



Silver Lake Water & Sewer District



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2017 AND 2016

**SILVER LAKE WATER AND SEWER DISTRICT
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Commissioners
Silver Lake Water and Sewer District
Bothell, Washington

We have reviewed the accompanying financial statements of Silver Lake Water and Sewer District, which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in fund net position and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of District management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

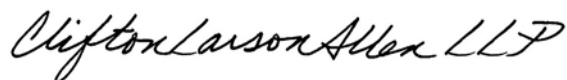
Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information, contained on pages 3 through 10, and the other postemployment benefits schedules of funding progress, schedules of proportionate share of the net pension liability and employer contributions, contained on pages 44 through 46, 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. Such information is the responsibility of management. We have not audited, reviewed, or compiled the management's discussion and analysis and, accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on it. We have reviewed the schedules of proportionate share of the net pension liability and employer contributions. 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 financial statements. We are not aware of any material modifications that should be made to the schedules of proportionate share of the net pension liability and employer contributions. We have not audited the schedules of proportionate share of the net pension liability and employer contributions and do not express an opinion on such information.

Supplementary Information

The accompanying supplementary information included in pages 48 and 49 is presented for purposes of additional analysis and 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 financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.



CliftonLarsonAllen LLP

Bellevue, Washington
May 21, 2018

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

INTRODUCTION

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2017 and 2016 and our financial performance for the years then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include a statement of net position, statement of revenues, expenses and changes in fund net position, statement of cash flows and notes to the financial statements.

The statement of net position presents total assets and deferred outflows of resources and total liabilities and deferred inflows of resources with the difference between the two totals reported as net position. It provides information about the nature and amounts of investments in resources (assets), consumption of resources that are applicable to future periods (deferred outflows), obligations to District creditors (liabilities) and the acquisition of resources that are applicable to a future reporting period (deferred inflows). It provides a basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position presents the results of the District's business activities over the course of the year. This information can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, and to evaluate our profitability and credit worthiness.

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from operating, financing and investing activities over the course of the year. It presents information regarding where cash came from and what it was used for.

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

The notes to the financial statements provide useful information regarding the District's significant accounting policies, explain significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

CONDENSED STATEMENTS OF NET POSITION AT DECEMBER 31

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Capital Assets	\$ 153,754,295	\$ 151,646,914	\$ 149,618,689
Other Assets	49,838,102	45,552,643	41,760,274
Total Assets	<u>203,592,397</u>	<u>197,199,557</u>	<u>191,378,963</u>
Deferred Outflows of Resources	301,967	429,651	238,283
Long-Term Liabilities	7,708,168	9,327,669	9,391,530
Other Liabilities	3,947,172	3,575,037	3,061,937
Total Liabilities	<u>11,655,340</u>	<u>12,902,706</u>	<u>12,453,467</u>
Deferred Inflows of Resources	<u>277,655</u>	<u>37,664</u>	<u>255,576</u>
Net Investment in Capital Assets	146,625,508	143,375,546	140,931,496
Restricted Amounts	783,274	779,832	780,953
Unrestricted Amounts	44,552,587	40,533,460	37,195,754
Total Net Position	<u>\$ 191,961,369</u>	<u>\$ 184,688,838</u>	<u>\$ 178,908,203</u>

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Sewer Service Revenue	\$ 13,347,640	\$ 12,745,229	\$ 12,312,927
Water Service Revenue	5,935,228	5,502,267	5,531,208
Other Sewer Operating Revenues	260,179	383,640	330,538
Other Water Operating Revenues	413,005	469,042	429,176
Total Operating Revenues	<u>19,956,052</u>	<u>19,100,178</u>	<u>18,603,849</u>
Sewer Operation and Maintenance Expenses	8,416,191	7,718,324	7,436,040
Water Operation and Maintenance Expenses	2,922,941	2,681,271	2,673,053
Sewer General and Administrative Expenses	2,162,056	2,019,014	1,805,659
Water General and Administrative Expenses	2,442,844	2,452,675	2,253,873
Depreciation, Sewer	1,908,690	1,851,145	1,764,115
Depreciation, Water	1,377,680	1,351,394	1,295,089
Total Operating Expenses	<u>19,230,402</u>	<u>18,073,823</u>	<u>17,227,829</u>
Operating Income	725,650	1,026,355	1,376,020
Nonoperating Revenue (Expense):			
Investment and Assessment Income	425,333	177,638	47,935
Interest and amortization on Long-Term Debt - Net of Amount Capitalized	(52,934)	(46,066)	(67,370)
Net Gain (Loss) on Disposal of Assets	5,163	1,658	(54,241)
Total Nonoperating Revenue (Expenses)	<u>377,562</u>	<u>133,230</u>	<u>(73,676)</u>
Income before Capital Contributions	<u>1,103,212</u>	<u>1,159,585</u>	<u>1,302,344</u>
Capital Contributions	<u>6,169,319</u>	<u>4,621,050</u>	<u>4,733,074</u>
Increase in Net Position	7,272,531	5,780,635	6,035,418
Net Position, January 1	<u>184,688,838</u>	<u>178,908,203</u>	<u>172,872,785</u>
Net Position, December 31	<u>\$ 191,961,369</u>	<u>\$ 184,688,838</u>	<u>\$ 178,908,203</u>

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

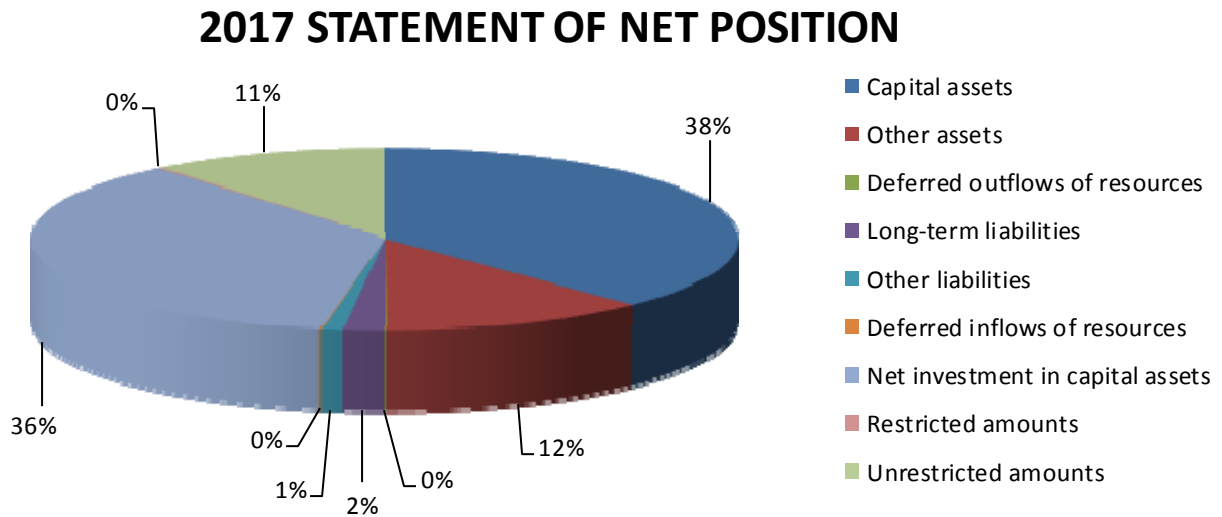
FINANCIAL POSITION

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

The District is financed primarily by equity and substantial liquid assets are available to fund liabilities and construction. Capital assets increased in 2017 and 2016 due to growth in the District's customer base and system improvements.

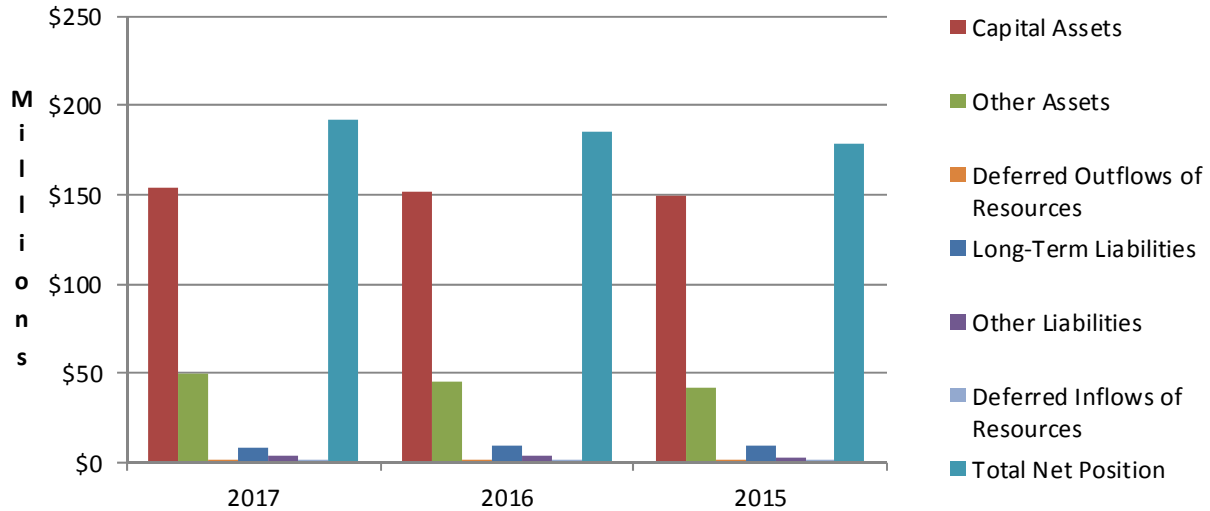
The District is located in a growing area of Snohomish County, Washington.

The following charts indicate the components of financial position:



**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

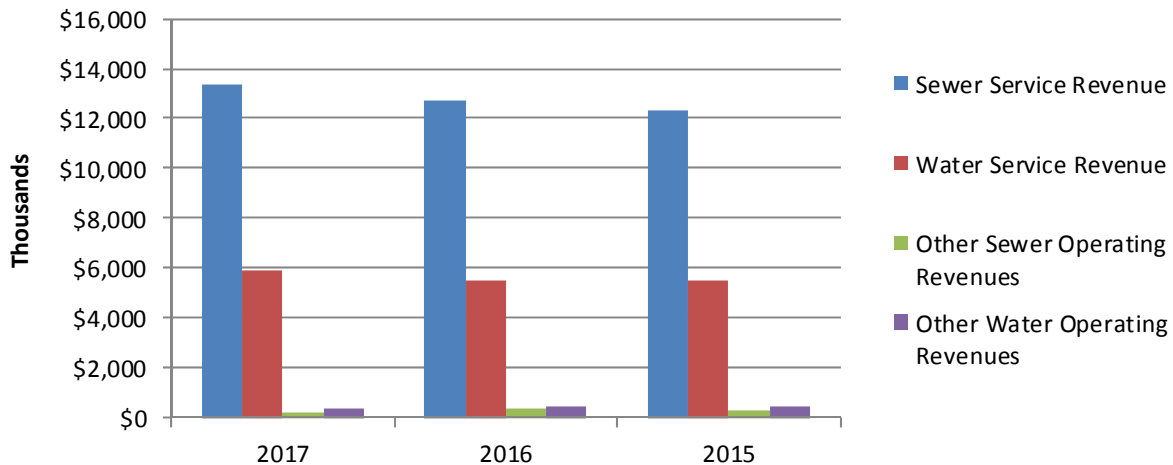
COMPARATIVE STATEMENT OF NET POSITION



RESULTS OF OPERATIONS

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

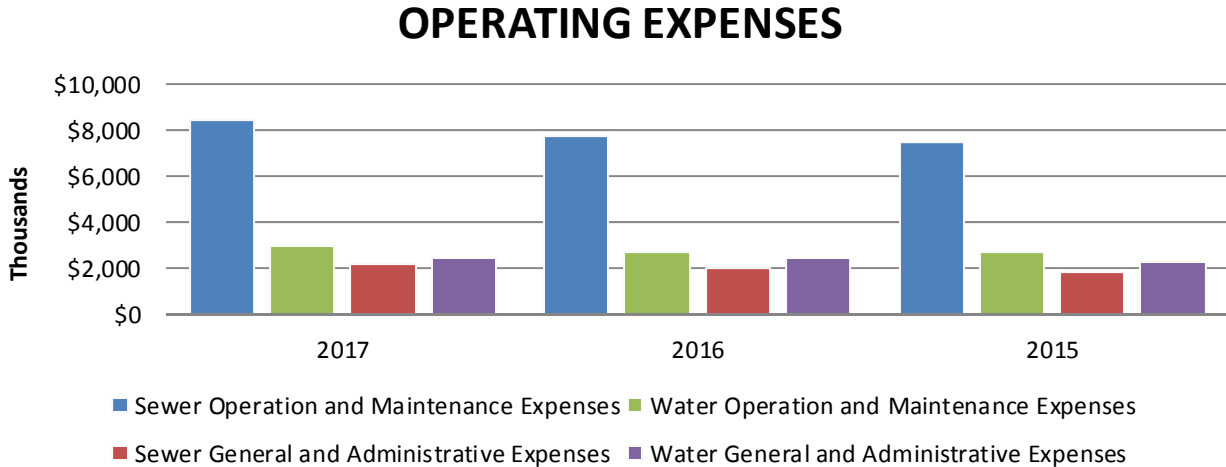
OPERATING REVENUES



The increase in sewer revenue in 2017 and 2016 was due to growth in the customer base and rate increases. Water usage, and corresponding revenues, can vary significantly due to weather conditions. Water revenue increased in 2017 due to a summer that was hotter and dryer than normal and rate increases. Water revenue decreased in 2016 due to the conditions being more temperate than in 2015.

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following chart indicates operating expenses over the last three years:



Sewer operation and maintenance expenses increased in 2017 and 2016 primarily due to rate increases for sewage treatment. Water operation and maintenance expenses increased in 2017 primarily due to variation in water purchases as a result of summer weather conditions as discussed above for operating revenue. Water operating expenses increased slightly in 2016 primarily due to increases in system maintenance. Sewer and water general and administrative expenses increased in 2017 primarily due to increased state taxes as a result of the increase in revenue and in 2016 primarily due to increases in personnel costs.

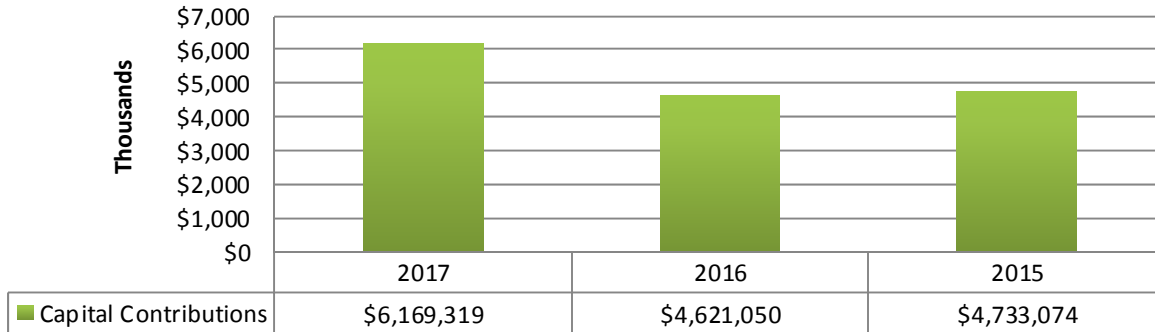
The District operated at a profit in 2017, 2016 and 2015. Operating results are augmented by earnings on investments, capital contributions, and other non-operating revenues, less non-operating expenses.

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The District collects capital contributions from new customers. These contributions consist of connection charges, grants, ULID assessments and donated systems.

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

CAPITAL CONTRIBUTIONS



The contributions are indicative of the growth of the District and include donated systems totaling \$2,242,244, \$2,071,713 and \$1,909,309 for the years ended December 31, 2017, 2016 and 2015, respectively. The growth of the District is increasing due to the effects of the improving overall economy.

CAPITAL ASSETS AND LONG-TERM DEBT

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

2017		2016	
Water System:		Water System:	
Donated Systems	\$ 1,406,442	Donated Systems	\$ 1,076,951
Building Remodel	729,634	Reservoir #3 Interior	66,218
Valve Adjustments	52,812	Building Remodel	87,863
Comprehensive Plan	35,384	Seattle Hill Road Water	1,293,026
Res No.3 Improvements #16439	274,980	Comprehensive Plan	36,694
Seattle Hill Rd Water Phase II	32,580		
725 Zone Extension	571,534		
Sewer System:		Sewer System:	
Donated Systems	835,802	Donated Systems	994,762
12th Street NE Dike #3435	103,707	WPCF Expansion Phase C	476,891
#3614-North Chlorine Bldg.	31,615	12th Street NE Dike #3435	51,083
Comprehensive Plan	46,115	Comprehensive Plan	50,815
Lift Station #3 Modifications	78,849	Silver Firs Force Main	90,136
Building Remodel	650,590	51st Avenue Gravity	489,442
Seattle Hill Rd-Sewer Phase II	43,948	Building Remodel	78,441

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Long-term liabilities decreased in 2017 and 2016 due to principal payments made by the District in excess of new borrowings and changes in the net pension liability.

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

As of December 31, 2017, the District has \$46,442,251 of unrestricted cash and investments available for operating costs and capital asset acquisition.

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

ADDITIONAL COMMENTS

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

SILVER LAKE WATER AND SEWER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2017	2016
CURRENT ASSETS		
Unrestricted:		
Cash	\$ 4,194,016	\$ 4,712,320
Investments	42,248,235	37,553,553
Accounts Receivable	1,760,389	1,682,713
Unbilled Utility Service Receivable	665,266	631,564
Accounts Receivable, Other	-	23,550
Prepaid Expenses	11,393	-
Materials and Supplies	173,796	165,544
Total Unrestricted	49,053,095	44,769,244
Restricted:		
Cash	124,093	124,093
Investments	660,914	654,593
Interest Receivable	-	419
Assessments Receivable - Current Portion	-	4,294
Total Restricted	785,007	783,399
Total Current Assets	49,838,102	45,552,643
NONCURRENT ASSETS		
Capital Assets not being Depreciated:		
Land and Land Rights	3,449,020	3,449,020
Construction in Progress	3,224,173	815,224
Capital Assets being Depreciated:		
Plant in Service	203,972,176	201,012,760
Less: Accumulated Depreciation	(56,891,074)	(53,630,090)
Net Capital Assets	153,754,295	151,646,914
Total Noncurrent Assets	153,754,295	151,646,914
Total Assets	203,592,397	197,199,557
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding of Debt	688	2,101
Deferred Outflows Related to Pensions	301,279	427,550
Total Deferred Outflows of Resources	301,967	429,651
Total Assets and Deferred Outflows of Resources	\$ 203,894,364	\$ 197,629,208

See accompanying Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 2,265,044	\$ 1,955,139
Retainage Payable	67,093	52,401
Accrued Compensated Absences	314,900	285,300
Deposits	7,500	12,500
Accrued Interest	18,683	21,045
Long-Term Debt, Current Maturities	752,219	745,085
Total Payable from Unrestricted Assets	<u>3,425,439</u>	<u>3,071,470</u>
Payable from Restricted Assets:		
Accrued Interest	1,733	3,567
Long-Term Debt, Current Maturities	520,000	500,000
Total Payable from Restricted Assets	<u>521,733</u>	<u>503,567</u>
Total Current Liabilities	3,947,172	3,575,037
NONCURRENT LIABILITIES		
Long-Term Debt Payable from Unrestricted Assets, Net of Current Maturities	5,854,375	6,499,590
Long-Term Debt Payable from Restricted Assets, Net of Current Maturities	2,881	528,794
Compensated Absences	129,597	127,366
Net Pension Liability	1,721,315	2,171,919
Total Noncurrent Liabilities	<u>7,708,168</u>	<u>9,327,669</u>
Total Liabilities	11,655,340	12,902,706
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	<u>277,655</u>	<u>37,664</u>
Total Liabilities and Deferred Inflows of Resources	11,932,995	12,940,370
NET POSITION		
Net Investment in Capital Assets	146,625,508	143,375,546
Restricted for Debt Service	783,274	779,832
Unrestricted	44,552,587	40,533,460
Total Net Position	<u>191,961,369</u>	<u>184,688,838</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$ 203,894,364</u>	<u>\$ 197,629,208</u>

SILVER LAKE WATER AND SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Service Charges	\$ 19,282,868	\$ 18,247,496
Permits	145,923	274,803
Miscellaneous	527,261	577,879
Total Operating Revenues	<u>19,956,052</u>	<u>19,100,178</u>
OPERATING EXPENSES		
Operation Expenses	10,616,424	9,723,367
Maintenance Expenses	722,708	676,228
General and Administrative	4,604,900	4,471,689
Depreciation	3,286,370	3,202,539
Total Operating Expenses	<u>19,230,402</u>	<u>18,073,823</u>
OPERATING INCOME	725,650	1,026,355
NONOPERATING REVENUES (EXPENSES)		
Investment and Assessment Income	425,333	177,638
Interest and Amortization on Long-Term Debt - Net of Amount Capitalized	(52,934)	(46,066)
Net Gain (Loss) on Disposal of Assets	5,163	1,658
Total Nonoperating Revenue (Expenses)	<u>377,562</u>	<u>133,230</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,103,212	1,159,585
Capital Contributions	<u>6,169,319</u>	<u>4,621,050</u>
CHANGE IN NET POSITION	7,272,531	5,780,635
Net Position - Beginning of Year	<u>184,688,838</u>	<u>178,908,203</u>
NET POSITION - END OF YEAR	<u><u>\$ 191,961,369</u></u>	<u><u>\$ 184,688,838</u></u>

See accompanying Notes to Financial Statements.

**SILVER LAKE WATER AND SEWER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Other	\$ 19,868,224	\$ 19,106,938
Cash Paid to Vendors	(12,433,617)	(10,545,163)
Cash Paid to and for Employees and Commissioners	(3,779,005)	(3,538,209)
Net Cash Provided by Operating Activities	3,655,602	5,023,566
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Contributions in Aid of Construction	3,927,075	2,549,337
Collections on ULID Assessments Receivable	4,294	5,520
Interest Received on Assessments	419	1,090
Proceeds from Issuance of Long-Term Debt	111,776	829,278
Proceeds from Disposal of Assets	11,907	1,658
Expenditures for Plant in Service and Construction	(2,623,175)	(3,467,409)
Payment on Long-Term Debt	(1,249,857)	(1,238,389)
Interest Paid on Long-Term Debt	(80,675)	(103,018)
Net Cash Provided (Used) by Capital Financing Activities	101,764	(1,421,933)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(4,701,003)	(13,137,931)
Interest Received on Investments	425,333	176,966
Net Cash Used by Investing Activities	(4,275,670)	(12,960,965)
NET DECREASE IN CASH	(518,304)	(9,359,332)
Cash - Beginning of Year	4,836,413	14,195,745
CASH - END OF YEAR	\$ 4,318,109	\$ 4,836,413
Cash is Comprised of the Following at December 31:		
Cash - Current Assets	\$ 4,194,016	\$ 4,712,320
Cash - Restricted Assets	124,093	124,093
	\$ 4,318,109	\$ 4,836,413

See accompanying Notes to Financial Statements.

**SILVER LAKE WATER AND SEWER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 725,650	\$ 1,026,355
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,286,370	3,202,539
(Increase) Decrease in Assets:		
Receivables	(87,828)	6,760
Materials and Supplies	(8,252)	(36,290)
Prepaid Expenses	(11,393)	-
Deferred Outflows Related to Pensions	126,271	(193,475)
Increase (Decrease) in Liabilities:		
Accounts Payable	(191,434)	751,455
Accrued Compensated Absences	31,831	20,559
Deposits	(5,000)	-
Net Pension Liability	(450,604)	463,575
Deferred Inflows Related to Pensions	239,991	(217,912)
	\$ 3,655,602	\$ 5,023,566
 SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH FINANCING AND INVESTING ACTIVITIES		
Utility Plant Donations Received	\$ 2,242,244	\$ 2,071,713

See accompanying Notes to Financial Statements.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Basis of Presentation and Accounting

These financial statements are prepared utilizing the economic RESOURCES measurement focus and full accrual basis of accounting. All activities of the District are accounted for within a single proprietary (enterprise) fund.

Investments

Investments in the State of Washington Treasurer's Investment Pool are stated at share price which is equal to amortized cost.

Accounts Receivable

The District utilizes the allowance method of accounting for doubtful accounts. However, all accounts are considered fully collectible since nonpayment of an account can result in a lien assessment filed against the property. Therefore, no allowance for doubtful accounts has been provided in the financial statements.

Materials and Supplies

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

Capital Assets

Capital assets are stated at cost. For water and sewer systems installed by developers or customers and conveyed to the District by bill of sale, the District records the cost of the system at acquisition value, which is determined by the contributing party's estimated cost. Expenditures for capital assets exceeding \$5,000, including capital leases and major repairs that increase useful lives, are capitalized. Certain assets including meters, hydrants and titled motor vehicles and trailers are capitalized regardless of cost. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. When capital assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Water System	10-75 Years
Sewer System	20-75 Years
Office Building and Improvements	10-40 Years
Equipment and Other	3-10 Years

Interest Capitalization

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

Total interest and amortization cost incurred for the years ended December 31, 2017 and 2016 was \$71,979 and \$96,096, respectively. Interest capitalized to Construction in Progress for the years ended December 31, 2017 and 2016 was \$19,045 and \$50,030, respectively.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accrued Compensated Absences

The District accrues accumulated unpaid vacation and sick leave benefit amounts as earned. District employees accumulate vacation and sick leave hours, subject to certain restrictions, for subsequent use or payment upon termination, retirement, or death.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of losses on refunding of debt, contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. The deferred loss on refunding of debt results from a difference in the carrying value of refunded debt and its reacquisition price. Losses on refunding of debt are amortized by the interest method over the life of the refunded or refunding debt, whichever is shorter. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the District's proportionate share of deferred outflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Long-Term Debt

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

Net Position

Net position is classified in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital-related deferred outflows of resources reduced by the outstanding balances of any capital-related borrowings and deferred inflows of resources. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of assets restricted by external creditors (such as through debt covenants), grantors, contributors or others reduced by related liabilities and deferred inflows of resources.

Unrestricted Net Position – This component of net position consists of all net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District applies unrestricted and restricted resources to purposes for which both unrestricted and restricted net resources are available based on management's discretion.

Revenues and Expenses

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

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Contributions

ULID assessments and contributions in aid of construction from property owners are recorded as capital contribution revenue.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The Districts bank balances as of December 31, 2017 and 2016 were \$4,784,867 and \$4,914,724, respectively.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District deposits and certificates of deposit 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 Commission (PDPC).

Investments

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

As of December 31, the District had the following investments, which are measured at amortized cost:

	Fair Value
<u>2017</u>	
Local Government Investment Pool	\$ 42,909,149
 <u>2016</u>	
Local Government Investment Pool	\$ 38,208,146

SILVER LAKE WATER AND SEWER DISTRICT
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NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in Local Government Investment Pool

The District is a participant in the Local Government Investment Pool (LGIP). The LGIP was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the LGIP. The policy is reviewed annually and proposed changes are reviewed by the LGIP advisory committee.

Investment in the LGIP are stated at share price, which is equal to amortized cost, and approximates fair value. The LGIP was not rated by a nationally recognized statistical rating organization (NRSRO). The LGIP is invested in a manner that meets the maturity, quality, diversity, and liquidity requirements of Governmental Accounting Standards Board Statement 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share value. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, P.O. Box 40200, Olympia, Washington 98504-0200, or online at www.tre.wa.gov.

**SILVER LAKE WATER AND SEWER DISTRICT
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NOTE 3 RESTRICTED ASSETS

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

	Revenue Bond Debt Service Account	Revenue Bond Reserve Account	Total
	<u> </u>	<u> </u>	<u> </u>
<u>2017</u>			
Current Restricted Assets:			
Cash	\$ 73,006	\$ 51,087	\$ 124,093
Investments	228,778	432,136	660,914
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 301,784</u>	<u>\$ 483,223</u>	<u>\$ 785,007</u>
<u>2016</u>			
Current Restricted Assets:			
Cash	\$ 73,006	\$ 51,087	\$ 124,093
Investments	226,590	428,003	654,593
Interest Receivable	419	-	419
Assessments Receivable, Current	4,294	-	4,294
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 304,309</u>	<u>\$ 479,090</u>	<u>\$ 783,399</u>

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

The required reserve account at December 31, 2017 and 2016 was \$426,000 and \$462,000, respectively. Both the debt service and reserve accounts are fully funded.

SILVER LAKE WATER AND SEWER DISTRICT
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NOTE 4 CAPITAL ASSETS

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

	2017			Balance, End of Year
	Balance, Beginning of Year	Increases	Decreases	
Capital Assets not being Depreciated:				
Land and Land Rights	\$ 3,449,020	\$ -	\$ -	\$ 3,449,020
Construction in Progress	815,224	2,714,891	(305,942)	3,224,173
	<u>4,264,244</u>	<u>2,714,891</u>	<u>(305,942)</u>	<u>6,673,193</u>
Capital Assets being Depreciated:				
Water System	79,965,897	1,742,623	-	81,708,520
Sewer System	102,808,314	866,877	(7,123)	103,668,068
Office Building and Improvements	14,881,325	103,532	-	14,984,857
Equipment and Other	3,357,224	278,513	(25,006)	3,610,731
	<u>201,012,760</u>	<u>2,991,545</u>	<u>(32,129)</u>	<u>203,972,176</u>
Accumulated Depreciation:				
Water System	(18,002,993)	(1,038,674)	-	(19,041,667)
Sewer System	(28,710,068)	(1,615,772)	380	(30,325,460)
Office Building and Improvements	(4,352,490)	(427,855)	-	(4,780,345)
Equipment and Other	(2,564,539)	(204,069)	25,006	(2,743,602)
	<u>(53,630,090)</u>	<u>(3,286,370)</u>	<u>25,386</u>	<u>(56,891,074)</u>
Net Capital Assets	<u>\$ 151,646,914</u>	<u>\$ 2,420,066</u>	<u>\$ (312,685)</u>	<u>\$ 153,754,295</u>

	2016			Balance, End of Year
	Balance, Beginning of Year	Increases	Decreases	
Capital Assets not being Depreciated:				
Land and Land Rights	\$ 3,449,020	\$ -	\$ -	\$ 3,449,020
Construction in Progress	4,978,214	2,807,843	(6,970,833)	815,224
	<u>8,427,234</u>	<u>2,807,843</u>	<u>(6,970,833)</u>	<u>4,264,244</u>
Capital Assets being Depreciated:				
Water System	77,368,467	2,597,430	-	79,965,897
Sewer System	96,136,998	6,671,316	-	102,808,314
Office Building and Improvements	14,881,325	-	-	14,881,325
Equipment and Other	3,232,216	125,008	-	3,357,224
	<u>191,619,006</u>	<u>9,393,754</u>	<u>-</u>	<u>201,012,760</u>
Accumulated Depreciation:				
Water System	(16,994,788)	(1,008,205)	-	(18,002,993)
Sewer System	(27,161,223)	(1,548,845)	-	(28,710,068)
Office Building and Improvements	(3,926,946)	(425,544)	-	(4,352,490)
Equipment and Other	(2,344,594)	(219,945)	-	(2,564,539)
	<u>(50,427,551)</u>	<u>(3,202,539)</u>	<u>-</u>	<u>(53,630,090)</u>
Net Capital Assets	<u>\$ 149,618,689</u>	<u>\$ 8,999,058</u>	<u>\$ (6,970,833)</u>	<u>\$ 151,646,914</u>

SILVER LAKE WATER AND SEWER DISTRICT
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NOTE 5 LONG-TERM DEBT PAYABLE FROM UNRESTRICTED ASSETS

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

	2017	2016
1998 \$101,144 loan, payable \$5,324 annually through the year 2018, plus interest at 1.0 annual percentage rate.	\$ 5,324	\$ 10,647
1999 \$6,208,160 loan, payable \$346,486 annually through the year 2019, plus interest at 1.0 annual percentage rate.	692,972	1,039,458
2012 \$1,859,000 loan, payable \$97,842 annually through the year 2031, plus interest at .25 annual percentage rate.	1,369,790	1,467,632
2013 loan: \$7,810,000 authorized, \$5,330,365 drawn to December 31, 2017. Based on draws to December 31, 2017, payable \$302,567 annually through the year 2032, plus interest at .50 annual percentage rate.	4,538,508	4,726,938
	6,606,594	7,244,675
Less: Current Maturities	(752,219)	(745,085)
Total	\$ 5,854,375	\$ 6,499,590

Long-term debt service requirements to maturity, payable by the District from unrestricted assets, are as follows (based on draws received through December 31, 2017):

Year Ending December 31,	Principal	Interest	Total
2018	\$ 752,219	\$ 33,051	\$ 785,270
2019	746,896	27,824	774,720
2020	400,409	22,602	423,011
2021	400,409	20,845	421,254
2022	400,409	19,087	419,496
2023-2027	2,002,047	69,075	2,071,122
2028-2032	1,904,205	25,139	1,929,344
Total	\$ 6,606,594	\$ 217,623	\$ 6,824,217

**SILVER LAKE WATER AND SEWER DISTRICT
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NOTE 6 LONG-TERM DEBT PAYABLE FROM RESTRICTED ASSETS

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

	2017	2016
Revenue Bonds:		
\$4,260,000 issued June 11, 2009 for refunding, due serially through the year 2018, with interest payable semi-annually at 4.00 annual percentage rate.	\$ 520,000	\$ 1,020,000
Less: Current Maturities	(520,000)	(500,000)
Unamortized Premiums (Discounts)	2,881	8,794
Total	\$ 2,881	\$ 528,794

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

Year Ending December 31, 2018	Principal	Interest	Total
	\$ 520,000	\$ 20,800	\$ 540,800

NOTE 7 CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Amounts Due Within One Year
<u>2017</u>					
Long-Term Debt Payable from Unrestricted Assets:					
1998 Loan	\$ 10,647	\$ -	\$ (5,323)	\$ 5,324	\$ 5,324
1999 Loan	1,039,458	-	(346,486)	692,972	346,486
2012 Loan	1,467,632	-	(97,842)	1,369,790	97,842
2013 Loan	4,726,938	111,776	(300,206)	4,538,508	302,567
	\$ 7,244,675	\$ 111,776	\$ (749,857)	\$ 6,606,594	\$ 752,219
Long-Term Debt Payable from Restricted Assets:					
2009 Revenue Bonds	\$ 1,020,000	\$ -	\$ (500,000)	\$ 520,000	\$ 520,000
Compensated Absences	\$ 412,666	\$ 299,516	\$ (267,685)	\$ 444,497	\$ 314,900
Net Pension Liability	\$ 2,171,919	\$ -	\$ (450,604)	\$ 1,721,315	

SILVER LAKE WATER AND SEWER DISTRICT
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NOTE 7 CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

Changes in long-term liabilities were as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amounts Due Within One Year
<u>2016</u>					
Long-Term Debt Payable from Unrestricted Assets:					
1998 Loan	\$ 15,970	\$ -	\$ (5,323)	\$ 10,647	\$ 5,323
1999 Loan	1,385,945	-	(346,487)	1,039,458	346,486
2012 Loan	1,565,474	-	(97,842)	1,467,632	97,842
2013 Loan	4,176,397	829,278	(278,737)	4,726,938	295,434
	<u>\$ 7,143,786</u>	<u>\$ 829,278</u>	<u>\$ (728,389)</u>	<u>\$ 7,244,675</u>	<u>\$ 745,085</u>
Long-Term Debt Payable from Restricted Assets:					
2002 Revenue Bonds	\$ 35,000	\$ -	\$ (35,000)	\$ -	\$ -
2009 Revenue Bonds	1,495,000	-	(475,000)	1,020,000	500,000
	<u>\$ 1,530,000</u>	<u>\$ -</u>	<u>\$ (510,000)</u>	<u>\$ 1,020,000</u>	<u>\$ 500,000</u>
Compensated Absences	<u>\$ 392,107</u>	<u>\$ 305,852</u>	<u>\$ (285,293)</u>	<u>\$ 412,666</u>	<u>\$ 285,300</u>
Net Pension Liability	<u>\$ 1,708,344</u>	<u>\$ 463,575</u>	<u>\$ -</u>	<u>\$ 2,171,919</u>	

NOTE 8 PENSION PLAN

The following table represents the aggregate pension amounts for all plans subject to the requirements of Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions* as of and for the years ended December 31, 2017 and 2016:

<u>Aggregate Pension Amounts - All Plans</u>	<u>2017</u>	<u>2016</u>
Pension Liabilities	\$ 1,721,315	\$ 2,171,919
Deferred Outflows of Resources	301,279	427,550
Deferred Inflows of Resources	277,655	37,664
Pension Expense	220,855	306,917

**SILVER LAKE WATER AND SEWER DISTRICT
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NOTE 8 PENSION PLAN (CONTINUED)

State Sponsored Pension Plans

Substantially all of the District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS Plans 1 and 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 – provides retirement, disability, and death benefits. Retirement benefits are determined as 2% 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 nonduty 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.

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NOTE 8 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Contributions – The PERS Plan 1 member contribution rate is established by state statute at 6%. 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%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) were as follows:

<u>PERS Plan 1 Actual Contribution Rates</u>	<u>Employer</u>	<u>Employee</u>
<u>2017</u>		
January through June		
PERS Plan 1	6.23 %	6.00 %
PERS Plan 1 UAAL	4.77	
Administrative Fee	0.18	
Total	<u>11.18 %</u>	<u>6.00 %</u>
July through December		
PERS Plan 1	7.49 %	6.00 %
PERS Plan 1 UAAL	5.03	
Administrative Fee	0.18	
Total	<u>12.70 %</u>	<u>6.00 %</u>
<u>2016</u>		
January through December		
PERS Plan 1	6.23 %	6.00 %
PERS Plan 1 UAAL	4.77	
Administrative Fee	0.18	
Total	<u>11.18 %</u>	<u>6.00 %</u>

The District's actual contributions to the plan were \$138,249 and \$114,404 for the years ended December 31, 2017 and 2016, respectively.

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NOTE 8 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

PERS Plan 2/3 – provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% 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 3% 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 5% 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 nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% 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% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

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

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NOTE 8 PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) were as follows:

<u>PERS Plan 2/3 Actual Contribution Rates</u>	<u>Employer 2/3</u>	<u>Employee 2</u>	<u>Employee 3</u>
<u>2017</u>			
January through June			
PERS Plan 1	6.23 %	6.12 %	Varies
PERS Plan 1 UAAL	4.77		
Administrative Fee	0.18		
Total	<u>11.18 %</u>	<u>6.12 %</u>	<u>Varies</u>
July through December			
PERS Plan 1	7.49 %	6.12 %	Varies
PERS Plan 1 UAAL	5.03		
Administrative Fee	0.18		
Total	<u>12.70 %</u>	<u>6.12 %</u>	<u>Varies</u>
<u>2016</u>			
January through December			
PERS Plan 1	6.23 %	6.12 %	Varies
PERS Plan 1 UAAL	4.77		
Administrative Fee	0.18		
Total	<u>11.18 %</u>	<u>6.12 %</u>	<u>Varies</u>

The District's actual contributions to the plan were \$166,949 and \$140,324 for the years ended December 31, 2017 and 2016, respectively.

Actuarial Assumptions

The 2017 TPL for each of the DRS plans was determined using the actuarial valuation completed in 2017, with a valuation date of June 30, 2016. 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* and the *2015 Economic experience Study*. The 2016 total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016, with a valuation date of June 30, 2015. The actuarial assumptions used in the valuations were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

SILVER LAKE WATER AND SEWER DISTRICT
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NOTE 8 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Additional 2017 assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. Additional 2016 assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017 and June 30, 2016. 2017 Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, and 2016 Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, 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% 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 changes in methods and assumptions in 2017 since the 2016 valuation.

- How terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised.

There were minor changes in methods and assumptions in 2016 since the 2015 valuation.

- The assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 PENSION PLAN (CONTINUED)

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% 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% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience date, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 8 PENSION PLAN (CONTINUED)

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

As of June 30, 2017 and 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Percent Long-Term Expected Real Rate of Return Arithmetic</u>
<u>2017</u>		
Fixed Income	20 %	1.70 %
Tangible Assets	5	4.90
Real Estate	15	5.80
Global Equity	37	6.30
Private Equity	23	9.30
Total	100 %	
<u>2016</u>		
Fixed Income	20 %	1.70 %
Tangible Assets	5	4.40
Real Estate	15	5.80
Global Equity	37	6.60
Private Equity	23	9.60
Total	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%, 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%) or 1-percentage point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
<u>2017</u>			
PERS 1	\$ 1,105,133	\$ 907,192	\$ 735,732
PERS 2/3	2,193,337	814,125	(315,935)
<u>2016</u>			
PERS 1	\$ 1,243,267	\$ 1,030,986	\$ 848,307
PERS 2/3	2,100,665	1,140,933	(593,922)

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 8 PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017 and 2016, the District reported a total pension liability (asset) for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2017 and 2016):

	Liability (Asset)	
	2017	2016
PERS 1	\$ 907,192	\$ 1,030,986
PERS 2/3	814,125	1,140,933
Total	\$ 1,721,317	\$ 2,171,919

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.019197%	0.019119%	-0.000078%
PERS 2/3	0.022660%	0.023431%	0.000771%
	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.018057%	0.019197%	-0.001140%
PERS 2/3	0.021377%	0.022660%	-0.001283%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations*.

The 2017 and 2016 collective net pension liability (asset) was measured as of June 30, 2017 and 2016, respectively, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016 and 2015, respectively, with update procedures used to roll forward the total pension liability to the measurement date.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 8 PENSION PLAN (CONTINUED)

Pension Expense

For the years ended December 31, 2017 and 2016, the District recognized pension expense as follows:

	<u>2017</u>	<u>2016</u>
PERS 1	\$ 72,898	\$ 117,677
PERS 2/3	143,679	185,140
Expenses and Other	<u>4,278</u>	<u>4,100</u>
Total	<u>\$ 220,855</u>	<u>\$ 306,917</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>2017</u>		
PERS 1		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	33,854
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	<u>59,657</u>	<u>-</u>
Total	<u>\$ 59,657</u>	<u>\$ 33,854</u>
PERS 2/3		
Differences Between Expected and Actual Experience	\$ 82,490	\$ 26,775
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	217,026
Changes of Assumptions	8,648	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	61,888	-
Contributions Subsequent to the Measurement Date	<u>88,596</u>	<u>-</u>
Total	<u>\$ 241,622</u>	<u>\$ 243,801</u>
Total all Plans	<u>\$ 301,279</u>	<u>\$ 277,655</u>

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 8 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>2016</u>		
PERS 1		
Differences Between Expected and Actual Experience	\$ -	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	25,959	-
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	58,289	-
Total	\$ 84,248	\$ -
PERS 2/3		
Differences Between Expected and Actual Experience	\$ 60,754	\$ 37,664
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	139,617	-
Changes of Assumptions	11,792	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	62,098	-
Contributions Subsequent to the Measurement Date	69,041	-
Total	\$ 343,302	\$ 37,664
Total all Plans	\$ 427,550	\$ 37,664

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31.</u>	PERS 1	PERS 2/3
2018	\$ (22,883)	\$ (62,231)
2019	7,225	40,382
2020	(1,677)	(12,190)
2021	(16,519)	(83,142)
2022	-	11,481
Thereafter	-	14,925
Total	\$ (33,854)	\$ (90,775)

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS

Effective December 1, 2017, the District provides to its retirees employer subsidies for post-employment medical insurance benefits (OPEB) provided through the Public Employees Benefits Board (PEBB).

A liability for the accumulated unfunded actuarial required contribution has not been reported in the Statement of Net Position as of December 31, 2017 as it is not material. The actual medical costs are paid through annual fees and premiums to the PEBB.

Plan Description

The PEBB was created within the Washington State Health Care Authority to administer medical, dental and life insurance plans for public employees and retirees and their dependents. District employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system.

Legally, the District does not have a contractual obligation or a policy to maintain and provide its employees with continued medical insurance coverage after termination or retirement. The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The Office of the State Actuary, a department within the primary government of the State of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, PO Box 40914, Olympia, Washington 98504 or it may be downloaded from the Office of the State Actuary website at <http://osa.leg.wa.gov>.

The Public Employees Benefits Board (PEBB) plan offers a subsidized retirement coverage to its plan participants and the District can terminate medical insurance with no future obligation or liability to PEBB or its retirees.

The subsidies provided by PEBB to the District include the following:

- Explicit Medical Subsidy for Post 65 retirees
- Implicit Medical Subsidy for Pre 65 retirees

The explicit subsidies are monthly amounts per retiree. The implicit medical subsidy is the difference between the total cost of pre 65 medical benefits and the pre 65 contributions paid by retirees. Explicit subsidies are capped at \$150 per month.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

The funding policy is based upon pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based upon the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 25 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. The net OPEB obligation of \$9,446 is not included as a noncurrent liability in the Statement of Net Position as it is not material.

Determination of Annual Required Contribution	<u>2017</u>	
Normal Cost at Year End	\$	5,613
Amortization of Unfunded Actuarial Accrued Liability		<u>4,032</u>
Annual Required Contribution	\$	<u><u>9,644</u></u>
Determination of Annual OPEB Cost	<u>2017</u>	
Annual Required Contribution	\$	9,644
Net OPEB Obligation Interest		-
Net OPEB Obligation Amortization		-
Annual OPEB Cost	\$	<u><u>9,644</u></u>
Determination of Net OPEB Obligation	<u>2017</u>	
Starting Net OPEB Obligation	\$	-
Annual OPEB Cost		9,644
Contributions		<u>(198)</u>
Net OPEB Obligation	\$	<u><u>9,446</u></u>

The District's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2017, which has not been recorded in the accompanying financial statements as it is not material, are as follows:

Year Ended	Annual OPEB Cost	Contributions as a Percentage of OPEB Cost	Net OPEB Obligation
2017	\$ 9,644	2.05%	\$ 9,446

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date, the plan was 0% funded. As of December 31, 2017, the accrued liability for benefits was \$836,596, and the actuarial value of assets was \$0, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$836,596.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

The District used the alternative measurement method permitted under GASB Statement No. 45. Data (e.g., age range, years of service, active age average, etc.) is compiled into the Office of State Actuary GASB No. 45 reporting tool for all active and inactive members to determine the Actuarial Accrued Liability (AAL) and normal cost.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities, consistent with the long term perspective of the calculations.

All demographic assumptions, healthcare assumptions, and methods used match those disclosed in the 2017 OPEB Actuarial Valuation Report published by the Office of the State Actuary. Specifically, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 3.75% discount rate, which is based upon the long term investment yield on the investments that are expected to be used to finance the payment of benefits. The healthcare cost inflation trends, which vary by medical plan and age, start at approximately 7% in 2017 and gradually to 5% in 2102 and beyond. The inflation rate assumption used in the calculation is 3%. The date used for this valuation was identified by department number from the date disclosed in the 2017 OPEB Actuarial Valuation Report. Please see <http://leg.wa.gov/osa/Pages/default.aspx> for more detail.

NOTE 10 DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the state of Washington. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District made no contributions to the plan in 2017 or 2016.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 11 COMMITMENTS

The District is obligated to the City of Everett to pay for a portion of certain city projects. The District does not record a liability and related asset for city project billings until billing has been received. As of December 31, 2017, the District's share of the projects is estimated to be as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 985,600
2019	704,000
2020	579,200
2021	1,120,000
2022	3,104,000
2023-2027	22,680,000
Total	<u>\$ 29,172,800</u>

NOTE 12 RISK MANAGEMENT

The District is a member of the Washington Cities Insurance Authority (WCIA).

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

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

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

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

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 12 RISK MANAGEMENT (CONTINUED)

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

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

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

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

In the past three years (2017, 2016, and 2015), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

NOTE 13 MAJOR SUPPLIERS

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

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

NOTE 14 CLEARVIEW WATER SUPPLY AGENCY JOINT VENTURE

During 2004, the District negotiated a 50 year supply contract for water with the Clearview Water Supply Agency (CWSA). CWSA is a municipal corporation formed by Alderwood Water and Sewer District, Silver Lake Water and Sewer District and Cross Valley Water District. A three member board with each member district providing a representative governs CWSA. The purposes of CWSA is to provide water to the members and maintain and operate certain facilities. CWSA currently has no plant and equipment; the member districts jointly own the facilities. Alderwood Water and Sewer District has been contracted to maintain and operate the facilities as well as provide administrative support for CWSA.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 14 CLEARVIEW WATER SUPPLY AGENCY JOINT VENTURE (CONTINUED)

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

District transactions with CWSA consisted of water purchase and reimbursement of construction costs expended by CWSA. Water purchases were \$1,268,665 and \$1,291,730 and reimbursable construction costs were \$45 and \$5,398 for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016 accounts payable included \$168,232 and \$133,495, respectively, due to CWSA.

NOTE 15 LEASES

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 111,161
2019	96,215
2020	100,776
2021	81,869
2022	23,216
Total	<u>\$ 413,237</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SILVER LAKE WATER AND SEWER DISTRICT
 OTHER POSTEMPLOYMENT BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 LAST 10 FISCAL YEARS*
 (SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

Actuarial Valuation Date	Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funding Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2017	12/31/2017	\$ -	\$ 836,596	\$ 836,596	0.00%	\$ 200,244	417.79%

**SILVER LAKE WATER AND SEWER DISTRICT
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEARS ENDED JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

PERS 1

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.019119%	\$ 907,192	\$ 2,346,535	38.66%	61.24%
2016	0.019197%	1,030,986	2,183,206	47.22%	57.03%
2015	0.018057%	944,542	1,973,556	47.86%	59.10%
2014	0.018145%	914,085	1,766,750	51.74%	61.19%
2013	0.016958%	990,906	1,607,293	61.65%	

Notes to Schedule:

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

PERS 2/3

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.023431%	\$ 814,125	\$ 2,297,204	35.44%	90.97%
2016	0.022660%	1,140,933	2,104,205	54.22%	85.82%
2015	0.021377%	763,802	1,896,648	40.27%	89.20%
2014	0.021249%	429,524	1,691,204	25.40%	93.29%
2013	0.019936%	851,252	1,533,832	55.50%	

Notes to Schedule:

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

**SILVER LAKE WATER AND SEWER DISTRICT
SCHEDULES OF EMPLOYER CONTRIBUTIONS
DECEMBER 31 (EMPLOYER REPORTING DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

PERS 1

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2017	\$ 138,249	\$ (138,249)	\$ -	\$ 2,376,391	5.82%
2016	114,404	(114,404)	-	2,278,428	5.02%
2015	96,480	(96,480)	-	2,098,914	4.60%
2014	77,963	(77,963)	-	1,834,833	4.25%
2013	59,566	(59,566)	-	1,744,386	3.41%

Notes to Schedule:

1. Plan 1 contributions in 2017 include \$21,878 for excess compensation.

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

PERS 2/3

Year	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2017	\$ 166,949	\$ (166,949)	\$ -	\$ 2,376,391	7.03%
2016	140,324	(140,324)	-	2,189,149	6.41%
2015	117,290	(117,290)	-	2,020,837	5.80%
2014	91,026	(91,026)	-	1,759,065	5.17%
2013	83,522	(83,522)	-	1,669,683	5.00%

Notes to Schedule:

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

SUPPLEMENTARY INFORMATION

SILVER LAKE WATER AND SEWER DISTRICT
DEPARTMENTAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	Sewer		Percentage of Sewer Operating Revenue		Water		Percentage of Water Operating Revenue		Total		Percentage of Total Revenue	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
OPERATING REVENUES												
Service Charges	\$ 13,347,640	\$ 12,745,229	98.1 %	97.1 %	\$ 5,935,228	\$ 5,502,267	93.5 %	92.2 %	\$ 19,282,868	\$ 18,247,496	96.6 %	95.5 %
Permits	87,385	179,568	0.6	1.4	58,538	95,235	0.9	1.6	145,923	274,803	0.7	1.4
Miscellaneous	172,794	204,072	1.3	1.6	354,467	373,807	5.6	6.3	527,261	577,879	2.6	3.0
	<u>13,607,819</u>	<u>13,128,869</u>	<u>100.0</u>	<u>100.0</u>	<u>6,348,233</u>	<u>5,971,309</u>	<u>100.0</u>	<u>100.0</u>	<u>19,956,052</u>	<u>19,100,178</u>	<u>100.0</u>	<u>100.0</u>
OPERATING EXPENSES												
Operation Expenses	8,224,880	7,608,399	60.4	58.0	2,391,544	2,114,968	37.7	35.4	10,616,424	9,723,367	53.2	50.9
Maintenance Expenses	191,311	109,925	1.4	0.8	531,397	566,303	8.4	9.5	722,708	676,228	3.6	3.5
General and Administrative	2,162,056	2,019,014	15.9	15.4	2,442,844	2,452,675	38.5	41.1	4,604,900	4,471,689	23.1	23.4
Depreciation	1,908,690	1,851,145	14.0	14.1	1,377,680	1,351,394	21.7	22.6	3,286,370	3,202,539	16.5	16.8
	<u>12,486,937</u>	<u>11,588,483</u>	<u>91.8</u>	<u>88.3</u>	<u>6,743,465</u>	<u>6,485,340</u>	<u>106.2</u>	<u>108.6</u>	<u>19,230,402</u>	<u>18,073,823</u>	<u>96.4</u>	<u>94.6</u>
OPERATING INCOME (LOSS)	1,120,882	1,540,386	8.2	11.7	(395,232)	(514,031)	(6.2)	(8.6)	725,650	1,026,355	3.6	5.4
NONOPERATING REVENUES (EXPENSES)												
Investment and Assessment Income	256,180	75,666	1.9	0.6	169,153	101,972	2.7	1.7	425,333	177,638	2.1	0.9
Interest and amortization on Long-Term Debt - Net of Amount Capitalized	(44,462)	(34,078)	(0.3)	(0.3)	(8,472)	(11,988)	(0.1)	(0.2)	(52,934)	(46,066)	(0.3)	(0.2)
Net Gain (Loss) on Disposal of Assets	(694)	656	(0.0)	-	5,857	1,002	0.1	0.0	5,163	1,658	0.0	0.0
	<u>211,024</u>	<u>42,244</u>	<u>1.6</u>	<u>0.3</u>	<u>166,538</u>	<u>90,986</u>	<u>2.6</u>	<u>1.5</u>	<u>377,562</u>	<u>133,230</u>	<u>1.9</u>	<u>0.7</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,331,906	1,582,630	9.8	12.1	(228,694)	(423,045)	(3.6)	(7.1)	1,103,212	1,159,585	5.5	6.1
Capital Contributions	3,024,122	2,234,991	22.2	17.0	3,145,197	2,386,059	49.5	40.0	6,169,319	4,621,050	30.9	24.2
CHANGE IN NET POSITION	<u>\$ 4,356,028</u>	<u>\$ 3,817,621</u>	<u>32.0 %</u>	<u>29.1 %</u>	<u>\$ 2,916,503</u>	<u>\$ 1,963,014</u>	<u>45.9 %</u>	<u>32.9 %</u>	7,272,531	5,780,635	36.4 %	30.3 %
Net Position - Beginning of Year									184,688,838	178,908,203		
Net Position - End of Year									<u>\$ 191,961,369</u>	<u>\$ 184,688,838</u>		

**SILVER LAKE WATER AND SEWER DISTRICT
DEPARTMENTAL SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

	Sewer		Percentage of Sewer Operating Revenue		Water		Percentage of Water Operating Revenue		Total		Percentage of Total Revenue	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Salaries	\$ 883,369	\$ 880,291	6.5 %	6.7 %	\$ 905,401	\$ 917,687	14.3 %	15.4 %	\$ 1,788,770	\$ 1,797,978	9.0 %	9.4 %
Employee Benefits and Payroll Taxes	657,113	640,713	4.8	4.9	654,314	645,942	10.3	10.8	1,311,427	1,286,655	6.6	6.7
Insurance and Bonding	51,082	47,660	0.4	0.4	57,604	53,744	0.9	0.9	108,686	101,404	0.5	0.5
Miscellaneous	44,040	27,090	0.3	0.2	95,479	73,427	1.5	1.2	139,519	100,517	0.7	0.5
General Office Expense	211,314	168,027	1.6	1.3	335,308	403,975	5.3	6.8	546,622	572,002	2.7	3.0
Professional Fees	88,774	61,527	0.7	0.5	76,435	63,877	1.2	1.1	165,209	125,404	0.8	0.7
State Excise Tax	226,364	193,706	1.7	1.5	318,303	294,023	5.0	4.9	544,667	487,729	2.7	2.6
Total	<u>\$ 2,162,056</u>	<u>\$ 2,019,014</u>	<u>15.9 %</u>	<u>15.4 %</u>	<u>\$ 2,442,844</u>	<u>\$ 2,452,675</u>	<u>38.5 %</u>	<u>41.1 %</u>	<u>\$ 4,604,900</u>	<u>\$ 4,471,689</u>	<u>23.1 %</u>	<u>23.4 %</u>