



**WASHINGTON SUBURBAN  
SANITARY COMMISSION**

**RETIREE OTHER  
POSTEMPLOYMENT BENEFITS  
TRUST**

**FINANCIAL STATEMENTS AND SUPPLEMENTAL  
SCHEDULES WITH INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2016 AND 2015**



**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
WITH INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2016 AND 2015**

**TABLE OF CONTENTS**

	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION & ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION (RSI) - UNAUDITED) .....	3
FINANCIAL STATEMENTS:	
STATEMENTS OF FUND NET POSITION .....	7
STATEMENTS OF CHANGES IN FUND NET POSITION .....	8
NOTES TO FINANCIAL STATEMENTS .....	9
SUPPLEMENTARY INFORMATION (RSI - UNAUDITED):	
SCHEDULE OF FUNDING PROGRESS .....	18
SCHEDULE OF EMPLOYER CONTRIBUTIONS .....	19

## INDEPENDENT AUDITOR'S REPORT

The Commissioners  
Washington Suburban Sanitary Commission

The Board of Trustees  
Washington Suburban Sanitary Commission  
Retiree Other Post-Employment Benefits Trust

### Report on the Financial Statements

We have audited the accompanying statements of fund net position of the Washington Suburban Sanitary Commission Retiree Other Post-Employment Benefits Trust (the "Trust") as of December 31, 2016 and 2015, and the related statements of changes in fund net position for the years then ended and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust, as of December 31, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Washington, D.C. *BCA Watson Rze LLP*  
July 14, 2017

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

This Management's Discussion and Analysis ("MD&A") of the financial activities of the Washington Suburban Sanitary Commission ("WSSC") Retiree Other Post-Employment Benefit Trust (the "Trust") is an overview of its fiscal operations for the years ended December 31, 2016 and 2015. Readers are encouraged to consider the information presented in conjunction with the financial statements and the notes to the financial statements. Amounts contained in the discussion have been rounded to facilitate their readability.

**Overview of Financial Statements**

The financial statement and the required disclosures are in compliance with the accounting standards and reporting guidelines as set forth by the Governmental Accounting Standards Board ("GASB"), utilizing the accrual basis of accounting. The financial statements of the Trust are presented on a comparative basis with the previous fiscal year.

The Trust financial statements consist of a Statement of Fund Net Position and Statement of Changes in Fund Net Position. In addition to the financial statements are the notes to the financial statements. The Statement of the Fund Net Position is a snapshot of account balances at fiscal year-end. The Statement of Changes in Fund Net Position reflects all activities that occurred during the fiscal year, and the impact of the activities on the Trust's net position.

The notes to the financial statements provide a detailed discussion of key accounting policies and activities that occurred during the fiscal year. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Supplementary information is also disclosed which includes additional information on the Trust's financial condition and trends, including information on employer contributions, actuarial assumptions, funding status and investments.

**2016 Financial Highlights**

- Net position held in trust for benefits, as reported in the Statements of Fund Net Position, total \$94.3 million, an increase of \$18.4 million or 24% from prior year.
- Total Additions, as reflected in the Statements of Changes in Fund Net Position, increased by \$11.1 million due to an increase in investment income.

**2015 Financial Highlights**

- Net position held in trust for benefits, as reported in the Statements of Fund Net Position, total \$76.0 million, an increase of \$7.3 million or 11% from prior year.
- Total Additions, as reflected in the Statements of Changes in Fund Net Position, decreased by \$6.1 million due to a decrease in investment income.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**Financial Analysis**

**Table 1 – Condensed Statements of Fund Net Position as of December 31, 2016, 2015 and 2014**

				<u>2016- 2015</u>		<u>2015 - 2014</u>	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Variance</u>	<u>%</u>	<u>Variance</u>	<u>%</u>
<b>ASSETS</b>							
Investments:							
Vanguard Wellington Fund -							
Admiral Shares	\$ 50,998,572	\$ 41,158,062	\$ 36,134,848	\$ 9,840,510	24%	\$ 5,023,214	14%
Lord Abbett Multi-Asset Global							
Opportunity Fund	43,319,664	34,797,508	32,570,043	8,522,156	24%	2,227,465	7%
Total Assets	<u>94,318,236</u>	<u>75,955,570</u>	<u>68,704,891</u>	<u>18,362,666</u>	<u>24%</u>	<u>7,250,679</u>	<u>11%</u>
<b>LIABILITIES</b>							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position Held in Trust for Benefits	<u>\$ 94,318,236</u>	<u>\$ 75,955,570</u>	<u>\$ 68,704,891</u>	<u>\$ 18,362,666</u>	<u>24%</u>	<u>\$ 7,250,679</u>	<u>11%</u>

**Fiscal Year 2016**

The Trust's investments increased by \$18.4 million or 24% because of contributions to the Trust of \$10.0 million and investment gain of \$8.4 million. The investment gain is due primarily to the positive returns from Vanguard Wellington and Lord Abbett Multi-Asset Global Opportunity Funds.

As of December 31, 2016, the Trust had \$94.3 million in net position held in trust for benefits compared to \$76.0 million as of December 31, 2015, an increase of 24%. There were no liabilities at December 31, 2016 or 2015, as administrative expenses are borne by Washington Suburban Sanitary Commission.

**Fiscal Year 2015**

The Trust's investments increased by \$7.3 million or 11% because of contributions to the Trust of \$10.0 million which was offsetted by an investment loss of \$2.7 million. The investment loss is due primarily to the overall negative performance of the Lord Abbett Multi-Asset Global Opportunity Fund.

As of December 31, 2015, the Trust had \$76.0 million in net position held in trust for benefits compared to \$68.7 million as of December 31, 2014, an increase of 11%. There were no liabilities at December 31, 2015 or 2014, as administrative expenses are borne by Washington Suburban Sanitary Commission.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**Table 2 – Condensed Statements of Changes in Fund Net Position for the Years Ended December 31, 2016, 2015 and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2016 - 2015</u>		<u>2015 - 2014</u>	
				<u>Variance</u>	<u>%</u>	<u>Variance</u>	<u>%</u>
<b>ADDITIONS</b>							
Net investment income	\$ 8,362,666	\$ (2,749,321)	\$ 3,362,993	\$ 11,111,987	404%	\$ (6,112,314)	-182%
Contributions	10,000,000	10,000,000	10,000,000	-	-	-	-
Total Additions	<u>18,362,666</u>	<u>7,250,679</u>	<u>13,362,993</u>	<u>11,111,987</u>	<u>153%</u>	<u>(6,112,314)</u>	<u>-46%</u>
<b>DEDUCTIONS</b>							
OPEB expenses	-	-	-	-	-	-	-
Increase in Net Position	<u>18,362,666</u>	<u>7,250,679</u>	<u>13,362,993</u>	<u>11,111,987</u>	<u>153%</u>	<u>(6,112,314)</u>	<u>-46%</u>
Net Position Held in Trust for Benefits, Beginning of Year	<u>75,955,570</u>	<u>68,704,891</u>	<u>55,341,898</u>	<u>7,250,679</u>	<u>11%</u>	<u>13,362,993</u>	<u>24%</u>
Net Position Held in Trust for Benefits, End of Year	<u>\$ 94,318,236</u>	<u>\$ 75,955,570</u>	<u>\$ 68,704,891</u>	<u>\$ 18,362,666</u>	<u>24%</u>	<u>\$ 7,250,679</u>	<u>11%</u>

**Fiscal year 2016**

Contributions to the Trust remained at \$10 million as was contributed in the prior year. Net investment income, which is comprised of dividend and interest and net appreciation in the fair value of investments, increased by \$11.1 million or 404%, from a net investment loss of \$2.7 million in fiscal year 2015 to net investment income of \$8.4 million in fiscal year 2016. The net investment income is due to the overall positive performance of the funds. Dividend and interest decreased from \$5.4 million to \$4.1 million for fiscal years 2015 and 2016, respectively. Net appreciation in the fair value of investments increased from a net loss of \$8.2 million in fiscal year 2015 to an appreciation in fair value of investments of \$4.3 million for fiscal years 2016.

**Fiscal Year 2015**

Contributions to the Trust remained at \$10 million as was contributed in the prior year. Net investment income, which is comprised of dividend and interest and net appreciation in the fair value of investments, decreased by \$6.1 million or 182%, from a net investment income of \$3.4 million in fiscal year 2014 to a net investment loss of \$2.7 million in fiscal year 2015. The net investment loss is due to the overall negative performance of the funds. Dividend and interest increased from \$4.0 million to \$5.4 million for fiscal years 2014 and 2015, respectively. Net depreciation in the fair value of investments increased from a net loss of \$0.7 million in fiscal year 2014 to a net loss of \$8.2 million for fiscal years 2015.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**Other Information**

Fund investments increased by \$8.3 million and decreased by \$2.7 million in 2016 and 2015, respectively. The Trust's actuarially determined target investment return is 7.0% net of expenses, lowered from the 7.5% chosen at Trust inception. To date, WSSC has not made any payments from the Trust. All actual expenses are currently handled on a "pay-as-you-go" basis, external to the Trust.

The market value of the Trust's assets, and its investment gains and losses are also reviewed at least biannually by an actuary to determine viability of the Trust. The Trust was instituted in 2007 in order to comply with the requirements of Government Accounting Standards Board's (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions*. Consistent with these standards, the WSSC initially chose a five-year phase-in period to make its full actuarially determined annual required contribution. Subsequent to the initial phase-in, WSSC implemented an eight-year phase-in which ended in fiscal year 2014.

**Request for Information**

This financial report is designed to provide the Executive Director with a general overview of the Trust finances and to show accountability for the Trust's funds. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, WSSC Employees' Retirement Plan, Washington Suburban Sanitary Commission, 14501 Sweitzer Lane, Laurel MD 20707-5901.



**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
STATEMENTS OF FUND NET POSITION  
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note B)	\$ -	\$ -
Investments at fair value (Note C):		
Vanguard Wellington Fund - Admiral Shares	50,998,572	41,158,062
Lord Abbett Multi-Asset Global Opportunity Fund	43,319,664	34,797,508
Total Investments	94,318,236	75,955,570
Total Assets	94,318,236	75,955,570
<b>LIABILITIES</b>		
Accrued expenses (Note A)	-	-
NET POSITION HELD IN TRUST FOR BENEFIT	<u>\$ 94,318,236</u>	<u>\$ 75,955,570</u>

The accompanying notes are an integral part of these financial statements.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
STATEMENTS OF CHANGES IN FUND NET POSITION  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ADDITIONS</b>		
Investment income:		
Dividends and interest	\$ 4,104,301	\$ 5,421,284
Net appreciation (depreciation) in the fair value of investments	<u>4,258,365</u>	<u>(8,170,605)</u>
Net Investment Income (Loss)	<u>8,362,666</u>	<u>(2,749,321)</u>
Contributions:		
WSSC contributions	<u>10,000,000</u>	<u>10,000,000</u>
Total Additions	<u>18,362,666</u>	<u>7,250,679</u>
<b>DEDUCTIONS</b>		
OPEB expenses (Note A)	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>
INCREASE IN NET POSITION	18,362,666	7,250,679
NET POSITION HELD IN TRUST FOR BENEFITS, BEGINNING OF YEAR	<u>75,955,570</u>	<u>68,704,891</u>
NET POSITION HELD IN TRUST FOR BENEFITS, END OF YEAR	<u>\$ 94,318,236</u>	<u>\$ 75,955,570</u>

The accompanying notes are an integral part of these financial statements.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE A. DESCRIPTION OF THE TRUST**

General

The provision of post-employment benefits is determined under a set of personnel policies (herein referred to, collectively, as the "Trust"). The Trust, a single employer contributory Fund, was established in 2007 to provide life insurance and medical benefits for the Trust participants and beneficiaries of the Washington Suburban Sanitary Commission ("WSSC") under conditions set forth in the Trust Agreement, including the payment of reasonable administrative expenses. WSSC employees are eligible to continue group insurance coverage after retirement provided that retiring employees have had coverage in effect for two years prior to retirement. Cost to the participant is based on Trust cost and under conditions set forth in the Trust.

As of December 31, 2016 and 2015, there were 1,631 and 1,585 active employees and 1,585 and 1,580 retirees, respectively. WSSC has the right to amend the Trust Fund Agreement.

Contribution

WSSC makes contributions to the Trust annually or more often, as it deems appropriate. Such amounts are determined by WSSC in order to comply with the provisions of Government Accounting Standards Board Statement No. 45. WSSC initially elected to phase-in payments to the Trust over a five-year period, such that 20% of the difference between the annual required contribution and total cash expenses (funded on a "Pay-as-you-go" basis) would be funded in fiscal year 2007 and 40% of this difference would be funded in fiscal year 2008. During the third year (2009) of the phase in, WSSC elected to phase-in this difference over an eight-year period which ended in fiscal year 2014.

The WSSC contributed \$10,000,000 and \$10,000,000 for the years 2016 and 2015, respectively.

Expenses

WSSC pays the administrative expenses of the Trust, and currently is funding actual OPEB expenses on a "Pay-as-you-go" basis external to the Trust.

Trust Termination

In the event of the Trust termination, Trust assets shall be allocated for the payment of benefits and administrative expenses in accordance with the Trust Agreement.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Trust's financial statements are presented in accordance with Governmental Accounting Standards Board ("GASB") Statements. The Statements requires two basic financial statements: the statement of fund net position and the statement of changes in fund net position.

Basis of Accounting

The financial statements of the Washington Suburban Sanitary Commission Retiree Other Post-Employment Benefits Trust (the "Trust") are presented on the accrual basis of accounting. Contributions are recognized by the Trust when the payments become due from WSSC. Investment income is recognized when earned. Deductions are recognized when due in accordance with the terms of the Trust.

Use of Estimates

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Trust considers all cash and highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Investments

Investments are stated at fair value. The fair value is generally based on quoted market prices on the last business day of the Trust's year end. Net appreciation in the fair value of investments reflected in the Statements of Changes in Fund Net Position includes realized gains and losses on investments that were sold during the year and unrealized appreciation in the fair value of investments.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurements

The Trust categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The valuation technique uses a three level hierarchy of inputs to measure fair value and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These classifications are summarized as follows:

*Level 1 Inputs:* Quoted prices (unadjusted) for identical assets or liabilities in an active markets that a reporting entity can access at the measurement date.

*Level 2 Inputs:* Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

*Level 3 Inputs:* Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Reclassifications

Certain prior year balances may have been reclassified to conform with the current year presentation. These reclassifications have no effect upon reported net position held in trust for benefits.

Accounting Changes

**Accounting Pronouncements Adopted** - GASB issued Statement No. 72, *Fair Value Measurement and Application*. The Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement was effective for fiscal years beginning after June 15, 2015 and was adopted for fiscal year 2016. Therefore, the notes to the financial statements have been retroactively adjusted to reflect the required note disclosures and fair value classifications.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of the pronouncement did not have a material impact on the Trust's financial statements.

**Accounting Pronouncements to be Adopted** - GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires a statement of fiduciary net position, a statement of changes in fiduciary net position, more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rate of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2016. The Trust's management is evaluating the impact of the pronouncement on its financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective for fiscal years beginning after June 15, 2017. The Trust's management is evaluating the impact of the pronouncement on its financial statements.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE C. INVESTMENTS**

The Trust's investments, in general, are exposed to various risks as follows:

- Custodial Credit Risk is the risk that the Trust will not be able to recover the value of its investments if the counterparty fails. The Trust's mutual fund investments are not subject to custodial credit risk for 2016 and 2015 in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*.
- Credit Risk is the risk that an issuer to an investment will not fulfill its obligations. At December 31, 2016 and 2015, the investments were in mutual funds of Vanguard Wellington Fund Admiral and Lord Abbett Multi-Asset Global Opportunity Fund. On average, these funds maintain 60% to 70% of assets in equity and 30% to 40% of assets in fixed income securities. For the years 2016 and 2015, the credit ratings of underlying bond holdings of the Vanguard Wellington Fund Admiral were AAA/AA/A/BBB/BB and AAA/AA/A/BBB. Credit ratings for the underlying bonds funds (fund of funds) of Lord Abbett Multi-Asset Global Opportunity Fund were AAA/AA/A/BBB/BB/B/Below B for 2016 and 2015.
- Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust manages its exposure to declines in fair values by not offering investments that have excessive average maturities/durations. For 2016 and 2015, the average maturity period of the bonds funds for the Vanguard Wellington Fund Admiral was 9.5 years and 9.8 years, respectively. The average maturity for the underlying funds (fund of funds) of Lord Abbett Multi-Asset Global Opportunity Fund based on recent data was 6.51 and 6.96 for years 2016 and 2015, respectively.
- Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Trust mitigates this risk by limiting its investments in funds with foreign exposure. The underlying assets of the Vanguard Wellington Fund Admiral are in domestic stocks and bonds; however, the Lord Abbett Mutli-Asset Global Opportunity Fund underlying funds invest in foreign assets that may be exposed to exchange rate changes.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE C. INVESTMENTS (Continued)**

- Concentration risk is the risk of loss attributed to the magnitude of the Trust investment in a single issuer. The following investments represent over 5% of total investments with a single investor as of December 31:

	2016		2015	
	Investment	%	Investment	%
Vanguard Wellington Fund- Admiral Shares	\$ 50,998,572	54%	\$ 41,158,062	54%
Lord Abbett Multi-Asset Global Opportunity Fund	43,319,664	46%	34,797,508	46%

**Fair value measurements** – The Trust categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The Trust has the following fair value measurement as of December 31, 2016:

	12/31/2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Fund:				
Vanguard Wellington Fund - Admiral Shares	\$ 50,998,572	\$ 50,998,572	\$ -	\$ -
Lord Abbett Multi-Asset Global Opportunity Fund	43,319,664	43,319,664	-	-
Total Mutual Fund	94,318,236	94,318,236	-	-
Total Investments	\$ 94,318,236	\$ 94,318,236	\$ -	\$ -

The Trust has the following fair value measurement as of December 31, 2015:

	12/31/2015	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Fund:				
Vanguard Wellington Fund - Admiral Shares	\$ 41,158,062	\$ 41,158,062	\$ -	\$ -
Lord Abbett Multi-Asset Global Opportunity Fund	34,797,508	34,797,508	-	-
Total Mutual Fund	75,955,570	75,955,570	-	-
Total Investments	\$ 75,955,570	\$ 75,955,570	\$ -	\$ -



**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE D. TRUSTEES OF THE FUND**

WSSC established a Board of Trustees for the Trust to be responsible for the investment management of the Trust's assets for the exclusive benefit of the Trust participants. The trustees are governed by a Trust Agreement. The agreement provides for Trustees to be appointed by WSSC and, per the terms of WSSC Adopted Resolution 2015-2076, the Board has been re-appointed for a four-year term which commenced on July 1, 2015. The Board of Trustees list was updated by Resolution 2017-2135 to reflect new trustees.

The administration of the Trust has been delegated to the Executive Director of the WSSC Employees' Retirement Plan, who is appointed by the WSSC.

**NOTE E. FUNDING STATUS AND FUNDING PROGRESS**

The funding status of the most recent actuarial valuation (June 30, 2015) is as follows:

Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
June 30, 2015	69,136,817	218,174,615	149,037,798	31.70%	118,089,577	124.51%

Actuarial valuations of the Trust involve estimates of the value of reported amounts and assumptions about the probability of future events. Actuarially determined amounts are subject to revisions as actual results are compared to past expectations and new estimates are made about the future.

The information presented in the required supplementary schedules of funding progress and employer contributions was determined as part of the actuarial valuation as of the date indicated above.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE E. FUNDING STATUS AND FUNDING PROGRESS (Continued)**

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used in the valuation are as follows:

Valuation date	June 30, 2015
Actuarial method	Entry Age Normal
Asset valuations methodology	Assets are based on market value.
Amortization period	Past service liability is amortized over an open 30-year period using the level dollar approach.
Actuarial Accrued Liability (AAL)	The actuarial present value of benefits allocated to all periods prior to valuation year.
Discount rate	7.00%
Coverage	100% of current active employees will elect coverage at least two years prior to retirement age under the medical and life insurance plans. For current retirees, WSSC has assumed that 100% of retirees are covered.
Age difference % married	Males are assumed to be 3 years older than females; 70% are married and 85% elect to continue in the medical plan after retirement.
Mortality	RP-2000 Health Annuitant mortality tables (males and females), with Blue Collar adjustment and one year set forward, are assumed to set non-disability retirement pensioner mortality (for pre-retirement – 650%). For disability retirement pension mortality, the RP2000 disabled mortality tables are used.  To account for future improvements in longevity, 25 years of projection Scale BB is applied to each of these tables.

**WASHINGTON SUBURBAN SANITARY COMMISSION  
RETIREE OTHER POSTEMPLOYMENT BENEFITS TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE F. INTERNAL REVENUE STATUS**

The Trust operates as a Section 115 Grantor Trust under the Internal Revenue Code.

**NOTE G. HISTORICAL TREND INFORMATION**

Historical trend information which provides an indication of the progress made in accumulating sufficient assets to pay benefits when due is presented as required supplementary information following the notes to the basic financial statements. The latest actuarial valuation was performed as of June 30, 2015.

**NOTE H. RISKS AND UNCERTAINTIES**

The Trust invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Statements of Fund Net Position.

**NOTE I. SUBSEQUENT EVENTS**

The Trust has evaluated events subsequent to December 31, 2016 and through July 14, 2017, the date the financial statements were available to be issued, and determined there have not been any events that have occurred, other than matters disclose in the above notes, that would require adjustments to the financial statements.

## **SUPPLEMENTARY INFORMATION**

WASHINGTON SUBURBAN SANITARY COMMISSION  
 RETIREE OTHER POST EMPLOYMENT BENEFITS TRUST  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 (Unaudited)

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Trust's funding status on a going-concern basis. Analysis of the percentage over time indicates whether the Trust is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids the analysis of the Trust's progress made in accumulating sufficient assets to pay benefits when due. Generally the smaller the percentage the stronger the plan.

Date	Actuarial		Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)				
June 30, 2011	\$ 21,295,568	\$ 205,940,969	\$ 184,645,401	10.34%	\$ 113,634,000	162.49%
June 30, 2013	41,300,000	217,195,977	175,895,977	19.02%	103,943,000	169.22%
June 30, 2015	69,136,817	218,174,615	149,037,798	31.70%	118,089,577	124.51%

According to policy, WSSC completes an actuarial study at least once every two years. No study was performed in 2012, 2014 and 2016, consequently results are not displayed.

WASHINGTON SUBURBAN SANITARY COMMISSION  
 RETIREE OTHER POST EMPLOYMENT BENEFITS TRUST  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 (Unaudited)

The WSSC's annual required contribution was actuarially determined in accordance with the parameters of GASB Statement No. 43, *Financial Reporting for Postemployment benefit Plans Other Than Pension Plans*.

Year Ended 30-Jun	Contribution Deficiency Beginning of Year	Annual Required Contribution	Interest	Adjustment	Total Required Contribution (a)	Other Contribution (b)	Employer Contribution (c)	Contribution-End Deficiency-Year	Percentage of Required Contribution (b+c)/a
2011	\$ 25,119,446	\$ 21,392,035	\$ 1,869,064	\$ (1,962,864)	\$ 21,298,235	\$ 8,735,000	\$ 6,000,000	\$ 31,682,681	69.18%
2013	35,688,000	17,452,000	2,676,000	-	20,128,000	11,060,000	8,000,000	32,750,681	94.69%
2015	33,071,000	16,890,000	2,480,000	(2,604,000)	16,766,000	12,379,000	10,000,000	27,458,000	133.48%

According to policy, WSSC completes an actuarial study at least once every two years. No study was performed in 2012, 2014 and 2016, consequently results are not displayed.