



Washington State Auditor's Office

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Financial Statements Audit Report

Silver Lake Water and Sewer District

Snohomish County

For the period January 1, 2014 through December 31, 2015

Published September 26, 2016

Report No. 1017496





Washington State Auditor's Office

September 26, 2016

Board of Commissioners
Silver Lake Water and Sewer District
Mill Creek, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Silver Lake Water and Sewer District
Snohomish County
January 1, 2014 through December 31, 2015**

Board of Commissioners
Silver Lake Water and Sewer District
Mill Creek, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Silver Lake Water and Sewer District, Snohomish County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 9, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

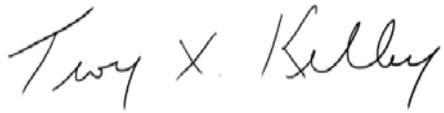
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 9, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Silver Lake Water and Sewer District Snohomish County January 1, 2014 through December 31, 2015

Board of Commissioners
Silver Lake Water and Sewer District
Mill Creek, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Silver Lake Water and Sewer District, Snohomish County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 10.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Silver Lake Water and Sewer District, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

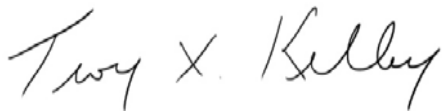
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 17 and pension plan information on pages 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 9, 2016

FINANCIAL SECTION

**Silver Lake Water and Sewer District
Snohomish County
January 1, 2014 through December 31, 2015**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015 and 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015 and 2014

Statement of Revenues, Expenses and Changes in Net Position – 2015 and 2014

Statement of Cash Flows – 2015 and 2014

Notes to the Financial Statements – 2015 and 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2015 and 2014

Schedule of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2015 and 2014

Schedule of Employer Contributions – PERS 1 – 2015 and 2014

Schedule of Employer Contributions – PERS 2/3 – 2015 and 2014

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

INTRODUCTION

Silver Lake Water and Sewer District was founded in 1934 and provides water and sewer services to customers residing within the District boundaries. The District's primary mission is to provide its customers with high quality water for today and into the future at a fair and equitable price, while meeting overall public and regulatory approval. The District has secondary goals of providing fire flow, maintaining level of service goals, and maintaining the financial health of the District. The District has prioritized the following goals and objectives:

1. Protect the health and safety of District employees and customers.
2. Meet or exceed regulatory requirements and industry standards for water quality, levels of service and operation and maintenance practices.
3. Provide a high standard of service at an affordable rate.
4. Provide fire flow while maintaining a minimum pressure of 20 psi system wide.
5. Maintain the financial viability of the District.

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, 2015 and 2014 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.

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

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.

Effective January 1, 2014, 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 2014 beginning net position in the amount of \$1,753,153. See notes 1 and 8 in the financial statements for more information.

CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Capital assets	\$ 149,618,689	\$ 147,463,329	\$ 140,773,141
Other assets	41,760,274	37,233,626	33,704,790
Total assets	<u>\$ 191,378,963</u>	<u>\$ 184,696,955</u>	<u>\$ 174,477,931</u>
Deferred outflows of resources	<u>\$ 238,283</u>	<u>\$ 135,213</u>	<u>\$ 10,387</u>
Long-term liabilities	\$ 9,391,530	\$ 7,531,382	\$ 6,379,407
Other liabilities	3,061,937	3,858,400	3,126,638
Total liabilities	<u>\$ 12,453,467</u>	<u>\$ 11,389,782</u>	<u>\$ 9,506,045</u>
Deferred inflows of resources	<u>\$ 255,576</u>	<u>\$ 569,601</u>	<u>\$ -</u>
Net investment in capital assets	\$ 140,931,496	\$ 140,428,302	\$ 133,556,347
Restricted amounts	780,953	782,803	786,580
Unrestricted amounts	37,195,754	31,661,680	30,639,346
Total net position	<u>\$ 178,908,203</u>	<u>\$ 172,872,785</u>	<u>\$ 164,982,273</u>

(continued on next page)

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Sewer service revenue	\$ 12,312,927	\$ 11,681,345	\$ 10,937,675
Water service revenue	5,531,208	5,130,104	5,005,475
Other sewer operating revenues	330,538	338,555	344,604
Other water operating revenues	429,176	694,994	454,143
Total operating revenues	<u>18,603,849</u>	<u>17,844,998</u>	<u>16,741,897</u>
Sewer operation and maintenance expenses	7,436,041	7,165,555	6,645,184
Water operation and maintenance expenses	2,673,052	2,456,308	2,457,018
Sewer general and administrative expenses	1,805,659	1,649,484	1,408,672
Water general and administrative expenses	2,253,873	1,957,561	1,804,521
Depreciation, sewer	1,764,115	1,713,883	1,630,900
Depreciation, water	1,295,089	1,216,434	1,152,920
Total operating expenses	<u>17,227,829</u>	<u>16,159,225</u>	<u>15,099,215</u>
Operating income	1,376,020	1,685,773	1,642,682
Non-operating revenue:			
Interest	47,935	32,678	53,055
Net gain on disposal of assets	-	9,154	11,926
Non-operating expenses:			
Interest and amortization	(67,370)	(71,916)	(74,851)
Net loss on disposal of assets	(54,241)	-	-
Income before capital contributions	1,302,344	1,655,689	1,632,812
Capital contributions	4,733,074	7,987,976	7,021,563
Increase in net position	<u>\$ 6,035,418</u>	<u>\$ 9,643,665</u>	<u>\$ 8,654,375</u>
Net position, January 1, as previously reported	172,872,785	164,982,273	156,327,898
Restatement - change in accounting principle	-	(1,753,153)	-
Net position, January 1, as restated	<u>172,872,785</u>	<u>163,229,120</u>	<u>156,327,898</u>
Net position, December 31	<u>\$ 178,908,203</u>	<u>\$ 172,872,785</u>	<u>\$ 164,982,273</u>

Note: 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* were implemented effective January 1, 2014. Information was not available to restate the 2013 condensed financial statements.

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

FINANCIAL POSITION

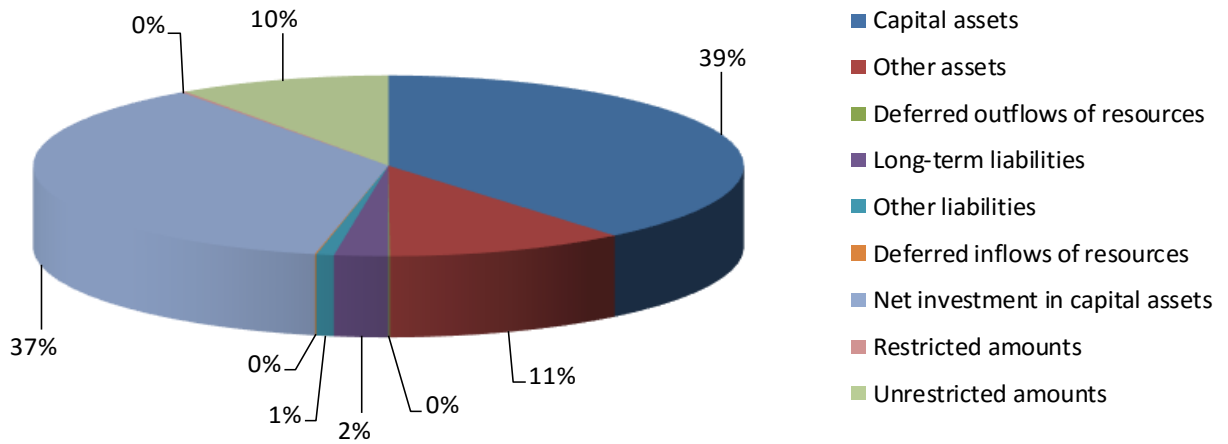
The District's overall financial position continues to be strong with sufficient liquidity, growing revenues and debt capacity to finance future capital improvements if necessary.

The District is financed primarily by equity and substantial liquid assets are available to fund liabilities and construction. Capital assets increased in 2015 and 2014 due to growth in the District's customer base and system improvements.

The District is located in a growing area of Snohomish County, Washington.

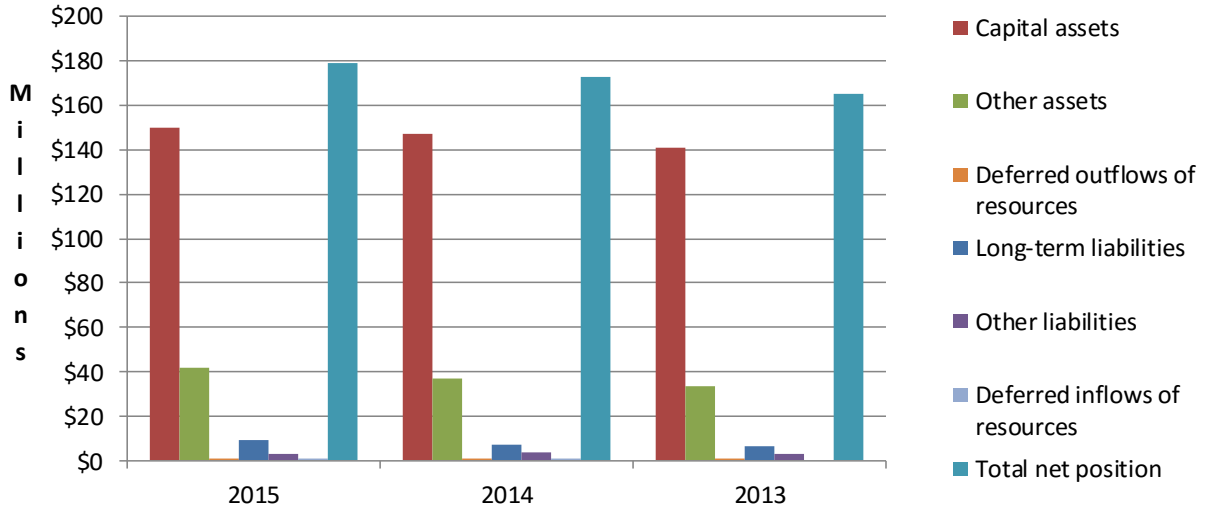
The following charts indicate the components of financial position:

2015 STATEMENT OF NET POSITION



**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

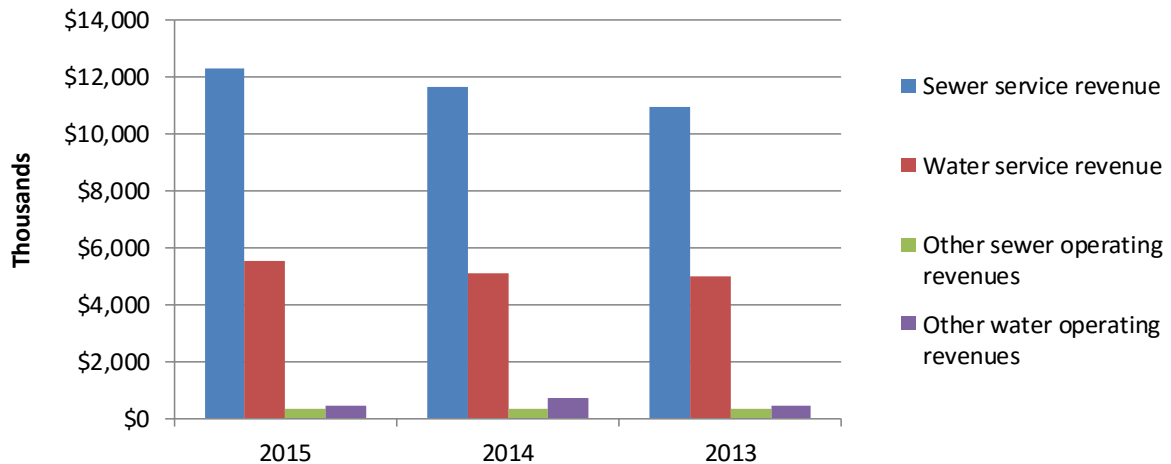
COMPARATIVE STATEMENT OF NET POSITION



RESULTS OF OPERATIONS

Operating revenues are received principally from two sources: water service and sewer service. The following chart indicates operating revenue over the last three years:

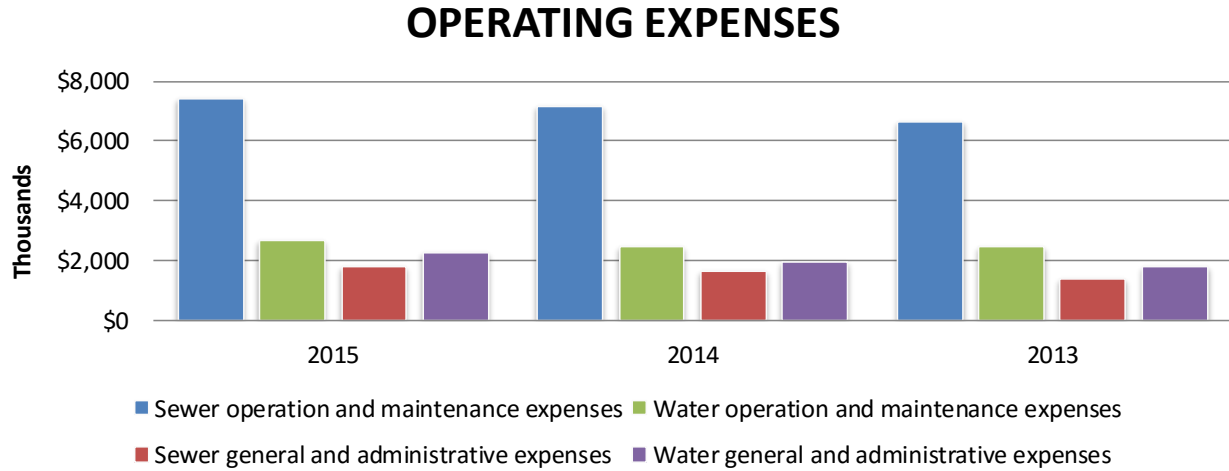
OPERATING REVENUES



The increase in sewer revenue in 2015 and 2014 was due to the growth in the customer base and rate increases. The increase in water revenue in 2015 was due to growth in the customer base and increased sales as a result of the hot and dry summer weather conditions and related outdoor water use. The increase in water revenue in 2014 was primarily due to the growth in the customer base as summer weather conditions and related outdoor water use were comparable in 2014 and 2013.

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

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

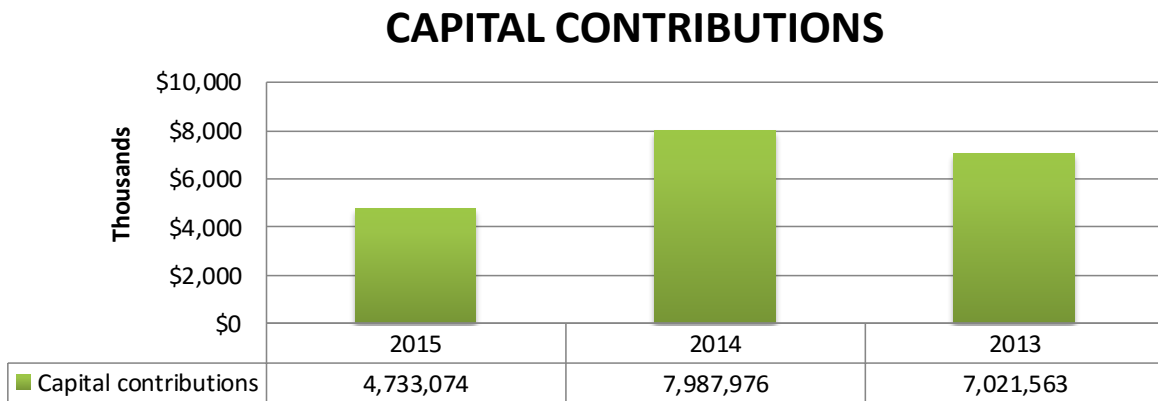


Sewer operation and maintenance costs increased in 2015 and 2014 due to rate increases for sewage treatment. Water operating expenses increased in 2015 due to growth in the customer base and increased sales as a result of the hot and dry summer weather conditions and related outdoor water use. Water operating expenses in 2014 and 2013 were all comparable as summer weather conditions and related outdoor water use were comparable in 2014 and 2013.

The District operated at a profit in 2015, 2014 and 2013. Operating results are augmented by earnings on investments, capital contributions, and other non-operating revenues, less non-operating expenses.

The District collects capital contributions from new customers. These contributions consist of connection charges, grants, ULID assessments and donated systems.

The following chart indicates capital contributions over the last three years:



**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

The contributions are indicative of the growth of the District and include donated systems totaling \$1,909,309, \$3,856,126 and \$3,907,448 for the years ended December 31, 2015, 2014 and 2013, respectively. The growth of the District is increasing due to the effects of the improving overall economy.

CAPITAL ASSETS AND LONG-TERM DEBT

The capital assets of the District have increased due to growth in the customer base and system improvements. Significant capital asset additions included the following:

<u>2015</u>		<u>2014</u>	
Water system:		Water system:	
Donated Systems	\$ 847,963	Donated Systems	\$ 1,974,343
Clearview Project	159,348	Reservoir #2 Improvements	2,036,713
Valve Adjustments	62,261	AWWD Intertie	613,140
AWWD Intertie	65,985	Decant Facility Improvements	67,140
Land Acquisition	92,051	Water Telemetry Upgrade	223,462
Silver Acres Water Main Phase 2	263,438	Sewer system:	
Reservoir #4 Cell Tower Improvements	72,341	Donated Systems	1,881,783
Sewer system:		WPCF Expansion Phase C	1,792,053
Donated Systems	1,071,346	Decant Facility Improvements	57,748
WPCF Expansion Phase C	2,180,298	Water Telemetry Upgrade	235,330
Manhole Adjustments	77,798		
Land Acquisition	100,064		

The increase in long-term debt in 2015 is due to the receipt of additional draws on the Public Works Trust Fund loan for the WPCF Expansion Phase C project and an increase in the net pension liability. The increase in long-term debt in 2014 was due to recognizing the net pension liability principal as a result of implementing GASB 68 and 71.

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

As of December 31, 2015, the District has \$38,490,210 of unrestricted cash and investments available for operating costs and capital asset acquisition.

The District is committed to pay a portion of certain City of Everett projects. See note 10 in the financial statements for the District's estimated share of these projects over the next 10 years.

ADDITIONAL COMMENTS

The District purchases wholesale water and sewage treatment services from other entities. The District intends to adjust rates to compensate for increases in these direct costs.

SILVER LAKE WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
December 31, 2015 and 2014

ASSETS	<u>2015</u>	<u>Restated 2014</u>
<i>Current assets:</i>		
Unrestricted:		
Cash	\$ 14,071,652	\$ 9,108,435
Investments	24,418,558	24,378,494
Accounts receivable	1,731,713	1,714,948
Unbilled utility service receivable	612,874	573,095
Accounts receivable, other	9,822	531,483
Materials and supplies	129,254	137,449
	<u>40,973,873</u>	<u>36,443,904</u>
Restricted:		
Cash	124,093	124,093
Investments	651,657	650,588
Interest receivable	837	934
Assessments receivable - current portion	3,680	4,293
	<u>780,267</u>	<u>779,908</u>
Total current assets	<u>41,754,140</u>	<u>37,223,812</u>
<i>Non-current assets:</i>		
Restricted:		
Assessments receivable, less current portion	<u>6,134</u>	<u>9,814</u>
Capital assets not being depreciated:		
Land and land rights	3,449,020	3,756,904
Construction in progress	4,978,214	3,895,929
Capital assets being depreciated:		
Plant in service	191,619,006	187,253,289
Less accumulated depreciation	(50,427,551)	(47,442,793)
Net capital assets	<u>149,618,689</u>	<u>147,463,329</u>
Total non-current assets	<u>149,624,823</u>	<u>147,473,143</u>
Total assets	<u>191,378,963</u>	<u>184,696,955</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding of debt	4,208	6,975
Deferred outflows related to pensions	234,075	128,238
Total deferred outflows of resources	<u>238,283</u>	<u>135,213</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 191,617,246</u>	<u>\$ 184,832,168</u>

The accompanying notes are an integral part of these statements.

SILVER LAKE WATER AND SEWER DISTRICT
STATEMENT OF NET POSITION
(CONTINUED)
December 31, 2015 and 2014

LIABILITIES	2015	Restated 2014
<i>Current liabilities:</i>		
Payable from unrestricted assets:		
Accounts payable	\$ 1,612,826	\$ 2,625,024
Retainage payable	11,469	4,629
Accrued compensated absences	195,000	180,000
Deposits	12,500	-
Accrued interest	19,372	14,634
Long-term debt - current maturities	695,322	537,194
	<u>2,546,489</u>	<u>3,361,481</u>
 Payable from restricted assets:		
Accrued interest	5,448	6,919
Long-term debt - current maturities	510,000	490,000
	<u>515,448</u>	<u>496,919</u>
 Total current liabilities	<u>3,061,937</u>	<u>3,858,400</u>
<i>Non-current liabilities:</i>		
Long-term debt payable from unrestricted assets, net of current maturities	6,448,464	4,455,608
Long-term debt payable from restricted assets, net of current maturities	1,037,615	1,559,200
Compensated absences	197,107	172,965
Net pension liability	1,708,344	1,343,609
	<u>9,391,530</u>	<u>7,531,382</u>
 Total non-current liabilities	<u>9,391,530</u>	<u>7,531,382</u>
 Total liabilities	<u>12,453,467</u>	<u>11,389,782</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	255,576	569,601
	<u>255,576</u>	<u>569,601</u>
 Total liabilities and deferred inflows of resources	<u>12,709,043</u>	<u>11,959,383</u>
 NET POSITION		
Net investment in capital assets	140,931,496	140,428,302
Restricted for debt service	780,953	782,803
Unrestricted	37,195,754	31,661,680
Total net position	<u>178,908,203</u>	<u>172,872,785</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 191,617,246</u>	<u>\$ 184,832,168</u>

The accompanying notes are an integral part of these statements.

SILVER LAKE WATER AND SEWER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>Restated 2014</u>
<i>Operating revenues:</i>		
Service charges	\$ 17,844,135	\$ 16,811,449
Permits	275,942	301,136
Miscellaneous	483,772	732,413
	<u>18,603,849</u>	<u>17,844,998</u>
<i>Operating expenses:</i>		
Operation expenses	9,511,823	9,003,418
Maintenance expenses	597,270	618,445
General and administrative	4,059,532	3,607,045
Depreciation	3,059,204	2,930,317
	<u>17,227,829</u>	<u>16,159,225</u>
Operating income	<u>1,376,020</u>	<u>1,685,773</u>
<i>Non-operating revenues:</i>		
Investment and assessment income	47,935	32,678
Net gain on disposal of assets	-	9,154
	<u>47,935</u>	<u>41,832</u>
<i>Non-operating expenses:</i>		
Interest on long-term debt - net of amount capitalized	76,188	82,790
Amortization of debt (premiums) and refunding loss	(8,818)	(10,874)
Net loss on disposal of assets	54,241	-
	<u>121,611</u>	<u>71,916</u>
Income before capital contributions	1,302,344	1,655,689
Capital contributions	4,733,074	7,987,976
Change in net position	<u>6,035,418</u>	<u>9,643,665</u>
Net position, January 1	172,872,785	164,982,273
Restatement - change in accounting principle	-	(1,753,153)
Net position, January 1, as restated	<u>172,872,785</u>	<u>163,229,120</u>
Net position, December 31	<u>\$ 178,908,203</u>	<u>\$ 172,872,785</u>

The accompanying notes are an integral part of these statements.

SILVER LAKE WATER AND SEWER DISTRICT
STATEMENT OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	Restated 2014
<i>Cash flows from operating activities:</i>		
Cash received from customers and other	\$ 18,547,305	\$ 17,568,896
Cash paid to vendors	(10,652,018)	(11,154,120)
Cash paid to and for employees and commissioners	(3,232,827)	(2,857,834)
Net cash provided by operating activities	4,662,460	3,556,942
<i>Cash flows from capital financing activities:</i>		
Contributions in aid of construction	2,813,765	4,131,850
Collections on ULID assessments receivable	4,293	5,520
Interest received on assessments	547	869
Proceeds from issuance of long-term debt	2,758,816	846,001
Proceeds from disposal of assets	786,486	9,154
Expenditures for plant in service and construction	(4,898,749)	(4,534,031)
Payment on long-term debt	(1,097,832)	(1,016,894)
Interest paid on long-term debt, net of amount capitalized	(72,921)	(84,466)
Net cash provided by (used in) capital financing activities	294,405	(641,997)
<i>Cash flows from investing activities:</i>		
Proceeds from sale of investments	-	10,247,510
Purchase of investments	(41,133)	(25,029,230)
Interest received on investments	47,485	31,905
Net cash provided by (used in) investing activities	6,352	(14,749,815)
Net increase (decrease) in cash	4,963,217	(11,834,870)
Cash at January 1	9,232,528	21,067,398
Cash at December 31	\$ 14,195,745	\$ 9,232,528
Cash is comprised of the following at December 31:		
Cash - current assets	\$ 14,071,652	\$ 9,108,435
Cash - restricted assets	124,093	124,093
	\$ 14,195,745	\$ 9,232,528

The accompanying notes are an integral part of these statements.

**SILVER LAKE WATER AND SEWER DISTRICT
STATEMENT OF CASH FLOWS
(CONTINUED)
Years Ended December 31, 2015 and 2014**

	2015	Restated 2014
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating income	\$ 1,376,020	\$ 1,685,773
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>		
Depreciation	3,059,204	2,930,317
<i>(Increase) decrease in assets:</i>		
Receivables	474,939	(596,329)
Materials and supplies	8,195	8,727
Deferred outflows related to pensions	(105,837)	(39,232)
<i>Increase (decrease) in liabilities:</i>		
Accounts payable	(252,413)	(524,863)
Accrued compensated absences	39,142	22,288
Deposits	12,500	(790)
Net pension liability	364,735	(498,550)
Deferred inflows related to pensions	(314,025)	569,601
	<u>\$ 4,662,460</u>	<u>\$ 3,556,942</u>
 <i>Supplemental schedule of significant non-cash financing and investing activities:</i>		
Utility plant donations received	\$ 1,919,309	\$ 3,856,126
Trade in of equipment	\$ 33,000	

The accompanying notes are an integral part of these statements.

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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

Description of business, nature of operations and reporting entity - Silver Lake Water and Sewer District, a municipal corporation organized under the laws of the state of Washington, was created for the purpose of constructing, maintaining and operating water and sewer systems within its boundaries, which encompass an area in south Snohomish County. The District is governed by an elected three member board and has no component units.

Basis of presentation and accounting - These financial statements are prepared utilizing the full accrual basis of accounting. All activities of the District are accounted for within a single proprietary (enterprise) fund.

Change in accounting principle - 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*. These statements establish accounting and financial reporting standards that require recognition of the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and adjust pension expense, which was previously recorded based on contributions due to the related plans.

The cumulative impact of implementation of GASB 68 and 71 resulted in an \$1,753,153 reduction of net position as of January 1, 2014 as a result of recognizing the beginning net pension liability of \$1,842,158 and beginning deferred outflows of resources related to pensions of \$89,005 for contributions to the plan made between June 30, 2013 (the measurement date) and December 31, 2013. It was not practicable to determine any other deferred outflows or deferred inflows of resources as of January 1, 2014 as the information was not available and, accordingly, no amounts for these items were recorded.

The 2014 financial statements have been restated to recognize the net pension liability in the amount of \$1,343,609, deferred outflows related to pensions in the amount of \$128,238, deferred inflows of resources related to pensions in the amount of \$569,601 and increase (decrease) previously recorded pension expense in the amount of \$31,819.

Investments - Investments in the State of Washington Treasurer's Investment Pool are stated at share price which is equal to cost. Other investments are stated at fair value.

Accounts receivable - The District utilizes the allowance method of accounting for doubtful accounts. However, all accounts 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.

Materials and supplies - Materials and supplies are inventories available for future use and are stated at the lower of cost (FIFO) or market.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

1. DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets - Capital assets are stated at cost. For water and sewer systems installed by developers or customers and conveyed to the District by bill of sale, the District records the cost of the system at the contributing party's estimated cost. Expenditures for capital assets exceeding \$5,000, including capital leases and major repairs that increase useful lives, are capitalized. Certain assets including meters, hydrants and titled motor vehicles and trailers are capitalized regardless of cost. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. 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.

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

	<u>Estimated useful lives</u>
Water system	10 - 75 years
Sewer system	20 - 75 years
Office building and improvements	10 - 75 years
Equipment and other	3 - 10 years

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

Total interest and amortization cost incurred for the years ended December 31, 2015 and 2014 was \$107,404 and \$114,730, respectively. Interest capitalized to Construction in Progress for the years ended December 31, 2015 and 2014 was \$40,034 and \$42,814, 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.

Accrued 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.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

1. DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The remaining deferred outflows related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

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 outflows related to pension plans. The deferred inflows related to pensions are amortized over a closed five-year period.

Long-term debt - Long-term debt is reported net of premiums and discounts. Premiums and discounts on long-term debt are amortized by the interest method over the period the related debt is outstanding.

Net position - Net position is classified in the following three components: 1) 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. 2) 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. 3) 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.

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

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

1. DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital contributions - 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.

2. DEPOSITS AND INVESTMENTS

Deposits - The District's deposits are entirely covered by federal depository insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments - As required by state law, all investments of the District's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, certificates of deposit with Washington State Banks and the Local Government Investment Pool managed by the Washington State Treasurer's office.

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

	Fair value
<i>2015:</i>	
Local Government Investment Pool	\$25,070,215
<i>2014:</i>	
Local Government Investment Pool	\$25,029,082

Credit risk - As of December 31, 2015 and 2014, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO).

Interest rate risk - The Pool is a 2a-7-like pool. Consequently, the District's investments in the Pool are not subject to interest rate risk as the weighted average maturity of the Pool's portfolio will not exceed 90 days.

The District's policy to manage its exposure to fair value arising from increasing interest rates is to allow investments only in money market accounts with qualified public depositories and the Local Government Investment Pool.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

3. RESTRICTED ASSETS

In accordance with the bond resolutions and other agreements, separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including debt service, reserve and other requirements. Restricted assets were as follows:

	Revenue Bond Debt Service Account	Revenue Bond Reserve Account	Total
<i>2015:</i>			
<i>Current restricted assets:</i>			
Cash	\$ 73,006	\$ 51,087	\$124,093
Investments	225,574	426,083	651,657
Interest receivable	837		837
Assessments receivable – current	3,680		3,680
	303,097	477,170	780,267
<i>Noncurrent restricted assets:</i>			
Assessments receivable	6,134		6,134
	\$309,231	\$477,170	\$786,401
 <i>2014:</i>			
<i>Current restricted assets:</i>			
Cash	\$ 73,006	\$ 51,087	\$124,093
Investments	225,204	425,384	650,588
Interest receivable	934		934
Assessments receivable – current	4,293		4,293
	303,437	476,471	779,908
<i>Noncurrent restricted assets:</i>			
Assessments receivable	9,814		9,814
	\$313,251	\$476,471	\$789,722

Terms of the revenue bond issues require the District to establish and maintain debt service and reserve accounts. The debt service accounts are to accumulate funds for payment of bond, principal and interest and the reserve accounts are to provide security for bond holders.

The required reserve account at December 31, 2015 and 2014 was \$462,000. Both the debt service and reserve accounts are fully funded.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

4. CAPITAL ASSETS

Major classes of capital assets and capital asset activity was as follows:

	Balance, Beginning of year	Increases	Decreases	Balance, end of year
<i>2015:</i>				
Capital assets not being depreciated:				
Land and land rights	\$ 3,756,904	\$ 192,116	\$ (500,000)	\$ 3,449,020
Construction in progress	3,895,929	3,369,934	(2,287,649)	4,978,214
	<u>7,652,833</u>	<u>3,562,050</u>	<u>(2,787,649)</u>	<u>8,427,234</u>
Capital assets being depreciated:				
Water system	74,998,211	2,718,746	(348,490)	77,368,467
Sewer system	94,950,303	1,186,695		96,136,998
Office building and improvements	14,272,784	608,541		14,881,325
Equipment and other	3,031,991	299,908	(99,683)	3,232,216
	<u>187,253,289</u>	<u>4,813,890</u>	<u>(448,173)</u>	<u>191,619,006</u>
Accumulated depreciation:				
Water system	(16,025,770)	(969,018)		(16,994,788)
Sewer system	(25,681,071)	(1,480,152)		(27,161,223)
Office building and improvements	(3,531,828)	(395,118)		(3,926,946)
Equipment and other	(2,204,124)	(214,916)	74,446	(2,344,594)
	<u>(47,442,793)</u>	<u>(3,059,204)</u>	<u>74,446</u>	<u>(50,427,551)</u>
Net capital assets	<u>\$ 147,463,329</u>	<u>\$ 5,316,736</u>	<u>\$ (3,161,376)</u>	<u>\$ 149,618,689</u>

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

4. CAPITAL ASSETS (continued)

	Balance, Beginning of year	Increases	Decreases	Balance, end of year
<i>2014:</i>				
Capital assets not being depreciated:				
Land and land rights	\$ 3,756,904			\$ 3,756,904
Construction in progress	928,669	\$ 5,375,743	\$ (2,408,483)	3,895,929
	<u>4,685,573</u>	<u>5,375,743</u>	<u>(2,408,483)</u>	<u>7,652,833</u>
Capital assets being depreciated:				
Water system	70,576,422	4,421,789		74,998,211
Sewer system	92,942,052	2,008,346	(95)	94,950,303
Office building and improvements	14,252,341	20,443		14,272,784
Equipment and other	2,869,339	202,634	(39,982)	3,031,991
	<u>180,640,154</u>	<u>6,653,212</u>	<u>(40,077)</u>	<u>187,253,289</u>
Accumulated depreciation:				
Water system	(15,107,763)	(918,007)		(16,025,770)
Sewer system	(24,221,986)	(1,459,213)	128	(25,681,071)
Office building and improvements	(3,167,291)	(364,537)		(3,531,828)
Equipment and other	(2,055,546)	(188,560)	39,982	(2,204,124)
	<u>(44,552,586)</u>	<u>(2,930,317)</u>	<u>40,110</u>	<u>(47,442,793)</u>
Net capital assets	<u>\$ 140,773,141</u>	<u>\$ 9,098,638</u>	<u>\$ (2,408,450)</u>	<u>\$ 147,463,329</u>

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

5. LONG-TERM DEBT PAYABLE FROM UNRESTRICTED ASSETS

Long-term debt outstanding, payable from unrestricted assets, consisted of the following Public Works Trust Fund loans secured by the revenue of the water and sewer systems issued for utility construction:

	2015	2014
1998 \$101,144 loan, payable \$5,323 annually through the year 2018, plus interest at 1.0 annual percentage rate.	\$ 15,970	\$ 21,293
1999 \$6,208,160 loan, payable \$346,486 annually through the year 2019, plus interest at 1.0 annual percentage rate.	1,385,945	1,732,431
2012 \$1,859,000 loan, payable \$97,842 annually through the year 2031, plus interest at .25 annual percentage rate.	1,565,474	1,663,316
2013 loan: \$7,810,000 authorized, \$4,389,311 drawn to December 31, 2015. Based on draws to December 31, 2015, payable \$245,670 annually through the year 2032, plus interest at .50 annual percentage rate.	4,176,397	1,575,762
	7,143,786	4,992,802
Less current maturities	(695,322)	(537,194)
	\$6,448,464	\$4,455,608

Long-term debt service requirements to maturity, payable by the District from unrestricted assets, are as follows (based on draws received through December 31, 2015):

	Principal	Interest	Total
2016	\$ 695,322	\$ 36,741	\$ 732,063
2017	695,322	33,824	729,146
2018	695,322	28,833	724,155
2019	689,999	23,841	713,840
2020	343,513	18,903	362,416
2021-2025	1,717,563	72,425	1,789,988
2026-2030	1,717,563	35,601	1,753,164
2031-2032	589,182	3,931	593,113
	\$7,143,786	\$254,099	\$7,397,885

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

6. LONG-TERM DEBT PAYABLE FROM RESTRICTED ASSETS

Long-term debt outstanding, payable from restricted assets, consisted of the following:

	<u>2015</u>	<u>2014</u>
Revenue Bonds:		
\$360,000 issued March 1, 2002 for utility construction, due serially through the year 2016, with interest payable semi-annually at 5.2 annual percentage rate.	\$ 35,000	\$ 65,000
\$4,260,000 issued June 11, 2009 for refunding, due serially through the year 2018, with interest payable semi-annually at 4.00 to 5.00 annual percentage rates.	<u>1,495,000</u>	<u>1,955,000</u>
	1,530,000	2,020,000
Less current maturities	(510,000)	(490,000)
Unamortized premiums (discounts)	<u>17,615</u>	<u>29,200</u>
	<u>\$1,037,615</u>	<u>\$1,559,200</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 510,000	\$ 65,370	\$ 575,370
2017	500,000	42,800	542,800
2018	<u>520,000</u>	<u>20,800</u>	<u>540,800</u>
	<u>\$1,530,000</u>	<u>\$128,970</u>	<u>\$1,658,970</u>

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

7. CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities was as follows:

	Balance, beginning of year	Additions	Reductions	Balance, end of year	Amounts due within one year
<i>2015:</i>					
<i>Long-term debt payable from unrestricted assets:</i>					
1998 Loan	\$ 21,293		\$ (5,323)	\$ 15,970	\$ 5,323
1999 Loan	1,732,431		(346,486)	1,385,945	346,486
2012 Loan	1,663,316		(97,842)	1,565,474	97,842
2013 Loan	<u>1,575,762</u>	<u>\$2,758,816</u>	<u>(158,181)</u>	<u>4,176,397</u>	<u>245,671</u>
	<u>\$4,992,802</u>	<u>\$2,758,816</u>	<u>\$(607,832)</u>	<u>\$7,143,786</u>	<u>\$695,322</u>
<i>Long-term debt payable from restricted assets:</i>					
2002 Revenue Bonds	\$ 65,000	\$ -	\$ (30,000)	\$ 35,000	\$ 35,000
2009 Revenue Bonds	<u>1,955,000</u>	<u> </u>	<u>(460,000)</u>	<u>1,495,000</u>	<u>475,000</u>
	<u>\$2,020,000</u>	<u>\$ -</u>	<u>\$(490,000)</u>	<u>\$1,530,000</u>	<u>\$510,000</u>
<i>Compensated absences</i>	<u>\$ 352,965</u>	<u>\$208,521</u>	<u>\$(169,379)</u>	<u>\$ 392,107</u>	<u>\$195,000</u>
<i>Net pension liability</i>	<u>\$1,343,609</u>	<u>\$542,947</u>	<u>\$(178,212)</u>	<u>\$1,708,344</u>	

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

7. CHANGES IN LONG-TERM LIABILITIES (continued)

	Balance, beginning of year	Additions	Reductions	Balance, end of year	Amounts due within one year
<i>2014:</i>					
<i>Long-term debt payable from unrestricted assets:</i>					
1998 Loan	\$ 26,617		\$ (5,324)	\$ 21,293	\$ 5,323
1999 Loan	2,078,917		(346,486)	1,732,431	346,486
2009 Loan	37,510		(37,510)	-	-
2012 Loan	1,761,158		(97,842)	1,663,316	97,842
2013 Loan	<u>784,492</u>	<u>\$846,003</u>	<u>(54,733)</u>	<u>1,575,762</u>	<u>87,543</u>
	<u>\$4,688,694</u>	<u>\$846,003</u>	<u>\$(541,895)</u>	<u>\$4,992,802</u>	<u>\$537,194</u>
<i>Long-term debt payable from restricted assets:</i>					
2002 Revenue Bonds	\$ 95,000	\$ -	\$ (30,000)	\$ 65,000	\$ 30,000
2009 Revenue Bonds	<u>2,400,000</u>	<u>-</u>	<u>(445,000)</u>	<u>1,955,000</u>	<u>460,000</u>
	<u>\$2,495,000</u>	<u>\$ -</u>	<u>\$(475,000)</u>	<u>\$2,020,000</u>	<u>\$490,000</u>
<i>Compensated absences</i>	<u>\$ 330,677</u>	<u>\$196,278</u>	<u>\$(173,990)</u>	<u>\$ 352,965</u>	<u>\$180,000</u>
<i>Net pension liability</i>	<u>\$1,842,158</u>	<u>\$ -</u>	<u>\$(498,549)</u>	<u>\$1,343,609</u>	

8. 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 years ended December 31, 2015 and 2014:

Aggregate Pension Amounts – All Plans

	2015	2014
Pension liabilities	\$1,708,344	\$1,343,609
Pension assets	\$ -	\$ -
Deferred outflows of resources	\$ 234,075	\$ 128,238
Deferred inflows of resources	\$ 255,576	\$ 569,601
Pension expense	\$ 158,642	\$ 200,808

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

8. PENSION PLAN (continued)

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
P.O. 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.

PERS Plan 1 - provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

8. PENSION PLAN (continued)

Contributions - The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

PERS Plan 1 Actual Contribution Rates	<u>Employer</u>	<u>Employee</u>
2015:		
January through June	9.21%	6.00%
July through December	11.18%	6.00%
2014:		
January through December	9.21%	6.00%

The District's actual contributions to the plan were \$96,480 and \$77,963 for the year ended December 31, 2015 and 2014, respectively.

PERS Plan 2/3 - provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.

PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

8. PENSION PLAN (continued)

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 - defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

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

PERS Plan 2/3 Actual Contribution Rates

	<u>Employer 2/3</u>	<u>Employee 2</u>	<u>Employee 3</u>
2015:			
January through June	9.21%	4.92%	Varies
July through December	11.18%	6.12%	Varies
2014:			
January through December	9.21%	4.92%	Varies

The District's actual contributions to the plan were \$117,290 and \$91,026 for the year ended December 31, 2015 and 2014, respectively.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

8. PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. 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*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, 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 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

8. PENSION PLAN (continued)

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7 percent 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 percent future investment rate of return on invested assets was assumed for the test. 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 percent 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 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

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 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

As of June 30, 2015 and 2014:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Percent Long-Term Expected Real Rate of Return Arithmetic</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%
	<u>100%</u>	

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

8. PENSION PLAN (continued)

Sensitivity of NPL

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
2015:			
PERS 1	\$1,149,982	\$944,542	\$ 767,882
PERS 2/3	\$2,233,397	\$763,802	\$(361,412)
2014:			
PERS 1	\$1,126,699	\$914,085	\$ 731,576
PERS 2/3	\$1,791,639	\$429,524	\$(610,877)

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, 2015 and 2014, the District reported a total pension liability (asset) for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2015 and 2014):

	<u>Liability (Asset)</u>	
	<u>2015</u>	<u>2014</u>
PERS 1	\$ 944,542	\$ 914,085
PERS 2/3	763,802	429,524
Total	<u>\$1,708,344</u>	<u>\$1,343,609</u>

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

8. PENSION PLAN (continued)

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	\$914,085	\$944,542	\$ 30,457
PERS 2/3	\$429,524	\$763,802	\$334,278
	Proportionate Share 6/30/13	Proportionate Share 6/30/14	Change in Proportion
PERS 1	\$990,906	\$914,085	\$(76,821)
PERS 2/3	\$851,252	\$429,524	\$(421,728)

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 collective net pension liability (asset) was measured as of June 30, 2015 and 2014, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015 and 2014, the District recognized pension expense as follows:

	2015	2014
PERS 1	\$ 50,822	\$ 116,640
PERS 2/3	104,042	80,865
Expenses and other	3,778	3,303
Total	\$158,642	\$200,808

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

8. PENSION PLAN (continued)

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:

2015:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 1		
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	51,677
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	52,913	-
Total	<u>\$ 52,913</u>	<u>\$ 51,677</u>
PERS 2/3		
Differences between expected and actual experience	\$ 81,192	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	203,899
Changes of assumptions	1,231	-
Changes in proportion and differences between contributions and proportionate share of contributions	35,264	-
Contributions subsequent to the measurement date	63,475	-
Total	<u>\$ 181,162</u>	<u>\$ 203,899</u>
Total all plans	<u>\$ 234,075</u>	<u>\$ 255,576</u>

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

8. PENSION PLAN (continued)

2014:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 1		
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	114,301
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	<u>39,563</u>	<u>-</u>
Total	<u>\$ 39,563</u>	<u>\$ 114,301</u>
PERS 2/3		
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	455,300
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	43,629	-
Contributions subsequent to the measurement date	<u>45,046</u>	<u>-</u>
Total	<u>\$ 88,675</u>	<u>\$ 455,300</u>
Total all plans	<u>\$ 128,238</u>	<u>\$ 569,601</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:

Year ending December 31	PERS 1	PERS 2/3
2016	\$ (20,028)	\$ (41,688)
2017	(20,028)	(41,688)
2018	(20,028)	(47,921)
2019	8,407	45,085
2020	-	-
Total	<u>\$ (51,677)</u>	<u>\$ (86,212)</u>

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

9. DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the State of Washington. 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 2015 or 2014.

10. COMMITMENTS

The District is obligated to the City of Everett to pay for a portion of certain city projects. The District does not record a liability and related asset for city project billings until billing has been received. As of December 31, 2015, the District's share of the projects is estimated to be as follows:

2015	\$ 116,193
2016	403,200
2017	624,000
2018	1,720,000
2019	1,912,000
2020	2,416,000
2021-2025	<u>17,280,000</u>
	<u>\$24,471,393</u>

11. RISK MANAGEMENT

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 179 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.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

11. RISK MANAGEMENT (continued)

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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.

In the past three years (2015, 2014, and 2013), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

12. MAJOR SUPPLIERS

All sewage collected by the District is treated by the City of Everett and the Department of Natural Resources / King County, Washington.

Water purchased by the District is supplied by the City of Everett, the Clearview Water Supply Agency and Alderwood Water and Wastewater District. In 2004, the District negotiated a 50 year supply contract for water with the Clearview Water Supply Agency.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
December 31, 2015 and 2014**

13. CLEARVIEW WATER SUPPLY AGENCY JOINT VENTURE

In February of 2005, the Clearview Water Supply Agency (CWSA) commenced operations. CWSA is a municipal corporation formed by Alderwood Water and Sewer District, Silver Lake Water and Sewer District and Cross Valley Water District. The three members advanced operating funds as follows:

	Alderwood Water and Sewer District	Silver Lake Water and Sewer District	Cross Valley Water District	Total
Initial contribution	\$811,183	\$327,761	\$31,972	\$1,170,916

A three member board with each member district providing a representative governs CWSA. The purposes of CWSA is to provide water to the members and maintain and operate certain facilities. CWSA currently has no plant and equipment; the member districts jointly own the facilities. Alderwood Water and Sewer District has been contracted to maintain and operate the facilities as well as provide administrative support for CWSA.

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

District transactions with CWSA consisted of water purchase and reimbursement of construction costs expended by CWSA. Water purchases were \$1,283,383 and \$1,270,634 and reimbursable construction costs were \$157,365 and \$20,736 for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014 accounts payable included \$227,389 and \$182,783, respectively, due to CWSA.

14. LEASES

The District leases space for cell towers on certain reservoirs under noncancelable provisions of operating leases. Future rental income due to the District under the noncancelable portion of the leases is as follows:

Year ending December 31:

2016	\$140,494
2017	81,459
2018	<u>9,649</u>
	<u>\$231,602</u>

**SILVER LAKE WATER AND SEWER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 1
As of June 30 (Measurement Date)
Last 10 Fiscal Years***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Employer's proportion of the net pension liability (asset)	0.018057%	0.018145%	0.016958%
Employer's proportionate share of the net pension liability	\$ 944,542	\$ 914,085	\$ 990,906
Employer's covered employee payroll	\$ 76,908	\$ 75,546	\$ 73,461
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	1228.15%	1209.97%	1348.89%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	61.19%	

Notes to Schedule:

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

**SILVER LAKE WATER AND SEWER DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS 2/3
As of June 30 (Measurement Date)
Last 10 Fiscal Years***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Employer's proportion of the net pension liability (asset)	0.021377%	0.021249%	0.019936%
Employer's proportionate share of the net pension liability	\$ 763,802	\$ 429,524	\$ 851,252
Employer's covered employee payroll	\$ 1,896,648	\$ 1,691,204	\$ 1,533,832
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	40.27%	25.40%	55.50%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	93.29%	

Notes to Schedule:

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

**SILVER LAKE WATER AND SEWER DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 1
As of December 31 (Employer Reporting Date)
Last 10 Fiscal Years***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily or contractually required contributions	\$ 96,480	\$ 77,963	\$ 59,566
Contributions in relation to the statutorily or contractually required contributions	<u>(96,480)</u>	<u>(77,963)</u>	<u>(59,566)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 78,077	\$ 75,768	\$ 74,703
Contributions as a percentage of covered employee payroll	123.57%	102.90%	79.74%

Notes to Schedule:

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

**SILVER LAKE WATER AND SEWER DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS 2/3
As of December 31 (Employer Reporting Date)
Last 10 Fiscal Years***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily or contractually required contributions	\$ 117,290	\$ 91,026	\$ 83,522
Contributions in relation to the statutorily or contractually required contributions	<u>(117,290)</u>	<u>(91,026)</u>	<u>(83,522)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employer payroll	\$ 2,020,837	\$ 1,759,065	\$ 1,669,683
Contributions as a percentage of covered employee payroll	5.80%	5.17%	5.00%

Notes to Schedule:

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov