



Financial Statements
December 31, 2011 and 2010

ANNUAL REPORT

Lake Stevens Sewer District

MCAG No. 2176

Submitted pursuant to RCW 43.09.230 to the STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED 12/31/2011

Certified correct this 9 day of May 2012 to the best of my knowledge and belief:

GOVERNMENT INFORMATION:

Official Mailing Address: Lake Stevens Sewer District

Official Web Site Address: www.lkstevenssewer.org

PREPARER INFORMATION and CERTIFICATION

Preparer Name & Title: Mickie Cooper, Senior Accounting Clerk

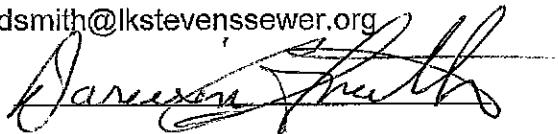
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Signature:

A handwritten signature in black ink, appearing to read "Darwin Smith", written over a horizontal line.

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**Lake Stevens Sewer District
Management's Discussion and Analysis
For the Year Ended December 31, 2011**

The following discussion and analysis of the financial performance of the Lake Stevens Sewer District (The District) provides an overall review of the District's financial activities for the year ended December 31, 2011. This discussion is designed to be read in conjunction with the financial statements and notes, which follow this section.

OVERVIEW

The District was incorporated in 1957 and operates under the laws of the State of Washington. All financial reporting is based on twelve months of operations.

In 2011, the District had a positive operating income and change in net position and met all debt obligations. As of December 31, 2011, the District had an unrestricted net position balance of \$28,507,877.

FINANCIAL STATEMENTS

This section of the annual report explains the purpose of the District's basic financial statements and the notes to the financial statements.

Basic Financial Statements

The financial statements of the District are designed to provide readers with a broad overview of the District's finances similar to a private-sector business. They have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Under this basis of accounting, revenues are recognized in the period they are earned and expenses are recognized when incurred, regardless of the timing of related cash flows. These statements offer short and long-term financial information about the District's activities.

The Statement of Net Position presents the District's assets and liabilities, with the difference between the two reported as Net Position (equity). The Statement of Net Position provides information about the nature and amount of investments in resources (assets), and the obligations to creditors (liabilities). Position (equity) increases when revenues exceed expenses. The Statement of Revenues, Expenses, and Changes in Net Position reports the revenues and expenses during the periods indicated. The Statement of Cash Flows provides information about the District's cash receipts and payments for operations, as well as funds provided and used in investing and financing activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to gain a full understanding of the figures provided in the financial statements.

FINANCIAL ANALYSIS

Condensed Financial Information - Years Ended

	<u>Dec. 31,</u> <u>2011</u>	<u>Dec. 31,</u> <u>2010</u>	<u>Dec. 31,</u> <u>2009</u>
Current Assets	\$ 37,196,928	\$ 62,105,642	\$ 30,638,936
Net Capital Assets	<u>186,748,150</u>	<u>154,721,494</u>	<u>115,694,444</u>
Total Assets	\$ <u>223,945,078</u>	\$ <u>216,827,136</u>	\$ <u>146,333,380</u>
Current Liabilities	\$ 6,038,489	\$ 7,084,120	\$ 4,836,733
Long-Term Liabilities	<u>119,498,276</u>	<u>111,770,820</u>	<u>49,507,149</u>
Total Liabilities	\$ <u>125,536,765</u>	\$ <u>118,854,940</u>	\$ <u>54,343,882</u>
Invested in Capital Assets,			
Net of related debt	\$ 67,243,581	\$ 41,654,750	\$ 65,103,920
Restricted for debt service	2,656,855	2,294,320	436,000
Unrestricted	<u>28,507,877</u>	<u>54,023,126</u>	<u>26,449,578</u>
Total Net Position	\$ <u><u>98,408,313</u></u>	\$ <u><u>97,972,196</u></u>	\$ <u><u>91,989,498</u></u>
Utility Operating Revenue	\$ 9,067,448	\$ 8,212,979	\$ 8,065,313
Non-Operating Revenue	<u>149,290</u>	<u>120,824</u>	<u>195,318</u>
Total Revenue	9,216,738	8,333,803	8,260,631
Operating Expenses	6,003,966	5,813,231	5,392,333
Non-Operating Expenses	<u>3,449,913</u>	<u>1,326,591</u>	<u>665,232</u>
Total Expenses	<u>9,453,879</u>	<u>7,139,822</u>	<u>6,057,565</u>
Excess (Deficiency)	(237,141)	1,193,981	2,203,066
Capital Contributions	<u>673,258</u>	<u>4,788,717</u>	<u>4,854,787</u>
Change in Net Position	436,117	5,982,698	7,057,853
Net Position – Beg of Year	97,972,196	91,989,498	84,931,645
Net Position – End of Year	\$ <u><u>98,408,313</u></u>	\$ <u><u>97,972,196</u></u>	\$ <u><u>91,989,498</u></u>

Overview

For the twelve months ending December 31, 2011, the total assets of the District increased by \$7.1 million or approximately 3.3%, and total liabilities increased by approximately \$6.7 million or approximately 5.6%. As a result, total net assets increased approximately \$0.4 million and the District's overall financial position improved. The increases in both total assets and total liabilities are primarily due to the construction of new facilities and associated debt issued to pay for those facilities. Operating Revenues increased approximately 10.4% as expected due to a small increase in District customers during 2011 and the \$5.00 per month, per ERU rate increase that took effect January 1, 2011. Operating Revenues are expected to increase in 2012 due to a full year with a \$5.00 per month, per ERU (Equivalent Residential Unit) rate increase and a small increase in District customers.

There are no restrictions, commitments, or other limitations which may affect the availability of resources for future use.

Capital Assets

The District had a total net Capital Asset Value of \$186,748,150 as of December 31, 2011. This was an increase of more than \$32.0 million and is due to continued construction of new facilities including the Sunnyside Waste Water Treatment Plant. Capital Assets consisted of \$117,347,152 in assets not being depreciated including land, and construction in process; \$94,696,114 in depreciable assets with a total accumulated depreciation of \$25,295,116 for a net value of depreciable assets of \$69,400,998.

Please refer to the Notes to the Financial Statements for more information.

Long-Term Debts

During the year, the District increased its long-term debt by \$6,437,824, leaving a balance of \$119,504,569, including current portion of long-term debt. In 2011 the District received \$5.26 million from a new SRF (State Revolving Fund) loan, in addition to \$3.99 million in proceeds from previous committed loans that provided additional financing for the completion of the Sunnyside Waste Water Treatment Plant.

Please refer to the Notes to the Financial Statements for more information.

REQUESTS FOR INFORMATION

The District's financial statements, notes and management discussion and analysis are designed to provide a general overview of the District's finances. Questions concerning any of the information presented in this report should be directed to the District at:

Lake Stevens Sewer District
1106 Vernon Rd #A
Lake Stevens, WA 98258
(425) 334-8588

**LAKE STEVENS SEWER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2011 AND 2010**

	2011	2010
Assets		
Current Assets:		
Cash and cash equivalents	\$ 36,034,890	\$ 61,074,316
Receivables, net	549,330	319,358
Assessments Receivable	190,306	237,445
Prepayments	56,281	62,090
Unamortized Debt Discount/Expense	366,121	412,433
Total Current Assets	37,196,928	62,105,642
Noncurrent Assets:		
Capital Assets Not Being Depreciated		
Land	1,341,322	1,341,322
Construction Works in Progress	116,005,830	82,163,937
Capital Assets Being Depreciated		
Plant and Buildings	93,501,167	93,321,720
Machinery, Equipment and Furniture	1,194,947	1,420,557
	212,043,266	178,247,536
Less accumulated depreciation	(25,295,116)	(23,526,042)
Total Noncurrent Assets	186,748,150	154,721,494
Total Assets	\$ 223,945,078	\$ 216,827,136
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 1,773,589	\$ 3,558,710
Other Current/Accrued Liabilities	16,256	14,600
Compensated Absences	418,756	385,152
Developer Extension Deposits	109,591	139,200
Unamortized Debt Premium	139,886	167,863
Current Portion of Bonds, Notes and Loans Payable	3,580,411	2,818,595
Total Current Liabilities	6,038,489	7,084,120
Noncurrent Liabilities:		
Bonds, Notes and Loans Payable, net of current portion	115,924,158	110,248,150
Interest Accrued	3,574,118	1,522,670
Total Noncurrent Liabilities	119,498,276	111,770,820
Total Liabilities	125,536,765	118,854,940
Net Position		
Invested in Capital Assets, Net of Related Debt	67,243,581	41,654,750
Restricted for Debt Service	2,656,855	2,294,320
Unrestricted	28,507,877	54,023,126
Total Net Position	98,408,313	97,972,196
Total Liabilities and Net Position	\$ 223,945,078	\$ 216,827,136

LAKE STEVENS SEWER DISTRICT
COMPARATIVE STATEMENTS OF REVENUE, EXPENSES & CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Revenue		
Utility Revenue	\$ 9,067,448	\$ 8,212,979
Total Operating Revenue	<u>9,067,448</u>	<u>8,212,979</u>
Operating Expenses:		
General Operations	3,220,818	3,145,638
Maintenance Expense	353,162	373,704
Depreciation Expense	2,035,953	1,918,888
Taxes	394,033	375,001
Total Operating Expenses	<u>6,003,966</u>	<u>5,813,231</u>
Operating Income (Loss)	<u>3,063,482</u>	<u>2,399,748</u>
Nonoperating Revenues (Expenses):		
Interest Revenue	123,935	98,729
Interest on Long-Term Debt	(3,431,577)	(1,302,061)
Amortization Debt Discount Expense	(18,336)	(24,530)
Net Rental Revenue	25,355	22,095
Total Nonoperating Revenues (Expenses)	<u>(3,300,623)</u>	<u>(1,205,767)</u>
Income Before Capital Contributions	<u>(237,141)</u>	<u>1,193,981</u>
Capital Contributions:		
Developer Donated Facility	97,591	2,644,973
Connection Fees	575,667	2,143,744
Total Capital Contributions	<u>673,258</u>	<u>4,788,717</u>
Change in Net Position	<u>436,117</u>	<u>5,982,698</u>
Total Net Position, January 1	97,972,196	91,989,498
Total Net Position, December 31	<u>\$ 98,408,313</u>	<u>\$ 97,972,196</u>

**LAKE STEVENS SEWER DISTRICT
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Cash Flows from Operating Activities:		
Cash received from customers	\$ 8,807,867	\$ 8,199,354
Cash payments to suppliers for goods & services	(2,301,749)	(2,281,013)
Cash payments to employees for services	(1,732,562)	(1,575,916)
Net Cash Provided by Operating Activities	4,773,556	4,342,425
Cash Flows from Capital Financing Activities:		
Acquisition and construction of capital assets	(35,642,773)	(37,489,840)
Principal received on ULID assessments	47,139	44,753
Interest received on ULID assessments	8,444	12,107
Proceeds from long-term debt	9,256,418	64,968,797
Principal paid on long-term debt	(2,818,594)	(2,716,627)
Interest paid on long-term debt	(1,380,129)	(252,237)
Capital contributions - Connection fees	575,667	2,143,744
Net Cash Provided (Used) for Capital Financing Activities	(29,953,828)	26,710,697
Cash Flows from Investing Activities:		
Interest received on investments	115,491	86,623
Net rental income	25,355	22,095
Net Cash Provided (Used) by Investing Activities	140,846	108,718
Net Increase (Decrease) in Cash	(25,039,426)	31,161,840
Cash and Equivalents at Beginning of Year	61,074,316	29,912,476
Cash and Equivalents at End of Year	\$ 36,034,890	\$ 61,074,316
Reconciliation of Operating Income to Net Cash provided by Operating Activities:		
Net Operating Income	\$ 3,063,482	\$ 2,399,747
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,035,953	1,918,888
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivable	(229,972)	20,576
Decrease (Increase) in prepayments	5,809	(2,811)
Increase (Decrease) in operating accounts payable	(107,367)	(115,298)
Increase (Decrease) in other current/accrued liabilities	1,656	(908)
Increase (Decrease) in compensated absences	33,604	156,430
Increase (Decrease) in developer deposits	(29,609)	(34,200)
Net Cash Provided by Operating Activities	\$ 4,773,556	\$ 4,342,424
Noncash Investing, Capital, and Financing Activities:		
Developer donated facility	\$ 97,591	\$ 2,644,973
Refunded long-term debt		1,160,000
Refunding long-term debt issued		4,520,000
Debt discount and expenses netted from debt proceeds		82,025
Debt premiums included in debt proceeds		167,863

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lake Stevens Sewer 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. In June 1999, GASB approved Statement 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. This and consecutive statements are reflected in the accompanying financial statements including notes to financial statements. The following is a summary of the most significant policies.

a. Reporting Entity / Nature of Business

The Lake Stevens Sewer District is a municipal corporation governed by an elected three-member board. The District provides a sewage system for collection, transportation and treatment of sanitary sewage for the unincorporated area around Lake Stevens, WA and for the City of Lake Stevens. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Lake Stevens Sewer 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 Uniform System of Accounts for Sewer Utilities.

Effective January 1, 2004, the District implemented Governmental Accounting Standard Series (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments and related standards*.

These financial statements are prepared utilizing the flow of economic resources measurement focus and full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. The District applies all statements and interpretations issued by the Financial Accounting Standards Board not in conflict with standards issued by the Governmental Standards Board. All activities of the District are accounted for within a single proprietary (enterprise) fund.

The District adopted GASB Statement No. 33 effective with the year ending December 31, 2001. GASB statement No. 33 requires that donated facility, connection fees, and other contribution in aid of construction to be recorded as revenue in the current year. Contributed capital reported in the Comparative Statements of Revenue, Expenses & Changes in Net Position amounted to \$673,258 and \$4,788,717 for the years ended December 31, 2011 and 2010, respectively.

All utility services are billed monthly and recorded as revenues.

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

d. Utility Plant and Depreciation

Utility plant in service and other capital assets are recorded at cost. Donations by developers and customers are recorded at donor-submitted construction cost and engineer submitted allied cost; and depreciated over the appropriate life of the assets.

The original cost of operating property retired, sold, or otherwise disposed of is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Depreciation is computed on the straight-line method with useful lives of five to fifty years.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Utility Plant and Depreciation (continued)

Preliminary costs incurred for proposed projects are deferred pending the construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; charges that relate to abandoned projects are expensed. Please see Note 4.

e. Restricted Funds

In accordance with bond covenants, a separate restricted account is required to be established. The assets held in this fund are restricted for debt service. This restricted account amounted to \$2,656,855 and \$2,294,320 for the years ended December 31, 2011 and 2010, respectively.

f. Receivables

Uncollectible accounts are written off to expense; however, few accounts are uncollectible because of the lien and foreclosures rights provided by the Revised Codes of Washington (RCW). Chapters 56.16.100/110 provide that the payment of delinquent charges for service may be enforced by establishing a lien against the property for which the charge is delinquent. If a lien is established against the property in question, such lien would be superior to all other liens except those established for the payment of general taxes and special assessments. Foreclosure rights are by civil action in the Snohomish County Superior Court.

g. Investments

All investments of the District are in the form of time certificates of deposit, U.S. Government Securities State Treasurer's Investment Pool and County Treasurer's Investment Pool pursuant to the requirements of Chapter 39.58 RCW. Investments are stated at cost. Interest income is accrued at year-end. As a general policy, investments are held until maturity.

h. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation pay, holiday pay, comp time, and sick leave. The District accrues unpaid compensated absences as an expense and liability when incurred. The Lake Stevens Sewer District Board of Commissioners adopted Resolution #827 on 1/28/2010, stating that upon termination, 100% of the employee's accrued sick leave, which may be accumulated up to 1200 hours, is paid out to their VEBA account, previously only 50% of the employee's accrued sick leave was paid out to their VEBA account. Vacation pay, which may be accumulated up to 240 hours; comp time, which may be accumulated up to 40 hours; and holiday pay, which may be accumulated up to 8 hours; are payable upon resignation, retirement or death. The total liability for compensated absences at December 31, 2011 and 2010 was \$418,756 and \$385,152 respectively.

i. Unamortized Debt Expense and Premium

Costs related to the sale of debt are deferred and amortized over the life of the bond issues. A deferred cost related to debt that has been refunded is expensed in the year of refunding. Premiums received on debt issued are deferred and amortized over the life of the bond issues.

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Construction contract and financing

On October 9, 2008 the District signed the construction contract for the facility portion of the Sunnyside Waste Water Treatment Plant in the amount of \$96,710,332. In connection with this construction project, the District has obtained construction and long-term financing with the State Revolving Fund, Public Works Trust Fund and Revenue Bonds. A summary of this financing is as follows:

	Maximum Loan Amount	Advances through 12/31/2011	Available Funds at 12/31/2011
Public Works Trust Fund	\$ 34,000,000	\$ 32,300,000	\$ 1,700,000
State of Washington Revolving Fund	45,202,429	45,202,429	-
2010A Build America Bonds	30,595,000	30,595,000	-
2010B Revenue Bonds	4,520,000	4,520,000	-
	<u>\$ 114,317,429</u>	<u>\$ 112,617,429</u>	<u>\$ 1,700,000</u>

NOTE 2: DEPOSITS AND INVESTMENTS

The District's deposits and certificates of deposits are covered by Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The District's cash funds, cash disbursements, and investments are processed or maintained by the Snohomish County Treasurer's Department in the name of the district. Snohomish County has all district deposits and investments in local banks short-term certificates of deposit, the County Treasurer's Investment Pool, or in the State of Washington Treasurer's Investment pool. The District had the following deposits and investments:

	Balance 12/31/2011	Balance 12/31/2010
Checking and Cash Accounts	\$ 373,741	\$ 55,433
County Treasury Investment Pool	4,055,323	1,761,003
State Treasury Investment Pool	31,605,826	59,257,880
Total Deposits and Investments	<u>\$ 36,034,890</u>	<u>\$ 61,074,316</u>

Deposits and investments are stated at cost, which approximates fair value, on the comparative statement of net position.

NOTE 3: CONSTRUCTION IN PROGRESS

Construction in progress is composed of the following at December 31, 2011:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended 12/31/2011</u>	<u>Committed</u>	<u>Required Future Financing</u>
Vernon Road Diversion	\$ 5,503,860	\$ 5,441,967	\$ 61,893	None
Lift Station 20	4,603,628	3,985,146	618,482	None
SW Interceptor Phase I	2,355,294	2,321,535	33,759	None
20th Street Sight Distance	10,802	2,566	8,236	None
Vernon Road Diversion Ph II	988,143	925,927	62,216	None
Valterra Slide - Emergency	587,187	108,507	478,680	None
Duplex Structure Repair	38,305	13,572	24,733	None
STP #2 Design	4,758,134	3,088,273	1,669,861	None
STP #2 Construction	104,217,604	100,118,337	4,099,267	None
	<u>\$ 123,062,957</u>	<u>\$ 116,005,830</u>	<u>\$ 7,057,127</u>	<u>None</u>

NOTE 3: CONSTRUCTION IN PROGRESS (continued)

Construction in progress is composed of the following at December 31, 2010:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended 12/31/2010</u>	<u>Committed</u>	<u>Required Future Financing</u>
Vernon Road Diversion	\$ 5,503,860	\$ 5,401,498	\$ 102,362	\$ None
STP #2 Design	4,758,134	3,088,273	1,669,861	None
STP #2 Construction	104,671,372	71,307,244	33,364,128	None
Lift Station 20	4,029,102	3,714	4,025,388	None
SW Interceptor Phase 2A	2,355,294	2,318,601	36,693	None
20th Street Sight Distance	10,802	5,496	5,306	None
Vernon Road Diversion Ph II	39,111	39,111	-	None
	<u>\$ 121,367,675</u>	<u>\$ 82,163,937</u>	<u>\$ 39,203,738</u>	<u>\$ None</u>

NOTE 4: UTILITY PLANT AND DEPRECIATION

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Utility plant activity for the year ended December 31, 2011 was as follows:

	<u>Balance 1/1/2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 12/31/2011</u>
Utility plant not being depreciated				
Land	\$ 1,341,322	\$ -	\$ -	\$ 1,341,322
Construction in progress	<u>82,163,937</u>	<u>37,202,696</u>	<u>(3,360,803)</u>	<u>116,005,830</u>
Total plant not being depreciated	83,505,259	37,202,696	(3,360,803)	117,347,152
Utility plant being depreciated				
Plant in service	83,657,125	196,666	-	83,853,791
Buildings	9,664,596	-	(17,220)	9,647,376
Machinery, equipment & furniture	<u>1,420,556</u>	<u>24,051</u>	<u>(249,660)</u>	<u>1,194,947</u>
Total plant being depreciated	94,742,277	220,717	(266,880)	94,696,114
Plant in service	(22,510,289)	(1,897,469)	75,943	(24,331,815)
Buildings	(133,058)	(19,217)	-	(152,275)
Machinery, equipment & furniture	<u>(882,695)</u>	<u>(177,991)</u>	<u>249,660</u>	<u>(811,026)</u>
Total accumulated depreciation	(23,526,042)	(2,094,677)	325,603	(25,295,116)
Total plant being depreciated, net	<u>71,216,235</u>	<u>(1,873,960)</u>	<u>58,723</u>	<u>69,400,998</u>
Total utility plant, net	<u>\$ 154,721,494</u>	<u>\$ 35,328,736</u>	<u>\$ (3,302,080)</u>	<u>\$ 186,748,150</u>

NOTE 4: UTILITY PLANT AND DEPRECIATION (continued)

Utility plant activity for the year ended December 31, 2010 was as follows:

	Balance 1/1/2010	Increase	Decrease	Balance 12/31/2010
Utility plant not being depreciated				
Land	\$ 1,340,867	\$ 455	\$ -	\$ 1,341,322
Construction in progress	45,668,018	38,301,701	(1,805,782)	82,163,937
Total plant not being depreciated	47,008,885	38,302,156	(1,805,782)	83,505,259
Utility plant being depreciated				
Plant in service	79,283,285	4,433,325	(59,485)	83,657,125
Buildings	9,664,596	-	-	9,664,596
Machinery, equipment & furniture	1,476,275	53,384	(109,103)	1,420,556
Total plant being depreciated	90,424,156	4,486,709	(168,588)	94,742,277
Plant in service	(21,624,756)	(1,016,976)	131,443	(22,510,289)
Buildings	(113,841)	(19,217)	-	(133,058)
Machinery, equipment & furniture	-	(882,695)	-	(882,695)
Total accumulated depreciation	(21,738,597)	(1,918,888)	131,443	(23,526,042)
Total plant being depreciated, net	68,685,559	2,567,821	(37,145)	71,216,235
Total utility plant, net	\$ 115,694,444	\$ 40,869,977	\$ (1,842,927)	\$ 154,721,494

In 2006 The District changed the threshold for Capital Assets on new purchases to \$5,000. Capital assets are depreciated over the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	40-50
Vehicles	5-7
Equipment	5-20
Plant	50

NOTE 5: LONG-TERM DEBT

The District issued Build America Bonds in the amount of \$30,595,000 on December 21, 2010 for the construction of the new Wastewater Treatment Facility. The District also issued revenue bonds in the amount of \$4,520,000. Part of the proceeds refunded the 1994 and 1997 bonds and the balance is for the construction of the new Wastewater Treatment Facility.

As security for Sewer Revenue Bonds the District is required to maintain a reserve account and pledge gross revenue less operation and maintenance expenses for payment of these bonds. The bond reserve at December 31, 2011 and 2010 was \$2,656,855 and \$2,294,320, respectively.

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 5: LONG-TERM DEBT (continued)

The annual requirements to amortize all debts as of December 31, 2011, including interest, are as follows:

Year Ending December 31,		Principal	Interest	Total
2012	\$	3,580,411	\$ 2,358,288	\$ 5,938,699
2013		4,675,231	4,261,448	8,936,679
2014		5,387,737	3,527,913	8,915,650
2015		5,467,814	3,433,548	8,901,362
2016		5,493,264	3,332,414	8,825,678
2017-2021		28,134,286	14,955,703	43,089,989
2022-2026		27,927,470	11,566,757	39,494,227
2027-2031		23,239,157	7,631,772	30,870,929
2032-2036		9,729,199	3,831,692	13,560,891
2037-2039		5,870,000	829,761	6,699,761
	\$	<u>119,504,569</u>	\$ <u>55,729,296</u>	\$ <u>175,233,865</u>

The annual requirements to amortize all debts as of December 31, 2010, including interest, are as follows:

Year Ending December 31,		Principal	Interest	Total
2011	\$	2,818,595	\$ 2,071,834	\$ 4,890,429
2012		3,580,411	2,358,288	5,938,699
2013		4,531,493	4,038,715	8,570,208
2014		5,173,128	3,385,000	8,558,128
2015		5,247,118	3,296,722	8,543,840
2016-2020		24,791,114	14,958,264	39,749,378
2021-2025		24,597,316	11,884,742	36,482,058
2026-2030		22,840,338	8,263,929	31,104,267
2031-2035		11,827,232	4,471,173	16,298,405
2036-2040		7,660,000	1,363,203	9,023,203
	\$	<u>113,066,745</u>	\$ <u>56,091,870</u>	\$ <u>169,158,615</u>

During the year ended December 31, 2011, the following changes occurred in long-term liabilities:

	Balance 1/1/2011	Additions	Reductions	Balance 12/31/2011
State Revolving Fund	\$ 35,946,011	\$ 9,256,418	\$ -	\$ 45,202,429
City Public Works Trust	17,365,137	-	1,044,792	16,320,345
Public Works Trust	22,896,945	-	1,507,526	21,389,419
City 2008 GO Bonds	1,269,926	-	84,647	1,185,279
Revenue Bonds	-	-	-	-
Build America Bonds	30,595,000	-	-	30,595,000
Revenue Bonds	4,520,000	-	140,000	4,380,000
Vernon Business Center	473,726	-	41,629	432,097
	<u>\$ 113,066,745</u>	<u>\$ 9,256,418</u>	<u>\$ 2,818,594</u>	<u>\$ 119,504,569</u>

NOTE 5: LONG-TERM DEBT (continued)

During the year ended December 31, 2010, the following changes occurred in long-term liabilities:

	Balance 1/1/2010	Additions	Reductions	Balance 12/31/2010
State Revolving Fund	\$ 27,868,163	\$ 8,077,848	\$ -	\$ 35,946,011
City Public Works Trust	6,774,512	11,000,000	409,375	17,365,137
Public Works Trust	12,781,923	11,000,000	884,978	22,896,945
City 2008 GO Bonds	1,354,494	-	84,568	1,269,926
Revenue Bonds	1,300,000	-	1,300,000	-
Build America Bonds	-	30,595,000	-	30,595,000
Revenue Bonds	-	4,520,000	-	4,520,000
Vernon Business Center	511,432	-	37,706	473,726
	<u>\$ 50,590,524</u>	<u>\$ 65,192,848</u>	<u>\$ 2,716,627</u>	<u>\$ 113,066,745</u>

The District treats principal payments due within one year as a current liability on the Comparative Balance Sheets. The current portion of long-term debt at December 31, 2011 and 2010 consisted of the following:

	Balance 12/31/2011	Balance 12/31/2010
City Public Works Trust Fund	\$ 1,044,792	\$ 1,044,792
Public Works Trust Fund	1,507,526	1,507,526
City 2008 GO Bonds	84,718	84,647
Revenue Bonds	900,000	140,000
Vernon Business Center	43,375	41,630
	<u>\$ 3,580,411</u>	<u>\$ 2,818,595</u>

NOTE 6: PENSION PLAN

On October 9, 2003, the District’s Board of Commissioners passed a resolution authorizing and approving participation in the Washington Public Employees Retirement System (PERS). Membership in PERS commenced on January 1, 2004.

Substantially all Lake Stevens Sewer 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 Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 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 (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS

NOTE 6: PENSION PLAN (continued)

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 PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. 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 payable to the age of 60. The allowance 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. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance 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. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. 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 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

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. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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.

NOTE 6: PENSION PLAN (continued)

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.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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 prior to 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, 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.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon contributions and the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

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 Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

NOTE 6: PENSION PLAN (continued)

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member’s retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

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 said member’s covered employment, if found eligible by the Department of Labor and Industries.

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Nonvested	51,005
Total	262,285

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 1 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. All employers are required to contribute at the level established by the Legislature. 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, based on member choice. Two of the options are graduated rates dependent on the employee’s age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

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, 2011, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.
 ** The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3.
 *** Plan 3 defined benefit portion only.
 **** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.
 ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

NOTE 6: PENSION PLAN (continued)

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	\$	\$ 100,110	\$ 3,201
2010	\$	\$ 80,459	\$
2009	\$	\$ 99,912	\$

NOTE 7: RISK MANAGEMENT

The Lake Stevens Sewer District is a member of Enduris. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entity to form together into 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-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. Enduris was formed July 10, 1987, when two (2) counties and two (2) 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 August 31, 2011, there are 468 Enduris members representing a broad range of special purpose districts.

Enduris allows members to jointly purchase excess insurance coverage, share in the self-insured retention, establish a plan for total self-insurance, and provide excellent risk management services and other related services. Enduris provides "occurrence" policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk" basis blanket form using current Statement of Values. The Property coverage includes mobile equipment, electronic data processing equipment, valuable papers, building ordinance coverage, property in transit, extra expense, consequential loss, accounts receivable, fine arts, inventory or appraisal cost, automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires insurance from unrelated insurance companies that is subject to a "per occurrence";

\$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss; \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss. Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

NOTE 8: CITY OF LAKE STEVENS AGREEMENT

The City of Lake Stevens and the Lake Stevens Sewer District entered into a Unified Sewer Services and Annexation Agreement on the 23rd day of May, 2005 that was subsequently implemented January 1, 2006. This agreement called for a transfer of the City System to the District after which the District shall own, operate and maintain the entire wastewater collection conveyance, treatment and discharge system in the UGA (the Urban Growth Area). The agreement also provides for the ultimate transfer of the Unified Sewer System from the District to the City.

As part of this agreement, the District agreed to transfer to the City all funds necessary for the City Sewer utility's share of the 1997 General Obligation Bonds, Series 1997 and the Public Work Trust Fund Loan No. PW-02-691-029 debt payments thirty days prior to scheduled City payments.

The agreement also calls for certain payments from the District for a Franchise Fee and a Utility Agreement Fee for the City liabilities or costs associated with the implementation and maintenance of the Agreement.

The effect of the transfer of assets and obligations are as follows:

City - Utility Plant in Service	\$	12,192,905
City - Sewer Equipment		139,000
Less Accumulated Depreciation		(2,885,908)
Cash from City Sewer Reserve Funds		808,218
Assumption of City PWTF Debt 05-691-029		(1,456,750)
Assumption of City 1997 GO Bonds		<u>(1,545,000)</u>
	\$	<u>7,252,465</u>

LAKE STEVENS SEWER DISTRICT
 SCHEDULE OF LONG-TERM DEBT
 For the Year Ended December 31, 2011

ID NO	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	BEGINNING OUTSTANDING DEBT 1/1/2011 (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	AMOUNT ISSUED IN CURRENT YEAR	AMOUNT REDEEMED IN CURRENT YEAR	ENDING OUTSTANDING DEBT 12/31/2011
251.15	Refunding 1997 LTGO Bonds	6/18/2008	12/1/2022	\$ 1,269,925.68	\$ -	\$ 84,647.30	\$ 1,185,278.38
	<i>Total GO Debt</i>			\$ 1,269,925.68	\$ -	\$ 84,647.30	\$ 1,185,278.38

LAKE STEVENS SEWER DISTRICT
 SCHEDULE OF LONG-TERM DEBT
 For the Year Ended December 31, 2011

ID NO	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	BEGINNING OUTSTANDING DEBT 1/1/2011 (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	AMOUNT ISSUED IN CURRENT YEAR	AMOUNT REDEEMED IN CURRENT YEAR	ENDING OUTSTANDING DEBT 12/31/2011
252.11	WWTF Construction	12/21/2010	11/4/2039	\$ 30,595,000.00			\$ 30,595,000.00
252.11	WWTF Construction	12/21/2010	11/1/2016	\$ 4,520,000.00		\$ 140,000.00	\$ 4,380,000.00
263.82	Construction of LS 2A	5/31/1995	7/1/2015	\$ 306,203.01		\$ 61,240.60	\$ 244,962.41
263.82	WWTP Modifications	6/30/1998	7/1/2018	\$ 136,532.51		\$ 17,066.56	\$ 119,465.95
263.82	WWTP Modifications	4/19/2000	7/1/2020	\$ 1,600,605.20		\$ 160,060.52	\$ 1,440,544.68
263.82	LS 15 Force Main Replacement	3/28/2002	7/1/2022	\$ 2,603,167.50		\$ 216,930.63	\$ 2,386,236.87
263.82	City 2002 Sewer Capital Improvements	3/28/2002	7/1/2022	\$ 1,028,294.11		\$ 85,691.18	\$ 942,602.93
263.82	WWTF Design	4/25/2005	7/1/2025	\$ 789,473.68		\$ 52,631.58	\$ 736,842.10
263.82	WWTF Design	6/30/2005	7/1/2025	\$ 800,438.60		\$ 53,362.57	\$ 747,076.03
263.82	City WWTF Design	6/30/2005	7/1/2025	\$ 789,473.68		\$ 52,631.58	\$ 736,842.10
263.82	City WWTF Construction	5/3/2006	7/1/2026	\$ 6,152,631.58		\$ 384,539.47	\$ 5,768,092.11
263.82	WWTF Construction	4/24/2007	7/1/2027	\$ 6,318,421.05		\$ 371,671.83	\$ 5,946,749.22
263.82	City WWTF Construction	6/30/2007	7/1/2028	\$ 9,394,736.84		\$ 521,929.83	\$ 8,872,807.01
263.82	WWTF Design	1/15/2008	7/1/2028	\$ 947,368.42		\$ 52,631.58	\$ 894,736.84
263.82	WWTF Construction	6/30/2008	7/1/2028	\$ 9,394,736.84		\$ 521,929.83	\$ 8,872,807.01
263.82	WWTF Construction	2/5/2008	5/31/2032	\$ 13,969,445.00			\$ 13,969,445.00
263.82	WWTF Construction	12/1/2008	5/31/2032	\$ 21,976,565.79	\$ 3,994,001.21		\$ 25,970,567.00
263.82	WWTF Construction	4/1/2011	5/31/2032		\$ 5,262,417.00		\$ 5,262,417.00
263.67	Vernon Business Center	9/23/2002	1/1/2011	\$ 473,725.32		\$ 41,629.39	\$ 432,095.93
	<i>Total Revenue Debt</i>			\$ 111,796,819.13	\$ 9,256,418.21	\$ 2,733,947.15	\$ 118,319,290.19

LAKE STEVENS SEWER DISTRICT
 SCHEDULE OF LONG-TERM DEBT
 For the Year Ended December 31, 2011

ID NO	PURPOSE	DATE OF ORIGINAL ISSUE	DATE OF MATURITY	BEGINNING OUTSTANDING DEBT 1/1/2011 (ENDING OUTSTANDING DEBT BALANCE FROM PRIOR YEAR)	AMOUNT ISSUED IN CURRENT YEAR	AMOUNT REDEEMED IN CURRENT YEAR	ENDING OUTSTANDING DEBT 12/31/2011
	<i>Total Assessment Debt</i>			\$ -	\$ -	\$ -	\$ -

LAKE STEVENS SEWER DISTRICT, WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2011

1 Federal Agency Name / Pass-Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other ID Number	5 Expenditures			6 Foot- note Ref
				From Pass- Through Awards	From Direct Awards	Total	
Environmental Protection Agency / Washington State Department of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L0800014	-	-	-	
Environmental Protection Agency / Washington State Department of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L0900004	1,819,860	-	1,819,860	
Environmental Protection Agency / Washington State Department of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1100012	-	-	-	
CFDA 66.458 SubTotal						<u>1,819,860</u>	
Grand Total						<u><u>1,819,860</u></u>	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule

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 accrual basis of accounting.

NOTE 2: PROGRAM COSTS

The amounts shown as expenditures represent only the federal portion of the waste water treatment facility construction costs. Entire construction costs, including the District's portion, are more than shown.

NOTE 3: FEDERAL LOANS

The District was approved by the Washington State Department of Ecology to receive a loan totaling \$13,969,445, one totaling \$25,970,567, and one totaling \$5,262,417 to assist in building a new waste water treatment facility. The amount listed includes loan proceeds requested during the year 2011. The Federal portion of loan proceeds for year 2011 amounted to \$1,819,860. The Federal portion of loan proceeds for 2008, 2009, and 2010 amounted to \$2,681,896, \$15,291,769, and \$3,680,658 respectively. The actual loan proceeds received are also reported on the District's Schedule of Long-Term Debt.

LAKE STEVENS SEWER DISTRICT, WASHINGTON
 SCHEDULE OF STATE & LOCAL FINANCIAL ASSISTANCE
 For the Year Ended December 31, 2011

1	2	3
Grantor / Program Title	Identification Number	Current Year Expenditures
WA State Department of Ecology		
WA State Water Pollution Control Revolving Fund	L0800014	-
WA State Water Pollution Control Revolving Fund	L0900004	2,174,141
WA State Water Pollution Control Revolving Fund	L1100012	5,262,417
<u>Total WA State Department of Ecology</u>		\$ 7,436,558

Total State Assistance 7,436,558

SCHEDULE OF LABOR RELATIONS CONSULTANT(S)

For the Year Ended December 31, 2011

Has your government engaged labor relations consultants? NO
If yes, please provide the following information for each consultant:

Name of Firm:
Name of Consultant:
Business Address:
Amount Paid to Consultant During Fiscal Year:
Terms And Conditions, As Applicable, Including: Rates (e.g., hourly, etc.): Maximum Compensation Allowed: Duration of Services: Services Provided:

Certified Correct this 26th day of March, 2012 to the best of my knowledge and belief:
Signature <i>Tonya Christoffersen</i>
Name <i>Tonya Christoffersen</i>
Title <i>Deputy Mgr. of Admin</i>