Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Silverdale Water District No. 16

Kitsap County

For the period January 1, 2013 through December 31, 2014

Published September 10, 2015

Report No. 1014999

Washington State Auditor's Office

September 10, 2015

Board of Commissioners
Silverdale Water District No. 16
Silverdale, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Silverdale Water District No. 16's financial statements and compliance with federal laws and regulations.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

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FEDERAL SUMMARY

Silverdale Water District No. 16
Kitsap County
January 1, 2014 through December 31, 2014

The results of our audit of Silverdale Water District No. 16 are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

CFDA No.	Program Title
66.468	Capitalization Grants for Drinking Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $300,000.

The District did not qualify as a low-risk auditee under OMB Circular A-133.

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*

Silverdale Water District No. 16
Kitsap County
January 1, 2013 through December 31, 2014

Board of Commissioners
Silverdale Water District No. 16
Silverdale, 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 Silverdale Water District No. 16, Kitsap County, Washington, as of and for the years ended December 31, 2014 and 2013, 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 3, 2015.

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.

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 3, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Silverdale Water District No. 16
Kitsap County
January 1, 2014 through December 31, 2014

Board of Commissioners
Silverdale Water District No. 16
Silverdale, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Silverdale Water District No. 16, Kitsap County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 3, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Silverdale Water District No. 16
Kitsap County
January 1, 2013 through December 31, 2014

Board of Commissioners
Silverdale Water District No. 16
Silverdale, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Silverdale Water District No. 16, Kitsap County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 14.

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 Silverdale Water District No. 16, as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20 and information on postemployment benefits other than pensions on page 42 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2015 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.

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 3, 2015

FINANCIAL SECTION

Silverdale Water District No. 16
Kitsap County
January 1, 2013 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014 and 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014 and 2013
Statement of Revenues, Expenses and Changes in Fund Net Position – 2014 and 2013
Statement of Cash Flows – 2014 and 2013
Notes to Financial Statements – 2014 and 2013

REQUIRED SUPPLEMENTARY INFORMATION

Information on Postemployment Benefits Other than Pensions – 2014 and 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

As management of the Silverdale Water District (District), we offer readers of the basic financial statements this narrative overview and analysis of the District's financial activities for the fiscal years ended December 31, 2014 and 2013. The intent of this discussion and analysis is to review the District's financial performance as a whole. This MD&A provides an overview of the District's financial records. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements which immediately follow this discussion.

FINANCIAL INFORMATION

The District's Board of Commissioners adopts an annual budget as a measure of monitoring revenues and controlling expenses. The Commissioners also use the budget as a financial planning tool for the District's future needs.

The District operates as a Special Purpose District organized under the laws of the State of Washington, Revised Code of Washington (RCW), Title 57, to provide potable water service to specific areas in Kitsap County, Washington. The District is not a segment of any other local government, nor is it a component unit thereof.

The District's Financial Statements were prepared on the full accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP). The District uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

Financial Highlights

- The assets of the Silverdale Water District exceeded its liabilities at the close of the most recent fiscal year by $21,928,088 and in 2013 by $20,809,307. Of this amount, $1,259,367 in 2014 may be used to meet the government's ongoing obligations to citizens and creditors compared to $1,068,736 in 2013.
- From 2014 to 2013 total net position increased by $1,118,781, or 5.4%.
- The District is not legally required to formally adopt a budget; however does so as a way to monitor revenue and control expenses. The Board of Commissioners adopts an annual maintenance and operation budget to use as a financial plan for the District in December of each year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements include two components: 1) the District's basic financial statements, and 2) the notes to the financial statements. This discussion and analysis are intended to serve as an introduction to the District's basic financial statements.

Condensed financial position information

The statement of net position presents information concerning the District's assets, liabilities and net position. Net position is the difference between assets and liabilities. Increases or decreases in net position may indicate, over time, if either the financial position of the District is improving or deteriorating.

The following condensed financial information provides an overview of the District's financial position for the fiscal year ended December 31, 2014, and 2013.

NET POSITION

December 31, 2014, 2013 and 2012

	2014	2013	2012
Assets:			
Current and Other Assets	$ 8,037,128	$ 9,113,736	$ 5,584,965
Capital Assets, net	37,789,833	29,293,299	26,303,444
Total Assets	45,826,961	38,407,035	31,888,409
Deferred amount on refunding	101,455	111,861	122,266
Liabilities:			
Current and Other Liabilities	1,323,190	820,145	1,085,630
Noncurrent Liabilities	22,677,138	16,889,444	10,445,509
Total Liabilities	24,000,328	17,709,589	11,531,139
Net Position:			
Net Investment in Capital Assets	17,881,703	16,866,151	16,005,377
Restricted	2,787,018	2,874,420	2,115,021
Unrestricted	1,259,367	1,068,736	2,359,138
Total Net Position	$ 21,928,088	$ 20,809,307	$ 20,479,536

At December 31, 2014, the District has $7.4 million in cash and cash equivalents and pooled investments representing 16% of total assets. At December 31, 2013, the District has $8.6 million in cash and cash equivalents and pooled investments representing 22% of total assets. Cash and cash equivalents decreased from 2014 to 2013 as the district is using reserves and bond proceeds for capital projects.

At the end of 2014 and 2013, capital assets represent 82% and 76% of total assets, respectively. Capital assets are increasing as the District improves its system.

At December 31, 2014 and 2013, the District had long-term liabilities of $22.7 and $16.9 million, respectively. The District drew $6.8 million down on the government loans for construction of projects.

2014 total net position was $22.0 million, increasing 5.5% over 2013. Likewise, 2013 total net position was $20.8 million, which is up two percent from 2012.

The District's investment in capital assets (land, structure and facilities, equipment and construction in progress) less any related debt is $17.9 million at December 2014 and $16.9 million at December 2013. The District began expanding infrastructure to meet the needs of its customers.

Restricted net position represent resources restricted under bond covenants. Until the revenue bonds are repaid, these funds are not available for general use. Unrestricted net position represent the amount that may be used to meet the District's ongoing non-capital obligations.

Overall, the District's financial position is relatively stable and reports positive balances in all three categories of net position.

Summary of operations and changes in net position

The statement of revenues, expenses and changes in fund net position shows how the District's net position changed during the most recent fiscal year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will only affect future period cash flows (e.g. uncollected receivables).

The following is a condensed version of the Statement of Changes in Net Position for the District.

CHANGES IN NET POSITION

	2014	2013	2012
Revenues			
Operating Revenues			
Charge for Services	$ 4,061,030	$ 3,705,929	$ 3,440,359
Miscellaneous	62,372	47,282	42,631
Non-Operating Revenues			
Interest Earned	38,744	26,550	38,729
Other Revenues	255,993	206,971	265,901
TOTAL REVENUES	4,418,139	3,986,732	3,787,620
Expenses			
Operating Expenses	3,418,206	3,444,141	3,373,051
Non-Operating Expenses	266,039	631,786	614,084
TOTAL EXPENSES	3,684,245	4,075,927	3,987,135
Excess or Deficiency before Contributions	733,894	(89,195)	(199,515)
Capital Contributions	384,887	418,966	886,173
Change in Net Position	1,118,781	329,771	686,658
Net Position - Beginning	20,809,307	20,479,536	19,958,689
Change in Accounting Principles	-	-	(165,811)
Net Position - Ending	$ 21,928,088	$ 20,809,307	$ 20,479,536

Total operating revenues for the District in 2014 and 2013 were $4.1 and $3.8 million, respectively. 2014 and 2013 show increases due to a ten percent rate increase on the base charge.

Generally the increase in expenses paralleled inflation and growth in the demand for services. Expenses have remained fairly stable over the last three years. Total operating expenses for 2014 and 2013 were $3.4 and $3.4 million, respectively. The expenses have remained fairly stable over the last three years. 2012 to 2013 capital contributions showed a large decrease (53%) with less donated assets and connections used for capital. 2014 had only slightly reduced capital contributions compared to 2013.

Notes to the basic financial statements

The notes to the District's basic financial statements can be found on pages 11-26 of this report. These notes provide additional information that is essential to a full understanding of the basic financial statements.

CAPITAL ASSET AND DEBT ADMINSTRATION

Capital assets

The District's investment in capital assets as of December 31, 2014, amounted to $37,789,833 (net of accumulated depreciation). The District's investment in capital assets includes land, plant, machinery and equipment and construction in progress. The total increase in the District's investment in capital assets for the current year was 29%. This increase is due to a significant water main extensions and replacement projects in construction in progress. The change in capital assets is from continued construction projects, land purchase and the standard reduction for depreciation expense.

CAPITAL ASSETS, NET

December 31, 2014 and 2013

	2014	2013
Land	$ 731,975	$ 731,975
Intangible - easements	152,761	152,761
Construction in progress	13,046,928	3,999,608
Plant	34,400,923	34,294,840
Machinery and Equipment	1,970,093	1,890,959
Intangible - depreciable	131,812	28,600
Less accumulated depreciation	(12,644,659)	(11,805,444)
	$ 37,789,833	$ 29,293,299

Additional information on the District's capital assets can be found in Note 3 on page 14-15 of this report.

Long-term debt

At December 31, 2014 and 2013, the District had total outstanding debt of $22,706,973 and $16,905,798. The district received draws of $5.7 million from the 2011 PWTF during 2014. Additionally, the District received $943,000 from its Drinking Water Sate Revolving Fund loan. This debt was issued to meet the capital needs of the District.

Of this debt $14,644,702 (2013) and $13,822,479 (2014) is Revenue Bond Debt, which is secured through rates charged to water service customers. Of the remaining debt, $1,613,586 (2013) and $8,154,748 (2014) is loans payable to other governments, secured by rates and capital connection charges.

As of December 31, 2014 and 2013, respectively, long-term compensated absences amounted to $369,460 and $327,090. In 2014 and 2013, the District also recognized Other Post-Employment Benefits in the amount of $360,286 and $320,420, respectively.

The District has not yet received the authorized loan proceeds from the Department of Commerce and Department of Ecology for additional capital projects. The 2011 PWTF loan amount is $10 million and the DWSRF loan amount is $2.5 million. The District expects to drawdown the remaining loan balances in 2014.

Additional information on the District's long-term debt can be found in Note 6 on pages 21-24 of this report.

Economic Outlook

The District experienced above average growth in 2014, the District expects to see continued growth in its service area over the next year. Significant growth is expected during 2015 due to an increase in both residential and non-residential projects, as discussed below.

CHI Franciscan Health (formerly Harrison Medical Center) will be moving Kitsap County's regional hospital from Bremerton to Silverdale. Construction is proposed to begin in the fall of 2015 of a $240 million regional hospital with 240 beds and 400,000 square feet on 32-acre property at Myhre Road and Ridgetop Boulevard in Silverdale. A new medical office building and cancer center are also being considered with the expansion. The site is already home to a 24-hours emergency department, a natal care unit, and orthopedic hospital. Approximately 750 full-time and 500 part-time staff members will combine with the existing 100 full-time and 245 part-time staff members currently working at Silverdale.

CenterCal Properties, based out of California, has applied for permits for construction of a new shopping center and work has begun on this project. The Trails of Silverdale is expected to open in 2015. The new 225,000 square feet of commercial space will consist of 16 retail stores, 6 restaurants, and 900 parking stalls on 18-acres of property.

In addition to the new mall, Starwood Retail Partners purchased the Kitsap Mall in 2013 and has started the process on an extensive remodel and expansion on the existing mall.

The District has been contacted regarding the projects listed below and anticipates the majority of projects will proceed during 2015.

- Bakker's Hillside Estates (35 single family residences)
- Hogan Heights (61 single family residences)
- Creekside Business Park (Commercial)
- Buffalo Wild Wings (Restaurant)
- Pot Belly Pig (Restaurant)
- Sterling Estates II (36 single family residences)
- Sterling Estates III (75 single family residences)
- Dick's Sports (Retail)
- H&M Retail (Retail)
- Elizabeth Landing (19 single family attached residences)
- Chinook Center (Retail/Industrial)
- Ridgetop Homes (98 single family residences)
- Monarch Ridge (32 single family residences)
- The Ridge at Eldorado (94 single family residences)
- Pacific Cataract & Laser Institute
- Cascade Elite (Gymnastic Center)
- Oak Table (Restaurant)
- Silverdale Dental Center
- Woodbridge Phase 1 (42 single family residences)
- Starbucks
- Silverdale Elementary Remodel
- Central Kitsap School District Transportation Center

Preserving the financial condition of the District and building upon its financial health are primary goals. The District continues to seek better economics of scale and eliminate redundancies in its operations. Significant elements in maintaining a healthy financial condition include:

- Instituting and maintaining fiscal and debt polices which adequately cover the management and planning of system improvements, replacements and other capital disbursements.
- Optimizing operating costs to meet customer needs (use of SCADA's electronic monitoring of well and pump stations, GIS mapping, etc.)
- Maintaining adequate but favorable rates through low-cost financing of capital projects to meet the District's objectives and facilitate customer growth.
- Closely monitoring and making necessary improvements to the existing system of wells, pump stations, transmission and distribution lines.

The District completed updating its twenty (20) year Water System Plan, an action it performs every 6 years. The WSP provides a summary of the capital improvement projects (CIP) and the associated costs for that period. The WSP is reviewed annually for changes in population and demographic conditions.

The annual cash flow from operating activities should continue to exceed the District's need based on approved increases in water usage rates and capital connection charges.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Morgan Johnson, General Manager, 5300 NW Newberry Hill Rd, Suite 100, Silverdale, WA 98383.

SILVERDALE WATER DISTRICT NO. 16
STATEMENT OF NET POSITION
December 31, 2014 and 2013

Assets	2014	2013
Current Assets		
Cash, Cash Equivalents and Pooled Investments	$ 2,517,457	$ 1,844,330
Receivables (net):		
Customer	369,974	320,327
Lien	2,836	2,836
Miscellaneous	1,758	275
Contracts	8,625	30,424
CKFR	74,645	0
Inventories	131,551	159,579
Restricted Assets - Cash, Cash Equivalents and Pooled Investments		
Restricted for Debt	2,225,862	2,015,611
Restricted for Capital Projects	1,967,642	4,007,320
Restricted for Rate Stabilization	736,778	733,034
Total Current Assets	8,037,128	9,113,736
Long-term Assets		
Land	731,975	731,975
Construction in Progress	13,046,928	3,999,608
Intangible Assets (with indefinite useful lives)	152,761	152,761
Depreciable Assets (Net Depreciation and Amortization)	23,858,169	24,408,955
Total Noncurrent Assets	37,789,833	29,293,299
Total Assets	45,826,961	38,407,035
Deferred Outflows of Resources		
Deferred Amount on Debt Refunding	101,455	111,861
Total Deferred Outflows of Resources	101,455	111,861
Liabilities		
Current Liabilities		
Accounts Payable	936,400	617,574
Accrued Liabilities	10,742	23,951
Retainage Payable	145,743	0
Accrued Compensated Absences - current	29,835	16,354
Payable from Restricted		
Bond Payable - Current	1,232,224	822,226
Note/Loan Payable - Current	496,102	168,213
Interest Payable	200,470	162,266
Total Current Liabilities	3,051,516	1,810,584
Long-term Liabilities		
Bonds Payable	12,590,254	13,822,476
Note/Loan Payable	7,658,647	1,445,373
Other Post Employment Benefits	360,286	320,420
Accrued Compensated Absences	339,625	310,736
Total Noncurrent Liabilities	20,948,812	15,899,005
Total Liabilities	24,000,328	17,709,589
Net Position		
Net Invested in Capital Assets	17,881,703	16,866,151
Restricted	2,787,018	2,874,420
Unrestricted	1,259,367	1,068,736
Total Net Position	$ 21,928,088	$ 20,809,307

The accompanying notes are an integral part of this statement

SILVERDALE WATER DISTRICT NO. 16
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
For Year Ended December 31, 2014 and 2013

	2014	2013
Operating Revenues		
Utility Sales & Service Fees	$ 4,061,030	$ 3,705,929
Miscellaneous Revenues	62,372	47,282
Total Operating Revenues	4,123,402	3,753,211
Operating Expenses		
Operations:		
General	292,609	293,955
Cost of Power	151,020	149,043
Maintenance	318,726	284,250
Customer Service & Marketing	12,449	12,696
Administration:		
General	1,608,702	1,697,060
Planning, Conversation, Research and Development	4,815	5,339
Depreciation & Amortization	839,215	834,386
Property, Excise and B&O Taxes	190,670	167,412
Total Operating Expenses	3,418,206	3,444,141
Operating Income (Loss)	705,196	309,070
Non-Operating Revenues (Expenses)		
Interest Earned	38,744	26,550
Interest and Fiscal Charges	(73,405)	(519,941)
Other Non-Operating Revenues	254,318	201,440
Other Non-Operating Expense	(192,634)	(111,845)
Gain (Loss) on Disposal of Assets	1,675	5,531
Total Non-Operating Revenues (Expenses)	28,698	(398,265)
Income (Loss) before Contributions	733,894	(89,195)
Capital Contributions	384,887	418,966
Change in Net Position	1,118,781	329,771
Beginning Net Position	20,809,307	20,479,536
Ending Net Position	$ 21,928,088	$ 20,809,307

The accompanying notes are an integral part of this statement

SILVERDALE WATER DISTRICT NO. 16
STATEMENT OF CASH FLOWS
For Year Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from customers	$ 4,019,426	$ 3,517,057
Cash received from other operating activities	255,993	201,440
Cash payment for goods and services	(972,860)	(1,031,617)
Cash payments to employees	(1,514,444)	(1,544,234)
Other payments made	(192,634)	(111,845)
Net cash used by operating activities	1,595,481	1,030,801
Cash flows from noncapital financing activities		
Net cash provided by noncapital financing activities	0	0
Cash flows from capital and related financing activities		
Capital contributions received	384,887	380,641
Proceeds from issuance of bonds	0	4,919,067
Receipt of loan proceeds	6,826,519	1,415,811
Proceeds from sale/disposal of assets	0	5,531
Payment on loans and notes	(285,357)	(89,557)
Payment for acquisition/construction of capital assets	(8,365,027)	(3,499,090)
Payment of bonds	(810,000)	(445,000)
Interest and fiscal charges paid	(537,803)	(475,783)
Net cash provided (used) for capital and related financing activities	(2,786,781)	2,211,620
Cash flows from investing activities		
Receipts of interest and dividends	38,744	26,550
Net cash provided from investing activities	38,744	26,550
Net increase (decrease) in cash	(1,152,556)	3,268,971
Cash and cash equivalents - January 1	8,600,295	5,331,324
Cash and cash equivalents - December 31	$ 7,447,739	$ 8,600,295
Reconciliation to statement of net position		
Cash & cash equivalents - unrestricted	2,517,457	1,844,330
Cash & cash equivalents - restricted for debt	2,225,862	2,015,611
Cash & cash equivalents - restricted for capital outlay	1,967,642	4,007,320
Cash & cash equivalents - restricted for rate stabilization	736,778	733,034
Cash and cash equivalents - December 31	$ 7,447,739	$ 8,600,295

The accompanying notes are an integral part of this statement

SILVERDALE WATER DISTRICT NO. 16
STATEMENT OF CASH FLOWS
For Year Ended December 31, 2014 and 2013

Reconciliation of operating loss to net cash used by operating activities	2014	2013
Net operating income (loss)	$ 705,196	$ 309,070
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	839,215	834,386
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(103,976)	(236,154)
Increase (decrease) in accounts payable	(5,368)	(4,189)
Decrease (increase) in Inventories	28,028	(34,936)
Increase (decrease) in other payables	69,027	73,029
Other expenses (payments)	63,359	89,595
Total adjustments	890,285	721,731
Net cash used by operating activities	$ 1,595,481	$ 1,030,801
Noncash Transactions		
Donated Assets	$ 0	$ 38,325

The accompanying notes are an integral part of this statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Silverdale Water District No. 16 (District) was incorporated on December 13, 1929 and operates under the laws of the State of Washington applicable to water districts. The accounting policies of the District conform to generally accepted accounting principles as applicable to proprietary funds of governmental units. The following is a summary of the most significant policies:

A. Reporting Entity

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

The District is a special purpose government that provides water supply and distribution. In addition, the District provides street light billing services.

B. Basis of Accounting and Reporting

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The District uses the uniform system of accounts for Class A water utilities prescribed by the National Association of Regulatory Commissioners (NARUC).

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

The District distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district's principal ongoing operations. The principal operating revenues of the District are derived from its charges to customers for water supply and distribution. Operating expenses generally result from providing services and maintenance. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Items included as non-operating revenue and expense are street light charges and costs and contributed capital.

C. Assets, Liabilities and Equities

1. Cash and Cash Equivalents (See Note 2)

   For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments (See Note 2)

   All investments are stated at fair value in accordance with generally accepted accounting principles. Interest is recognized in non-operating revenues as earned. Changes in the fair value of investments are also included in non-operating revenues (expenses). Unrealized gains and losses are recognized on the books as of the statement of net position date.

3. Receivables

   Customer and miscellaneous accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Central Kitsap Fire & Rescue (CKFR), contracts and liens receivable consist of amounts owed on an open account from private individuals, other governments and/or organizations for goods and services rendered.

Accounts receivable of any type may not be written off without application by the customer or staff and approved by the General Manager, if under $100 or by the Board of Commissioners if over $100.

4. Inventories
Inventories for the District consist of supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. At year end 2014 and 2013, inventories were valued at $131,551 and $159,579, respectively by the weighted average method, which approximates the fair market value.

5. Amounts Due From Other Governments
These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

6. Capital Assets and Depreciation (See Note 3)
Capital assets are defined by the District as assets with initial individual costs of more than $1,000 and an estimated useful life in excess of two years. Major expenses for capital assets, including capital leases and major repairs that increase useful lives are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

Capital assets are stated at historical cost. Where historical cost is not known, assets are recorded at fair market value. Donations by developers and customers are recorded at donor cost, which approximates fair market value. Depreciation of capital assets is computed using the straight line method, based on estimated useful lives of 5 to 50 years. Equipment and Vehicles are depreciated over 5 years, Hydrants and Meters are depreciated over 20 years and all other depreciable assets are amortized over 50 years.

During 2014 and 2013, the District capitalized $500,784 and $18,006, respectively, of net interest costs for funds borrowed to finance the construction of capital assets.

The District acquired certain assets with funding provided by federal and state financial assistance programs. Depending upon the terms of the agreements involved, the funding governmental unit could retain an interest in these assets.

7. Compensated Absences
Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Additionally, employees may accumulate up to 40 hours of compensatory time during a calendar year, which may be carried over at year end. The District records unpaid leave for compensated absences as an expense and liability when incurred. Accrued vacation pay is payable upon an employee taking a vacation or upon resignation, retirement or death.

Employee absences are funded from current revenues when taken. Unused vacation balances may be accumulated up to 240 hours and may be carried over to the next calendar year. Costs are expensed when incurred and unused vacation time is accrued at year-end. Sick leave may be accumulated up to 1040 hours and carried into the next calendar year, at the end of each calendar year the value of any sick leave in excess of 1040 hours shall be deposited into a VEBA account for the employee. Upon separation from the District, the employee receives 50% compensation of the outstanding sick leave balance and 50% is deposited into a VEBA account for the employee. 100% of the balance is payable to a beneficiary upon death.

8. Other Credits
Other credits represent the amount of future development fees forgiven in lieu of capital asset or intangible assets received.

9. Long-Term Debt
Long term debt and other obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issue costs are reported as deferred charges and amortized over the term of the related debt. (See Note 6)

10. Restricted Funds
In accordance with bond resolutions (and certain related agreements) separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including construction, debt service and other special reserve requirements. Restricted funds currently include the following:

Purpose		12/31/2014		12/31/2013
Rate Stabilization	$	736,778	$	733,034
Construction		1,777,669		4,007,320
Bond Fund		867,775		657,752
Bond Reserve		1,358,087		1,357,859
Total	$	4,740,309	$	6,755,965

NOTE 2 – CASH AND CASH EQUIVALENTS

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

The District Treasurer, Kitsap County, was holding a total of $7,386,682 and $8,450,353 in cash and cash equivalents at December 31, 2014 and 2013, respectively. The District was holding $45,091 and $149,942 at December 31, 2014 and 2013, respectively, in petty cash, revolving and other deposit accounts. The book value of deposits does not materially differ from the bank balance of deposits.

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, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks and savings and loan institutions. Currently, all investments of the District are invested through the Kitsap County Treasurer's Office in state and local investment pools. The County and State investment pools are not rated. All temporary investments are stated at cost, which approximates fair value.

The District does not have a policy for custodial credit risk of investment securities. Further, the District is not subject to foreign currency risk or interest rate risk.

NOTE 3 –CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended December 31, 2014 and 2013 was as follows:

	Beginning Balance 01/01/2014	Increases	Decreases	Ending Balance 12/31/2014
Capital assets, not being depreciated:				
Land	731,975	-	-	731,975
Intangible asset - easements	152,761	-	-	152,761
Construction in progress	3,999,608	9,454,912	407,592	13,046,928
Total capital assets, not being depreciated	$ 4,884,344	$ 9,454,912	$ 407,592	$ 13,931,664
Capital assets, being depreciated:				
Plant	34,294,840	106,083	-	34,400,923
Machinery and equipment	1,890,959	79,134	-	1,970,093
Intangible asset - plans and studies	-	103,212	-	103,212
Intangible asset - software	28,600	-	-	28,600
Total capital assets being depreciated	$ 36,214,399	$ 288,429	$ -	$ 36,502,828
Less accumulated depreciation for:				
Plant & Equipment	11,795,911	839,215	-	12,635,126
Intangible asset - amortization	9,533	-	-	9,533
Total accumulated depreciation	$ 11,805,444	$ 839,215	$ -	$ 12,644,659
Total capital assets, being depreciated, net	24,408,955	(550,786)	-	23,858,169
Total capital assets	$ 29,293,299	$ 8,904,126	$ 407,592	$ 37,789,833

	Beginning Balance 01/01/2013	Increases	Decreases	Ending Balance 12/31/2013
Capital assets, not being depreciated:				
Land	731,975	-	-	731,975
Intangible asset - easements	137,524	15,237	-	152,761
Construction in progress	1,520,742	3,886,627	1,407,761	3,999,608
Total capital assets, not being depreciated	$ 2,390,241	$ 3,901,864	$ 1,407,761	$ 4,884,344
Capital assets, being depreciated:				
Plant	33,019,443	1,312,897	37,500	34,294,840
Machinery and equipment	1,900,189	5,950	15,180	1,890,959
Intangible asset - software	28,600	-		28,600
Total capital assets being depreciated	$ 34,948,232	$ 1,318,847	$ 52,680	$ 36,214,399
Less accumulated depreciation for:				
Plant & Equipment	11,035,029	813,562	52,680	11,795,911
Intangible asset - amortization	-	9,533	-	9,533
Total accumulated depreciation	$ 11,035,029	$ 823,095	$ 52,680	$ 11,805,444
Total capital assets, being depreciated, net	23,913,203	495,752	-	24,408,955
Total capital assets	$ 26,303,444	$ 4,397,616	$ 1,407,761	$ 29,293,299

Significant Commitments
The District has several significant construction projects as of December 31, 2014 and 2013. The District considers projects to be significant if the project has been started and the budget exceeds $50,000. The project authorization, amount spent life to date and remaining commitment of these projects at December 31, 2014 is as follows:

FUND & PROJECT NAME		PROJECT AUTHORIZATION	EXPENSES AS OF 12/31/14	REMAINING COMMITMENT
89806 - CAPITAL FUND (Charges & Bond Proceeds)				
500021	Service Installation (Development)	12,500.00	-	12,500.00
500025	Service Installation (District)	12,500.00	-	12,500.00
601900	SCADA System Upgrades	500,000.00	159,886.77	340,113.23
602001	Pump Station (Well/Booster) - Newberry (KPUD)	180,000.00	1,667.59	178,332.41
603018	Water Main Ext - Bucklin Hill Bridge - Potable	873,180.00	373.52	872,806.48
605009	Water Main Ext - Bucklin Hill Bridge - Reclaimed	678,820.00	-	678,820.00
900001	Water Main Replacement - Reclaimed	1,360,000.00	1,359,342.70	657.30
900001	Water Main Replacement -Fiber KPUD	77,000.00	74,644.74	2,355.26
		3,694,000.00	1,595,915.32	2,098,084.68
89809 - PUBLIC WORKS TRUST FUND				
900001	Water Main Replacement	6,530,954.24	6,071,837.63	459,116.61
904000	WQ - Chlorination System	537,500.00	257,831.25	279,668.75
904001	WQ - Manganese Treatment - Ridgetop	1,732,500.00	930,047.63	802,452.37
909000	Pump Station/Reservior - Chena	3,625,960.00	1,543,217.10	2,082,742.90
909001	Reservoir - Mixing Valves	414,000.00	174.05	413,825.95
		12,840,914.24	8,803,107.66	4,037,806.58
89810 - DRINKING WATER STATE REVOLVING FUND				
108000	Well Decommission - Apex	49,500.00	585.26	48,914.74
109000	Pump Station/Reservoir - Apex	2,418,974.00	637,063.42	1,781,910.58
		2,468,474.00	637,648.68	1,830,825.32

NOTE 4 – PENSION PLANS

Substantially all District full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. 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 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31

2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.
PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.
PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
Total	368,272

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer-State Agency*	11.71%	11.71%	11.71%**

Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
***Minimum rate..

The District and the employees made the required contributions. The District's required contributions for the years ending December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	$0	$51,625	$80,809
2013	0	42,200	64,119
2012	0	53,338	57,102
2011	0	24,121	49,240

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance. The District maintains insurance against most normal hazards for commercial automobile, property loss and general liability.

The Port is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of $100 million for all members. Enduris offers crime coverage up to a limit of $1,000,000 per occurrence.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis:

- $1,000,000 deductible on liability loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $999,000 on liability loss.
- $250,000 deductible on property loss - the member is responsible for the first $1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $249,000 on property loss.

- Enduris is responsible for the $4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown on the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

NOTE 6 – LONG-TERM DEBT AND LEASES

A. Long-Term Debt

The District issues government loans and other notes to finance construction of plant and equipment.

In prior years, the District issued Water Revenue bonds in the amount of $16,890,000 for capital purposes and refunding previously issued debt.

A PWTF loan of $10 million awarded during the fall of 2011. The district began to drawdown on the loan in 2013, and the balance at December 31, 2014 was $7,103,414. This loan is payable over 20 years with an interest rate of .5%.

Additionally, the District entered into a contract with Washington State Department of Commerce under the Drinking Water State Revolving Fund (DWSRF) Program on February 9, 2012 for a $2,500,000 loan. The district began spending the money in 2013 and drawing down on the loan in 2014. At December 31, 2014, $943,117 is payable. At project completion, fifty percent of the lesser of the loan amount or the actual eligible costs and fifty percent of any accrued interest will be forgiven.

Long-Term debt instruments outstanding at year-end are as follows:

Name of Issuance-Purpose	Issuance Date	Maturity Date	Interest Rate	Original Amount	12/31/14 Debt Outstanding	12/31/13 Debt Outstanding	Maturities
1994 PWTF - Dawn Park Water System Intertie	Jun-94	Jul-14	2%	$ 274,878	$ 0	$ 11,303	$ 11,303
1995 PWTF - Water Main Replacement	Jun-95	Jul-15	1%	915,935	48,290	96,580	48,290
1996 PWTF - Water System Intertie	Jun-96	Jul-16	3%	568,483	59,928	89,892	29,964
2011 PWTF - Water System Intertie	Jun-11	Jul-31	0.5%	10,000,000	7,103,414	1,415,811	417,848
2012 DWSRF - Capital System Improvement	Feb-12	Oct-35	1.0%	2,500,000	943,117	0	47,156
Total Government Loans & Notes					8,154,749	1,613,586	
2006 Bond - Refunding 1999 Bond and Capital Projects	Oct-06	Sep-26	4%	7,635,000	5,680,000	5,960,000	$280,000 to $595,000
2008 Revenue Bond	Aug-09	Sep-28	4-5.125%	4,430,000	3,480,000	3,655,000	$175,000 to $335,000
2013 Revenue Bond	Oct-14	Sep-33	2% to 3%	4,825,000	4,470,000	4,825,000	$30,000 to $730,000
Total Revenue Bond					13,630,000	14,440,000	
					$ 21,784,749	$ 16,053,586	

Annual debt service requirements to maturity for government loans are as follows:

Notes & Loans

	Principal	Interest	Total Requirements
2015	496,102	36,400	532,502
2016	494,968	54,958	549,926
2017	465,004	39,500	504,503
2018	465,004	36,938	501,942
2019	465,004	34,377	499,381
2020-2024	2,325,019	133,476	2,458,495
2025-2029	2,325,019	69,456	2,394,475
2030-2033	1,118,629	434,209	1,552,838
	$ 8,154,749	$ 839,314	$ 8,994,063

Annual debt service requirements to maturity for revenue bonds are as follows:

Revenue Bonds

	Principal	Interest	Total Requirements
2015	1,220,000	526,865	1,746,865
2016	975,000	492,665	1,467,665
2017	1,015,000	461,187	1,476,187
2018	1,070,000	420,440	1,490,440
2019	1,145,000	385,091	1,530,091
2020-2024	4,780,000	1,329,399	6,109,399
2025-2029	2,640,000	458,314	3,098,314
2030-2033	785,000	96,750	881,750
	$ 13,630,000	$ 4,170,711	$ 17,800,711

B. Changes in Long-Term Liabilities

During the year ended December 31, 2014 and 2013, the following changes occurred in long-term liabilities:

	1/1/14	Additions	Reductions	12/31/14	Due Within One Year
Revenue bonds	$ 14,440,000	$ -	$ 810,000	$ 13,630,000	$ 1,220,000
Less deferred amounts					
For issuance premiums (discounts)	204,702	-	12,223	192,479	12,224
Total bonds payable	14,644,702	-	822,223	13,822,479	1,232,224
Government loans	1,613,586	6,826,519	285,357	8,154,748	496,102
Other Postemployment Employee Benefits	320,420	42,301	2,435	360,286	-
Compensated Absences	327,090	42,370	-	369,460	29,835
Total long-term liabilities	$ 16,905,798	$ 6,911,190	$ 1,110,015	$ 22,706,973	$ 1,758,161

	1/1/13	Additions	Reductions	12/31/13	Due Within One Year
Revenue bonds	$ 10,060,000	$ 4,825,000	$ 445,000	$ 14,440,000	$ 810,000
Less deferred amounts					
For issuance premiums (discounts)	72,997	138,167	6,462	204,702	12,226
Total bonds payable	10,132,997	4,963,167	451,462	14,644,702	822,226
Government loans	287,331	1,415,811	89,556	1,613,586	168,213
Other Postemployment Employee Benefits	267,909	59,617	7,106	320,420	-
Compensated Absences	312,785	14,305	-	327,090	16,354
Total long-term liabilities	$ 11,001,022	$ 6,452,900	$ 548,124	$ 16,905,798	$ 1,006,793

C. Bond Covenants

The revenue bond covenants require the District to maintain bond reserves. The bond reserves are the lessor of the maximum annual debt service, 1.25 times the average debt service or 10% of the proceeds of the bonds. To satisfy this requirement, the District is holding $1,358,087 and $1,357,859 in debt reserves at December 31, 2014 and 2013, respectively.

Additionally, the District has covenanted that it will establish, maintain and collect lawful rates and charges for the use of the services and facilities of the system for so long as the bonds are outstanding. The rate covenant requires each fiscal year revenues to be at least 125% of the amounts in such fiscal year to be paid as principle and interest. At December 31, 2014 and 2013, the District's net debt service coverage ratio was 1.52 and 1.86 respectively.

D. Arbitrage Rebate Liability

The Tax Recovery Act of 1986 established regulations for the rebate to the federal government of arbitrage earning on certain local governments bonds. Issuing governments must calculate any rebate due on an annual basis and remit the amount due at least every five years. The District does not anticipate owing an arbitrage rebate liability, as its interest paid on the bonds exceeds the interest earned on holding bond proceeds.

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description:

In addition to the pension benefits described, the District administers a Post Retirement Health Care Program under a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. This plan funds a medical savings account for retired employees who serviced the District for a minimum of 15 years and retired from service at the District. This benefit is received between the age of 55 and 65 and contributes 70 to 85 percent of the current health care coverage premium provided to the District's employees for the retired employee only. These benefits were established by Resolution No. 2007-11-01 and can be amended by the District Board of Commissioners.

At December 31, 2014 and 2013, there was one employee that had retired and was receiving these benefits.

This OPEB plan does not issue a stand-alone financial report nor is it included in the report of another entity.

Funding Policy:

This plan is not currently funded. The District was required to contribute $42,301, but only contributed $2,435 at December 31, 2014. At December 31, 2013, the District was required to contribute $59,617, but only contributed $7,106. The amount contributed differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go-basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO). This amount of $360,286 and $320,420 is the actuarial accrued liability recognized on the statement of net position at December 31, 2014 and 2013, respectively.

As of the most recent actuarial valuation date, the total unfunded actuarial liability (UAAL) is $402,575. The covered payroll (annual payroll of active employees covered by the plan) was $1,281,866 and the ratio of the UAAL to the covered payroll was 31 percent.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Year Ending December 31	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$ 42,301	$ 2,435	5.76%	$ 360,286
2013	59,617	7,106	11.92%	320,420
2012	58,785	7,245	12.32%	267,909

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the Alternative measurement method parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

	2014	2013
Annual required contribution	$ 48,014	$ 43,292
Interest on net OPEB obligation	12,817	4,340
Adjustments to the annual required contribution	(18,530)	11,985
Annual OPEB cost (expense)	42,301	59,617
Employer Contributions made	2,435	7,106
Increase in the net OPEB obligation	39,866	52,511
Net OPEB obligation, beginning of year	320,420	267,909
Net OPEB obligation, end of year	$ 360,286	$ 320,420

Actuarial Methods and Assumptions:

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. The specific actuarial methods and significant assumptions used to determine the ARC for the current year are as follows:

Valuation Date	12/31/2014
Actuarial Cost Method	Projected Unit Method
Method used to determine the actuarial value of assets	N/A
Interest Rate for Discounting Future Liabilities	3.5
Projected Payroll Growth	1.25%
Investment Return	N/A
Healthcare Cost Trend Rate - Initial	7.00%
Healthcare Cost Trend Rate - Ultimate	5.00%
Amortization Method	Open
Amortization Period	30

NOTE 8 – OTHER DISCLOSURES

A. Joint Ventures

In May 1999, the District entered into an agreement to build a jointly owned administrative office and maintenance building with Central Kitsap Fire and Rescue (CKFR). As of August 2001 the facilities were jointly occupied. Total construction was completed in 2003.

Ongoing financial responsibility relates to operation and maintenance expenses. Because expense transactions are nominal, bills are paid by both entities as bills come in and are reimbursed monthly according to each entities responsibility. Percentage responsibility has been determined by a formula that looks at actual use, square footage of the building being used, number of users, etc. A detailed accounting is reconciled and balanced on a monthly basis. At December, 31, 2014 and 2013, the District owed CKFR $186 and $3,332 on joint transactions, therefore, this amount is included in accounts payable.

Separate financial statements are not maintained for the joint venture. This joint venture does not produce income.

B. Interlocal Agreement

Silverdale Water District (District) entered into an 100-year term Interlocal Agreement (Agreement) with Kitsap County Public Utility District (KPUD)on June 25, 2013, with the purpose to cooperate in providing efficient water service for the growing needs of the KPUD's and the District's customers through use of shared infrastructure. The Agreement will be reviewed and updated every two (2) years as construction is completed or amendments are deemed necessary.

The District and the KPUD has constructed and will continue to construct water transmission systems and pumping stations to allow for the sharing of construction, operation and maintenance costs of the improvements.

Each entity shall retain ownership and control of the infrastructure assets constructed by their District, as specified in the agreement.

In addition, the entities will share the use of existing water sources and infrastructure for consideration. Payments from the KPUD for operations and maintenance will commence in 2015. No additional entity or fund was created as a result of this agreement.

C. Subsequent Events

On May 21, 2015, the Board approved a $9.5 million revenue bond issue for the purpose of refunding the 2006 and 2008 bonds and issuing up to $3.5 million in new revenue bonds.

SILVERDALE WATER DISTRICT NO. 16
Required Supplementary Information
Other Post Employment Benefit
Schedule of Funding Progress
December 31, 2014 and 2013

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liabilities (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	$ -	$ 694,761	$ 694,761	0%	$ 1,202,074	58%
12/31/2009	-	729,529	729,529	0%	1,155,848	63%
12/31/2012	-	547,971	547,971	0%	1,175,003	47%
12/31/2014	-	402,575	402,575	0%	1,281,866	31%

Silverdale Water District No. 16
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Note
Drinking Water State Revolving Fund Cluster							
Office Of Water, Environmental Protection Agency (via Washington State)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM-11-952-033	521,056	-	521,056	3
	Total Drinking Water State Revolving Fund Cluster:			**521,056**	**-**	**521,056**	
	Total Federal Awards Expended:			**521,056**	**-**	**521,056**	

The accompanying notes are an integral part of this statement.

SILVERDALE WATER DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 **BASIS OF ACCOUNTING**

The Schedule of Financial Assistance is prepared on the same basis of accounting as the District's financial statements. The District uses the full accrual basis of accounting.

NOTE 2 **PROGRAM COSTS**

The amounts shown as current year expenditures represent only federal and state/local grant portions of the program costs. Entire program costs, including the District's portion may be more than shown.

NOTE3 **FEDERAL LOANS**

The District was approved by the EPA and PWB to receive a loan totaling $2,500,000 to improve its drinking water system. The amount listed for this loan includes the proceeds used during the year. Total proceeds received thru December 31, 2014 is $943,117 which were for expenditures paid in 2012-2015

The balance of this and other loans is shown on the schedule of long-term liabilities (09).

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.

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