

**BEFORE THE UTILITIES
AND TRANSPORTATION COMMISSION**

UW-_____

**APPLICATION FOR SALE AND TRANSFER OF ASSETS
FROM LEHMAN ENTERPRISES, INC.
TO CASCADIA WATER, LLC**

Exhibit 4

Lehman 2017 Annual Report

July 17, 2018

CLASS A & B - WATER COMPANIES 2017 ANNUAL REPORT

FOR

Lehman Enterprises, Inc. dba:
(REGISTERED NAME OF BUSINESS)

PO Box 549 Certificate Number:
(OFFICIAL MAILING ADDRESS)

Freeland WA 98249
(CITY) (STATE) (ZIP)

lehmanwater@whidbey.com
(BUSINESS EMAIL FOR OFFICIAL COMMUNICATIONS)

'X' if address listed above is an updated address

Report Year Ended: December 31, 2017

Inquiries concerning this Annual Report should be addressed to:

Name:	Culley Lehman		
Title:	Secretary		
Address:	PO Box 549		
City:	Freeland		
State:	WA	Zip Code:	98249
Telephone:	360-331-7388		
Email:	lehmanwater@whidbey.com		

SUBMIT TO:

<https://www.utc.wa.gov/docs/Pages/ElectronicFiling.aspx>



REPORT MUST BE RECEIVED NO LATER THAN: May 1, 2018

Please refer to the Instructions for Completing the Annual Report on Page 2

INSTRUCTIONS FOR ANNUAL REPORT COMPLETION

Commission Authority

The purpose of this form is to collect financial and operational information from water companies regulated by the Washington Utilities and Transportation Commission (UTC). The commission's authority for requiring this report is found in RCW 80.04.080. This report is a non-confidential public use form.

Certification

The Annual Report Certification must be signed by an authorized officer, partner or owner.

Regulatory Fees

Regulatory fees are set by commission order A-140166.

Deadlines and Penalties

All water companies regulated by the UTC are required to complete this form, including all schedules. Failure to complete all schedules will result in the report being considered incomplete and subject to penalties. Completed forms and regulatory fee payments must be received by the UTC no later than May 1, 2018. Failure to file the annual report by the above deadline will result in a financial penalty of \$100 for each business day after May 1.

Failure to pay the regulatory fees by the above deadline will result in a 2 percent penalty on the amount due and a 1 percent monthly interest charge on the unpaid balance.

Extension Requests

You may file a written request for an extension to file the completed annual report; however, the commission will not extend the deadline for paying regulatory fees. Any extension request must be filed with the commission by April 13, 2018, and must state a valid reason for why the extension is needed and identify a specific date which the report will be filed with the commission. Even if your request is approved, you will still be liable for penalties and interest payments if you fail to pay your regulatory fees by May 1. Extension requests can be filed online at:

<http://www.utc.wa.gov/docs/Pages/ElectronicFiling.aspx>

Confidential Status

Although this report is non-confidential and for public use, a water company may claim certain information as confidential, however, the company must follow the steps for filing confidential documents as detailed in WAC 480-07-160. The regulatory fee sheet portion of your report is not a confidential document and will not be accorded confidential treatment under the rule. To view the confidential requirements in WAC 480-07-160, please visit the following site:

apps.leg.wa.gov/WAC/default.aspx?cite=480-07-160

Electronic Filing and Payment

To obtain an electronic copy of this template, submit a report online or pay your regulatory fees online visit:

<https://www.utc.wa.gov/regulatedIndustries/Pages/annualReports.aspx>

Staff Contact

Benjamin Sharbono at (360) 664-1157 or Benjamin.Sharbono@utc.wa.gov
TTY Toll-Free phone number 1-800-416-5289

ANNUAL REPORT AND AFFILIATED INTEREST CERTIFICATION

WAC 480-110-505 Accounting and reporting requirements and regulatory fees.

(1) Water companies must use the uniform system of accounts (USOA) published by the National Association of Regulatory Utility Commissioners (NARUC). Information about the USOA regarding the version adopted and where to obtain it is set out in WAC 480-110-999 (Adoption by reference). The USOA sets out the accounting requirements for Class A, B, and C water companies.

Water companies are classified by revenues.

Class	Annual Gross Operating Revenue
A	\$1,000,000 or more
B	\$200,000 to \$999,999
C	Less than \$200,000

(2) A water company may use the accounting requirements for a higher class, but at a minimum must comply with the accounting requirements for the company's classification.

(3) The commission will distribute an annual report form that each water company must complete and file with the commission for the prior calendar year. The annual report must be filed, and the company's regulatory fee paid, no later than May 1 of each year.

(4) If the company seeks additional time to file its annual report, it may file a written request to extend the filing deadline no later than April 15. The commission does not grant an extension of time for payment of regulatory fees.

(5) The maximum water company regulatory fee is set by statute at one-tenth of one percent of the first fifty thousand dollars of gross intrastate operating revenue plus two-tenths of one percent of any gross operating revenue in excess of fifty thousand dollars. The commission assesses the maximum statutory fee except as follows:

- (a) A company must pay a regulatory fee no less than twenty dollars unless the company has less than twenty thousand dollars in gross intrastate operating revenue during the reporting year.
- (b) If a company does not pay its regulatory fee by May 1, the commission will assess an automatic late fee of two percent of the amount due, plus one percent interest for each month the fee remains unpaid. The commission also may assess penalties of one hundred dollars per day for each day the filing is late.

WAC 480-110-575 Reporting of affiliated interest transactions.

(1) Each Class A water company must file an annual report summarizing all transactions, except for transactions provided at tariff rates, that occurred between the company and its affiliated interests, and between the company and its subsidiaries. The report is due one hundred twenty days from the end of the company's reporting period, whether a fiscal or calendar year. The report must include a corporate organization chart of the company and its affiliated interests and subsidiaries.

(2) When total transactions with an affiliated interest or a subsidiary are less than twenty-five thousand dollars for the reporting period, the company must provide the name of the affiliated interest or subsidiary participating in the transactions and the total dollar amounts of the transactions. When total transactions with an affiliated interest or subsidiary equal or exceed twenty-five thousand dollars for the reporting period, the company must provide:

- (a) A balance sheet and income statement for such affiliated interest;
- (b) A description of the products or services provided to or from the company and each such affiliated interest or subsidiary;
- (c) A description of the pricing basis or costing method, and procedures for allocating costs for such products or services, and the amount and accounts charged during the year;
- (d) A description of the terms of any loans between the company and each such affiliated interest or subsidiary and a listing of the year-end loan amounts and maximum loan amounts outstanding during the year;
- (e) A description of the terms and total amount of any obligation or liability assumed by the company for each such affiliated interest or subsidiary;
- (f) A description of the activities of each such affiliated interest or subsidiary with which the company has transactions; and
- (g) A list of all common officers and directors between the water company and each such affiliated interest or subsidiary, along with their titles in each organization.

(3) The report required in this section supersedes the reporting requirements contained in previous commission orders authorizing affiliated interest transactions pursuant to chapter 80.16 RCW.

(4) The company is obligated to file verified copies of affiliated interest contracts and arrangements as stated in WAC 480-110-545 (Affiliated interests — Contracts and arrangements).

PREPARER INFORMATION

'X' if Preparer same as Cover:

Person who prepared report: Amy Lehman
 Title: Vice President

If different; Company Name: Lehman Enterprises, Inc.
 Telephone: 360-331-7388

Principal Business Address: 18181 SR 525
 City: Freeland State: WA Zip: 98249

COMPANY INFORMATION

Washington Unified Business Identifier (UBI) No.: 600-221-687
(If you do not know your UBI No. please contact Business Licensing Service at 1-800-451-7985 or BLS@dor.wa.gov)

Business Structure (please enter the appropriate designation): Corporation
Please enter: Individual/Sole Proprietor, Partnership, LP, LLP, LLC, Corporation, or Nonprofit Corporation

Date First Organized or Regulated: 4/10/2003

'X' if Address is same as Cover:

Business Physical Address: 18181 State Route 525
 City: Freeland State: WA Zip: 98249
 Telephone: 360-331-7388 Fax: 360-331-2374
 Business Website: www.lehmanwater.com

Accounting Records Information

'X' if Address is same as above:

Location of Books & Records:
 City: State: Zip:

Method of Accounting: Cash *Please enter: Cash or Accrual*

CERTIFICATION

I have examined this report and to the best of my knowledge and belief, all statements of fact are accurate, the financial statements, for the period from January 1, 2017 to December 31, 2017, contained in this report, correctly reflect the business affairs of the respondent.

(PLEASE VERIFY THAT ALL SCHEDULES ARE ACCURATE AND COMPLETE BEFORE SIGNING)

X		Name	Amy Lehman			
		Title	Vice President			
		Company	Lehman Enterprises, Inc.			
		Street Address	18181 SR 525 / PO Box 549			
		City	Freeland	State	WA	Zip Code

Date 4/30/2018

Telephone 360-331-7388
Email lehmanwater@whidbey.com

OWNERSHIP

List the first name (or Company Name), last name (or State of Registration), title, and percentage of all owners holding directly or indirectly five percent or greater voting securities of the Company. Group all owners holding less than five percent as 'Other Owners'. **Represent Percentage in decimal form (e.g., 80% is entered as 0.8000).**

First Name (or Company)	Last Name (or State Registered)	Title	Ownership
James	Lehman	Owner	50.0000
Terry	Lehman	Owner	50.0000
Other Owner's holding less than 0.0500 (5%) individually			

Industry Specific Information

Emergency Contact Information

Identify your Chief Certified Operator or Manager, and two Emergency Reponse Contacts, giving Name, Business Address, and Contact number. *Additional personnel may be included in a seperate addendum filing, but are not required.*

Title	Name	Principal Business Address	Phone #
Certified Water Operator	Adam Lehman	18181 SR 525 Freeland, WA 98249	360-774-1888
Emergency Contact 1	Culley Lehman	"	360-661-7781
Emergency Contact 2	Adam Lehman	"	360-774-1888

**SCHEDULE 1
 INCOME STATEMENT**

(For the Calendar Year 2017)

Ln. (L)	Account # (a)	Account Name (b)	Water (c)	Other (d)	Total Company (c)+(d) = (e)
Revenues					
1	400	Operating Revenue	\$388,691		\$388,691
2	471	Misc. Revenue Accounts ¹ (specify in footnote)			
3	474	Other Revenue Accounts (specify in footnote)			
4		<i>Utility Operating Revenue (add lines 1 thru 3)</i>	\$388,691		\$388,691
Expenses					
5	401	Operating Expense Accounts	\$309,449		\$309,449
6	403	Depreciation Expense	\$2,517		\$2,517
7	406	Amortization Expense			
8	408	Other Tax & License	\$36,933		\$36,933
9	409	Federal Income Taxes	(\$495)		-\$495
10		<i>Utility Operating Expense (add lines 5 thru 9)</i>	\$348,404		\$348,404
11		<i>Utility Operating Income (Loss) (line 4 less line 10)</i>	\$40,287		\$40,287
Other Income and Deductions					
Other Income:					
12	414	Gain (Loss) From Disposition of Plant			
13	415	Merchandising, Jobbing and Contract Work			
14	419	Interest & Dividend Income	\$7		\$7
15	421	Nonutility Income			
16		<i>Total Other Income (add lines 12 thru 15)</i>	\$7		\$7
Other Deductions:					
17	416	Merchandising, Jobbing and Contract Work			
18	426	Miscellaneous Nonutility Expenses			
19	427	Interest Expense			
21		<i>Total Other Deductions (add lines 17 thru 19)</i>			
22		Net Income (Loss) (add lines 11 and 16, subtract line 21)	\$40,294		\$40,294

¹Misc Revenue Accounts should not include Jobbing & Contract work. Include this revenue under the Other Income section.

**SCHEDULE 2
 BALANCE SHEET - TOTAL COMPANY**

(For the Calendar Year 2017)

Line	Account #	Account Name	Current Year
(L)	(a)	(b)	(c)
		Assets	
1	101	Utility Plant	\$1,947,386
2	104	Utility Plant Purchased or Sold	
3	108	Less: Accumulated Depreciation	(\$1,229,115)
4	114	Utility Plant Acquisition Adjustment	
5	110	Less: Accumulated Amortization of Plant Acquisition Adjustment	
6		<i>Net Utility Plant (add lines 1, 2, and 4, subtract lines 3 and 5)</i>	\$718,271
7	124	Utility Investments	
8	127	Special Funds (Surcharges, Facility Charges)	
9	131	Cash	\$67,392
10	141	Customer Accounts Receivable	
11	151	Plant Materials and Supplies	
12	162	Prepayments	
13	186	Other Deferred Debits (specify in footnote)	
14		Other Assets (specify in footnote) -NOTE 1- NET FIXED ASSETS	\$26,202
15		Total Assets <i>(add lines 6 thru 14)</i>	\$811,865
		Ownership Equity	
16	201-204	Capital Stock Issued	\$25,000
17	211	Other Paid In Capital (specify in footnote)	\$30,335
18	214-215	Retained Earnings	\$10,128
19	218	Proprietary Capital	
20		<i>Total Ownership Equity (add lines 16 thru 19)</i>	\$65,463
		Liabilities	
21	224	Long-Term Debt	
22	231	Accounts Payable	\$3,184
23	232	Notes Payable	
24	235	Customer Deposits	
25	236	Accrued Taxes	\$2,913
26	253	Other Deferred Credits (specify in footnote)	
27	265	Miscellaneous Operating Reserves	
28	271	Contributions in Aid of Construction (CIAC)	\$751,905
29	272	Less: Accumulated Amortization of CIAC	-\$11,600
30		Other Liabilities (specify in footnote)	
31		<i>Total Liabilities (add lines 21 thru 29)</i>	\$746,402
32		Total Equity, Capital and Liabilities <i>(add line 20 and 31)</i>	\$811,865

Note: Line 15 **MUST** equal Line 32

**SCHEDULE 3
 WATER UTILITY PLANT (Account 101)**

Line No. (L)	Acct No. (a)	Account Name (b)	Balance Beginning of Year (c)	Additions (d)	Retirements (e)	Balance End of Year (f)
1	301	Organization				
2	302	Franchises				
3	303	Land and Water Rights	\$68,276			\$68,276
4	304	Structures & Improvements	\$46,835			\$46,835
5	305	Collecting & Impounding Reservoirs				
6	306	Lake, River, and other intakes				
7	307	Wells and Springs	\$78,536			\$78,536
8	309	Supply Mains				
9	310	Power Generation Equipment				
10	311	Pumping Equipment	\$85,729	\$2,435		\$88,164
11	320	Water Treatment Equipment				
12	330	Distribution Reservoirs & Tanks	\$128,380			\$128,380
13	331	Transmission & Distribution Mains	\$1,322,537	\$662		\$1,323,199
14	333	Service Connections				
15	334	Meters and Meter Installation	\$122,161	\$3,597		\$125,758
16	335	Hydrants	\$83,520			\$83,520
17	339	Other Plant & Misc. Equipment	\$4,718			\$4,718
18	340	Office Furniture & Equipment				
19	341	Transportation Equipment				
20	343	Tools, Shop and Garage Equipment				
21	345	Power Operated Equipment				
22	346	Communication Equipment				
23	348	Other Tangible Plant				
25	101	Utility Plant Total (add lines 1 thru 23)	\$1,940,692	\$6,694		\$1,947,386

SOURCES OF CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

Report below all plant, equipment, and monies received during the year, as a gift. Tariff Based (e.g., connection charges, facilities charges, and surcharges); Non-Tariff Based (e.g., developer donated line extention).

Line No. (L)	Description of Charges (a)	# of Connections (b)	Cost or Charge per Connection (c)	CIAC Amount Received (d)
26	Tariff Based CIAC			
27	Non-Tariff Based CIAC			
28	CIAC Collected (add lines 26 and 27)			

CUSTOMER COUNT SUMMARY

(For the Calendar Year 2017)

Description (a)	Number at Beginning of Year (b)	New Services (c)	Number at End of Year (d)
Total Unmetered	54		27
Total Metered	781	18	828
Master Meter - Single Customer Billed			
Master Meter - Multiple Customers Billed			1
Other Services (Ready to Serve, etc.)	44		42
Total Customers	879	18	898

WATER CATEGORY SUMMARY

Provide all information in Cubic Feet¹

Month (a)	Purchased or Surface Water (b)	Ground Water (Wells) (c)	Total from All Categories (b) + (c) = (d)	Loss or Wastage (e) enter as "+"	Water sold to Customers (d) - (e) = (f)
January					
February		768,729	768,729	129,575	639,154
March					
April		670,196	670,196	48,951	621,245
May					
June		1,305,289	1,305,289	206,238	1,099,051
July					
August		2,848,623	2,848,623	255,567	2,593,056
September					
October		1,594,612	1,594,612	299,979	1,294,633
November					
December		858,042	858,042	291,346	566,696
Total (Add lines 7 thru 18)		8045491	8045491	1231656	6813835

- (d) - Category Master Meters Records
- (e) - Category Leakage or Wastage of Water
- (f) - Individual Customer Meter Records

¹CONVERSION: 1 cubic foot = 7.48 gallons

REGULATORY FEE CALCULATION SCHEDULE
Due May 1, 2018

Company Name: Lehman Enterprises, Inc. Annual Report Year **2017**

In accordance with RCW 80.24.010 "Regulatory Fees", the Commission requires water companies to file reports of gross intrastate operating revenue and pay fees on that revenue. Every company subject to regulation shall file with the Commission a statement under oath showing its gross intrastate revenue for the preceding year and pay to the Commission a fee as instructed below.

Regulatory Fee Calculations

1 Total Gross Intrastate Operating Revenue**			388,691.00
2 If Line 1 is under \$20,000, enter \$0, otherwise Line 1, upto \$50,0000, x .1%	50,000.00	x 0.001	\$50.00
3 If Line 1 is over \$50,000, enter Line 1 less \$50,000 x .2%	338,691.00	x 0.002	\$677.38
4 Total Regulatory Fees owed (add lines 2 and 3).			\$727.38

Note - There is a minimum twenty dollar regulatory fee. This fee is waived for any water company with less than \$20,000 in Gross Intrastate Operating Revenue.

Agency Use Only 001-111-0268-160-01

Penalty & Interest Calculations

5 Penalties on Regulatory Fees being paid after May 1			
5a Total Penalties on Regulatory Fees owed (enter amount from Line 4 x 2%)		x 0.02	
6 Interest on Regulatory Fees being paid after May 31			
6a Number of months past May 31 x Amount from Line 4 x 1%		x	x 0.01
7 Total Penalties and Interest owed (Line 5a plus Line 6a)			
8 Total Regulatory, Penalties and Interest Fees Due (Line 4 plus Line 7)			\$727.38

Agency Use Only 001-111-0268-160-11

****Note:** Gross Washington intrastate operating revenue is defined as all revenue collected for the year from rates under tariffs, and contracts on file at the Washington Utilities and Transportation Commission. The revenues subject to the commission's regulatory fees are gross Washington intrastate operating revenues before deductions for uncollectibles, unbillables or the payment of state and federal taxes, i.e. "Gross Revenues" means before any deductions from Revenue Receipts.

COMMISSION USE ONLY

Reception #:	_____	001-111-0268-160-01	_____
Reference:	AR2016	001-111-0268-160-11	_____
Payment ID:	_____	001-111-0268-032-20	_____
		001R-111-0268-032-20 (_____)
		Total Paid:	_____

PAYMENT INFORMATION

Utilities and Transportation Commission (UTC) accepts the following methods of payment

Cash (in-person at the UTC)

Deliver Cash to:
1300 S. Evergreen Park Drive S.W.
Olympia, WA 98504

Check (must be in US Funds)

Deliver to the UTC Office above or Send Checks to:
Utilities and Transportation Commission
PO Box 47250
Olympia, WA 98504-7250

Online payments* (ACH, American Express, Discover/Novus, MasterCard, Visa)

To pay online visit:

<https://www.utc.wa.gov/regulatedIndustries/Pages/online-payments.aspx>

Pay-by-phone (credit card payments only) at (360) 664-1349

**Please note: A convenience fee of 2.5 percent (minimum of \$3.95) is charged by Official Payments for using the credit card processing service.*

FILING YOUR REPORT

All annual reports and regulatory fees must be received by the UTC no later than May 1 each year (or the following business day if May 1 lands on a weekend). **In 2017, the UTC changed its procedural rule, WAC 480-07-140, requiring formal communications with the UTC be submitted electronically.**

Submit reports online:

<https://www.utc.wa.gov/docs/Pages/ElectronicFiling.aspx>

**Typical Average Service Lives
 Salvage Rates, and Depreciation Rates
 Water Utilities**

NARUC (1996) Account Numbers Class		<u>Class of Plant</u>	Average Service Lives Years **	Net Salvage Percent %	Depreciation Rate Range	
A	B	Source of Supply Plant			Short	Long
301		Organization	XXX		XXX	XXX
302		Franchises	XXX		XXX	XXX
303		Land and Water Rights	XXX		XXX	XXX
304		Structures and Improvements	35-40		2.86%	2.50%
305		Collect. and Impounding Res.	50-75		2.00%	1.33%
306		Lake, River and Other Intakes	35-45		2.76%	2.22%
307		Wells and Springs	25-35		4.00%	2.86%
308		Infiltration Galleries and Tunnels	25-50		4.00%	2.00%
309		Supply Mains	50-75		2.00%	1.33%
310		Power Generation Equipment	10-15		10.00%	6.67%
		<u>Pumping Plant</u>				
304		Structures and Improvements	35-40		2.86%	2.50%
311		Pumping Equipment	20			5.00%
311		Other Pumping Plant	25			4.00%
		<u>Water Treatment Plant</u>				
304		Structures and Improvements	35-40		2.86%	2.50%
320		Water Treatment Equipment	20-35		5.00%	2.86%
		<u>Transmission and Distribution Plant</u>				
304		Structures and Improvements	35-40		2.86%	2.50%
330		Distribution Reservoirs and Tanks	30-60		3.33%	1.67%
331		Trans. and Dist. Mains	50-75		2.00%	1.33%
331		Fire Mains	50-75		2.00%	1.33%
333		Service Connections	30-50		3.33%	2.00%
334		Meters	20-25	10	5.00%	4.00%
334		Meter Installations	40-60		2.50%	1.67%
335		Hydrants	40-60	5	2.50%	1.67%
		<u>General Plant</u>				
304		Structures and Improvements	35-40		2.86%	2.50%
339		Other Plant	40-60		2.50%	1.67%
340		Office Furniture and Equipment	20-25	5	5.00%	4.00%
341		Transportation Equipment	7	10		14.30%
342		Stores and Equipment	20			5.00%
343		Tools, Shop and Garage Equip.	15-20	5	6.67%	5.00%
344		Laboratory Equipment	15-20		6.67%	5.00%
345		Power Operated Equipment	10-15	10	10.00%	6.67%
346		Communication Equipment	10	10		10.00%
347		Miscellaneous Equipment	10	10		10.00%
348		Other Plant Assets	10	10		10.00%
348		Water System Plan	6	10		16.67%

** These lives are intended as a guide; longer or shorter lives should be used if experience shows it is warranted.