



Silver Lake Water & Sewer District



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2020 AND 2019

**SILVER LAKE WATER AND SEWER DISTRICT
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

| | |
|--|-----------|
| INDEPENDENT ACCOUNTANTS' REVIEW REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| FINANCIAL STATEMENTS | |
| STATEMENTS OF NET POSITION | 11 |
| STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION | 13 |
| STATEMENTS OF CASH FLOWS | 14 |
| NOTES TO FINANCIAL STATEMENTS | 16 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS | 43 |
| SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY | 44 |
| SCHEDULES OF EMPLOYER PENSION CONTRIBUTIONS | 45 |
| SUPPLEMENTARY INFORMATION | |
| DEPARTMENTAL STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION | 47 |
| DEPARTMENTAL SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES | 48 |



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, 2020 and 2019, 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.

Report on the Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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 remaining required supplementary information. 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 this required supplementary information. We have not audited this required supplementary information and do not express an opinion on such information.

Report on the Additional Supplementary Information

The accompanying supplementary information included in pages 47 and 48 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 24, 2021

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(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, 2020 and 2019 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 statements of net position, statements of revenues, expenses and changes in fund net position, statements of cash flows and notes to the financial statements.

The statements of net position present 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. These statements provide 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). They provide 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 statements of revenues, expenses and changes in fund net position present 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 statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, financing, and investing activities over the course of the year. They present 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, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| Capital Assets | \$ 159,867,632 | \$ 156,251,848 | \$ 158,551,619 |
| Other Assets | 50,230,038 | 48,300,224 | 47,024,003 |
| Total Assets | <u>210,097,670</u> | <u>204,552,072</u> | <u>205,575,622</u> |
| Deferred Outflows of Resources | <u>357,986</u> | <u>319,551</u> | <u>282,152</u> |
| Long-Term Liabilities | 8,246,774 | 7,369,481 | 7,520,126 |
| Other Liabilities | 2,550,156 | 2,930,311 | 2,906,839 |
| Total Liabilities | <u>10,796,930</u> | <u>10,299,792</u> | <u>10,426,965</u> |
| Deferred Inflows of Resources | <u>294,089</u> | <u>557,628</u> | <u>473,004</u> |
| Net Investment in Capital Assets | 153,485,007 | 150,208,622 | 151,955,408 |
| Restricted Amounts | - | - | - |
| Unrestricted Amounts | 45,879,630 | 43,805,581 | 43,002,397 |
| Total Net Position | <u>\$ 199,364,637</u> | <u>\$ 194,014,203</u> | <u>\$ 194,957,805</u> |

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-----------------------|-----------------------|-----------------------|
| Sewer Service Revenue | \$ 14,751,349 | \$ 14,511,733 | \$ 13,982,309 |
| Water Service Revenue | 6,280,127 | 6,217,419 | 6,092,751 |
| Other Sewer Operating Revenues | 222,800 | 172,145 | 268,260 |
| Other Water Operating Revenues | 420,982 | 385,158 | 384,237 |
| Total Operating Revenues | <u>21,675,258</u> | <u>21,286,455</u> | <u>20,727,557</u> |
| Sewer Operation and Maintenance Expenses | 10,433,178 | 9,350,819 | 8,863,230 |
| Water Operation and Maintenance Expenses | 3,189,153 | 3,569,481 | 3,270,577 |
| Sewer General and Administrative Expenses | 2,446,699 | 2,095,116 | 2,032,354 |
| Water General and Administrative Expenses | 3,592,041 | 2,701,587 | 2,499,920 |
| Depreciation, Sewer | 2,122,875 | 2,045,124 | 1,954,867 |
| Depreciation, Water | 1,498,179 | 1,428,053 | 1,441,430 |
| Total Operating Expenses | <u>23,282,125</u> | <u>21,190,180</u> | <u>20,062,378</u> |
| Operating Income | (1,606,867) | 96,275 | 665,179 |
| Nonoperating Revenue (Expense): | | | |
| Investment and Assessment Income | 282,359 | 1,016,100 | 845,426 |
| Interest on Long-Term Debt | (28,342) | (27,333) | (47,430) |
| Private Property Improvements | (18,934) | - | - |
| Net Gain (Loss) on Disposal of Assets | 9,924 | 24,686 | 21,857 |
| Total Nonoperating Revenue (Expense) | <u>245,007</u> | <u>1,013,453</u> | <u>819,853</u> |
| Income before Capital Contributions | (1,361,860) | 1,109,728 | 1,485,032 |
| Capital Contributions | <u>6,712,294</u> | <u>3,070,045</u> | <u>2,513,002</u> |
| Increase in Net Position | 5,350,434 | 4,179,773 | 3,998,034 |
| Net Position, January 1 | 194,014,203 | 194,957,805 | 191,961,369 |
| Restatement - Changes in Accounting Principle | - | (5,123,375) | (1,001,598) |
| Net Position - January 1, as Restated | <u>194,014,203</u> | <u>189,834,430</u> | <u>190,959,771</u> |
| Net Position, December 31 | <u>\$ 199,364,637</u> | <u>\$ 194,014,203</u> | <u>\$ 194,957,805</u> |
| EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE: | | | |
| Change in Net Position Reported Above | | | \$ 3,998,034 |
| Depreciation Decrease | | | 97,418 |
| Maintenance Expenses Increase | | | (171,688) |
| Change in Net Position | | | <u>\$ 3,923,764</u> |

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Effective January 1, 2019, the District changed its policy for the capitalization of meters, meter installations, hydrants, and hydrant installations. Previously, meters and hydrants were capitalized regardless of the cost. After implementation of the new policy, meters and hydrants are capitalized if the individual cost is greater than the capitalization threshold of \$5,000. Hydrant replacements and repairs are expensed as incurred.

The cumulative impact of implementing the new policy resulted in a \$5,123,375 reduction of net position as of January 1, 2019 as a result of removing \$6,591,962 of meters and hydrants and \$1,468,587 of related accumulated depreciation.

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 2020 due to growth in the District's customer base and system improvements and decreased in 2019 as a result of the change in accounting policy for meters and hydrants.

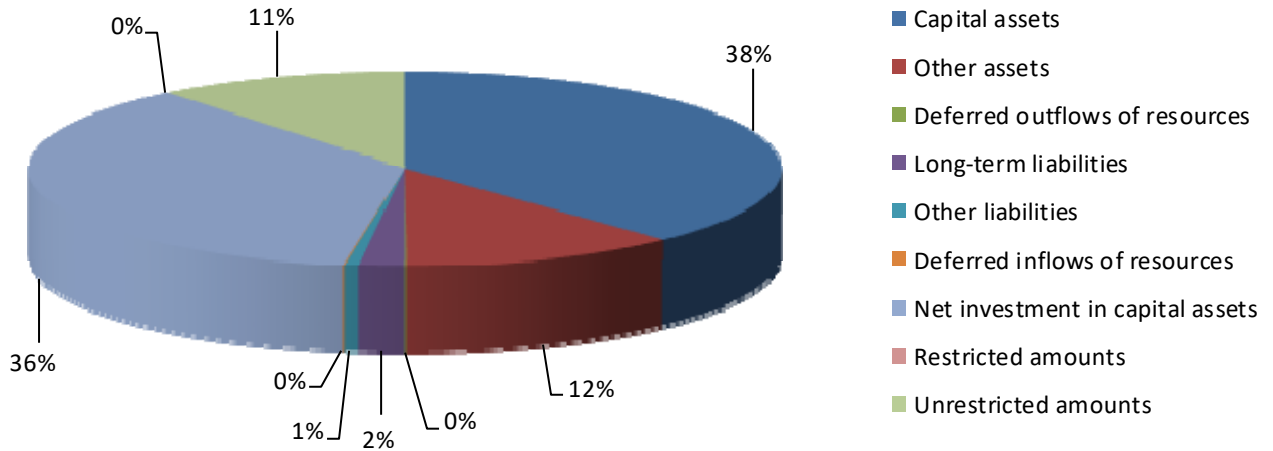
The District is located in a growing area of Snohomish County, Washington.

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

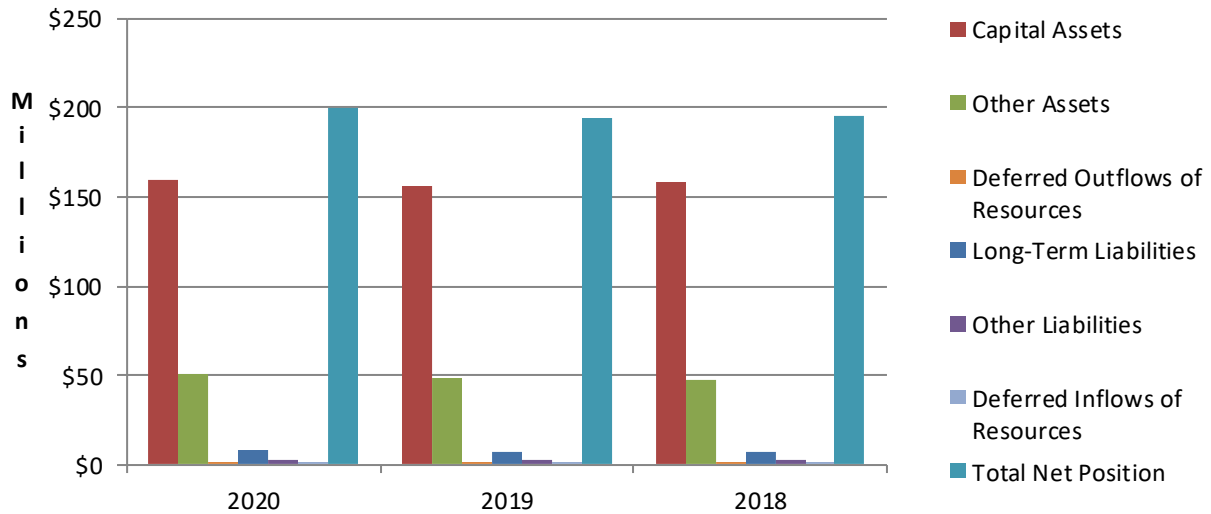
FINANCIAL POSITION (CONTINUED)

The following charts indicate the components of financial position:

2020 STATEMENT OF NET POSITION



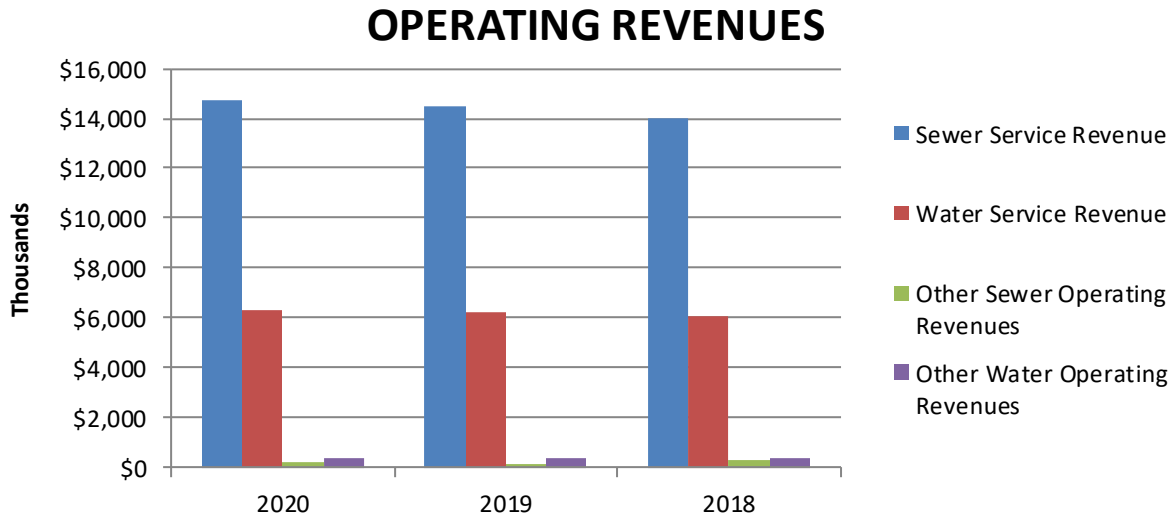
COMPARATIVE STATEMENT OF NET POSITION



**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

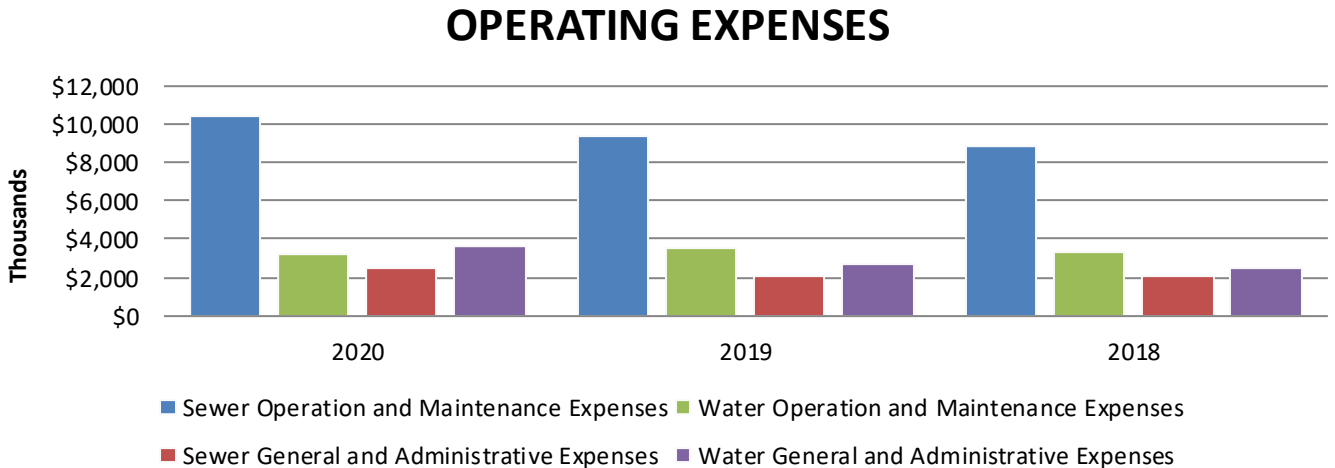
RESULTS OF OPERATIONS

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



The increase in sewer revenue in 2020 and 2019 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 in 2020 was consistent with 2019. Water revenue increased in 2019 due to a summer that was hotter and dryer than normal, growth in customer base and rate increases.

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



**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

RESULTS OF OPERATIONS (CONTINUED)

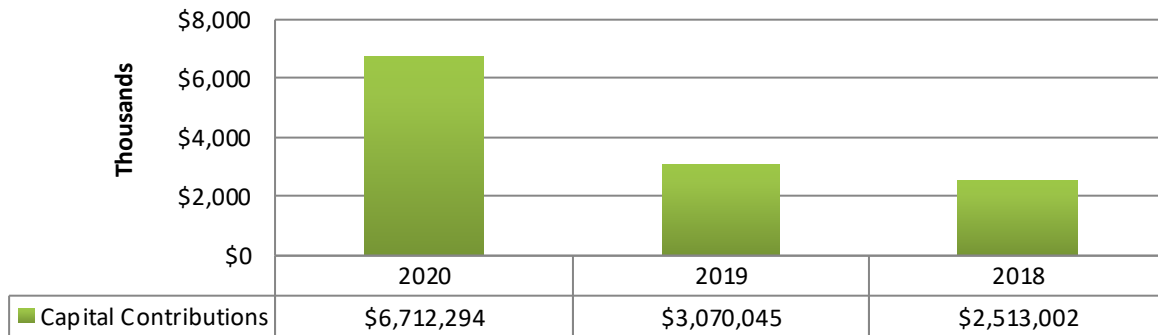
Sewer operation and maintenance expenses increased in 2020 primarily due to rate increases for sewage treatment, a change in the allocation of personnel costs and the lift station projects, and in 2019 primarily due to rate increases for sewage treatment. Water operation and maintenance expenses decreased in 2020 due to change in allocation of personnel costs and decrease in costs of supplies and increased in 2019 increased primarily due to variation in water purchases as a result of summer weather conditions as discussed above for operating revenue. Sewer and water general and administrative expenses increased in 2020 and 2019 primarily due to increases in personnel costs.

The District operated at a loss in 2020 and at a profit in 2019 and 2018. Operating results are augmented by earnings on investments, capital contributions, and other non-operating revenues, less non-operating expenses.

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

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

CAPITAL CONTRIBUTIONS



The contributions are indicative of the growth of the District and include donated systems totaling \$1,985,933, \$2,264,802, and \$1,053,535 for the years ended December 31, 2020, 2019, and 2018, respectively. The growth of the District is increasing due to the effects of the improving overall economy.

**SILVER LAKE WATER AND SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets increased in 2020 due to growth in the District's customer base and system improvements and decreased in 2019 as a result of the change in accounting policy for meters and hydrants. Significant capital asset additions included the following:

| 2020 | | 2019 | |
|--------------------------------|--------------|-------------------------------|------------|
| Water System: | | Water System: | |
| Donated Systems | \$ 1,250,818 | Donated Systems | \$ 763,366 |
| 131st Street Water Main | 45,190 | Res No. 3 Improvements #16439 | 560,909 |
| Silver Acres Intertie | 53,267 | 131st Street Water Main | 246,984 |
| Sewer System: | | Sewer System: | |
| Donated Systems | 735,115 | Donated Systems | 1,501,436 |
| Waldenwood Lift Station | 3,653,353 | Waldenwood Lift Station | 905,890 |
| Windsong Lift Station | 36,107 | Windsong Lift Station | 33,511 |
| Thomas Lake LS Improvements | 55,674 | #3614-North Chlorine Bldg. | 1,208,125 |
| Pioneer Trails LS improvements | 101,059 | | |
| 12th Street NE Dike #3435 | 57,335 | | |
| #3614-North Chlorine Bldg. | 129,224 | | |
| WPCF Trickling #3742 | 111,919 | | |
| Bio-Solids App Site #3706 | 101,253 | | |

Long-term liabilities increased in 2020 primarily due to an increase in the OPEB liability and decreased 2019 due to principal payments made by the District in excess of new borrowings and changes in the net pension liability.

See Notes 3, 4, and 5 in the financial statements for detail activity in capital assets and long-term debt.

As of December 31, 2020, the District has \$47,096,157 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 9 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, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

| | 2020 | 2019 |
|--|----------------|----------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| CURRENT ASSETS | | |
| Unrestricted: | | |
| Cash | \$ 5,678,896 | \$ 3,856,820 |
| Investments | 41,417,261 | 41,644,049 |
| Accounts Receivable | 1,925,078 | 1,878,541 |
| Unbilled Utility Service Receivable | 727,473 | 722,176 |
| Accounts Receivable, Other | 246,522 | - |
| Prepaid Expenses | 15,798 | 25,595 |
| Materials and Supplies | 219,010 | 173,043 |
| Total Current Assets | 50,230,038 | 48,300,224 |
| NONCURRENT ASSETS | | |
| Capital Assets not being Depreciated: | | |
| Land and Land Rights | 3,449,020 | 3,449,020 |
| Construction in Progress | 5,408,887 | 3,122,248 |
| Capital Assets being Depreciated: | | |
| Plant in Service | 216,785,958 | 211,885,397 |
| Less: Accumulated Depreciation | (65,776,233) | (62,204,817) |
| Net Capital Assets | 159,867,632 | 156,251,848 |
| Total Noncurrent Assets | 159,867,632 | 156,251,848 |
| Total Assets | 210,097,670 | 204,552,072 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflows Related to Pensions | 353,816 | 313,418 |
| Deferred Outflows Related to Other Postemployment Benefits | 4,170 | 6,133 |
| Total Deferred Outflows of Resources | 357,986 | 319,551 |
| Total Assets and Deferred Outflows of Resources | \$ 210,455,656 | \$ 204,871,623 |

See accompanying Notes to Financial Statements.

**SILVER LAKE WATER AND SEWER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | 2020 | 2019 |
|---|----------------|----------------|
| CURRENT LIABILITIES | | |
| Payable from Unrestricted Assets: | | |
| Accounts Payable | \$ 1,705,268 | \$ 2,085,776 |
| Accrued Compensated Absences | 309,000 | 365,442 |
| Deposits | 5,695 | 14,375 |
| Accrued Interest | 16,103 | 14,819 |
| Long-Term Debt, Current Maturities | 514,090 | 449,899 |
| Total Current Liabilities | 2,550,156 | 2,930,311 |
| NONCURRENT LIABILITIES | | |
| Long-Term Debt, Net of Current Maturities | 5,557,146 | 5,300,945 |
| Compensated Absences | 127,693 | - |
| Net Pension Liability | 947,423 | 988,335 |
| Other Postemployment Benefits Liability | 1,614,512 | 1,080,201 |
| Total Noncurrent Liabilities | 8,246,774 | 7,369,481 |
| Total Liabilities | 10,796,930 | 10,299,792 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows Related to Pensions | 294,089 | 557,628 |
| Total Liabilities and Deferred Inflows of Resources | 11,091,019 | 10,857,420 |
| NET POSITION | | |
| Net Investment in Capital Assets | 153,485,007 | 150,208,622 |
| Unrestricted | 45,879,630 | 43,805,581 |
| Total Net Position | 199,364,637 | 194,014,203 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 210,455,656 | \$ 204,871,623 |

See accompanying Notes to Financial Statements.

SILVER LAKE WATER AND SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

| | 2020 | 2019 |
|---|----------------|----------------|
| OPERATING REVENUES | | |
| Service Charges | \$ 21,031,476 | \$ 20,729,152 |
| Permits | 119,134 | 72,026 |
| Miscellaneous | 524,648 | 485,277 |
| Total Operating Revenues | 21,675,258 | 21,286,455 |
| OPERATING EXPENSES | | |
| Operation Expenses | 12,093,975 | 11,692,273 |
| Maintenance Expenses | 1,528,356 | 1,228,027 |
| General and Administrative | 6,038,740 | 4,796,703 |
| Depreciation | 3,621,054 | 3,473,177 |
| Total Operating Expenses | 23,282,125 | 21,190,180 |
| OPERATING INCOME (LOSS) | (1,606,867) | 96,275 |
| NONOPERATING REVENUE | | |
| Investment and Assessment Income | 282,359 | 1,016,100 |
| Interest and Amortization on Long-Term Debt | (28,342) | (27,333) |
| Private Property Improvements | (18,934) | - |
| Net Gain on Disposal of Assets | 9,924 | 24,686 |
| Total Nonoperating Revenue | 245,007 | 1,013,453 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | (1,361,860) | 1,109,728 |
| Capital Contributions | 6,712,294 | 3,070,045 |
| CHANGE IN NET POSITION | 5,350,434 | 4,179,773 |
| Net Position - January 1, as Originally Reported | 194,014,203 | 194,957,805 |
| Restatement - Change in Accounting Principle | - | (5,123,375) |
| Net Position - January 1, as Restated | 194,014,203 | 189,834,430 |
| NET POSITION - END OF YEAR | \$ 199,364,637 | \$ 194,014,203 |

See accompanying Notes to Financial Statements.

**SILVER LAKE WATER AND SEWER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

| | 2020 | 2019 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers and Other | \$ 21,519,382 | \$ 21,444,005 |
| Cash Paid to Vendors | (15,506,964) | (12,942,948) |
| Cash Paid to and for Employees and Commissioners | (4,385,519) | (4,299,635) |
| Net Cash Provided by Operating Activities | 1,626,899 | 4,201,422 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Contributions in Aid of Construction | 4,614,671 | 805,243 |
| Proceeds from Issuance of Long-Term Debt | 829,798 | 556,649 |
| Proceeds from Disposal of Assets | 58,150 | 24,686 |
| Expenditures for Plant in Service and Construction | (5,280,124) | (4,358,251) |
| Payment on Long-Term Debt | (509,406) | (783,361) |
| Interest Paid on Long-Term Debt | (27,058) | (28,660) |
| Net Cash Used by Capital and Related Financing Activities | (313,969) | (3,783,694) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment Proceeds (Purchases), Net | 226,787 | (948,446) |
| Interest Received on Investments | 282,359 | 1,016,100 |
| Net Cash Provided by Investing Activities | 509,146 | 67,654 |
| NET INCREASE IN CASH | 1,822,076 | 485,382 |
| Cash - Beginning of Year | 3,856,820 | 3,371,438 |
| CASH - END OF YEAR | \$ 5,678,896 | \$ 3,856,820 |

See accompanying Notes to Financial Statements.

**SILVER LAKE WATER AND SEWER DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

| | 2020 | 2019 |
|---|---------------------|---------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating Income (Loss) | \$ (1,606,867) | \$ 96,275 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 3,621,054 | 3,473,177 |
| (Increase) Decrease in Assets and Deferred Outflows of Resources: | | |
| Receivables | (186,666) | 157,550 |
| Materials and Supplies | (45,967) | 18,056 |
| Prepaid Expenses | 9,797 | (18,000) |
| Deferred Outflows Related to Pensions | (40,398) | (35,394) |
| Deferred Outflows Related to Other Postemployment Benefits | 1,963 | (2,005) |
| Increase (Decrease) in Liabilities and Deferred Inflows of Resources: | | |
| Accounts Payable | (399,514) | 671,049 |
| Accrued Compensated Absences | 71,251 | (44,289) |
| Deposits | (8,680) | 14,375 |
| Other Postemployment Benefits Liability | 534,311 | 39,742 |
| Net Pension Liability | (40,912) | (253,738) |
| Deferred Inflows Related to Pensions | (263,539) | 84,624 |
| Private Property Improvements | (18,934) | - |
| | <u>\$ 1,626,899</u> | <u>\$ 4,201,422</u> |
| SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NONCASH FINANCING AND INVESTING ACTIVITIES | | |
| Utility Plant Donations Received | \$ 1,985,933 | \$ 2,264,802 |
| Capital Contributions Receivable | <u>\$ 111,690</u> | <u>\$ -</u> |

See accompanying Notes to Financial Statements.

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(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.

Newly Implemented Accounting Standards

The District implemented GASB 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* which improves the consistency in the information that is disclosed in the notes related to debt, including direct borrowings and direct placements. The implementation of this standard had no impact on the statement of net position or net income and had a minimal impact in the debt related footnotes.

Changes in Accounting Principle

Effective January 1, 2019, the District changed its policy for the capitalization of meters, meter installations, hydrants, and hydrant installations. Previously, meters and hydrants were capitalized regardless of the cost. After implementation of the new policy, meters and hydrants are capitalized if the individual cost is greater than the capitalization threshold of \$5,000. Hydrant replacements and repairs are expensed as incurred. This change was made to reduce burdensome efforts and costs of accounting for and tracking thousands of small dollar items that did not meet the capitalization threshold for all other assets. The District believes the annual costs of meter and hydrant replacements will be similar to the depreciation effects of capitalization. As a result, the elimination of the time and costs of tracking these assets is preferable to the District's operations. The effect of the policy change for the year ended December 31, 2019 was a decrease in the change in net position of \$104,636 as a result of a decrease in depreciation expense of \$99,426 and an increase in maintenance expense of \$204,062.

The cumulative impact of implementing the new policy resulted in a \$5,123,375 reduction of net position as of January 1, 2019 as a result of removing \$6,591,962 of meters and hydrants and \$1,468,587 of related accumulated depreciation.

Investments

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

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 net realizable value.

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 motor vehicles and trailers are capitalized regardless of cost. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. When capital assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

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

| | |
|----------------------------------|----------------|
| Water System | 10 to 75 Years |
| Sewer System | 30 to 75 Years |
| Office Building and Improvements | 10 to 40 Years |
| Equipment and Other | 3 to 10 Years |

Pensions

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

Accrued Compensated Absences

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

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of contributions to the OPEB plan subsequent to the June 30 measurement date, contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. OPEB and pension plan contributions subsequent to the measurement date are recognized as a reduction of the total OPEB liability and net pension liability, respectively, in the following year. Deferred outflows of resources related to pensions 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.

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 inflows related to pension plans. Deferred inflows of resources related to pensions 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.

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.

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, deferred outflows of resources, liabilities and deferred inflows of resources 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

Cash on hand at December 31, 2020 and 2019 was \$600 and \$600, respectively. The District's bank balances as of December 31, 2020 and 2019 were \$5,678,896 and \$3,856,220, 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.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

| | 2020 | 2019 |
|----------------------------------|---------------|---------------|
| Local Government Investment Pool | \$ 41,417,261 | \$ 41,644,049 |

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 3 CAPITAL ASSETS

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

| | 2020 | | | 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 | 3,122,248 | 4,408,632 | (2,121,993) | 5,408,887 |
| | <u>6,571,268</u> | <u>4,408,632</u> | <u>(2,121,993)</u> | <u>8,857,907</u> |
| Capital Assets being Depreciated: | | | | |
| Water System | 80,726,359 | 1,262,937 | (30,433) | 81,958,863 |
| Sewer System | 106,082,539 | 2,814,802 | - | 108,897,341 |
| Office Building and Improvements | 20,152,608 | 25,181 | (8,762) | 20,169,027 |
| Equipment and Other | 4,923,891 | 927,936 | (91,100) | 5,760,727 |
| | <u>211,885,397</u> | <u>5,030,856</u> | <u>(130,295)</u> | <u>216,785,958</u> |
| Accumulated Depreciation: | | | | |
| Water System | (19,624,786) | (1,036,734) | 610 | (20,660,910) |
| Sewer System | (33,596,458) | (1,680,991) | - | (35,277,449) |
| Office Building and Improvements | (5,850,943) | (570,821) | 3,038 | (6,418,726) |
| Equipment and Other | (3,132,630) | (332,508) | 45,990 | (3,419,148) |
| | <u>(62,204,817)</u> | <u>(3,621,054)</u> | <u>49,638</u> | <u>(65,776,233)</u> |
| Net Capital Assets | <u>\$ 156,251,848</u> | <u>\$ 5,818,434</u> | <u>\$ (2,202,650)</u> | <u>\$ 159,867,632</u> |
| | | | | |
| | 2019 | | | |
| | Balance - Beginning of Year | Increases | Decreases | Balance - End of Year |
| Capital Assets not being Depreciated: | | | | |
| Land and Land Rights | \$ 3,449,020 | \$ - | \$ - | \$ 3,449,020 |
| Construction in Progress | 3,783,879 | 2,999,433 | (3,661,064) | 3,122,248 |
| | <u>7,232,899</u> | <u>2,999,433</u> | <u>(3,661,064)</u> | <u>6,571,268</u> |
| Capital Assets being Depreciated: | | | | |
| Water System | 82,952,674 | 4,365,647 | (6,591,962) | 80,726,359 |
| Sewer System | 104,499,840 | 1,582,699 | - | 106,082,539 |
| Office Building and Improvements | 20,141,297 | 11,311 | - | 20,152,608 |
| Equipment and Other | 3,990,395 | 998,757 | (65,261) | 4,923,891 |
| | <u>211,584,206</u> | <u>6,958,414</u> | <u>(6,657,223)</u> | <u>211,885,397</u> |
| Accumulated Depreciation: | | | | |
| Water System | (20,094,157) | (999,214) | 1,468,585 | (19,624,786) |
| Sewer System | (31,952,508) | (1,643,950) | - | (33,596,458) |
| Office Building and Improvements | (5,280,548) | (570,395) | - | (5,850,943) |
| Equipment and Other | (2,938,273) | (259,618) | 65,261 | (3,132,630) |
| | <u>(60,265,486)</u> | <u>(3,473,177)</u> | <u>1,533,846</u> | <u>(62,204,817)</u> |
| Net Capital Assets | <u>\$ 158,551,619</u> | <u>\$ 6,484,670</u> | <u>\$ (8,784,441)</u> | <u>\$ 156,251,848</u> |

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 4 LONG-TERM DEBT

Long-term debt outstanding consisted of direct borrowings as follows:

| | 2020 | 2019 |
|---|--------------|--------------|
| 2012 \$1,859,000 loan issued for utility construction, secured by the revenue if the system, payable \$97,842 annually through the year 2031, plus interest at .25 annual percentage rate. | \$ 1,076,264 | \$ 1,174,106 |
| 2013 loan issued for utility construction: \$7,810,000 authorized, \$6,844,852 drawn to December 31, 2020 secured by the revenue of the system. Based on draws to December 31, 2020, payable \$416,248 annually through the year 2032, plus interest at .50 annual percentage rate. | 4,994,972 | 4,576,738 |
| | 6,071,236 | 5,750,844 |
| Less: Current Maturities | (514,090) | (449,899) |
| Total | \$ 5,557,146 | \$ 5,300,945 |

Long-term debt service requirements to maturity are as follows (based on draws received through December 31, 2020):

| Year Ending December 31, | Principal | Interest | Total |
|--------------------------|--------------|------------|--------------|
| 2021 | \$ 514,090 | \$ 27,625 | \$ 541,715 |
| 2022 | 514,090 | 25,340 | 539,430 |
| 2023 | 514,090 | 23,014 | 537,104 |
| 2024 | 514,090 | 20,688 | 534,778 |
| 2025 | 514,090 | 18,362 | 532,452 |
| 2026-2030 | 2,570,449 | 56,923 | 2,627,372 |
| 2031-2032 | 930,337 | 6,488 | 936,825 |
| Total | \$ 6,071,236 | \$ 178,440 | \$ 6,249,676 |

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 5 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>2020</u> | | | | | |
| Public Works Trust Fund | | | | | |
| Loans | \$ 5,750,844 | \$ 829,798 | \$ (509,406) | \$ 6,071,236 | \$ 514,090 |
| Compensated Absences | 365,442 | 394,274 | (323,023) | 436,693 | 309,000 |
| Net Pension Liability | 988,335 | - | (40,912) | 947,423 | - |
| Other Postemployment Benefits Liability | 1,080,201 | 541,519 | (7,208) | 1,614,512 | - |
| Total | <u>\$ 8,184,822</u> | <u>\$ 1,765,591</u> | <u>\$ (880,549)</u> | <u>\$ 9,069,864</u> | <u>\$ 823,090</u> |
| <u>2019</u> | | | | | |
| Public Works Trust Fund | | | | | |
| Loans | \$ 5,977,557 | \$ 556,648 | \$ (783,361) | \$ 5,750,844 | \$ 449,899 |
| Compensated Absences | 409,731 | 354,131 | (398,420) | 365,442 | 365,442 |
| Net Pension Liability | 1,242,073 | - | (253,738) | 988,335 | - |
| Other Postemployment Benefits Liability | 1,040,459 | 101,371 | (61,629) | 1,080,201 | - |
| Total | <u>\$ 8,669,820</u> | <u>\$ 1,012,150</u> | <u>\$ (1,497,148)</u> | <u>\$ 8,184,822</u> | <u>\$ 815,341</u> |

NOTE 6 PENSION PLAN

The following table represents the aggregate pension amounts for all plans as of and for the years ended December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------|-------------|
| Pension Liabilities | \$ 947,423 | \$ 988,335 |
| Deferred Outflows of Resources | 353,816 | 313,418 |
| Deferred Inflows of Resources | 294,089 | 557,628 |
| Pension Expense | 28,871 | 150,789 |

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 6 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
PO 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 5 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 5 years of eligible service. The plan was closed to new entrants on September 30, 1977.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 6 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>2020</u> | | |
| January through August | | |
| PERS Plan 1 | 7.92 % | 6.00 % |
| PERS Plan 1 UAAL | 4.76 | |
| Administrative Fee | 0.18 | |
| Total | <u>12.86 %</u> | <u>6.00 %</u> |
| September through December | | |
| PERS Plan 1 | 7.92 % | 6.00 % |
| PERS Plan 1 UAAL | 4.87 | |
| Administrative Fee | 0.18 | |
| Total | <u>12.97 %</u> | <u>6.00 %</u> |
| <u>2019</u> | | |
| January through June | | |
| PERS Plan 1 | 7.52 % | 6.00 % |
| PERS Plan 1 UAAL | 5.13 | |
| Administrative Fee | 0.18 | |
| Total | <u>12.83 %</u> | <u>6.00 %</u> |
| July through December | | |
| PERS Plan 1 | 7.92 % | 6.00 % |
| PERS Plan 1 UAAL | 4.76 | |
| Administrative Fee | 0.18 | |
| Total | <u>12.86 %</u> | <u>6.00 %</u> |

The District's actual contributions to the plan were \$138,997 and \$136,963 for the years ended December 31, 2020 and 2019, respectively.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 6 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 5 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 5 years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 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 6 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.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 6 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>2020</u> | | | |
| January through August | | | |
| PERS Plan 2/3 | 7.92% | 7.90% | Varies |
| PERS Plan 1 UAAL | 4.76% | | |
| Administrative Fee | 0.18% | | |
| Total | <u>12.86%</u> | <u>7.90%</u> | <u>Varies</u> |
| September through December | | | |
| PERS Plan 2/3 | 7.92% | 7.90% | Varies |
| PERS Plan 1 UAAL | 4.87% | | |
| Administrative Fee | 0.18% | | |
| Total | <u>12.97%</u> | <u>7.90%</u> | <u>Varies</u> |
| <u>2019</u> | | | |
| January through June | | | |
| PERS Plan 2/3 | 7.52% | 7.41% | Varies |
| PERS Plan 1 UAAL | 5.13% | | |
| Administrative Fee | 0.18% | | |
| Total | <u>12.83%</u> | <u>7.41%</u> | <u>Varies</u> |
| July through December | | | |
| PERS Plan 2/3 | 7.92% | 7.90% | Varies |
| PERS Plan 1 UAAL | 4.76% | | |
| Administrative Fee | 0.18% | | |
| Total | <u>12.86%</u> | <u>7.90%</u> | <u>Varies</u> |

The District's actual contributions to the plan were \$229,507 and \$213,354 for the years ended December 31, 2020 and 2019, respectively.

Actuarial Assumptions

The 2020 total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

The 2019 TPL for each of the DRS plans was determined using the actuarial valuation completed in 2019, with a valuation date of June 30, 2018. 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 *2017 Economic Experience Study*.

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 6 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Additional 2020 assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. Additional 2019 assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020 and June 30, 2019. 2020 Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, and 2019 Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

2020 Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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.

2019 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 between the 2020 and 2019 valuations.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 6 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington State average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

There were changes in methods and assumptions between the 2019 and 2018 valuations.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.4% 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 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, 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 over various time horizons.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 6 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, 2020 and 2019:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Percent Long-Term Expected Real Rate of Return Arithmetic</u> |
|--------------------|------------------------------|--|
| Fixed Income | 20 % | 2.20 % |
| Tangible Assets | 7 | 5.10 |
| Real Estate | 18 | 5.80 |
| Global Equity | 32 | 6.30 |
| Private Equity | 23 | 9.30 |
| Total | <u>100 %</u> | |

Sensitivity of NPL

The table below presents the District's proportionate share of the net pension liability calculated using the applicable discount rate, 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 or 1-percentage point higher than applicable discount rate.

| | <u>1% Decrease (6.4%)</u> | <u>Current Discount Rate (7.4%)</u> | <u>1% Increase (8.4%)</u> |
|-------------|-------------------------------|---|-------------------------------|
| <u>2020</u> | | | |
| PERS 1 | \$ 805,380 | \$ 642,988 | \$ 501,367 |
| PERS 2/3 | 1,894,283 | 304,435 | (1,004,803) |
| <u>2019</u> | | | |
| PERS 1 | \$ 933,445 | \$ 745,373 | \$ 582,197 |
| PERS 2/3 | 1,863,443 | 242,962 | (1,086,739) |

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 6 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, 2020 and 2019, the District reported a total pension liability (asset) for its proportionate share of the net pension liabilities as follows (measured as of June 30, 2020 and 2019):

| | Liability (Asset) | |
|----------|-------------------|------------|
| | 2020 | 2019 |
| PERS 1 | \$ 642,988 | \$ 745,373 |
| PERS 2/3 | 304,435 | 242,962 |
| Total | \$ 947,423 | \$ 988,335 |

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

| | Proportionate Share 6/30/19 | Proportionate Share 6/30/20 | Change in Proportion |
|----------|--------------------------------|--------------------------------|-------------------------|
| PERS 1 | 0.019384% | 0.018212% | -0.001172% |
| PERS 2/3 | 0.025013% | 0.023804% | -0.001209% |
| | Proportionate Share 6/30/18 | Proportionate Share 6/30/19 | Change in Proportion |
| PERS 1 | 0.018634% | 0.019384% | 0.000750% |
| PERS 2/3 | 0.024006% | 0.025013% | 0.001007% |

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 2020 and 2019 collective net pension liability (asset) was measured as of June 30, 2020 and 2019, respectively, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019 and 2018, 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, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 6 PENSION PLAN (CONTINUED)

Pension Expense

For the years ended December 31, 2020 and 2019, the District recognized pension expense as follows:

| | 2020 | 2019 |
|--------------------|------------------|-------------------|
| PERS 1 | \$ (16,610) | \$ 68,893 |
| PERS 2/3 | 40,265 | 76,917 |
| Expenses and Other | 5,216 | 4,979 |
| Total | <u>\$ 28,871</u> | <u>\$ 150,789</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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| <u>2020</u> | | |
| PERS 1 | | |
| Differences Between Expected and Actual Experience | \$ - | \$ - |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | 3,580 |
| Changes of Assumptions | - | - |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | - | - |
| Contributions Subsequent to the Measurement Date | 72,219 | - |
| Total | <u>\$ 72,219</u> | <u>\$ 3,580</u> |
| PERS 2/3 | | |
| Differences Between Expected and Actual Experience | \$ 108,984 | \$ 38,153 |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | 15,461 |
| Changes of Assumptions | 4,336 | 207,956 |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | 49,879 | 28,939 |
| Contributions Subsequent to the Measurement Date | 118,398 | - |
| Total | <u>\$ 281,597</u> | <u>\$ 290,509</u> |
| Total all Plans | <u>\$ 353,816</u> | <u>\$ 294,089</u> |

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 6 PENSION PLAN (CONTINUED)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| <u>2019</u> | | |
| PERS 1 | | |
| Differences Between Expected and Actual Experience | \$ - | \$ - |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | 49,797 |
| Changes of Assumptions | - | - |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | - | - |
| Contributions Subsequent to the Measurement Date | 65,214 | - |
| Total | \$ 65,214 | \$ 49,797 |
| PERS 2/3 | | |
| Differences Between Expected and Actual Experience | \$ 69,609 | \$ 52,236 |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | 353,656 |
| Changes of Assumptions | 6,222 | 101,939 |
| Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions | 64,195 | - |
| Contributions Subsequent to the Measurement Date | 108,178 | - |
| Total | \$ 248,204 | \$ 507,831 |
| Total all Plans | \$ 313,418 | \$ 557,628 |

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 |
|---------------------------------|-------------|--------------|
| 2021 | \$ (16,246) | \$ (119,179) |
| 2022 | (511) | (23,051) |
| 2023 | 4,957 | 12,555 |
| 2024 | 8,220 | 31,624 |
| 2025 | - | (10,474) |
| Thereafter | - | (18,785) |
| Total | \$ (3,580) | \$ (127,310) |

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the years ended December 31:

| | 2020 | 2019 |
|--------------------------------|--------------|--------------|
| OPEB Liabilities | \$ 1,614,512 | \$ 1,080,201 |
| Deferred Outflows of Resources | 4,170 | 6,133 |
| OPEB Expense | 541,519 | 52,453 |

The District provides its retirees employer subsidies for postemployment medical insurance benefits (OPEB) through the Public Employees Benefits Board (PEBB). The actual medical costs are paid through annual fees and premiums to the PEBB.

General Information about the OPEB Plan

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 as a single employer plan. 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.

Benefits Provided - The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date of June 30, 2020, the explicit subsidy for post-65 retirees and spouses is the lesser of \$183 or 50% of the monthly premiums. As of the valuation date of June 30, 2019, \$168 or 50% of the monthly premiums. The retirees and spouses currently pay the premium minus \$183 when the premium is over \$366 per month and pay half the premium when the premium is lower than \$366.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Employees Covered by Benefit Terms

At December 31, the following employees were covered by the benefit terms:

| | 2020 | 2019 |
|---|------|------|
| Inactive Employees or Beneficiaries Currently | | |
| Receiving Benefit Payments | 3 | 2 |
| Inactive Employees Entitled to But Not Yet | | |
| Receiving Benefit Payments | 0 | 1 |
| Active Employees | 32 | 31 |

Funding Policy

The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

Contributions

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.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 and 2019, and was determined using the alternative measurement method as of that date. All significant assumptions utilized in the alternative measurement were provided by the Washington State Actuary.

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

The alternative measurement was based on the following methods and assumptions:

Methodology:

| | |
|-----------------------|------------------------|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Recognized Immediately |

Assumptions:

Discount Rate - Based on Bond Buyer General
Obligation 20-Bond Municipal Index:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------|-------------|
| Beginning of Measurement Year | 3.50% | 3.87% |
| End of Measurement Year | 2.21% | 3.50% |

| | <u>2020</u> | <u>2019</u> |
|--------------------------|------------------------------|-------------|
| Projected Salary Changes | 3.50% | 3.50% |
| | Plus Service-Based Increases | |

Healthcare Trend Rates

Initial Rate is Approximately 7%,
trends down to approximately 5% in
2020

Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, see Office of the State Actuary's 2018 PEBB OPEB Actuarial Valuation Report.

Mortality Rates:

| | |
|------------------------|-----------------|
| Base Mortality Table | Healthy RP-2000 |
| Age Setback | 1 year |
| Mortality Improvements | 100% Scall BB |
| Projection Period | Generational |

| | <u>2020</u> | <u>2019</u> |
|----------------|-------------|-------------|
| Inflation Rate | 2.75% | 2.75% |

| | |
|--|--------|
| Post-Retirement Participation Percentage | 65.00% |
|--|--------|

| | |
|---------------------------------|--------|
| Percentage with Spouse Coverage | 45.00% |
|---------------------------------|--------|

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Balance - January 1 | \$ 1,080,201 | \$ 1,040,459 |
| Service Cost | 59,483 | 59,063 |
| Interest | 39,764 | 42,308 |
| Changes in Experience and Data Assumptions | 442,272 | (48,917) |
| Changes in Benefit Terms | - | - |
| Benefit Payments | (7,208) | (12,712) |
| Other | - | - |
| Total | <u>\$ 1,614,512</u> | <u>\$ 1,080,201</u> |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the total OPEB liability of the District calculated using a discount rate and healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current discount rate and health care cost trend rates:

| <u>2020</u> | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
|----------------------------|------------------------|-------------------------|------------------------|
| Discount Rate | \$ 1,994,686 | \$ 1,614,512 | \$ 1,320,745 |
| Healthcare Cost Trend Rate | 1,275,195 | 1,614,512 | 2,073,498 |
| <u>2019</u> | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
| Discount Rate | \$ 1,315,530 | \$ 1,080,201 | \$ 896,524 |
| Healthcare Cost Trend Rate | 869,506 | 1,080,201 | 1,361,254 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District recognized OPEB expense for the year ended December 31 as follows:

| | <u>2020</u> | <u>2020</u> |
|--|-------------------|------------------|
| Service Cost | \$ 59,483 | \$ 59,063 |
| Interest Cost | 39,764 | 42,308 |
| Changes in Experience and Data Assumptions | 442,272 | (48,918) |
| Total | <u>\$ 541,519</u> | <u>\$ 52,453</u> |

**SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| <u>2020</u> | | |
| Contributions Subsequent to the Measurement Date | \$ 4,170 | \$ - |
| <u>2019</u> | | |
| Contributions Subsequent to the Measurement Date | \$ 6,133 | \$ - |

Deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year.

NOTE 8 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. Effective January 1, 2020, the District will match employee contributions up to \$250 per month for fulltime employees and \$125 for part time employees. District and employee contributions during 2020 were \$86,950 and \$173,600, respectively. The District made no contributions to the plan in 2019.

NOTE 9 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, 2020, the District's share of the projects is estimated to be as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2021 | \$ 656,000 |
| 2022 | 632,000 |
| 2023 | 768,000 |
| 2024 | 752,000 |
| 2025 | 820,800 |
| 2026-2030 | 19,096,000 |
| Total | \$ 22,724,800 |

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 10 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 162 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 \$400 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.

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.

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 10 RISK MANAGEMENT (CONTINUED)

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 (2020, 2019, and 2018), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

NOTE 11 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 12 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.

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 purchases, maintenance costs and reimbursement of construction costs expended by CWSA. Water purchases and maintenance costs were \$1,653,611 and \$1,683,863 and reimbursable construction costs were \$-0- and \$20,168 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019 accounts payable included \$232,247 and \$214,164, respectively, due to CWSA.

SILVER LAKE WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 13 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> |
|---------------------------------|-------------------|
| 2021 | \$ 171,232 |
| 2022 | 117,047 |
| 2023 | 98,523 |
| 2024 | 25,862 |
| Total | <u>\$ 412,664</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**SILVER LAKE WATER AND SEWER DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
YEARS ENDED JUNE 30 (MEASUREMENT DATE)
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|---------------------|
| Total OPEB Liability - Beginning | \$ 1,080,201 | \$ 1,040,459 | \$ 1,001,598 |
| Service Cost | 59,483 | 59,063 | 70,464 |
| Interest | 39,764 | 42,308 | 38,315 |
| Changes in Experience and Data Assumptions | 442,272 | (48,917) | (66,274) |
| Changes in Benefit Terms | - | - | - |
| Benefit Payments | (7,208) | (12,712) | (3,644) |
| Other Changes | - | - | - |
| Total OPEB Liability - Ending | <u>\$ 1,614,512</u> | <u>\$ 1,080,201</u> | <u>\$ 1,040,459</u> |
| Covered Payroll | \$ 2,920,614 | \$ 2,675,411 | \$ 2,469,473 |
| Total OPEB Liability as a % of Covered Payroll | 55.28% | 40.38% | 42.13% |

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

* Until a full 10-year trend is compiled, only information for those years available is presented.

**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 |
|------|---|---|----------------------------------|--|--|
| 2020 | 0.018212% | \$ 642,988 | \$ 2,770,419 | 23.21% | 68.64% |
| 2019 | 0.019384% | 745,373 | 2,718,524 | 27.42% | 67.12% |
| 2018 | 0.018634% | 832,194 | 2,477,600 | 33.59% | 63.22% |
| 2017 | 0.019119% | 907,191 | 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 |
|------|---|---|----------------------------------|--|--|
| 2020 | 0.023804% | \$ 304,435 | \$ 2,770,419 | 10.99% | 97.22% |
| 2019 | 0.025013% | 242,962 | 2,718,524 | 8.94% | 97.77% |
| 2018 | 0.024006% | 409,879 | 2,477,600 | 16.54% | 95.77% |
| 2017 | 0.023431% | 814,124 | 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 PENSION CONTRIBUTIONS
YEARS ENDED 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 |
|------|---|--|--|----------------------------------|--|
| 2020 | \$ 138,997 | \$ (138,997) | \$ - | \$ 2,897,816 | 4.80% |
| 2019 | 136,963 | (136,963) | - | 2,766,141 | 4.95% |
| 2018 | 132,137 | (132,137) | - | 2,610,095 | 5.06% |
| 2017 | 138,249 | (138,249) | - | 2,376,391 | 5.82% |
| 2016 | 114,244 | (114,244) | - | 2,278,428 | 5.01% |
| 2015 | 96,339 | (96,339) | - | 2,098,914 | 4.59% |
| 2014 | 77,826 | (77,826) | - | 1,834,833 | 4.24% |
| 2013 | 59,441 | (59,441) | - | 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 |
|------|---|--|--|----------------------------------|--|
| 2020 | \$ 229,507 | \$ (229,507) | \$ - | \$ 2,897,816 | 7.92% |
| 2019 | 213,354 | (213,354) | - | 2,766,141 | 7.71% |
| 2018 | 195,751 | (195,751) | - | 2,610,095 | 7.50% |
| 2017 | 162,671 | (162,671) | - | 2,376,391 | 6.85% |
| 2016 | 136,384 | (136,384) | - | 2,189,149 | 6.23% |
| 2015 | 113,652 | (113,652) | - | 2,020,837 | 5.62% |
| 2014 | 87,859 | (87,859) | - | 1,759,065 | 4.99% |
| 2013 | 80,741 | (80,741) | - | 1,669,683 | 4.84% |

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, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

| | Sewer | | Percentage of Sewer Operating Revenue | | Water | | Percentage of Water Operating Revenue | | Total | | Percentage of Total Revenue | |
|---|---------------------|---------------------|--|---------------|---------------------|-------------------|--|--------------|-----------------------|-----------------------|--------------------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| OPERATING REVENUES | | | | | | | | | | | | |
| Service Charges | \$ 14,751,349 | \$ 14,511,733 | 98.5 % | 98.8 % | \$ 6,280,127 | \$ 6,217,419 | 93.7 % | 94.2 % | \$ 21,031,476 | \$ 20,729,152 | 97.0 % | 97.4 % |
| Permits | 76,464 | 43,296 | 0.5 | 0.3 | 42,670 | 28,730 | 0.6 | 0.4 | 119,134 | 72,026 | 0.6 | 0.3 |
| Miscellaneous | 146,336 | 128,849 | 1.0 | 0.9 | 378,312 | 356,428 | 5.7 | 5.4 | 524,648 | 485,277 | 2.4 | 2.3 |
| | <u>14,974,149</u> | <u>14,683,878</u> | <u>100.0</u> | <u>100.0</u> | <u>6,701,109</u> | <u>6,602,577</u> | <u>100.0</u> | <u>100.0</u> | <u>21,675,258</u> | <u>21,286,455</u> | <u>100.0</u> | <u>100.0</u> |
| OPERATING EXPENSES | | | | | | | | | | | | |
| Operation Expenses | 9,494,614 | 8,936,670 | 63.4 | 60.9 | 2,599,361 | 2,755,603 | 38.8 | 41.7 | 12,093,975 | 11,692,273 | 55.8 | 54.9 |
| Maintenance Expenses | 938,564 | 414,149 | 6.3 | 2.8 | 589,792 | 813,878 | 8.8 | 12.3 | 1,528,356 | 1,228,027 | 7.1 | 5.8 |
| General and Administrative | 2,446,699 | 2,095,116 | 16.3 | 14.3 | 3,592,041 | 2,701,587 | 53.6 | 40.9 | 6,038,740 | 4,796,703 | 27.9 | 22.5 |
| Depreciation | 2,122,875 | 2,045,124 | 14.2 | 13.9 | 1,498,179 | 1,428,053 | 22.4 | 21.6 | 3,621,054 | 3,473,177 | 16.7 | 16.3 |
| | <u>15,002,752</u> | <u>13,491,059</u> | <u>100.2</u> | <u>91.9</u> | <u>8,279,373</u> | <u>7,699,121</u> | <u>123.6</u> | <u>116.6</u> | <u>23,282,125</u> | <u>21,190,180</u> | <u>107.4</u> | <u>99.6</u> |
| OPERATING INCOME (LOSS) | (28,603) | 1,192,819 | (0.2) | 8.1 | (1,578,264) | (1,096,544) | (23.6) | (16.6) | (1,606,867) | 96,275 | (7.4) | 0.5 |
| NONOPERATING REVENUE (EXPENSE) | | | | | | | | | | | | |
| Investment and Assessment Income | 243,643 | 862,073 | 1.6 | 5.9 | 38,716 | 154,027 | 0.6 | 2.3 | 282,359 | 1,016,100 | 1.3 | 4.8 |
| Interest on Long-Term Debt | (28,342) | (25,601) | (0.2) | (0.2) | - | (1,732) | - | (0.0) | (28,342) | (27,333) | (0.1) | (0.1) |
| Private Property Improvements | (18,934) | - | (0.1) | - | - | - | - | - | (18,934) | - | (0.1) | - |
| Net Gain (Loss) on Disposal of Assets | 4,767 | 11,615 | 0.0 | 0.1 | 5,157 | 13,071 | 0.1 | 0.2 | 9,924 | 24,686 | 0.1 | 0.1 |
| | <u>201,134</u> | <u>848,087</u> | <u>1.3</u> | <u>5.8</u> | <u>43,873</u> | <u>165,366</u> | <u>0.7</u> | <u>2.5</u> | <u>245,007</u> | <u>1,013,453</u> | <u>1.1</u> | <u>4.8</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | 172,531 | 2,040,906 | 1.2 | 13.9 | (1,534,391) | (931,178) | (22.9) | (14.1) | (1,361,860) | 1,109,728 | (6.3) | 5.2 |
| Capital Contributions | <u>3,537,077</u> | <u>1,916,695</u> | <u>23.6</u> | <u>13.1</u> | <u>3,175,217</u> | <u>1,153,350</u> | <u>47.4</u> | <u>17.5</u> | <u>6,712,294</u> | <u>3,070,045</u> | <u>31.0</u> | <u>14.4</u> |
| CHANGE IN NET POSITION | <u>\$ 3,709,608</u> | <u>\$ 3,957,601</u> | <u>24.8 %</u> | <u>27.0 %</u> | <u>\$ 1,640,826</u> | <u>\$ 222,172</u> | <u>24.5 %</u> | <u>3.4 %</u> | 5,350,434 | 4,179,773 | 24.7 % | 19.6 % |
| Net Position - Beginning of Year | | | | | | | | | 194,014,203 | 194,957,805 | | |
| Restatement - Change in Accounting Principle | | | | | | | | | - | (5,123,375) | | |
| Net Position, January 1, as Restated | | | | | | | | | <u>194,014,203</u> | <u>189,834,430</u> | | |
| Net Position - End of Year | | | | | | | | | <u>\$ 199,364,637</u> | <u>\$ 194,014,203</u> | | |

**SILVER LAKE WATER AND SEWER DISTRICT
DEPARTMENTAL SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

| | Sewer | | Percentage of Sewer Operating Revenue | | Water | | Percentage of Water Operating Revenue | | Total | | Percentage of Total Revenue | |
|-------------------------------------|---------------------|---------------------|--|---------------|---------------------|---------------------|--|---------------|---------------------|---------------------|--------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Salaries | \$ 984,974 | \$ 993,317 | 6.6 % | 6.8 % | \$ 1,658,571 | \$ 1,104,749 | 24.8 % | 16.7 % | \$ 2,643,545 | \$ 2,098,066 | 12.2 % | 9.9 % |
| Employee Benefits and Payroll Taxes | 813,123 | 582,317 | 5.4 | 4.0 | 904,417 | 656,657 | 13.5 | 10.0 | 1,717,540 | 1,238,974 | 7.9 | 5.8 |
| Insurance and Bonding | 61,259 | 54,907 | 0.4 | 0.4 | 69,080 | 61,917 | 1.0 | 0.9 | 130,339 | 116,824 | 0.6 | 0.6 |
| Miscellaneous | 26,568 | 41,211 | 0.2 | 0.3 | 65,061 | 107,948 | 1.0 | 1.6 | 91,629 | 149,159 | 0.4 | 0.7 |
| General Office Expense | 233,657 | 191,750 | 1.6 | 1.3 | 406,539 | 368,780 | 6.1 | 5.6 | 640,196 | 560,530 | 3.0 | 2.6 |
| Professional Fees | 142,096 | 76,901 | 1.0 | 0.5 | 151,343 | 82,115 | 2.3 | 1.2 | 293,439 | 159,016 | 1.4 | 0.8 |
| State Excise Tax | 185,022 | 154,713 | 1.2 | 1.1 | 337,030 | 319,421 | 5.0 | 4.8 | 522,052 | 474,134 | 2.4 | 2.2 |
| Total | <u>\$ 2,446,699</u> | <u>\$ 2,095,116</u> | <u>16.3 %</u> | <u>14.3 %</u> | <u>\$ 3,592,041</u> | <u>\$ 2,701,587</u> | <u>53.6 %</u> | <u>40.9 %</u> | <u>\$ 6,038,740</u> | <u>\$ 4,796,703</u> | <u>27.9 %</u> | <u>22.5 %</u> |