

KING COUNTY WATER DISTRICT NO. 49
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2017 AND 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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ACCOUNTANTS' COMPILATION REPORT

Board of Commissioners
King County Water District No. 49
Burien, Washington


Management is responsible for the accompanying financial statements of King County Water District No. 49, which comprise the statements of net position as of December 31, 2017 and 2016 and the related statements of revenues, expenses, and changes in fund net position, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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 in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the responsibility of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Supplementary Information

The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.



CliftonLarsonAllen LLP

Bellevue, Washington
September 6, 2018

**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)**

INTRODUCTION

King County Water District No. 49 was organized in 1933 to provide water services to customers residing within the District boundaries. Currently the District has approximately 4,000 meter connections that provide services to more than 16,000 residential and commercial users in parts of Burien and northern Normandy Park.

The mission of the Board of Commissioners and employees of King County Water District No. 49 is to provide high quality water and excellent customer service while effectively managing District infrastructure for a reliable water system today and for future generations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2017 and 2016 and our financial performance for the years then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The statement of net position presents total assets and deferred outflows of resources and total liabilities and deferred inflows of resources with the difference between the two totals reported as net position. It provides information about the nature and amounts of investments in resources (assets), consumption of resources that are applicable to future periods (deferred outflows), obligations to District creditors (liabilities) and the acquisition of resources that are applicable to a future reporting period (deferred inflows). It provides a basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net position presents the results of the District's business activities over the course of the year. This information can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, and to evaluate our profitability and credit worthiness.

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from operating, financing, and investing activities over the course of the year. It presents information regarding where cash came from and what it was used for.

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

**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)**

Effective January 1, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. Implementation of these standards required the District to recognize significant deferred outflows and inflows related to pensions, the related net pension liability, and a decrease in 2015 beginning net position in the amount of \$548,107. Additionally, the District concluded that it had an obligation for postemployment benefits as retirees are allowed to purchase insurance with subsidized premiums. As a result, net position as of January 1, 2015 in the table below has been reduced by \$186,600 and the 2015 condensed statement of revenues, expenses and changes in fund net position has been restated. The restatement in the financial statements is as of January 1, 2016.

CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Capital Assets	\$ 14,299,641	\$ 12,399,282	\$ 11,758,478
Other Assets	<u>11,139,441</u>	<u>3,456,026</u>	<u>3,284,082</u>
Total Assets	25,439,082	15,855,308	15,042,560
Deferred Outflows of Resources	93,646	94,128	61,011
Long-Term Liabilities	11,002,517	2,173,996	2,297,555
Other Liabilities	<u>468,398</u>	<u>439,685</u>	<u>375,522</u>
Total Liabilities	11,470,915	2,613,681	2,673,077
Deferred Inflows of Resources	99,039	47,123	81,053
Net Investment in Capital Assets	9,722,085	10,850,602	10,078,886
Restricted Amounts	1,061,810	1,290	1,734
Unrestricted Amounts	<u>3,178,879</u>	<u>2,436,740</u>	<u>2,268,821</u>
Total Net Position	<u>\$ 13,962,774</u>	<u>\$ 13,288,632</u>	<u>\$ 12,349,441</u>

(continued on next page)

KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION FOR THE YEAR ENDED DECEMBER 31**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
OPERATING REVENUES			
Water Sales	\$ 3,938,464	\$ 3,735,316	\$ 3,818,747
Penalties and Miscellaneous	86,317	60,097	58,563
Street Lighting	61,807	65,778	42,194
Total Operating Revenues	<u>4,086,588</u>	<u>3,861,191</u>	<u>3,919,504</u>
OPERATING EXPENSES			
Water Cost	1,123,721	1,166,361	1,166,456
Reservoir	18,524	17,055	11,653
Customer Accounts	34,058	45,608	37,609
Transmission and Distribution	466,118	475,172	479,553
Administrative and General	1,181,578	1,002,186	1,109,037
Street Lighting Cost	81,314	65,557	72,825
Depreciation and Amortization	570,434	562,061	534,648
Total Operating Expenses	<u>3,475,747</u>	<u>3,334,000</u>	<u>3,411,781</u>
OPERATING INCOME	610,841	527,191	507,723
NONOPERATING REVENUE (EXPENSE)			
Investment Income, Net of Service Fees	29,912	19,387	10,240
Loss on Disposal of Assets and Abandoned Projects	(143,432)	(13,438)	-
Bond Issuance Costs	(129,836)	-	-
Interest and Amortization Long-Term Debt, Net of Amount Capitalized	<u>(134,190)</u>	<u>(34,876)</u>	<u>(68,058)</u>
Total Nonoperating Revenue (Expense)	<u>(377,546)</u>	<u>(28,927)</u>	<u>(57,818)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	233,295	498,264	449,905
Capital Contributions	<u>440,847</u>	<u>440,927</u>	<u>349,765</u>
CHANGE IN NET POSITION	674,142	939,191	799,670
Net Position - January 1	13,288,632	12,349,441	12,284,478
Restatement - Change in Accounting Principle	-	-	(548,107)
Restatement - Prior Period Adjustment	-	-	(186,600)
Net Position - January 1, as Restated	<u>13,288,632</u>	<u>12,349,441</u>	<u>11,549,771</u>
NET POSITION - DECEMBER 31	<u>\$ 13,962,774</u>	<u>\$ 13,288,632</u>	<u>\$ 12,349,441</u>

**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)**

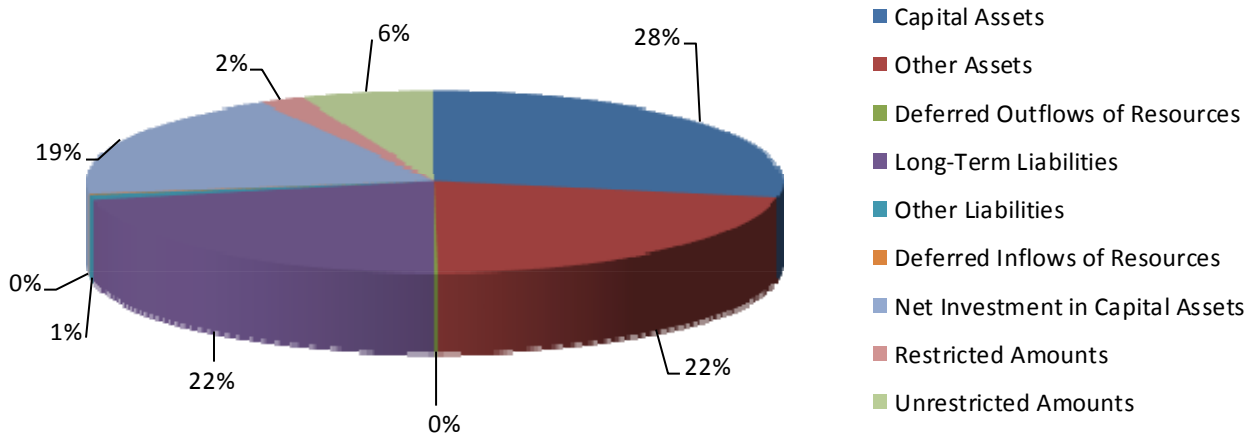
FINANCIAL POSITION

The District's overall financial position continues to be strong and provides sufficient liquidity to support stable, ongoing operations.

The District is financed primarily by equity. Substantial liquid assets are available to fund liabilities and construction. Capital assets increased in 2017 and 2016 due to growth in the customer base and construction activity to upgrade the system.

The following charts indicate the components of financial position.

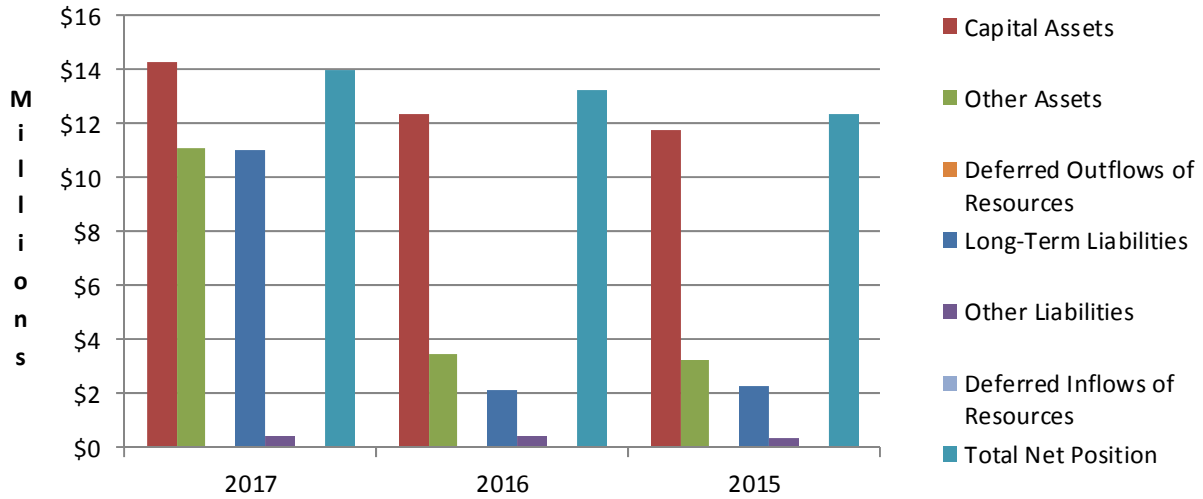
2017 STATEMENT OF NET POSITION



**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)**

FINANCIAL POSITION (CONTINUED)

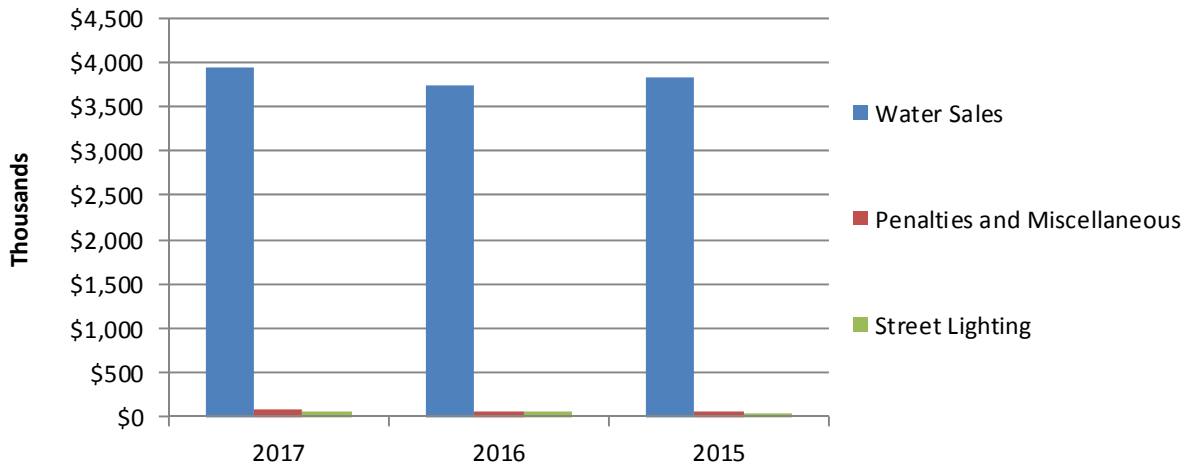
COMPARATIVE STATEMENT OF NET POSITION



RESULTS OF OPERATIONS

Operating revenues are received primarily from water sales and service charges (including street lights). The following chart indicates operating revenue over the last three years.

OPERATING REVENUES



**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)**

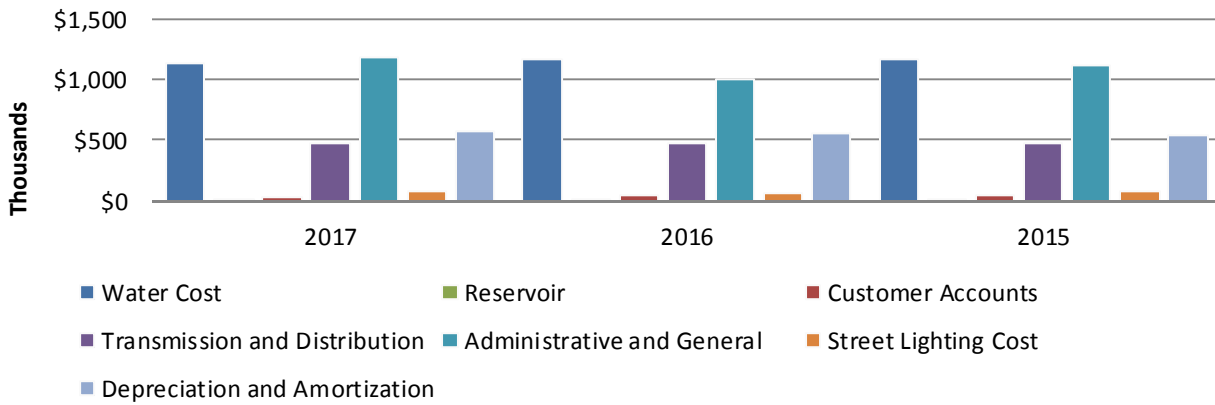
RESULTS OF OPERATIONS (CONTINUED)

Water usage, and corresponding revenues, can vary significantly due to weather conditions. Water revenue in 2017 and 2015 was due to high water consumption due to very dry and hot weather conditions during those summers. The 2016 summer was also hotter and dryer than normal. However, conditions were more temperate than in 2017 and 2015, resulting in a decrease in revenue.

The District increases rates as necessary to meet revenue requirements to support the ongoing operating, maintenance and capital needs of the system.

The following chart indicates operating expenses over the last three years.

OPERATING EXPENSES

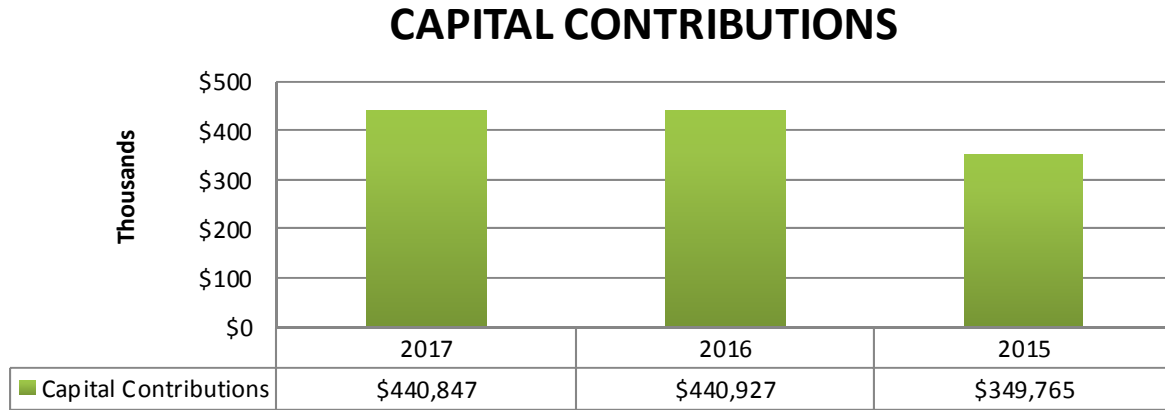


The District's operating costs increased in 2017 due to higher water purchases as a result of summer weather conditions as discussed above for operating revenue. The District's operating costs decreased in 2016 due to lower water purchases as a result of summer weather conditions as discussed above for operating revenue. The District has operated at a profit in each of the past three years. The District's philosophy is to provide for all depreciation through rates, based on the principle that current users should pay all costs associated with the water system as it is being used. Operating revenues are augmented by earnings on investments and other nonoperating revenues in excess of other expenses, principally interest on long-term debt.

**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)**

CAPITAL CONTRIBUTIONS

The District collects capital contributions from new customers. These contributions consist of connection charges, ULID assessments and donated systems. The following chart indicates capital contributions over the past three years.



The contributions are indicative of the growth of the District and include donated systems totaling \$389,847, \$139,427, and \$174,351 for the years ended December 31, 2017, 2016, and 2015 respectively.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital assets increased in 2017 and 2016 due to growth in the customer base and construction activity to upgrade the system. Significant capital asset additions included the following:

2017		2016	
Des Moines Memorial Drive, Phase 3	\$ 240,301	Des Moines Memorial Drive, Phase 1	\$ 248,941
Reservoir	1,870,340	Des Moines Memorial Drive, Phase 2	604,976
Pressure Reducing Value - 4	23,867	Des Moines Memorial Drive, Phase 3	28,812
Donated Systems	389,847	Reservoir	134,147
		Rate Study	23,321
		Donated Systems	139,427

Long-term liabilities increased in 2017 due to the issuance of bonds in the amount of \$9,180,00 to advance refund \$960,000 of outstanding 2007 bonds and to finance system improvements. Long-term liabilities decreased in 2016 due to principal payments made by the District.

See Notes 4, 5, 6, 7, and 8 in the financial statements for detail activity in capital assets and long-term liabilities.

**KING COUNTY WATER DISTRICT NO. 49
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)**

ADDITIONAL COMMENTS

The District is currently dependent on Seattle Public Utilities for all of the water the District provides its customers.

The District currently has adequate water supply to grant all requests for water service within its boundaries due to its 60-year partial-supply contract with the City of Seattle.

KING COUNTY WATER DISTRICT NO. 49
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Unrestricted:		
Cash and Cash Equivalents	\$ 3,311,366	\$ 2,734,979
Customer Accounts Receivable	141,184	101,060
Accrued Unbilled - Revenue	514,565	469,352
Receivable - Developers and Others	48,322	15,926
Interest Receivable	9,608	2,064
Inventories	69,049	77,827
Prepaid Expenses and Deposits	23,974	23,924
Total Unrestricted	4,118,068	3,425,132
Restricted:		
Cash and Cash Equivalents	7,000,520	1,999
Interest Receivable	1,208	1
Total Restricted	7,001,728	2,000
Total Current Assets	11,119,796	3,427,132
NONCURRENT ASSETS		
Unamortized Bond Insurance	-	8,792
Unamortized Contracts Costs	19,645	20,102
Total	19,645	28,894
Capital Assets Not Being Depreciated:		
Land	69,049	69,049
Construction in Progress	2,033,387	265,110
Capital Assets Being Depreciated:		
Plant in Service	21,779,686	21,273,916
Less: Accumulated Depreciation	(9,582,481)	(9,208,793)
Net Capital Assets	14,299,641	12,399,282
Total Noncurrent Assets	14,319,286	12,428,176
Total Assets	25,439,082	15,855,308
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding of Debt	13,623	-
Deferred Outflows Related to Pensions	80,023	94,128
Total Deferred Outflows of Resources	93,646	94,128
Total Assets and Deferred Outflows of Resources	\$ 25,532,728	\$ 15,949,436

See accompanying Notes to Financial Statements.

KING COUNTY WATER DISTRICT NO. 49
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2017	2016
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 112,594	\$ 198,479
Accrued Liabilities	12,132	10,189
Accrued Payroll Taxes and Benefits	2,301	10,401
Compensated Absences	58,600	50,582
Accrued Interest	4,218	4,889
Long-Term Debt - Current Maturities	68,052	68,052
Total Payable from Unrestricted Assets	257,897	342,592
Payable from Restricted Assets:		
Accounts Payable	37,673	-
Accrued Interest	87,828	12,093
Long-Term Debt - Current Maturities	85,000	85,000
Total Payable from Restricted Assets	210,501	97,093
Total Current Liabilities	468,398	439,685
NONCURRENT LIABILITIES		
Long-Term Debt Payable from Unrestricted Assets, Net of Current Maturities	246,368	314,420
Long-Term Debt Payable from Restricted Assets, Net of Current Maturities	10,006,176	1,090,000
Compensated Absences	34,228	-
Net Pension Liability	444,822	526,457
Net Other Post Employment Benefits Obligation	270,923	243,119
Total Noncurrent Liabilities	11,002,517	2,173,996
Total Liabilities	11,470,915	2,613,681
DEFERRED INFLOWS FOR RESOURCES		
Deferred Inflows Related to Pensions	99,039	47,123
Total Liabilities and Deferred Inflows of Resources	11,569,954	2,660,804
NET POSITION		
Net Investment in Capital Assets	9,722,085	10,850,602
Restricted for Debt Service	1,060,613	-
Restricted for Impaired Investments	1,197	1,290
Unrestricted	3,178,879	2,436,740
Total Net Position	13,962,774	13,288,632
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 25,532,728	\$ 15,949,436

See accompanying Notes to Financial Statements.

KING COUNTY WATER DISTRICT NO. 49
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2017	2016
OPERATING REVENUES		
Water Sales	\$ 3,938,464	\$ 3,735,316
Penalties and Miscellaneous	86,317	60,097
Street Lighting	61,807	65,778
Total Operating Revenues	4,086,588	3,861,191
OPERATING EXPENSES		
Water Cost	1,123,721	1,166,361
Reservoir	18,524	17,055
Customer Accounts	34,058	45,608
Transmission and Distribution	466,118	475,172
Administrative and General	1,181,578	1,002,186
Street Lighting Cost	81,314	65,557
Depreciation and Amortization	570,434	562,061
Total Operating Expenses	3,475,747	3,334,000
OPERATING INCOME	610,841	527,191
NONOPERATING REVENUE (EXPENSE)		
Investment Income, Net of Service Fees	29,912	19,387
Interest and Amortization Long-Term Debt, Net of Amount Capitalized	(134,190)	(34,876)
Bond Issuance Costs	(129,836)	-
Loss on Disposal of Assets and Abandoned Projects	(143,432)	(13,438)
Total Nonoperating Revenue (Expense)	(377,546)	(28,927)
INCOME BEFORE CAPITAL CONTRIBUTIONS	233,295	498,264
Capital Contributions	440,847	440,927
CHANGE IN NET POSITION	674,142	939,191
Net Position - January 1, as Previously Reported	13,288,632	12,563,899
Restatement - Prior Period Adjustment	-	(214,458)
Net Position - January 1, as Restated	13,288,632	12,349,441
NET POSITION - END OF YEAR	\$ 13,962,774	\$ 13,288,632

See accompanying Notes to Financial Statements.

KING COUNTY WATER DISTRICT NO. 49
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,968,855	\$ 3,841,021
Cash Paid to Vendors	(2,046,858)	(1,829,855)
Cash Paid to and for Employees and Commissioners	(866,632)	(897,502)
Net Cash Provided by Operating Activities	1,055,365	1,113,664
 CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Expenditures for Plant in Service and Construction	(2,161,096)	(1,047,777)
Capital Contributions	51,000	301,500
Proceeds from Issuance of Long-Term Debt	8,886,997	-
Payments on Long-Term Debt	(153,052)	(153,052)
Interest Paid on Long-Term Debt	(125,467)	(61,089)
Net Cash Provided (Used) by Capital Financing Activities	6,498,382	(960,418)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	21,161	18,572
Net Cash Provided by Investing Activities	21,161	18,572
 NET INCREASE IN CASH AND CASH EQUIVALENTS	7,574,908	171,818
 Cash and Cash Equivalents - Beginning of Year	2,736,978	2,565,160
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 10,311,886	\$ 2,736,978
 Cash and Cash Equivalents Balance is Comprised of the Following at December 31:		
Cash - Unrestricted	\$ 3,311,366	\$ 2,734,979
Cash - Restricted	7,000,520	1,999
Total	\$ 10,311,886	\$ 2,736,978

See accompanying Notes to Financial Statements.

KING COUNTY WATER DISTRICT NO. 49
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 610,841	\$ 527,191
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	570,434	562,061
SPU Contract Costs Amortization	457	457
Bond Insurance Amortization	8,792	1,581
(Increase) Decrease in Assets and Deferred		
Outflows of Resources:		
Accounts Receivable	(40,124)	10,150
Accrued Unbilled - Revenue	(45,213)	(14,394)
Other Accounts Receivable	(32,396)	(15,926)
Inventories	8,778	10,949
Prepayments	(50)	7,872
Deferred Outflows of Resources Related to Pensions	14,105	(33,117)
Increase (Decrease) in Liabilities and Deferred		
Inflows of Resources:		
Accounts Payable	(74,433)	57,033
Accrued Liabilities	(6,157)	20,590
Compensated Absences	42,246	(16,346)
Other Post Employment Benefits Obligation	27,804	28,661
Net Pension Liability	(81,635)	832
Deferred Inflows of Resources Related to Pensions	51,916	(33,930)
Net Cash Provided by Operating Activities	\$ 1,055,365	\$ 1,113,664
SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH FINANCING AND INVESTING ACTIVITIES		
Utility Plant Donations Received	\$ 389,847	\$ 139,427
Revenue Refunding Bonds Issued in Exchange for Deposit to Refunding Escrow, Interest to the Refunding Date, and Bond Issue Costs	\$ 1,108,212	\$ -

See accompanying Notes to Financial Statements.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

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

Description of Business, Nature of Operations, and Reporting Entity

King County Water District No. 49 (the District), a municipal corporation organized under the laws of the state of Washington is governed by an elected three-member board. The District's primary activity is to provide water service to residential and commercial customers within the District's boundaries, which encompass parts of Burien, SeaTac, and Normandy Park, Washington. All water sold by the District is purchased from the City of Seattle, Washington under a purveyor's contract. The District has no component units.

Basis of Presentation and Accounting

These financial statements are prepared utilizing the economic resources measurement focus and full accrual basis of accounting. All activities of the District are accounted for within a single proprietary (enterprise) fund.

Cash and Cash Equivalents

The District considers investments in the King County Investment Pool to be cash equivalents. These investments are stated at the fair value of the Pool's underlying assets.

Accounts Receivable

The District utilizes the allowance method of accounting for doubtful accounts. However, all accounts receivable are considered fully collectible since nonpayment of an account can result in a lien assessment filed against the property. Therefore, no allowance for doubtful accounts has been provided in the financial statements.

Inventory

Inventory consists of materials and supplies available for future use and is stated at the lower of cost, using the first-in, first-out (FIFO) method or market.

Capital Assets

Capital assets are stated at cost and include the capitalized portion of District employees' wages and related overhead costs. 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. For water systems installed by developers or customers and conveyed to the District by bill of sale, the District records the cost of the system at acquisition value, which is determined by the contributing party's costs, contract price or appraised value. When capital assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant	5 – 40 Years
Machinery and Equipment	5 – 10 Years
Intangibles	6 – 10 Years

Interest Capitalization

Interest costs incurred for the construction of capital assets are subject to capitalization.

Total interest and amortization costs incurred for the year ended December 31, 2017 and 2016 was \$171,251 and \$59,620, respectively. Interest capitalized in 2017 and 2016 was \$37,061 and \$24,744, respectively

Pensions

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of losses on refunding of debt, contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. The deferred loss on refunding of debt results from a difference in the carrying value of refunded debt and its reacquisition price. Losses on refunding of debt are amortized by the interest method over the life of the refunded or refunding debt, whichever is shorter. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

KING COUNTY WATER DISTRICT NO. 49
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NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the District's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Compensated Absences

The District accrues accumulated unpaid vacation and sick leave benefit amounts as earned. District employees accumulate vacation and sick leave hours, subject to certain restrictions, for subsequent use or payment upon termination, retirement, or death.

Net Position

Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital-related deferred outflows of resources reduced by the outstanding balances of any capital-related borrowings and deferred inflows of resources. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of assets restricted by external creditors (such as through debt covenants), grantors, contributors or others reduced by related liabilities and deferred inflows of resources.

Unrestricted Net Position – This component of net position consists of all net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District applies unrestricted and restricted resources to purposes for which both unrestricted and restricted net resources are available based on management's discretion.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
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NOTE 1 DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS, AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues result from providing products in connection with the District's water system. Operating expenses include the costs associated with providing the District's products, general and administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are classified as nonoperating revenues and expenses.

Capital Contributions

Grants, ULID assessments, and contributions in aid of construction from property owners are recorded as capital contribution revenue.

Use of Estimates in Financial Statement Preparation

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

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The District's bank balances as of December 31, 2017 and 2016 were \$5,000 and \$5,000, respectively.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

In accordance with state law, the District's governing body has entered into a formal interlocal agreement with the District's *ex officio* treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (the Pool). Investments in the Pool are stated at the fair value of the Pool's underlying assets. The stated value per share is \$1. The King County Executive Finance Committee provides oversight of the Pool.

As of December 31, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>
<u>2017</u>		
King County Investment Pool:		
Main Pool	\$ 10,305,063	1.02 Years
Impaired Pool	1,197	
<u>2016</u>		
King County Investment Pool:		
Main Pool	\$ 2,730,063	1.10 Years
Impaired Pool	1,290	

Impaired Investments

As of December 31, 2017 and 2016, all impaired commercial paper investments had completed enforcement events. The King County Impaired Investment Pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in two commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool principal was \$1,784 and \$2,070 at December 31, 2017 and 2016, respectively. The District's unrealized loss for these investments was \$587 and \$780 at December 31, 2017 and 2016, respectively.

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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk

As of December 31, 2017, and 2016, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. treasury securities, U.S. agency securities and mortgage-backed securities, corporate note (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3 RESTRICTED ASSETS

In accordance with certain agreements, separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses. Restricted assets are as follows:

	<u>Cash and Cash Equivalents</u>	<u>Interest Receivable</u>	<u>Total</u>
<u>2017</u>			
Current Restricted Assets:			
Revenue Bond Fund	\$ 22,936	\$ 24	\$ 22,960
Revenue Bond Reserve Fund	1,124,297	1,184	1,125,481
Construction Funds	5,852,090	-	5,852,090
Impaired Investment Pool	1,197	-	1,197
Total Restricted Assets	<u>\$ 7,000,520</u>	<u>\$ 1,208</u>	<u>\$ 7,001,728</u>
<u>2016</u>			
Current Restricted Assets:			
Revenue Bond Fund	\$ 709	\$ 1	\$ 710
Impaired Investment Pool	1,290	-	1,290
Total Restricted Assets	<u>\$ 1,999</u>	<u>\$ 1</u>	<u>\$ 2,000</u>

Terms of the revenue bond issues require the District to establish and maintain principal and interest and reserve accounts. The principal and interest account is to accumulate funds for payment of bonds, principal, and interest and the reserve account is to provide security for bond holders. The required reserve for the 2017 bonds at December 31, 2017 and 2016 was \$699,638 and \$-0-, respectively, and was fully funded. The reserve for the 2007 bonds was provided by bond insurance.

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NOTE 4 CAPITAL ASSETS

Major classes of capital assets and capital asset activity were as follows at December 31:

	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
<u>2017</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 69,049	\$ -	\$ -	\$ 69,049
Construction in Progress	265,110	2,296,087	(527,810)	2,033,387
	<u>334,159</u>	<u>2,296,087</u>	<u>(527,810)</u>	<u>2,102,436</u>
Capital Assets Being Depreciated:				
Plant	20,231,855	701,573	(884)	20,932,544
Machinery and Equipment	678,817	3,934	(2,599)	680,152
Intangibles	363,244	-	(196,254)	166,990
	<u>21,273,916</u>	<u>705,507</u>	<u>(199,737)</u>	<u>21,779,686</u>
Accumulated Depreciation:				
Plant	(8,319,825)	(510,779)	884	(8,829,720)
Machinery and Equipment	(549,862)	(46,890)	2,599	(594,153)
Intangibles	(339,106)	(12,765)	193,263	(158,608)
	<u>(9,208,793)</u>	<u>(570,434)</u>	<u>196,746</u>	<u>(9,582,481)</u>
Net Capital Assets	<u>\$ 12,399,282</u>	<u>\$ 2,431,160</u>	<u>\$ (530,801)</u>	<u>\$ 14,299,641</u>

KING COUNTY WATER DISTRICT NO. 49
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NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance - Beginning of Year	Increase	Decrease	Balance - End of Year
2016				
Capital Assets Not Being Depreciated:				
Land	\$ 69,049	\$ -	\$ -	\$ 69,049
Construction in Progress	250,727	1,041,406	(1,027,023)	265,110
	<u>319,776</u>	<u>1,041,406</u>	<u>(1,027,023)</u>	<u>334,159</u>
Capital Assets Being Depreciated:				
Plant	19,072,617	1,179,160	(19,922)	20,231,855
Machinery and Equipment	673,821	9,707	(4,711)	678,817
Intangibles	363,244	-	-	363,244
	<u>20,109,682</u>	<u>1,188,867</u>	<u>(24,633)</u>	<u>21,273,916</u>
Accumulated Depreciation:				
Plant	(7,849,000)	(490,747)	19,922	(8,319,825)
Machinery and Equipment	(497,029)	(57,159)	4,326	(549,862)
Intangibles	(324,951)	(14,155)	-	(339,106)
	<u>(8,670,980)</u>	<u>(562,061)</u>	<u>24,248</u>	<u>(9,208,793)</u>
Net Capital Assets	<u>\$ 11,758,478</u>	<u>\$ 1,668,212</u>	<u>\$ (1,027,408)</u>	<u>\$ 12,399,282</u>

NOTE 5 LONG-TERM DEBT PAYABLE FROM UNRESTRICTED ASSETS

Long-term debt payable from unrestricted assets outstanding at December 31, consisted of the following loans, secured by revenue of the system, issued for utility construction:

Description	2017	2016
Public Works Trust Fund Loans:		
2000 \$914,748 loan, payable \$46,000 annually through the year 2020, plus interest at 1.0 annual percentage rate	\$ 137,999	\$ 183,998
2005 \$419,000 loan, payable \$22,053 annually through the year 2025, plus interest at 4.0 annual percentage rate	176,421	198,474
Subtotal	<u>314,420</u>	<u>382,472</u>
Less: Current Maturities	<u>68,052</u>	<u>68,052</u>
Total	<u>\$ 246,368</u>	<u>\$ 314,420</u>

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NOTE 5 LONG-TERM DEBT PAYABLE FROM UNRESTRICTED ASSETS (CONTINUED)

Long-term debt service requirements to maturity, payable by the District from unrestricted assets, are as follows:

<u>Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 68,052	\$ 8,437	\$ 76,489
2019	68,052	7,095	75,147
2020	68,052	5,753	73,805
2021	22,053	4,411	26,464
2022	22,053	3,528	25,581
2023-2025	66,158	5,293	71,451
Total	<u>\$ 314,420</u>	<u>\$ 34,517</u>	<u>\$ 348,937</u>

NOTE 6 LONG-TERM DEBT PAYABLE FROM RESTRICTED ASSETS

Long-term debt payable from restricted assets outstanding at December 31, 2017 consisted of the following revenue bond, secured by revenue of the system:

<u>Description</u>	<u>2017</u>	<u>2016</u>
\$1,565,000 issued December 21, 2007 for utility construction, due in 2027, with interest payable semi-annually at 3.85 to 4.25 annual percentage rate.	\$ 130,000	\$ 1,175,000
\$9,810,000 issued July 6, 2017 for refunding and utility construction, due serially through the year 2037, with interest payable semi-annually at 2.00 to 4.00 annual percentage rate.	<u>9,180,000</u>	<u>-</u>
Subtotal	<u>9,310,000</u>	<u>1,175,000</u>
Less: Current Maturities	85,000	85,000
Add: Unamortized Bond (Discounts) Premiums	<u>781,176</u>	<u>-</u>
Total	<u>\$ 10,006,176</u>	<u>\$ 1,090,000</u>

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NOTE 6 LONG-TERM DEBT PAYABLE FROM RESTRICTED ASSETS (CONTINUED)

Long-term debt service requirements to maturity, payable by the District from restricted assets, are as follows:

<u>Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 85,000	\$ 350,463	\$ 435,463
2019	90,000	348,263	438,263
2020	355,000	339,813	694,813
2021	370,000	325,313	695,313
2022	385,000	312,138	697,138
2023-2027	2,165,000	1,322,150	3,487,150
2028-2032	2,650,000	840,188	3,490,188
2033-2037	3,210,000	277,331	3,487,331
Total	<u>\$ 9,310,000</u>	<u>\$ 4,115,659</u>	<u>\$ 13,425,659</u>

NOTE 7 CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows at December 31:

	<u>Balance - Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance - End of Year</u>	<u>Amounts Due Within One Year</u>
<u>2017</u>					
Long-Term Debt Payable from Unrestricted Assets:					
2000 Public Works Trust Fund Loan	\$ 183,998	\$ -	\$ (45,999)	\$ 137,999	\$ 46,000
2005 Public Works Trust Fund Loan	198,474	-	(22,053)	176,421	22,052
	<u>\$ 382,472</u>	<u>\$ -</u>	<u>\$ (68,052)</u>	<u>\$ 314,420</u>	<u>\$ 68,052</u>
Long-Term Debt Payable from Restricted Assets:					
2007 Revenue Bonds	\$ 1,175,000	\$ -	\$ (1,045,000)	\$ 130,000	\$ -
2017 Revenue Bonds	-	9,180,000	-	9,180,000	85,000
	<u>\$ 1,175,000</u>	<u>\$ 9,180,000</u>	<u>\$ (1,045,000)</u>	<u>\$ 9,310,000</u>	<u>\$ 85,000</u>
Compensated Absences	<u>\$ 50,582</u>	<u>\$ 65,086</u>	<u>\$ (22,840)</u>	<u>\$ 92,828</u>	<u>\$ 58,600</u>
Net Pension Liability	<u>\$ 526,457</u>	<u>\$ -</u>	<u>\$ (81,635)</u>	<u>\$ 444,822</u>	
Net Other Postemployment Benefits Obligation	<u>\$ 243,119</u>	<u>\$ 27,804</u>	<u>\$ -</u>	<u>\$ 270,923</u>	

KING COUNTY WATER DISTRICT NO. 49
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NOTE 7 CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amounts Due Within One Year
<u>2016</u>					
Long-Term Debt Payable from Unrestricted Assets:					
2000 Public Works Trust					
Fund Loan	\$ 229,998	\$ -	\$ (46,000)	\$ 183,998	\$ 46,000
2005 Public Works Trust					
Fund Loan	220,526	-	(22,052)	198,474	22,052
	<u>\$ 450,524</u>	<u>\$ -</u>	<u>\$ (68,052)</u>	<u>\$ 382,472</u>	<u>\$ 68,052</u>
Long-Term Debt Payable from Restricted Assets:					
2007 Revenue Bonds	\$ 1,260,000	\$ -	\$ (85,000)	\$ 1,175,000	\$ 85,000
	<u>\$ 1,260,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 1,175,000</u>	<u>\$ 85,000</u>
Compensated Absences	<u>\$ 66,928</u>	<u>\$ 63,539</u>	<u>\$ (79,885)</u>	<u>\$ 50,582</u>	<u>\$ 50,582</u>
Net Pension Liability	<u>\$ 525,625</u>	<u>\$ 832</u>	<u>\$ -</u>	<u>\$ 526,457</u>	
Net Other Postemployment Benefits Obligation	<u>\$ 214,458</u>	<u>\$ 28,661</u>	<u>\$ -</u>	<u>\$ 243,119</u>	

NOTE 8 REFUNDED BONDS

On July 6, 2017, the District issued \$9,180,000 of Water Revenue Improvement and Refunding Bonds. Of the \$9,180,000 issued, \$905,000 of the bonds with interest rates of 2.00% to 4.00% were used to advance refund \$960,000 of outstanding 2007 bonds with interest rates of 4.00% to 4.25%. The net proceeds of refunding bonds, totaling \$978,375 including \$10,380 representing accrued interest to the refunding date, were used to purchase U.S. government securities and to provide the beginning escrow cash balance. The cash and securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be extinguished and the liability for those bonds is not included in the accompanying financial statements. The principal amount of refunded bonds in this fund at December 31, 2017 is \$-0-.

Although the advance refunding resulted in an accounting loss of \$15,091 (which will be amortized over the shorter of the life of the refunded or refunding bonds), the District in effect reduced its aggregate debt service payments by \$93,378 through October 1, 2026, and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$84,363.

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NOTE 9 PENSION PLAN

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* as of and for the year ended December 31:

<u>Aggregate Pension Amounts – All Plans</u>	<u>2017</u>	<u>2016</u>
Net Pension Liabilities	\$ 270,923	\$ 243,119
Deferred Outflows of Resources	80,023	94,128
Deferred Inflows of Resources	99,039	47,123
Pension Expense	51,860	(4,375)

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

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

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98540-8380

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

Public Employees Retirement System (PERS)

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

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NOTE 9 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

PERS Plan 1 – Provides retirement, disability and death benefits. Retirement benefits are determined as 2% 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 Plan 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%. 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%. Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

<u>PERS Plan 1 Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee</u>
<u>2017</u>		
January through June		
PERS Plan 1	6.23 %	6.00 %
PERS Plan 1 UAAL	4.77	
Administrative Fee	0.18	
Total	<u>11.18 %</u>	<u>6.00 %</u>
July through December		
PERS Plan 1	7.49 %	6.00 %
PERS Plan 1 UAAL	5.03	
Administrative Fee	0.18	
Total	<u>12.70 %</u>	<u>6.00 %</u>
<u>2016</u>		
January through December		
PERS Plan 1	6.23 %	6.00 %
PERS Plan 1 UAAL	4.77	
Administrative Fee	0.18	
Total	<u>11.18 %</u>	<u>6.00 %</u>

The District's actual contributions to the plan were \$27,769 and \$26,316 for the years ended December 31, 2017 and 2016, respectively.

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NOTE 9 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

PERS Plan 2/3 – Provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for PERS Plan 2 and 1% of AFC for PERS 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 3% 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 5% 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 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS Plan 2 members are vested after completing five years of eligible service. PERS 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, PERS Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% 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.

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NOTE 9 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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

<u>PERS Plan 2/3 Actual Contribution Rates</u>	<u>Employer 2/3</u>	<u>Employee 2</u>	<u>Employee 3</u>
<u>2017</u>			
January through June			
PERS Plan 2/3	6.23 %	6.12 %	Varies
PERS Plan 1 UAAL	4.77		Varies
Administrative Fee	0.18		Varies
Total	<u>11.18 %</u>	<u>6.12 %</u>	
July through December			
PERS Plan 2/3	7.49 %	6.12 %	Varies
PERS Plan 1 UAAL	5.03		Varies
Administrative Fee	0.18		Varies
Total	<u>12.70 %</u>	<u>6.12 %</u>	
<u>2016</u>			
January through December			
PERS Plan 2/3	6.23 %	6.12 %	Varies
PERS Plan 1 UAAL	4.77		Varies
Administrative Fee	0.18		Varies
Total	<u>11.18 %</u>	<u>6.12 %</u>	

The District's actual contributions to the plan were \$39,895 and \$35,363 for the years ended December 31, 2017 and 2016, respectively.

Actuarial Assumptions

The 2017 TPL for each of the DRS plans was determined using the actuarial valuation completed in 2017, with a valuation date of June 30, 2016. 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 *2015 Economic experience Study*. The 2016 total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016, with a valuation date of June 30, 2015. The actuarial assumptions used in the valuations were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 9 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Additional 2017 assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. Additional 2016 assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017 and 2016. 2017 plan liabilities were rolled forward from June 30, 2016 to June 30, 2017, and 2016 plan liabilities were rolled forward from June 30, 2015 to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- **Investment rate of return:** 7.5%

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

There were changes in methods and assumptions in 2017 since the 2016 valuation.

- How terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised.

There were minor changes in methods and assumptions in 2016 since the 2015 valuation.

- The assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 9 PENSION PLAN (CONTINUED)

Discount Rate (Continued)

Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience date, 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 future times.

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, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

As of June 30, 2017 and 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Percent Long-Term Expected Real Rate of Return Arithmetic</u>
<u>2017</u>		
Fixed Income	20 %	1.70 %
Tangible Assets	5	4.90
Real Estate	15	5.80
Global Equity	37	6.30
Private Equity	23	9.30
Total	<u>100</u>	
<u>2016</u>		
Fixed Income	20 %	1.70 %
Tangible Assets	5	4.40
Real Estate	15	5.80
Global Equity	37	6.60
Private Equity	23	9.60
Total	<u>100</u>	

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 9 PENSION PLAN (CONTINUED)

Sensitivity of Net Pension Liability (NPL)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
<u>2017</u>			
PERS 1	\$ 279,052	\$ 229,070	\$ 185,776
PERS 2/3	581,258	215,752	(83,726)
<u>2016</u>			
PERS 1	\$ 288,625	\$ 239,344	\$ 196,935
PERS 2/3	528,625	287,113	(149,459)

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 December 31, 2017 and 2016, the District reported a total pension liability (asset) for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2017 and 2016).

	<u>2017</u>	<u>2016</u>
PERS 1	\$ 229,070	\$ 239,344
PERS 2/3	215,752	287,113
Total	<u>\$ 444,822</u>	<u>\$ 526,457</u>

The District's proportionate share of the collective net pension liabilities was as follows:

	<u>Proportionate Share 6/30/16</u>	<u>Proportionate Share 6/30/17</u>	<u>Change in Proportion</u>
PERS 1	0.004457%	0.004828%	0.000371%
PERS 2/3	0.005702%	0.006210%	0.000508%
	<u>Proportionate Share 6/30/15</u>	<u>Proportionate Share 6/30/16</u>	<u>Change in Proportion</u>
PERS 1	0.005338%	0.004457%	-0.000881%
PERS 2/3	0.006896%	0.005702%	-0.001194%

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 9 PENSION PLAN (CONTINUED)

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

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

The 2017 and 2016 collective net pension liability (asset) was measured as of June 30, 2017 and 2016, respectively, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016 and 2015, respectively, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the years ended December 31, 2017 and 2016, the District recognized pension expense as follows:

	<u>2017</u>	<u>2016</u>
PERS 1	\$ 31,133	\$ (35,413)
PERS 2/3	19,897	29,915
Expenses and Other	830	1,123
Total	<u>\$ 51,860</u>	<u>\$ (4,375)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

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

<u>2017</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PERS 1:		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual		
Investment Earnings on Pension Plan Investments	-	8,548
Changes of Assumptions	-	-
Changes in Proportion and Differences Between		
Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	14,245	-
Total PERS 1	<u>14,245</u>	<u>8,548</u>
PERS 2/3:		
Differences Between Expected and Actual Experience	21,861	7,096
Net Difference Between Projected and Actual		
Investment Earnings on Pension Plan Investments	-	57,514
Changes of Assumptions	2,292	-
Changes in Proportion and Differences Between		
Contributions and Proportionate Share of Contributions	20,413	25,881
Contributions Subsequent to the Measurement Date	21,212	-
Total PERS 2/3	<u>65,778</u>	<u>90,491</u>
Total All Plans	<u>\$ 80,023</u>	<u>\$ 99,039</u>

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 9 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2016</u>		
PERS 1:		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	6,026	-
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	<u>13,309</u>	<u>-</u>
Total PERS 1	<u>19,335</u>	<u>-</u>
PERS 2/3:		
Differences Between Expected and Actual Experience	15,289	9,478
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	35,134	-
Changes of Assumptions	2,968	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	4,020	37,645
Contributions Subsequent to the Measurement Date	<u>17,382</u>	<u>-</u>
Total PERS 2/3	<u>74,793</u>	<u>47,123</u>
Total All Plans	<u>\$ 94,128</u>	<u>\$ 47,123</u>

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

<u>Year Ending December 31,</u>	<u>PERS 1</u>	<u>PERS 2/3</u>
2018	\$ (5,778)	\$ (30,138)
2019	1,824	(2,105)
2020	(424)	(4,485)
2021	(4,170)	(20,264)
2022	-	4,812
Thereafter	-	6,255
Total	<u>\$ (8,548)</u>	<u>\$ (45,925)</u>

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

The District provides to its retirees employer subsidies for postemployment medical insurance benefits (OPEB) provided through the Public Employees Benefits Board (PEBB). The actual medical costs are paid through annual fees and premiums to the PEBB.

Plan Description

The PEBB was created within the Washington State Health Care Authority to administer medical, dental and life insurance plans for public employees and retirees and their dependents. District employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

Legally, the District does not have a contractual obligation or a policy to maintain and provide its employees with continued medical insurance coverage after termination or retirement. The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The Office of the State Actuary, a department within the primary government of the state of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, PO Box 40914, Olympia, Washington 98504 or it may be downloaded from the Office of the State Actuary website at <http://osa.leg.wa.gov>.

The Public Employees Benefits Board (PEBB) plan offers a subsidized retirement coverage to its plan participants and the District can terminate medical insurance with no future obligation or liability to PEBB or its retirees.

The subsidies provided by PEBB to the District include the following:

- Explicit Medical Subsidy for Post 65 retirees
- Implicit Medical Subsidy for Pre 65 retirees

The explicit subsidies are monthly amounts per retiree. The implicit medical subsidy is the difference between the total cost of pre 65 medical benefits and the pre 65 contributions paid by retirees. Explicit subsidies are capped at \$150 per month.

Funding Policy

The funding policy is based upon pay-as-you-go financing requirements.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based upon the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 25 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB.

Determination of Annual Required Contribution	2017	2016
Normal Cost at Year End	\$ 17,767	\$ 18,337
Amortization of Unfunded Actuarial Accrued Liability	17,541	17,066
Annual Required Contribution	<u>\$ 35,308</u>	<u>\$ 35,403</u>
Determination of Annual OPEB Cost	2017	2016
Annual Required Contribution	\$ 35,308	\$ 35,403
Net OPEB Obligation Interest	9,725	8,578
Net OPEB Obligation Amortization	(14,060)	(12,402)
Annual OPEB Cost	<u>\$ 30,973</u>	<u>\$ 31,579</u>
Determination of Net OPEB Obligation	2017	2016
Starting Net OPEB Obligation	\$ 243,119	\$ 214,458
Annual OPEB Cost	30,973	31,579
Contributions	(3,169)	(2,918)
Net OPEB Obligation	<u>\$ 270,923</u>	<u>\$ 243,119</u>

The District's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2017 are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Contributions as a Percentage of OPEB Cost</u>	<u>Net OPEB Obligation</u>
2017	\$ 30,973	11.43%	\$ 270,923
2016	31,579	12.99%	243,119
2015	30,533	14.24%	214,458

NOTE 11 DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan assets are invested with the Washington State Department of Retirement Systems. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District made no contributions to the plan in 2017 or 2016.

KING COUNTY WATER DISTRICT NO. 49
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 12 RISK MANAGEMENT

The District is subject to various risks including, but not limited to, damage to personal and real property, general liability, automobile liability, employment liability, theft, public officials errors and omissions and natural disasters.

The District protects itself against these risks by the purchase of commercial insurance. The policies are subject to various limits and various deductibles.

For the years ending December 31, 2017, 2016, and 2015, the District had no claims in excess of their insurance coverage.

Detailed information about coverages, premiums, and deductibles is available at the District's office.

NOTE 13 LEASE COMMITMENTS

Operating Leases

The District is committed under various leases for office equipment. These leases are considered operating leases for accounting purposes. Lease expense for the years ended December 31, 2017 and 2016 amounted to \$5,534 and \$7,249, respectively.

Future minimum rental commitments for these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 9,391
2019	9,391
2020	9,391
2021	2,294
2022	1,529
Total	<u>\$ 31,996</u>

NOTE 14 PRIOR PERIOD ADJUSTMENT

During 2017, the District concluded that it had an obligation for postemployment benefits as retirees are allowed to purchase insurance with subsidized premiums. As a result, net position as of January 1, 2016 has been reduced by \$214,458 and the 2016 financial statements have been restated.

**KING COUNTY WATER DISTRICT NO. 49
OTHER POSTEMPLOYMENT BENEFITS SCHEDULES OF FUNDING PROGRESS
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE ACCOUNTANTS' COMPILATION REPORT)**

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funding Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2017	12/31/2017	\$ -	\$ 303,322	\$ 303,322	0.00%	\$ 566,717	53.5%
6/30/2016	12/31/2016	-	295,100	295,100	0.00%	551,691	53.5%
6/30/2015	12/31/2015	-	280,589	280,589	0.00%	578,786	48.5%

* Information is presented only for those years for which information is available.

KING COUNTY WATER DISTRICT NO. 49
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE ACCOUNTANTS' COMPILATION REPORT)

PERS 1

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.004828%	\$ 229,070	\$ 562,570	40.72%	61.24%
2016	0.004457%	239,344	537,367	44.54%	57.03%
2015	0.005338%	279,227	578,786	48.24%	59.10%

Notes to Schedule:

- PERS 1 contributions are from the component of PERS 2 contributions required to address the PERS 1 unfunded actuarially accrued liability (UAAL).

*Information is presented only for those years for which information is available.

PERS 2/3

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.006210%	\$ 215,752	\$ 562,570	38.35%	90.97%
2016	0.005702%	287,113	537,367	53.43%	85.82%
2015	0.006896%	246,398	578,786	42.57%	89.20%

Notes to Schedule:

*Information is presented only for those years for which information is available.

**KING COUNTY WATER DISTRICT NO. 49
SCHEDULES OF EMPLOYER CONTRIBUTIONS
DECEMBER 31 (EMPLOYER REPORTING DATE)
LAST 10 FISCAL YEARS*
(SEE ACCOUNTANTS' COMPILATION REPORT)**

PERS 1

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2017	\$ 27,769	\$ (27,769)	\$ -	\$ 566,717	4.90%
2016	26,316	(26,316)	-	551,691	4.77%
2015	31,740	(31,740)	-	578,786	5.48%

Notes to Schedule:

- PERS 1 contributions are from the component of PERS 2 contributions required to address the PERS 1 unfunded actuarially accrued liability (UAAL).

* Information is presented only for those years for which information is available.

PERS 2/3

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2017	\$ 39,895	\$ (39,895)	\$ -	\$ 566,717	7.04%
2016	35,363	(35,363)	-	551,691	6.41%
2015	24,837	(24,837)	-	578,786	4.29%

Notes to Schedule:

* Information is presented only for those years for which information is available.

KING COUNTY WATER DISTRICT NO. 49
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

	<u>2017</u>	<u>2016</u>
WATER COSTS		
Water Cost	\$ 1,123,264	\$ 1,165,904
Amortization - Contract Cost	457	457
Total Water Costs	<u>\$ 1,123,721</u>	<u>\$ 1,166,361</u>
RESERVOIR EXPENSES		
Maintenance - Materials and Contractors	\$ 5,258	\$ 5,200
Electric Power	13,266	11,855
Total Reservoir Expenses	<u>\$ 18,524</u>	<u>\$ 17,055</u>
CUSTOMER ACCOUNTS EXPENSES		
Standby Pager - Labor	\$ 16,380	\$ 15,710
Supplies	2,856	3,072
Postage and Postage Machine	10,645	22,823
Maintenance and Miscellaneous	4,177	4,003
Total Customer Accounts Expenses	<u>\$ 34,058</u>	<u>\$ 45,608</u>
TRANSMISSION AND DISTRIBUTION		
Supplies and Miscellaneous	\$ 3,635	\$ 9,631
Uniforms and Clothing	4,486	2,951
Street Repair	2,340	1,884
Permits, Licenses and Interties	14,933	12,332
Equipment Rental	2,787	-
Electric Power - Interties	195	192
Maintenance of Mains - Materials	3,409	3,276
Maintenance of Mains - Contractors and Miscellaneous	9,890	98,078
Maintenance of Valves - Materials	253	259
Maintenance of Valves - Contractors and Miscellaneous	26,014	2,770
Maintenance of Services - Materials	(1,922)	6,951
Maintenance of Services - Contractors and Miscellaneous	(546)	3,368
Maintenance of Meters - Materials	11,707	(11,475)
Maintenance of Hydrants - Materials	11,021	19,154
Maintenance of Hydrants - Contractors and Miscellaneous	853	-
Maintenance of Automotive	10,261	5,254
Maintenance of Other Equipment	845	316
Field Lead Salary	114,322	86,594
Field Tech Salary	251,635	233,637
Total Transmission and Distribution Expenses	<u>\$ 466,118</u>	<u>\$ 475,172</u>

KING COUNTY WATER DISTRICT NO. 49
SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)

	<u>2017</u>	<u>2016</u>
Office Manager Salary	\$ 79,903	67,377
Accounting Clerk Salary	140,962	129,557
OPEB Expense	27,804	28,661
State Retirement	51,860	(4,375)
Medical Insurance	218,072	216,368
Life Insurance	2,275	2,605
F.I.C.A.	55,289	48,503
Workmen's Compensation	8,225	8,362
Commissioner Compensation	11,406	13,116
Legal	31,297	40,458
Engineering	167,581	21,863
Accounting	24,556	21,530
State Auditor	-	17,473
Software Support	41,794	37,346
Insurance	37,607	37,130
Office Supplies	7,189	8,377
Telephone	15,752	21,647
Utilities	11,522	9,016
Dues, Subscriptions, and Advertising	7,424	7,257
State Excise Tax	195,947	200,964
Equipment Rental - Office	5,534	7,249
Miscellaneous General Expenses	19,218	27,545
Gas and Oil	10,119	8,700
Seminar Registration	2,302	6,218
Travel and Mileage	2,632	9,373
Election Costs	-	259
Maintenance - Building	5,308	9,607
	<u>5,308</u>	<u>9,607</u>
Total Administrative and General Expenses	<u>\$ 1,181,578</u>	<u>\$ 1,002,186</u>