



# **William Shore Pool District**

## **Annual Financial Report**

**For the Year Ended**

**December 31, 2017**

*Amended 5-29-2018*

### **BOARD OF DISTRICT COMMISSIONERS**

**Bill Peach, President**

**Cherie Kidd, Vice President**

**Randy Johnson, Commissioner**

**Anna Manildi, Commissioner**

**Michael Meridith, Commissioner**

### **PREPARED BY**

**Steven D. Burke, *Executive Director***  
**Charlie McClain, *CPA, District Accountant***

Jessica Compton, Aquatics Manager

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## **1. Discussion and Analysis for the Year Ended December 31, 2017**

### **Introduction**

The District is a special-purpose municipality providing recreation services. The District boundaries are the same boundaries of the Port Angeles School District. The District was approved and established by District voters in 2009. The District is independent from other local or state governments and operates within the district boundaries. It is administered by a five-member ex officio Board of Commissioners. The Commission delegates authority to an Executive Director to manage the operations of the District. The District is supported operating revenues (user charges, admissions, program fees, rental fees) and property tax revenue.

This section contains the Districts' Management Discussion and Analysis (MD&A) of financial activities and performance for the calendar year ended December 31, 2017, and December 31, 2016. It provides an introduction to the District's 2017 financial statements. Information contained in this MD&A has been prepared by District management and should be considered in conjunction with the financial statements and the notes.

The notes to the financial statements provide additional information that may not be readily apparent from the actual financial statements. The notes to the financial statements can be found immediately following the financial statements. Additionally, other factors not shown on the financial reports should be evaluated to assess the District's true financial condition, such as changes in the District's tax base and the condition of the District's asset base.

## **2. Overview of the Financial Statements**

The financial section of the annual report consists of three parts:

- Management's Discussion and Analysis (MD&A)
- Financial Statements, which includes:
  - Statement of Financial Net Position
  - Statement of Revenues, Expenses, and Changes in Fund Balances
- Notes to the Financial Statements

The financial statements in the annual report describe whether the District is better or worse off as a result of the year's activities. Following is a brief discussion of the various statements:

Statement of Financial Net Position reflects the District's financial position at year-end. It is one of the main financial statements and it reports an entity's assets, liabilities, and the difference in their totals. The District had no deferred inflows or outflows this reporting period. The amounts reported on the statement of financial position are the amounts as of the final moment of an accounting period. Over time, increases or decreases in the total net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Fund Balances reflects changes in the District's financial position (fund balance) during the current year. These changes are reported as the underlying event occurs regardless of the timing of related cash flows. This statement presents changes in fund balance from income or loss from operations as well as non-operating revenues and expenses, capital contributions and extraordinary items.

### 3. Financial Highlights

#### Year Ended December 31, 2017

Change in Financial Net Position: The ending net position (assets minus liabilities) on December 31, 2017 was \$1,505,158, which was an increase of \$149,080, an 11% increase. This is the result of:

1. \$133,318 of principal payments on the District's long term liabilities
2. A decrease in current assets of \$66,619 due to equipment and expansion costs
3. An increase in non-current assets of 104,453 due to donated land to the District

The District had no deferred inflows or outflows this reporting period.

Statement of Revenues, Expenses, and Changes in Fund Balances: Operating revenues decreased overall by \$2,216 or 0.26%, primarily due to the YMCA Pool in Sequim reopening after a one year shutdown.

Operating expenditures increased by \$123,200 or 17%, primarily due to:

1. Health insurance in September (\$33,000)
2. Increases to the minimum wage (\$11,860)
3. Starting a new after school child care program (\$33,632)
4. Onetime Equipment Repairs: (\$44,708)

#### Year Ended December 31, 2016

Change in Financial Net Position: The ending net position (assets minus liabilities) on December 31, 2016 was \$1,356,078, which was an increase of \$162,116, a 14% increase. This is the result of \$84,606 of principal payments and other pay downs of the District's long term liabilities and an increase in \$45,833 in fixed assets as a result of capital projects and \$37,962 in capital projects in progress.. The District had no deferred inflows or outflows this reporting period.

Statement of Revenues, Expenses, and Changes in Fund Balances: Operating revenues increased overall by \$90,000 or 11.45%, primarily due to the SARC Pool in Sequim closing. Operating expenditures increased by \$40,596 or 6.12%, primarily due to the District's increased operational revenue of 11.45%.

### 4. Condensed Comparative Financial Data

The Summary Statement of Financial Net Position reflects the District's financial position at year-end. It includes all District assets and liabilities at a specific point in time. Changes in the net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

Summary Statement of Financial Net Position					
	2015	2016	2017	Increase (Decrease) 2017-2016	Increase (Decrease) 2016-2015
Current Assets	\$201,269	\$217,970	\$151,351	(\$66,619)	\$16,701
Non-Current Assets	\$2,026,744	\$2,090,327	\$2,194,780	\$104,453	\$63,583
<b>Total Assets</b>	<b>\$2,228,013</b>	<b>\$2,308,297</b>	<b>\$2,346,131</b>	<b>\$37,834</b>	<b>\$80,284</b>
Current Liabilities	\$54,761	\$62,590	\$68,661	\$6,071	\$7,829
Non-Current Liabilities	\$979,290	\$889,629	\$772,312	(\$117,317)	(\$89,661)
<b>Total Liabilities</b>	<b>\$1,034,051</b>	<b>\$952,219</b>	<b>\$840,973</b>	<b>(\$111,246)</b>	<b>(\$81,832)</b>

<b>Net Position</b>	<b>\$1,193,962</b>	<b>\$1,356,078</b>	<b>\$1,505,158</b>	<b>\$149,080</b>	<b>\$162,116</b>

The Summary Statement of Revenues, Expenses and Changes in Fund Balances reflects changes in the District's financial position during the year (in contrast to the Statement of Financial Position, which is a snapshot on December 31, 2017). This statement presents the inflows of revenues and outflows of expenses.

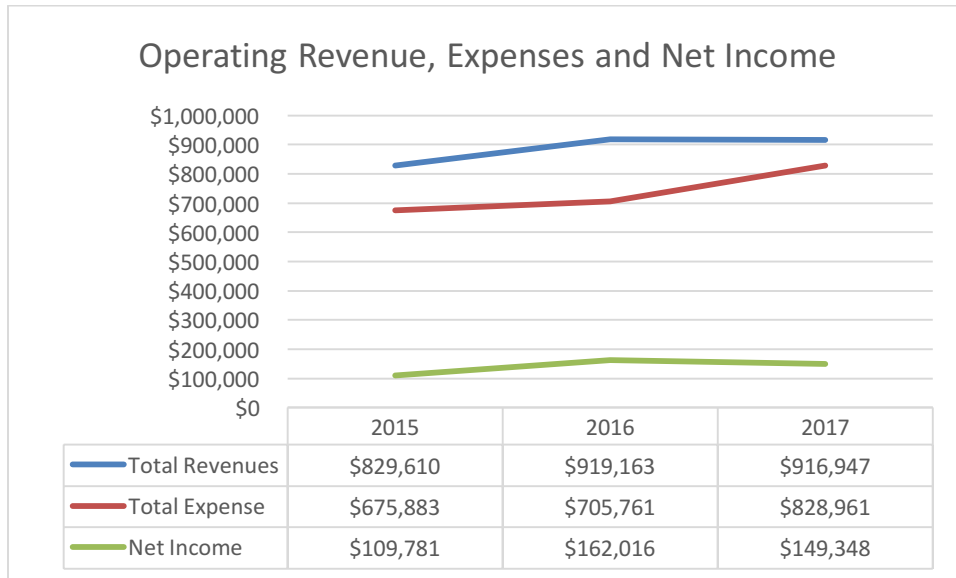
<b>Summary Statement of Revenues, Expenses and Changes in Fund Balances</b>					
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Increase (Decrease) 2017-2016</b>	<b>Increase (Decrease) 2016-2015</b>
Operational Revenues	\$829,610	\$919,163	\$916,947	(\$2,216)	\$89,553
Non-Operational Revenues	\$250	\$272	\$119,198	\$118,926	\$22
<b>Total Revenues</b>	<b>\$829,860</b>	<b>\$919,435</b>	<b>\$1,036,145</b>	<b>\$116,710</b>	<b>\$89,575</b>
Operational Expenses	\$675,883	\$705,761	\$828,961	\$123,200	\$29,878
Non-Operational Expenses	\$44,196	\$51,658	\$57,836	\$6,178	\$7,462
<b>Total Expense</b>	<b>\$720,079</b>	<b>\$757,419</b>	<b>\$886,797</b>	<b>\$129,378</b>	<b>\$37,340</b>
<b>Income (Loss) before Capital Contributions</b>	<b>\$109,781</b>	<b>\$162,016</b>	<b>\$149,348</b>	<b>(\$12,668)</b>	<b>\$52,235</b>
Total Capital Contributions	\$152,291	\$173,455	\$241,566	\$68,111	\$21,164
<b>Increase (Loss) in Net Position</b>	<b>(\$42,510)</b>	<b>(\$11,439)</b>	<b>(\$92,218)</b>	<b>(\$80,779)</b>	<b>\$31,071</b>
<b>Year End Fund Balance</b>	<b>\$208,577</b>	<b>\$197,139<sup>1</sup></b>	<b>\$104,920<sup>2</sup></b>	<b>(\$92,219)</b>	<b>\$9,307</b>

1. Bond Reimbursement of \$37,962 will add to fund balance in June 2018

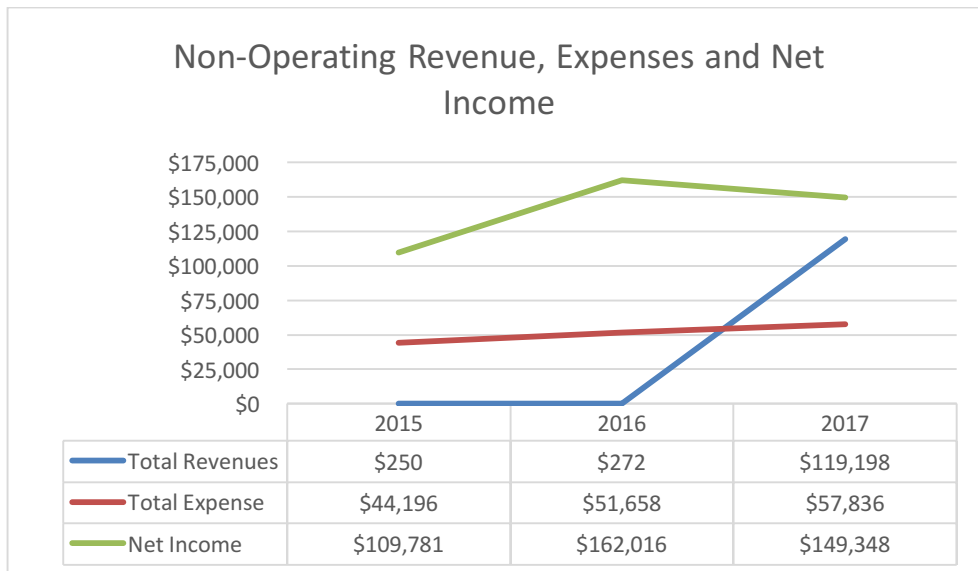
2. Bond Reimbursement of \$42,595 will add to fund balance in June 2018

## **5. Operating and Non-Operating Activity**

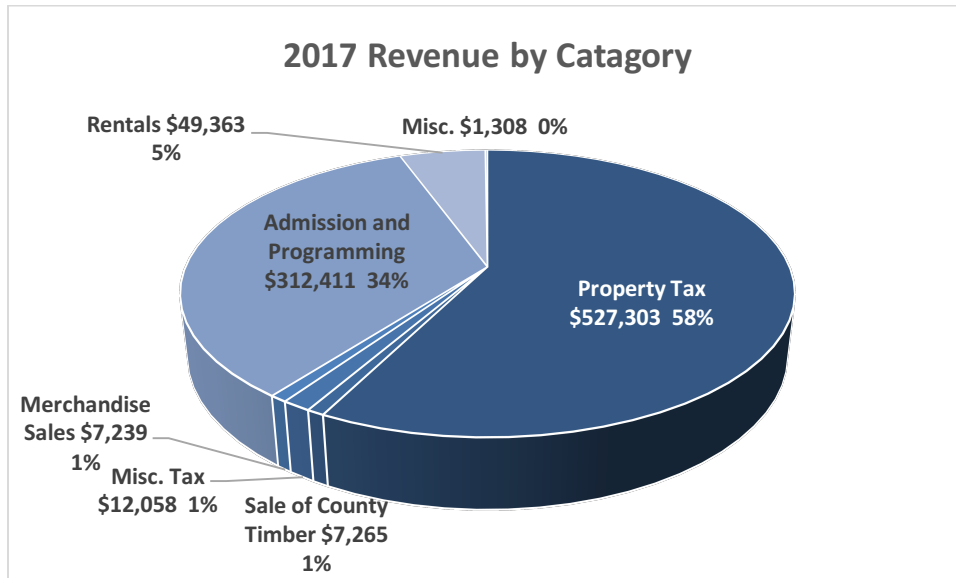
The operating function of the District is the operating the William Shore Pool facility. The operating functions of the District are considered in the following graph.



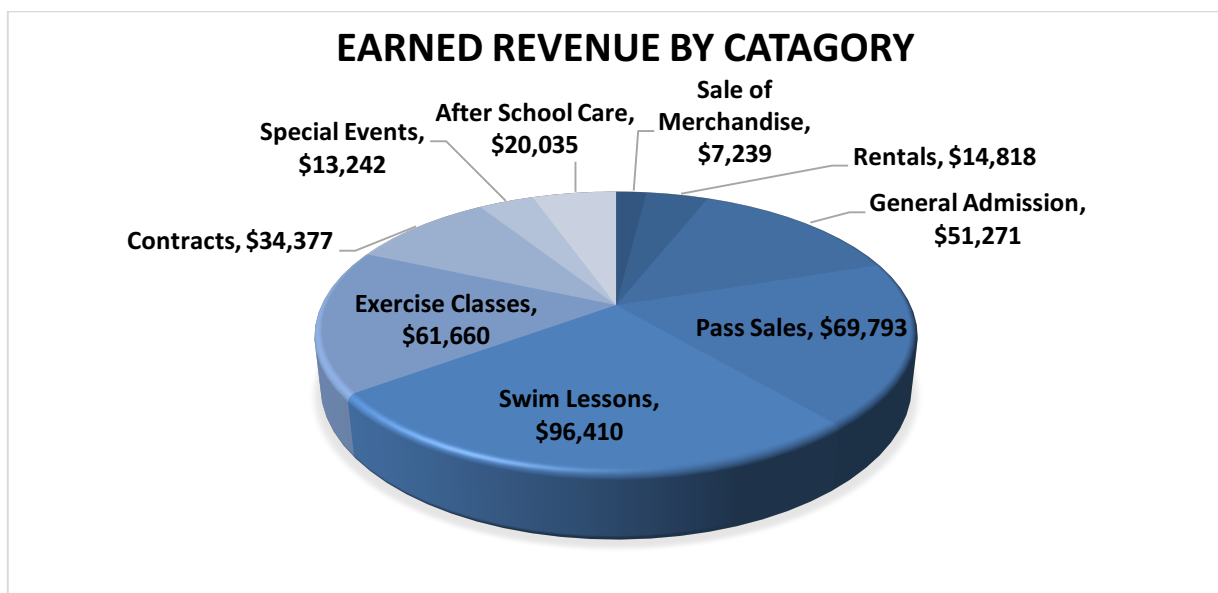
The non-operating functions of the District include: property, grants, investment interest, and bond proceed in revenues and election and interest payments, bond issue costs on the expenses. The operating and non-operating functions of the District are considered in the following graph.



In 2017, the primary sources of revenue were from property tax proceeds and recreation programming. The following graph shows the District’s operating revenue sources.



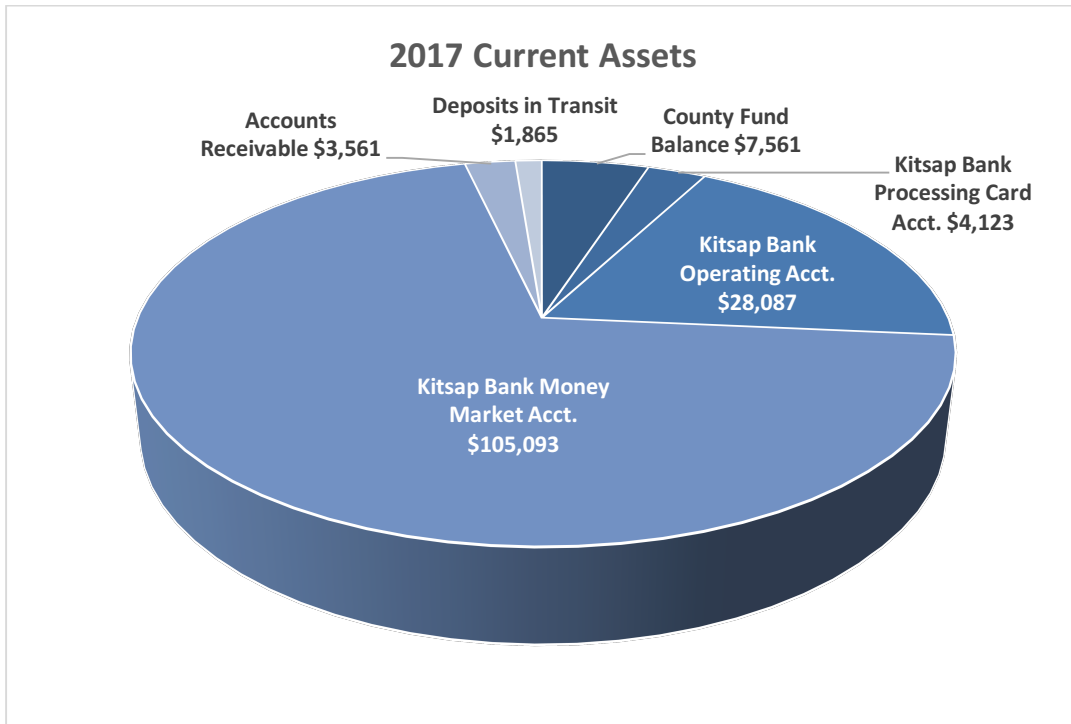
In determining the financial health of our District, a key indicator is growth of the District’s earned revenue or non-tax revenue. Earned revenue incorporates all the charges for services and program revenue of the District. Even though the largest single source of revenue for the District will be tax revenue, earned revenue is the best indicator of the growth of the District. The graph below shows the 2017 amount of earned revenue in each category.



**6. Current Assets**

**Year Ended December 31, 2017**

In 2017, the District’s Current assets decreased by \$66,916 or 30% over 2016. The decrease was due to capital expenses relating to equipment repairs and the expansion project.



**7. Non-Current Assets**

**Year Ended December 31, 2017**

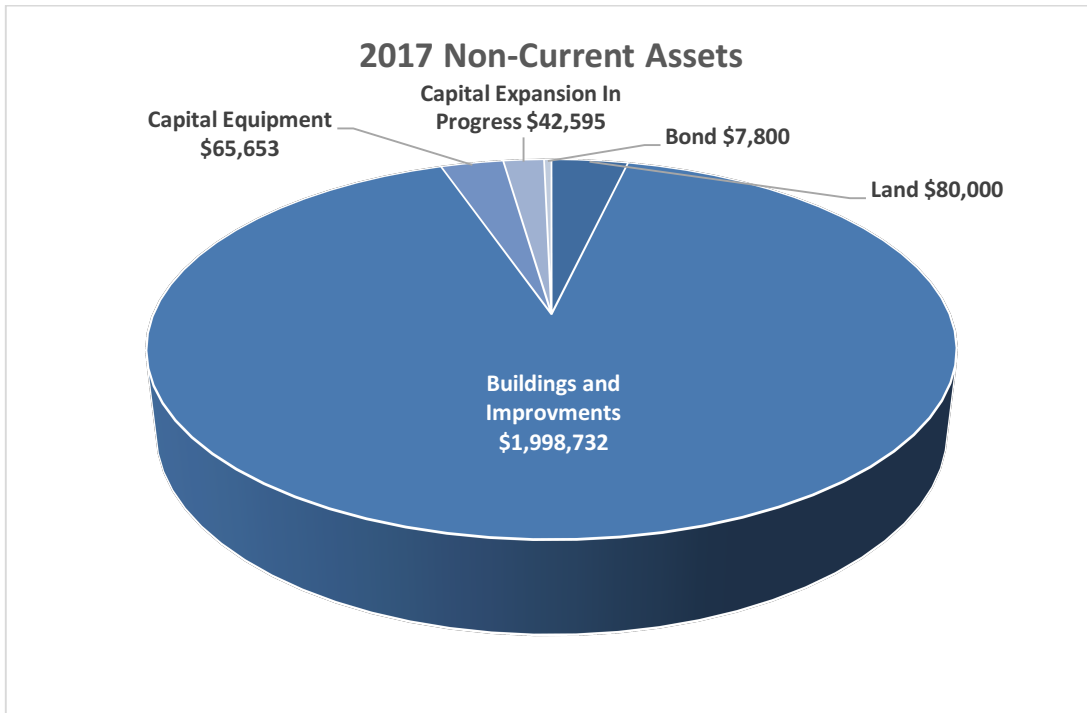
In 2017, the District’s Non-Current assets increased by \$104,453 or 43% over 2016. The largest item was a gift of land to the District and was surplused.

**Year Ended December 31, 2016**

In 2016, the District’s capital assets increased by \$63,583 or 3.15% over 2015. The largest items were capital improvements to the building of \$57,322.

Yearly Comparison of Non-Current Asset Growth		
Non-Current Assets	2017	2016
Land	\$80,000	\$0
Buildings and Improvements	\$1,998,732	\$1,998,732
Capital Equipment	\$65,653	\$45,833
Capital Expansion In Progress	\$42,595	\$37,962
Bond	\$7,800	\$7,800
<b>Total Non-current Assets</b>	<b>\$2,194,780</b>	<b>\$2,090,327</b>





**8. Current Liabilities**

**Year Ended December 31, 2017**

As of December 31, 2017, the District had current liabilities of \$68,661, a 9% increase over 2016.

**Year Ended December 31, 2016**

As of December 31, 2016, the District had current liabilities of \$62,590, a 14% increase over 2015.

**9. Non-Current Liabilities: Debt Administration**

**Year Ended December 31, 2017**

As of December 31, 2017, the District had general obligation bond debt outstanding (excluding premium/discount) of \$397,337, of which \$79,682 is due within one year. During 2017 the District made debt principal payments of \$63,314. The terms vary from 3-10 years with interest rates of 3.25%-4.00% depending on issue. The general obligation bonds will be fully amortized on 6-1-2023.

As of December 31, 2017, the District had two Washington State Loan (LOCAL Loan Program) and an outstanding debt of \$442,733, of which \$51,430 is due within one year. The term of the loan is 10 years at a fix interest rate of 1.933%. The loans will be fully amortized between 6-1-22 and 6-1-2023.

The District uses property taxes and operational revenue for debt service payments. The non-voted debt capacity of the District was \$9,933,436 at December 31, 2017. On November 7, 2017, the District voters approved \$3.5 million increase in our debt capacity in anticipation of our expansion project.

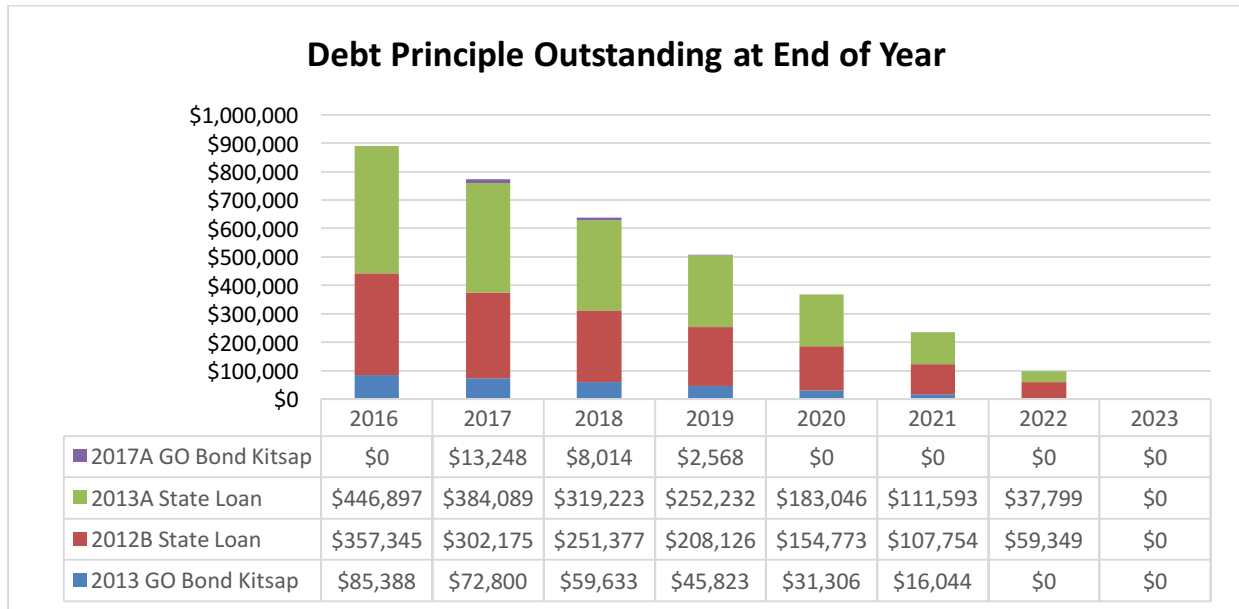
**Year Ended December 31, 2016**

As of December 31, 2016, the District had general obligation bond debt outstanding (excluding premium/discount) of \$446,897, of which \$76,826 is due within one year. During 2016 the District made

debt principal payments of \$60,816. The terms of the debt is 10 years with a fixed interest rate of 3.25%. The general obligation bonds will be fully amortized on 6-1-2023.

As of December 31, 2016, the District had two Washington State Loan (LOCAL Loan Program) and an outstanding debt of \$442,733, of which \$51,430 is due within one year. The term of the loan is 10 years at a fix interest rate of 1.933%. The loans will be fully amortized between 6-1-22 and 6-1-2023.

The District uses property taxes and operational revenue for debt service payments. The non-voted debt capacity of the District was \$5,981,702 at December 31, 2017



**10. Statement of Financial Net Position**

As of December 31, 2017 and December 31, 2016

Statement of Financial Net Position		
	2017	2016
<b>Current Assets</b>		
County Fund Balance	\$7,561	\$16,271
Kitsap Bank Processing Card Acct.	\$4,123	\$19,590
Kitsap Bank Operating Acct.	\$28,087	\$48,961
Kitsap Bank Money Market Acct.	\$105,093	\$125,070
Accounts Receivable	\$3,561	\$6,640
Deposits in Transit	\$1,865	\$377
PASD Note	\$302	\$302
Tukwilla Note	\$659	\$659
Cash in Till	\$100	\$100
<b>Total Current Assets</b>	<b>\$151,351</b>	<b>\$217,970</b>
<b>Non-Current Assets</b>		
Land	\$80,000	\$0

Buildings and Improvements	\$1,998,732	\$1,998,732
Capital Equipment	\$65,653	\$45,833
Capital Expansion In Progress	\$42,595	\$37,962
Bond	\$7,800	\$7,800
<b>Total Non-current Assets</b>	<b>\$2,194,780</b>	<b>\$2,090,327</b>
<b>Total Assets</b>	<b>\$2,346,131</b>	<b>\$2,308,297</b>
<b>Current Liabilities</b>		
Accounts Payable	\$26,653	\$20,957
Visa Cards	\$2,697	\$3,702
Wages Payable	\$17,518	\$13,031
Accrued Cafeteria Plan	\$5,022	\$7,719
Deferred Compensation	\$1,806	\$1,716
Payroll	\$10,821	\$6,690
Sales Tax	\$716	\$6,839
Uncashed Paychecks	\$3,428	\$1,936
<b>Total Current Liabilities</b>	<b>\$68,661</b>	<b>\$62,590</b>
<b>Non-Current Liabilities</b>		
2013 GO Bond Kitsap	\$13,248	\$0
2012B State Loan	\$72,800	\$85,388
2013A State Loan	\$302,175	\$357,344
2017A GO Bond Kitsap	\$384,089	\$446,897
<b>Total Non-Current Liabilities</b>	<b>\$772,312</b>	<b>\$889,629</b>
<b>Total Liabilities</b>	<b>\$840,973</b>	<b>\$952,219</b>
<b>Total Net Position</b>	<b>\$1,505,158</b>	<b>\$1,356,078</b>

**11. Statement of Revenues, Expenses and Changes in Fund Balances.**

For the Fiscal Year Ended December 31, 2017 and December 31, 2016

<b>Statement of Revenue, Expenses and Changes in Fund Balance</b>		
	<b>2017</b>	<b>2016</b>
<b>Operational Revenue</b>		
Property Tax	\$527,303	\$496,475
Sale of County Timber	\$7,265	\$36,297
Misc. Tax	\$12,058	\$7,417
Merchandise Sales	\$7,239	\$7,746
Admission and Programming	\$312,411	\$322,375
Rentals	\$49,363	\$48,571
Misc.	\$1,308	\$282
<b>Total Operational Revenue</b>	<b>\$916,947</b>	<b>\$919,163</b>
<b>Non-Operational Revenue</b>		
Gifts/Grants	\$119,198	\$272
Bond/Loan Proceeds	\$0	\$0
<b>Total Non-Operational Revenue</b>	<b>\$119,198</b>	<b>\$272</b>
<b>Total Revenue</b>	<b>\$1,036,145</b>	<b>\$919,435</b>
<b>Operational Expense</b>		
Wages and Benefits	\$547,926	\$483,119
Supplies	\$46,398	\$37,017
Services	\$229,790	\$180,698
Cost of Goods Sold	\$4,847	\$4,927
<b>Total Operational Expenses</b>	<b>\$828,961</b>	<b>\$705,761</b>
<b>Non-Operational Expenses</b>		
Intergovernmental Services	\$23,061	\$13,177
Interest Expense	\$34,775	\$38,481
<b>Total Non-Operational Expenses</b>	<b>\$57,836</b>	<b>\$51,658</b>
<b>Total Expense</b>	<b>\$886,797</b>	<b>\$757,419</b>
<b>Income (Loss) before Capital Contributions</b>	<b>\$149,348</b>	<b>\$162,016</b>
<b>Capital Contributions</b>		
Principal Paid on Debt	\$133,318	\$89,660
Capital Projects	\$65,653	\$45,833
Capital Projects In-Progress	\$42,595	\$37,962
<b>Total Capital Contributions</b>	<b>\$241,566</b>	<b>\$173,455</b>

<b>Increase (Loss) in Net Position</b>	<b>(\$92,218)</b>	<b>(\$11,439)</b>
<b>Year End Fund Balance</b>	<b>\$104,920</b>	<b>\$197,139</b>

## **12. Notes to Financial Statements**

For the Fiscal Year Ended December 31, 2016

### **Note 1: Summary of Significant Accounting Policies**

The William Shore Memorial Pool District was incorporated on June 9, 2009 and operates under the laws of the state of Washington applicable to a Municipal Corporation. The District is a special purpose local government and provides recreation services.

The District reports financial activity to the State Auditor in accordance with the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The District's Annual Financial Report that is submitted to District Board of Commissioners, The Electronic Municipal Market Access (EMMA), and posted on the District's website is done using General Accepted Accounting Principle (GAAP) in Accrual Basis.

#### A. Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

##### General Fund

This fund is the primary operating fund of the District. It accounts for all financial revenues and expenses except those transferred to and accounted for in the Capital/Bond Payment Fund.

##### Capital/Bond Payment Fund

This Fund is the primary fund for capital commitments and debt payments, including General Obligation Bonds. All revenue in this fund is transferred from the General Fund.

#### B. Basis of Accounting and Measurement Focus

This financial statement was prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the District also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

#### C. Budgets

The District adopts annual budget. This budget is adopted at the Board level. The annual appropriated budget is adopted using accrual basis of accounting and is used for monthly and annual financial reporting. The District reports with a cash basis accounting method for the annual Washington State Auditor's Office report. The District's Annual Financial Report that is submitted to District Board of Commissioners, The Electronic Municipal Market Access (EMMA), and posted on the District's website is done using General Accepted Accounting Principle (GAAP) in Accrual Basis.

The adopted budget vs actual for the last two years are as follows:

Year	Revenue Budgeted	Revenue Actual	Expense Budgeted	Expense Actual
2017	\$944,310	\$1,036,145	\$987,925	\$1,128,364

2016	\$932,410	\$919,435	\$926,227	\$930,873
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D. Operating and Non-Operating Revenues and Expenses

The District classifies as Operating those revenues and expenses that result from providing services and programming in the District. Revenues ad valorem tax levy revenues, admissions, programming fees and rental fees are reported as operating revenues. Expenses associated with these same divisions, such as wages, benefits, supplies and services, are reported as operating expenses.

Other revenues and expenditures not meeting the definition of operating revenues and expenses described above, including, bond proceeds, loan proceeds, grants, gifts, investment earnings, and all other revenues and expenses generated from non-operating sources are classified as non-operating.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

F. Risks and Uncertainties

The District is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, federal, state and local government regulations, and changes in law.

G. Ad Valorem Taxes (Property Taxes)

Ad valorem taxes received by the District are recognized as revenue based upon the annual amount levied by the District Board of Commissioners and recorded by Clallam County Assessor. These taxes may be used for operational expenses, capital projects, and for the retirement of general obligation bonds which were issued.

H. Capital Assets and Depreciation

The District's policy is to capitalize all asset additions with a value of \$5,000 or more and with an estimated useful life of at least five years. Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Major repairs include expenditures with a value in excess of \$2,000 and increase the useful life of the repaired asset by at least five years. Maintenance, repairs, and minor renewals which maintain assets in their current operating condition are recorded as an operating expense.

All capital assets (land, the cost of infrastructure, facilities and equipment) are valued at historical cost, or estimated historical cost where historical cost is not known. Donated capital assets are recorded at the acquisition value at the date of donation.

When an asset is sold, retired or otherwise disposed of, the original cost of the property and the cost of installation, less salvage, are removed from the District's capital asset accounts and the net gain or loss on disposition is credited or charged to income.

I. Cash Equivalents

General operating cash equivalent includes all unrestricted amounts. It is the District's policy to invest all temporary cash surpluses. For financial statement purposes, the District considers all short-term investments, which primarily consist of financial institution deposits and investments in government pools to be cash equivalents on the Statement of Net Position.

J. Investments

See Note 3, *Deposits and Investments*

K. Restricted Cash & Investments

In accordance with bond resolutions and certain related agreements, separate restricted accounts are required to be established. The assets held in these funds are restricted for specific uses, including construction, debt service and other special restricted requirements. Restricted Assets contain resources used for payments on debt service. The current portions of related liabilities are shown as the Current Portion of Long Term Debt. The Restricted Assets are composed of the following:

<b>Restricted Assets</b>	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Kitsap Bond Payment	\$76,826	\$60,815

L. Grants

The District periodically receives local, state and federal grant funds for construction or renovation of capital assets. Grants are recognized as non-operating revenue in the accounting period when they become measurable and available.

These include amounts due from other governments for grants, entitlements, and loans from other governmental entities. A Schedule of Financial Assistance, which provides a listing of all federal and state assistance programs in which the District participates and summarizes the District's grant transactions, is available upon request. The following is the list of grants during this reporting period:

<b>Grants</b>	<b>2017</b>	<b>2016</b>
Clallam County Opportunity Fund Grant	\$39,960	\$0

M. Gifts

These accounts include gifts of personal property, cash, investments, and real property for private parties. Some gifts may have restrictions based upon the donors wishes. All gifts are received by Board Resolution. Gift are recorded as non operating revenue in the year received. Small non cash gifts that are used in District programs (i.e., food and prizes) are not recorded this financial report. The following is the list of gifts during this reporting period:

<b>Gifts</b>	<b>2017</b>	<b>2016</b>
Gift of Real Property (no restrictions)	\$80,000	\$0
Cash Gifts (no restrictions)	\$0	\$0

N. Prepayments and Other Current Assets

Prepayments include insurance policies premiums. Other current assets consist of accrued interest on investments. The following is the list of prepayments during this reporting period:

<b>Prepayments</b>	<b>2017</b>	<b>2016</b>
Property and Liability Insurance	\$15,519	\$19,830

Budgeted amounts are authorized to be transferred between funds; however, any revisions that alter the total expenditure must be approved by the District's legislative body.

O. Compensated Absences

Unless otherwise provided by separate employment agreements, after 30 days of employment each regular full-time employee (30 or more hours per week) accrues PTO leave as follows:



Years of Service	PTO Hourly Accrual	PTO Annual Accrual	PTO Maximum Accrual
years 0 & 2	.0615	128 hours/16 days	256 hours/32 days
years 3 & 4	.0692	144 hours/18 days	288 hours/36 days
years 5 & 6	.0730	152 hours/19 days	304 hours/38 days
years 7 & 8	.0846	176 hours/22 days	352 hours/44 days
years 9 & 10	.0884	184 hours/23 days	368 hours/46 days
11+	.0923	192 hours/24 days	384 hours/48 days

P. Long-Term Debt

See Note 4, *Long Term Debt and Debt Service Requirements*.

Q. Risk Management and Risk Pool Insurance

The District is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 161 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sub-limits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sub-limits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sub-limits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

### **Note 2: Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month. The District has the same boundaries as the Port Angeles School District.

<b>Property Tax Calendar</b>	
January 1	Taxes levied and become enforceable lien against properties
February 14	Tax bills mailed
April 30	First of two equal installment payments is due
May 31	Assessed property value established for next year's levy at 100 % of market value
October 31	Second installment due
November 31	Certification of next year's levy due

Property tax revenues are recognized when cash is received by District. Delinquent taxes are considered fully collectible because a lien affixes to the property after the tax is levied.

The Districts regular levy for the year 2017 was \$0.1825 per \$1,000 on an assessed valuation of \$2,854,732,057 for a total regular levy of \$525,000. The lawful legal maximum levy the District is able to levy is \$0.75 per \$1,000. The District's banked levy capacity is \$0.75 per \$1,000.

<b>Year</b>	<b>Assessed Property Value</b>	<b>Change</b>	<b>Levy Amount</b>	<b>A/V per \$1,000</b>	<b>Remaining Banked Capacity</b>	<b>Amount of Banked Capacity</b>
<b>2013</b>	\$2,745,879,119	-5.58%	\$465,000	\$0.1693	\$0.58	\$1,594,409
<b>2014</b>	\$2,668,958,264	-2.80%	\$475,000	\$0.1780	\$0.57	\$1,526,719
<b>2015</b>	\$2,672,420,425	0.13%	\$480,000	\$0.1796	\$0.57	\$1,524,315
<b>2016</b>	\$2,747,999,601	2.83%	\$495,000	\$0.1801	\$0.57	\$1,566,000
<b>2017</b>	\$2,854,732,057	3.88%	\$525,000	\$0.1839	\$0.57	\$1,616,049

Per the District's bond covenants, the District agreed to provide information on property tax collections. The entire tax or first half must be made on or before April 30, or else the total amount becomes delinquent on May 1. The second half is payable on or before October 31, becoming delinquent on November 1. The following table shows the tax collection record of the District.

<b>Year</b>	<b>Amount Levied</b>	<b>Collected in Levy Year</b>	<b>As of 12/31/2017</b>	<b>% Collected in Levy Year</b>	<b>% collected as of 12/31/2017</b>
<b>2017</b>	\$525,000	\$518,254	\$518,254	98.7%	N/A
<b>2016</b>	\$495,000	\$486,581	\$491,210	98.2%	99.2%
<b>2015</b>	\$480,000	\$470,697	\$478,218	98.0%	99.6%
<b>2014</b>	\$475,000	\$466,950	\$474,811	98.3%	99.9%
<b>2013</b>	\$465,000	\$454,099	\$464,878	97.6%	99.9%

### **Note 3: Deposits and Investments**

#### Deposits and Investments

It is the District's policy to invest cash surpluses. The interest on these investments is returned to the Capital/Bond Payment Fund.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the District or its agent in the District's name.

Investment activity for the year ended December 31, 2017 and December 31, 2016 was as follows:

Investments	Dec 31, 2017	Dec 31, 2016
Kitsap Money Market	\$105,093	\$125,070

#### **Note 4: Debt Capacity**

Debt capacity is a general term describing the amount of debt the District can borrow in accordance with RCW's. RCW 35.61.100 and 35.61.200 established two types of debt capacity, Non-Voted Debt Capacity and Voted Debt Capacity. The graph below shows how debt capacity is determined for the District and how much capacity has been used.

Year	Assessed Property Value	Timber Assessed Value (TAV)	Debt Capacity Total Assessed Value	Non-Voted Debt (.25%) Capacity	Voted Debt Capacity	Total Debt Capacity	Total Debt Capacity Used
2016	\$2,747,999,601	\$14,340,464	\$2,762,340,065	\$6,905,850	\$0	\$6,905,850	\$446,897
2017	\$2,854,732,057	\$28,016,503	\$2,882,748,560	\$7,206,871	\$3,500,000	\$10,706,871	\$384,089

#### **Note 5: Long Term Liabilities and Debt Service Requirements**

Long-term liabilities activity for the year ended December 31, 2017 was as follows:

2017 Debt Service				
Bonds/Loans	Principal	Interest	Total Payment	Balance
2012B State Loan (Local I)	\$12,588	\$3,857	\$16,446	\$72,800
2013A State Loan (Local II)	\$55,170	\$16,488	\$71,658	\$302,175
2012 Kitsap Bond	\$62,808	\$14,018	\$76,826	\$384,089
2017A Kitsap Bond	\$2,752	\$105	\$2,856	\$13,248
<b>TOTAL</b>	<b>\$133,317</b>	<b>\$34,468</b>	<b>\$167,785</b>	<b>\$772,313</b>

The aggregate long term liability debt service as of December 31, 2017 was as follows:

Long Term Liability Debt Service				
Year	Principle	Interest	Total	Balance
2016	\$89,660	\$38,595	\$128,256	\$889,630
2017	\$133,317	\$34,468	\$167,785	\$772,313
2018	\$134,067	\$29,555	\$163,622	\$638,246
2019	\$129,497	\$24,226	\$153,723	\$508,750
2020	\$139,625	\$18,692	\$158,317	\$369,125
2021	\$133,734	\$13,120	\$146,854	\$235,391
2022	\$138,243	\$7,611	\$145,854	\$97,147
2023	\$97,147	\$2,098	\$99,245	\$0

In 2012 the District issued \$650,000 of Limited Tax General Obligation bond to Kitsap Bank with a rate of 3.25%. Proceeds from this bond were used for the energy improvement capital project. Term of Bond is 10 years and will expire on June 1, 2023.

In 2012 and 2013 the District received a State of Washington (LOCAL Loan Program) loans in a total amount of \$650,000 with a rate of 1.933%. Proceeds from this loan were used for the energy improvement capital project. Term of Loans is 10 years and will expire on June 1, 2022 and 2023 respectively.

In 2017 the District issued \$16,000 of Limited Tax General Obligation bond to Kitsap Bank with a rate of 4.0%. Proceeds from this bond were used for the purchasing a van for the after school care program, SPARKS Squad. Term of Bond is 3 years and will expire on June 1, 2020.

**Note 6: Current Liabilities**

These accounts consist primarily of payroll related liabilities (accrued wages, payroll taxes, employee benefits), estimate of current portion of employee leave benefits (PTO), excise taxes (business and occupation), bond interest and other accrued expenses (audit fees):

Current Liabilities		
Item	As of 12/31/17	As of 12/31/16
Accounts Payable	\$26,653	\$20,957
Visa Cards	\$2,697	\$3,702
Wages Payable	\$17,518	\$13,031
Accrued Cafeteria Plan	\$5,022	\$7,719
Deferred Compensation	\$1,806	\$1,716
Payroll	\$10,821	\$6,690
Sale Tax	\$716	\$6,839
Uncashed Paychecks	\$3,428	\$1,936
<b>Total Accrued Liabilities</b>	<b>\$68,661</b>	<b>\$62,590</b>

**Note 7: Inter-fund Loans**

The District had no Inter-fund loans during this reporting period.

**Note 8: Pension Plans**

The District does not have any pension plans during this reporting period

**Note 9: Stewardship, Compliance, and Accountability**

There have been no material violations of finance-related legal or contractual provisions.

**Note 10. Leasing activities**

The District does not have lease or long term rental agreements for any assets of the District during this reporting period.

**Note 11: Other Non-Current Assets: Contracts & Notes Receivables**

Contracts and notes receivable consist of the following:

Item	Amount 12/31/17	Amount 12/31/16
Port Angeles School District Note	\$301	\$301
Tukwila Park District Note	\$659	\$659
<b>Total</b>	<b>\$960</b>	<b>\$960</b>

**Note 12: Other Disclosures**

No other Disclosures during this reporting period