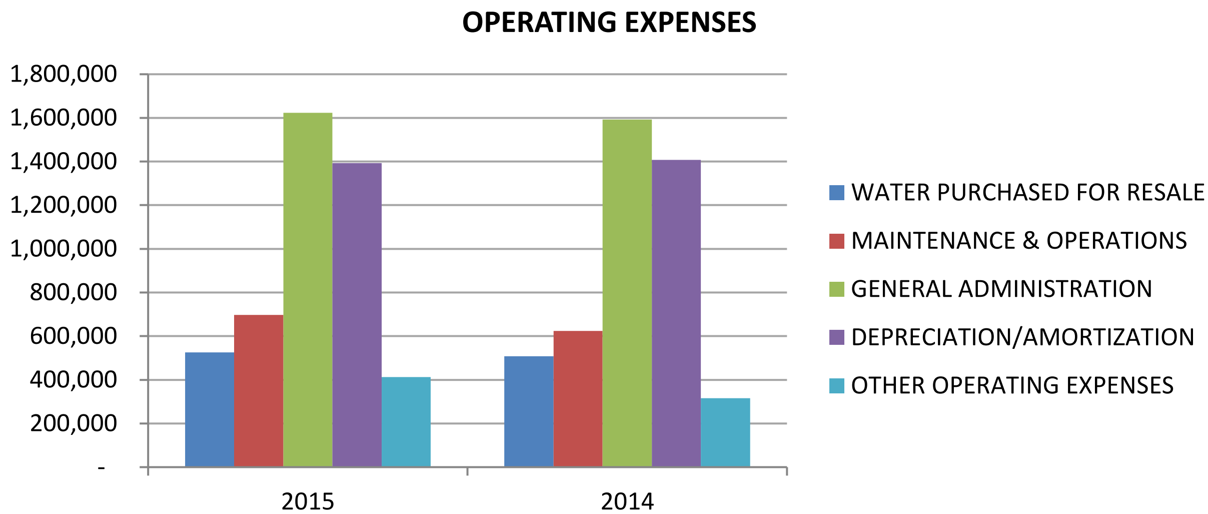


Operating revenue increased by $314,184 or 7.16% ($4,700,830 for 2015 vs. $4,386,646 in 2014). This was due to a combination of factors. Water rate schedule and structure increased for all customers, including additional multi-family unit accounts. Base rate per ERU increased $2.00 from $47.00 to $49.00 and additional multi-family units increased $0.70 from $38.50 to $39.20. Excess water consumption increased $0.10 per 100cf (cubic feet) from $1.45 to $1.55. Metered consumption followed a warmer summer trend. Total consumption increased by 80,969,338 gallons or 6.50% (1,308,265,000 gallons for 2015 vs. 1,227,295,662 gallons in 2014).

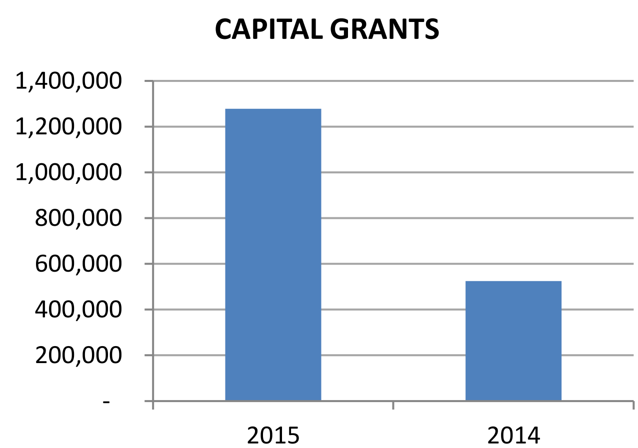
Total expenses increased $189,266 or 4.00% ($4,916,632 in 2015 vs. $4,727,366 in 2014). Water purchased for resale increased $17,582 or 3.46%. Maintenance and operations increased $73,964 or 11.85%. A warm summer and an increase in system leaks contributed to the additional water purchased, making additional maintenance to the system necessary. "Other" operating expenses increased $96,285 or 30.45%. These factors can be attributed to an increase in professional services contracts, utility costs, schools, training, and the mandatory audit expense. General Administration increased due to an increase in personnel expenditures of $25,279 or 1.59% ($1,618,213 in 2015 vs 1,592,934 in 2014).







Capital Grants including the Developer Contributed Systems, non-cash transactions and other capital additions, including customer payments of connection charges increased by $753,614 or 143.57% ($1,278,517 in 2015 vs. $524,903 in 2014). Improved local economic factors have contributed to developer contributed systems. Piepel Land Holdings, Legacy LLC, The Arbors, Wenatchee Golf Developers, and Rylee Ann were all Developer grants benefiting the District in the amount of $984,616. Plant investment fees in the amount of $283,185 and associated meter costs including the Baker Flats connection fees in the amount of $10,716 all benefitted the District for a total of $1,278,517 received in 2015.



CAPITAL ASSETS AND LONG-TERM DEBT

The overall increase in capital assets of the District in 2015 is due to capital additions being greater than depreciation. This year's major additions include:

District-Funded Main Line Upgrades	$1,016,000	(French Street & Distribution Main Line upgrades)
Developer Mains	$ 985,000	(Piepel, LLC and Wenatchee Golf Developers Extensions. The Arbors, Rylee Ann & Legacy Subdivisions)
Telemetry & Meter Reading Equip.	$ 66,000	(System upgrades at Fancher Heights and Grant & Nile)

Equipment $ 114,000 (Backhoe)

Since many projects rehabilitate deteriorating mains within the District, the impact on operating and maintenance is expected to be favorable. Revenue from growth will continue to play a valuable role in the strength of the District.

The District's FY 2016 capital budget plans for investing $2,698,000 in capital projects include:

- District-wide Small Main Replacements $ 150,000 (EWWD)
- District Meter Replacements $ 100,000 (EWWD)
- Daniels's Drive Tank Painting $ 59,000 (EWWD)
- Baker Ave. Reconstruction $ 140,000 (EWWD)
- Highline Drive $ 483,000 (EWWD)
- 35th Street NE Main $ 23,000 (EWWD)
- 10th Street Main $ 1,358,000 (PWTF)
- 10th Street Reservoir $ 385,000 (PWTF)

The overall increase in long-term debt in 2015 is due to funding Capital Improvements with Public Works Trust Fund loans (PWTF).
Standard and Poor's rated the 2010 bond with an AA rating and views this rating as being stable for years to come.

As of December 31, 2015, the District has:

Outstanding revenue bonds in the amount of	$6,845,000
Outstanding PWTF Loans in the amount of	$7,048,983

Refer to the **Notes to Financial Statements** for more detail.

OTHER POTENTIALLY SIGNIFICANT MATTERS

The trend continues to show that revenue and expense is a balance. The change in assets is due to the capital additions to the system. The District has experienced higher connection fee income in the past year as the construction industry has increased with the economy. Aging infrastructure facilitates the need for the District to consider system upgrades and replacement options. The City of East Wenatchee as well as the Douglas County Land and Transportation Department have applied for federal grant money above and beyond their planned 6-year Transportation Improvement Plan (TIP). The result of a successful grant will result in unplanned additions to District infrastructure within these improvement areas. All of these factors combined may force the District to look at increasing its long-term debt through future bond sales and/or meter rate and structure changes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's ratepayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Controller at the East Wenatchee Water District, 692 Eastmont Ave., East Wenatchee, WA 98802.

East Wenatchee Water District
Statement of Net Position
December 31, 2016

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	4,735,240
Receivables (Net):		
Water A/R		329,284
Other A/R		42,127
ULID #1 A/R & #2 A/R		147,122
Restricted Assets:		
2010 Bond Reserve		190,000
2014 Bond Reserve Fund		460,217
Rate Stabilization Fund		575,000
Inventories		374,205
Prepaid Expenses		59,530
TOTAL CURRENT ASSETS		6,912,725
Non-current Assets:		
ULID #1 A/R		42,639
ULID #2 A/R		1,555,302
Capital Assets Not Being Depreciated		
Land		642,719
Construction in Progress		88,554
Capital Assets Being Depreciated		
Plant		56,353,358
Buildings		3,048,147
Equipment		3,570,324
Intangibles		69,872
Less Accumulated Depreciation		(25,744,517)
Total Capital Assets (Net)		38,028,456
TOTAL NONCURRENT ASSETS		39,626,397
TOTAL ASSETS	$	46,539,122
DEFERRED OUTFLOWS		
Deferred Loss on Refunding		54,435
Deferred Outflows - Pension		275,308
TOTAL DEFERRED OUTFLOWS	$	329,744

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Net Position
December 31, 2016

LIABILITIES		
Current Liabilities:		
Accounts/Vouchers Payable	$	137,657
Construction Deposits	$	68,324
Current Portion LTD PWTF Notes		549,781
Current Portion LTD Bond		580,000
Accrued Interest		106,274
TOTAL CURRENT LIABILITIES	$	1,442,037
Noncurrent Liabilities:		
Compensated Absences		453,684
PWTF Loans		6,814,665
04 Revenue Bond		580,000
14 Revenue Bond		3,255,000
10 Revenue Bond		1,850,000
Unamortized Bond Premium		208,015
Pension Liability		1,324,286
TOTAL NONCURRENT LIABILITIES		14,485,650
TOTAL LIABILITIES	$	15,927,687
DEFERRED INFLOWS		
Deferred Inflows - Pension	$	39,362
TOTAL DEFERRED INFLOWS	$	39,362
NET POSITION		
Net Investment in Capital Assets	$	24,552,589
Restricted		1,225,217
Unrestricted		5,124,011
TOTAL NET POSITION	$	30,901,817

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Net Position
December 31, 2015

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	5,270,068
Receivables (Net):		
Water A/R		281,361
Other A/R		16,664
ULID #1 A/R		14,213
ULID #2 A/R		124,500
Restricted Assets:		
2010 Bond Reserve		190,000
2014 Bond Reserve Fund		460,217
Rate Stabilization Fund		575,000
Inventories		253,036
Prepaid Expenses		53,958
TOTAL CURRENT ASSETS		7,239,018
Non-current Assets:		
ULID #1 A/R		56,851
ULID #2 A/R		1,684,020
Capital Assets Not Being Depreciated		
Land		642,719
Construction in Progress		4,021,778
Capital Assets Being Depreciated		
Plant		50,229,104
Buildings		3,048,147
Equipment		3,457,461
Intangibles		69,872
Less Accumulated Depreciation		(24,346,012)
Total Capital Assets (Net)		37,123,068
TOTAL NONCURRENT ASSETS		38,863,939
TOTAL ASSETS	$	46,102,957
DEFERRED OUTFLOWS		
Deferred Loss on Refunding		62,031
Deferred Outflows - Pension		120,313
TOTAL DEFERRED OUTFLOWS	$	182,344

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Net Position
December 31, 2015

LIABILITIES		
Current Liabilities:		
Accounts/Vouchers Payable	$	117,705
Construction Deposits		71,375
Current Portion LTD PWTF Notes		508,098
Current Portion LTD Bond		580,000
Accrued Interest		117,130
TOTAL CURRENT LIABILITIES		1,394,309
Noncurrent Liabilities:		
Compensated Absences		398,144
PWTF Loans		6,540,884
04 Revenue Bond		580,000
14 Revenue Bond		3,705,000
10 Revenue Bond		1,980,000
Unamortized Bond Premium		225,066
Pension Liability		1,153,677
TOTAL NONCURRENT LIABILITIES		14,582,771
TOTAL LIABILITIES	$	15,977,079
DEFERRED INFLOWS		
Deferred Inflows - Pension	$	181,685
TOTAL DEFERRED INFLOWS	$	181,685
NET POSITION		
Net Investment in Capital Assets	$	23,392,120
Restricted		1,225,217
Unrestricted		5,509,201
TOTAL NET POSITION	$	30,126,538

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2016

OPERATING REVENUES:	
Sales of Merchandise	
Utility Sales and Service Fees	$ 5,057,438
Total Operating Revenue	5,057,438
OPERATING EXPENSES:	
Operations:	
General Operations	239,777
Water Purchased for Resale	452,137
Cost of Power	70,972
Maintenance	160,049
Administration:	
General Administration	2,002,026
Depreciation	1,398,505
Amortization	(9,455)
Property, Excise and B&O Taxes	255,346
Other Operating Expenses	197,544
Total Operating Expenses	4,766,901
OPERATING INCOME (LOSS)	290,537

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2016

NONOPERATING REVENUES (EXPENSES):	
Interest Income	103,439
Interest Expense	(255,636)
Gains (Losses) on Capital Asset Disposition	-
Other Non-operating Revenues	104,391
(Other Non-operating Expenses)	(23,463)
Total Non-operating Revenues (Expenses)	(71,269)
INCOME BEFORE CAPITAL GRANTS	219,267
Capital grants	556,012
CHANGE IN NET POSITION:	775,279
TOTAL NET POSITION, January 1	30,126,538
TOTAL NET POSITION, December 31	30,901,817

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2015

OPERATING REVENUES:	
Sales of Merchandise	
Utility Sales and Service Fees	$ 4,700,830
Total Operating Revenue	4,700,830
OPERATING EXPENSES:	
Operations:	
General Operations	198,365
Water Purchased for Resale	526,183
Cost of Power	83,228
Maintenance	177,711
Administration:	
General Administration	1,618,213
Depreciation	1,402,890
Amortization	(9,291)
Property, Excise and B&O Taxes	238,786
Other Operating Expenses	412,498
Total Operating Expenses	4,648,583
OPERATING INCOME (LOSS)	52,247

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2015

NONOPERATING REVENUES (EXPENSES):	
Interest Income	89,230
Interest Expense	(268,049)
Gains (Losses) on Capital Asset Disposition	-
Other Non-operating Revenues	61,133
(Other Non-operating Expenses)	-
Total Non-operating Revenues (Expenses)	(117,686)
INCOME BEFORE CAPITAL GRANTS	(65,439)
Capital grants	1,278,517
CHANGE IN NET POSITION:	1,213,078
ADJUSTMENT FOR RETROSPECTIVE APPLICATION OF NEW ACCOUNTING-GASB	(1,254,282)
TOTAL NET POSITION, January 1	30,167,742
TOTAL NET POSITION, December 31	30,126,538

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Cash Flows
For the Year Ended December 31, 2016

CASH FLOWS from OPERATING ACTIVITIES	
Receipts from customers	$ 5,222,964
Payments to suppliers	(1,147,447)
Payments to employees	(2,434,875)
Net cash provided (used) by operating activities	1,640,642
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	823,563
Capital contributions	183,200
Purchases of capital assets	(1,726,971)
Principal paid on capital debt	(1,088,098)
Interest paid on capital debt	(266,492)
Capitalized wages paid	(204,110)
Net cash provided (used) by capital and related financing activities	(2,278,909)
CASH FLOWS from INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments Interest and dividends	103,439
Net cash provided (used) by investing activities	103,439
Net Increase (decrease) in cash and cash equivalents	(534,828)
Cash & Cash Equivalents - beginning of the year	5,270,068
Cash & Cash Equivalents - end of year	$ 4,735,240

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Cash Flows
For the Year Ended December 31, 2016

RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net operating income (loss)	$	290,537
Revenue from non-operating activities		104,391
Expenses from non-operating activities		(23,463)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense		1,398,505
Amortization		(9,455)
Pension expense		(126,709)
Changes in assets and liabilities		
Receivables, net		61,136
Inventories		(121,169)
Prepaid expenses		(5,572)
Compensated absences		55,540
Accounts payable		16,901
Net cash provided by operating activities	$	1,640,642

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Cash Flows
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	5,077,942
Cash paid to suppliers		(1,104,890)
Cash paid to employees		(2,146,308)
Net cash provided by operating activities		1,826,744
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants		293,901
Payments on bonds issued		(565,000)
Borrowings from long-term debt		3,491,722
Payments on long-term debt		(337,850)
Interest paid		(266,037)
Acquisition of land, facilities and equipment		(4,115,702)
Capitalized wages paid		(149,148)
Net cash used by capital and related financing activities		(1,648,114)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		89,230
Net cash used by capital and related investing activities		89,230
INCREASE IN CASH		267,860
Cash & Cash Equivalents - BEGINNING		5,002,208
Cash & Cash Equivalents - ENDING	$	5,270,068

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

East Wenatchee Water District
Statement of Cash Flows
For the Year Ended December 31, 2015

RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net operating income	$	52,247
Non-cash and non-operating income:		
Revenue from construction inspection & Lease		61,133
Non-cash and non-operating expenses		
Depreciation		1,402,890
Amortization		(9,291)
Pension Expense		(39,234)
Decrease (increase) in operating assets		
Accounts receivable		310,978
Prepaid expenses		13,526
Inventory		(40,937)
Increase (decrease) in operating liabilities		
Accounts payable		75,431
Net cash provided by operating activities	$	1,826,744

NOTES TO THIS FINANCIAL STATEMENT ARE AN INTREGAL PART OF THE STATEMENT

EAST WENATCHEE WATER DISTRICT
OF DOUGLAS COUNTY
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2016 THRU DECEMBER 31, 2016

THESE NOTES ARE AN INTEGRAL PART OF THE ACCOMPANYING FINANCIAL STATEMENT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Wenatchee Water District (hereafter noted as district) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The district was incorporated in 1940 and operates under the laws of the state of Washington applicable to Special Purpose Districts.

The district has no component units.

B. Basis of Accounting

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

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the district's ongoing operations. The principal operating revenues of the district are charges to customers for water sales. Operating expenses for the district include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the district's policy to invest all temporary cash surpluses. At December 31, 2016, the treasurer was holding $4,674,549 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents.

For purposes of the statement of cash flows, the district's considers all highly liquid investments (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments See (Note 3, Deposits and Investments).

3. Receivables

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

5. Inventories

Inventories consist of expendable supplies held for consumption. The cost is recorded as an expense at the time individual inventory items are consumed. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the FIFO method (which approximates the market value).

6. Restricted Assets and Liabilities

These accounts contain resources for debt service, including rate stabilization fund. The current portion of related liabilities is shown as Current Portion of LTD Bond. Specific debt service reserve requirements are described in Note 2, Long-Term Debt.

The restricted assets are composed of the following:

Cash and Investments – 2010 & 2004 Bond Reserve, Rate Stabilization Fund
$ 1,225,217

7. Capital Assets See Note 4, Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., pipes, reservoirs, buildings, hydrants, meters and similar items), are reported in the financial statements. Capital assets are defined by the district as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Asset	Life	Asset	Life	Asset	Life
Meters	7yrs	Buildings	30yrs	Hydrants	50yrs
Pumps	20yrs	Pipe	40yrs	Reservoirs	50yrs

8. Deferred Outflows/Inflows of Resources

In accordance with generally accepted accounting principles for regulated businesses, the district's unamortized bond premiums/discounts and deferred loss on refunding are being amortized over the life of the bond with the total expensed in 2016 of $9,455.

9. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. All vacation and sick pay is accrued when incurred in the financial statements.

Vacation pay, which may be accumulated up to 300 hours, is payable upon resignation, retirement or death.

Sick leave may accumulate up to 1,000 hours. For those employees that max out, the District will deposit the monthly overage at the employee's hourly rate into an IRS approved Health Reimbursement Account (HRA-VEBA). The District buys back 25% of an employee's accrued sick leave (250 hour maximum) upon retirement or separation of service. The balance of an employee's sick leave (remaining 75%, 750 hour maximum), for an employee age 65 or over, will be paid to the employee as a lump sum. The District retiree sick leave buy back has an accrual schedule for earning the potential 75% balance. It is as follows:

Years of Service	Percentage
5-10	15%
11-15	25%
16-20	50%
21-25	75%
26-99	100%

On-call/standby compensation is given in the form of comp time. When an employee takes a 7-day on-call/standby shift, he/she is given one day (10 hours) of compensation time, which may be accumulated up to 50 hours, is payable upon resignation, retirement or death.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Deferred Compensation

The District offers a 3% matching deferred compensation plan to its full time employees. In 2016, 19 of 20 employees participated at a total cost to the District of $35,772.

NOTE 2 - LONG TERM DEBT:

The district issues revenue bonds to finance the purchase of capital assets. The revenue bonds are being repaid by proprietary fund revenues. The district is also liable for notes that were entered into for the purchase of capital assets. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

General Obligation and Revenue Bonds currently outstanding as of December 31, 2016 are as follows:

Debt Type	ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due 2017
	259.11	Compensated Absences		398,144	237,964	182,424	453,684	
	259.11	Pension Liability		1,153,677	170,609	-	1,324,286	
General Obligation								
PWTF	263.53	Chlorination Equipment	07/01/2016	9,789	-	9,789	-	
PWTF	263.53	CBD/15th Main	07/01/2024	212,242	-	23,582	188,660	23,582
PWTF	263.53	15th Booster Pump	07/01/2025	242,223	-	26,914	215,309	26,914
PWTF	263.53	Grant Rd Main	07/01/2025	162,889	-	16,289	146,600	16,289
PWTF	263.53	Baker Flats	07/01/2027	383,632	-	31,969	351,662	31,969
PWTF	263.53	Baker Flats ULID	07/01/2027	1,810,124	-	150,844	1,659,280	150,844
PWTF	263.53	Pipe Reliability	06/01/2032	807,992	357,740	47,529	1,118,202	69,888
PWTF	263.53	10th Street Reservoir	06/01/2032	3,420,092	465,823	201,182	3,684,733	230,296
		Total General Obligation:		7,048,983	823,563	508,098	7,364,447	549,781
Revenue Obligation								
	252.11	Revenue Bond 2004	02/01/2024	580,000	-	-	580,000	
	252.11	Revenue Bond 2010	01/01/2030	2,110,000	-	130,000	1,980,000	130,000
	252.11	Revenue Bond 2014	02/01/2029	4,155,000	-	450,000	3,705,000	450,000
		Total Revenue Bonds:		6,845,000	-	580,000	6,265,000	580,000
		Total Liabilities:		**15,445,804**	**1,232,136**	**1,270,522**	**15,407,417**	**1,129,781**

The annual debt service requirements to maturity for General Obligation and Revenue Bonds are as follows:

Years Ending December 31

Year	*Interest*	*Principal*	*Total*
2017	242,408	1,129,781	1,372,189
2018	224,502	1,154,781	1,379,283
2019	202,374	1,159,781	1,362,155
2020	179,791	1,174,781	1,354,572
2021	157,243	1,199,781	1,357,024
2022-2026	428,627	5,091,626	5,520,253
2027-2031	93,578	2,418,730	2,512,308
2032	751	300,183	300,934

Bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

At December 31, 2016, the district has $1,129,781 available in cash and cash equivalents to service the general obligation and revenue bond debt. Restricted assets in proprietary funds contain $1,225,217 in sinking funds and reserves as required by bond indentures.

NOTE 3 - DEPOSITS AND INVESTMENTS:

A. Deposits

The district's deposits and certificates of deposit are covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The district's treasurer is the Douglas County Treasurer and all cash funds are controlled and invested by that office.

B. Investments

Investments Measured at Amortized Cost
As of December 31, 2016, the district held the following investments at amortized cost:

Investment Type	**Maturities**	**Investment Total**
State Investment Pool	N/A	$ 4,682,798
U.S. Treasuries	12/24/2020	185,000
U.S. Treasuries	02/25/2021	458,653
U.S. Treasuries	02/25/2021	573,316
Total		$ 5,899,767

There are no restrictions or limitations on withdrawals of these investments and no penalties assessed on early withdrawals.

NOTE 4 – CAPITAL ASSETS:

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. The capitalization threshold amount determining expense or capitalization is $500.

Utility plant in service and other capital assets are recorded at cost where the historical cost is known. Where historical cost is not known, assets are recorded at market value. Donations by developers are recorded at the contract price and donor cost or appraised value.

	Beg. Balance	Increase	Decrease	End Balance
UTILITY PLANT NOT BEING DEPRECIATED:				
LAND	$ 642,719	$ -	$ -	$ 642,719
CONSTRUCTION IN PROGRESS	4,021,778	1,915,494	(5,848,718)	88,554
TOTAL PLANT NOT BEING DEPRECIATED	4,664,497	1,915,494	(5,848,718)	731,273
UTILITY PLANT BEING DEPRECIATED:				
INTANGIBLES	69,872	-	-	69,872
BUILDINGS	3,048,147	-	-	3,048,147
EQUIPMENT	3,457,461	112,863	-	3,570,324
PLANT	50,229,104	6,124,254	-	56,353,358
TOTAL PLANT BEING DEPRECIATED	56,804,583	6,237,117	-	63,041,700
LESS ACCUMULATED DEPRECIATION FOR:				
BUILDINGS	1,773,573	97,206	-	1,870,779
EQUIPMENT	2,589,400	118,556	-	2,707,956
PLANT	19,969,065	1,168,769	-	21,137,834
INTANGIBLES	13,974	13,974	-	27,948
TOTAL ACCUMULATED DEPRECIATION	24,346,012	1,398,505	-	25,744,517
TOTAL UTILITY PLANT BEING DEPRECIATED, NET	32,458,571	4,838,612	-	37,297,183
TOTAL UTILITY PLANT, NET	$37,123,068	$ 6,754,106	$ (5,848,718)	$38,028,456

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

An allowance for funds used during construction is capitalized as part of the cost of utility plant. While cash is not received currently from such allowance, it is realized under the rate-making process over the service life of the related property through increased revenue resulting from a higher rate base and higher depreciation expense. The procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.

Depreciation is computed on the straight line method with useful lives of 5 to 50 years. Initial depreciation on utility plant is recorded in the following year it is placed in service and charged for one year of service.

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that related to abandoned projects are expensed.

The district expenses include impairment losses that may arise. There were no impairment losses to report for 2016.

NOTE 5 - CONSTRUCTION IN PROGRESS:

The district completed over $5,848,718 worth of construction in progress, leaving $88,554 in progress. The following projects were in progress but not under contract at year end.

	Project Authorization	Expended thru 12/31/2016	Committed	Required Future Financing*
Highline Drive	$ 48,983	$ 4,559	$ 48,983	$ 1,097,250
Baker Avenue	1,164,000	73,486	1,164,000	380,000
Parking Lot		10,172		
5th Street	38,010	337	38,010	138,000
Total	**$ 1,250,993**	**$ 88,554**	**$ 1,250,993**	**$ 1,615,250**

* Highline Drive, Baker Avenue and 5th Street future financing will be through Revenue Bonds.

NOTE 6 - PENSION PLANS:

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	(1,324,286)
Pension assets	$	-
Deferred outflows of resources	$	275,308
Deferred inflows of resources	$	(39,361)
Pension expense/expenditures	$	23,047

State Sponsored Pension Plans

Substantially all District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**

* For employees participating in JBM, the contribution rate was 12.26%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

<u>Contributions</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**

* For employees participating in JBM, the contribution rate was 15.30%

The District's actual PERS plan contributions were $ 64,939 to PERS Plan 1 and $ 84,817 to PERS Plan 2/3 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.
There were minor changes in methods and assumptions since the last valuation.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the District's proportionate share* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 724,951	$ 601,171	$ 494,650
PERS 2/3	$ 1,331,385	$ 723,115	$ (376,423)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District's reported a total pension liability of $1,324,286 for its proportionate share of the net pension liabilities as follows

	Liability (or Asset)
PERS 1	$ 601,171
PERS 2/3	$ 723,115

At June 30, the District's proportionate share of the collective net pension liabilities was as follows

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.013352 %	0.011194%	-0.002158%
PERS 2/3	0.012741 %	0.014362%	0.001621%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$ (87,133)
PERS 2/3	$ 110,180
TOTAL	$ 23,047

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	15,137	-
Changes of assumptions	-	-

Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	32,330	-
TOTAL	$ 47,467	$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 38,505	$ (23,871)
Net difference between projected and actual investment earnings on pension plan investments	88,488	-
Changes of assumptions	7,474	-
Changes in proportion and differences between contributions and proportionate share of contributions	51,147	(15,490)
Contributions subsequent to the measurement date	42,226	-
TOTAL	$ 227,841	$ (39,361)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended December 31:	PERS 1 – Inflows	PERS 1 – Outflows	PERS 2/3 - Inflows	PERS 2/3 - Outflows
2017		$ (3,727)	$ (13,914)	$ 23,943
2018		$ (3,727)	$ (13,914)	$ 23,943
2019		$ 13,901	$ (10,041)	$ 91,103
2020		$ 8,689	$ (1,492)	$ 46,627
2021				
Thereafter				

NOTE 7 – RISK MANAGEMENT:

East Wenatchee Water 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 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 a 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 a 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.

NOTE 8 – SUBSEQUENT EVENT

On May 16, 2017 the district issued $7,155,000 Water Revenue Improvement and Refunding Bonds. These bonds are to pay the cost of carrying out $5,695,000 of the District's capital improvement program, and advance refund $1,460,000 of the District's outstanding Water Revenue Bonds, 2010.

EAST WENATCHEE WATER DISTRICT
OF DOUGLAS COUNTY

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2015 THRU DECEMBER 31, 2015

THESE NOTES ARE AN INTEGRAL PART OF THE ACCOMPANYING FINANCIAL STATEMENT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Wenatchee Water District (hereafter noted as district) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The district was incorporated in 1940 and operates under the laws of the state of Washington applicable to Special Purpose Districts.

The district has no component units.

B. Basis of Accounting

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

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the district's ongoing operations. The principal operating revenues of the district are charges to customers for water sales. Operating expenses for the district include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the district's policy to invest all temporary cash surpluses. At December 31, 2015, the treasurer was holding $5,194,216 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents.

For purposes of the statement of cash flows, the district's considers all highly liquid investments (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments See (Note 3, Deposits and Investments).

3. Receivables

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

5. Inventories

Inventories consist of expendable supplies held for consumption. The cost is recorded as an expense at the time individual inventory items are consumed. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the FIFO method (which approximates the market value).

6. Restricted Assets and Liabilities

These accounts contain resources for debt service, including rate stabilization fund. The current portion of related liabilities is shown as Current Portion of LTD Bond. Specific debt service reserve requirements are described in Note 2, Long-Term Debt.

The restricted assets are composed of the following:

Cash and Investments – 2010 & 2004 Bond Reserve, Rate Stabilization Fund
$ 1,225,217

7. Capital Assets See Note 4, Capital Assets.

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., pipes, reservoirs, buildings, hydrants, meters and similar items), are reported in the financial statements. Capital assets are defined by the district as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Asset	Life	Asset	Life	Asset	Life
Meters	7yrs	Buildings	30yrs	Hydrants	50yrs
Pumps	20yrs	Pipe	40yrs	Reservoirs	50yrs

8. Deferred Outflows/Inflows of Resources

In accordance with generally accepted accounting principles for regulated businesses, the district's unamortized bond premiums/discounts and deferred loss on refunding are being amortized over the life of the bond with the total expensed in 2015 of $9,291.

9. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. All vacation and sick pay is accrued when incurred in the financial statements.

Vacation pay, which may be accumulated up to 300 hours, is payable upon resignation, retirement or death.

Sick leave may accumulate up to 1,000 hours. For those employees that max out, the District will deposit the monthly overage at the employee's hourly rate into an IRS approved Health Reimbursement Account (HRA-VEBA). The District buys back 25% of an employee's accrued sick leave (250 hour maximum) upon retirement or separation of service. The balance of an employee's sick leave (remaining 75%, 750 hour maximum), for an employee age 65 or over, will be paid to the employee as a lump sum. The District retiree sick leave buy back has an accrual schedule for earning the potential 75% balance. It is as follows:

Years of Service	Percentage
5-10	15%
11-15	25%
16-20	50%
21-25	75%
26-99	100%

On-call/standby compensation is given in the form of comp time. When an employee takes a 7-day on-call/standby shift, he/she is given one day (10 hours) off the week following the on-call/standby week. At the employee's option, the employee can be compensated with 8 hours to "bank" and use as time off at a later date instead of taking 10 hours currently.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Deferred Compensation

The District offers a 3% matching deferred compensation plan to its full time employees. In 2015, 19 of 20 employees participated at a total cost to the District of $30,681.

12. Adjustment for Retrospective Application of New Accounting-GASB 68

Statement 68 of the Governmental Accounting Standards Board requires the District to report its share of the state retirement plan’s net pension liability or asset. It also requires reporting deferred outflows and inflows of resources related to pension as well as adjustments to pension expense. The implementation of the standard resulted in a $1,254,282 reduction in net position.

13. Significant change in Cash and Cash Equivalents

In 2015, the District reclassified $4,219,617 of investments as cash and cash equivalents, which were reported as temporary investments in the 2014 financial statements. Management believes the current classification is accurate.

NOTE 2 - LONG TERM DEBT:

The district issues revenue bonds to finance the purchase of capital assets. The revenue bonds are being repaid by proprietary fund revenues. The district is also liable for notes that were entered into for the purchase of capital assets. These notes are considered obligations of the general government and are being repaid with general governmental revenue sources.

General Obligation and Revenue Bonds currently outstanding as of December 31, 2015 are as follows:

Debt Type	ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due 2016
	259.11	Compensated Absences		440,582	113,432	155,870	398,144	
	259.11	Pension Liability		-	1,153,677	-	1,153,677	
General Obligation								
PWTF	263.53	Chlorination Equipment	7/1/2016	19,579	-	9,789	9,789	9,789
PWTF	263.53	Regional Well	1/1/2015	11,401	-	11,401	-	-
PWTF	263.53	CBD/15th Main	7/1/2024	235,825	-	23,582	212,242	23,582
PWTF	263.53	15th Booster Pump	7/1/2025	269,137	-	26,914	242,223	26,914
PWTF	263.53	Grant Rd Main	7/1/2025	179,178	-	16,289	162,889	16,289
PWTF	263.53	Baker Flats	7/1/2027	415,601	-	31,969	383,632	31,969
PWTF	263.53	Baker Flats ULID	7/1/2027	1,960,968	-	150,844	1,810,124	150,844
PWTF	263.53	Pipe Reliability	7/1/2032	803,420	49,206	44,634	807,992	47,529
PWTF	263.53	10th Street Reservoir	6/1/2032		3,442,517	22,425	3,420,092	201,182
		Total General Obligation:		3,895,108	3,491,723	337,848	7,048,983	508,098
Revenue Bonds								
	252.11	Revenue Bond 2004	2/1/2024	580,000	-	-	580,000	-
	252.11	Revenue Bond 2010	1/1/2030	2,240,000	-	130,000	2,110,000	130,000
	252.11	Revenue Bond 2014	2/1/2029	4,590,000	-	435,000	4,155,000	450,000
		Total Revenue Bonds:		7,410,000	-	565,000	6,845,000	580,000
		Total Liabilities:		**11,745,690**	**4,758,832**	**1,058,718**	**15,445,804**	**1,088,098**

The annual debt service requirements to maturity for General Obligation and Revenue Bonds are as follows:

Years Ending December 31			
Year	*Interest*	*Principal*	*Total*
2016	265,206	1,088,098	1,353,304
2017	250,969	1,078,309	1,329,278
2018	231,898	1,103,309	1,335,207
2019	209,277	1,108,309	1,317,586
2020	186,201	1,123,309	1,309,510
2021-2025	562,784	5,371,048	5,933,832
2026-2030	152,145	2,524,180	2,676,325
2031-2032	3,731	497,422	501,152

Bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

At December 31, 2015, the district has $1,088,098 available in cash and cash equivalents to service the general obligation and revenue bond debt. Restricted assets in proprietary funds contain $1,225,217 in sinking funds and reserves as required by bond indentures.

NOTE 3 - DEPOSITS AND INVESTMENTS:

A. Deposits

The district's deposits and certificates of deposit are covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The district's treasurer is the Douglas County Treasurer and all cash funds are controlled and invested by that office.

B. Investments

Investments Measured at Amortized Cost
As of December 31, 2015, the district held the following investments at amortized cost:

Investment Type	Maturities	Investment Total
State Investment Pool	N/A	$ 5,187,110
U.S. Treasuries	12/24/2020	185,000
U.S. Treasuries	04/26/2019	452,929
U.S. Treasuries	4/26/2019	561,211
Total		$ 6,386,251

There are no restrictions or limitations on withdrawals of these investments and no penalties assessed on early withdrawals.

NOTE 4 – CAPITAL ASSETS:

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. The capitalization threshold amount determining expense or capitalization is $500.

Utility plant in service and other capital assets are recorded at cost where the historical cost is known. Where historical cost is not known, assets are recorded at market value. Donations by developers are recorded at the contract price and donor cost or appraised value.

	Beg. Balance	Increase	Decrease	End Balance
UTILITY PLANT NOT BEING DEPRECIATED:				
LAND	$ 642,719	$ -	$ -	$ 642,719
CONSTRUCTION IN PROGRESS	290,727	4,021,778	(290,727)	4,021,778
TOTAL PLANT NOT BEING DEPRECIATED	933,446	4,021,778	(290,727)	4,664,497
UTILITY PLANT BEING DEPRECIATED:				
INTANGIBLES	69,872	-	-	69,872
BUILDINGS	3,048,147	-	-	3,048,147
EQUIPMENT	3,476,028	194,649	(213,216)	3,457,461
PLANT	48,904,203	1,324,901	-	50,229,104
TOTAL PLANT BEING DEPRECIATED	55,498,249	1,519,550	(213,216)	56,804,583
LESS ACCUMULATED DEPRECIATION FOR:				
BUILDINGS	1,674,755	98,819	-	1,773,573
EQUIPMENT	2,699,353	102,128	(212,081)	2,589,400
PLANT	18,781,095	1,187,969	-	19,969,065
INTANGIBLES		13,974	-	13,974
TOTAL ACCUMULATED DEPRECIATION	23,155,203	1,402,890	(212,081)	24,346,012
TOTAL UTILITY PLANT BEING DEPRECIATED, NET	32,343,046	116,660	(1,135)	32,458,571
TOTAL UTILITY PLANT, NET	$ 33,276,492	$ 4,138,438	$ (291,862)	$ 37,123,068

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

An allowance for funds used during construction is capitalized as part of the cost of utility plant. While cash is not received currently from such allowance, it is realized under the rate-making process over the service life of the related property through increased revenue resulting from a higher rate base and higher depreciation expense. The procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.

Depreciation is computed on the straight line method with useful lives of 5 to 50 years. Initial depreciation on utility plant is recorded in the following year it is placed in service and charged for one year of service.

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that related to abandoned projects are expensed.

The district expenses include impairment losses that may arise. There were no impairment losses to report for 2015.

NOTE 5 - CONSTRUCTION IN PROGRESS:

The district completed over $290,727 worth of construction in progress, leaving $4,021,778 in progress. The following projects were in progress but not under contract at year end.

	Project Authorization	Expended thru 12/31/2015	Committed	Required Future Financing *
10th Street Main	$ 1,463,000	$ 117,004	$ 365,750	$ 1,097,250
Baker Avenue	1,164,000	29,500	1,164,000	
Stark Avenue		61,954		
10th Street Reservoir Design	3,440,000	3,770,342	3,251,160	
Valley Mall Parkway	44,957	42,978	44,957	
Total	**$ 6,111,957**	**$ 4,021,778**	**$ 4,825,867**	**$ 1,097,250**

* 10th Street Main future financing will be through PWTF Loans.

NOTE 6 - PENSION PLANS:

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts – All Plans		
Pension liabilities	$	1,153,677
Pension assets	$	-
Deferred outflows of resources	$	120,313
Deferred inflows of resources	$	181,685
Pension expense/expenditures	$	93,743

State Sponsored Pension Plans

Substantially all District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The District's actual contributions to the plan were $63,644 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

<u>Contributions</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The District's actual contributions to the plan were 69,334 for the year ended December 31, 2015.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation

- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.

- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the District's proportionate share* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 850,345	$ 698,434	$ 567,804
PERS 2/3	$ 1,331,155	$ 455,243	$ (215,409)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District's reported a total pension liability of $1,153,677 for its proportionate share of the net pension liabilities as follows

	Liability (or Asset)
PERS 1	$ 698,434
PERS 2/3	$ 455,243

At June 30, the District's proportionate share of the collective net pension liabilities was as follows

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.013263 %	0.013352 %	0.000089 %
PERS 2/3	0.013423 %	0.012741 %	-0.000682 %

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$ 46,336
PERS 2/3	$ 47,408
TOTAL	$ 93,743

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	38,212
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	30,869	-
TOTAL	$ 30,869	$ 38,212

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 48,392	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	121,528
Changes of assumptions	734	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	21,945
Contributions subsequent to the measurement date	40,318	-
TOTAL	$ 89,444	$ 143,473

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended December 31:	PERS 1	PERS 2/3
2016	$ (14,810)	$ (39,450)
2017	$ (14,810)	$ (39,450)
2018	$ (14,810)	$ (39,450)
2019	$ 6,217	$ 24,003

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 governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2015, there are 507 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 a 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 a 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, and automobile physical damage to insured vehicles. Liability coverage limit is $10 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.

Settlement claims have not exceeded insurance coverage for any of the past three years.

Required Supplementary Information (RSI) - all cost-sharing employers

EWWD
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2016

		2015		2016
Employer's proportion of the net pension liability (asset)		0.013352%		0.011194%
Employer's proportionate share of the net pension liability	$	698,434	$	601,171
TOTAL	$	698,434	$	601,171
Employer's covered employee payroll	$	1,308,083	$	1,330,787
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll		53.39%		45.17%
Plan fiduciary net position as a percentage of the total pension liability		59.10%		57.03%

EWWD
Schedule of Proportionate Share of the Net Pension Liability
PERS 2 & 3
As of June 30, 2016

	2015	2016
Employer's proportion of the net pension liability (asset)	0.01274%	0.014362%
Employer's proportionate share of the net pension liability	$ 455,243	$ 723,115
TOTAL	$ 455,243	$ 723,115
Employer's covered employee payroll	$ 1,130,500	$ 1,330,787
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	40.27%	54.34%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%

EWWD
Schedule of Employer Contributions
PERS 1
As of December 31, 2016

	2015	2016
Statutorily or contractually required contributions	63,644	64,939
Contributions in relation to the statutorily or contractually required contributions	(63,644)	(64,939)
Contribution deficiency (excess)	-	-
Covered employer payroll	1,331,432	1,361,417
Contributions as a percentage of covered employee payroll	4.78%	4.77%

EWWD
Schedule of Employer Contributions
PERS 2 & 3
As of December 31, 2016

	2015	2016
Statutorily or contractually required contributions	69,334	84,817
Contributions in relation to the statutorily or contractually required contributions	(69,334)	(84,817)
Contribution deficiency (excess)	-	-
Covered employer payroll	1,224,011	1,361,417
Contributions as a percentage of covered employee payroll	5.66%	6.23%

Required Supplementary Information (RSI) - all cost-sharing employers

East Wenatchee Water District
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2015

		2015
Employer's proportion of the net pension liability (asset)		0.013352%
Employer's proportionate share of the net pension liability	$	698,434
TOTAL	$	698,434
Employer's covered employee payroll	$	1,308,083
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll		53.39%
Plan fiduciary net position as a percentage of the total pension liability		59.10%

East Wenatchee Water District
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2015

		2015
Employer's proportion of the net pension liability (asset)		0.012741%
Employer's proportionate share of the net pension liability	$	455,243
TOTAL	$	455,243
Employer's covered employee payroll	$	1,130,500
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll		40.27%
Plan fiduciary net position as a percentage of the total pension liability		89.20%

East Wenatchee Water District
Schedule of Employer Contributions
PERS 1
As of December 31, 2015

		2015
Statutorily or contractually required contributions	$	63,644
Contributions in relation to the statutorily or contractually required contributions	$	(63,644)
Contribution deficiency (excess)	$	-
Covered employer payroll	$	1,331,432
Contributions as a percentage of covered employee payroll		4.78%

East Wenatchee Water District
Schedule of Employer Contributions
PERS 2/3
As of December 31, 2015

		2015
Statutorily or contractually required contributions	$	69,334
Contributions in relation to the statutorily or contractually required contributions	$	(69,334)
Contribution deficiency (excess)	$	-
Covered employer payroll	$	1,224,011
Contributions as a percentage of covered employee payroll		5.66%

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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov