



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

# **Financial Statements Audit Report**

## **Beacon Hill Water and Sewer District**

**For the period January 1, 2017 through December 31, 2018**

**Published October 28, 2019**

**Report No. 1024834**





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

October 28, 2019

Board of Commissioners  
Beacon Hill Water and Sewer District  
Kelso, Washington

**Report on Financial Statements**

Please find attached our report on the Beacon Hill Water and Sewer District's financial statements.

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

Sincerely,

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

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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**

**Beacon Hill Water and Sewer District  
January 1, 2017 through December 31, 2018**

Board of Commissioners  
Beacon Hill Water and Sewer District  
Kelso, 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 Beacon Hill Water and Sewer District, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2019.

**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 opinions 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

October 17, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Beacon Hill Water and Sewer District January 1, 2017 through December 31, 2018

Board of Commissioners  
Beacon Hill Water and Sewer District  
Kelso, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Beacon Hill Water and Sewer District, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District'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 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 Beacon Hill Water and Sewer District, as of December 31, 2018 and 2017, 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 and required supplementary information listed on page 9 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 October 17, 2019 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

October 17, 2019



## **FINANCIAL SECTION**

### **Beacon Hill Water and Sewer District January 1, 2017 through December 31, 2018**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2018 and 2017

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2018 and 2017

Statement of Revenues, Expenses and Changes in Fund Net Position – 2018 and 2017

Statement of Cash Flows – 2018 and 2017

Notes to Financial Statements – 2018 and 2017

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 and PERS 2/3 –  
2018 and 2017

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2018 and 2017

Notes to Required Supplemental Information – Pension – 2018 and 2017

**BEACON HILL WATER AND SEWER DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Fiscal Year Ending December 31, 2018 and 2017

## **INTRODUCTION**

Beacon Hill Water and Sewer District (District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended December 31, 2018 and December 31, 2017. The following Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements, the notes to the financial statements and, if applicable, any other supplementary information required as part of the basic financial statements. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

## **BACKGROUND**

Beacon Hill Water and Sewer District is a public entity established in 1959 to provide wastewater collection and transportation for the Beacon Hill and Columbia Heights areas located just north of the city limits of Longview and Kelso. The Lexington area customers were added to the system in the early 1970's. The Cowlitz PUD's water systems were managed by the District starting in 2007 and fully transferred to the District in 2010. The District's total service area is approximately bordered by Ostrander Road to the east, the Longview City limits to the south, Lone Oak Road to the west and King Road to the north. The District Office is located on SR-411 at 1121 West Side Highway, Kelso, WA 98626.

A three-person Board of Commissioners is elected by a vote of the customers to serve six-year terms to govern the District. The Board is the District's policy making and decision-making body. State regulatory oversight of the wastewater collection system is by the Washington State Department of Ecology. Regulatory oversight of the drinking water system is by the Washington State Department of Health.

The District is not legally required to adopt an annual budget; however, the District does adopt a similar management tool as a measure of monitoring revenues and controlling expenses. The Board of Commissioners adopts the biannual maintenance and operation management tool to use as a financial plan for the District. The District has not reported budgetary comparison schedules herein as required supplementary information.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's financial statements present a special purpose district organized under the laws of the State of Washington, Revised Code of Washington (RCW), Title 57, to provide domestic water and sanitary sewer service to specific areas in Cowlitz County, Washington. The District is not a segment of any other local government, nor is it a component thereof.

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

The *Comparative Statement of Net Position* provides a record, or snapshot, of the assets, deferred outflows, liabilities and deferred inflows at the close of the year. It presents the financial position of the District on a full accrual historical cost basis. The net difference between the District's assets and liabilities is shown as the District's net position. Net position is further broken down into the separate categories to show the net position is invested in net capital assets, restricted net position, if applicable and unrestricted net position of the District.

The *Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position* present the

results of the business activities over the course of the fiscal year and the resulting change in net position of the District. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future years. This information can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, and to evaluate profitability and credit worthiness.

The ***Comparative Statement of Cash Flows*** is the third basic financial statement and is related to the other financial statements by the way it links changes in assets, deferred outflows, liabilities and deferred inflows to the effect on cash equivalents over the course of the fiscal year. The statement reports cash receipts, cash payments and net changes resulting from operating, financing and investing activities. It presents information regarding where cash came from and what it was used for.

The ***Notes to Financial Statements*** provide useful information regarding the District's significant accounting policies; it explains significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

## FINANCIAL POSITION

The District's overall financial position continues to be strong with enough liquidity and debt capacity to finance future capital improvements.

Total net position for the District totaled \$18,008,827 at December 31, 2018, which represents a \$932,292 increase over the December 31, 2017 balance of \$17,076,535.

The December 31, 2017 balance of \$17,076,535 increased \$628,609 over the December 31, 2016 balance of \$16,447,926.

### Total Net Position as of December 31:

|  | 2018         | 2017         | 2016         |
|--|--------------|--------------|--------------|
| Assets:  |              |              |              |
| Current and Other Assets                           | \$8,218,798  | \$5,597,088  | \$6,526,722  |
| Investments  | 2,472,298    | 2,472,259    | 2,469,319    |
| Capital Assets, Net of Depreciation & Amortization | 13,847,354   | 11,891,131   | 10,394,960   |
| Total Assets                                       | 24,538,450   | 19,960,478   | 19,391,001   |
| Deferred outflows of resources                     | 68,733       | 80,665       | 125,096      |
| Liabilities:                                       |              |              |              |
| Current and Other Liabilities                      | 757,699      | 694,532      | 622,869      |
| Noncurrent Liabilities                             | 5,688,317    | 2,163,315    | 2,400,987    |
| Total Liabilities                                  | 6,446,016    | 2,857,847    | 3,023,856    |
| Deferred inflows of resources                      | 152,340      | 106,761      | 44,315       |
| Net Position:                                      |              |              |              |
| Net Investment in Capital Assets                   | 10,463,693   | 10,262,611   | 8,462,549    |
| Restricted for Debt Reserve                        | 266,767      | -            | -            |
| Unrestricted                                       | 7,278,367    | 6,813,924    | 7,985,377    |
| Total Net Position                                 | \$18,008,827 | \$17,076,535 | \$16,447,926 |

**Analysis of changes in Total Net Position from 2017 to 2018:**

For the twelve months ending December 31, 2018, the total net position of the District increased by \$932,292 or 5.46% (\$17,076,535 to \$18,008,827).

The largest portion of the current and other assets is made-up of Cash and Cash Equivalents, which is \$5,239,943 or 63.76%. The increase of 8.67% or \$417,929 over the prior year balance of \$4,822,014 is the result of normal operations.

The Liability in Associated Organization represents 3.40% or \$194,040 of noncurrent liabilities. This is the Mint Farm Regional Water Treatment Plant of which the District had 14.81% ownership. This increased by 40.83% or \$56,261.

Capital Assets increased 16.45% or \$1,956,223 in 2018 over the prior year balance of \$11,891,131. The increase results from asset additions exceeding depreciation. Most of the additions were from facility improvements, water system improvements and sewer line replacements.

The increase in non-current liabilities is mainly from the issuance of new debt, which consist of revenue bonds that were authorized and issued in the amount of \$3,450,000. Proceeds from the revenue bonds reimbursed expenditures from capital projects in progress and will fund other capital projects in the future.

The restricted net position of the District consists of debt service on the revenue bonds in the amount of \$266,767.

The unrestricted net position of District increased 6.82% or \$464,443 mainly due to an increase in cash and cash equivalents. The District continues to keep expenditures lower than operating revenues.

**Analysis of changes in Total Net Position from 2016 to 2017:**

For the twelve months ending December 31, 2017, the total net position of the District increased by \$628,609 or 3.82% (\$16,447,926 to \$17,076,535).

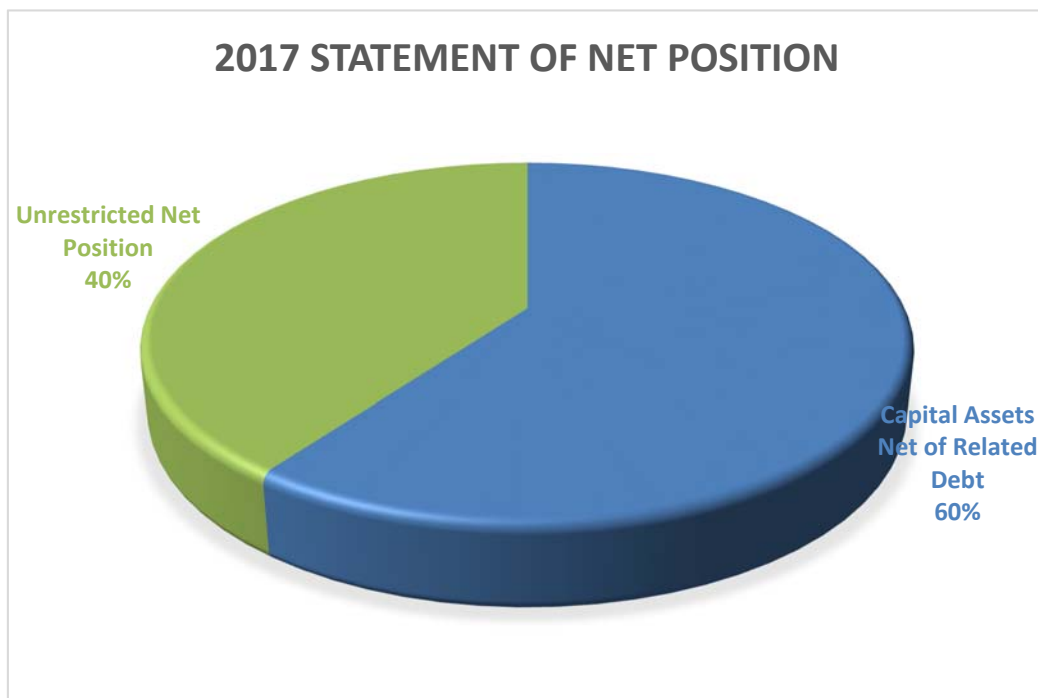
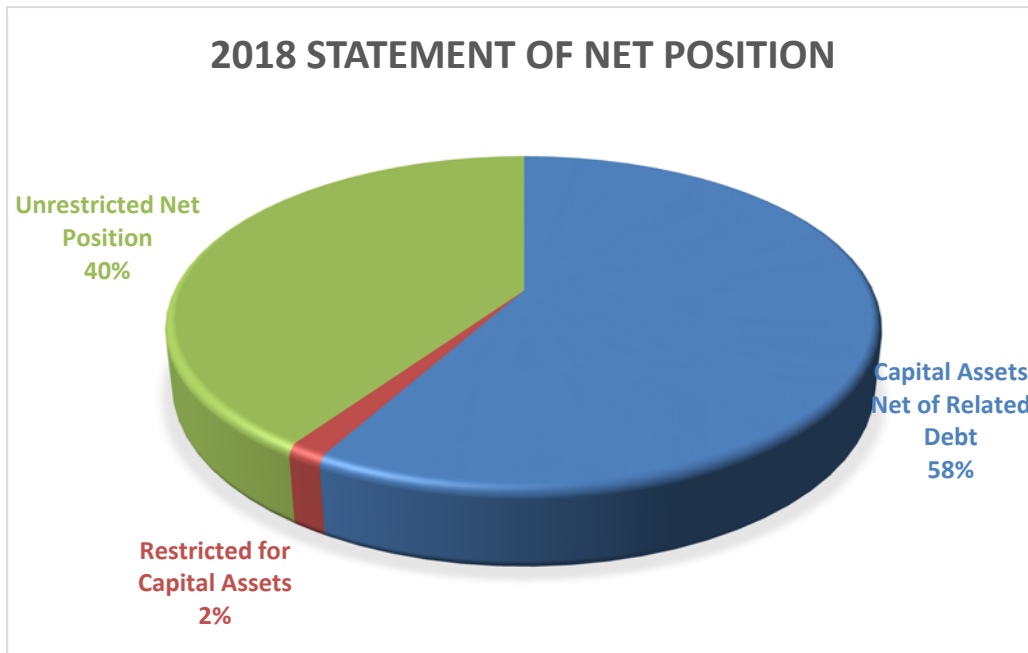
The largest portion of the current and other assets is made-up of Cash and Cash Equivalents, which is \$4,822,014 or 86.15%. The decrease of 26.11% or \$1,704,708 is the result of normal operations and cash used for capital projects.

The Liability in Associated Organization represents 6.37% or \$137,779 of noncurrent liabilities. This is the Mint Farm Regional Water Treatment Plant of which the District had 14.71% ownership. This decreased by 26.2% or \$48,906.

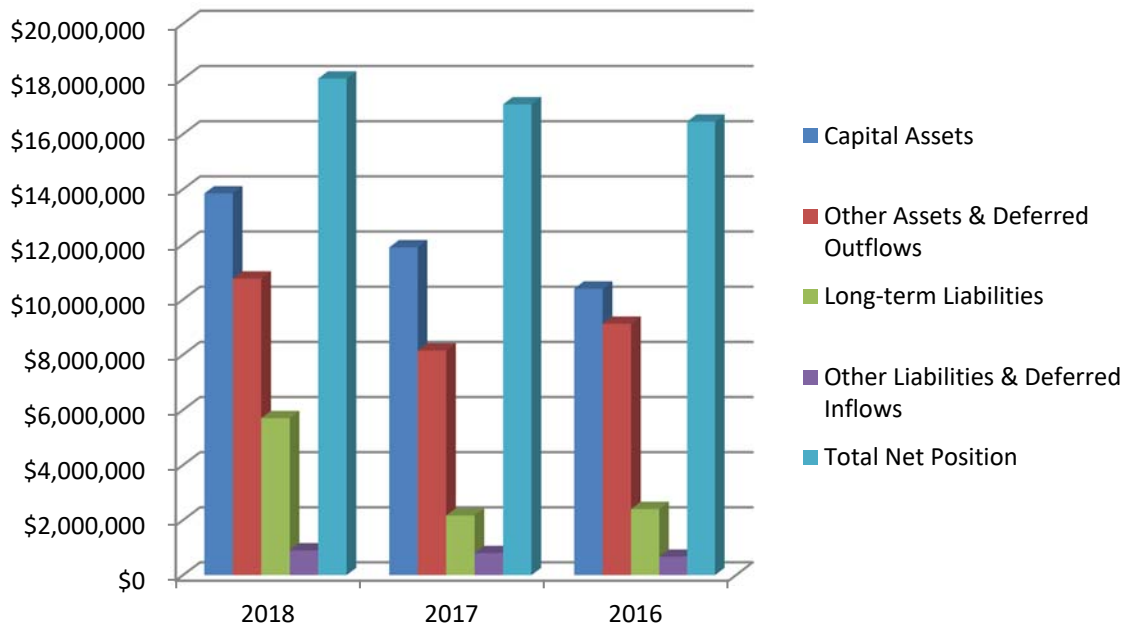
Capital assets increased 14.39% or \$1,496,171 in 2017. This increase results from asset additions exceeding depreciation. Most of the additions were from the facility improvement project.

The unrestricted net position decreased 14.67% or \$1,171,453 mainly due to a decrease in cash and cash equivalents. The District continues to keep expenditures lower than operating revenues.

The following charts indicate the components of the District's financial position:



## Comparative Statement of Net Position



## RESULTS OF OPERATIONS

Condensed Comparative Statement of Revenues, Expenses and Changes in Net Position as of December 31:

|                                    | 2018         | 2017         | 2016         |
|------------------------------------|--------------|--------------|--------------|
| Operating Revenues:                |              |              |              |
| Charges for Services               | 4,478,462    | \$4,330,807  | \$4,207,396  |
| Miscellaneous                      | 43,285       | 53,814       | 51,919       |
| Nonoperating Revenues              | 114,699      | 82,094       | 78,959       |
| Total Revenues                     | 4,636,446    | 4,466,715    | 4,338,274    |
| Operating Expenses                 | 3,507,374    | 3,678,991    | 3,288,885    |
| Nonoperating Expenses:             |              |              |              |
| Change in Associated Organizations | 174,115      | 203,077      | 244,241      |
| Other                              | 121,134      | 23,606       | 36,347       |
| Total Expenses                     | 3,802,623    | 3,905,674    | 3,569,473    |
| Excess before Contributions        | 833,823      | 561,041      | 768,801      |
| Capital Contributions              | 98,469       | 67,568       | 45,493       |
| Change in Net Position             | 932,292      | 628,609      | 814,294      |
| Total Net Position, January 1      | 17,076,535   | 16,447,926   | 15,928,499   |
| Change in Accounting Principles    | -            | -            | (294,867)    |
| Total Net Position, December 31    | \$18,008,827 | \$17,076,535 | \$16,447,926 |

**Analysis of changes in Revenues, Expenses and Changes in Net Position from 2017 to 2018:**

- Excess before capital contributions increased by \$272,782 (\$561,041 to \$833,823).
- Operating revenues increased by \$137,126, made up primarily of an increase in service fees due to a rate increase.
- Other non-operating revenues increased by \$32,605 due to an increase in investment revenue.
- Operating expenses decreased \$171,617 overall due to decreases in both operating and maintenance costs.
- Non-operating expenses increased by \$68,566 which is made up of interest paid on debt obligation, bond issuance costs and liability in Associated Organization.
- Capital contributions increased by \$30,901 from 2017 to 2018 (\$67,568 to \$98,469) and were made up entirely of connection fees.

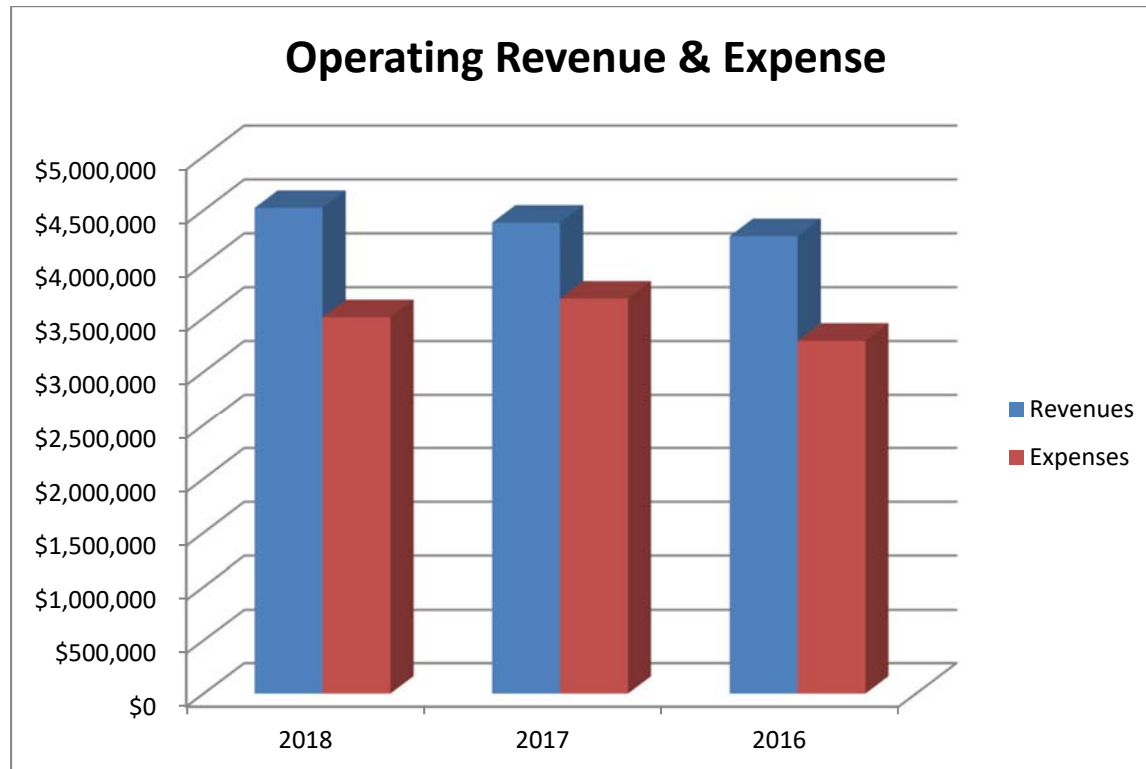
**Analysis of changes in Revenues, Expenses and Changes in Net Position from 2016 to 2017:**

- Excess before capital contributions decreased by \$207,760 (\$768,801 to \$561,041).
- Operating revenues increased by \$125,306, made up primarily of an increase in service fees due to a rate increase.
- Other non-operating revenues increased by \$3,135. This was due to increased investment revenue.
- Operating expenses increased by \$390,106 due to increased maintenance, water system plan and various inflationary factors.
- Non-operating expenses decreased by \$53,905 which is made up of interest paid on debt obligation and liability in Associated Organization.
- Capital contributions increased by \$22,075 from 2016 to 2017 (\$45,493 to \$67,568) and were made up entirely of connection fees.

District water and sewer operations are funded from customer revenues. The District's year-end customer base for the years 2018, 2017 and 2016 were as follows:

| Year | Residential Units | Commercial Units<br>(residential equivalents) | Metered Accounts<br>(residential equivalent) | Total | Increase |
|------|-------------------|---|--|-------|----------|
| 2018 | 3907              | 677   | 4  | 4588  | 0.4%     |
| 2017 | 3888              | 677   | 4  | 4569  | 0.3%     |
| 2016 | 3874              | 677   | 4  | 4555  | 0.2%     |

The following chart indicates operating revenues and expenses:



The Districts revenues are categorized in three groups: water service, wastewater service and ancillary charges. Ancillary charges include meter installs, inspection permit fees, account set up and penalty fees, and other charges for miscellaneous billed services.

The District also collects water and sewer connection charges and receives additions to its collections and distribution systems from developers. These facilities typically consist of the pipes and structures needed to serve residential communities and are recorded as capital assets and non-cash capacity revenue. These fees are classified as non-operating revenues. While not formally restricted, the District typically uses connection charges for capital investment and debt service. Development continues to increase producing capital contribution revenue of \$45,493 in 2016, \$67,568 in 2017 and \$98,469 in 2018. All capital contributions were from connection fees.

Non-operating expenses exceeded non-operating revenues by \$201,629 in 2016, \$144,589 in 2017 and \$180,550 in 2018. The increase in non-operating revenues of \$66,665 in 2016, \$3,135 in 2017 and \$32,605 in 2018, is mainly due to an increase in interest and investment revenue. Interest and other debt service expenses were \$36,347 in 2016, \$23,606 in 2017 and \$120,113 in 2018. The decreases are due to accelerated principle payments on a portion of the District's debt and the increase is mainly due to bond issuance costs.

Operating expenses increased from \$3,288,885 in 2016 to \$3,678,991 in 2017 and then decrease to \$3,507,374 in 2018. One component of operating expenses includes sewer treatment costs. As the flow of treatment members changes each year, the District's percentage of the shared operating expense will likewise adjust. Treatment costs increased by \$36,264 in 2016, \$10,000 in 2017 and \$22,305 in 2018.



## CAPITAL ASSETS AND LONG-TERM DEBT

*Capital Assets:* The District's capital assets for system improvements (net accumulated depreciation and amortization) as of December 31, 2018 totaled \$13,847,354 and \$11,891,131 in 2017. Overall capital assets increased due to increased capital improvement projects in progress.

Capital asset additions totaled \$3,647,378 in 2018, which comprised of the following:

Collection Sewer-Force \$625,359, Distribution Reservoirs and Standpipes \$136,610, Structures and Improvements \$2,183,428 and Transmission and Distribution Mains \$701,981.

Capital asset additions totaled \$507,240 in 2017, which comprised of the following:

Collection Sewer-Force \$8,544, Pumping Equipment \$169,244, Transmission and Distribution Mains \$294,710 and Transportation Equipment \$34,742.

Capital asset additions totaled \$361,911 in 2016, which comprised of the following:

Accounting software \$59,242, land \$2,359, pumping equipment \$14,326, fence, security gate and reservoir upgrades \$80,455, water system improvements \$140,275 and power operated equipment \$65,254.

Debt acquired in 2016, 2017 and 2018 consists of:

- 24-year Drinking Water State Revolving Fund Loan for \$1,143,320, authorized in 2013, of which \$11,320 was charged against the loan for loan fees in 2014, \$580,886 drawn in 2015 and \$109,417 drawn in 2016 for a water system pump station upgrade.
- 24-year Drinking Water State Revolving Fund Loan for \$850,000, authorized in 2015, amended to \$1,112,333 in 2017, which \$126,987 was drawn in 2017 and \$138,476 in 2018 for a pump station reconstruction.
- 20-year Revenue Bonds were authorized and issued in the amount of \$3,450,000 in 2018. The proceeds reimbursed expenditures from capital projects in progress and the remaining balance will be used to finance future capital projects.

Loans and Bond Obligations:

| Type of Debt                     | Debt<br>Outstanding<br>12/31/2018 | Debt<br>Outstanding<br>12/31/2017 | Debt<br>Outstanding<br>12/31/2016 |
|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Government Loans Payable         |                                   |                                   |                                   |
| PWTF Loans                       | \$696,563                         | \$834,990                         | \$973,419                         |
| DWSRF Loans                      | 932,005                           | 793,530                           | 701,623                           |
| Cowlitz PUD Loans                | -                                 | -                                 | 257,369                           |
| Total Loans Payable              | 1,628,568                         | 1,628,520                         | 1,932,411                         |
| Bonds Payable                    |                                   |                                   |                                   |
| Revenue Bonds                    | 3,450,000                         | -                                 | -                                 |
| Unamortized Revenue Bond Premium | 234,198                           | -                                 | -                                 |
| Total Bonds Payable              | 3,684,198                         | -                                 | -                                 |
| Total Loans and Bonds Payable    | 5,312,766                         | 1,628,520                         | 1,932,411                         |

Additional information on the District's Capital Assets and Long-term Debt can be found in the Notes to the Financial Statements, Notes 4, 6 and 7, respectively.

## **ADDITIONAL COMMENTS**

The District is dependent on the Three Rivers Regional Wastewater Authority (TRRWA) for the treatment of sewage collected. On July 1, 2016, TRRWA adopted a new formation agreement as a Joint Municipal Utility Services Authority (JMUSA). It continues to be governed by a board consisting of the following member entities: Beacon Hill Water and Sewer District, City of Longview, City of Kelso and Cowlitz County. The District's treatment costs are directly related to the treatment plant's budget divided by a percentage of total flow established by entity usage.

### *Requests for Information*

This financial report is designed and intended to provide a general overview of the District's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Beacon Hill Water and Sewer District at 1121 West Side Highway, Kelso, WA 98626 or via our website at [bhwsd.org](http://bhwsd.org).

**BEACON HILL WATER AND SEWER DISTRICT**  
**Statement of Net Position**  
**December 31, 2018 and 2017**

|   | <b>2018</b>          | <b>2017</b>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>                                       |                      |                      |
| <b>Current Assets</b>                               |                      |                      |
| Cash and Cash Equivalents (Note 2)                  | \$ 5,239,943         | \$ 4,822,014         |
| Restricted Cash and Cash Equivalents (Note 1e)      | 2,195,872            | -                    |
| Accounts Receivable (Note 3)                        | 654,548              | 648,833              |
| Inventory (Note 1g)                                 | 42,244               | 52,201               |
| Prepayments   | 86,191               | 74,040               |
| <b>Total Current Assets</b>                         | <b>8,218,798</b>     | <b>5,597,088</b>     |
| <b>Noncurrent Assets</b>                            |                      |                      |
| Investments (Note 2)                                | 2,472,298            | 2,472,259            |
| Capital Assets Not Being Depreciated (Note 4 and 6) | 1,527,621            | 2,541,854            |
| Capital Assets Being Depreciated (Note 4)           | 12,268,076           | 9,290,882            |
| Assets Being Amortized (Note 4)                     | 51,657               | 58,395               |
| <b>Total Noncurrent Assets</b>                      | <b>16,319,652</b>    | <b>14,363,390</b>    |
| <b>TOTAL ASSETS</b>                                 | <b>24,538,450</b>    | <b>19,960,478</b>    |
| <b>DEFERRED OUTFLOWS of RESOURCES</b>               |                      |                      |
| Amounts related to Pension (Note 8)                 | 68,733               | 80,665               |
| <b>Total Deferred Outflows of Resources</b>         | <b>68,733</b>        | <b>80,665</b>        |
| <b>LIABILITIES</b>                                  |                      |                      |
| <b>Current Liabilities</b>                          |                      |                      |
| Accounts Payable (Note 3)                           | 424,505              | 496,538              |
| Accrued Payroll Liabilities (Note 3)                | 21,962               | 15,385               |
| Interest Payable (Note 3)                           | 48,018               | 6,862                |
| Prepaid Lease Revenue (Note 10)                     | 2,238                | 2,238                |
| Bonds and Loans Payable (Note 7b and 7c)            | 260,976              | 173,509              |
| <b>Total Current Liabilities</b>                    | <b>757,699</b>       | <b>694,532</b>       |
| <b>Noncurrent Liabilities</b>                       |                      |                      |
| Bonds and Loans Payable (Note 7b and 7c)            | 5,051,790            | 1,455,011            |
| Employee Compensated Absences (Note 7c)             | 81,240               | 76,737               |
| Liability in Associated Organization (Note 5a)      | 194,040              | 137,779              |
| Pension Obligations (Net) (Note 8)                  | 361,247              | 493,788              |
| <b>Total Noncurrent Liabilities</b>                 | <b>5,688,317</b>     | <b>2,163,315</b>     |
| <b>TOTAL LIABILITIES</b>                            | <b>6,446,016</b>     | <b>2,857,847</b>     |
| <b>DEFERRED INFLOWS of RESOURCES</b>                |                      |                      |
| Amounts related to Pension (Note 8)                 | 152,340              | 106,761              |
| <b>Total Deferred Inflows of Resources</b>          | <b>152,340</b>       | <b>106,761</b>       |
| <b>NET POSITION</b>                                 |                      |                      |
| Net Investment in Capital Assets                    | 10,463,693           | 10,262,611           |
| Restricted for Capital Assets and Debt Service      | 266,767              | -                    |
| Unrestricted  | 7,278,367            | 6,813,924            |
| <b>TOTAL NET POSITION</b>                           | <b>\$ 18,008,827</b> | <b>\$ 17,076,535</b> |

**BEACON HILL WATER AND SEWER DISTRICT**  
**Statement of Revenues , Expenses and Changes in Fund Net Position**  
**December 31, 2018 and 2017**

|   | <b>2018</b>          | <b>2017</b>          |
|---|----------------------|----------------------|
| <b>OPERATING REVENUES</b>                     |                      |                      |
| Charge for Services                           | \$ 4,478,462         | \$ 4,330,807         |
| Miscellaneous                                 | 43,285               | 53,814               |
| <b>Total Operating Revenues</b>               | <b>4,521,747</b>     | <b>4,384,621</b>     |
| <b>OPERATING EXPENSES</b>                     |                      |                      |
| Treatment Expenses                            | 775,871              | 753,566              |
| Operations                                    | 1,676,289            | 1,677,884            |
| Repairs and Maintenance                       | 165,651              | 311,133              |
| Insurance                                     | 51,244               | 54,358               |
| Taxes   | 161,396              | 155,378              |
| Depreciation                                  | 676,923              | 726,672              |
| <b>Total Operating Expenses</b>               | <b>3,507,374</b>     | <b>3,678,991</b>     |
| <b>OPERATING INCOME (LOSS)</b>                | <b>1,014,373</b>     | <b>705,630</b>       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |                      |                      |
| Interest and Investment Revenue               | 111,236              | 72,197               |
| Lease Revenue                                 | 3,463                | 3,077                |
| Gain/(Loss) on Sale of Capital Assets         | -                    | 3,478                |
| Interest Expense                              | (120,113)            | (23,606)             |
| Miscellaneous Non-Operating                   | (1,021)              | 3,342                |
| Change in Associated Organization             | (174,115)            | (203,077)            |
| <b>Total Nonoperation Revenues (Expenses)</b> | <b>(180,550)</b>     | <b>(144,589)</b>     |
| Income (Loss) Before Contributions            | 833,823              | 561,041              |
| Capital Contributions                         | 98,469               | 67,568               |
| <b>Change in Net Position</b>                 | <b>932,292</b>       | <b>628,609</b>       |
| <b>Total Net Position, January 1</b>          | <b>17,076,535</b>    | <b>16,447,926</b>    |
| <b>Total Net Position, December 31</b>        | <b>\$ 18,008,827</b> | <b>\$ 17,076,535</b> |

**BEACON HILL WATER AND SEWER DISTRICT**  
**Statement of Cash Flows**  
**December 31, 2018 and 2017**

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Receipts from customers   | \$ 4,516,032        | \$ 4,352,395        |
| Payments for Goods & Services   | (2,151,886)         | (1,658,687)         |
| Payments for Personnel  | (1,106,991)         | (1,040,030)         |
| Other Revenues  | 2,442               | 7,231               |
| Net Cash Provided (Used) by Operating Activities  | <u>1,259,597</u>    | <u>1,660,909</u>    |
| <b>CASH FLOWS FROM CAPITAL AND REALATED FINANCING ACTIVITIES</b>  |                     |                     |
| Proceeds from Capital Debt  | 3,826,104           | 126,987             |
| Receipts from Customers for Future Capital Development  | 98,469              | 67,568              |
| Receipts from Sale of Capital Assets  |                     | 7,500               |
| Payments on Loans   | (138,428)           | (430,878)           |
| Payment for Capital Assets  | (2,342,897)         | (2,185,917)         |
| Interest Payments on Loans  | (82,387)            | (31,752)            |
| Net Cash Provided (Used) from Capital and Related Financing Activities                                      | <u>1,360,861</u>    | <u>(2,446,492)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Interest Earned on Investments  | 111,196             | 69,257              |
| Inflows from Associated Organization  | 10                  | -                   |
| Payments for Investment in Associated Organization  | (117,863)           | (251,984)           |
| Net Cash Provided (Used) by Investing Activities  | <u>(6,657)</u>      | <u>(182,727)</u>    |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>2,613,801</b>    | <b>(968,310)</b>    |
| Cash and Cash Equivalents - January 1   | <u>4,822,014</u>    | <u>5,790,324</u>    |
| Cash and Cash Equivalents - December 31   | <u>7,435,815</u>    | <u>4,822,014</u>    |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>        |                     |                     |
| Net Operating Income (Loss)   | 1,014,373           | 705,630             |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                     |                     |
| Depreciation and Amortization Expense   | 676,923             | 726,672             |
| Decrease (Increase) in Receivables  | (5,715)             | (32,506)            |
| Decrease (Increase) in Inventories  | 9,957               | (3,568)             |
| Decrease (Increase) in Prepaid Expenses   | (12,151)            | (2,602)             |
| Increase (Decrease) in Current Payables   | (362,281)           | 295,544             |
| Increase (Decrease) in Accrued Payroll  | 6,576               | 686                 |
| Increase (Decrease) in Employee Benefits  | 4,503               | 7,250               |
| Increase (Decrease) in Pension Activity   | (75,030)            | (42,617)            |
| Other Operating Revenues  | 3,463               | 7,231               |
| Other Operating Expenses  | (1,021)             | (811)               |
| Total Adjustments   | <u>245,224</u>      | <u>955,279</u>      |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>\$ 1,259,597</b> | <b>\$ 1,660,909</b> |
| <b>Noncash Transactions</b>   |                     |                     |
| Increase (Decrease) in Fair Value of Investments  | \$ 39               | \$ 2,940            |
| Increase (Decrease) in Investment in Related Organization   | 56,404              | 48,906              |
| Capital Assets Financed Through Accounts Payable  | 347,218             | 56,970              |

**BEACON HILL WATER AND SEWER DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended December 31, 2018 and 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Beacon Hill Water and Sewer District (District) conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The following is a summary of the most significant:

a. Reporting Entity

Beacon Hill Water and Sewer District is a municipal corporation governed by an elected three (3)-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Beacon Hill Water and Sewer District has no component units.

b. Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The District used the *Uniform System of Accounts for Class A Water Utilities and Class A Sewer Utilities*.

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

The District 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 District's principal ongoing operations. The principal operating revenues of the District are charges to customers for service provided by the water and sewer systems. The District also recognizes as operating revenue the portion of the tap fees intended to recover the cost of connecting new customers to the system. 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. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash and Cash Equivalents include currency on hand, Washington State Public Deposit Protection Commission (PDPC) member bank deposits and investments in the Washington State Local Government Investment Pool (LGIP).

d. Utility Plant and Depreciation (See Note 4)

e. Restricted Assets

In 2018, the District authorized and issued Revenue Bonds. In accordance with the bond resolution, separate restricted funds were established, which holds the unspent bond proceeds in the amount of \$1,940,177 and the annual amount of debt service in the amount of \$255,695. The total restricted assets as of December 31, 2018 were \$2,195,872 as of December 31, 2018 and no restricted assets as of December 31, 2017.

f. Receivables

Customer accounts receivable consist of amounts owed for goods and services. Delinquent customer receivables are secured by liens against the serviced property per state law; therefore, there are no accounts “written off” as uncollectable. The District’s policy is to issue a letter of intent, with 60-calendar days to respond, to foreclose on utility charges and lien balances that exceed five years or \$4,000 for a single-family residence or commercial property, whichever comes first.

g. Inventories

Inventories are valued at cost, which approximates the market value, using average cost. Inventories were valued at \$42,244 as of December 31, 2018, and \$52,201 as of December 31, 2017.

h. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and recorded as prepaid items in the financial statements. As of December 31, 2018 the District reports \$86,191 in prepayments and as of December 31, 2017 \$74,040.

i. Investments (See Note 2)

j. Compensated Absences

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

Vacation is earned in amounts varying from twelve (12) days after the first year to twenty-two (22) days after 18 years of service. Vacation may accrue to a total of thirty (30) days. Sick leave is granted at the rate of one working day per month and may accrue to one hundred fifty (150) working days. An employee separated from employment due to retirement or termination short of retirement age (except for due cause) shall be compensated one hundred (100) percent of his/her sick leave up to a maximum of ninety days, provided the employee has completed ten (10) years of service.

k. 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.

#### I. Use of Estimate

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP), requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates and assumptions.

### **NOTE 2 – DEPOSITS AND INVESTMENTS**

#### Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, certificates of deposit, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash resources of individual funds are invested directly into government securities with interest accruing for the benefit of the investing funds. The interest earned on these investments is prorated to the various funds. This policy covers all funds operated by the District.

Certain Investments for the District are reported at fair value in accordance with GASB statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Likewise, some investments are reported at amortized cost.

As of December 31, 2018, and December 31, 2017, the District cash, cash equivalents, and investments as reported on the Statement of Net Position are as follows:

|                                   | 2018               | 2017               |
|-----------------------------------|--------------------|--------------------|
| Unrestricted                      |                    |                    |
| Cash on Hand                      | \$1,302,942        | \$1,547,957        |
| State Treasurer's Investment Pool | 3,937,001          | 3,274,057          |
| US Government Agencies            | 2,472,298          | 2,472,259          |
| Subtotal Unrestricted             | 7,712,241          | 7,294,273          |
| Restricted                        |                    |                    |
| Cash on Hand                      | 255,695            | -                  |
| State Treasurer's Investment Pool | 1,940,177          | -                  |
| Subtotal Restricted               | 2,195,872          | -                  |
| <b>Total cash and investments</b> | <b>\$9,908,113</b> | <b>\$7,294,273</b> |



The District as of December 31, 2018, had investments of \$5,877,178 and as of December 31, 2017, \$3,274,057 in the Washington State Local Government Investment Pool, which is classified as cash equivalents. Additional cash & cash equivalents consist of \$1,558,637 and \$1,547,957 as of December 31, 2018, and December 31, 2017, held in interest bearing bank accounts, petty cash and cash change drawers.

### Deposits:

*Custodial credit risk (deposits).* Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. The District has an adopted policy that addresses deposit custodial risk; however, the District's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). In the event of a bank failure, claims for the District's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

### Investments

In October 2010, Resolution No. 421 adopted a finance policy, which directs the setting of rates, use of debt and investment of funds in preparation for assuming those duties from Cowlitz County. In 2011, the District became its own treasurer, thus governing its own cash and investments.

Statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. Agencies, and instrumentality's, banker's acceptances, repurchase agreements, county investment pool and the state treasurer's investment pool. The District is also authorized to enter into reverse repurchase agreements, but did not participate in these investments during 2018 and 2017.

The District is currently invested in the Washington State Local Government Investment Pool (LGIP), which is reported at amortized cost. Otherwise, investments for the District are reported at fair value.

The LGIP operates in accordance with appropriate state laws and regulations. The LGIP transacts with its participants at a stable net asset value per share and meets the portfolio maturity, quality, diversification, liquidity and shadow pricing requirements that allows it to report at amortized cost. Further, The LGIP is classified as an unrated 2a-7 investment pool per the Securities and Exchange Commission

The weighted average maturities of the LGIP are less than three (3) months with cash available to the District on demand. The on demand availability of these funds defines them as cash equivalent liquid investments and not subject to interest rate risk. Cash investments are not subject to interest rate risk or any market value reporting requirements. All LGIP investments are either obligations of the United States government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposits, meaning credit risk is very limited. The investments are either fully insured or fully held by a third party custody provider in the name of the LGIP. The LGIP is audited by the Washington State Auditor's Office and regulated by Washington RCWs and the LGIP Advisory Committee.

### *Investments Measured at Amortized Cost*

The District had investments at amortized cost in the State Investment Pool as of December 31, 2018, in the amount of \$5,877,178 and \$3,274,057 as of December 31, 2017.

The State Pool has elected to measure these investments at amortized cost. The only restriction on withdrawals from the State Investment Pool is when a deposit is received by ACH. In this case, a five-day waiting period exists.

### *Investments Measured at Fair Value*

The District measures and records its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3: Unobservable inputs for an asset or liability, to the extent observable inputs are not available

The District had Federal Farm Credit Bank debt security investments as of December 31, 2018, in the amount of \$2,472,298 and \$2,472,259 as of December 31, 2017, that had recurring fair value measurements at Level 2.

*Interest rate risk.* Interest rate risk is the risk that an investment's fair value decreases as market interest rates increase. The District manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the District's Investment Portfolio. This risk is measured using the weighted average to maturity method. The weighted average maturity on the Federal Farm Credit Bank is 36.6 months.

*Credit risk.* Credit risk is the risk that an issuer or related party will not fulfill its obligations. The District does not have a formal investment policy that limits its investment and diversification by investment type and issuer beyond the limits imposed by State law. As required by state law, all investments of the District's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, investments in the State Treasurer's Investment Pool, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. The District holds Federal Farm Credit Bank investments, which have AA+ ratings from Standard & Poor's and Aaa from Moody's Investors Service.

*Concentration of credit risk.* Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has not adopted a policy limiting the amount the District may invest in any one issuer. One hundred percent of the District's investments held at year-end are invested in securities that are not guaranteed by the US government or any Federal agency. However, the debt is insured by the Farm Credit System Insurance Corporation.

*Custodial credit risk (investments).* Custodial risk is the risk that, in the event of a failure of the counterparty, the government will not be able to recover its investments that are in the possession of an outside party. The District uses US Bank as the custodial agent for safekeeping of the District's investments. US Bank provides monthly reports on the District's securities, all of which are held in the District's name. The investments held by the District at year-end are all book-entry, registered securities.

Total cash and investments are stated at \$9,908,113 as December 31, 2018, and \$7,294,273 as of December 31, 2017. There is additional cash held in District accounts due to "float" of outstanding checks, which have not cleared the bank as of December 31, 2018, and December 31, 2017. Cash and investments held by the District per the bank account, including the un-cleared checks as of December 31, 2018, total \$9,920,361 and as of December 31, 2017, total \$7,337,771.

### **NOTE 3 – ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE**

Receivables as of December 31, 2018, and December 31, 2017, for the District are as follows:

|                   | 12/31/2018       | 12/31/2017       |
|-------------------|------------------|------------------|
| Trades Receivable |                  |                  |
| Billed            | \$451,936        | \$478,871        |
| Unbilled          | 187,661          | 158,040          |
| Liens             | 11,497           | 7,158            |
| Interest          | 3,454            | 4,764            |
| Net Receivables   | <u>\$654,548</u> | <u>\$648,833</u> |

Payables as of December 31, 2018, and December 31, 2017, for the District are as follows:

|                | 12/31/2018       | 12/31/2017       |
|----------------|------------------|------------------|
| Trades Payable | \$336,589        | \$439,568        |
| Retainage      | 87,916           | 56,970           |
| Wages          | 21,962           | 15,385           |
| Interest       | 48,018           | 6,862            |
| Net Payables   | <u>\$494,485</u> | <u>\$518,785</u> |

### **NOTE 4 – UTILITY PLANT AND DEPRECIATION (CAPITAL ASSETS)**

Capital assets are defined by the District as assets with initial individual cost of \$5,000 or more and an estimated useful life in excess of 1 year.

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.

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 estimated historical cost. Donations by developers and customers are recorded at acquisition value.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of assets constructed.

Capital assets are depreciated using the straight-line method. Estimated useful lives are as follows:

| Class                                | Years   |
|--------------------------------------|---------|
| Computers & Software                 | 3 - 7   |
| Collection Sewers-Force              | 10 - 40 |
| Distribution Reservoirs & Standpipes | 10 - 50 |
| Hydrants                             | 40      |
| Meters                               | 20 - 40 |
| Equipment                            | 5 - 35  |
| Structures & Improvements            | 5 - 50  |
| Services                             | 40      |
| Transmission & Distribution Mains    | 10 - 40 |
| Wells & Springs                      | 20 - 30 |

Utility plant activities for the year ended December 31, 2018, were as follows:

|  | 1/1/2018     | Increase    | Decrease      | 12/31/2018   |
|--|--------------|-------------|---------------|--------------|
| Utility Plant not being depreciated:       |              |             |               |              |
| Land                                       | \$416,686    | -           | -             | \$416,686    |
| Construction in Progress                   | 2,125,168    | 2,633,145   | (3,647,378)   | 1,110,935    |
| Total utility plant not being depreciated  | 2,541,854    | 2,633,145   | (3,647,378)   | 1,527,621    |
| Utility plant being depreciated:           |              |             |               |              |
| Plant                                      | 20,909,035   | 3,647,378   | -             | 24,556,413   |
| Equipment                                  | 886,101      | -           | -             | 886,101      |
| Intangible Assets                          | 265,587      | -           | (130,828)     | 134,759      |
| Total utility plant being depreciated      | 22,060,723   | 3,647,378   | (130,828)     | 25,577,273   |
| Less accumulated depreciation:             |              |             |               |              |
| Plant                                      | 11,958,611   | 599,609     | -             | 12,558,220   |
| Equipment                                  | 545,644      | 70,575      | -             | 616,219      |
| Intangible Assets                          | 207,191      | 6,739       | (130,829)     | 83,101       |
| Total accumulated depreciation             | 12,711,446   | 676,923     | (130,829)     | 13,257,540   |
| Total utility plant being depreciated, net | \$9,349,277  | \$2,970,455 | -             | \$12,319,733 |
| TOTAL UTILITY PLANT, NET                   | \$11,891,131 | \$5,603,600 | (\$3,647,377) | \$13,847,354 |

Utility plant activities for the year ended December 31, 2017, were as follows:

|  | 1/1/2017     | Increase    | Decrease    | 12/31/2017   |
|--|--------------|-------------|-------------|--------------|
| Utility Plant not being depreciated:       |              |             |             |              |
| Land                                       | \$416,686    | -           | -           | \$416,686    |
| Construction in Progress                   | 399,043      | 2,520,168   | (794,043)   | 2,125,168    |
| Total utility plant not being depreciated  | 815,729      | 2,520,168   | (794,043)   | 2,541,854    |
| Utility plant being depreciated:           |              |             |             |              |
| Plant                                      | 20,436,537   | 472,498     | -           | 20,909,035   |
| Equipment                                  | 905,717      | 34,742      | (54,358)    | 886,101      |
| Intangible Assets                          | 265,587      | -           | -           | 265,587      |
| Total utility plant being depreciated      | 21,607,841   | 507,240     | (54,358)    | 22,060,723   |
| Less accumulated depreciation:             |              |             |             |              |
| Plant                                      | 11,331,953   | 626,658     | -           | 11,958,611   |
| Equipment                                  | 518,008      | 71,472      | (43,836)    | 545,644      |
| Intangible Assets                          | 178,649      | 28,542      | -           | 207,191      |
| Total accumulated depreciation             | 12,028,610   | 726,672     | (43,836)    | 12,711,446   |
| Total utility plant being depreciated, net | \$9,579,231  | (\$219,432) | (\$10,522)  | \$9,349,277  |
| TOTAL UTILITY PLANT, NET                   | \$10,394,960 | \$2,300,736 | (\$804,565) | \$11,891,131 |

## **NOTE 5 – OTHER PROPERTY AND INVESTMENTS**

### **a. Regional Water Treatment Plant**

In December 1978, Cowlitz Public Utility District No. 1 entered into an agreement with the City of Longview to construct the Regional Water Treatment Plant (RWTP). The arrangement was organized to acquire and construct a new facility to provide treated water to the residents of the two entities at the lowest reasonable cost consistent with reliability, safety, and expedition. Ownership of the RWTP is based on total historical usage from the plant. In December 2010, the PUD's interest in the RWTP was transferred to Beacon Hill Water and Sewer District. The District's ownership ratio at December 31, 2018, was 14.81%. The District's share of the RWTP was (\$194,040) as of December 31, 2018, which represented a decrease in minority interest in 2018 of (\$53,216) related to operating and maintenance and a loss of (\$3,045) in capital financing participation. The District's ownership ratio at December 31, 2017, was 14.71%. The District's share of the RWTP was (\$137,779) as of December 31, 2017, which represented an increase in minority interest in 2017 of \$59,926 related to operating and maintenance and a loss of (\$11,020) in capital financing participation. A three-member board, comprised of two city representatives and one District representative, administer the joint operation. Water wheeling agreements are in effect between the District and the cities of Longview and Kelso providing for the delivery of water from the RWTP to the respective areas of the District's water system. The treatment plant does not have separate legal status and is intended to be an ongoing, long-term relationship; therefore, it is not a joint venture. The RWTP is reported as a component of the City of Longview's water-sewer fund. The financial statements can be obtained through the city.

b. Three Rivers Regional Waste Water Authority

In 1996, the District entered into an Interlocal agreement with Cowlitz County, City of Kelso and City of Longview, to form the Three Rivers Regional Waste Water Authority (TRRWA). The TRRWA was created so that the participating entities can equitably share in the operations and improvements of the central sewage treatment facility.

On July 1, 2016, TRRWA formed a Joint Municipal Utility Service Authority (TRRWA JMUSA). This agreement was organized and created under and pursuant to the authority and provisions of RCW chapter 39.106, to provide sanitary sewer treatment and disposal services for its members and to more effectively and efficiently operate, maintain and improve the Regional Assets. As of the operation date of July 1, 2016, the TRRWA JMUSA replaced all pre-formation agreements. All existing capacity rights and financial obligations of the original members under the terms of the pre-formation agreements are transferred to each of the original members under the TRRWA JMUSA. Each member appoints a representative to serve on TRRWA JMUSA's four-member Board of Directors and a different representative to serve on the four member Operating Board. These Boards exercise necessary powers and responsibilities to operate and maintain the Regional Assets, while ensuring representation in regional authority governance by each party.

Based on the annual budget, the Operating Board will adopt rates, charges, fees or other payments charged to the Members for treatment of sewage, septage, external sewage sources and provisions of treatment and related services to the Members in amounts at least sufficient for TRRWA to maintain and operate the Regional Assets and pay the principal of, interest on, and coverage covenants with respect to any and all revenue Bonds that constitute a charge upon Regional Asset revenues. Each Member must make monthly payments to TRRWA for these rates, charges, fees or other payments established by TRRWA based on each Members proportionate share of flow to the facilities as determined by TRWWA.

Capital improvements to the facility are funded by system development charges by each entity's sewer operations in proportion to each jurisdictions respective flow to the facilities. Payments made to TRRWA by the District were \$775,871 and \$753,566 in 2018 and 2017, respectively.

This agreement may not be terminated so long as there remains any outstanding bonds payable from TRRWA rates. The Board of Directors actions require both a majority vote of the Board of Directors and approval by Directors representing Members paying more than 50% of the M&O Component, unadjusted for the prior Flow portion period, to terminate this agreement. Prior to termination, the Members must develop a plan of dissolution to wind up TRRWA's affairs. The District is a separate entity with no equity interest and not subject to any reporting requirements. On July 1, 2016, TRRWA JMUSA became its own treasurer and responsible for its reporting requirements. Complete financial statements for the TRRWA JMUSA can be obtained from the TRRWA at 467 Fibre Way, Longview, WA 98632.

**NOTE 6 – CONSTRUCTION IN PROGRESS**

Construction in progress as of December 31, 2018, represents expenses to date on projects whose authorizations total \$1,383,414. Of the committed balance of \$272,479, the District will not be required to raise future financing.

Construction in progress as of 12/31/2018 is composed of the following:

| Project                           | Authorized         | Expended           | Committed        | Future Financing |
|-----------------------------------|--------------------|--------------------|------------------|------------------|
| Hillside Pump Station Replacement | 1,250,000          | 1,000,319          | 249,681          | DWSRF Loan       |
| Various Projects under \$100,000  | 133,414            | 110,616            | 22,798           | None             |
| Total                             | <u>\$1,383,414</u> | <u>\$1,110,935</u> | <u>\$272,479</u> |                  |

Construction in progress as of December 31, 2017, represents expenses to date on projects whose authorizations total \$3,645,000. Of the committed balance of \$1,519,832, the District will not be required to raise future financing.

Construction in progress as of 12/31/2017 is composed of the following:

| Project                                       | Authorized         | Expended           | Committed          | Future Financing |
|---|--------------------|--------------------|--------------------|------------------|
| Beacon Hill Facility Improvements             | 1,480,000          | 1,316,364          | 163,636            | None             |
| Hillside Pump Station Replacement             | 1,250,000          | 147,250            | 1,102,750          | DWSRF Loan       |
| West Side Hwy Emergency Sewerline Replacement | 650,000            | 625,359            | 24,641             | None             |
| Maddock Place Water System Improvements       | 165,000            | 8,494              | 156,506            | None             |
| Various Projects under \$100,000              | 100,000            | 27,701             | 72,299             | None             |
| Total   | <u>\$3,645,000</u> | <u>\$2,125,168</u> | <u>\$1,519,832</u> |                  |

## **NOTE 7 – LONG TERM DEBT AND LIABILITIES**

### **a. Long-Term Debt**

#### **Loans Payable**

The State of Washington offers low-cost financing programs that allow public entities to borrow funds to finance public works projects, the Public Works Trust Fund Loans (PWTF) and Drinking Water State Revolving Fund Loans (DWSRF).

The District's Long-Term loans payable for these debts, as of December 31, 2018 and 2017 respectively, are as follows:

| Name of Issuance         | Issuance Date | Maturity Date | Interest Rate | Original Amount    | 12/31/18 Debt Outstanding | 12/31/17 Debt Outstanding |
|--------------------------|---------------|---------------|---------------|--------------------|---------------------------|---------------------------|
| PWTF Loan PW-01-691-021  | 7/1/2002      | 7/1/2021      | 0.50%         | \$396,872          | \$62,559                  | \$83,412                  |
| PWTF Loan PW-03-691-008  | 7/1/2004      | 7/1/2023      | 0.50%         | 381,243            | 105,751                   | 126,901                   |
| PWTF Loan PE 10-951-004  | 7/1/2011      | 7/1/2030      | 3.00%         | 350,000            | 221,052                   | 239,474                   |
| PWTF Loan PC 12-951-086  | 6/1/2012      | 6/1/2031      | 0.50%         | 435,740            | 307,201                   | 330,831                   |
| PWTF Loan PR 13-951-080  | 6/1/2012      | 6/1/2018      | 1.00%         | 217,491            | -                         | 54,373                    |
| DWSRF Loan DM 13-952-162 | 10/1/2014     | 10/1/2037     | 1.00%         | 701,623            | 666,542                   | 666,542                   |
| DWSRF Loan DM 16-952-035 | 12/1/2015     | 7/1/2020      | 1.00%         | 1,112,333          | 265,463                   | 126,987                   |
| Total Loans              |               |               |               | <u>\$3,595,302</u> | <u>\$1,628,568</u>        | <u>\$1,628,520</u>        |

Hillside Pump Station Reconstruction Drinking Water State Revolving Fund Loan was authorized on December 1, 2015. The draws on this authorized loan were \$138,476 and \$126,987 in 2018 and 2017, respectively.

#### Bonds Payable

In 2018, the District authorized and issued 20-year revenue bonds in the amount of \$3,450,000. The proceeds reimbursed expenditures on current capital projects in progress in the amount of \$1,673,073 and the remaining \$1,929,106 invested in the WA State Local Government Investment Pool restricted for future capital projects.

The District's Long-Term bonds payable, as December 31, 2018, are as follows:

| Name of Issuance   | Issuance Date | Maturity Date | Interest Rate | Original Amount | 12/31/18 Debt Outstanding |
|--------------------|---------------|---------------|---------------|-----------------|---------------------------|
| 2018 Revenue Bonds | 9/13/2018     | 12/1/2038     | 3% - 4.25%    | \$3,450,000     | \$3,450,000               |

Fiscal Year Ending December 31, 2018, the annual requirements to amortize all loans outstanding, including interest, is as follows:

| Year      | Principal          | Interest         | Total              |
|-----------|--------------------|------------------|--------------------|
| 2019      | \$154,217          | \$21,221         | \$175,438          |
| 2020      | 131,777            | 21,064           | 152,841            |
| 2021      | 131,777            | 14,774           | 146,551            |
| 2022      | 110,924            | 13,473           | 124,397            |
| 2023      | 110,924            | 12,277           | 123,201            |
| 2024-2028 | 448,871            | 44,559           | 493,430            |
| 2029-2033 | 346,346            | 19,138           | 365,484            |
| 2034-2038 | 168,450            | 5,486            | 173,936            |
| 2039-2043 | 25,282             | 414              | 25,696             |
| Total     | <u>\$1,628,568</u> | <u>\$152,406</u> | <u>\$1,780,974</u> |

Fiscal Year Ending December 31, 2018, the annual requirements to amortize bonds outstanding, including interest are as follows:

| Year      | Principal          | Interest           | Total              |
|-----------|--------------------|--------------------|--------------------|
| 2019      | \$95,000           | \$163,049          | \$258,049          |
| 2020      | 125,000            | 131,163            | 256,163            |
| 2021      | 130,000            | 127,413            | 257,413            |
| 2022      | 130,000            | 123,513            | 253,513            |
| 2023      | 130,000            | 119,613            | 249,613            |
| 2024-2028 | 770,000            | 512,463            | 1,282,463          |
| 2029-2033 | 935,000            | 341,800            | 1,276,800          |
| 2034-2038 | 1,135,000          | 139,600            | 1,274,600          |
| Total     | <u>\$3,450,000</u> | <u>\$1,658,614</u> | <u>\$5,108,614</u> |



b. Changes in Long-Term Liabilities:

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

| Liability                     | Beginning<br>Balance<br>01/01/2018 | Additions   | Reductions | Ending<br>Balance<br>12/31/2018 | Due<br>Within<br>One Year |
|-------------------------------|------------------------------------|-------------|------------|---------------------------------|---------------------------|
| Loans Payable                 |                                    |             |            |                                 |                           |
| Public Works Trust Fund Loans | \$834,991                          | -           | \$138,428  | \$696,563                       | \$84,055                  |
| Public Works DWSRF Loan       | 793,529                            | 138,476     | -          | 932,005                         | 70,162                    |
| Subtotal Loans Payable        | 1,628,520                          | 138,476     | 138,428    | 1,628,568                       | 154,217                   |
| Bonds Payable                 |                                    |             |            |                                 |                           |
| Revenue Bonds                 | -                                  | 3,450,000   | -          | 3,450,000                       | 95,000                    |
| Issuance Premium              | -                                  | 237,628     | 3,430      | 234,198                         | 11,759                    |
| Subtotal Bonds Payable        | -                                  | 3,687,628   | 3,430      | 3,684,198                       | 106,759                   |
| Compensated Absences          | 76,737                             | 4,503       | -          | 81,240                          | -                         |
| Net Pension Liability         | 493,788                            | -           | 132,541    | 361,247                         | -                         |
| Total Long Term Liabilities   | \$2,199,045                        | \$3,830,607 | \$274,399  | \$5,755,253                     | \$260,976                 |

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

| Liability                     | Beginning<br>Balance<br>01/01/2017 | Additions | Reductions | Ending<br>Balance<br>12/31/2017 | Due<br>Within<br>One Year |
|-------------------------------|------------------------------------|-----------|------------|---------------------------------|---------------------------|
| Public Works Trust Fund Loans | \$973,419                          |           | \$138,428  | \$834,991                       | \$138,428                 |
| Public Works DWSRF Loan       | 701,623                            | 126,987   | 35,081     | 793,529                         | 35,081                    |
| Purchase of Water System Loan | 257,369                            |           | 257,369    | 0                               | 0                         |
| Total Loans                   | 1,932,411                          | 126,987   | 430,878    | 1,628,520                       | 173,509                   |
| Compensated Absences          | 69,487                             | 7,250     |            | 76,737                          |                           |
| Net Pension Liability         | 643,282                            |           | 149,494    | 493,788                         |                           |
| Total Long Term Liabilities   | \$2,645,180                        | \$134,237 | \$580,372  | \$2,199,045                     | \$173,509                 |

**NOTE 8 – PENSION PLAN**

The following table represents the aggregate pension amounts for all plans for the year 2018:

| Aggregate Pension Amounts - All Plans |            |            |
|---------------------------------------|------------|------------|
|                                       | 12/31/2018 | 12/31/2017 |
| Pension liabilities                   | \$ 361,247 | \$ 493,788 |
| Deferred outflows of resources        | 68,733     | 80,665     |
| Deferred inflows of resources         | 152,340    | 106,761    |
| Pension expense/expenditures          | 17,540     | 39,766     |

**State Sponsored Pension Plans**

Substantially all District 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](http://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 payrolls) for 2018 and 2017 were as follows:

| 2018                              |                 |                 |
|-----------------------------------|-----------------|-----------------|
| <b>PERS Plan 1</b>                |                 |                 |
| <b>Actual Contribution Rates:</b> | <b>Employer</b> | <b>Employee</b> |
| <b>January - August 2018:</b>     |                 |                 |
| PERS Plan 1                       | 7.49%           | 6.00%           |
| PERS Plan 1 UAAL                  | 5.03%           |                 |
| Administrative Fee                | 0.18%           |                 |
| <b>Total</b>                      | <b>12.70%</b>   | <b>6.00%</b>    |
|                                   |                 |                 |

|                                 |               |              |
|---------------------------------|---------------|--------------|
| <b>September–December 2018:</b> |               |              |
| PERS Plan 2/3                   | 7.52%         | 6.00%        |
| PERS Plan 1 UAAL                | 5.13%         |              |
| Administrative Fee              | 0.18%         |              |
| <b>Total</b>                    | <b>12.83%</b> | <b>6.00%</b> |

2017

|                                   |                 |                  |
|-----------------------------------|-----------------|------------------|
| <b>PERS Plan 1</b>                |                 |                  |
| <b>Actual Contribution Rates:</b> | <b>Employer</b> | <b>Employee*</b> |
| January – June 2017               |                 |                  |
| PERS Plan 1                       | 6.23%           | 6.00%            |
| PERS Plan 1 UAAL                  | 4.77%           |                  |
| Administrative Fee                | 0.18%           |                  |
| <b>Total</b>                      | <b>11.18%</b>   | <b>6.00%</b>     |
| July – December 2017:             |                 |                  |
| PERS Plan 1                       | 7.49%           | 6.00%            |
| PERS Plan 1 UAAL                  | 5.03%           |                  |
| Administrative Fee                | 0.18%           |                  |
| <b>Total</b>                      | <b>12.70%</b>   | <b>6.00%</b>     |

**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.

### Contributions

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 2018 and 2017 were as follows:

| 2018                              |                     |                   |
|-----------------------------------|---------------------|-------------------|
| <b>PERS Plan 2/3</b>              |                     |                   |
| <b>Actual Contribution Rates:</b> | <b>Employer 2/3</b> | <b>Employee 2</b> |
| <b>January - August 2018:</b>     |                     |                   |
| PERS Plan 2/3                     | 7.49%               | 7.38%             |
| PERS Plan 1 UAAL                  | 5.03%               |                   |
| Administrative Fee                | 0.18%               |                   |
| Employee PERS Plan 3              |                     | Varies            |
| <b>Total</b>                      | <b>12.70%</b>       | <b>7.38%</b>      |
| <b>September–December 2018:</b>   |                     |                   |
| PERS Plan 2/3                     | 7.52%               | 7.41%             |
| PERS Plan 1 UAAL                  | 5.13%               |                   |
| Administrative Fee                | 0.18%               |                   |
| Employee PERS Plan 3              |                     | varies            |
| <b>Total</b>                      | <b>12.83%</b>       | <b>7.41%</b>      |

| 2017                              |                     |                    |
|-----------------------------------|---------------------|--------------------|
| <b>PERS Plan 2/3</b>              |                     |                    |
| <b>Actual Contribution Rates:</b> | <b>Employer 2/3</b> | <b>Employee 2*</b> |
| <b>January – June 2017:</b>       |                     |                    |
| PERS Plan 2/3                     | 6.23%               | 6.12%              |
| PERS Plan 1 UAAL                  | 4.77%               |                    |
| Administrative Fee                | 0.18%               |                    |
| Employee PERS Plan 3              |                     | varies             |
| <b>Total</b>                      | <b>11.18%</b>       | <b>6.12%</b>       |
| <b>July – December 2017:</b>      |                     |                    |
| PERS Plan 2/3                     | 7.49%               | 7.38%              |
| PERS Plan 1 UAAL                  | 5.03%               |                    |
| Administrative Fee                | 0.18%               |                    |
| Employee PERS Plan 3              |                     | varies             |
| <b>Total</b>                      | <b>12.70%</b>       | <b>7.38%</b>       |

The District's actual PERS plan contributions were \$37,297 and \$34,349 to PERS Plan 1 for the year ending December 31, 2018 and 2017, respectively. Additionally, the Districts PERS plan contributions were \$55,272 and \$48,034 to PERS Plan 2/3 for the year ended December 31, 2018 and 2017, respectively.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2018. 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* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table". The Society of Actuaries publishes this document. 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.

Actuarial results reflect the following changes in assumptions and methods since the last valuation.

- Updated valuation interest rate, general salary growth, and inflation assumptions to be consistent with the assumptions adopted by the Pension Funding Council.
  - Lowered the valuation interest rate from 7.70% to 7.50% for all systems.
  - Lowered assumed general salary growth from 3.75% to 3.50% for all systems.
  - Lowered assumed inflation from 3.00% to 2.75% for all systems.

### **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50% except LEOFF Plan 2, which has assumed 7.40%.)

Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets were assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3, whose rates include a component

for the PERS Plan 1 liability). Based on those assumptions, the pension plan's 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 7.40% 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 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various time horizons.

### 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, 2018, 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 2018 | % Long-Term Expected Real Rate of Return Arithmetic 2017 |
|-----------------|-------------------|--|--|
| Fixed Income    | 20%               | 1.70%  | 1.70%  |
| Tangible Assets | 7%                | 4.90%  | 4.90%  |
| Real Estate     | 18%               | 5.80%  | 5.80%  |
| Global Equity   | 32%               | 6.30%  | 6.30%  |
| Private Equity  | 23%               | 9.30%  | 9.30%  |
|                 | <b>100%</b>       |  |  |

### Sensitivity of the Net Pension Liability/ (Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

| 2018     |                      |                       |                      |
|----------|----------------------|-----------------------|----------------------|
|          | 1% Decrease<br>6.40% | Current Rate<br>7.40% | 1% Increase<br>8.40% |
|          |                      |                       |                      |
| PERS 1   | 297,530              | 242,104               | 194,093              |
| PERS 2/3 | 544,964              | 119,143               | (229,982)            |

| 2017     |                      |                       |                      |
|----------|----------------------|-----------------------|----------------------|
|          | 1% Decrease<br>6.50% | Current Rate<br>7.50% | 1% Increase<br>8.50% |
| PERS 1   | 309,772              | 254,289               | 206,228              |
| PERS 2/3 | 645,235              | 239,499               | (92,942)             |

### 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, 2018, and June 30, 2017, the District reported a total pension liability of \$361,247 and \$493,788, respectively, for its proportionate share of the net pension liabilities as follows:

| Plan     | Liability | Liability |
|----------|-----------|-----------|
|          | 2018      | 2017      |
| PERS 1   | 242,104   | 254,289   |
| PERS 2/3 | 119,143   | 239,499   |

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

|          | Proportionate<br>Share 6/30/17 | Proportionate<br>Share 6/30/18 | Change in<br>Proportion |
|----------|--------------------------------|--------------------------------|-------------------------|
| PERS 1   | 0.00536%                       | 0.00542%                       | 0.00006%                |
| PERS 2/3 | 0.00689%                       | 0.00698%                       | 0.00008%                |

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 Non-employer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2018 and 2017, the District recognized pension expense as follows:

|          | Pension<br>Expense<br>12/31/2018 | Pension<br>Expense<br>12/31/2017 |
|----------|----------------------------------|----------------------------------|
| PERS 1   | 24,184                           | 11,318                           |
| PERS 2/3 | (6,645)                          | 28,447                           |

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

| <b>PERS 1</b>   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|---|---------------------------------------|--------------------------------------|
| Net difference between projected and actual investment earnings on pension plan investments | \$ -                                  | \$ (9,621)                           |
| Contributions subsequent to the measurement date  | 19,016                                | -                                    |
| <b>TOTAL</b>  | <b>\$ 19,016</b>                      | <b>\$ (9,621)</b>                    |

| <b>PERS 2/3</b>  | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ 14,604                             | \$ (20,860)                          |
| Net difference between projected and actual investment earnings on pension plan investments          | -                                     | (73,112)                             |
| Changes of assumptions   | 1,394                                 | (33,907)                             |
| Changes in proportion and differences between contributions and proportionate share of contributions | 5,670                                 | (14,840)                             |
| Contributions subsequent to the measurement date   | 28,049                                | -                                    |
| <b>TOTAL</b>   | <b>\$ 49,717</b>                      | <b>\$ (142,719)</b>                  |

| <b>TOTAL ALL PLANS</b>   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ 14,604                             | \$ (20,860)                          |
| Net difference between projected and actual investment earnings on pension plan investments          | -                                     | (82,733)                             |
| Changes of assumptions   | 1,394                                 | (33,907)                             |
| Changes in proportion and differences between contributions and proportionate share of contributions | 5,670                                 | (14,840)                             |
| Contributions subsequent to the measurement date   | 47,065                                | -                                    |
| <b>TOTAL</b>   | <b>\$ 68,733</b>                      | <b>\$ (152,340)</b>                  |

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

| <b>PERS 1</b>   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|---|---------------------------------------|--------------------------------------|
| Net difference between projected and actual investment earnings on pension plan investments | -                                     | (9,489)                              |
| Contributions subsequent to the measurement date  | \$ 17,956                             | -                                    |
| <b>TOTAL</b>  | <b>\$ 17,956</b>                      | <b>\$ (9,489)</b>                    |



| <b>PERS 2/3</b>  | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ 24,267                             | \$ (7,877)                           |
| Net difference between projected and actual investment earnings on pension plan investments          | -                                     | (63,845)                             |
| Changes of assumptions   | 2,544                                 | -                                    |
| Changes in proportion and differences between contributions and proportionate share of contributions | 9,275                                 | (25,550)                             |
| Contributions subsequent to the measurement date   | 26,623                                | -                                    |
| <b>TOTAL</b>   | <b>\$ 62,709</b>                      | <b>\$ (97,272)</b>                   |

| <b>TOTAL ALL PLANS</b>   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ 24,267                             | \$ (7,877)                           |
| Net difference between projected and actual investment earnings on pension plan investments          | -                                     | (73,334)                             |
| Changes of assumptions   | 2,544                                 | -                                    |
| Changes in proportion and differences between contributions and proportionate share of contributions | 9,275                                 | (25,550)                             |
| Contributions subsequent to the measurement date   | 44,579                                | -                                    |
| <b>TOTAL</b>   | <b>\$ 80,665</b>                      | <b>\$ (106,761)</b>                  |

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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended December 31:</b> | <b>PERS 1</b> | <b>PERS 2/3</b> |
|--------------------------------|---------------|-----------------|
| 2019                           | 421           | (19,264)        |
| 2020                           | (2,103)       | (26,232)        |
| 2021                           | (6,311)       | (44,563)        |
| 2022                           | (1,628)       | (16,383)        |
| 2023                           | -             | (5,945)         |
| Thereafter                     | -             | (8,664)         |

## **NOTE 9 – RISK MANAGEMENT**

The Beacon Hill Water and Sewer District is a member of the Water and Sewer Risk Management Pool (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insurance, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in November 1987 when water and sewer districts in the State of Washington joined together by

signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool currently has 68 members. The Pool's fiscal year is November 1<sup>st</sup> through October 31<sup>st</sup>.

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; Deadly Weapon/Active Shooter Response Program; and bonds of various types. Most 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/GR OUP                             | EXCESS LIMITS  |
|--|--|---|--|
| <b>Property Loss:</b>                    |  |   |  |
| Buildings and Contents                   | \$1,000 - \$25,000<br>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<br>(\$75,000,000 shared<br>by all members,<br>\$25,000,000 dedicated<br>to Alderwood,<br>\$5,000,000 dedicated<br>to Sammamish<br>Plateau, and<br>\$5,000,000 dedicated<br>to Cascade Water<br>Alliance) |
| Terrorism                                | \$1,000 - \$25,000                         | \$25,000<br>Primary layer                                 | \$700,000,000<br>Primary layer   |
| Boiler & Machinery                       | \$1,000 - \$350,000<br>depending on object | \$25,000 - \$350,000<br>depending on object               | \$100,000,000  |
| Auto - Physical Damage                   | \$1,000-\$25,000                           | \$25,000  | \$15,000,000   |
|  |  |   |  |
| <b>Liability:</b>                        |  |   |  |
| Commercial General Liability             | \$1,000 - \$25,000                         | \$200,000, subject to<br>\$150,000 Corridor<br>Deductible | \$15,000,000   |
| Auto Liability                           | \$1,000 - \$25,000                         | Same as above   | \$15,000,000   |
| Public Officials Errors<br>and Omissions | \$1,000 - \$25,000                         | Same as above   | \$15,000,000   |
| Employment Practices                     | \$1,000 - \$25,000                         | Same as above   | \$15,000,000   |

|   |                    |          |             |
|---|--------------------|----------|-------------|
| <b>Other:</b>   |                    |          |             |
| Cyber Liability   | \$100,000          | N/A      | \$2,000,000 |
| Deadly Weapon/Active Shooter  | \$10,000           | N/A      | \$500,000   |
| 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                                     |                    |          |             |

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 month notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2019, written notice must be in possession of the Pool by April 30, 2019). 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.

#### **NOTE 10 – OPERATING LEASES**

The District is obligated under certain leases accounted for as operating leases. These represent lease of land for radio towers. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the District's statement of net position. Increases in rent, if any, are contingent upon the consumer price index at defined intervals. For 2018 and 2017, the District had one current operating lease agreement.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2018:

| Year Ending December 31         | Total          |
|---------------------------------|----------------|
| 2019                            | \$2,975        |
| 2020                            | 2,975          |
| 2021                            | 2,975          |
| Total minimum payments required | <u>\$8,925</u> |

Total minimum payments required for each year ending December 31, 2018, and December 31, 2017, were \$2,975.

**Beacon Hill Water & Sewer District**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30

Last Five Years

| Year Ended June 30, | Employer's proportion of the net pension liability (asset) | Employer's proportionate share of the net pension liability | Employer's covered employee payroll | Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------|--|---|-------------------------------------|---|--|
| 2018                | 0.005421%  | \$ 242,104  | \$ 721,115                          | 33.57%  | 63.22%   |
| 2017                | 0.005359%  | 254,289   | 675,749                             | 37.63%  | 61.24%   |
| 2016                | 0.005438%  | 292,046   | 673,785                             | 43.34%  | 57.03%   |
| 2015                | 0.006205%  | 324,579   | 711,100                             | 45.64%  | 59.10%   |
| 2014                | 0.005881%  | 296,258   | 599,136                             | 49.45%  | 61.19%   |

**Beacon Hill Water & Sewer District**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

As of June 30

Last Five Years

| Year Ended June 30, | Employer's proportion of the net pension liability (asset) | Employer's proportionate share of the net pension liability | Employer's covered employee payroll | Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------|--|---|-------------------------------------|---|--|
| 2018                | 0.006978%  | \$ 119,143  | \$ 721,115                          | 16.52%  | 95.77%   |
| 2017                | 0.006893%  | 239,499   | 675,749                             | 35.44%  | 90.97%   |
| 2016                | 0.006976%  | 351,236   | 673,785                             | 52.13%  | 85.82%   |
| 2015                | 0.008013%  | 286,309   | 711,100                             | 40.26%  | 89.20%   |
| 2014                | 0.007832%  | 158,313   | 599,136                             | 26.42%  | 93.29%   |

**Beacon Hill Water & Sewer District**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Employer Contributions  
PERS I  
As of December 31  
Last Five Years

| Year Ended<br>December<br>31, | Statutorily or<br>contractually<br>required<br>contributions | Contributions in relation<br>to the statutorily or<br>contractually required<br>contributions | Contribution<br>deficiency<br>(excess) | Covered<br>employer<br>payroll | Contributions as a<br>percentage of<br>covered employee<br>payroll |
|-------------------------------|--|---|--|--------------------------------|--|
| 2018                          | \$ 37,297  | \$ (37,297)   | \$ -                                   | \$ 737,042                     | 5.06%  |
| 2017                          | 34,349   | (34,349)  | -                                      | 701,334                        | 4.90%  |
| 2016                          | 31,653   | (31,653)  | -                                      | 663,583                        | 4.77%  |
| 2015                          | 30,266   | (30,266)  | -                                      | 661,216                        | 4.58%  |
| 2014                          | 27,060   | (27,060)  | -                                      | 657,711                        | 4.11%  |

**Beacon Hill Water & Sewer District**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
 Schedule of Employer Contributions  
 PERS 2/3  
 As of December 31  
 Last Five Years

| Year Ended<br>December 31, | Statutorily or<br>contractually<br>required<br>contributions | Contributions in relation<br>to the statutorily or<br>contractually required<br>contributions | Contribution<br>deficiency<br>(excess) | Covered<br>employer<br>payroll | Contributions as a<br>percentage of<br>covered employee<br>payroll |
|----------------------------|--|---|--|--------------------------------|--|
| 2018                       | \$ 55,272  | \$ (55,272)   | \$ -                                   | \$ 737,042                     | 7.50%  |
| 2017                       | 48,034   | (48,034)  | -                                      | 701,334                        | 6.85%  |
| 2016                       | 41,342   | (41,342)  | -                                      | 663,583                        | 6.23%  |
| 2015                       | 38,849   | (38,849)  | -                                      | 661,216                        | 5.88%  |
| 2014                       | 33,515   | (33,515)  | -                                      | 657,711                        | 5.10%  |



**Beacon Hill Water & Sewer District**  
Notes to Required Supplemental Information - Pension

As of December 31  
Last Five Years

**Note 1:** Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available for years prior to 2014. Eventually, the schedules will show ten years of data.

**Note 2:** Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

**Note 3:** Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

**Note 4:** Contribution rates

Rates in effect during the periods covered by the Required Supplemental Information are below:

**PERS 1**

| <u>From this</u> | <u>Through this</u> |             |
|------------------|---------------------|-------------|
| <u>Date</u>      | <u>Date</u>         | <u>Rate</u> |
| 9/1/2013         | 6/30/2015           | 9.21%       |
| 7/1/2015         | 6/30/2017           | 11.18%      |
| 7/1/2017         | 8/31/2018           | 12.70%      |
| 9/1/2018         | current             | 12.83% *    |

\* Employer contribution rate includes an administrative expense rate of 0.18%

**PERS 2/3**

| <u>From this</u> | <u>Through this</u> |             |
|------------------|---------------------|-------------|
| <u>Date</u>      | <u>Date</u>         | <u>Rate</u> |
| 9/1/2013         | 6/30/2015           | 9.21%       |
| 7/1/2015         | 6/30/2017           | 11.18%      |
| 7/1/2017         | 8/31/2018           | 12.70%      |
| 9/1/2018         | current             | 12.83% *    |

\* Employer contribution rate includes an administrative expense rate of 0.18%

## ABOUT THE STATE AUDITOR'S OFFICE

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| Contact information for the State Auditor's Office |  |
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