Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Lakehaven Utility District

King County

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

Published September 30, 2015

Report No. 1015322

Washington State Auditor's Office

September 30, 2015

Board of Commissioners
Lakehaven Utility District
Federal Way, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Lakehaven Utility District's financial statements and compliance with federal laws and regulations.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

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FEDERAL SUMMARY

Lakehaven Utility District
King County
January 1, 2014 through December 31, 2014

The results of our audit of the Lakehaven Utility District are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the basic financial statements of each major fund.

Internal Control Over Financial Reporting:

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

- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

Federal Awards

Internal Control Over Major Programs:

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

- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

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

Identification of Major Programs:

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

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

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

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

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

Lakehaven Utility District
King County
January 1, 2014 through December 31, 2014

Board of Commissioners
Lakehaven Utility District
Federal Way, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of each major fund of the Lakehaven Utility District, King County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 29, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 29, 2015

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

Lakehaven Utility District
King County
January 1, 2014 through December 31, 2014

Board of Commissioners
Lakehaven Utility District
Federal Way, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Lakehaven Utility District, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 29, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lakehaven Utility District
King County
January 1, 2014 through December 31, 2014

Board of Commissioners
Lakehaven Utility District
Federal Way, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of each major fund of the Lakehaven Utility District, King County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Lakehaven Utility District, as of December 31, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

The District provides water and wastewater services. In prior years, the District's financial statements reported a single fund that included both water and wastewater operations. Starting with the 2014 financial statements, the District is reporting these activities in separate funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

September 29, 2015

FINANCIAL SECTION

Lakehaven Utility District
King County
January 1, 2014 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014
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Brief Discussion of the Basic Financial Statements

The District's financial statements include a Statement of Net Position, a Statement of Revenues, Expenses & Changes in Fund Net Position, a Statement of Cash Flows, and Notes to the Financial Statements. The financial statements are prepared using the accrual basis of accounting and conform to generally accepted accounting principles as applicable to proprietary funds of governments. The intent of the management's discussion and analysis is to provide highlights of the District's financial activities for the year ended December 31, 2014. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

The statement of net position provides a record, or snap shot, of the assets and liabilities of the District at the close of the year. It provides information about the nature and amounts of investments in resources (assets), the obligations to District creditors (liabilities) and deferred outflows and inflows of District resources. It provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses, and changes in fund net position presents the results of the 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, profitability and credit worthiness.

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

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

Condensed Comparative Statement of Net Position

The following condensed statement of net position by division presents the assets of the District as of December 31, 2014 and shows the mix of liabilities and net position used to acquire these assets:

	Water	Wastewater	Total
Assets			
Current Assets	$ 18,885,280	$ 22,970,037	$ 41,855,317
Noncurrent Assets:			
Capital Assets - Net	122,798,364	109,957,138	232,755,502
Total Assets	141,683,644	132,927,175	274,610,819
Deferred Outflow of Resources			
Deferred Losses	177,303	21,527	198,830

Liabilities			
Current Liabilities	4,387,560	3,001,769	7,389,329
Noncurrent Liabilities:			
Long-Term Debt	24,291,246	2,851,026	27,142,272
Other	389,466	367,735	757,201
Total Liabilities	29,068,272	6,220,530	35,288,802
Net Position			
Net Investment in Capital Assets	95,457,217	106,289,145	201,746,362
Restricted for Debt Service	1,965,350	1,603,467	3,568,817
Unrestricted	15,370,108	18,835,560	34,205,668
Total Net Position	$112,792,675	$126,728,172	$239,520,847

Condensed Comparative Statement of Net Position (Continued)

The following condensed statement of net position by division presents the assets of the District as of December 31, 2013 and shows the mix of liabilities and net position used to acquire these assets:

	Water	Wastewater	Total
Assets			
Current Assets	$ 12,584,448	$ 19,652,642	$ 32,237,090
Noncurrent Assets:			
Capital Assets - Net	120,568,566	108,748,175	229,316,741
Total Assets	133,153,014	128,400,817	261,553,831
Deferred Outflow of Resources			
Deferred Losses	285,861	35,133	320,994
Liabilities			
Current Liabilities	6,570,201	2,944,890	9,515,091
Noncurrent Liabilities:			
Long-Term Debt	19,829,152	3,575,098	23,404,250
Other	317,385	327,008	644,393
Total Liabilities	26,716,738	6,846,996	33,563,734
Net Position			
Net Investment in Capital Assets	97,865,850	104,419,639	202,285,489
Restricted for Debt Service	2,039,576	1,429,781	3,469,357
Unrestricted	6,816,711	15,739,534	22,556,245
Total Net Position	$106,722,137	$121,588,954	$228,311,091

Analysis of the Condensed Comparative Statement of Net Position

Assets

Current assets consist of cash and cash equivalents held in the maintenance, construction and revenue bond funds as well as accounts receivable, prepaid expenses, inventory, and accrued interest. Water current assets increased by $6,300,832 and Wastewater current assets increased by $3,317,395 for a total increase of $9,618,227 largely due to increases in the unrestricted cash and cash equivalents held by the King County Investment Pool, and increases in customer accounts receivable. Cash balances in the funds vary from year to year based on income from operations, expenses paid for operations and construction costs, transfers into other funds, borrowings and debt service payments. Customer accounts receivable increased primarily due to increased billings. Accrued interest receivable on investments did not materially change in 2014.

Noncurrent assets consist of net capital assets, which include land, construction in progress, equipment, buildings, infrastructure and intangibles. Water noncurrent assets increased by $2,229,798 and Wastewater noncurrent assets increased by $1,208,963 for a total increase of $3,438,761 in 2014. This increase was due to increased capital spending and was partially offset by depreciation expense and capital asset disposals.

Deferred Outflow of Resources consists of unamortized losses on the refunding of revenue bonds. Water deferred outflow of resources decreased by $108,558 and Wastewater deferred outflow of resources decreased by $13,606 for a total decrease of $122,164 in 2014 due to amortization of the deferred losses.

Liabilities

Current liabilities include accounts payable, deposits, interest payable on debt, retainage and the current portion of long term debt. Water current liabilities decreased by $2,182,641 and Wastewater current liabilities increased by $56,879 for a net decrease of $2,125,762 from 2013. Water current liabilities decreased primarily due to decreases in accounts payable partially offset by increases in the current portion of debt and deposits from developers. Wastewater current liabilities increased due to increases in deposits from developers and the current portion of debt partially offset by decreases in accounts payable. Accounts payable decreased in 2014 primarily due to fewer capital projects. Developer and customer deposits increased in 2014 primarily due to an increase in agreements for latecomers and earlycomers. The current portion of debt, including interest payable and capital lease payable, increased by $120,129 during the year. This increase is due to draws on the State Revolving Fund loans in 2014 partially offset by payments on debt and the capital lease payable.

Analysis of the Condensed Comparative Statement of Net Position (Continued)

Noncurrent liabilities include the long term portion of revenue bonds, Public Work Trust Fund and State Revolving Fund loans. Noncurrent liabilities also include compensated absences, and co-op certificates. Water noncurrent liabilities increased by $4,534,175 and Wastewater noncurrent liabilities decreased by $683,345 for a net increase of $3,850,830 in 2014. Water noncurrent liabilities increased primarily due to draws on the State Revolving Fund loans, partially offset by principal payments on long term debt. Wastewater noncurrent liabilities decreased primarily due to principal payments on long term debt.

Net Position

Net position consists of total assets minus total liabilities. Net position is the portion of the assets the District no longer finances with revenue bonds or other liabilities. Water net position increased by $6,419,758 and Wastewater net position increased by $5,551,937 for a total increase of $11,971,695 in 2014. Over time, increases or decreases in the District's net position is an indicator of the District's overall financial growth. An increase in net position is a positive sign of the District's financial strength.

Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position

The following statement of revenues, expenses, and changes in fund net position by division for the year ended December 31, 2014 presents the annual surplus or deficiency of revenues over expenses (the change in net position):

	Water	Wastewater	Total
Revenues			
Operating Revenues	$ 15,595,639	$ 15,609,855	$ 31,205,494
Investment Income	76,525	126,522	203,047
Gain on Sale of Capital Assets	-	91,695	91,695
Other Income	189,522	3,861	193,383
Total Revenues	15,861,686	15,831,933	31,693,619
Expenses			
Operating & Maintenance	5,321,548	8,854,902	14,176,450
Administrative & General	2,000,234	1,920,791	3,921,025
Depreciation & Amortization	3,713,266	4,064,033	7,777,299
Taxes	656,911	251,259	908,170
Loss on Sale of Capital Assets	38,698	-	38,698
Public Works & SRF Interest	184,749	15,152	199,901
Revenue Bond Interest	211,108	41,561	252,669
Total Expenses	12,126,514	15,147,698	27,274,212
Change in Net Position before Capital Contributions	3,735,172	684,235	4,419,407
Capital Contributions	2,684,586	4,867,702	7,552,288
Change in Net Position	6,419,758	5,551,937	11,971,695
Total Net Position, January 1	106,722,137	121,588,954	228,311,091
Prior Period Adjustment	(349,220)	(412,719)	(761,939)
Change in Application of Accounting Principal	-	-	-
Total Net Position, December 31	$112,792,675	$126,728,172	$239,520,847

Condensed Comparative Statement of Revenues, Expenses & Changes in Fund Net Position

The following statement of revenues, expenses, and changes in fund net position by division for the year ended December 31, 2013 presents the annual surplus or deficiency of revenues over expenses (the change in net position):

	Water	Wastewater	Total
Revenues			
Operating Revenues	$ 14,769,217	$ 14,956,900	$ 29,726,117
Investment Income	19,109	9,822	28,931
Gain on Sale of Capital Assets	-	2,783	2,783
Other Income	300,221	105,641	405,862
Total Revenues	15,088,547	15,075,146	30,163,693

Expenses			
Operating & Maintenance	5,212,055	8,622,169	13,834,224
Administrative & General	1,913,961	1,925,870	3,839,831
Depreciation & Amortization	3,720,509	3,982,601	7,703,110
Taxes	675,759	280,924	956,683
Loss on Sale of Capital Assets	61,371	-	61,371
Public Works & SRF Interest	30,581	16,789	47,370
Revenue Bond Interest	447,945	41,527	489,472
Total Expenses	12,062,181	14,869,880	26,932,061
Change in Net Position before Capital Contributions	3,026,366	205,266	3,231,632
Capital Contributions	1,953,210	2,646,567	4,599,777
Change in Net Position	4,979,576	2,851,833	7,831,409
Total Net Position, January 1	101,696,004	118,724,001	220,420,005
Prior Period Adjustment	81,289	16,547	97,836
Change in Application of Accounting Principal	(34,732)	(3,427)	(38,159)
Total Net Position, December 31	$106,722,137	$121,588,954	$228,311,091

Analysis of the Condensed Comparative Statement of Revenues, Expenses, & Changes in Fund Net Position

Revenues

Water operating revenues were $826,422 higher in 2014, primarily due to a rate increase enacted during 2014. Wastewater operating revenues were $652,955 higher in 2014, primarily due to a rate increase enacted during the year. Total operating revenues increased by $1,479,377 in 2014.

Water investment income increased by $57,416 and Wastewater investment income increased by $116,700 for a total increase of $174,116 in 2014. The average balance being invested varies by fund from year to year and can result in differences in the interest collected by the District.

Expenses

Water operations and maintenance costs increased in 2014 by $109,493 and wastewater operations and maintenance costs increased in 2014 by $232,733 for a total annual increase of $342,226. The increase was primarily driven by an increase in the District's labor and benefit costs.

Water administrative and general expenses increased in 2014 by 86,273 and Wastewater administrative and general expenses decreased in 2014 by $5,079 for a net annual increase of $81,194. The net increase was driven mostly by an increase in wages and benefits.

Water interest expense decreased by $82,669 and Wastewater interest expense decreased by $1,603 for a total decrease of $84,272 compared to 2013. This decrease was due to a lower average interest rate on the outstanding bonds and an increase in capitalized interest partially offset by bond issue costs on the State Revolving Fund loans. The District capitalized $55,964 of interest in 2014, all of which is related to the Water division.

Capital Contributions
The District experienced a $2,952,511 increase in capital contributions in 2014 of which $731,376 related to Water and $2,221,135 related to Wastewater. This increase was primarily driven by an increase in donated projects during 2014.

Net Position
In 2014 Water experienced a change in net position of $6,419,758 and Wastewater experience a change of net position of $5,551,937 for a total change in net position of $11,971,695, an increase of $4,140,286 as compared with 2013.

Analysis of Overall Financial Condition

With operating income, a larger growth in net position, and sustained positive cash flows from operations, the financial condition of the District improved in 2014.

Capital Assets

Capital assets consist of land, construction in progress, equipment, buildings, infrastructure, and intangibles. Net capital assets increased by $3,438,761 in 2014 of which $2,229,798 related to Water and $1,208,963 related to Wastewater. The increase was primarily due to net acquisitions of depreciable assets and construction in progress of $11,029,719 partially offset by depreciation and amortization of $7,777,299.

Principal projects included in the 2014 capital spending were the Second Supply & Filtration projects totaling $3,673,235, the Downtown Trunk Upgrade of $1,692,423, Lakota treatment upgrades totaling $929,408, work on the Redondo projects totaling $578,040, service connections of $410,952, work on the Balance of Second Supply totaling $282,404, Pump Station #33 upsizing of $254,751, installation of meters totaling $178,824, adding an electronic entry system to District properties totaling $165,738 and the 2015 Water System Plan of $164,577. Donated systems (infrastructure donated by developers) in the amount of $2,316,061 are included in the 2014 increase in net capital assets. Over the next ten years it is anticipated that capital spending will be in the range of $165 million with approximately 43% of that going to water projects. The areas of major emphasis in the capital budget include upgrades to water treatment & filtration, existing infrastructure, pump stations and additional water sources. See Note 3 for more information.

Capital assets by division for the year ended December 31, 2014 was as follows:

	Water	Wastewater	Total
Land	$ 1,064,117	$ 5,376,745	$ 6,440,862
Construction in Progress	21,553,930	11,239,610	32,793,540
Equipment	12,707,212	17,185,501	29,892,713
Buildings	1,545,686	1,044,796	2,590,482
Infrastructure	102,689,914	152,796,037	255,485,951
Intangibles	46,308,667	2,041,218	48,349,885
Accumulated Depreciation	(63,071,162)	(79,726,769)	(142,797,931)
Total Capital Assets, Net	$ 122,798,364	$ 109,957,138	$ 232,755,502

Capital assets by division for the year ended December 31, 2013 was as follows:

	Water	Wastewater	Total
Land	$ 1,064,117	$ 5,376,745	$ 6,440,862
Construction in Progress	18,697,365	7,567,022	26,264,387
Equipment	11,647,729	16,733,202	28,380,931
Buildings	1,545,686	1,044,796	2,590,482
Infrastructure	101,495,584	151,763,495	253,259,079
Intangibles	45,546,755	2,041,218	47,587,973
Accumulated Depreciation	(59,428,670)	(75,778,303)	(135,206,973)
Total Capital Assets, Net	$ 120,568,566	$ 108,748,175	$ 229,316,741

Long-Term Debt

In 2014, the Water long-term debt increased by $4,462,094 and Wastewater long-term debt decreased by $724,072 for a net increase of $3,738,022. The Water increase was driven by draws on the State Revolving Fund loans partially offset by principal payments on the revenue bonds and Public Works Trust Fund loans. The Wastewater decrease was driven by principal payments on the revenue bonds and Public Works Trust Fund loans. Total District principal payments totaled $3,752,883 in 2014.

At December 31, 2014, the District had total Public Works Trust Fund & State Revolving Fund loans outstanding of $24,338,491 and total revenue bonds outstanding of $6,732,312. See Note 6 for more information.

Additional Comments

In 2015, there will be a 1.75% increase in Water rates and a 2.75% increase in Wastewater rates. As the customer base in the District is expected to experience modest customer growth, most revenue growth will likely be driven by future rate increases. The District expects their operating expenses to continue to grow in line with revenues.

In 2015, the District plans on drawing up to $2,500,000 on State Revolving Loans with the proceeds going to Water projects.

Lakehaven Utility District
Statement of Net Position
December 31, 2014

ASSETS	Water Division	Wastewater Division	Total
Current Assets			
Cash and Cash Equivalents	$ 14,059,564	$ 18,888,849	$ 32,948,413
Accrued Interest Receivable	5,405	7,793	13,198
Accounts Receivable - Customers	2,414,611	2,278,923	4,693,534
Accounts Receivable - Other	9,577	2,038	11,615
Restricted Assets:			
- Cash and Cash Equivalents	1,979,088	1,604,972	3,584,060
- Accrued Interest Receivable	807	660	1,467
Inventory	225,789	-	225,789
Prepaid Expenses	190,439	186,802	377,241
Total Current Assets	18,885,280	22,970,037	41,855,317
Noncurrent Assets			
Capital Assets Not Being Depreciated:			
- Land	1,064,117	5,376,745	6,440,862
- Construction in Progress	21,553,930	11,239,610	32,793,540
Capital Assets Being Depreciated			
- Equipment	12,707,212	17,185,501	29,892,713
- Buildings	1,545,686	1,044,796	2,590,482
- Infrastructure	102,689,914	152,796,037	255,485,951
- Intangibles	46,308,667	2,041,218	48,349,885
Less Accumulate Depreciation	(63,071,162)	(79,726,769)	(142,797,931)
	100,180,317	93,340,783	193,521,100
Total Capital Assets	122,798,364	109,957,138	232,755,502
Total Noncurrent Assets	122,798,364	109,957,138	232,755,502
Total Assets	141,683,644	132,927,175	274,610,819
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	177,303	21,527	198,830
Total Deferred Outflow of Resources	$ 177,303	$ 21,527	$ 198,830

See accompanying notes to financial statements

Lakehaven Utility District
Statement of Net Position
December 31, 2014

LIABILITIES	Water Division	Wastewater Division	Total
Current Liabilities			
Accounts Payable	$ 706,393	$ 1,467,391	$ 2,173,784
Deposits, Customers & Developers	377,645	687,213	1,064,858
Retainage Due Contractors	7,840	114,419	122,259
Public Works Trust Fund & State Revolving Fund Loans (Current Portion)	1,296,319	243,958	1,540,277
Interest Payable - PWTF & SRF Loans	62,579	7,167	69,746
Payable from Restricted Assets:			
Revenue Bonds Outstanding Net of Unamortized Bond Premium (Current Portion)	1,923,046	480,116	2,403,162
Bond Interest Payable	13,738	1,505	15,243
Total Current Liabilities	4,387,560	3,001,769	7,389,329
Noncurrent Liabilities			
Public Works Trust Fund & State Revolving Fund Loans (Less Current Portion)	20,675,813	2,122,401	22,798,214
Compensated Absences	364,466	367,735	732,201
Co-Op Certificates	25,000	-	25,000
Payable from Restricted Assets:			
Revenue Bonds Outstanding Net of Unamortized Bond Premium (Less Current Portion)	3,615,433	728,625	4,344,058
Total Noncurrent Liabilities	24,680,712	3,218,761	27,899,473
Total Liabilities	29,068,272	6,220,530	35,288,802
NET POSITION			
Net Investment in Capital Assets	95,457,217	106,289,145	201,746,362
Restricted for Debt Service	1,965,350	1,603,467	3,568,817
Unrestricted	15,370,108	18,835,560	34,205,668
Total Net Position	$ 112,792,675	$ 126,728,172	$ 239,520,847

See accompanying notes to financial statements

Lakehaven Utility District
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended December 31, 2014

	Water Division	Wastewater Division	Total
Operating Revenues			
Customer Sales & Service Fees	$ 14,759,327	$ 15,328,356	$ 30,087,683
Permits, Inspection & Delinquency Fees	204,786	218,601	423,387
Developer Revenues & Administrative Charges	285,926	62,898	348,824
Street Lighting Revenues	345,600	-	345,600
Total Operating Revenues	15,595,639	15,609,855	31,205,494
Operating Expenses			
Maintenance & Operations	5,321,548	8,854,902	14,176,450
Administrative & General	2,000,234	1,920,791	3,921,025
Depreciation & Amortization	3,713,266	4,064,033	7,777,299
Taxes, Other Than Income Tax	656,911	251,259	908,170
Total Operating Expenses	11,691,959	15,090,985	26,782,944
Net Operating Income (Loss)	3,903,680	518,870	4,422,550
Nonoperating Revenues (Expenses)			
Interest Expense	(395,857)	(56,713)	(452,570)
Investment Income	76,525	126,522	203,047
Gain (Loss) on Sale of Capital Assets	(38,698)	91,695	52,997
Other Income	189,522	3,861	193,383
Total Nonoperating Revenues (Expenses)	(168,508)	165,365	(3,143)
Income (Loss) Before Contributions	3,735,172	684,235	4,419,407
Capital Contributions	2,684,586	4,867,702	7,552,288
Change in Net Position	6,419,758	5,551,937	11,971,695
Total Net Position, January 1	106,722,137	121,588,954	228,311,091
Prior Period Adjustment	(349,220)	(412,719)	(761,939)
Total Net Position, December 31	$ 112,792,675	$ 126,728,172	$ 239,520,847

See accompanying notes to financial statements

Lakehaven Utility District
Statement of Cash Flows
December 31, 2014

Lakehaven Utility District

	Water Division	Wastewater Division	Total
Cash Flows From Operating Activities			
Cash Received From Customers	$ 14,955,581	$ 14,980,938	$ 29,936,519
Cash Paid to Suppliers	(3,030,508)	(5,696,984)	(8,727,492)
Cash Paid to Employees	(5,131,875)	(5,241,564)	(10,373,439)
Net Cash Provided by Operating Activities	6,793,198	4,042,390	10,835,588
Cash Flows From Capital & Related Financing Activities			
Acquisition & Construction of Capital Assets	(7,506,362)	(4,384,777)	(11,891,139)
Proceeds from State Revolving Fund Loans	7,681,459	-	7,681,459
Payment of Bond Principal & Other Financing	(3,107,648)	(645,235)	(3,752,883)
Interest Paid	(227,306)	(68,461)	(295,767)
Proceeds from Sale of Capital Assets	10,776	82,738	93,514
Cash Contributions in Aid of Construction	1,737,363	3,505,030	5,242,393
Net Cash (Used) by Capital & Related Financing Activities	(1,411,718)	(1,510,705)	(2,922,423)
Cash Flows From Investing Activities			
Interest Received on Investments	74,558	124,709	199,267
Net Cash Provided by Investing Activities	74,558	124,709	199,267
Net Increase (Decrease) in Cash & Cash Equivalents	5,456,038	2,656,394	8,112,432
Cash & Cash Equivalents - January 1	10,582,614	17,837,427	28,420,041
Cash & Cash Equivalents - December 31	$ 16,038,652	$ 20,493,821	$ 36,532,473
Noncash Investing, Capital and Financing Activities			
Contributions of Capital Assets from Developers	$ 954,772	$ 1,361,289	$ 2,316,061

See accompanying notes to financial statements

Lakehaven Utility District
Statement of Cash Flows
December 31, 2014

	Water Division	Wastewater Division	Total
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities			
Net Operating Income (Loss)	$ 3,903,680	$ 518,870	$ 4,422,550
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation & Amortization	3,713,266	4,064,033	7,777,299
Other Income	189,522	3,861	193,383
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	(829,580)	(632,778)	(1,462,358)
(Increase) Decrease in Inventory	4,290	-	4,290
(Increase) Decrease in Prepaid Expenses	(25,084)	(25,028)	(50,112)
Increase (Decrease) in Accounts Payable	(209,844)	140,216	(69,628)
Increase (Decrease) in Compensated Absences	46,948	(26,784)	20,164
Total Adjustments	2,889,518	3,523,520	6,413,038
Total Cash Provided by Operating Activities	$ 6,793,198	$ 4,042,390	$ 10,835,588

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lakehaven Utility District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant accounting policies of the District:

a. Reporting Entity

Lakehaven Utility District is a municipal corporation governed by an elected, five member board. The District's primary activity is to provide water and sewer services to residential and commercial customers within the District's boundaries. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The District has no component units.

b. Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The District uses the Budgetary Accounting and Reporting System (BARS).

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Unbilled utility service receivables are recorded at year end.

The District distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water and wastewater sales and other related services. Operating expenses pertain to the furnishing of those services which include the cost of sales and services, administration expenses and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Cash and Cash Equivalents

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

d. Receivables

Receivables consist primarily of amounts due from water and sewer customers. All receivables are recorded when earned. No allowance for uncollectible accounts is provided since the District has power to record liens for its receivables and, generally, does not experience significant uncollectible amounts.

e. Inventories

Inventories are valued at average cost.

f. Investments

Investments are recorded at fair value. See Note 2.

g. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Employees may accumulate and be paid upon retirement or other separation from employment a maximum of 320 hours of vacation/sick leave time. The District accrues accumulated vacation/sick leave benefits and severance pay benefits as earned.

h. Capital Assets

Utility plant in service is recorded at cost. The District uses a capitalization threshold of $5,000. Provision for depreciation is computed on the straight-line method with the following useful lives: Equipment, 3 - 25 years; Buildings, 50 years; Infrastructure, 10 - 50 years; Intangibles, 10 - 50 years. Upon retirement of an asset, the cost of the asset and the related accumulated depreciation are removed from the property accounts and the gain or loss is reflected in the statement of revenues, expenses and changes in fund net position.

Repairs and maintenance are expensed as incurred, while major renewals, replacements and betterments are capitalized.

Assets acquired through contributions are recorded as additions to the appropriate property, plant and equipment accounts.

Preliminary planning and design costs incurred for proposed projects are held pending construction of the facility. Costs relating to projects which are ultimately constructed are transferred to capitalized utility plant. Costs relating to those projects abandoned are charged to expense when it is determined that they will not be completed. See Note 3.

i. Restricted Funds

Restricted accounting funds currently include the Revenue Bond Fund.

j. Unamortized Debt Discount/Premium

Bond discounts/premiums relating to the sale of bonds are deferred and amortized over the lives of the various bond issues.

k. Unemployment Insurance

The District is on the reimbursable method with the State of Washington for unemployment compensation. The District does not have a reserve account for this liability, should it occur.

l. Medical Insurance

The District's medical, dental and life insurance program is with the Health Care Authority of the State of Washington.

m. Costs Arising Out of Developer Extensions

The Board of Commissioners adopted resolutions establishing a procedure which reimburses the District for costs associated with the preparation and execution of the Developer Extension Agreements.

n. Net Position

There are four components of net position: net investment in capital assets; restricted for debt service; restricted for capital projects; and unrestricted net position. Net investment in capital assets includes utility plant, other deferred charges that are capital in nature, and net unamortized bond issuance costs.

o. Use of Estimates

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

p. Reclassifications

Certain reclassifications have been made to prior year balances to provide a presentation consistent with the current year.

q. Subsequent Events

Management has evaluated subsequent events through July 16, 2015, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District's cash and investment balances at December 31, 2014 are listed below:

Bank Deposits	$ 25,850
Investment in King County Investment Pool	36,506,623
Total Cash & Investments	$ 36,532,473

The District's deposits in bank accounts are entirely 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).

In accordance with state investment laws, the District's governing body has entered into a formal Interlocal agreement with the District's *ex officio* treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of December 31, 2014, the District had the following investments:

Investment Type	Fair Value	Effective Duration
King County Investment Pool	$ 36,506,623	1.23 Years

Impaired Investments. As of December 31, 2014, all impaired commercial paper investments have completed enforcement events. The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in four commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. The District's share of the impaired investment pool is $107,010 and the District's fair value of these investments is $64,827 as of December 31, 2014.

Interest Rate Risk. As of December 31, 2014, the Pool's average duration was 1.23 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of December 31, 2014, the District's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositaries, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land and Land Rights	$ 6,440,862	$ -	$ -	$ 6,440,862
Construction in Progress	26,264,387	9,665,980	(3,136,827)	32,793,540
Total capital assets not being depreciated	32,705,249	9,665,980	(3,136,827)	39,234,402
Capital assets being depreciated:				
Equipment	28,380,931	1,672,821	(161,039)	29,892,713
Buildings	2,590,482	-	-	2,590,482
Infrastructure	253,259,079	3,047,140	(820,268)	255,485,951
Intangibles	47,587,973	761,912	-	48,349,885
Total capital assets being depreciated	331,818,465	5,481,873	(981,307)	336,319,031
Less Accumulated Depreciation	135,206,973	7,777,299	(186,341)	142,797,931
Total capital assets being depreciated, net	196,611,492	(2,295,426)	(794,966)	193,521,100
TOTAL CAPITAL ASSETS, NET	$ 229,316,741	$ 7,370,554	$ (3,931,793)	$ 232,755,502

The District capitalizes employee wages and benefit costs in connection with the construction of utility plant assets. In 2014, the total wage and benefit expense was $10,373,439 of which $1,466,706 was capitalized.

The District's total interest cost was $508,534 in 2014, of which $55,964 was capitalized as construction period interest.

NOTE 4 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total $108,278,092. Of the committed balance of $75,484,552, the District anticipates raising $11,412,000 in future financing.

	Project Authorization	Expended to 12/31/14	Committed	Anticipated Future Financing
Oasis Phase I	$ 5,793,000	$ -	$ 5,793,000	$ -
Second Supply Filtration	22,812,000	18,547,022	4,264,978	4,212,000
Balance Second Supply	28,854,000	-	28,854,000	-
Lakota Project	10,732,271	4,302,668	6,429,603	5,000,000
Pump Station 33	9,312,000	1,380,179	7,931,821	-
Redondo Project	2,420,302	1,270,204	1,150,098	-
I&I Study	1,798,000	1,041,438	756,562	-
Pacific Highway	2,494,000	1,246,827	1,247,173	-
Other Projects	24,062,519	5,005,202	19,057,317	2,200,000
	$ 108,278,092	$ 32,793,540	$ 75,484,552	$ 11,412,000

NOTE 5 – OPERATING LEASE

In 2014, the District entered into a non-cancelable operating lease agreement with Ricoh USA, Inc. for four copy machines. The lease payments begin in 2015 and the terms are for 60 months with payments of $1,869 made quarterly. The contract also calls for one time payments totaling $12,050 for service contracts on the machines. At December 31, 2014 the future minimum lease payments under this lease are as follows:

Year Ended December 31,	Amount
2015	$ 19,526
2016	$ 7,476
2017	$ 7,476
2018	$ 7,476
2019	$ 7,476
Thereafter	$ -
Total future minimum lease payments	$ 49,430

NOTE 6 - LONG-TERM DEBT AND LIABILITIES

Revenue Bonds

At December 31, 2014 revenue bonds consist of the following:

	Long-Term	Short-Term	Total
2013 water and sewer revenue refunding bonds, rates 0.40% to 3.00%, due through 2017. Original Debt: $6,350,000	$ 3,965,000	$ 2,105,000	$ 6,070,000
2013 sewer revenue bond, rate 2.17%, due through 2017. Original Debt: $871,418	371,923	290,389	662,312
Totals	$ 4,336,923	$ 2,395,389	$ 6,732,312

In May 2005, the District issued $16,975,000 of water and sewer revenue refunding bonds with principal payments due beginning in 2006 and ending in 2017, with annual interest rates ranging from 2.70% to 5.00%. The advance refunding was undertaken to reduce total debt service payments over the next twelve years by $743,472 and resulted in an economic gain of $290,731. The District defeased certain bonds by placing investments acquired from the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the District's financial statements.

In September 2013, the District issued $6,350,000 of water and sewer revenue refunding bonds with principal payments due beginning in 2013 and ending in 2017, with annual interest rates ranging from 0.40% to 3.00%. The advance refunding was undertaken to reduce total debt service payments over the next four years by $214,122 and resulted in an economic gain of $208,334. The District defeased on $5,850,000 worth of bonds by placing investments acquired from the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the District's financial statements.

Trustees hold direct obligations of the U.S. Government in irrevocable escrows for the defeasance of all refunded issues. Cash flow from these escrowed investments matches the principal and interest payments of the defeased obligations.

In December, 2013 the District issued a sewer revenue bond in the principal amount $871,418 for the purpose of financing certain energy efficiency improvements and upgrades.

The annual requirements to amortize all revenue bond debt outstanding as of December 31, 2014, including interest, are as follows:

	Principal	Interest	Total
2015	$ 2,395,389	$ 102,566	$ 2,497,955
2016	2,316,733	78,329	2,395,062
2017	2,020,190	45,807	2,065,997
	$ 6,732,312	$ 226,702	$ 6,959,014

Debt Service Requirements

Debt service income requirements for the year 2014 were:

Total Available for Debt Service - (Non-Assessment)	$	17,793,264
Non Assessment Debt Service	$	2,532,732
Coverage Factor - (Non-Assessment)		7.03
Coverage Requirement - (Non-Assessment)		1.25

Public Works Trust Fund & State Revolving Fund Loans

The District has entered into agreements with the Department of Community, Trade and Economic Development of the State of Washington to receive the following Public Works Trust Fund & State Revolving Fund loans:

2000 loan - payable at $83,392 annually through the year 2020, plus interest at 1% per annum. Original debt: $1,575,700 for Wastewater Treatment Plant Upgrades.	$	500,354
2002 loan - payable at $529,412 annually through the year 2022, plus interest at ½% per annum. Original debt: $10,000,000 for Second Supply Project.		4,235,294
2004 loan - payable at $94,507 annually through the year 2024, plus interest at ½% per annum. Original debt: $1,700,000 for Water Filtration at various well sites.		945,065
2004 loan - payable at $30,390 annually through the year 2024, plus interest at ½% per annum. Original debt: $600,000 for Redondo Outfall Replacement.		303,900
2005 loan - payable at $130,175 annually through the year 2026, plus interest at ½% per annum. Original debt: $2,400,000 for Redondo Outfall Replacement.		1,562,105
2012 loan - payable at $535,901 annually through the year 2031, plus interest at ½% per annum. Original debt: $10,000,000 for Green River Water Treatment Plant.		9,110,313
2014 loan - payable at $1,500 annually through the year 2037, plus interest at 1½% per annum. Payments begin in 2018 Original debt: $30,000 for Green River Filtration Facility.		30,000
2014 loan - payable at $136,500 annually through the year 2034, plus interest at 1½% per annum.		

Payments begin in 2015. Original debt: $2,730,000 for Green River Water Treatment Plant.	2,730,000
2014 loan - payable at $155,073 annually through the year 2036, plus interest at 1½% per annum. Payments begin in 2017. Original debt: $3,101,459 for Green River Filtration Facility.	3,101,459
2014 loan - payable at $91,000 annually through the year 2035, plus interest at 1½% per annum. Payments begin in 2016. Original debt: $1,820,000 for Green River Water Treatment Plant.	1,820,000
	$ 24,338,491

Annual payments of principal and interest on these loans are scheduled as follows:

	Principal	Interest	Total
2015	$ 1,540,277	$ 141,639	$ 1,681,916
2016	1,631,277	167,999	1,799,276
2017	1,786,350	266,922	2,053,272
2018	1,787,850	168,973	1,956,823
2019	1,787,850	154,306	1,942,156
2020 - 2024	7,546,856	581,225	8,128,081
2025 - 2029	4,860,219	329,807	5,190,026
2030 - 2034	2,992,166	124,878	3,117,044
2035 - 2037	405,646	8,478	414,124
	$ 24,338,491	$ 1,944,227	$ 26,282,718

Changes in Long-Term Debt

During the year ended December 31, 2014, the following changes occurred in Revenue Bonds and Public Work Trust Fund & State Revolving Fund Loans:

	Balance 1/1/14	Additions	Reductions	Balance 12/31/14	Due In One Year
Revenue Bonds					
May 2005	$ 1,990,000	$ -	$ (1,990,000)	$ -	$ -
September 2013	6,220,000	-	(150,000)	6,070,000	2,105,000
December 2013	871,418	-	(209,106)	662,312	290,389
Public Works Trust Fund Loans					
2000 Loan	583,747	-	(83,393)	500,354	83,392
2002 Loan	4,764,705	-	(529,411)	4,235,294	529,412
2004 Loan	1,039,572	-	(94,507)	945,065	94,507
2004 Loan	334,290	-	(30,390)	303,900	30,390
2005 Loan	1,692,282	-	(130,176)	1,562,106	130,175
2012 Loan	9,646,213	-	(535,900)	9,110,313	535,901

State Revolving Fund Loans					
2014 Loan	-	30,000	-	30,000	-
2014 Loan	-	2,730,000	-	2,730,000	136,500
2014 Loan	-	3,101,459	-	3,101,459	-
2014 Loan	-	1,820,000	-	1,820,000	-
Totals	$ 27,142,227	$ 7,681,459	$ (3,752,883)	$ 31,070,803	$ 3,935,666

Changes in Long-Term Debt and Liabilities

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

	Balance 1/1/14	Additions	Reductions	Balance 12/31/14	Due In One Year
Revenue Bonds Payable	$ 9,081,418	$ -	$ (2,349,106)	$ 6,732,312	$ 2,395,389
Public Works Trust Fund & State Revolving Fund Loans	18,060,809	7,681,459	(1,403,777)	24,338,491	1,540,277
Capital Lease	40,931	-	(40,931)	-	-
Compensated Absences	619,393	964,313	(851,505)	732,201	-
Co-Op Certificates	25,000	-	-	25,000	-
Unamortized Bond Premium	55,614	-	(40,706)	14,908	7,773
Totals	$ 27,883,165	$ 8,645,772	$ (4,686,025)	$ 31,842,912	$ 3,943,439

Schedule of Bonds Issued, Redeemed and Future Annual Bond Principal and Interest Requirements for Water and Sewer Improvement Revenue Bonds

The following bonds were issued in September of 2013 with serial maturities occurring on November 1:

				Future Requirements		
Interest Rate	Payable During Year Ended December 31,	Serial Maturities	Bonds Redeemed & Defeased	Balance to Retire	Interest	Total
0.40%	2013	$ 130,000	$ 130,000	$ -	$ -	$ -
0.50%	2014	150,000	150,000	-	-	-
0.85%	2015	2,105,000	-	2,105,000	90,563	2,195,563
1.35%	2016	2,020,000	-	2,020,000	72,670	2,092,670
2.33%	2017	1,945,000	-	1,945,000	45,400	1,990,400
		$ 6,350,000	$ 280,000	$ 6,070,000	$ 208,633	$ 6,278,633

The following bonds were issued in December of 2013 with serial maturities occurring quarterly:

Interest Rate	Payable During Year Ended December 31,	Serial Maturities	Bonds Redeemed & Defeased	Future Requirements Balance to Retire	Interest	Total
2.17%	2014	$ 66,248	$ 66,248	$ -	$ -	$ -
2.17%	2014	71,236	71,236	-	-	-
2.17%	2014	71,622	71,622	-	-	-
2.17%	2015	72,010	-	72,010	3,588	75,598
2.17%	2015	72,400	-	72,400	3,198	75,598
2.17%	2015	72,792	-	72,792	2,806	75,598
2.17%	2015	73,187	-	73,187	2,411	75,598
2.17%	2016	73,583	-	73,583	2,015	75,598
2.17%	2016	73,982	-	73,982	1,616	75,598
2.17%	2016	74,383	-	74,383	1,215	75,598
2.17%	2016	74,785	-	74,785	813	75,598
2.17%	2017	75,190	-	75,190	408	75,598
		$ 871,418	$ 209,106	$ 662,312	$ 18,070	$ 680,382

NOTE 7 - PENSION PLAN

Substantially all District full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers and the GASB Statement 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.*

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

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

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

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

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

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

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

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

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

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

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

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

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

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

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

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

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

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

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

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

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

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

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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

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

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

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

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

Funding Policy

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

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

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

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

*The employer rates include the employer administrative expense fee currently set at 0.18%.
**The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
***Plan 3 defined benefit portion only.
****The employee for state elected officials is 7.5% for Plan 1 and 4.92% for Plan 2.
*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
2014	$ 18,566	$ 668,150	$ 17,536
2013	$ 16,774	$ 579,919	$ 10,930
2012	$ 13,235	$ 485,764	$ 11,298

NOTE 8 - RISK MANAGEMENT

The District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2014, there are 223 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Compreshensive, and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs. The District carries commercial general liability, automobile and fidelity coverage with CIAW.

The program acquires liability insurance through their Administrator, Canfield that is subject to a per-occurrence self-insured retention of $100,000. The standard member deductible is $1,000 for each claim (deductible may vary per member), while the program is responsible for the $100,000 self-insured retention. Insurance carriers cover insured losses over $101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the $100,000 of the self-insured retention. The program also purchases a Stop Loss Policy, with an attachment point of $3,259,396, to cap the total claims paid by the program in any one policy term.

Property insurance is subject to a per-occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim. The program bears the $25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of $2,500, which may vary per member with the exception of Pumps & Motors which is $10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is $15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1 beginning with the 2014-15 policy term. An endorsement was added to the 2013-14 Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members/brokers with Canfield, who has been contracted to perform program administration, claims adjustment, administration, and loss prevention for the program. Fees paid to the third party administrator under this agreement for the year ending December 1, 2014 were $1,817,654.59.

The District also carries property insurance outside of the CIAW. The insurance carrier is Lexington Insurance Company. This coverage includes earthquake and flood and electronic data processing equipment, and boiler & machinery insurance. Detailed information about coverages, premiums and deductibles is available at the District's office.

For years ending December 31, 2012, 2013, and 2014 the district had no claims in excess of their insurance coverage.

NOTE 9 - SECOND SUPPLY PROJECT PARTNERSHIP AGREEMENT

During 2002 the District entered into an agreement with the City of Tacoma, Department of Public Utilities, Water Division, the City of Kent, and the Covington Water District to permit, design, finance, construct, operate, and maintain the project and to receive deliveries of project water. The project has been designed to permit all participants to receive at their point(s) of delivery their respective participant share of second diversion water simultaneously. The participants understand and acknowledge that the capability of project facilities at any point in time is dependent upon the use being made of the project by the participants, and external factors as well. Tacoma shall own the project, and all facilities related thereto, up to points of diversion. Each participant has a contractual obligation to pay its participant share of project costs, initially as a capital contribution in exchange for, and to qualify each participant to enjoy, the rights and interest as described in section 5 of the agreement, and upon operation as a share of operating and maintenance costs of a project providing water that is furnished by each of the participants to its customers.

It is anticipated that the agreement will have a life of no less than 100 years. There shall be a project committee composed of one representative of each participant. The representatives of the participants shall have the following votes at the project committee meetings: Tacoma (15) votes, Covington Water District (7) votes, Kent (7) votes, Lakehaven Utility District (7) votes.

The District has spent $65,956,112 towards this project as of December 31, 2014.

Further information can be obtained from the District office.

NOTE 10 - OTHER POST RETIREMENT BENEFITS (OPEB)

There exists a potential post-employment benefits liability of an unknown value arising out of the cost of providing health care insurance to retired District employees. Current and eligible retired District employees receive health care insurance coverage through the Washington State Health Care Authority. The monthly insurance premiums paid by enrolled retirees throughout the State are not sufficient to meet the cost of their coverage; this shortfall is included as an implicit component of the monthly charges for health care coverage of current District employees. The District's share of this annual shortfall has been treated as an operating expenditure in the current and prior years. As the District provides no healthcare or other post-employment benefits directly to former employees, and that the cost of any benefits provided to eligible District retirees by the State of Washington are liabilities of the State, the District has determined that there is no material OPEB obligation requiring disclosure or accrual under GASB Statement Number 45 Accounting and Financial Reporting For Employers for Postemployment Benefits other than Pensions.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

Included in the prior period adjustment are two adjustments.

The first adjustment decreased net capital assets and net position by $669,299. The adjustment was to record capital assets and related accumulated depreciation that were not correctly recorded in prior years.

The second adjustment increased compensated absences and decreased net position by $92,640. The adjustment was to record compensated absences that were not correctly recorded in prior years.

schedule 16

LAKEHAVEN UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31,2014

Federal Agency	Pass Through Agency	Grant Program	CFDA #	State Loan Agreement Number	Total Authorized Loan Amount, including Assessment Fee	Pass Through Federal Assistance
Environmental Protection Agency	Wa.St. Dept of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	CFDA 66.468	DM 10-952-030	$ 3,030,000	$ 2,129,400
Environmental Protection Agency	Wa.St. Dept of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	CFDA 66.468	DM 11-952-021	$ 2,020,000	$ 1,820,000
Environmental Protection Agency	Wa.St. Dept of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	CFDA 66.468	DM 12-952-108	$ 6,060,000	$ 266,557
Environmental Protection Agency	Wa.St. Dept of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	CFDA 66.468	DM13-952-186	$ 3,030,000	$ 30,000
				Total CFDA #66.468		$ 4,245,957

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement.

Lakehaven Utility District

Notes to the Schedule of Expenditures of Federal Assistance(SEFA)
For the Year Ended December 31, 2014

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

Note 2 – No Continuing Compliance Requirement

The EPA has stated in the Circular A-133 Compliance Supplement that subrecipients receiving loans under this program do not have continuing compliance requirements. They have also stated that amounts received are considered awards, not loans, for purposes of the SEFA. Therefore, recipients of these loans only report the amount used during the year and do not report the prior year balance.

Note 3 –Loans Include Federal and State Funds

The "Total Authorized Loan Amounts" shown on the District's 2014 SEFA reflect the combined total of federal and state loans awarded to the District. The amounts shown as "Federal Assistance" are the federal share of the draws on these loans made by the District plus the 1% loan assessment fee. The total amounts drawn on these loans also include state funds

State Loan Number	Total Authorized Amount	Total Loan Draws through 2014
DM 10-952-030	$3,030,000	$2,730,000
DM 11-952-021	$2,020,000	$1,820,000
DM 12-952-108	$6,060,000	$3,101,459
DM 13-952-186	$3,030,000	$30,000
See Note 6 to District Financial Statements		

These loan draws relate to project expenditures made during 2011 through 2014. Although the loans were approved before the project expenditures were made, the District did not elect to submit claims for payment until 2014 while other financing sources for these project costs were being considered. The EPA has approved of this inclusion of 2011-2014 project costs on the District's 2014 SEFA.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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