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, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017594

Washington State Auditor's Office

September 29, 2016

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,

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs 4

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 6

Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance 9

Independent Auditor’s Report On Financial Statements 12

Financial Section 16

About The State Auditor’s Office 51

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Silverdale Water District No. 16
Kitsap County
January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Silverdale Water District No. 16 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

CFDA No.	Program or Cluster 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 the Uniform Guidance, was $750,000.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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, 2015 through December 31, 2015

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 year ended December 31, 2015, 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 26, 2016. As discussed in Note 8 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*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit 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.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 26, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Silverdale Water District No. 16
Kitsap County
January 1, 2015 through December 31, 2015

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) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2015. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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 the Uniform Guidance. 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.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 26, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Silverdale Water District No. 16
Kitsap County
January 1, 2015 through December 31, 2015

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 year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

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 audit. We conducted our audit 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, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 8 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*. 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 17 through 22, information on postemployment benefits other than pensions on page 45 and pension plan information on pages 46 through 47 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 audit was 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 26, 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 26, 2016

FINANCIAL SECTION

Silverdale Water District No. 16
Kitsap County
January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015
Statement of Revenues, Expenses and Changes in Fund Net Position – 2015
Statement of Cash Flows – 2015
Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Other Post Employment Benefit Schedule of Funding Progress – 2015
Schedule of Proportionate Share of the Net Pension Liability – PERS 1 and PERS 2/3 – 2015
Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2015
Notes to Required Supplemental Information – Pension – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

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, 2015. 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 and deferred outflows of the Silverdale Water District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $25,414,230. Of this amount, $3,533,513 in 2015 may be used to meet the government's ongoing obligations to citizens and creditors.
- From 2014 to 2015 total net position increased by $3,486,142, or 16%.
- 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, 2015.

NET POSITION

December 31, 2015 and 2014

	2015	2014
Assets:		
Current and Other Assets	$ 12,267,741	$ 8,037,128
Capital Assets, net	42,790,173	37,789,833
Total Assets	55,057,914	45,826,961
Deferred Outflows of Resources	655,502	101,455
Liabilities:		
Other Liabilities	1,132,292	1,323,190
Long-term Liabilities	28,970,874	22,677,138
Total Liabilities	30,103,166	24,000,328
Deferred Inflows of Resources	196,020	-
Net Position:		
Net Investment in Capital Assets	19,353,534	17,881,703
Restricted	2,527,183	2,787,018
Unrestricted	3,533,513	1,259,367
Total Net Position	$ 25,414,230	$ 21,928,088

At December 31, 2015, the District has $9.5 million in cash and cash equivalents and pooled investments representing 17% of total assets. At December 31, 2014, the District has $7.4 million in cash and cash equivalents and pooled investments representing 16% of total assets. Unrestricted cash increased by $1.3 million between 2015 and 2014; this was mostly caused by reimbursements from other governments, however, increased connection fees and rate increases contributed as well. Cash and cash equivalents increased from 2015 to 2014 as the district is accumulating reserves and bond proceeds for capital projects.

At the end of 2015 and 2014, capital assets represent 78% and 82% of total assets, respectively. Capital assets are increasing as the District improves its system.

At December 31, 2015 and 2014, the District had long-term liabilities (including the current portion of the debt) of $29.0 and $22.7 million, respectively. The long-term debt also includes Net Pension Liability of $1.3 million, recognized for the first time with the implementation of GASB 68. Additionally, the District drew $3.9 million down on the government loans and issued $2.3 million in new bonds for construction of projects.

2015 total net position was $25.4 million, increasing 16% over 2014. The bulk of this increase is due to contributed capital of $3.9 million.

The District's investment in capital assets (land, structure and facilities, equipment and construction in progress) less any related debt is $19.4 million at December 2015 and $17.9 million at December 2014. The District continues to expand 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

	2015	2014
Revenues		
Operating Revenues		
Charge for Services	$ 4,879,570	$ 4,061,030
Miscellaneous	46,828	62,372
Non-Operating Revenues		
Interest Earned	144,614	38,744
Other Revenues	234,437	255,993
TOTAL REVENUES	5,305,449	4,418,139
Expenses		
Operating Expenses	3,693,029	3,418,206
Non-Operating Expenses	730,542	266,039
TOTAL EXPENSES	4,423,571	3,684,245
Excess or Deficiency before Contributions	881,878	733,894
Capital Contributions	3,844,945	384,887
Change in Net Position	4,726,823	1,118,781
Net Position - Beginning	21,928,088	20,809,307
Change in Accounting Principles	(1,240,681)	-
Net Position - Ending	$ 25,414,230	$ 21,928,088

Total operating revenues for the District in 2015 and 2014 were $4.9 and $4.1 million, respectively. 2015 and 2014 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 two years. Total operating expenses for 2015 and 2014 were $3.7 and $3.4 million, respectively. 2015 presents a significant increase in capital contributions compared to 2014, resulting from a $2.5 million dollar capital contribution from KPUD and increased system connection fees.

Notes to the basic financial statements

The notes to the District's basic financial statements can be found on pages 11-28 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, 2015, amounted to $42,790,173 (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 13%. This increase is due to construction of a reservoir, water/reclaimed water main replacement and installation, and water treatment facilities and equipment.

CAPITAL ASSETS, NET

December 31, 2015 and 2014

	2015	2014
Land	$ 731,975	$ 731,975
Intangible - easements	163,172	152,761
Construction in progress	3,319,444	13,046,928
Plant	49,860,615	34,400,923
Machinery and Equipment	2,034,783	1,970,093
Intangible - depreciable	135,027	131,812
Less accumulated depreciation	(13,454,843)	(12,644,659)
	$ 42,790,173	$ 37,789,833

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, 2015, the District had total outstanding debt of $26,897,968 (including the issuance premiums of $696,942). The district received draws of $2.7 million from the 2011 PWTF during 2015. Additionally, the District received $1.2 million from its Drinking Water State Revolving Fund loan. This debt was issued to meet the capital needs of the District. Additionally, the District issued $7.8 million of revenue bonds to partially refund bond and provide additional capital for construction projects.

Of this debt $15,456,942 is Revenue Bond Debt, which is secured through rates charged to water service customers. Of the remaining debt, $11,441,026 is loans payable to other governments, secured by rates and capital connection charges.

The District has not yet received the authorized loan proceeds from the Department of Ecology for additional capital projects. The DWSRF loan amount is $2.5 million. The District expects to drawdown the remaining loan balances in 2016.

Additional information on the District's long-term debt can be found in Note 6 on pages 23-25 of this report.

Economic Outlook

The District experienced above average growth in 2015, the District expects to see continued growth in its service area over the next year. Significant growth is expected during 2016 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 summer of 2016 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, constructed a new shopping center called The Trails of Silverdale, it opened in the fall of 2015. The new 225,000 square feet of commercial space consists of 16 retail stores, 6 restaurants, and 900 parking stalls on 18-acres of property.

The District has been contacted regarding the projects listed below and anticipates the majority of projects will proceed during 2016 and 2017.

- Bakker's Hillside Estates (single-family development)
- Hogan Heights (single-family development)
- Creekside Business Park (commercial)
- Sterling Estates III (single-family development)
- Chinook Center (industrial)
- Ridgetop Homes (single-family development)
- Monarch Ridge (single-family development)
- The Ridge at Eldorado (single-family development)
- Central Kitsap School District Transportation
- Central Kitsap High School and Middle School
- North Beach Inn (multi-family development)
- Woodbridge Phase 2 (single-family development)
- Clear Creek Office Outlet (commercial)
- Shadowfax (single-family development)
- Lupine Lane (single-family development)
- Costco Expansion (commercial)
- Randal Way Storage (commercial)
- Kitsap Transit (public transportation center)
- Bucklin Hill West (commercial)

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, 2015

Assets		2015
Current Assets		
Cash, Cash Equivalents and Pooled Investments	$	3,832,230
Receivables (net):		
Customer		423,089
Lien		2,836
Miscellaneous		140
Contracts		28,106
KPUD		543,826
Inventories		104,944
Restricted Assets - Cash, Cash Equivalents and Pooled Investments		
Restricted for Debt		1,966,762
Restricted for Capital Projects		2,995,383
Restricted for Rate Stabilization		740,984
Total Current Assets		10,638,300
Long-term Assets		
Cash with Fiscal Agent		
Notes Receivable		1,629,441
Land		731,975
Construction in Progress		3,319,444
Intangible Assets (with indefinite useful lives)		163,172
Depreciable Assets (Net Depreciation and Amortization)		38,575,582
Total Noncurrent Assets		44,419,614
Total Assets		55,057,914
Deferred Outflows of Resources		
Deferred Amount on Debt Refunding		465,946
Amounts Related to Pensions		189,556
Total Deferred Outflows of Resources		655,502
Liabilities		
Current Liabilities		
Accounts Payable		523,189
Accrued Liabilities		11,198
Retainage Payable		358,313
Accrued Compensated Absences - current		19,876
Payable from Restricted		
Bond Payable - Current		1,112,334
Note/Loan Payable - Current		716,123
Interest Payable		219,716
Total Current Liabilities		2,960,749
Noncurrent Liabilities		
Bonds Payable		14,344,608
Note/Loan Payable		10,724,903
Other Post Employment Benefits		423,904
Accrued Compensated Absences		377,637
Net Pension Liability		1,271,365
Total Noncurrent Liabilities		27,142,417
Total Liabilities		30,103,166
Deferred Inflows of Resources		
Amounts Related to Pensions		196,020
Total Deferred Inflows of Resources		196,020
Net Position		
Net Invested in Capital Assets		19,353,534
Restricted		2,527,183
Unrestricted		3,533,513
Total Net Position	$	25,414,230

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, 2015

		2015
Operating Revenues		
Utility Sales & Service Fees	$	4,879,570
Miscellaneous Revenues		46,828
Total Operating Revenues		4,926,398
Operating Expenses		
Operations:		
General		324,418
Cost of Power		175,732
Maintenance		345,143
Customer Service & Marketing		13,811
Administration:		
General		1,784,195
Planning, Conversation, Research and Development		2,718
Depreciation & Amortization		810,184
Property, Excise and B&O Taxes		236,828
Total Operating Expenses		3,693,029
Operating Income (Loss)		1,233,369
Non-Operating Revenues (Expenses)		
Interest Earned		144,614
Interest and Fiscal Charges		(505,102)
Bond Issue costs		(112,000)
Other Non-Operating Revenues		233,343
Other Non-Operating Expense		(113,440)
Gain (Loss) on Disposal of Assets		1,094
Total Non-Operating Revenues (Expenses)		(351,491)
Income (Loss) before Contributions		881,878
Capital Contributions		3,844,945
Change in Net Position		4,726,823
Beginning Net Position		21,928,088
Change in Accounting Principles		(1,240,681)
Ending Net Position	$	25,414,230

The accompanying notes are an integral part of this statement

SILVERDALE WATER DISTRICT NO. 16

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2015

		2015
Cash flows from operating activities		
Cash received from customers	$	4,886,240
Cash received from other operating activities		234,437
Cash payment for goods and services		(1,015,276)
Cash payments to employees		(1,658,176)
Other payments made		(113,440)
Net cash used by operating activities		2,333,785
Cash flows from noncapital financing activities		
Net cash provided by noncapital financing activities		0
Cash flows from capital and related financing activities		
Capital contributions received		1,551,065
Proceeds from issuance of bonds		2,509,889
Receipt of loan proceeds		3,920,241
Payment on loans and notes		(633,964)
Payment for acquisition/construction of capital assets		(5,793,578)
Payment to escrow for refunding bonds		(253,452)
Payment of bonds		(1,220,000)
Interest and fiscal charges paid		(435,742)
Net cash provided (used) for capital and related financing activities		(355,541)
Cash flows from investing activities		
Receipts of interest and dividends		109,376
Net cash provided from investing activities		109,376
Net increase (decrease) in cash		2,087,620
Cash and cash equivalents - January 1		7,447,739
Cash and cash equivalents - December 31	$	9,535,359
Reconciliation to statement of net position		
Cash & cash equivalents - unrestricted		3,832,230
Cash & cash equivalents - restricted for debt		1,966,762
Cash & cash equivalents - restricted for capital outlay		2,995,383
Cash & cash equivalents - restricted for rate stabilization		740,984
Cash and cash equivalents - December 31	$	9,535,359

The accompanying notes are an integral part of this statement

SILVERDALE WATER DISTRICT NO. 16

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2015

Reconciliation of operating loss to net cash used by operating activities		2015
Net operating income (loss)	$	1,233,369
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities		
Depreciation and amortization		810,184
Other non-operating revenues		234,437
Other non-operating expenses		(113,440)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable		(40,158)
Increase (decrease) in accounts payable		53,512
Decrease (increase) in Inventories		26,607
Increase (decrease) in other payables		92,126
Increase (decrease) in pension items		37,148
Total adjustments		1,100,416
Net cash used by operating activities	$	2,333,785
Noncash Transactions		
Donated Assets	$	199,677
Note receivable issued for capital contributions		2,094,203
Bond proceed and premium received by escrow agent		5,784,196
Debt paid by refunding through escrow agent		(5,500,000)
Bond issue costs paid by escrow agent		(112,000)

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 2015, inventories were valued at $104,944 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 2015, the District capitalized $71,422 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. 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.

11. 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		12/31/2015
Rate Stabilization	$	740,984
Construction		2,995,383
Bond Fund		737,853
Bond Reserve		1,228,909
Total	$	5,703,129

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 $9,398,494 in cash and cash equivalents at December 31, 2015. The District was holding $136,865 at December 31, 2015, 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, 2015 was as follows:

	Beginning Balance 01/01/2015	Increases	Decreases	Ending Balance 12/31/2015
Capital assets, not being depreciated:				
Land	731,975	-	-	731,975
Intangible asset - easements	152,761	10,411	-	163,172
Construction in progress	13,046,928	7,561,563	17,289,047	3,319,444
Total capital assets, not being depreciated	$ 13,931,664	$ 7,571,974	$ 17,289,047	$ 4,214,591
Capital assets, being depreciated:				
Plant	34,400,923	15,459,692	-	49,860,615
Machinery and equipment	1,970,093	64,690	-	2,034,783
Intangible asset - plans and studies	103,212	-	-	103,212
Intangible asset - software	28,600	3,215	-	31,815
Total capital assets being depreciated	$ 36,502,828	$ 15,527,597	$ -	$ 52,030,425
Less accumulated depreciation for:				
Plant & Equipment	12,635,126	792,982	-	13,428,108
Intangible asset - amortization	9,533	17,202	-	26,735
Total accumulated depreciation	$ 12,644,659	$ 810,184	$ -	$ 13,454,843
Total capital assets, being depreciated, net	23,858,169	14,717,413	-	38,575,582
Total capital assets	$ 37,789,833	$ 22,289,387	$ 17,289,047	$ 42,790,173

Significant Commitments

The District has several significant construction projects as of December 31, 2015. 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, 2015 is as follows:

	FUND & PROJECT NAME	PROJECT AUTHORIZATION	EXPENSES AS OF 12/31/15	REMAINING COMMITMENT
89806 - CAPITAL FUND (Charges & Bond Proceeds)				
601900	SCADA System Upgrades	500,000.00	428,005.23	71,994.77
602001	Pump Station (Well/Booster) - Newberry (KPUD)	395,000.00		395,000.00
602001	Pump Station (Booster) - Chena	580,000.00		580,000.00
603006	Water Main Ext - Eldorado Boulevard	246,000.00		246,000.00
603015	Water Main Ext - Bayshore/Washington	651,000.00	3,344.78	647,655.22
603018	Water Main Ext - Bucklin Hill Bridge - Potable	873,180.00	234,653.24	638,526.76
603019	Water Main Ext - Byron/Pacific	487,500.00		487,500.00
603020	Water Main Ext - Loretta Heights	134,000.00		134,000.00
605009	Water Main Ext - Recycled - Bucklin Hill Bridge	678,820.00	83.90	678,736.10
605011	Water Main - Recycled - Bryon	226,500.00	-	226,500.00
605012	Water Main - Recycled - Silverdale Way	226,000.00	-	226,000.00
607002	Maintence Facility - Newberry	255,000.00	-	255,000.00
		5,253,000.00	666,087.15	4,586,912.85
89810 - DRINKING WATER STATE REVOLVING FUND				
108000	Pump Station/Reservoir - Apex	2,418,974.00	2,329,179.57	89,794.43
		2,418,974.00	2,329,179.57	89,794.43

NOTE 4 – PENSION PLANS

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* for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 1,271,365
Deferred outflows of resources	189,556
Deferred inflows of resources	196,020
Pension expense/expenditures	183,722

State Sponsored 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 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.

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) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The District's actual contributions to the plan were $0 for the year ended December 31, 2015.

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 1 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.

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 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) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The District's actual contributions to the plan were $146,574 for the year ended December 31, 2015.

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 and TERS 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*.

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. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). 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, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 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 as of June 30, 2015, 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.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return

		Arithmetic
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%
	100%	

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.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 822,450	$ 675,522	$ 549,178
PERS 2/3	$ 1,742,276	$ 595,843	$ (281,938)

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 June 30, 2015, the District reported a total pension liability of $1,271,365 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$ 675,522
PERS 2/3	595,843

At June 30, 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	0.011894%	0.012914%	0.001020%
PERS 2/3	0.015313%	0.016676%	0.001363%

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* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, 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, the district recognized pension expense as follows:

	Pension Expense
PERS 1	$ 97,745
PERS 2/3	85,977
TOTAL	183,722

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 36,958
Contributions subsequent to the measurement date	35,302	-
TOTAL	$ 35,302	$ 36,958

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 63,338	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	159,062
Changes of assumptions	960	-
Changes in proportion and differences between contributions and proportionate share of contributions	43,856	
Contributions subsequent to the measurement date	46,100	-
TOTAL	$ 154,254	$ 159,062

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 year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3
2016	$ (14,324)	$ (30,287)
2017	(14,324)	(30,287)
2018	(14,324)	(30,287)
2019	6,014	39,954
2020	-	-
Thereafter	-	-
Total	(36,958)	(50,907)

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 District 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, 2015, there are 507 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

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

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is 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, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Liability coverage limit is $10 million per occurrence and property coverage limit is $1 billion per occurrence. Enduris offers crime coverage up to a limit of $1 million per occurrence.

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.

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, 2015, $2,162,569 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	12/31/15 Debt Outstanding	Maturities
1996 PWTF - Water System Intertie	Jun-96	Jul-16	3%	$ 568,483	$ 29,964	$ 29,964
2011 PWTF - Water System Intertie	Jun-11	Jul-31	0.25%	10,000,000	9,248,493	417,848
2012 DWSRF - Capital System Improvement	Feb-12	Oct-35	1.0%	2,500,000	2,162,569	108,128
Total Government Loans & Notes					11,441,026	
2006 Bond - Refunding 1999 Bond and Capital Projects	Oct-06	Sep-26	4%	7,635,000	2,570,000	$280,000 to $595,000
2008 Revenue Bond	Aug-09	Sep-28	4-5.125%	4,430,000	600,000	$175,000 to $335,000
2013 Revenue Bond	Oct-14	Sep-33	2% to 3%	4,825,000	3,740,000	$30,000 to $730,000
2015 Refunding/Revenue Bond	Aug-15	Sep-35	2% to 4%	7,850,000	7,850,000	$100,000 to $985,000
Total Revenue Bond					14,760,000	
					$ 26,201,026	

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

Notes & Loans

		Principal		Interest		Total Requirements
2016		716,123		45,232		761,355
2017		686,159		42,220		728,380
2018		686,159		39,694		725,854
2019		686,159		37,168		723,327
2020		686,159		34,642		720,801
2019-2025		3,430,797		135,313		3,566,111
2026-2030		3,430,797		72,151		3,502,949
2031-2035		1,118,670		17,664		1,136,335
	$	11,441,026	$	424,085	$	11,865,111

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

Revenue Bonds

		Principal		Interest		Total Requirements
2016		1,075,000		526,813		1,601,813
2017		1,130,000		478,460		1,608,460
2018		1,185,000		441,975		1,626,975
2019		1,250,000		408,026		1,658,026
2020		1,270,000		377,825		1,647,825
2019-2025		4,945,000		1,331,375		6,276,375
2026-2030		2,510,000		540,850		3,050,850
2031-2035		1,395,000		154,425		1,549,425
	$	14,760,000	$	4,259,749	$	19,019,749

B. Changes in Long-Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	1/1/15	Additions	Reductions	12/31/15	Due Within One Year
Revenue bonds	$ 13,630,000	$ 7,850,000	$ 6,720,000	$ 14,760,000	$ 1,075,000
Less deferred amounts					
For issuance premiums (discounts)	192,479	556,771	52,308	696,942	37,334
Total bonds payable	13,822,479	8,406,771	6,772,308	15,456,942	1,112,334
Government loans	8,154,748	3,920,241	633,963	11,441,026	716,123
Other Postemployment Employee Benefits	360,286	66,063	2,445	423,904	-
Net Pension Liability*	908,697	362,668	-	1,271,365	-
Compensated Absences	369,460	35,759	7,706	397,513	19,876
Total long-term liabilities	$ 23,615,670	$ 12,791,502	$ 7,416,422	$ 28,990,750	$ 1,848,333

*Beginning balance was restated for implementation of GASB 68.

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 $1,228,909 in debt reserves at December 31, 2015.

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, 2015, the District's net debt service coverage ratio was 4.5.

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.

E. Advance Refunding

In September 2015, the District issued $7,850,000 for the purpose of issuing new bonds and advance refunding $2,805,000 of 2006 Water Bonds and $2,695,000 of 2008 Water Bonds. The Par value of the refunding bonds is $5,500,000. The net present value savings of the refunding portions is $297,585. The nominal savings is $450,562

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, 2015, 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 $72,487, but only contributed $2,445 at December 31, 2015. 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 $423,904 is the actuarial accrued liability recognized on the statement of net position at December 31, 2015.

As of the most recent actuarial valuation date, the total unfunded actuarial liability (UAAL) is $653,733. The covered payroll (annual payroll of active employees covered by the plan) was $1,268.248 and the ratio of the UAAL to the covered payroll was 52 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
2015	$ 66,063	$ 2,445	3.70%	$ 423,904
2014	42,301	2,435	5.76%	360,286
2013	59,617	7,106	11.92%	320,420

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.

	2015	2014
Annual required contribution	$ 72,487	$ 48,014
Interest on net OPEB obligation	14,411	12,817
Adjustments to the annual required contribution	(20,835)	(18,530)
Annual OPEB cost (expense)	66,063	42,301
Employer Contributions made	2,445	2,435
Increase in the net OPEB obligation	63,618	39,866
Net OPEB obligation, beginning of year	360,286	320,420
Net OPEB obligation, end of year	$ 423,904	$ 360,286

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 District used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 62.4 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2015, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide PEBB study performed in 2015. The results were based on grouped data with four active groupings and four inactive groupings. These assumptions are individually and collectively reasonable for the purposes of this valuation. The specific actuarial methods and significant assumptions used to determine the ARC for the current year are as follows:

Valuation Date	12/31/2015
Actuarial Cost Method	Projected Unit Credit
Method used to determine the actuarial value of assets	N/A
Interest Rate for Discounting Future Liabilities	4.00%
Projected Payroll Growth	3.75%
Investment Return	N/A
Healthcare Cost Trend Rate - Initial	4.50%
Healthcare Cost Trend Rate - Ultimate	6.70%
Amortization Method	Open
Amortization Period	30

NOTE 8 – OTHER DISCLOSURES

A. Implementation of New Governmental Accounting Standards Board Pronouncements

The District implemented GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. As a result of implementing this standard, the city recognized an adjustment to beginning net position of $1,240,681, presented as a change in accounting principles.

B. 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, 2015, the District owed CKFR $5,960 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 began in 2015. During 2015, the District recognized $2,529,723 in contributed capital and $99,718 in interest. The KPUD made a $500,000 payment leaving a note receivable of $2,129,441 at December 31, 2016. No additional entity or fund was created as a result of this agreement.

SILVERDALE WATER DISTRICT NO. 16
Required Supplementary Information
Other Post Employment Benefit
Schedule of Funding Progress
December 31, 2015

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)
12/31/2012	$ -	$ 547,971	$ 547,971	0%	$ 1,175,003	47%
12/31/2014	-	402,575	402,575	0%	1,281,866	31%
12/31/2015		653,733	653,733	0%	1,268,248	52%

SILVERDALE WATER DISTRICT
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last 2 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.012914%	$ 675,522	$ -	N/A	59.10%
2014	0.011894%	$ 599,166	$ -	N/A	61.19%

PERS 2/3
As of June 30
Last 2 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.016676%	$ 595,843	$ 1,482,926	40.18%	89.20%
2014	0.015313%	$ 309,531	$ 1,299,431	23.82%	93.29%

SILVERDALE WATER DISTRICT
Required Supplementary Information
Schedule of Employer Contributions
PERS 1
As of December 31
Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	$ 64,157	$ (64,157)	$ -	$ -	N/A
2014	67,334	(67,334)	-	-	N/A

PERS 2/3
As of December 31
Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	$ 82,417	$ (82,417)	$ -	$ 1,433,671	5.75%
2014	65,099	(65,099)	-	1,440,941	4.52%

SILVERDALE WATER DISTRICT
Notes to Required Supplemental Information - Pension

As of December 31
Last Two Fiscal Years

Note 1: Information Provided

The District implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.

There are no District employees participating in the PERS 1 plan in 2014 or 2015; therefore, there is no covered payroll or contribution data to report under PERS 1. A portion of the total PERS 1 plan liability is shared by PERS 2/3 employers, and as such the PERS 1 liability and employer's share for the District are presented.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees coverered under the benefit terms or in the use of different assumptions.

Note 3: Change in contribution rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 9.21% to 11.18% for pay periods beginning July 2015.

Silverdale Water District No. 16
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Drinking Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency (via State Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM11-952-033	1,695,350		1,695,350	-	3
	Total Drinking Water State Revolving Fund Cluster:			**1,695,350**		**1,695,350**	**-**	
	Total Federal Awards Expended:			**1,695,350**		**1,695,350**	**-**	

The accompanying notes are an integral part of this schedule.

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 modified accrual basis of accounting.

NOTE 2 PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 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, 2015 is $2,162,569.

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

NOTE 4 INDIRECT COSTS

The District has not elected to use the 10-perecnet de minimis indirect cost rate allowed under the Uniform Guidance.

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