



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Clearview Water Supply Agency

For the period January 1, 2015 through December 31, 2017

Published September 20, 2018

Report No. 1022183





**Office of the Washington State Auditor
Pat McCarthy**

September 20, 2018

Board of Commissioners
Clearview Water Supply Agency
Lynnwood, Washington

Report on Financial Statements

Please find attached our report on the Clearview Water Supply Agency's financial statements.
We are issuing this report in order to provide information on the Agency's financial condition.

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

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**

**Clearview Water Supply Agency
January 1, 2015 through December 31, 2017**

Board of Commissioners
Clearview Water Supply Agency
Lynnwood, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Clearview Water Supply Agency, as of and for the years ended December 31, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated September 12, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



Pat McCarthy

State Auditor

Olympia, WA

September 12, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Clearview Water Supply Agency January 1, 2015 through December 31, 2017

Board of Commissioners
Clearview Water Supply Agency
Lynnwood, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Clearview Water Supply Agency, as of and for the years ended December 31, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clearview Water Supply Agency, as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 September 12, 2018 on our consideration of the Agency's internal control over financial reporting

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

September 12, 2018

FINANCIAL SECTION

Clearview Water Supply Agency January 1, 2015 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017, 2016 and 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017, 2016 and 2015

Statement of Revenues, Expenses and Changes in Net Position – 2017, 2016 and 2015

Statement of Cash Flows – 2017, 2016 and 2015

Notes to Financial Statements – 2017, 2016 and 2015

CLEARVIEW WATER SUPPLY AGENCY

Management's Discussion and Analysis

For the Year Ended December 31, 2017

Overview of the Financial Statements

As Management of Clearview Water Supply Agency (Agency), we have prepared a narrative overview and analysis of the financial activities of the Agency for the fiscal year ended December 31, 2017. Please read this in conjunction with the financial statements, including the footnotes.

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

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

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

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

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

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

Total Net Position

	<u>2017</u>	<u>2016</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Current and Other Assets	\$ 1,474,844	\$ 1,806,395	\$ (331,551)	(18.35%)
Total Assets	<u>1,474,844</u>	<u>1,806,395</u>	<u>(331,551)</u>	<u>(18.35%)</u>
Current and Other Liabilities	<u>232,443</u>	<u>571,460</u>	<u>(339,017)</u>	<u>(59.32%)</u>
Total Liabilities	<u>232,443</u>	<u>571,460</u>	<u>(339,017)</u>	<u>(59.32%)</u>
Net Investment in Capital Assets				
Restricted	-	-		
Unrestricted	<u>1,242,402</u>	<u>1,234,935</u>	<u>7,467</u>	<u>0.60%</u>
Total Net Position	<u>\$ 1,242,402</u>	<u>\$ 1,234,935</u>	<u>\$ 7,467</u>	<u>0.60%</u>

For the twelve months ending December 31, 2017, the total net position of the Agency increased by \$7,467 or 0.60%. The increase is the net of decrease in current assets of \$331,551 and a decrease in current liabilities of \$339,017. These decreases are due to the accounts payable checks issued at the end of December 2017. The components of current assets are \$794,085 in cash and investments and \$680,733 in receivables. The only component of current liabilities is \$232,433 in accounts payable.

Revenues, Expenses, and Changes in Fund Net Position

Total utility revenues for 2017 were \$4,228,641. This is an increase of \$323,169 or 8.3% from 2016 (\$3.91 million to \$4.23 million). Total expenses increased from \$3,905,472 in 2016 to 4,228,641 in 2017. This includes an increase in purchased water of \$425,617 or 12.8%, and a decrease in maintenance expenses of \$108,257 or 42.7%. The increase in revenue is primarily due to an increase in purchased water is billed to the three partner water districts. The decrease in maintenance expenses is a result of the reservoir painting project where the majority of work was accomplished in 2015 and was completed in 2017 with final approval in 2018. All normal expenses are billed back to the represented entities, either based on water use (purchased water and power) or on ownership share (operating and maintenance expenses). Thus by policy, expenses will be equal to utility revenue. The non-operating revenue of \$7,466 is interest income which flows through to the change in net position.

	<u>2017</u>	<u>2016</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Utility Revenue	\$ 4,228,641	\$ 3,905,472	\$ 323,169	8.3%
Non-Operating Revenue	7,466	3,880	3,586	92.4%
Total Revenues	<u>4,236,107</u>	<u>3,909,352</u>	<u>326,755</u>	<u>8.4%</u>
Purchased Water	3,757,054	3,331,437	425,617	12.8%
Cost of Power	275,520	269,932	5,588	2.1%
Operating Expenses	50,525	50,304	221	0.4%
Maintenance Expenses	145,542	253,799	(108,257)	-42.7%
Total Expenses	<u>4,228,641</u>	<u>3,905,472</u>	<u>323,169</u>	<u>8.3%</u>
Income Before Contributed Operational Funds	<u>7,466</u>	<u>3,880</u>	<u>3,586</u>	<u>92.4%</u>
Change in Net Position	7,466	3,880	3,586	92.4%
Beginning Net Position	1,234,935	1,231,055	3,880	0.3%
Ending Net Position	<u>\$ 1,242,402</u>	<u>\$ 1,234,935</u>	<u>\$ 7,466</u>	<u>0.6%</u>

CLEARVIEW WATER SUPPLY AGENCY

Management's Discussion and Analysis

For the Year Ended December 31, 2016

Overview of the Financial Statements

As Management of Clearview Water Supply Agency (Agency), we have prepared a narrative overview and analysis of the financial activities of the Agency for the fiscal year ended December 31, 2016. Please read this in conjunction with the financial statements, including the footnotes.

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

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

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

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

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

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

Total Net Position

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
Current and Other Assets	\$ 1,806,395	\$ 1,506,618	\$ 299,777	19.9%
Total Assets	<u>1,806,395</u>	<u>1,506,618</u>	<u>299,777</u>	<u>19.9%</u>
Current and Other Liabilities	571,460	275,563	295,897	107.4%
Total Liabilities	<u>571,460</u>	<u>275,563</u>	<u>295,897</u>	<u>107.4%</u>
Net Investment in Capital Assets				
Restricted	-	-		
Unrestricted	1,234,935	1,231,055	3,880	0.32%
Total Net Position	<u>\$ 1,234,935</u>	<u>\$ 1,231,055</u>	<u>\$ 3,880</u>	<u>0.32%</u>

For the twelve months ending December 31, 2016, the total net position of the Agency increased by \$3,880 or 0.32%. The increase is the net of an increase in current assets of \$299,777 and an increase in current liabilities of \$295,897. These increases are due to the timing of accounts payable checks issued in January 2017. The components of current assets are \$1,211,420 in cash and investments and \$594,975 in receivables. The only component of current liability is \$571,460 in accounts payable.

Revenues, Expenses, and Changes in Fund Net Position

Total utility revenues for 2016 were \$3,905,472. This is a decrease of \$605,298 or 13.4% from 2015 (\$4.51 million to \$3.91 million). Total expenses decreased from \$4,510,770 in 2015 to \$3,905,472 in 2016. This includes a decrease in operating expenses of \$18,869 or 27.3%, and a decrease in maintenance expenses of \$677,122 or 72.7%. The decrease in revenue is primarily due to a decrease in maintenance and operating expenses that are billed to the three partner water districts. The decrease in maintenance expenses is a result of the reservoir painting project where the majority of work was accomplished in 2015 and will be completed in 2017. The operating expenses decrease was due to audit costs that occur every two years. All normal expenses are billed back to the represented entities, either based on water use (purchased water and power) or on ownership share (operating and maintenance expenses). Thus by policy, expenses will be equal to utility revenue. The non-operating revenue of \$3,880 is interest income which flows through to the change in net position.

	<u>2016</u>	<u>2015</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Utility Revenue	\$ 3,905,472	\$ 4,510,770	\$ (605,298)	-13.4%
Non-Operating Revenue	3,880	773	3,107	401.9%
Total Revenues	<u>3,909,352</u>	<u>4,511,543</u>	<u>(602,191)</u>	<u>-13.3%</u>
Purchased Water	3,331,437	3,260,603	70,834	2.2%
Cost of Power	269,932	250,073	19,859	7.9%
Operating Expenses	50,304	69,173	(18,869)	-27.3%
Maintenance Expenses	253,799	930,921	(677,122)	-72.7%
Total Expenses	<u>3,905,472</u>	<u>4,510,770</u>	<u>(605,298)</u>	<u>-13.4%</u>
Income Before Contributed Operational Funds	<u>3,880</u>	<u>773</u>	<u>3,107</u>	<u>401.9%</u>
Change in Net Position	3,880	773	3,107	401.9%
Beginning Net Position	1,231,055	1,230,282	773	0.1%
Ending Net Position	<u>\$ 1,234,935</u>	<u>\$ 1,231,055</u>	<u>\$ 3,880</u>	<u>0.3%</u>

CLEARVIEW WATER SUPPLY AGENCY

Management's Discussion and Analysis

For the Year Ended December 31, 2015

Overview of the Financial Statements

As Management of Clearview Water Supply Agency (Agency), we have prepared a narrative overview and analysis of the financial activities of the Agency for the fiscal year ended December 31, 2015. Please read this in conjunction with the financial statements, including the footnotes.

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

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

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

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

Total Net Position

Clearview Water Supply Agency Net Assets

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Current and Other Assets	\$ 1,506,618	\$ 2,828,330	\$ (1,321,712)	-46.7%
Total Assets	1,506,618	2,828,330	(1,321,712)	-46.7%
Current and Other Liabilities	275,563	1,598,048	(1,322,485)	-82.8%
Total Liabilities	275,563	1,598,048	(1,322,485)	-82.8%
Net Investment in Capital Assets				
Unrestricted	1,231,055	1,230,282	773	0.06%
Total Net Position	\$ 1,231,055	\$ 1,230,282	\$ 773	0.06%

For the twelve months ending December 31, 2015, the total net position of the Agency increased by \$773 or 0.06%. The increase is the net of a decrease in current assets of \$1,321,712 and a decrease in current liabilities of \$1,322,485. These decreases are due to the receiving and processing of the City of Everett reimbursement of overcharges recognized in 2014. The components of current assets are \$625,359 in cash and investments and \$881,259 in receivables. The only component of current liabilities is \$275,563 in accounts payable.

Revenues, Expenses, and Changes in Fund Net Position

Total utility revenues for 2015 were \$4,510,770. This is an increase of \$714,199 or 18.8% from 2014 (\$3.80 million to \$4.51 million). Total operating expenses increased from \$3,796,571 in 2014 to \$4,510,770 in 2015. This includes an increase in operating expenses of \$20,729 or 42.8%, and an increase in maintenance expenses of \$631,200 or 210.6%. The increase in revenue is primarily due to an increase in maintenance and operating expenses that are billed to the three partner water districts. The increase in maintenance expenses is a result of the reservoir painting project that began in 2015 and will be completed in 2016. The operating expenses increase was due to audit costs that occur every two years. All normal expenses are billed back to the represented entities, either based on water use (purchased water and power) or on ownership share (operating and maintenance expenses). Thus by policy, expenses will be equal to utility revenue. The non-operating revenue of \$773 is interest income which flows through to the change in net position.

	2015	2014	\$ Change	% Change
Utility Revenue	\$ 4,510,770	\$ 3,796,571	\$ 714,199	18.8%
Non-Operating Revenue	773	409	364	89.0%
Total Revenues	<u>4,511,543</u>	<u>3,796,980</u>	<u>714,563</u>	<u>18.8%</u>
Purchased Water	3,260,603	3,201,262	59,341	1.9%
Cost of Power	250,073	247,144	2,929	1.2%
Operating Expenses	69,173	48,444	20,729	42.8%
Maintenance Expenses	930,921	299,721	631,200	210.6%
Total Expenses	<u>4,510,770</u>	<u>3,796,571</u>	<u>714,199</u>	<u>18.8%</u>
Income Before Contributed Operational Funds	<u>773</u>	<u>409</u>	<u>364</u>	<u>89.0%</u>
Change in Net Position	773	409	364	89.0%
Beginning Net Position	1,230,282	1,229,873	409	0.0%
Ending Net Position	<u>\$ 1,231,055</u>	<u>\$ 1,230,282</u>	<u>\$ 773</u>	<u>0.1%</u>

CLEARVIEW WATER SUPPLY AGENCY
Statement of Net Position
December 31, 2017

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 52,067
Investments	742,017
Receivables	680,733
Other Receivables	<u>27</u>
 TOTAL CURRENT ASSETS	 <u>1,474,844</u>
 TOTAL ASSETS	 <u><u>1,474,844</u></u>

LIABILITIES

Current Liabilities:	
Accounts Payable	232,443
 TOTAL CURRENT LIABILITIES	 <u>232,443</u>
 TOTAL LIABILITIES	 <u><u>232,443</u></u>

NET POSITION

Unrestricted	<u>1,242,402</u>
 TOTAL NET POSITION	 <u><u>\$ 1,242,402</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,474,844</u></u>

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

CLEARVIEW WATER SUPPLY AGENCY
Statement of Net Position
December 31, 2016

ASSETS

Current Assets:		
Cash and Cash Equivalents	\$	411,869
Investments		799,551
Receivables		594,975
 TOTAL CURRENT ASSETS		<u>1,806,395</u>
 TOTAL ASSETS		<u><u>1,806,395</u></u>

LIABILITIES

Current Liabilities:		
Accounts Payable		571,460
 TOTAL CURRENT LIABILITIES		<u>571,460</u>
 TOTAL LIABILITIES		<u><u>571,460</u></u>

NET POSITION

Unrestricted		<u>1,234,935</u>
 TOTAL NET POSITION	\$	<u><u>1,234,935</u></u>

Total Liabilities and Net Assets	\$	<u><u>1,806,395</u></u>
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The notes to the financial statements are an integral part of this statement

CLEARVIEW WATER SUPPLY AGENCY
Statement of Net Position
December 31, 2015

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 139,688
Investments	485,671
Receivables	881,259
 TOTAL CURRENT ASSETS	 <u>1,506,618</u>
 TOTAL ASSETS	 <u><u>1,506,618</u></u>

LIABILITIES

Current Liabilities:	
Accounts Payable	275,563
 TOTAL CURRENT LIABILITIES	 <u>275,563</u>
 TOTAL LIABILITIES	 <u><u>275,563</u></u>

NET POSITION

Unrestricted	<u>1,231,055</u>
 TOTAL NET POSITION	 <u><u>\$ 1,231,055</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,506,618</u></u>

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

CLEARVIEW WATER SUPPLY AGENCY
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2017

OPERATING REVENUES:

Alderwood Water & Wastewater District Revenue	\$ 2,519,182
Silver Lake Water & Sewer District Revenue	1,411,585
Cross Valley Water District Revenue	297,172
Other Operating Revenue (ENERNOC Power Reduction Program Credit)	702
	<hr/>
Total Operating Revenue	4,228,641

OPERATING EXPENSES:

Water Purchased for Resale	3,757,054
Cost of Power	275,520
General Operations	50,525
Maintenance	145,542
	<hr/>
Total Operating Expenses	4,228,641

OPERATING INCOME (LOSS)

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NONOPERATING REVENUES (EXPENSES):

Interest Income	7,466
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Total Nonoperating Revenues (Expenses)	7,466

CHANGE IN NET POSITION	7,466
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TOTAL NET POSITION, January 1	1,234,935
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TOTAL NET POSITION, December 31	<hr/> \$ 1,242,402 <hr/>
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The notes to the financial statements are an integral part of this statement

CLEARVIEW WATER SUPPLY AGENCY
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2016

OPERATING REVENUES:

Alderwood Water & Wastewater District Revenue	\$ 2,294,023
Silver Lake Water & Sewer District Revenue	1,337,049
Cross Valley Water District Revenue	272,643
Other Operating Revenue (ENERNOC Power Reduciton Program Credit)	1,757
	<hr/>
Total Operating Revenue	3,905,472

OPERATING EXPENSES:

Water Purchased for Resale	3,331,437
Cost of Power	269,932
General Operations	50,304
Maintenance	253,799
	<hr/>
Total Operating Expenses	3,905,472

OPERATING INCOME (LOSS)

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NONOPERATING REVENUES (EXPENSES):

Interest Income	3,880
	<hr/>
Total Nonoperating Revenues (Expenses)	3,880

CHANGE IN NET POSITION

3,880

TOTAL NET POSITION, January 1

1,231,055

TOTAL NET POSITION, December 31

 \$ 1,234,935

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

CLEARVIEW WATER SUPPLY AGENCY
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2015

OPERATING REVENUES:

Alderwood Water & Wastewater District Revenue	\$ 2,493,933
Silver Lake Water & Sewer District Revenue	1,600,673
Cross Valley Water District Revenue	416,164
	<hr/>
Total Operating Revenue	4,510,770

OPERATING EXPENSES:

Water Purchased for Resale	3,260,603
Cost of Power	250,073
General Operations	69,173
Maintenance	930,921
	<hr/>
Total Operating Expenses	4,510,770

OPERATING INCOME (LOSS)

 -

NONOPERATING REVENUES (EXPENSES):

Interest Income	773
	<hr/>
Total Nonoperating Revenues (Expenses)	773

CHANGE IN NET POSITION

773

TOTAL NET POSITION, January 1

1,230,282

TOTAL NET POSITION, December 31

 \$ 1,231,055

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

CLEARVIEW WATER SUPPLY AGENCY
Statement of Cash Flows
For the Year Ended December 31, 2017

CASH FLOWS from OPERATING ACTIVITIES

Receipts from customers	\$ 4,142,883
Payments for purchased water	(4,106,723)
Payments to suppliers	(460,962)
	<hr/>
Net cash provided (used) by operating activities	(424,802)

CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES

Contributed operational funds	-
	<hr/>
Net cash provided (used) by non-capital financing activities	-

CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES

	-
	<hr/>
Net Cash provided (used) by capital and related financing activities	-

CASH FLOWS from INVESTING ACTIVITIES

Interest received on investments	7,466
	<hr/>
Net cash provided by investing activities	7,466
	<hr/>
Net Increase (decrease) in cash and cash equivalents	(417,335)

Balances - beginning of the year	1,211,420
Balances - end of the year	<u><u>\$ 794,085</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	-
Adjustments to reconcile operating income	
to net cash provided by operating activities	
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(85,757)
Increase (decrease) in accounts payable	(339,044)
Decrease (increase) in accounts receivable (other) Everett purchased water refund	(27)
Increase (decrease) in accounts payable (other) distribution to partners from Everett refund	-
	<hr/>
Net cash provided by operating activities	<u><u>\$ (424,829)</u></u>

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

CLEARVIEW WATER SUPPLY AGENCY
Statement of Cash Flows
For the Year Ended December 31, 2016

CASH FLOWS from OPERATING ACTIVITIES

Receipts from customers	\$ 4,191,756
Payments for purchased water	(3,035,817)
Payments to suppliers	(573,758)
	<hr/>
Net cash provided (used) by operating activities	582,181

CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES

Contributed operational funds	<hr/> -
Net cash provided (used) by non-capital financing activities	-

CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES

	<hr/> -
Net Cash provided (used) by capital and related financing activities	-

CASH FLOWS from INVESTING ACTIVITIES

Interest received on investments	<hr/> 3,880
Net cash provided by investing activities	3,880
	<hr/>
Net Increase (decrease) in cash and cash equivalents	586,061

Balances - beginning of the year	<hr/> 625,359
Balances - end of the year	<u><u>\$ 1,211,420</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	-
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	286,284
Increase (decrease) in accounts payable	295,897
	<hr/>
Net cash provided by operating activities	<u><u>\$ 582,181</u></u>

*** RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:**

Cash and Cash Equivalents	1,211,420
Restricted Funds	
Total Cash and Cash Equivalents	<u><u>\$ 1,211,420</u></u>

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

CLEARVIEW WATER SUPPLY AGENCY
Statement of Cash Flows
For the Year Ended December 31, 2015

CASH FLOWS from OPERATING ACTIVITIES

Receipts from customers	\$ 4,303,528
Payments for purchased water	(3,247,668)
Payments to suppliers	(1,285,062)
	<hr/>
Net cash provided (used) by operating activities	(229,202)

CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES

Contributed operational funds	<hr/> -
Net cash provided (used) by non-capital financing activities	-

CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES

	<hr/> -
Net Cash provided (used) by capital and related financing activities	-

CASH FLOWS from INVESTING ACTIVITIES

Interest received on investments	<hr/> 773
Net cash provided by investing activities	773

Net Increase (decrease) in cash and cash equivalents	<hr/> (228,429)
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Balances - beginning of the year	<hr/> 853,788
Balances - end of the year	<u><u>\$ 625,359</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	-
Adjustments to reconcile operating income	
to net cash provided by operating activities	
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(207,242)
Increase (decrease) in accounts payable	(21,960)

Net cash provided by operating activities	<u><u>\$ (229,202)</u></u>
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*** RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:**

Cash and Cash Equivalents	625,359
Restricted Funds	
Total Cash and Cash Equivalents	<u><u>\$ 625,359</u></u>

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

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting and Presentation

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

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

The Agency uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

The Agency distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Agency's ongoing operations. The principal operating revenues of the Agency are the charges for water to the Agency's three customers, Alderwood Water & Wastewater District, Silver Lake Water & Sewer District and Cross Valley Water District. Operating expenses for the Agency include the cost to purchase water and power, administrative expenses, operating and maintenance expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Agency considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

D. Utility Plant and Depreciation

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

E. Receivables

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.

F. Investments

See Note 3.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 2 – MUNICIPAL CORPORATION

CWSA is a municipal corporation formed by Alderwood Water & Wastewater District, Silver Lake Water and Sewer District, and Cross Valley Water District. A three member board with each member district providing a representative governs CWSA. The purpose of CWSA is to provide water to the members and maintain and operate certain facilities. CWSA currently has no plant and equipment; the member districts jointly own the facilities. Alderwood Water & Wastewater District has been contracted to maintain and operate the facilities as well as provide administrative support for CWSA.

CWSA purchases all of its water from Alderwood Water & Wastewater District at the District's cost, which includes the wholesale cost of water from the City of Everett and the associated pumping costs. The members are responsible for all expenses based on metered water use and an agreed upon expense allocation formula. In order to ensure that revenues are sufficient to meet the expenses, monthly charges to the three members are equal to the monthly expenses. Annual financial statements are available by contacting Clearview Water Supply Agency at 3626 – 156th St. SW, Lynnwood, WA 98087 or by calling (425) 743-4605.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

Clearview Water Supply Agency deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

As of December 31, 2017, the Agency had the following deposits and investments:

	Amortized Cost 12/31/2017	Amortized Cost 12/31/2016
Deposits:		
Investment in State Treasurer's Investment Pool	\$ 52,067	\$ 411,869
Total Deposits and Investment Pool	\$ 742,017	\$ 799,551
	\$ 794,085	\$ 1,211,420

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

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

NOTE 4 - RISK MANAGEMENT

The Clearview Water Supply Agency is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act.

The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 66 members. The Pool's fiscal year is November 1st through October 31st.

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

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

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$1,000,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000 (\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood, \$5,000,000 dedicated to Sammamish Plateau, and \$5,000,000 dedicated to Cascade Water Alliance)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$100,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000-\$25,000	\$25,000	\$10,000,000
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Auto Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	\$200,000	\$10,000,000
Employment Practices	\$1,000 - \$25,000	\$200,000	\$10,000,000
Other:			
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$100,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period			

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 4 - RISK MANAGEMENT - continued

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

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2017, written notice must be in possession of the Pool by April 30, 2017). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

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

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

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting and Presentation

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

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

The Agency uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

The Agency distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Agency's ongoing operations. The principal operating revenues of the Agency are the charges for water to the Agency's three customers, Alderwood Water & Wastewater District, Silver Lake Water & Sewer District and Cross Valley Water District. Operating expenses for the Agency include the cost to purchase water and power, administrative expenses, operating and maintenance expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Agency considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

D. Utility Plant and Depreciation

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

E. Receivables

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.

F. Investments

See Note 3.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 2 – JOINT VENTURE

The Clearview Water Supply Agency (CWSA) is comprised of three special purpose district members—the Alderwood Water & Wastewater District, the Cross Valley Water District, and the Silver Lake Water and Sewer District—which share ownership of and maintenance and operations responsibilities for the CWSA water facilities. In accordance with generally accepted accounting principles, each entity's equity interest is reported on its own financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

Clearview Water Supply Agency deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

As of December 31, 2016, the Agency had the following deposits and investments:

	Amortized Cost 12/31/2016	Amortized Cost 12/31/2015
Deposits:	\$ 411,869	\$ 139,688
Investment in State Treasurer's Investment Pool	\$ 799,551	\$ 485,671
Total Deposits and Investment Pool	\$ 1,211,420	\$ 625,359

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

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

NOTE 4 - RISK MANAGEMENT

The Clearview Water Supply Agency is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 4 - RISK MANAGEMENT - continued

The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Intrlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 62 members. The Pool's fiscal year is November 1st through October 31st.

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

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

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION/GROUP	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$25,000 and See (C) below	\$25,000	\$1,000,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$110,000,000 (\$75,000,000 shared by all members, \$25,000,000 dedicated to Alderwood, \$5,000,000 dedicated to Sammamish Plateau, and \$5,000,000 dedicated to Cascade Water Alliance)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary layer	\$100,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000-\$25,000	\$25,000	\$10,000,000
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Auto Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	\$200,000	\$10,000,000
Employment Practices	\$1,000 - \$25,000	\$200,000	\$10,000,000
Other:			
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$100,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period			

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 4 - RISK MANAGEMENT - continued

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

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2017, written notice must be in possession of the Pool by April 30, 2017). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

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

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

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting and Presentation

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

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

The Agency uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate funds.

The Agency distinguishes between operating revenues and expenses from nonoperating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the Agency's ongoing operations. The principal operating revenues of the Agency are the charges for water to the Agency's three customers, Alderwood Water & Wastewater District, Silver Lake Water & Sewer District and Cross Valley Water District. Operating expenses for the Agency include the cost to purchase water and power, administrative expenses, operating and maintenance expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Agency considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

D. Utility Plant and Depreciation

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

E. Receivables

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

F. Investments

See Note 3.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 2 – JOINT VENTURE

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

Clearview Water Supply Agency deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

As of December 31, 2015, the Agency had the following deposits and investments:

	Amortized Cost 12/31/2015	Amortized Cost 12/31/2014
Deposits:	\$ 139,688	\$ 443,891
Investment in State Treasurer's Investment Pool	\$ 485,671	\$ 409,897
Total Deposits and Investment Pool	\$ 625,359	\$ 853,788

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

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

NOTE 4 - RISK MANAGEMENT

The Clearview Water Supply Agency is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 66 members. The Pool's fiscal year is November 1st through October 31st.

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 - RISK MANAGEMENT - continued

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

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

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

**CLEARVIEW WATER SUPPLY AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 - RISK MANAGEMENT - continued

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

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2016, written notice must be in possession of the Pool by April 30, 2016). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims, for the period that the District was a signatory to the Interlocal Governmental Agreement.

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

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

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	
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