



Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Lake Whatcom Water and Sewer District

Whatcom County

For the period January 1, 2014 through December 31, 2015

Published September 26, 2016

Report No. 1017514





Washington State Auditor's Office

September 26, 2016

Board of Commissioners
Lake Whatcom Water and Sewer District
Bellingham, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Lake Whatcom Water and Sewer 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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Lake Whatcom Water and Sewer District
Whatcom County
January 1, 2015 through December 31, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Lake Whatcom Water and Sewer District are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

**Lake Whatcom Water and Sewer District
Whatcom County
January 1, 2014 through December 31, 2015**

Board of Commissioners
Lake Whatcom Water and Sewer District
Bellingham, 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 the Lake Whatcom Water and Sewer District, Whatcom County, Washington, as of and for the years ended December 31, 2014 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 19, 2016.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

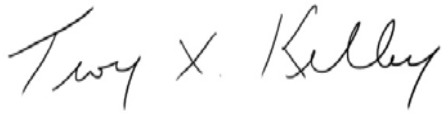
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 19, 2016

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

**Lake Whatcom Water and Sewer District
Whatcom County
January 1, 2015 through December 31, 2015**

Board of Commissioners
Lake Whatcom Water and Sewer District
Bellingham, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the Lake Whatcom Water and Sewer District, Whatcom County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2015. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

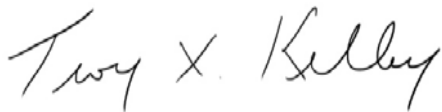
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 19, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lake Whatcom Water and Sewer District Whatcom County January 1, 2014 through December 31, 2015

Board of Commissioners
Lake Whatcom Water and Sewer District
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Lake Whatcom Water and Sewer District, Whatcom County, Washington, for the years ended December 31, 2014 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Lake Whatcom Water and Sewer District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Lake Whatcom Water and Sewer District, for the years ended December 31, 2014 and 2015, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Lake Whatcom Water and Sewer District, as of December 31, 2014 and 2015, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

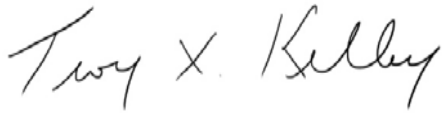
Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. 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*. Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Schedules of Liabilities are also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 19, 2016 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 19, 2016

FINANCIAL SECTION

**Lake Whatcom Water and Sewer District
Whatcom County
January 1, 2014 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to the Financial Statements – 2015
Notes to the Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015
Schedule of Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

Lake Whatcom Water and Sewer District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

Beginning Cash and Investments

30810	Reserved	524,448
30880	Unreserved	2,127,214
388 & 588	Prior Period Adjustments, Net	-

Operating Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,889,661
340	Charges for Goods and Services	5,701,207
350	Fines and Penalties	59,921
360	Miscellaneous Revenues	85,031
Total Operating Revenues:		<u>7,735,820</u>

Operating Expenditures

530	Utilities	3,859,569
598	Miscellaneous Expenses	-
Total Operating Expenditures:		<u>3,859,569</u>
Net Operating Increase (Decrease):		<u>3,876,251</u>

Nonoperating Revenues

370-380, 395 & 398	Other Financing Sources	100,849
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>100,849</u>

Nonoperating Expenditures

580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	758,573
594-595	Capital Expenditures	2,732,501
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>3,491,074</u>

Net Increase (Decrease) in Cash and Investments: **486,026**

Ending Cash and Investments

5081000	Reserved	576,111
5088000	Unreserved	2,561,577
Total Ending Cash and Investments		<u>3,137,688</u>

The accompanying notes are an integral part of this statement.

Lake Whatcom Water and Sewer District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

Beginning Cash and Investments

30810	Reserved	563,840
30880	Unreserved	2,006,925
388 & 588	Prior Period Adjustments, Net	-

Operating Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	175,649
340	Charges for Goods and Services	5,270,575
350	Fines and Penalties	64,178
360	Miscellaneous Revenues	139,098
Total Operating Revenues:		<u>5,649,500</u>

Operating Expenditures

530	Utilities	3,891,029
Total Operating Expenditures:		<u>3,891,029</u>
Net Operating Increase (Decrease):		<u>1,758,471</u>

Nonoperating Revenues

370-380, 395 & 398	Other Financing Sources	103,654
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>103,654</u>

Nonoperating Expenditures

580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	512,858
594-595	Capital Expenditures	1,268,369
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>1,781,227</u>

Net Increase (Decrease) in Cash and Investments: **80,898**

Ending Cash and Investments

5081000	Reserved	566,495
5088000	Unreserved	2,085,167
Total Ending Cash and Investments		<u>2,651,662</u>

The accompanying notes are an integral part of this statement.

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL-PURPOSE SCHEDULES**

December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lake Whatcom Water and Sewer District (the District) reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under authority of Washington State Law, Chapter 43.09 RCW.

The District was incorporated in 1968 and operates under the laws of the state of Washington applicable to a water-sewer district. The District is a general purpose government and provides water and sewer services. The District uses single-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purposes. The following fund type is used by the District:

PROPRIETARY FUND TYPE

Enterprise Fund

This fund accounts for operations that provide goods and services to the general public and is supported primarily through user charges.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received, and expenditures are recognized when paid, including those properly chargeable against the reporting year budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is neither capitalization of capital assets nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Cash

It is the District's policy to invest all temporary cash surpluses, which are included in the fund balances shown on *Statement of Fund Resources and Uses Arising from Cash Transactions*. The interest earned on these investments is posted to the enterprise fund.

d. Deposits

The District's deposits and certificates of deposit are insured by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL-PURPOSE SCHEDULES**

December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

e. Investments

See Note 2, *Investments*.

f. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capital assets of the District are recorded as expenditures when purchased.

g. Compensated Absences

Vacation leave may be accumulated up to 80 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 720 hours. If an employee terminates with at least ten years of service, he or she will be paid for sick leave balances up to 720 hours at one-quarter of his or her final pay rate.

h. Long-Term Debt

See Note 3, *Debt Service Requirements*.

i. Risk Management

The District is a member of the Water and Sewer Risk Management Pool (the Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together or join a pool 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-insurance, 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 Pool was formed in November 1987 when water and sewer districts 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. The Pool currently has 66 members, and its fiscal year is November 1st through October 31st.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group-purchased insurance coverage for its members: Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment), General Liability, Automotive Liability, Excess Liability, Crime, Public Officials Liability, Identity Fraud Reimbursement Program, and bonds of various types. All coverages are on an "occurrence" basis.

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL-PURPOSE SCHEDULES**

December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

i. Risk Management, (continued)

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$10,000 and See (C) below	\$25,000	\$1,000,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$75,000,000 (\$25,000,000 dedicated to Alderwood and \$50,000,000 shared by all members)
Terrorism	\$1,000 - \$10,000	\$25,000 Primary layer	\$100,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000 - \$25,000	\$25,000	\$10,000,000
Liability:			
Comprehensive General Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Auto Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$25,000	\$200,000	\$10,000,000
Employment Practices/Benefits	\$1,000 - \$25,000	\$200,000	\$10,000,000
Other:			
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$25,000	\$0
A. \$100,000 member deductibles per occurrence in Flood Zones, except Zones A&V \$250,000 member deductible per occurrence in Flood Zones A&V			
B. Member deductible for earthquakes is 5%, subject to \$100,000 minimum earthquake shock. If the stated deductible is on a percentage basis, the deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for cyber liability is \$100,000 and where applicable, the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.			

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL-PURPOSE SCHEDULES**

December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

i. Risk Management, (continued)

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above, except where noted. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the cyber liability, and that part of the boiler & machinery deductible which exceeds \$25,000.

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g., to withdraw from the Pool on November 1, 2016, written notice must be in the Pool's possession by April 30, 2016). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool, which then determines coverage and performs claims adjustment in consultation with Arcadia Claims Service.

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting, which is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

j. Reserved Fund Balance

In accordance with bond resolutions (and certain related agreements), separate restricted funds are required to be established. The assets held in these funds are restricted or have been reserved for specific uses including debt service and other special reserve requirements. Restricted funds totaled \$576,111 as of December 31, 2015.

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL-PURPOSE SCHEDULES**

December 31, 2015

NOTE 2. INVESTMENTS

As required by state law, all investments of the District's funds are obligations of the U.S. Government or deposits with Washington State banks and savings and loan institutions, or other investments allowed by Chapter 39.59 RCW.

Investments by type at December 31, 2015, are as follows :

Investment Type	Total	Investment Maturities			
		6 Months	Less Than More Than to 1 Year	1-5 years	6 Months 5 Years
Local Government Investment Pool	\$ 502,486	\$ 502,486	\$ -	\$ -	\$ -
Financing Corporation Strip Bond	499,311	-	-	499,311	-
Federal Home Loan Bank Bonds	1,004,774	-	-	1,004,774	-
	<u>\$ 2,006,571</u>	<u>\$ 502,486</u>	<u>\$ -</u>	<u>\$ 1,504,085</u>	<u>\$ -</u>

The District's Federal Home Loan Bank Bonds and Financing Corporation Strip Bond have maturity dates ranging from March 2017 to October 2019. The securities have 0-1.45% interest rates.

Credit Risk - The District's investment policy limits investments to those authorized by state of Washington statutes governing the investment of public funds. As of December 31, 2015, the District's investments in Federal Home Loan Bank were rated Aaa by Moody's Rating Service.

NOTE 3. DEBT SERVICE REQUIREMENTS

Revenue Debt - The District issued revenue debt in 2009 for the purpose of constructing upgrades to water and sewer pump stations, replacing telemetry equipment throughout the District, refunding the District's outstanding 1997 revenue bonds, and paying the issuance costs of the debt. The District has also issued revenue debt to finance construction of various improvements to the water and sewer systems.

The revenue debts currently outstanding are as follows:

Project	Original Amount	Interest Rate	Amount Outstanding
2009 Refunding Bonds	\$ 6,080,000	3.0 - 4.0 %	\$ 4,615,000
SV / Geneva Intertie Loan PW-02-691-064	893,683	2.0 %	330,764
2015 Post Point	<u>2,362,364</u>	5.13 %	<u>2,292,804</u>
Totals	<u>\$ 9,336,047</u>		<u>\$ 7,238,568</u>

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL-PURPOSE SCHEDULES**

December 31, 2015

NOTE 3. DEBT SERVICE REQUIREMENTS. (continued)

The annual debt service requirements to maturity for revenue debts are as follows:

<u>Fiscal Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 370,465	\$ 319,991	\$ 690,456
2017	389,311	305,201	694,512
2018	403,358	289,608	692,966
2019	417,618	274,434	692,052
2020-2024	2,230,742	1,114,591	3,345,333
2025-2029	2,594,534	597,420	3,191,954
2030-2034	<u>832,540</u>	<u>135,656</u>	<u>968,196</u>
Totals	<u>\$ 7,238,568</u>	<u>\$ 3,036,901</u>	<u>\$ 10,275,469</u>

Total Debt - The accompanying *Schedule of Liabilities* (Schedule - 09) provides further detail on the outstanding debt and liabilities of the District and summarizes the District's debt transactions for the year ended December 31, 2015. There is \$576,111 in restricted assets of the District as of December 31, 2015; these represent sinking funds and reserve requirements as contained in the various indentures.

There are a number of other limitations and restrictions contained in the various bond indentures. The District is in compliance with all significant limitations and restrictions.

NOTE 4. PENSION PLANS

Substantially all the District's full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) Plans 1, 2, and 3 administered by the Washington State Department of Retirement Systems under cost-sharing, multiple-employer public employee defined-benefit, and defined-contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the system by both employee and employer are based upon gross wages covered by plan benefits.

Historical trends or other information regarding each plan is presented in the *Washington State Department of Retirement Systems Annual Financial Report*. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL-PURPOSE SCHEDULES**

December 31, 2015

At June 30, 2015 the Lake Whatcom Water and Sewer District's proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

PLAN	ALLOCATION %	DISTRICT PORTION OF LIABILITY
PERS 1		
PLAN 1 UAAL	.012233	\$639,900
PERS 2/3	.015799	\$564,507

NOTE 5. DEFERRED COMPENSATION PLANS

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is with the state of Washington, Committee for Deferred Compensation. The District also offers a deferred compensation plan with ICMA RC. These plans, available to eligible employees, permit them to defer a portion of their salary to future years.

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In June 2004, the state of Washington Deferred Compensation Plan assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to Governmental Accounting Standards Board (GASB) Statement 32, since the District is no longer the owner of these assets, as of December 31, 1998 the plan assets and liabilities are no longer considered to be property of the District.

NOTE 6. CAPITAL ASSET ACTIVITY

In addition to protecting against variations in the timing of operating costs and revenues, it is prudent to maintain a capital contingency amount to meet unexpected emergency capital outlays. While it would be impractical to reserve against major system-wide failures as a result of a catastrophic event, it is reasonable to identify and quantify possible failures of individual system components. The District utilizes an estimate of replacement costs to derive the targeted contingency dollar amount. The District's estimated replacement costs of capital assets as of December 31, 2015, totals \$121,000,000. This investment in capital assets includes water collection and transmission lines, pumping stations and equipment, sewage collection and transmission lines, service pipes from the distribution mains to customers' meters, administration and operation facilities, and transportation and office equipment. The District currently has approximately \$1,327,000 (1.1% of replacement value) for capital contingency.

LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL PURPOSE SCHEDULES

December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lake Whatcom Water and Sewer District (the District) reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under authority of Washington State law, Chapter 43.09 RCW.

The District was incorporated in 1968 and operates under the laws of the state of Washington applicable to a water-sewer district. The District is a general purpose government and provides water and sewer services. The District uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. The District's resources are allocated to and accounted for in individual funds depending on their intended purposes. The following fund type is used by the District:

PROPRIETARY FUND TYPE:

Enterprise Funds

These funds account for operations that provide goods and services to the general public and are supported primarily through user charges.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received, and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is neither capitalization of capital assets nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Cash

It is the District's policy to invest all temporary cash surpluses. The amount is included in the fund balances shown on the Statement of Fund Resources & Uses Arising from Cash Transactions. The interest on these investments is posted to the enterprise fund.

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL PURPOSE SCHEDULES**

December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. *continued*

d. Deposits

The District's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission.

e. Investments See Note 2, *Investments*.

f. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capital assets of the District are recorded as expenditures when purchased.

g. Compensated Absences

Vacation leave may each be accumulated up to 80 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 720 hours. If an employee terminates with at least ten years of service, he or she will be paid for sick leave balances up to 720 hours at one-quarter of his or her final pay rate.

h. Long-Term Debt See Note 3, *Debt Service Requirements*.

i. Risk Management

The District is a member of the Water and Sewer Risk Management Pool (the Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together or join a pool 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-insurance, 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 Pool was formed in November 1987 when water and sewer districts 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. The Pool has 68 members as of the fiscal year ended October 31, 2014. The Pool's fiscal year is November 1st through October 31st.

The Pool allows members to jointly purchase insurance coverage, establish a plan of self-insurance coverage, and provide related services, such as risk management and loss prevention. The Pool provides the following forms of group purchased insurance coverage for its members: Property (including Building, Electronic Data Processing, Boiler and Machinery, and Mobile Equipment); General Liability; Automotive Liability; Excess Liability; Crime; Public Officials Liability; Identity Fraud Reimbursement Program; and bonds of various types. All coverages are on an "occurrence" basis.

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL PURPOSE SCHEDULES**

December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. continued

i. Risk Management, continued

Members make an annual contribution to fund the Pool. The Pool purchases insurance policies from unrelated underwriters as follows:

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF-INSURED RETENTION	EXCESS LIMITS
Property Loss:			
Buildings and Contents	\$1,000 - \$10,000 and See (C) below	\$25,000	\$1,000,000,000
Flood	See (A) below	See (A) below	\$50,000,000
Earthquake	See (B) below	See (B) below	\$75,000,000 (\$25,000,000 dedicated to Alderwood and \$50,000,000 shared by all members)
Terrorism	\$1,000 - \$10,000	\$25,000 Primary layer	\$100,000,000 Primary layer
Boiler & Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto - Physical Damage	\$1,000-\$10,000	\$25,000	\$10,000,000
Liability:			
Comprehensive General Liability	\$1,000 - \$10,000	\$200,000	\$10,000,000
Auto Liability	\$1,000 - \$10,000	\$200,000	\$10,000,000
Public Officials Errors and Omissions	\$1,000 - \$10,000	\$200,000	\$10,000,000
Employment Practices/Benefits	\$1,000 - \$10,000	\$200,000	\$10,000,000
Other:			
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$10,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$25,000	\$0
A. \$100,000 member deductibles, per occurrence, in Flood zones except Zones A&V; \$250,000 member deductible per occurrence, in Flood Zones A&V.			
B. Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. If the stated deductible is on a percentage basis, the deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.			
C. Member deductible for Cyber liability is \$100,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.			

Pool members are responsible for a deductible on each coverage and the Pool is responsible for the remainder of the self-insured retention listed in the table above except where noted as followed. The insurance carriers then cover the loss to the maximum limit of the policy. Each member is responsible for the full deductible applicable to the perils of earthquake and flood (the Pool is not responsible for any deductible or self-insured retention for earthquake and flood claims). Each member is also responsible for the full deductible applicable to the Cyber Liability, and that part of a Boiler & Machinery deductible which exceeds \$25,000.

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL PURPOSE SCHEDULES**

December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. continued

i. Risk Management, continued

Upon joining, the members contract to remain in the Pool for one full policy period. Following completion of one full policy period, members must give six months' notice before terminating participation (e.g. to withdraw from the Pool on November 1, 2015, written notice must be in the Pool possession by April 30, 2015). The Interlocal Governmental Agreement is renewed automatically each year. Even after termination of relationship with the Pool, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in process claims for the period that the District was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and performs claims adjustment in consultation with Arcadia Claims Service.

The Pool is governed by a Board of Directors, which is comprised of one designated representative from each participating member. An Executive Committee is elected at the annual meeting, and is responsible for overseeing the business affairs of the Pool and providing policy direction to the Pool's Executive Director.

j. Reserved Fund Balance

In accordance with bond resolutions (and certain related agreements) separate restricted funds are required to be established. The assets held in these funds are restricted or have been reserved for specific uses including debt service and other special reserve requirements. Restricted funds totaled \$566,495 as of December 31, 2014.

NOTE 2. INVESTMENTS

As required by state law, all investments of the District's funds are obligations of the U.S. Government or deposits with Washington State banks and savings and loan institutions or other investments allowed by Chapter 39.59 RCW.

Investments by type at December 31, 2014, are as follows:

Investment Type	Total	Investment Maturities			
		6 Months	Less Than More Than to 1 Year	1-5 years	6 Months 5 Years
Local Government					
Investment Pool	\$ 501,409	\$ 501,409	\$ -	\$ -	\$ -
Financing Corporation					
Strip Bond	630,868	-	630,868	-	-
Federal Home Loan					
Bank Bonds	997,549	-	-	997,549	-
	<u>\$ 2,129,826</u>	<u>\$ 501,409</u>	<u>\$ 630,868</u>	<u>\$ 997,549</u>	<u>\$ -</u>

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL PURPOSE SCHEDULES**

December 31, 2014

NOTE 2. INVESTMENTS.continued

The District's Federal Home Loan Bank bonds and Financing Corporation Strip Bond have maturity dates ranging from September 2015 to July 2018. The securities have 0-1.15% interest rates.

Credit Risk - The District's investment policy limits investments to those authorized by State of Washington statutes governing the investment of public funds. As of December 31, 2014, the District's investments in Federal Home Loan Bank were rated AAA by Moody's Rating Service.

NOTE 3. DEBT SERVICE REQUIREMENTS

Revenue Debt - The District issued revenue debt in 2009 for the purpose of constructing upgrades to water and sewer pump stations, replacing telemetry equipment throughout the District, refunding the District's outstanding 1997 revenue bonds and paying the issuance costs of the bonds. The District has also issued revenue debt to finance construction of various improvements to the water and sewer systems.

The revenue debts currently outstanding are as follows:

<u>Project</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
2009 Refunding Bonds	\$ 6,080,000	3.0%-4.0%	\$ 4,860,000
SV / Geneva Intertie Loan PW-01-691-PRE-119	167,628	1%	62,584
SV / Geneva Intertie Loan PW-02-691-064	<u>893,683</u>	2%	<u>378,016</u>
Totals	<u>\$ 7,141,311</u>		<u>\$ 5,300,600</u>

The annual debt service requirements to maturity for revenue debts are as follows:

<u>Fiscal Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 301,192	\$ 210,936	\$ 512,128
2016	306,192	200,101	506,293
2017	321,192	189,067	510,259
2018	331,192	177,433	508,625
2019	341,192	166,429	507,621
2020-2024	1,749,640	645,647	2,395,287
2025-2029	<u>1,950,000</u>	<u>273,758</u>	<u>2,223,758</u>
Totals	<u>\$ 5,300,600</u>	<u>\$ 1,863,371</u>	<u>\$ 7,163,971</u>

Total Debt – The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the District and summarizes the District's debt transactions for the period ended December 31, 2014. There is \$566,495 in restricted assets of the District as of December 31, 2014. These represent sinking funds and reserve requirements as contained in the various indentures.

There are a number of other limitations and restrictions contained in the various bond indentures. The District is in compliance with all significant limitations and restrictions.

**LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO SPECIAL PURPOSE SCHEDULES**

December 31, 2014

NOTE 4. PENSION PLANS

Substantially all the District's full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) Plans 1, 2, and 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trends or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 5. DEFERRED COMPENSATION PLAN

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is with the State of Washington, Committee for Deferred Compensation. The District also offers a deferred compensation plan with ICMA RC. These plans, available to eligible employees, permit 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. In June 2004, the State of Washington Deferred Compensation plan assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to Governmental Accounting Standards Board (GASB) Statement 32, since the District is no longer the owner of these assets, as of December 31, 1998, the plan assets and liabilities are no longer considered to be property of the District.

NOTE 6. CAPITAL ASSET ACTIVITY

In addition to protecting against variations in the timing of operating costs and revenues, it is prudent to maintain a capital contingency amount to meet unexpected emergency capital outlays. While it would be impractical to reserve against major system-wide failures as a result of a catastrophic event, it is reasonable to identify and quantify possible failures of individual system components. The District utilizes an estimate of replacement costs to derive the targeted contingency dollar amount. The District's replacement costs in capital assets as of December 31, 2014 amounts to \$121,000,000. This investment in capital assets includes water collection and transmission lines, pumping stations and equipment, sewage collection and transmission lines, service pipes from the distribution mains to customers' meters, administration and operation facilities, and transportation and office equipment. The District currently has approximately \$1,327,000 (1.1% of replacement value) for capital contingency.

Lake Whatcom Water and Sewer District
Schedule of Liabilities
For the Year Ended December 31, 2015

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue and Other (non G.O.) Debt/Liabilities						
263.92	SV / Geneva Intertie Loan PW-02-691-064 -	7/1/2022	378,016	-	47,252	330,764
252.11	Refunding Bonds - Issued 2009	11/1/2029	4,860,000	-	245,000	4,615,000
263.92	Post Point - Issued 2015	7/1/2034	-	2,362,364	69,560	2,292,804
259.12	Compensated absences		90,851	10,936	-	101,787
263.92	Latecomer fees and other deferred credits	12/31/2099	18,500	-	-	18,500
264.30	Net Pension Liability		-	1,204,407	-	1,204,407
263.92	SV/Geneva Intertie Loan PS-01-0691-119	7/1/2021	62,584	-	62,584	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,409,951	3,577,707	424,396	8,563,262
Total Liabilities:			5,409,951	3,577,707	424,396	8,563,262

Lake Whatcom Water and Sewer District
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.92	SV / Geneva Intertie Loan PW-02-691-064- Issued 2002	7/1/2022	425,268	-	47,252	378,016
252.11	Refunding Bonds - Issued 2009	11/1/2029	5,095,000	-	235,000	4,860,000
259.12	Compensated absences		77,223	13,628	-	90,851
263.92	Latecomer fees and other deferred credits	12/31/2020	18,500	-	-	18,500
263.92	SV Geneva Intertie Loan PW-01-0691-119 Issued 2002	7/1/2021	71,524	-	8,940	62,584
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,687,515	13,628	291,192	5,409,951
Total Liabilities:			5,687,515	13,628	291,192	5,409,951

**Lake Whatcom Water and Sewer District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency) Drinking Water State Revolving Fund Cluster	Federal Program	Expenditures				Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
Office Of Water, Environmental Protection Agency (via Drinking Water State Revolving Fund)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-137	2,279,861	-	2,279,861	1,2,4,7
Office Of Water, Environmental Protection Agency (via Drinking Water State Revolving Fund)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-136	13,441	-	13,441	1,2,4,7
Total Drinking Water State Revolving Fund Cluster:				2,293,302	-	2,293,302	
Total Federal Awards Expended:				2,293,302	-	2,293,302	

The accompanying notes are an integral part of this schedule.

LAKE WHATCOM WATER AND SEWER DISTRICT
NOTES TO FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Lake Whatcom Water and Sewer District's financial statements. The Lake Whatcom Water and Sewer District uses the cash basis of accounting.

NOTE 2 – PROGRAM COSTS

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

NOTE 4 – FEDERAL LOANS

The Lake Whatcom Water and Sewer District was approved by the EPA and the PWB to receive a loan totaling \$2,398,750 and \$994,850 to improve its drinking water system. The amount listed for this loan includes the proceeds used during the year.

Both the current and prior year loans are also reported on the Lake Whatcom Water and Sewer District's Schedule of Liabilities.

NOTE 7 – INDIRECT COST RATE

The Lake Whatcom Water and Sewer District has elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov