

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**City of Lake Stevens**  
**Snohomish County**

Audit Period  
**January 1, 2005 through December 31, 2006**

**Report No. 73929**

Issue Date  
**January 28, 2008**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

January 28, 2008

Mayor and City Council  
City of Lake Stevens  
Lake Stevens, Washington

***Report on Financial Statements***

Please find attached our report on the City of Lake Stevens' financial statements.

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

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Snohomish County  
January 1, 2005 through December 31, 2006**

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# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**City of Lake Stevens  
Snohomish County  
January 1, 2005 through December 31, 2006**

Mayor and City Council  
City of Lake Stevens  
Lake Stevens, Washington

We have audited the financial statements of the City of Lake Stevens, Snohomish County, Washington, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 1, 2007.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audits, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City'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*.

This report is intended for the information and use of management and the Mayor and City Council. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

November 1, 2007

# Independent Auditor's Report on Financial Statements

## City of Lake Stevens Snohomish County January 1, 2005 through December 31, 2006

Mayor and City Council  
City of Lake Stevens  
Lake Stevens, Washington

We have audited the accompanying financial statements of the City of Lake Stevens, Snohomish County, Washington, for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1 to the financial statements, the City prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Lake Stevens, for the years ended December 31, 2006 and 2005, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming opinions on the financial statements taken as a whole. The accompanying Schedules of Long-Term Debt are 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 has been subjected to the auditing procedures applied in the audit

of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

November 1, 2007

# Financial Section

**City of Lake Stevens  
Snohomish County  
January 1, 2005 through December 31, 2006**

***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2006  
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Schedule of Long-Term Debt – 2006  
Schedule of Long-Term Debt – 2005

NUMBER 0677

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
FOR THE YEAR ENDING DECEMBER 31, 2006

| BARS<br>Code |  | 001 General Fund |                  | 101 Street Fund |                  |
|--------------|--|------------------|------------------|-----------------|------------------|
|              |  | Budget           | Actual           | Budget          | Actual           |
|              | Beginning Cash and Investments         | 1,311,190        | 1,598,768        | 402,765         | 522,819          |
|              | Revenues:                              |                  |                  |                 |                  |
| 310          | Taxes                                  | 1,762,480        | 2,247,239        | 334,000         | 528,770          |
| 320          | Licenses and Permits                   | 382,415          | 218,882          | -               | -                |
| 330          | Intergovernmental                      | 182,235          | 276,259          | 95,000          | 210,772          |
| 340          | Charges for Services                   | 120,575          | 179,297          | -               | -                |
| 350          | Fines and Forfeits                     | 111,150          | 108,773          | -               | -                |
| 360          | Miscellaneous                          | 37,700           | 104,179          | 2,800           | 30,627           |
| 390          | Other Financing Sources                | 195,000          | 0                | 0               | 79,874           |
|              | <u>Total Revenue and Other Sources</u> | <u>2,791,555</u> | <u>3,134,629</u> | <u>431,800</u>  | <u>850,043</u>   |
|              | <u>Total Resources</u>                 | <u>4,102,745</u> | <u>4,733,397</u> | <u>834,565</u>  | <u>1,372,862</u> |
|              | Operating Expenditures:                |                  |                  |                 |                  |
| 510          | General Government                     | 662,278          | 552,751          | -               | -                |
| 520          | Security of Persons and Property       | 1,745,147        | 1,950,471        | -               | -                |
| 530          | Physical Environment                   | 13,000           | 101,828          | -               | -                |
| 540          | Transportation                         | -                | -                | 430,210         | 433,212          |
| 550          | Economic Environment                   | 592,280          | 614,948          | -               | -                |
| 560          | Mental and Physical Health             | 1,750            | 1,944            | -               | -                |
| 570          | Culture and Recreational               | 546,765          | 291,512          | -               | -                |
|              | <u>Total Operating Expenditures</u>    | <u>3,561,220</u> | <u>3,513,455</u> | <u>430,210</u>  | <u>433,212</u>   |
| 591-593      | Debt Service                           | -                | -                | -               | -                |
| 594-596      | Capital Outlay                         | -                | -                | 265,880         | 112,858          |
|              | <u>Total Expenditures</u>              | <u>3,561,220</u> | <u>3,513,455</u> | <u>696,090</u>  | <u>546,070</u>   |
| 597          | Other Financing Uses                   | 69,500           | 103,128          | 35,200          | 35,200           |
|              | <u>Total Uses</u>                      | <u>3,630,720</u> | <u>3,616,583</u> | <u>731,290</u>  | <u>581,270</u>   |
|              | Excess (Deficit) of Revenues Over Uses | 472,025          | 1,116,815        | 103,275         | 791,592          |
| 380          | Non-Revenues                           | 0                | 9,739            | 150,000         | -                |
| 580          | Non-Expenditures                       | 150              | 1,421            | -               | -                |
|              | <u>Ending Net Cash and Investments</u> | <u>471,875</u>   | <u>1,125,133</u> | <u>253,275</u>  | <u>791,592</u>   |

The Accompanying Notes To Financial Statements Are An Intergral Part Of This Statement

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
FOR THE YEAR ENDING DECEMBER 31, 2006

| BARS Code |  | 303 Cap. Imp. REET |                  | 304 Capital Improvements |                  |
|-----------|--|--------------------|------------------|--------------------------|------------------|
|           |  | Budget             | Actual           | Budget                   | Actual           |
|           | Beginning Cash and Investments         | 951,062            | 1,050,745        | 760,217                  | 792,769          |
|           | Revenues:                              |                    |                  |                          |                  |
| 310       | Taxes                                  | 150,000            | 191,920          | 190,000                  | 220,000          |
| 320       | Licenses and Permits                   | -                  | -                | -                        | -                |
| 330       | Intergovernmental                      | -                  | -                | -                        | -                |
| 340       | Charges for Services                   | -                  | -                | -                        | -                |
| 350       | Fines and Forfeits                     | -                  | -                | -                        | -                |
| 360       | Miscellaneous                          | 30,000             | 62,659           | -                        | 43,321           |
| 390       | Other Financing Sources                | -                  | -                | 17,000                   | 0                |
|           | <u>Total Revenue and Other Sources</u> | <u>180,000</u>     | <u>254,579</u>   | <u>207,000</u>           | <u>263,321</u>   |
|           | <u>Total Resources</u>                 | <u>1,131,062</u>   | <u>1,305,324</u> | <u>967,217</u>           | <u>1,056,090</u> |
|           | Operating Expenditures:                |                    |                  |                          |                  |
| 510       | General Government                     | -                  | -                | 92,150                   | 91,867           |
| 520       | Security of Persons and Property       | -                  | 14,534           | -                        | -                |
| 530       | Physical Environment                   | -                  | -                | -                        | -                |
| 540       | Transportation                         | -                  | -                | -                        | -                |
| 550       | Economic Environment                   | -                  | -                | -                        | -                |
| 560       | Mental and Physical Health             | -                  | -                | -                        | -                |
| 570       | Culture and Recreational               | -                  | -                | -                        | -                |
|           | <u>Total Operating Expenditures</u>    | <u>-</u>           | <u>14,534</u>    | <u>92,150</u>            | <u>91,867</u>    |
| 591-593   | Debt Service                           | -                  | -                | -                        | 0                |
| 594-596   | Capital Outlay                         | -                  | 15,200           | -                        | 0                |
|           | <u>Total Expenditures</u>              | <u>0</u>           | <u>29,734</u>    | <u>92,150</u>            | <u>91,867</u>    |
| 597       | Other Financing Uses                   | 176,365            | 126,720          | 39,965                   | 40,219           |
|           | <u>Total Uses</u>                      | <u>176,365</u>     | <u>156,454</u>   | <u>132,115</u>           | <u>132,086</u>   |
|           | Excess (Deficit) of Revenues Over Uses | 954,697            | 1,148,870        | 835,102                  | 924,004          |
| 380       | Non-Revenues                           | 0                  | 0                | 0                        | 0                |
| 580       | Non-Expenditures                       | -                  | -                | 0                        | 0                |
|           | <u>Ending Net Cash and Investments</u> | <u>954,697</u>     | <u>1,148,870</u> | <u>835,102</u>           | <u>924,004</u>   |

The Accompanying Notes To Financial Statements Are An Intergral Part Of This Statement

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
FOR THE YEAR ENDING DECEMBER 31, 2006

| BARS Code |  | 410 Surface Water Management |                |
|-----------|--|------------------------------|----------------|
|           |  | Budget                       | Actual         |
|           | Beginning Cash and Investments         | 196,830                      | 238,541        |
|           | Revenues:                              |                              |                |
| 310       | Taxes                                  | 260,000                      | 206,148        |
| 320       | Licenses and Permits                   | -                            | -              |
| 330       | Intergovernmental                      | -                            | 33,539         |
| 340       | Charges for Services                   | -                            | -              |
| 350       | Fines and Forfeits                     | -                            | -              |
| 360       | Miscellaneous                          | 3,000                        | 11,767         |
| 390       | Other Financing Sources                | 0                            |                |
|           | <u>Total Revenue and Other Sources</u> | <u>263,000</u>               | <u>251,454</u> |
|           | <u>Total Resources</u>                 | <u>459,830</u>               | <u>489,995</u> |
|           | Operating Expenditures:                |                              |                |
| 510       | General Government                     | -                            | -              |
| 520       | Security of Persons and Property       | -                            | -              |
| 530       | Physical Environment                   | -                            | -              |
| 540       | Transportation                         | 283,990                      | 292,230        |
| 550       | Economic Environment                   | -                            | -              |
| 560       | Mental and Physical Health             | -                            | -              |
| 570       | Culture and Recreational               | -                            | -              |
|           | <u>Total Operating Expenditures</u>    | <u>283,990</u>               | <u>292,230</u> |
| 591-593   | Debt Service                           |                              |                |
| 594-596   | Capital Outlay                         |                              | -              |
|           | <u>Total Expenditures</u>              | <u>283,990</u>               | <u>292,230</u> |
| 597       | Other Financing Uses                   | 8,700                        | 11,359         |
|           | <u>Total Uses</u>                      | <u>292,690</u>               | <u>303,589</u> |
|           | Excess (Deficit) of Revenues Over Uses | 167,140                      | 186,406        |
| 380       | Non-Revenues                           | -                            | -              |
| 580       | Non-Expenditures                       | -                            | -              |
|           | <u>Ending Net Cash and Investments</u> | <u>167,140</u>               | <u>186,406</u> |

The Accompanying Notes To Financial Statements Are An Intergral Part Of This Statement

NUMBER 0677

CITY OF LAKE STEVENS  
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
 For The Year Ending December 31, 2006

| Fund Type: General Fund/ Special Revenue Fund | 002 Contingency Reserve |        | 102 Arterial fund |        |
|---|-------------------------|--------|-------------------|--------|
|   | Budget                  | Actual | Budget            | Actual |
| Beginning Net Cash and Investments            | 76,067                  | 75,299 | 77,878            | 78,416 |
| Revenues and Other Financing Sources          | 4,000                   | 3,612  | 1,500             | 1,458  |
| Total Resources                               | 80,067                  | 78,911 | 79,378            | 79,874 |
| Expenditures and Other Financing Uses         | 0                       | 0      | 79,875            | 79,874 |
| Excess (Deficit) of Resources Over Uses       | 80,067                  | 78,911 | -497              | 0      |
| Non-Revenues                                  | 0                       | 0      | 0                 | 0      |
| Non-Expenditures                              | 0                       | 0      | 0                 | 0      |
| Ending Net Cash and Investments               | 80,067                  | 78,911 | -497              | 0      |

| Fund Type: Special Revenue / Debt Service Funds | 103 Street Reserve |        | 201 Lmt Tax GO-1987 |        |
|---|--------------------|--------|---------------------|--------|
|   | Budget             | Actual | Budget              | Actual |
| Beginning Net Cash and Investments              | 47,383             | 47,579 | 0                   | 572    |
| Revenues and Other Financing Sources            | 1,250              | 2,278  | 0                   | 0      |
| Total Resources                                 | 48,633             | 49,857 | 0                   | 572    |
| Expenditures and Other Financing Uses           | 0                  | 0      | 0                   | 0      |
| Excess (Deficit) of Resources Over Uses         | 48,633             | 49,857 | 0                   | 572    |
| Non-Revenues                                    | 0                  | 0      | 0                   | 0      |
| Non-Expenditures                                | 0                  | 0      | 0                   | 0      |
| Ending Net Cash and Investments                 | 48,633             | 49,857 | 0                   | 572    |

*The Accompanying Financial Notes Are An Integral Part Of This Statement*

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
For The Year Ending December 31, 2006

| Fund Type: Debt Service Funds           | 202 Lmt Tax GO Ref-1992 |        | 203 Civic Center Debt |        |
|---|-------------------------|--------|-----------------------|--------|
|   | Budget                  | Actual | Budget                | Actual |
| Beginning Net Cash and Investments      | 0                       | 0      | 0                     | 0      |
| Revenues and Other Financing Sources    | 40,000                  | 40,387 | 30,195                | 25,248 |
| Total Resources                         | 40,000                  | 40,387 | 30,195                | 25,248 |
|   | 0                       |        |                       |        |
| Expenditures and Other Financing Uses   | 40,000                  | 40,083 | 30,195                | 25,248 |
| Excess (Deficit) of Resources Over Uses | 0                       | 304    | 0                     | 0      |
| Non-Revenues                            | 0                       | 0      | 0                     | 0      |
| Non-Expenditures                        | 0                       | 0      | 0                     | 0      |
| Ending Net Cash and Investments         | 0                       | 304    | 0                     | 0      |

| Fund Type: Debt Service Funds           | 205 PWTF Loan |         | 206 LTGO 2004 |         |
|---|---------------|---------|---------------|---------|
|   | Budget        | Actual  | Budget        | Actual  |
| Beginning Net Cash and Investments      | 0             | 17,785  | 0             | 0       |
| Revenues and Other Financing Sources    | 100,000       | 853     | 101,170       | 101,473 |
| Total Resources                         | 100,000       | 18,638  | 101,170       | 101,473 |
|   |               |         |               |         |
| Expenditures and Other Financing Uses   | 100,000       | 92,936  | 101,170       | 101,473 |
| Excess (Deficit) of Resources Over Uses | 0             | -74,298 | 0             | 0       |
| Non-Revenues                            | 0             | 92,936  | 0             | 0       |
| Non-Expenditures                        | 0             | 0       | 0             | 0       |
| Ending Net Cash and Investments         | 0             | 18,638  | 0             | 0       |

*The Accompanying Financial Notes Are An Intregal Part Of This Statement*

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
For The Year Ending December 31, 2006

| Fund Type: Debt Service Funds           | 207 PWTF 2006 |           | 208 PWTF 2005 |         |
|---|---------------|-----------|---------------|---------|
|   | Budget        | Actual    | Budget        | Actual  |
| Beginning Net Cash and Investments      | 0             | 0         | 0             | 750,000 |
| Revenues and Other Financing Sources    | 0             | 0         | 0             | 7,625   |
| Total Resources                         | 0             | 0         | 0             | 757,625 |
| Expenditures and Other Financing Uses   | 0             | 0         | 0             | 7,625   |
| Excess (Deficit) of Resources Over Uses | 0             | 0         | 0             | 750,000 |
| Non-Revenues                            | 0             | 1,400,000 | 0             | 0       |
| Non-Expenditures                        | 0             | 1,400,000 | 0             | 750,000 |
| Ending Net Cash and Investments         | 0             | 0         | 0             | 0       |

| Fund Type: Capital Projects Fund        | 301 developer's Contrib. |           | 305 Civic Center Capital |        |
|---|--------------------------|-----------|--------------------------|--------|
|   | Budget                   | Actual    | Budget                   | Actual |
| Beginning Net Cash and Investments      | 954,951                  | 996,459   | 2,313                    | 2,353  |
| Revenues and Other Financing Sources    | 22,500                   | 50,448    | 30                       | 204    |
| Total Resources                         | 977,451                  | 1,046,907 | 2,343                    | 2,557  |
| Expenditures and Other Financing Uses   | 150,000                  | 12,500    | 0                        | 0      |
| Excess (Deficit) of Resources Over Uses | 827,451                  | 1,034,407 | 2,343                    | 2,557  |
| Non-Revenues                            | 65,000                   | 118,937   | 0                        | 0      |
| Non-Expenditures                        | 0                        | 0         | 0                        | 0      |
| Ending Net Cash and Investments         | 892,451                  | 1,153,344 | 2,343                    | 2,557  |

*The Accompanying Financial Notes Are An Integral Part Of This Statement*

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
For The Year Ending December 31, 2006

| Fund Type: Enterprise Funds             | 401 Sewer Fund |         | 402 WWTP RESERVE |         |
|---|----------------|---------|------------------|---------|
|   | Budget         | Actual  | Budget           | Actual  |
| Beginning Net Cash and Investments      | 662,395        | 300,548 | 788,725          | 796,876 |
| Revenues and Other Financing Sources    | 188,100        | 167,892 | 0                | 11,342  |
| Total Resources                         | 850,495        | 468,440 | 788,725          | 808,218 |
| Expenditures and Other Financing Uses   | 449,715        | 256,694 | 0                |         |
| Excess (Deficit) of Resources Over Uses | 400,780        | 211,746 | 788,725          | 0       |
| Non-Revenues                            | 0              | 0       | 0                | 0       |
| Non-Expenditures                        | 0              | 0       | 0                | 808,218 |
| Ending Net Cash and Investments         | 400,780        | 211,746 | 788,725          | 0       |

| Fund Type: Enterprise Funds             | 404 Sew Rev Ref Bond (70) |        | 405 Sew Rev Ref Bond (92) |        |
|---|---------------------------|--------|---------------------------|--------|
|   | Budget                    | Actual | Budget                    | Actual |
| Beginning Net Cash and Investments      | 0                         | 2,607  | 2,080                     | 2,307  |
| Revenues and Other Financing Sources    | 0                         | 0      | 0                         | 53     |
| Total Resources                         | 0                         | 2,607  | 2,080                     | 2,360  |
| Expenditures and Other Financing Uses   | 0                         | 0      | 0                         |        |
| Excess (Deficit) of Resources Over Uses | 0                         | 2,607  | 2,080                     | 2,360  |
| Non-Revenues                            | 0                         | 0      | 0                         | 0      |
| Non-Expenditures                        | 0                         | 0      | 0                         | 0      |
| Ending Net Cash and Investments         | 0                         | 2,607  | 2,080                     | 2,360  |

| Fund Type: Enterprise/ Internal Service Funds | 406 Sewer Reserve Fund |         | 501 Unemployment Fund |        |
|---|------------------------|---------|-----------------------|--------|
|   | Budget                 | Actual  | Budget                | Actual |
| Beginning Net Cash and Investments            | 174,085                | 320,512 | 91,375                | 88,532 |
| Revenues and Other Financing Sources          | 2,000                  | 14,599  | 5,700                 | 6,967  |
| Total Resources                               | 176,085                | 335,111 | 97,075                | 95,499 |
| Expenditures and Other Financing Uses         | 380,000                | 64,546  | 23,100                | 23,091 |
| Excess (Deficit) of Resources Over Uses       | -203,915               | 270,565 | 73,975                | 72,408 |
| Non-Revenues                                  | 173,915                | 0       | 0                     | 0      |
| Non-Expenditures                              | 0                      | 703     | 0                     | 0      |
| Ending Net Cash and Investments               | -30,000                | 269,862 | 73,975                | 72,408 |

The Accompanying Financial Notes Are An Intregal Part Of This Statement

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
For The Year Ending December 31, 2006

| Fund Type: Internal Service Funds       | 510 Computer Equip Fund |        | 520 Cap Equip (Pol) Fund |        |
|---|-------------------------|--------|--------------------------|--------|
|   | Budget                  | Actual | Budget                   | Actual |
| Beginning Net Cash and Investments      | 33,170                  | 31,206 | 26,575                   | 32,390 |
| Revenues and Other Financing Sources    | 11,800                  | 12,193 | 16,150                   | 50,090 |
| Total Resources                         | 44,970                  | 43,399 | 42,725                   | 82,480 |
| Expenditures and Other Financing Uses   | 35,950                  | 35,942 | 104,000                  | 82,480 |
| Excess (Deficit) of Resources Over Uses | 9,020                   | 7,457  | -61,275                  | 0      |
| Non-Revenues                            | 0                       | 0      | 0                        | 0      |
| Non-Expenditures                        | 0                       | 0      | 0                        | 0      |
| Ending Net Cash and Investments         | 9,020                   | 7,457  | -61,275                  | 0      |

| Fund Type: Internal Service Fund        | 530 Cap Equip (PW) Fund |         | 540 Aerator Equip Fund |         |
|---|-------------------------|---------|------------------------|---------|
|   | Budget                  | Actual  | Budget                 | Actual  |
| Beginning Net Cash and Investments      | 200,595                 | 220,283 | 86,925                 | 87,212  |
| Revenues and Other Financing Sources    | 38,700                  | 45,894  | 42,500                 | 45,183  |
| Total Resources                         | 239,295                 | 266,177 | 129,425                | 132,395 |
| Expenditures and Other Financing Uses   | 77,950                  | 77,946  | 0                      | 0       |
| Excess (Deficit) of Resources Over Uses | 161,345                 | 188,231 | 129,425                | 132,395 |
| Non-Revenues                            | 0                       | 0       | 0                      | 0       |
| Non-Expenditures                        | 0                       | 0       | 0                      | 0       |
| Ending Net Cash and Investments         | 161,345                 | 188,231 | 129,425                | 132,395 |

| Fund Type: Fiduciary Funds              | 621 Refundable Dep. Fund |         | 633 Treasurer's Trust Fund |         |
|---|--------------------------|---------|----------------------------|---------|
|   | Budget                   | Actual  | Budget                     | Actual  |
| Beginning Net Cash and Investments      | 68,105                   | 101,226 | 0                          | 0       |
| Revenues and Other Financing Sources    | 300                      | 8,275   | 134,200                    | 155,871 |
| Total Resources                         | 68,405                   | 109,501 | 134,200                    | 155,871 |
| Expenditures and Other Financing Uses   | 60,000                   | 20,949  | 134,200                    | 155,871 |
| Excess (Deficit) of Resources Over Uses | 8,405                    | 88,552  | 0                          | 0       |
| Non-Revenues                            | 0                        | 391     | 0                          | 0       |
| Non-Expenditures                        | 0                        | 0       | 0                          | 0       |
| Ending Net Cash and Investments         | 8,405                    | 88,943  | 0                          | 0       |

*The Accompanying Financial Notes Are An Intregal Part Of This Statement*

NUMBER 0677

CITY OF LAKE STEVENS  
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
 FOR THE YEAR ENDING DECEMBER 31, 2005

| BARS Code |  | 001 General Fund |                  | 101 Street Fund |                |
|-----------|--|------------------|------------------|-----------------|----------------|
|           |  | Budget           | Actual           | Budget          | Actual         |
|           | Beginning Cash and Investments         | 1,309,690        | 1,524,338        | 365,945         | 365,035        |
|           | Revenues:                              |                  |                  |                 |                |
| 310       | Taxes                                  | 1,642,000        | 1,797,153        | 334,000         | 337,644        |
| 320       | Licenses and Permits                   | 439,415          | 190,141          | -               | -              |
| 330       | Intergovernmental                      | 138,720          | 174,305          | 95,000          | 121,719        |
| 340       | Charges for Services                   | 98,825           | 112,774          | -               | -              |
| 350       | Fines and Forfeits                     | 137,650          | 104,984          | -               | -              |
| 360       | Miscellaneous                          | 23,850           | 84,005           | 2,800           | 14,985         |
| 390       | Other Financing Sources                | 0                | 0                | 0               | 3,368          |
|           | <u>Total Revenue and Other Sources</u> | <u>2,480,460</u> | <u>2,463,362</u> | <u>431,800</u>  | <u>477,716</u> |
|           | <u>Total Resources</u>                 | <u>3,790,150</u> | <u>3,987,700</u> | <u>797,745</u>  | <u>842,751</u> |
|           | Operating Expenditures:                |                  |                  |                 |                |
| 510       | General Government                     | 431,720          | 463,148          | -               | -              |
| 520       | Security of Persons and Property       | 1,396,761        | 1,403,318        | -               | -              |
| 530       | Physical Environment                   | 11,380           | 18,355           | -               | -              |
| 540       | Transportation                         | -                | -                | 396,170         | 302,273        |
| 550       | Economic Environment                   | 258,280          | 277,204          | -               | -              |
| 560       | Mental and Physical Health             | 1,750            | 1,628            | -               | -              |
| 570       | Culture and Recreational               | 244,620          | 267,526          | -               | -              |
|           | <u>Total Operating Expenditures</u>    | <u>2,344,511</u> | <u>2,431,179</u> | <u>396,170</u>  | <u>302,273</u> |
| 591-593   | Debt Service                           | -                | -                | -               | -              |
| 594-596   | Capital Outlay                         | -                | -                | 50,000          | 2,643          |
|           | <u>Total Expenditures</u>              | <u>2,344,511</u> | <u>2,431,179</u> | <u>446,170</u>  | <u>304,916</u> |
| 597       | <u>Other Financing Uses</u>            | <u>71,630</u>    | <u>104,156</u>   | <u>35,600</u>   | <u>35,400</u>  |
|           | <u>Total Uses</u>                      | <u>2,416,141</u> | <u>2,535,335</u> | <u>481,770</u>  | <u>340,316</u> |
|           | Excess (Deficit) of Revenues Over Uses | 1,374,009        | 1,452,365        | 315,975         | 502,435        |
| 380       | Non-Revenues                           | 0                | 327              | -               | -              |
| 580       | Non-Expenditures                       | 150              | 329              | -               | -              |
|           | prior period adjustment                |                  | 146,404          |                 | 20,384         |
|           | <u>Ending Net Cash and Investments</u> | <u>1,373,859</u> | <u>1,598,768</u> | <u>315,975</u>  | <u>522,819</u> |

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
FOR THE YEAR ENDING DECEMBER 31, 2005

| BARS Code               |  | 303 Capital Imp. REET |                  | 304 Capital Improvements |                |
|-------------------------|--|-----------------------|------------------|--------------------------|----------------|
|                         |  | Budget                | Actual           | Budget                   | Actual         |
|                         | Beginning Cash and Investments         | 869,761               | 865,462          | 563,796                  | 563,795        |
| Revenues:               |  |                       |                  |                          |                |
| 310                     | Taxes                                  | 132,000               | 209,058          | 132,500                  | 250,098        |
| 320                     | Licenses and Permits                   | -                     | -                | -                        | -              |
| 330                     | Intergovernmental                      | -                     | -                | -                        | -              |
| 340                     | Charges for Services                   | -                     | -                | -                        | -              |
| 350                     | Fines and Forfeits                     | -                     | -                | -                        | -              |
| 360                     | Miscellaneous                          | -                     | 36,541           | -                        | 21,340         |
| 390                     | Other Financing Sources                | -                     | 0                | -                        | -              |
|                         | <u>Total Revenue and Other Sources</u> | <u>132,000</u>        | <u>245,599</u>   | <u>132,500</u>           | <u>271,438</u> |
|                         | <u>Total Resources</u>                 | <u>1,001,761</u>      | <u>1,111,061</u> | <u>696,296</u>           | <u>835,233</u> |
| Operating Expenditures: |  |                       |                  |                          |                |
| 510                     | General Government                     | -                     | -                | -                        | -              |
| 520                     | Security of Persons and Property       | 723,292               | 549,549          | -                        | -              |
| 530                     | Physical Environment                   | -                     | -                | -                        | -              |
| 540                     | Transportation                         | -                     | -                | -                        | -              |
| 550                     | Economic Environment                   | -                     | -                | -                        | -              |
| 560                     | Mental and Physical Health             | -                     | -                | -                        | -              |
| 570                     | Culture and Recreational               | -                     | -                | -                        | -              |
|                         | <u>Total Operating Expenditures</u>    | <u>723,292</u>        | <u>549,549</u>   | <u>0</u>                 | <u>0</u>       |
| 591-593                 | Debt Service                           | -                     | -                | -                        | -              |
| 594-596                 | Capital Outlay                         | -                     | -                | -                        | -              |
|                         | <u>Total Expenditures</u>              | <u>723,292</u>        | <u>549,549</u>   | <u>0</u>                 | <u>0</u>       |
| 597                     | Other Financing Uses                   | 61,478                | 134,247          | 42,485                   | 42,464         |
|                         | <u>Total Uses</u>                      | <u>784,770</u>        | <u>683,796</u>   | <u>42,485</u>            | <u>42,464</u>  |
|                         | Excess (Deficit) of Revenues Over Uses | 216,991               | 427,265          | 653,811                  | 792,769        |
| 380                     | Non-Revenues                           | -                     | -                | -                        | -              |
| 580                     | Non-Expenditures                       | -                     | -                | -                        | -              |
|                         | prior period adjustment                |                       | 623,480          |                          |                |
|                         | <u>Ending Net Cash and Investments</u> | <u>216,991</u>        | <u>1,050,745</u> | <u>653,811</u>           | <u>792,769</u> |

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
FOR THE YEAR ENDING DECEMBER 31, 2005

| BARS Code               |  | 401 Sewer Fund   |                  |
|-------------------------|--|------------------|------------------|
|                         |  | Budget           | Actual           |
|                         | Beginning Cash and Investments         | 765,014          | 810,651          |
| Revenues:               |  |                  |                  |
| 310                     | Taxes                                  | -                | -                |
| 320                     | Licenses and Permits                   | -                | -                |
| 330                     | Intergovernmental                      | -                | 50,000           |
| 340                     | Charges for Services                   | 2,102,190        | 1,347,826        |
| 350                     | Fines and Forfeits                     | -                | -                |
| 360                     | Miscellaneous                          | 11,000           | 21,803           |
| 390                     | Other Financing Sources                | 2,505            | 1,358            |
|                         | <u>Total Revenue and Other Sources</u> | <u>2,115,695</u> | <u>1,420,987</u> |
|                         | <u>Total Resources</u>                 | <u>2,880,709</u> | <u>2,231,638</u> |
| Operating Expenditures: |  |                  |                  |
| 510                     | General Government                     | -                | -                |
| 520                     | Security of Persons and Property       | -                | -                |
| 530                     | Physical Environment                   | 1,717,725        | 1,419,883        |
| 540                     | Transportation                         | -                | -                |
| 550                     | Economic Environment                   | -                | -                |
| 560                     | Mental and Physical Health             | -                | -                |
| 570                     | Culture and Recreational               | -                | -                |
|                         | <u>Total Operating Expenditures</u>    | <u>1,717,725</u> | <u>1,419,883</u> |
| 591-593                 | Debt Service                           | 73,615           | 91,883           |
| 594-596                 | Capital Outlay                         | 73,665           | 254,304          |
|                         | <u>Total Expenditures</u>              | <u>1,865,005</u> | <u>1,766,070</u> |
| 597                     | <u>Other Financing Uses</u>            | <u>161,940</u>   | <u>201,389</u>   |
|                         | <u>Total Uses</u>                      | <u>2,026,945</u> | <u>1,967,459</u> |
|                         | Excess (Deficit) of Revenues Over Uses | 853,764          | 264,179          |
| 380                     | Non-Revenues                           | 72,050           | 9,500            |
| 580                     | Non-Expenditures                       |                  | 734              |
|                         | <u>prior period adjustment</u>         |                  | <u>27,602</u>    |
|                         | Ending Net Cash and Investments        | <u>925,814</u>   | <u>300,548</u>   |

The Accompanying Notes To Financial Statements Are An Intergral Part Of This Statement

NUMBER 0677

CITY OF LAKE STEVENS  
 FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
 For The Year Ending December 31, 2005

| Fund Type: General Fund / Special Revenue Fund | 002 Contingency Reserve |        | 102 Arterial Fund |        |
|--|-------------------------|--------|-------------------|--------|
|  | Budget                  | Actual | Budget            | Actual |
| Beginning Net Cash and Investments             | 71,561                  | 71,562 | 45,685            | 45,685 |
| Revenues and Other Financing Sources           | 735                     | 3,737  | 44,870            | 32,731 |
| Total Resources                                | 72,296                  | 75,299 | 90,555            | 78,416 |
| Expenditures and Other Financing Uses          | 0                       | 0      | 0                 | 0      |
| Excess (Deficit) of Resources Over Uses        | 72,296                  | 75,299 | 90,555            | 78,416 |
| Non-Revenues                                   | 0                       | 0      | 0                 | 0      |
| Non-Expenditures                               | 0                       | 0      | 0                 | 0      |
| Ending Net Cash and Investments                | 72,296                  | 75,299 | 90,555            | 78,416 |

| Fund Type: Special Revenue Funds        | 103 Street Reserve |        | 109 20th St Sidewalk |        |
|---|--------------------|--------|----------------------|--------|
|   | Budget             | Actual | Budget               | Actual |
| Beginning Net Cash and Investments      | 46,174             | 46,174 | 0                    | 0      |
| Revenues and Other Financing Sources    | 500                | 1,405  | 3,400                | 3,368  |
| Total Resources                         | 46,674             | 47,579 | 3,400                | 3,368  |
| Expenditures and Other Financing Uses   | 0                  | 0      | 0                    | 3,368  |
| Excess (Deficit) of Resources Over Uses | 46,674             | 47,579 | 3,400                | 0      |
| Non-Revenues                            | 0                  | 0      | 0                    | 0      |
| Non-Expenditures                        | 0                  | 0      | 0                    | 0      |
| Ending Net Cash and Investments         | 46,674             | 47,579 | 3,400                | 0      |

| Fund Type: Debt Service Funds           | 201 Lmt Tax GO-1987 |        | 202 Lmt Tax GO Ref-1992 |        |
|---|---------------------|--------|-------------------------|--------|
|   | Budget              | Actual | Budget                  | Actual |
| Beginning Net Cash and Investments      | 572                 | 572    | 0                       | 0      |
| Revenues and Other Financing Sources    | 0                   | 0      | 42,485                  | 42,500 |
| Total Resources                         | 572                 | 572    | 42,485                  | 42,500 |
| Expenditures and Other Financing Uses   | 50                  | 0      | 42,485                  | 42,500 |
| Excess (Deficit) of Resources Over Uses | 522                 | 572    | 0                       | 0      |
| Non-Revenues                            | 0                   | 0      | 0                       | 0      |
| Non-Expenditures                        | 0                   | 0      | 0                       | 0      |
| Ending Net Cash and Investments         | 522                 | 572    | 0                       | 0      |

*The Accompanying Financial Notes Are An Integral Part Of This Statement*

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
For The Year Ending December 31, 2005

| Fund Type: Debt Service Funds           | 203 Civic Center Debt |        | 205 2002 PWTF loan |        |
|---|-----------------------|--------|--------------------|--------|
|   | Budget                | Actual | Budget             | Actual |
| Beginning Net Cash and Investments      | 0                     | -1,750 | 0                  | 0      |
| Revenues and Other Financing Sources    | 30,425                | 31,774 | 99,500             | 92,263 |
| Total Resources                         | 30,425                | 30,024 | 99,500             | 92,263 |
| Expenditures and Other Financing Uses   | 30,425                | 30,024 | 0                  | 92,263 |
| Excess (Deficit) of Resources Over Uses | 0                     | 0      | 99,500             | 0      |
| Non-Revenues                            | 0                     | 0      | 0                  | 17,785 |
| Non-Expenditures                        | 0                     | 0      | 0                  | 0      |
| Ending Net Cash and Investments         | 0                     | 0      | 99,500             | 17,785 |

| Fund Type: Debt Service Funds           | 206 LTGO 2004 |          | 208 PWTF Loan 2005 |         |
|---|---------------|----------|--------------------|---------|
|   | Budget        | Actual   | Budget             | Actual  |
| Beginning Net Cash and Investments      | 619,179       | 619,179  | 0                  | 0       |
| Revenues and Other Financing Sources    | 102,170       | 102,473  | 0                  | 0       |
| Total Resources                         | 721,349       | 721,652  | 0                  | 0       |
| Expenditures and Other Financing Uses   | 102,170       | 102,473  | 0                  | 0       |
| Excess (Deficit) of Resources Over Uses | 619,179       | 619,179  | 0                  | 0       |
| Non-Revenues                            | 0             | 0        | 0                  | 750,000 |
| Non-Expenditures                        | 0             | 0        | 0                  | 0       |
| prior period adjustment                 |               | -619,179 |                    |         |
| Ending Net Cash and Investments         | 619,179       | 0        | 0                  | 750,000 |

*The Accompanying Financial Notes Are An Intregal Part Of This Statement*

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
For The Year Ending December 31, 2005

| Fund Type: Capital Projects Funds       | 301 Developer's Contribution |         | 305 Civic Center Capital |        |
|---|------------------------------|---------|--------------------------|--------|
|   | Budget                       | Actual  | Budget                   | Actual |
| Beginning Net Cash and Investments      | 816,040                      | 816,040 | 2,283                    | 2,283  |
| Revenues and Other Financing Sources    | 7,000                        | 27,071  | 30                       | 70     |
| Total Resources                         | 823,040                      | 843,111 | 2,313                    | 2,353  |
| Expenditures and Other Financing Uses   | 0                            | 0       | 0                        | 0      |
| Excess (Deficit) of Resources Over Uses | 823,040                      | 843,111 | 2,313                    | 2,353  |
| Non-Revenues                            | 0                            | 153,348 | 0                        |        |
| Non-Expenditures                        | 0                            | 0       | 0                        | 0      |
| Ending Net Cash and Investments         | 823,040                      | 996,459 | 2,313                    | 2,353  |

| Fund Type: Enterprise Funds             | 402 WWTP RESERVE |         | 404 Sew Rev Ref Bond (70) |        |
|---|------------------|---------|---------------------------|--------|
|   | Budget           | Actual  | Budget                    | Actual |
| Beginning Net Cash and Investments      | 725,679          | 725,680 | 0                         | 2,607  |
| Revenues and Other Financing Sources    | 152,205          | 71,196  | 0                         | 0      |
| Total Resources                         | 877,884          | 796,876 | 0                         | 2,607  |
| Expenditures and Other Financing Uses   | 0                | 0       | 0                         | 0      |
| Excess (Deficit) of Resources Over Uses | 877,884          | 796,876 | 0                         | 2,607  |
| Non-Revenues                            | 0                |         | 0                         | 0      |
| Non-Expenditures                        | 0                | 0       | 0                         | 0      |
| Ending Net Cash and Investments         | 877,884          | 796,876 | 0                         | 2,607  |

| Fund Type: Enterprise Funds             | 405 Sew Rev Ref Bond (92) |        | 406 Sewer Reserve Fund |         |
|---|---------------------------|--------|------------------------|---------|
|   | Budget                    | Actual | Budget                 | Actual  |
| Beginning Net Cash and Investments      | 43,074                    | 43,074 | 488,620                | 435,457 |
| Revenues and Other Financing Sources    | 3,400                     | 2,073  | 719,110                | 195,443 |
| Total Resources                         | 46,474                    | 45,147 | 1,207,730              | 630,900 |
| Expenditures and Other Financing Uses   | 43,840                    | 42,840 | 622,635                | 229,136 |
| Excess (Deficit) of Resources Over Uses | 2,634                     | 2,307  | 585,095                | 401,764 |
| Non-Revenues                            | 0                         | 0      | 0                      | 0       |
| Non-Expenditures                        | 0                         | 0      | 2,700                  | 89,050  |
| prior period adjustment                 |                           |        |                        | 7,798   |
| Ending Net Cash and Investments         | 2,634                     | 2,307  | 582,395                | 320,512 |

The Accompanying Financial Notes Are An Intregal Part Of This Statement

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
For The Year Ending December 31, 2005

| Fund Type: Enterprise / Internal Service Funds | 410 Surface Water Mgmt |         | 501 Unemployment Fund |        |
|--|------------------------|---------|-----------------------|--------|
|  | Budget                 | Actual  | Budget                | Actual |
| Beginning Net Cash and Investments             | 169,776                | 169,567 | 86,682                | 86,682 |
| Revenues and Other Financing Sources           | 261,500                | 235,593 | 6,385                 | 8,070  |
| Total Resources                                | 431,276                | 405,160 | 93,067                | 94,752 |
| Expenditures and Other Financing Uses          | 197,835                | 174,430 | 6,560                 | 6,598  |
| Excess (Deficit) of Resources Over Uses        | 233,441                | 230,730 | 86,507                | 88,154 |
| Non-Revenues                                   | 0                      | 0       | 0                     | 0      |
| Non-Expenditures                               | 0                      | 0       | 0                     | 0      |
| prior period adjustment                        |                        | 7,811   |                       | 378    |
| Ending Net Cash and Investments                | 233,441                | 238,541 | 86,507                | 88,532 |

| Fund Type: Internal Service Funds       | 510 Computer Equip Fund |        | 520 Cap Equip (Pol) Fund |        |
|---|-------------------------|--------|--------------------------|--------|
|   | Budget                  | Actual | Budget                   | Actual |
| Beginning Net Cash and Investments      | 20,221                  | 20,221 | 678                      | 679    |
| Revenues and Other Financing Sources    | 21,100                  | 21,759 | 26,000                   | 31,961 |
| Total Resources                         | 41,321                  | 41,980 | 26,678                   | 32,640 |
| Expenditures and Other Financing Uses   | 10,800                  | 10,775 | 250                      | 250    |
| Excess (Deficit) of Resources Over Uses | 30,521                  | 31,205 | 26,428                   | 32,390 |
| Non-Revenues                            | 0                       | 0      | 0                        | 0      |
| Non-Expenditures                        | 0                       | 0      | 0                        | 0      |
| Ending Net Cash and Investments         | 30,521                  | 31,205 | 26,428                   | 32,390 |

*The Accompanying Financial Notes Are An Integral Part Of This Statement*

CITY OF LAKE STEVENS  
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
For The Year Ending December 31, 2005

| Fund Type: Internal Service Funds       | 530 Cap Equip (PW) Fund |         | 540 Aerator Equip Fund |         |
|---|-------------------------|---------|------------------------|---------|
|   | Budget                  | Actual  | Budget                 | Actual  |
| Beginning Net Cash and Investments      | 131,637                 | 131,638 | 89,156                 | 89,156  |
| Revenues and Other Financing Sources    | 80,350                  | 89,489  | 40,700                 | 42,783  |
| Total Resources                         | 211,987                 | 221,127 | 129,856                | 131,939 |
|   |                         |         | 0                      |         |
| Expenditures and Other Financing Uses   | 22,000                  | 844     | 45,000                 | 44,727  |
| Excess (Deficit) of Resources Over Uses | 189,987                 | 220,283 | 84,856                 | 87,212  |
| Non-Revenues                            | 0                       | 0       | 0                      | 0       |
| Non-Expenditures                        | 0                       | 0       | 0                      | 0       |
| Ending Net Cash and Investments         | 189,987                 | 220,283 | 84,856                 | 87,212  |

| Fund Type: Fiduciary Funds              | 621 Refundable Dep. Fund |         | 633 Treasurer's Trust Fund |         |
|---|--------------------------|---------|----------------------------|---------|
|   | Budget                   | Actual  | Budget                     | Actual  |
| Beginning Net Cash and Investments      | 128,865                  | 128,865 | 0                          | 0       |
| Revenues and Other Financing Sources    | 500                      | 38,727  | 159,000                    | 158,054 |
| Total Resources                         | 129,365                  | 167,592 | 159,000                    | 158,054 |
| Expenditures and Other Financing Uses   | 100,000                  | 57,878  | 137,400                    | 158,054 |
| Excess (Deficit) of Resources Over Uses | 29,365                   | 109,714 | 21,600                     | 0       |
| Non-Revenues                            | 0                        | 8,488   |                            | 0       |
| Non-Expenditures                        |                          | 0       | 0                          | 0       |
| Ending Net Cash and Investments         | 29,365                   | 118,202 | 21,600                     | 0       |

*The Accompanying Financial Notes Are An Integral Part Of This Statement*

**CITY OF LAKE STEVENS**  
**NOTES TO FINANCIAL STATEMENTS**  
January 1, 2006 through December 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lake Stevens uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System (BARS)* manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Lake Stevens was incorporated in 1960 and operates under the laws of the State of Washington applicable to a code city with a Mayor-Council form of government. The city is a general purpose government and provides public safety, street improvement, parks, and general administrative services. In addition, Lake Stevens owns and maintains a sewer transmission system. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City 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 City's resources are allocated to and accounted for in individual funds depending on their intended purposes. The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the general operating fund of the City. It accounts for all financial resources and transactions except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City or to other governmental units on a cost-reimbursement basis.

### FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

### Expendable Trust Funds

These funds account for assets where both principal and interest may be spent.

### Nonexpendable Trust Funds

These funds account for assets of which the principal may not be spent.

### Agency Funds

These funds are used to account assets that the City holds for others in an agency capacity.

## 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(s) budget appropriations as required by state law.

Purchases of fixed assets are expended during the year of acquisition. There is no capitalization of fixed assets, nor allocation of depreciation expense. Inventory is expended when purchased.

## c. Budgets

Annual appropriated budgets are adopted for general, proprietary, and fiduciary funds. The financial statements include budgetary comparisons for those funds. The legal appropriations are for governmental funds.

Annual appropriated budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

The Finance Director/Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved the City's legislative body.

Also the Finance Director/Treasurer, as authorized by City Resolution 1994-15, is authorized to make interfund loans without specific council approval as needed to keep funds solvent. These situations typically arise due to timing of cash flow associated with receiving grant reimbursements.

## d. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

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

f. Investments See Note 3

g. Fixed Assets

Fixed assets are long-lived assets of the City and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may accumulated up to thirty days and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,168 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

i. Long-Term Debt See Note 6

j. Other Financing Sources or Uses

The City's Other Financing Sources or Uses consist of:

- Insurance recoveries
- Operating/interfund transfers
- Redemption of long term debt
- Bond proceeds

k. Risk Management

The City of Lake Stevens is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 105 members.

New members initially contract for a three year term, and thereafter automatically renew on an annual basis. A one year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police professional, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$1 million per occurrence in the primary layer, \$2 million per occurrence, subject to a \$12 million annual aggregate, in the excess layer, and \$11 million per occurrence in the second excess layer with no annual aggregate except \$10 million per member for public official's errors and omissions. The second excess layer is insured by the purchase of reinsurance. Total limits are \$14 million per occurrence. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$250,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contacts for claims investigation, consultants for personnel issues and land use problems, insurance brokerage and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively ~~rated~~ basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the city.

**NOTE 3 - INVESTMENTS**

The City's investments are insured, registered or held by the City or its agent in the City's name.

Investments by type at December 31, 2006 are as follows:

| <u>Type of Investment</u> | <u>Balance</u> |
|---------------------------|----------------|
| LGIP                      | \$6,472,910    |

**NOTE 4-PROPERTY TAXES**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when the City receives cash. Delinquent taxes are considered fully collectible because a lien affixes to the property when taxes are levied.

The City's regular levy for 2005 was \$1.6539 per \$1,000 on an assessed valuation of \$566,121,580 for a total regular levy of \$936,293.

**NOTE 5-INTERFUND LOANS AND ADVANCES**

The following table displays loan activity during 2005.

| <u>Borrowing Fund</u> | <u>Lending Fund</u> | <u>Balance<br/>1/1/2006</u> | <u>New Loans</u> | <u>Repayments</u> | <u>Balance<br/>12/31/2006</u> |
|-----------------------|---------------------|-----------------------------|------------------|-------------------|-------------------------------|
| SWM -410              | General-001         | 13,000                      | 0                | 0                 | 13,000                        |
| <u>Totals</u>         |                     | <u>13,000</u>               | <u>0</u>         | <u>0</u>          | <u>13,000</u>                 |

**NOTE 6-LONG TERM DEBT**

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City of Lake Stevens and summarizes the City's debt transactions for 2006. The debt service requirements including interest are as follows:

| <u>Year</u>   | <u>1992 GO</u><br><u>Bonded</u><br><u>Debt(1)</u> | <u>1997 GO</u><br><u>Bonded</u><br><u>Debt</u> | <u>1995</u><br><u>Prop.</u><br><u>Purchase</u> | <u>2004 GO</u><br><u>Bonded Debt</u> | <u>2002</u><br><u>PWTF loan</u> | <u>2005</u><br><u>PWTF loan</u> | <u>2006</u><br><u>PWTF loan</u> | <u>vehicles</u><br><u>capital</u><br><u>lease</u> | <u>Total</u> |
|---------------|---|--|--|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|---|--------------|
| 2007          | \$37,450  | \$152,138                                      | \$21,005                                       | \$104,919                            | \$92,546                        | \$68,465                        | \$6,825                         | \$49,130  | \$532,478    |
| 2008          |   | \$148,898                                      | \$21,005                                       | \$103,406                            | \$92,118                        | \$71,579                        | \$80,684                        | \$49,130  | \$566,820    |
| 2009          |   | \$150,660                                      | \$21,005                                       | \$101,756                            | \$91,690                        | \$70,526                        | \$80,316                        | \$49,130  | \$565,083    |
| 2010          |   | \$152,098                                      | \$7,002  | \$104,969                            | \$91,261                        | \$69,474                        | \$79,947                        | \$49,130  | \$553,881    |
| 2011          |   | \$153,218                                      |  | \$102,869                            | \$90,833                        | \$68,421                        | \$79,579                        |   | \$494,920    |
| 2012-<br>2016 |   | \$768,654                                      |  | \$521,232                            | \$447,736                       | \$326,316                       | \$392,369                       |   | \$2,456,307  |
| 2017-<br>2021 |   | \$745,220                                      |  | \$514,637                            | \$437,025                       | \$300,000                       | \$383,158                       |   | \$2,380,040  |
| 2022-<br>2026 |   | \$147,350                                      |  | \$208,275                            | \$86,120                        | \$221,052                       | \$373,947                       |   | \$1,036,744  |
| Totals        | \$37,450  | \$2,418,236                                    | \$70,017                                       | \$1,762,063                          | \$1,429,329                     | \$1,195,833                     | \$1,476,825                     | \$196,521   | \$8,586,274  |

Pursuant to the agreement between the City and the Lake Stevens Sewer District, the principal and interest payments on sewer bonds and Public Works Trust Fund Loans are reimbursed to the City by the Sewer District.

**NOTE 7 - PENSION PLANS**

Substantially all City of Lake Stevens' full-time and qualifying part-time employees participate in either the Public Employees' Retirement System (PERS) plan or the Law Enforcement Officers and Fire Fighter (LEOFF) system plan administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer defined benefit and defined contribution plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented 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  
 P.O. Box 48380  
 Olympia, WA 98504-8380

**NOTE 8 - OTHER DISCLOSURES:**

In December, 2006 the City of Lake Stevens annexed area south of the City called Frontier Village. The area increased the population from 9,485 to 13,335 in 2006. In May of 2007 the City annexed the Soper Hill area increasing the population to 14,445 in 2007.

**NOTE 9 – SUBSEQUENT EVENTS:**

In January of 2007, the City entered into a capital lease agreement for police vehicles with principal payments totaling about \$179,131. In addition, the City entered into a 12 month lease for a police motorcycle in February of 2007, with one lease payment due at inception of \$1439.40. Also, in May of 2007 the City drew an additional \$250,000 on the 2005 Public Works Trust Fund Loan and an additional \$1,750,000 in August of 2007 on the 2006 Public Works Trust Fund Loan.

**CITY OF LAKE STEVENS**  
**NOTES TO FINANCIAL STATEMENTS**  
January 1, 2005 through December 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lake Stevens uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System (BARS)* manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Lake Stevens was incorporated in 1960 and operates under the laws of the State of Washington applicable to a code city with a Mayor-Council form of government. The city is a general purpose government and provides public safety, street improvement, parks, and general administrative services. In addition, Lake Stevens owns and maintains a sewer transmission system. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City 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 City's resources are allocated to and accounted for in individual funds depending on their intended purposes. The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the general operating fund of the City. It accounts for all financial resources and transactions except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

### Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City or to other governmental units on a cost-reimbursement basis.

### FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

### Expendable Trust Funds

These funds account for assets where both principal and interest may be spent.

### Nonexpendable Trust Funds

These funds account for assets of which the principal may not be spent.

### Agency Funds

These funds are used to account assets that the City holds for others in an agency capacity.

## 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(s) budget appropriations as required by state law.

Purchases of fixed assets are expended during the year of acquisition. There is no capitalization of fixed assets, nor allocation of depreciation expense. Inventory is expended when purchased.

## c. Budgets

Annual appropriated budgets are adopted for general, proprietary, and fiduciary funds. The financial statements include budgetary comparisons for those funds. The legal appropriations are for governmental funds.

Annual appropriated budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

The Finance Director/Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved the City's legislative body.

Also the Finance Director/Treasurer, as authorized by City Resolution 1994-15, is authorized to make interfund loans without specific council approval as needed to keep funds solvent. These situations typically arise due to timing of cash flow associated with receiving grant reimbursements.

## d. Cash

It is the City's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

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

f. Investments See Note 3

g. Fixed Assets

Fixed assets are long-lived assets of the City and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may accumulated up to thirty days and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,168 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

i. Long-Term Debt See Note 6

j. Other Financing Sources or Uses

The City's Other Financing Sources or Uses consist of:

- Insurance recoveries
- Operating/interfund transfers
- Redemption of long term debt
- Bond proceeds

k. Risk Management

The City of Lake Stevens is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 105 members.

New members initially contract for a three year term, and thereafter automatically renew on an annual basis. A one year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police professional, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$1 million per occurrence in the primary layer, \$2 million per occurrence, subject to a \$12 million annual aggregate, in the excess layer, and \$11 million per occurrence in the second excess layer with no annual aggregate except \$10 million per member for public official's errors and omissions. The second excess layer is insured by the purchase of reinsurance. Total limits are \$14 million per occurrence. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$250,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contacts for claims investigation, consultants for personnel issues and land use problems, insurance brokerage and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively ~~rate~~ basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the city.

**NOTE 3 - INVESTMENTS**

The City's investments are insured, registered or held by the City or its agent in the City's name.

Investments by type at December 31, 2005 are as follows:

| <u>Type of Investment</u> | <u>Balance</u> |
|---------------------------|----------------|
| LGIP                      | \$7,273,922    |

**NOTE 4-PROPERTY TAXES**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when the City receives cash. Delinquent taxes are considered fully collectible because a lien affixes to the property when taxes are levied.

The City's regular levy for 2005 was \$1.7693 per \$1,000 on an assessed valuation of \$514,776,492 for a total regular levy of \$910,808.

**NOTE 5-INTERFUND LOANS AND ADVANCES**

The following table displays loan activity during 2005.

| <u>Borrowing Fund</u> | <u>Lending Fund</u> | <u>Balance<br/>1/1/2005</u> | <u>New Loans</u> | <u>Repayments</u> | <u>Balance<br/>12/31/2005</u> |
|-----------------------|---------------------|-----------------------------|------------------|-------------------|-------------------------------|
| SWM -410              | General-001         | 13,000                      | 0                | 0                 | 13,000                        |
| <u>Totals</u>         |                     | <u>13,000</u>               | <u>0</u>         | <u>0</u>          | <u>13,000</u>                 |

**NOTE 6-LONG TERM DEBT**

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the City of Lake Stevens and summarizes the City's debt transactions for 2005. The debt service requirements including interest are as follows:

| <u>Year</u>   | <u>1992<br/>GO<br/>Bonded<br/>Debt(1)</u> | <u>1997 GO<br/>Bonded<br/>Debt</u> | <u>1995<br/>Prop.<br/>Purchase</u> | <u>2004 GO<br/>Bonded<br/>Debt</u> | <u>2002<br/>PWTF loan</u> | <u>2005<br/>PWTF loan</u> | <u>Total</u>       |
|---------------|---|------------------------------------|------------------------------------|------------------------------------|---------------------------|---------------------------|--------------------|
| 2006          | \$39,900                                  | \$150,145                          | \$21,005                           | \$101,169                          | \$92,936                  | \$7,625                   | \$412,780          |
| 2007          | \$37,450                                  | \$152,138                          | \$21,005                           | \$104,919                          | \$92,546                  | \$68,465                  | \$476,523          |
| 2008          |   | \$148,898                          | \$21,005                           | \$103,406                          | \$92,118                  | \$71,579                  | \$437,006          |
| 2009          |   | \$150,660                          | \$21,005                           | \$101,756                          | \$91,690                  | \$70,526                  | \$435,637          |
| 2010          |   | \$152,098                          | \$7,002                            | \$104,969                          | \$91,261                  | \$69,474                  | \$424,804          |
| 2011- 2015    |   | \$767,172                          |                                    | \$519,457                          | \$449,879                 | \$331,579                 | \$2,068,087        |
| 2016-2020     |   | \$750,482                          |                                    | \$516,456                          | \$439,167                 | \$305,263                 | \$2,011,368        |
| 2021-2025     |   | \$296,788                          |                                    | \$311,100                          | \$172,668                 | \$278,947                 | \$1,059,503        |
| <u>Totals</u> | <u>\$77,350</u>                           | <u>\$2,568,381</u>                 | <u>\$91,022</u>                    | <u>\$1,863,232</u>                 | <u>\$1,522,265</u>        | <u>\$1,203,458</u>        | <u>\$7,325,708</u> |

(1)The above 1992 debt issue contains bond covenant requirements stating the ending fund balance must maintain a minimum of 10% of the issue price of the bonds (\$39,500) and net revenues of the operating system equal at least 1.2 times an amount equal to the maximum annual debt service.

**NOTE 7 - PENSION PLANS**

Substantially all City of Lake Stevens' full-time and qualifying part-time employees participate in either the Public Employees' Retirement System (PERS) plan or the Law Enforcement Officers and Fire Fighter (LEOFF) system plan administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer defined benefit and defined contribution plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented 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  
P.O. Box 48380  
Olympia, WA 98504-8380

**NOTE 8 - OTHER DISCLOSURES:**

On January 18, 2005 the City of Lake Stevens annexed an area west of the City called the Northlake Annexation. The area included 855 acres and a population of 2,300 residents increasing the size of Lake Stevens from 7,185 to 9,485.

**NOTE 9 – PRIOR PERIOD ADJUSTMENTS:**

Adjustments were made to the general fund, streets fund, sewer fund, the sewer reserve fund and surface water fund for a contractor payment and for certain payroll costs that had been counted more than once. Adjustments were made to the Capital Improvement REET fund and the LTGO 2004 bond fund to allocate bond proceeds to the capital projects fund. An adjustment was made to the schedule 09 to include draws on the public works trust fund that had not been included in the past.

MCAG NO. 0677

Schedule 09

XX GO Debt

\_\_\_ Revenue Debt  
 \_\_\_ Assessment Debt  
 \_\_\_ Refunded Debt  
 \_\_\_ Debt of Special Purpose Districts

CITY OF LAKE STEVENS  
 Schedule of Long-Term Debt  
 For the Year Ending December 31, 2006

| I.D. No. and<br>Class Description        | Purpose | Date of<br>Issue | Date of<br>Final<br>Maturity | Interest<br>Rate(s) | Amount<br>Originally<br>Issued | (a)                              |                               | (b)              |                                   | (c)                           |  | (a + b - c) |
|--|---------|------------------|------------------------------|---------------------|--------------------------------|----------------------------------|-------------------------------|------------------|-----------------------------------|-------------------------------|--|-------------|
|  |         |                  |                              |                     |                                | Beginning<br>Outstanding<br>Debt | Amount<br>Outstanding<br>Debt | Amount<br>Issued | Amount<br>Redeemed<br>This Period | Ending<br>Outstanding<br>Debt |  |             |
| Lmt. GO Bonds (1992)<br>Refunding 251.90 | 521.76  | 3/1/1992         | 12/1/2007                    | 4.0 - 7.0%          | 385,000                        | 70,000                           | 70,000                        | 0                | 35,000                            | 35,000                        |  | 35,000      |
| Property Purchase (1995)<br>263.51       | 591.71  | 5/3/95           | 4/15/2010                    | 7.50%               | 190,000                        | 77,592                           | 77,592                        | 0                | 15,725                            | 61,867                        |  | 61,867      |
| Lmt. GO Bonds (1997)<br>251.11           | 591.71  | 12/1/1997        | 12/1/2017                    | 4.6-5.05%           | 2,130,000                      | 1,690,000                        | 1,690,000                     | 0                | 65,000                            | 1,625,000                     |  | 1,625,000   |
| Lmt. GO Bonds (2004)<br>251.11           | 591.71  | 10/4/2004        | 12/1/2023                    | 2-4.50%             | 1,340,000                      | 1,290,000                        | 1,290,000                     | 0                | 50,000                            | 1,240,000                     |  | 1,240,000   |
| <b>TOTAL GO DEBT</b>                     |         |                  |                              |                     | 4,045,000                      | 3,127,592                        | 3,127,592                     | 0                | 165,725                           | 2,961,867                     |  | 2,961,867   |

MCAG NO. 0677

Schedule 09

GO Debt  
 Revenue Debt  
 Assessment Debt  
 Refunded Debt  
 Debt of Special Purpose Districts

CITY OF LAKE STEVENS  
 Schedule of Long-Term Debt  
 For the Year Ending December 31, 2006

| I.D. No. and<br>Class Description | Purpose | Date of<br>Issue | Date of<br>Final<br>Maturity | Interest<br>Rate(s) | (a)                            |                                  |                  | (b)                               |                               | (c) |  | (a + b - c) |
|-----------------------------------|---------|------------------|------------------------------|---------------------|--------------------------------|----------------------------------|------------------|-----------------------------------|-------------------------------|-----|--|-------------|
|                                   |         |                  |                              |                     | Amount<br>Originally<br>Issued | Beginning<br>Outstanding<br>Debt | Amount<br>Issued | Amount<br>Redeemed<br>This Period | Ending<br>Outstanding<br>Debt |     |  |             |
| Public Works (2002)               |         |                  |                              |                     |                                |                                  |                  |                                   |                               |     |  |             |
| Trust Fund Loan 263.82            | 594.34  | 1/31/2002        | 7/1/2022                     | 0.50%               | 1,185,830                      | 1,456,750                        | 0                | 85,691                            | 1,371,059                     |     |  |             |
| Public Works (2005)               |         |                  |                              |                     |                                |                                  |                  |                                   |                               |     |  |             |
| Trust Fund Loan 263.82            | 594.34  | 12/18/05         | 7/1/2025                     | 2%                  | 750,000                        | 750,000                          | 0                | 0                                 | 750,000                       |     |  |             |
| Public Works (2006)               |         |                  |                              |                     |                                |                                  |                  |                                   |                               |     |  |             |
| Trust Fund Loan 263.82            | 594.34  | 4/7/06           | 7/1/2026                     | 2%                  | 1,400,000                      | 0                                | 1,400,000        | 0                                 | 1,400,000                     |     |  |             |
| <b>TOTAL REV DEBT</b>             |         |                  |                              |                     | <b>3,335,830</b>               | <b>2,206,750</b>                 | <b>1,400,000</b> | <b>85,691</b>                     | <b>3,521,059</b>              |     |  |             |

MCAG NO. 0677

Schedule 09

XX GO Debt

\_\_\_ Revenue Debt  
 \_\_\_ Assessment Debt  
 \_\_\_ Refunded Debt  
 \_\_\_ Debt of Special Purpose Districts

CITY OF LAKE STEVENS  
 Schedule of Long-Term Debt  
 For the Year Ending December 31, 2005

| I.D. No. and<br>Class Description        | Purpose | Date of<br>Issue | Date of<br>Final<br>Maturity | Interest<br>Rate(s) | Amount<br>Originally<br>Issued | (a)                              |                               | (b)              |                                   | (c)                               |                                   | (a + b - c) |
|--|---------|------------------|------------------------------|---------------------|--------------------------------|----------------------------------|-------------------------------|------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------|
|  |         |                  |                              |                     |                                | Beginning<br>Outstanding<br>Debt | Ending<br>Outstanding<br>Debt | Amount<br>Issued | Amount<br>Redeemed<br>This Period | Amount<br>Redeemed<br>This Period | Amount<br>Redeemed<br>This Period |             |
| Lmt. GO Bonds (1992)<br>Refunding 251.90 | 521.76  | 3/1/1992         | 12/1/2007                    | 4.0 - 7.0%          | 385,000                        | 105,000                          | 0                             | 0                | 0                                 | 35,000                            | 70,000                            |             |
| Property Purchase (1995)<br>263.51       | 591.71  | 5/3/95           | 4/15/2010                    | 7.50%               | 190,000                        | 92,099                           | 0                             | 0                | 0                                 | 14,507                            | 77,592                            |             |
| Lmt. GO Bonds (1997)<br>251.11           | 591.71  | 12/1/1997        | 12/1/2017                    | 4.6-5.05%           | 2,130,000                      | 1,755,000                        | 0                             | 0                | 0                                 | 65,000                            | 1,690,000                         |             |
| Lmt. GO Bonds (2004)<br>251.11           | 591.71  | 10/4/2004        | 12/1/2023                    | 2-4.50%             | 1,340,000                      | 1,340,000                        | 0                             | 0                | 0                                 | 50,000                            | 1,290,000                         |             |
| <b>TOTAL GO DEBT</b>                     |         |                  |                              |                     | 4,045,000                      | 3,292,099                        | 0                             | 0                | 0                                 | 164,507                           | 3,127,592                         |             |

MCAG NO. 0677

Schedule 09

GO Debt  
 Revenue Debt  
 Assessment Debt  
 Refunded Debt  
 Debt of Special Purpose Districts

CITY OF LAKE STEVENS  
 Schedule of Long-Term Debt  
 For the Year Ending December 31, 2005

| I.D. No. and<br>Class Description             | Purpose | Date of<br>Issue | Date of<br>Final<br>Maturity | Interest<br>Rate(s) | Amount<br>Originally<br>Issued | (a)                              |                               | (b)              |                                   | (c)                               |                               | (a + b - c)      |
|---|---------|------------------|------------------------------|---------------------|--------------------------------|----------------------------------|-------------------------------|------------------|-----------------------------------|-----------------------------------|-------------------------------|------------------|
|   |         |                  |                              |                     |                                | Beginning<br>Outstanding<br>Debt | Ending<br>Outstanding<br>Debt | Amount<br>Issued | Amount<br>Redeemed<br>This Period | Amount<br>Redeemed<br>This Period | Ending<br>Outstanding<br>Debt |                  |
| Sewer Rev.(1992)<br>Refunding 252.90          | 521.35  | 3/1/1992         | 11/1/2005                    | 4.0-7.1%            | 390,000                        | 40,000                           | 40,000                        | 0                | 40,000                            | 0                                 | 0                             | 0                |
| Public Works (2002)<br>Trust Fund Loan 263.82 | 594.34  | 1/31/2002        | 7/1/2022                     | 0.50%               | 1,185,030                      | 1,523,610                        | 17,785                        | 17,785           | 84,645                            | 1,456,750                         | 1,456,750                     | 1,456,750        |
| Public Works (2005)<br>Trust Fund Loan 263.82 | 594.34  | 12/18/05         | 7/1/2025                     | 2%                  | 750,000                        | 0                                | 750,000                       | 0                | 0                                 | 0                                 | 750,000                       | 750,000          |
| <b>TOTAL REV DEBT</b>                         |         |                  |                              |                     | <b>2,325,030</b>               | <b>1,563,610</b>                 | <b>767,785</b>                | <b>124,645</b>   | <b>124,645</b>                    | <b>0</b>                          | <b>2,206,750</b>              | <b>2,206,750</b> |



## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular 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. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

**State Auditor**  
**Chief of Staff**  
**Chief Policy Advisor**  
**Director of Administration**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free hotline for government efficiency**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
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**Web Site**

**[www.sao.wa.gov](http://www.sao.wa.gov)**