

OFFICIAL STATEMENT dated September 3, 2008

**NEW ISSUE
BOOK ENTRY ONLY**

**BANK QUALIFIED
RATING: STANDARD & POOR'S: AA+**
(See "Ratings" herein.)

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. The District has designated the Bonds as "Qualified Tax-Exempt Obligations" for banks, thrift institutions and other financial institutions. See the captions "TAX EXEMPTION," and "CERTAIN OTHER FEDERAL TAX CONSEQUENCES."

**\$1,835,000
VALLEY VIEW SEWER DISTRICT
(formerly Val Vue Sewer District)
KING COUNTY, WASHINGTON
SEWER REVENUE BONDS, 2008**

DATED: Date of Initial Delivery (estimated to be September 18, 2008) **DUE: December 1, as shown below**
Valley View Sewer District (formerly Val Vue Sewer District), King County, Washington (the "District"), provides this Official Statement in connection with the issuance of its Sewer Revenue Bonds, 2008 (the "Bonds"). The Bonds mature on December 1, in each of the years and amounts set forth on the inside cover herein, subject to redemption as hereinafter described, and will bear interest from their date of initial delivery to their respective maturities or dates of prior redemption, whichever occurs first, at the rates shown on the inside cover herein.

The Bonds will be issued under a book-entry system, initially registered to Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of Bonds will be made in the principal amount of \$5,000, or integral multiples thereof within a single maturity. The purchasers will not receive certificates representing their interest in the Bonds, except as described herein. Interest will be payable semiannually on June 1 and December 1, commencing December 1, 2008. The Washington State Fiscal Agent (currently The Bank of New York Mellon, New York, New York) will serve as registrar, paying agent and transfer agent (the "Registrar") for the Bonds. For so long as the Bonds are held by DTC in book-entry format, principal and interest payments will be made as described herein. See the caption "THE BONDS - Book-Entry System" herein.

The Bonds are special obligations of the District payable solely from the Net Revenue of the District's Sewer System (the "System") and ULID Assessments deposited in the Bond Fund. This pledge shall constitute a lien and charge upon the Net Revenue of the System and ULID Assessments prior and superior to any other charges whatsoever, subject only to the payment of the principal of and interest on any Outstanding Parity Bonds or Future Parity Bonds. Future Parity Bonds may be issued on a parity of lien with the Bonds subject to certain conditions described herein. The Bonds are not general obligations of the District. The proceeds of the Bonds will be used for a new maintenance building and extension of existing sewer pipelines (the "Project") and to pay costs related to the issuance and sale of the Bonds. The Bonds maturing on and after December 1, 2018 are subject to optional redemption prior to maturity and Term Bonds are subject to mandatory sinking fund redemption prior to maturity. See the caption "THE BONDS" - "Authorization," "Security," "Purpose and Use of Proceeds" and "Redemption" herein.

The Bonds are offered by the Underwriter, D.A. Davidson & Co., Spokane, Washington, when, as and if issued by the District, subject to the opinion as to legality and tax-exemption of the Bonds of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. The fee of Bond Counsel is contingent on the issuance of Bonds. It is expected that the Bonds, in definitive form, will be available for delivery through DTC on or about September 18, 2008 (the "Date of Delivery").

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to making an informed investment decision.

D.A. DAVIDSON & CO.

\$1,835,000
VALLEY VIEW SEWER DISTRICT
(formerly Val Vue Sewer District)
KING COUNTY, WASHINGTON
SEWER REVENUE BONDS, 2008

MATURITY SCHEDULE

Dated: Date of Initial Delivery
 Due: December 1, as shown below

Year	Amount	Interest Rate	Yield	Price (% of Par)	CUSIP ¹
2011	\$100,000	3.250%	2.740%	101.550%	920217AC0
2012	100,000	3.250	2.940	101.214	920217AD8
2013	110,000	3.500	3.200	101.424	920217AE6
2014	110,000	3.625	3.400	101.245	920217AF3
2015	115,000	3.750	3.560	101.193	920217AG1
2016	120,000	3.875	3.710	101.153	920217AH9
2017	125,000	4.000	3.870	100.993	920217AJ5
2018	130,000	4.000	3.970	100.234 ²	920217AK2

\$195,000, 2.500% Term Bond due December 1, 2010 to yield 2.500%, price 100.000%, CUSIP¹ 920217AB2

\$730,000, 4.300% Term Bond due December 1, 2023 to yield 4.390%, price 99.003%, CUSIP¹ 920217AQ9

¹ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies. The CUSIP numbers are included above for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

² Priced to the call date of June 1, 2018.

**VALLEY VIEW SEWER DISTRICT
(formerly Val Vue Sewer District)
KING COUNTY, WASHINGTON**

3460 South 148th, Suite 100
P.O. Box 69550
Seattle, Washington 98168
(206) 242-3236

District Officials:

Board of Sewer Commissioners Rick Forschler, Chairman
Michael J. West, Vice-Chairman
Joseph T. Colello, Secretary

General Manager Dana R. Dick

Maintenance Superintendent Andrew LaRue

Underwriter

D. A. DAVIDSON & CO.
Bank of America Financial Center
601 West Riverside Avenue, Suite 1000
Spokane, Washington 99201
Telephone: (800) 676-8323

Bond Counsel

FOSTER PEPPER PLLC
1111 Third Avenue
Suite 3400
Seattle, WA 98101-3299

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. The information in this Official Statement was obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness.

The Underwriter has reviewed the information in the Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The following descriptions of the Bonds and Bond Resolution and all references to other documents or materials not claiming to be quoted in full are only brief outlines of some of the provisions and do not claim to summarize or describe all provisions thereof. Copies of such documents may be obtained from the District or the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

In connection with the offering and issuance of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, section 21E of the United States Securities Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “projection,” “budget” or other similar words.

CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies. The CUSIP numbers are included above for convenience of the holders and potential holders of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

TABLE OF CONTENTS

SUMMARY STATEMENT	1
THE BONDS	2
Description of the Bonds	2
Registrar	2
Redemption.....	2
Book-Entry System.....	3
Transfer and Exchange of Bonds Upon Discontinuance of Book-Entry System.....	5
Authorization.....	6
Purpose and Source and Application of Funds	6
Security.....	6
UTILITY LOCAL IMPROVEMENT DISTRICT ASSESSMENTS	8
RISKS TO REGISTERED OWNERS	9
Special Obligations of the District.....	9
Potential Delinquency of Assessments	9
Projections	10
No Acceleration.....	10
Additional Bonds.....	10
Tax Exemption	10
Secondary Market-Illiquid Investments.....	10
Future Legislation.....	10
THE DISTRICT – GENERAL INFORMATION.....	11
Form of Local Government	11
Employment and Administration	11
Service Area	11
Sewer Accounts	12
Physical Plant	12
History of the District.....	13
Description of ULIDs	14
System Rates and Billing and Collection Procedures	14
Rate Comparisons.....	16
THE DISTRICT – FINANCIAL INFORMATION.....	17
System Historical Operating Results	17
System Projected Operating Results.....	18
Projected Debt Service Requirements and Coverage.....	19
Schedule of System Debt Service.....	20
Debt Per Connection.....	20
History of Debt Administration	20
Investments.....	21
Major System Accounts.....	22
Risk Management.....	23
Auditing of District Finances.....	23
Authorized Investments	24
APPROVAL OF BOND COUNSEL.....	24
FEDERAL INCOME TAX EXEMPTION.....	25
CERTAIN OTHER FEDERAL TAX CONSEQUENCES.....	26

LITIGATION.....	28
UNDERWRITING	28
RATINGS	28
NO CONFLICTS OF INTEREST	28
COMMITMENT TO PROVIDE CONTINUING DISCLOSURE	28
ADDITIONAL INFORMATION AND MISCELLANEOUS	29
DISCLOSURE STATEMENT	29
APPROVAL OF OFFICIAL STATEMENT	30
APPENDIX A: ECONOMIC AND DEMOGRAPHIC INFORMATION	A-1
APPENDIX B: CONTINUING DISCLOSURE.....	B-1
APPENDIX C: FORM OF LEGAL OPINION	C-1
APPENDIX D: 2006 AUDITED FINANCIAL STATEMENTS (State Auditor's Office)	D-1

\$1,835,000
Valley View Sewer District
(formerly Val Vue Sewer District)
King County, Washington
Sewer Revenue Bonds, 2008

SUMMARY STATEMENT

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement.

ISSUER Valley View Sewer District (formerly Val Vue Sewer District), King County, Washington (the “District”) is a municipal corporation organized under Washington State laws. The District is located in northwestern Washington in King County south of the City of Seattle. The District has a population of 35,964 as estimated by the District. (See the caption “THE DISTRICT – General Information” herein.)

INTEREST AND PRIOR REDEMPTION Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing December 1, 2008. The Bonds maturing on and after December 1, 2018 are subject to optional redemption prior to maturity and the Term Bonds are subject to mandatory sinking fund redemption prior to maturity. (See the caption “THE BONDS” - “Description of the Bonds” and “Redemption” herein.)

AUTHORITY FOR ISSUANCE..... The Bonds will be issued in accordance with the provisions of the Constitution and the laws of the State of Washington, particularly chapters 39.46 and 57.20 RCW, and pursuant to Resolution No. 2008-5 of the District, adopted on September 3, 2008 (the “Bond Resolution”). (See the caption “THE BONDS - Authorization” herein.)

SOURCE OF REPAYMENT The Bonds are special obligations of the District, payable solely from the gross revenue of the District’s Sewer System (the “System”) after the payment of the costs of maintenance and operation of the System (the “Net Revenue”) and ULID Assessments. The Bonds are not general obligations of the District. The District will maintain a Reserve Account for the sole purpose of providing additional security on the Bonds and any outstanding or additional parity lien bonds (collectively, “Parity Bonds”) if Net Revenue is not sufficient to pay debt service when due. (See the caption “THE BONDS - Security” herein.)

USE OF PROCEEDS The proceeds of the Bonds will be used, together with other available money of the District for a new maintenance building and extension of existing sewer pipelines (the “Project”) and to pay costs related to the issuance and sale of the Bonds. (See the caption “THE BONDS - Purpose and Use of Proceeds” herein.)

THE BONDS

Description of the Bonds

The Bonds will be issued in the aggregate amount of \$1,835,000 in fully registered form, will be in the denomination of \$5,000 each or any integral multiples thereof within a single maturity and will be dated their date of initial delivery. The Bonds shall mature on December 1 in the years and amounts set forth on the inside cover hereof.

The Bonds will bear interest from their date of initial delivery, or the most recent interest payment date to which interest has been paid or duly provided for, whichever is later, at the rates per annum set forth on the inside cover hereof. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and will be payable semiannually on June 1 and December 1, commencing December 1, 2008. For so long as the Bonds are held by DTC in book-entry format, principal and interest payments will be made as described herein under the caption "THE BONDS - Book-Entry System".

Registrar

The Washington State Fiscal Agent, currently The Bank of New York Mellon, New York, New York, will serve as registrar, paying agent and transfer agent (the "Registrar") for the Bonds.

Redemption

Optional Redemption: Bonds maturing in the years 2009 through 2017 are not subject to redemption prior to their stated maturities. Bonds maturing on or after December 1, 2018 are subject to redemption at the option of the District prior to their stated maturity dates at any time on or after June 1, 2018, as a whole or in part (within one or more maturities selected by the District and randomly within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption.

Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same maturity and interest rate in any of the denominations authorized by the Bond Resolution in the aggregate total principal amount remaining unredeemed.

The District further reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the District plus accrued interest to the date of purchase.

Notwithstanding the foregoing, for so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, selection of Bonds for redemption shall be in accordance with the Letter of Representations (as it may be changed).

Mandatory Redemption –2010 and 2023 Term Bonds. The Bonds maturing on December 1 in the years 2010 and 2023 are Term Bonds subject to mandatory sinking fund redemption prior to maturity at par plus accrued interest to the date of redemption, on December 1 in the following years and in the following mandatory sinking fund redemption amounts:

2010 Term Bonds		2023 Term Bonds	
Date	Redemption Amount	Date	Redemption Amount
December 1, 2009	\$95,000	December 1, 2019	\$135,000
December 1, 2010 ¹	100,000	December 1, 2020	140,000
		December 1, 2021	150,000
		December 1, 2022	150,000
		December 1, 2023 ¹	155,000

¹ Maturity

Notice of Redemption. For so long as the Bonds are held by DTC in book-entry only form, the Registrar shall send a notice to DTC specifying: (1) the amount of the redemption or refunding; (2) in the case of a refunding, the maturity date(s) established under the refunding; and (3) the date such notice is to be mailed to Beneficial Owners or published (the “Publication Date”). Such notice shall be sent to DTC by a secure means in a timely manner designed to assure that such notice is in DTC’s possession no later than the close of business on the business day before the Publication Date. The Publication Date shall be not less than 30 days nor more than 60 days prior to the redemption date.

In the event the Bonds are no longer held in book-entry only form by DTC, notice of any such redemption shall be sent by the Registrar by first-class mail, postage prepaid, to the registered owner of each Bond to be redeemed at such person’s address as shown in the Bond Register, not less than 30 nor more than 60 days prior to the date fixed for redemption. Such requirement shall be deemed to be complied with when notice is mailed as herein described, regardless of whether or not it is actually received by the registered owner of any Bond to be redeemed. Interest on Bonds called for redemption shall cease to accrue on the date fixed for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call.

Failure to Pay Bonds. If any Bond is not paid when properly presented at its maturity or call date, the District shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

Book-Entry System

When the Bonds are issued, ownership interest will be available to purchasers only through a book-entry system (the “Book-Entry System”) maintained by DTC or such other depository institution designated by the District pursuant to the Bond Resolution. If the Bonds are removed from the Book-Entry System and delivered to the persons named as the registered owners of the Bonds on the registration records maintained by the Bond Registrar (the “Registered Owners”) in physical form, as described below, the discussion herein of the Book-Entry System will not apply. The following information has been provided by DTC, and the District makes no representation as to the accuracy or completeness thereof.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.
2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.
3. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.
4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co., or such other nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notice and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.
6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor such other DTC nominee), will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.
10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.
11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Transfer and Exchange of Bonds Upon Discontinuance of Book-Entry System

In the event the District elects to discontinue use of the DTC's book-entry system, Bonds will transferred and exchanged in the manner described in the Bond Resolution.

Authorization

The Bonds are special obligations of the District issued pursuant to the provisions of the Constitution and laws of the State of Washington, particularly chapters 39.46 and 57.20 RCW and to the Bond Resolution adopted on September 3, 2008.

Purpose and Source and Application of Funds

The proceeds from the sale of the Bonds will be used for a new maintenance building and extension of existing sewer pipelines (the “Project”) and to pay costs related to the issuance and sale of the Bonds.

The Project will generally consist of remodeling the existing maintenance office, to enlarge locker rooms and add a women’s locker room, and upgrade the HVAC system, as well as the new construction of a six vehicle garage, two vehicle carport, and associated site work. The extension of existing sewer pipelines will consist of extending a trunk line for approximately 750 feet on an easement to open up sewer service to 48 developed acres, which currently do not have public sewer service available

The estimated sources and application of funds for the Bonds are shown in the table that follows.

	Total
Sources of Funds:	
Proceeds from Sale of the Bonds	\$1,835,000.00
Original Issue Premium	2,722.80
Total	\$1,837,722.80
Uses of Funds:	
Deposit to Construction Fund	\$1,625,000.00
Deposit to Debt Service Reserve Fund	162,290.30
Costs of Issuance ¹	50,432.50
Total	\$1,837,722.80

¹ Costs of issuance includes the Underwriter’s Discount, Bond Counsel fees, rating agency fees, Preliminary and final Official Statement printing and distribution expenses, and miscellaneous costs.

Security

Net Revenue Pledge. The District has pledged in the Bond Resolution as security for the payment of the principal of, premium, if any, and interest on the unrefunded Sewer Improvement and Refunding Revenue Bonds, 1998 (the “1998 Bonds”) outstanding in the principal amount of \$460,000, unrefunded Sewer Revenue Bonds, 2000 (the “2000 Bonds”) outstanding in the principal amount of \$215,000 and Sewer Improvement and Refunding Revenue Bonds, 2006 (the “2006 Bonds”) outstanding in the principal amount of \$2,585,000 (collectively, the “Outstanding Parity Bonds”), the Bonds, and the Future Parity Bonds as defined below: (1) the Gross Revenue of the System after payment of the costs of maintenance and operation of the System (the “Net Revenue”), (2) ULID Assessments levied by the District in a ULID and pledged to be paid into the Bond Fund, and (3) all money and securities held in the Bond Fund, including

the investment income thereon, if any, subject to the provisions of the Bond Resolution. Such pledge constitutes a lien and charge on the Net Revenue and ULID Assessments, superior to all other liens and charges of any kind whatsoever.

As of the date of issuance of the Bonds, other than the Outstanding Parity Bonds and the Bonds, the District will not have any bonds outstanding issued on a parity of lien with the Outstanding Parity Bonds and the Bonds. The District may issue bonds on a parity of lien with the Outstanding Parity Bonds and the Bonds (“Future Parity Bonds”) if certain conditions, as described in the Bond Resolution, are met. The District has covenanted not to issue bonds having a lien on the Net Revenue that is superior to the lien securing payment of the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds (collectively, the “Parity Bonds”). As of the date of this Official Statement, the District has subordinate lien debt (Public Works Trust Fund loans) outstanding in the total principal amount of \$7,134,156.11.

The Bonds are not general obligations of the District, and the full faith, credit and resources of the District are not pledged for the payment thereof.

Coverage Covenant. The District has further covenanted in the Bond Resolution that it will, among other things, fix, maintain and collect rates and charges for all services and facilities provided by the System, which will be fair and nondiscriminatory and shall adjust such rates and charges from time to time so that in each calendar year:

- (i) the amount of Net Revenue is at least equal to 1.25 times the Annual Debt Service in that current year on that portion of Parity Bonds then outstanding that are not Assessment Bonds; and
- (ii) the amount of Net Revenue together with ULID Assessments is at least equal to 1.00 times the Annual Debt Service in that current year on that portion of all Parity Bonds then outstanding that are Assessment Bonds (as defined below) (together, the “Coverage Requirement”).

The Bond Resolution defines “Assessment Bonds” to be that percentage of the original principal amount of any issue of Parity Bonds equal to the original principal amount of any final assessment roll or rolls of one or more ULIDs formed in connection with the improvements being financed by such issue of Parity Bonds. When a bond of any issue of bonds containing Assessment Bonds is redeemed or purchased, and retired, the same percentage of that bond as the percentage of Assessment Bonds is to that total issue of bonds shall be treated as being redeemed or purchased or retired. The original principal amount of such issue of bonds in excess of Assessment Bonds shall be referred to as “bonds that are not Assessment Bonds.” As of the date of issuance of the Bonds, the District will have \$5,095,000 in outstanding Parity Bonds, including the Bonds, of which approximately \$1,597,731.00 (31.4%) currently are considered “Assessment Bonds” (i.e., to be paid from ULID Assessments).

The Bond Fund. The Bonds are payable out of the Sewer Revenue Bond Fund (the “Bond Fund”), previously established by Resolution No. 98-5 for the sole purpose of paying the principal of, premium, if any, and interest on the Parity Bonds. The Bond Fund is divided into two accounts; the Principal and Interest Account and the Reserve Account. The District has irrevocably obligated itself, so long as Parity Bonds are outstanding against the Bond Fund, to set aside and pay into the Bond Fund all ULID Assessments upon their collection and, out of the Net Revenue of the System certain fixed amounts into the Principal and Interest Account and the Reserve Account as described in the Bond Resolution.

The Reserve Account. The Reserve Account is created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Parity Bonds. The District has covenanted to maintain the

Reserve Account for Parity Bonds in an amount equal to the least of: (1) the Maximum Annual Debt Service with respect to the Parity Bonds then outstanding, (2) 125% of the Average Annual Debt Service with respect to the Parity Bonds then outstanding, or (3) 10% of the proceeds of the Parity Bonds (the "Reserve Requirement"). The District has covenanted to deposit into the Reserve Account, in approximately equal annual payments, amounts necessary to fund the Reserve Requirement within three years from the date of issuance of such Parity Bonds after taking into account the capitalization of all or any part of the Reserve Account. The District is funding the Reserve Requirement as of the date of issuance of the Bonds. The District has reserved the right to reduce the amount in the Reserve Account to the extent the District has provided for insurance, in lieu of cash and investments, equal to part or all of the Reserve Requirement for any Parity Bonds then outstanding for which insurance is obtained ("Reserve Insurance").

In the event that there shall be a deficiency in the Principal and Interest Account in the Bond Fund to meet maturing installments of either principal of or interest on the Parity Bonds, such deficiency shall be made up from the Reserve Account by the withdrawal of money therefrom. Any deficiency created in the Reserve Account by reason of such withdrawal shall then be made from the Net Revenue of the System and/or ULID Assessments first available after making required payments into the Principal and Interest Account.

Investment of Money in the Bond Fund. All money in the Bond Fund may be kept on deposit in the official bank depository of the Division Manager of the Treasury Division of the Office of Finance of King, County, Washington, as *ex officio* treasurer of the District (the "Treasurer"), or may be invested in legal investments maturing not later than the date when the funds are required for the payment of principal of or interest on the Parity Bonds (for investment in the Principal and Interest Account) or having a guaranteed redemption price prior to maturity and, in no event, maturing later than the last maturity of any remaining outstanding Parity Bonds (for investments in the Reserve Account). Earnings on any such investment or on such bank deposits shall be deposited in and become a part of the account from which such investments are made, except that when the total Reserve Requirement shall have been accumulated in the Reserve Account, earnings from investment in the Reserve Account shall be deposited in the Principal and Interest Account.

UTILITY LOCAL IMPROVEMENT DISTRICT ASSESSMENTS

Under the laws of the State of Washington, special utility local improvement districts ("ULIDs") may be formed by the District in connection with the financing of sewer improvements. Chapter 57.16 Revised Code of Washington ("RCW") and RCW 35.50.010 provide that ULID assessments shall be a lien on the property assessed from the time the District places the assessment roll in the hands of the County Treasurer for collection. The assessments and interest thereon levied against the properties in a ULID are a lien and charge upon such property which is superior to all other liens and charges, including mortgages, except for *ad valorem* taxes on such property.

The assessed property owners may elect to prepay their assessment without interest or penalty during a period of (30) thirty days upon confirmation of the assessment roll and notice for collection. The outstanding assessments are payable in equal yearly installments due on the annual anniversary date. At any time during the assessment period the property owner, without penalty, may pay the entire outstanding assessment balance in full with interest to the next anniversary date. All assessment payments, including any prepayments, interest and penalties thereon must be deposited, as received, into the District's Bond Fund heretofore previously created by Resolution 98-5 of the District, adopted on June 30, 1998 ("Resolution No. 98-5"), if these assessments have been pledged to be paid into the Bond Fund.

Washington law (RCW Chapter 35.50) establishes the procedure for the foreclosure of delinquent assessments and is made applicable to sewer districts by RCW 57.16.050. The District may initiate foreclosure proceedings, if, on the first day of January, two installments of any assessment are delinquent, or if the final installment has been delinquent for more than one year. Pursuant to RCW 35.50.030, the District must proceed with foreclosure by March 1 of any year in which foreclosure becomes legally possible and the laws governing appeals from general tax foreclosure judgments apply similarly to appeals from judgments obtained in a local improvement assessment lien foreclosure lien action. Proceeds of the sale of any property foreclosed upon in the manner required by law up to the amount of the unpaid assessment and interest and penalties thereon are deposited into and become part of the Bond Fund.

Property taxes and all charges and expenses relating to the taxes constitute a statutory lien on the property taxed. The lien attaches to the property from and including January 1 in the year in which the tax is levied, and is discharged only when the taxes are paid. In other respects, but potentially subject to the “Homestead Exemption,” the lien for delinquent property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. The Washington courts have not decided whether the Homestead Law (chapter 6.13 RCW) may give the occupying home owner a right in the forced sale of the family residence for delinquent general property taxes to retain the first \$125,000 of proceeds of the sale (see *Algona v. Sharp*, 30 Wn. App. 837, 638 P.2d 627 (1982), holding the homestead right superior to liens for local improvement district assessments).

The assessment securing the Bonds that have been levied against any residential property may be foreclosed where a homestead exemption has been filed only to the extent that the proceeds of a foreclosure sale of that property exceed \$125,000.

RISKS TO REGISTERED OWNERS

Prospective purchasers of the Bonds should carefully consider the following risk factors, *which are not intended to be inclusive*, as well as other information contained in this Official Statement, prior to purchasing the Bonds.

Special Obligations of the District

The Bonds are special fund obligations of the District payable solely from the Net Revenue of the System and ULID Assessments. The Bonds are not obligations of the State of Washington or any other municipal corporation other than the District, and neither the full faith and credit nor taxing power of the District is pledged to the payment of the Bonds. The Bonds are not general obligations of the District.

Potential Delinquency of Assessments

The principal of and interest on the Bonds are payable partially from Net Revenues of the System and from special assessments levied against benefited property in the ULIDs. Those considering an investment in the Bonds should look to the Net Revenue of the System and ULID Assessments as providing security for payment of the Bonds. There is no assurance that delinquencies in collection of ULID Assessments will not be experienced in the future. (See “UTILITY LOCAL IMPROVEMENT DISTRICT ASSESSMENTS” herein.)

Projections

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, section 21E of the United States Securities Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “projection,” “budget” or other similar words. With the permission of the District, and incorporated herein, are the projections of the System as estimated by the District for fiscal years 2008, 2009, 2010 and 2011.

No Acceleration

The Bond Resolution does not grant Registered Owners the right to accelerate the payment of the Bonds upon the occurrence and continuance of a default. The District is liable for principal and interest payments only as they became due. The inability to accelerate the Bonds upon a default could give rise to varying interests between Registered Owners of earlier and later maturing Bonds. Multiple defaults in payment of principal or interest on the Bonds could force the Registered Owners to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies against public bodies under State law.

Additional Bonds

Pursuant to the Bond Resolution, the District may issue Future Parity Bonds payable from the Net Revenues of the System.

Tax Exemption

The District’s failure to comply with certain continuing legal requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds. The Bond Resolution does not provide for the payment of any additional interest or penalty in the event of the taxability of interest on the Bonds

Secondary Market-Illiquid Investments

There can be no assurance that a secondary market can or will be maintained by the Underwriter or others, and purchasers of the Bonds should accordingly be prepared to hold the Bonds to maturity or earlier redemption.

Future Legislation

Legislation is periodically introduced in the U.S. Congress and in the Washington Legislature, which could result in limitations on the District. The introduction of any such legislation, if enacted, cannot be determined at this time.

THE DISTRICT – GENERAL INFORMATION

Form of Local Government

Authority and procedures for sewer district functions is provided by the State of Washington in RCW Title 57. The District's governing body is the Board of Sewer Commissioners, which is comprised of three elected officials who are elected to serve staggered terms. The names of the Board members as well as the dates in which of their respective terms of office expire are as follows.

Name	Expiration of Current Term	Number of Total Years Served	Occupation
Rick Forschler, Chairman	December 31, 2009	4 years	Boeing
Michael J. West, Vice Chairman	December 31, 2013	24 years	Business Owner
Joseph T. Colello, Secretary	December 31, 2011	14 years	Retired

Employment and Administration

The District employs a general manager, maintenance superintendent, twelve (12) full-time employees and one (1) part-time employee in operating the System. The normal day-to-day operations of the District are administered by the Manager. The Manager works to implement District policies, oversee daily operations, and keep the Board apprised of important issues. Mr. Dana R. Dick serves as the Manager, a position he has held for 8 years of his 20 years with the District. The position of Maintenance Superintendent is held by Mr. Andrew LaRue, a District employee for 6 years. The position of Office Manager is held by Ms. Kathleen Haworth, a District employee for 17 years. Prior to being appointed to her current position on November 15, 2005, Ms. Haworth was the District's Administrative Assistant.

Service Area

The District's service area consists of approximately 6,000 acres of land located north and east of the Sea-Tac International Airport, in southern King County. The District's service area generally extends from the southern Seattle City limits on the north, to South 176th and 182nd Streets on the south, and from Interstate Highway 5 and State Route 599 on the east to First Avenue South and State Route 509 on the west. The District serves customers located within portions of the cities of Burien, SeaTac and Tukwila and unincorporated King County. No service area changes are contemplated as of the date of this Official Statement, although there is some uncertainty of whether or not the District will extend service to the currently unsewered area along the eastern border of the District. This area is outside of the District's corporate limit and within the City of Tukwila, but could logically be served by the District. The District does not, however, propose extension of service to this area unless requested to do so by the City of Tukwila.

The District currently serves approximately 8,000 connections or 17,925 equivalent residential units (ERUs). Population within the District is estimated at 35,964 people and approximately two-thirds of the people in the District are employed within the District. Land use within the service area is predominantly residential with multi-family residential and commercial uses concentrated along major thoroughfares. The northeastern portion of the District, along East Marginal Way South and adjacent to the Duwamish River, is classified as industrial.

Projected development within the service area is limited to that associated with infill development in the short term, and redevelopment in the future. A reduction in single-family residential uses and increase in multi-family and commercial uses is anticipated to occur in the future. Based on interpolation of population and employment projections provided by the Puget Sound Regional Council, it is estimated that population will increase from approximately 35,964 in 2008 to nearly 41,000 by the year 2020 and that the number of ERU's served by the District will increase from approximately 17,925 to approximately 25,000 over the same period of time. (See "APPENDIX A –ECONOMIC AND DEMOGRAPHIC INFORMATION" herein for a description of the area's economy.)

Sewer Accounts

The following table shows a breakdown of the number of ERUs for the System and the estimated population of the District as of 1997, 2000, 2005 and 2008 and the projected connections and population as of the years 2010 and 2020. Projections are based on data from the Puget Sound Regional Council and adjusted to the District service area. The Puget Sound Regional Council is a planning council with representatives from King, Kitsap, Pierce, and Snohomish counties that reviews regional transportation issues to develop regional plans and to coordinate plans of local jurisdictions.

Year	(ERUs) Single-Family	(ERUs) Multi-Family	(ERUs) Commercial	(ERUs) Total	Population
1997	6,251	4,592	4,048	14,891	30,483
2000	6,496	4,918	4,187	15,601	31,383
2005 ¹	6,942	4,040	3,798	14,780	35,259
2008	7,209	5,776	4,940	17,925	35,964
Projections					
2010	7,767	7,053	5,746	20,566	36,968
2020	8,900	10,063	6,070	25,000	41,000

¹ In 2005 water conservation has decreased the water consumption of the commercial and multi-family accounts, resulting in a lower number based on ERU's.

Source: The District

Physical Plant

The District's System has been divided into 11 primary drainage basins and 29 drainage sub-basins for the purpose of analysis of the System and projection of future needs. Pipe sizes within the District range from 6 to 24 inches and the District currently maintains 18 pump stations to compensate for the hilly terrain within the service area. The District does not maintain wastewater treatment or disposal facilities. The District contracts with King County-Metro, Southwest Suburban Sewer District and Midway Sewer District for treatment and disposal services. King County-Metro provides approximately 97% of the District's sewage treatment services. Delivery of flow to these entities for treatment and disposal of wastewater is accomplished through System connections and in accordance with existing interlocal agreements.

The District conducted an analysis of the System together with the consulting engineer in 1998, which identified several areas where deficiencies exist, either due to pipe size or condition, and also specific projects that would improve the overall operation of the System. Of the nearly \$17 million dollars in improvements recommended for the System, approximately \$5.3 million was to be made before the year 2005. Of that amount, only \$1 million are proposed to be financed by System rates and charges. The remaining projects are anticipated to be financed by developer extensions and/or ULID's. The District intends to extend sewers into unsewered areas in accordance with the Growth Management Planning mandate that urban level of service be provided to all areas within the urban growth area.

History of the District

The District was established in 1946 to provide sanitary sewer service to the Cascade Homes Addition and businesses along Pacific Highway South (International Blvd.) The District's original boundaries encompassed only 0.37 square miles. Effluent was treated, chlorinated and discharged into the Duwamish River at a primary type treatment plant located just east of Pacific Highway South near South 135th Street. This plant remained in service until 1958, when flows from the area increased to a point that necessitated construction of a new primary treatment plant. The second plant was located near 42nd Avenue South and South 129th Street and also discharged to the Duwamish River. The second plant remained in service until 1966, when construction of freeways in the area necessitated abandoning the facility and contracting with the municipality of Metropolitan Seattle (now King County-Metro) for wastewater treatment and disposal. In 1972, Valley View entered into a contract with Des Moines Sewer District for the treatment and disposal of wastewater flows from the major motels in the southern portion of the District.

In 1995, Rainier Vista Sewer District ("Rainier Vista") merged into Valley View Sewer District to form one consolidated sanitary sewer district. The Rainier Vista portion of the current Valley View service area generally includes the northwest and western areas of the District.

Rainier Vista was formed in 1945 to provide sanitary sewer service to the Beverly, Beverly Heights, Lerina, and McKinley areas of unincorporated King County. Subsequent to formation of the District a large area was annexed in 1946 and a comprehensive plan was adopted by the District in 1947. No action was taken on construction of a sewer system until 1956, when another comprehensive plan was adopted. Financing for the proposed system was accomplished by a combination of revenue bonds and through the formation of ULID No. 1. The original collections system and treatment plant were constructed in 1958 and 1959. Subsequently, ULID Nos. 2 through 14 were formed to construct the core of the original Rainier Vista sewer system. Rainier Vista continued to expand by ULID's and developer extensions. In 1976, Rainier Vista's original treatment plant was closed and the District contracted with King County-Metro for treatment and disposal of wastewater flows from the majority of the District. Subsequently, an agreement was reached with Southwest Suburban Sewer District for treatment and disposal of wastewater flows from the western portion of the District.

In 2007, the District changes its name to Valley View Sewer District and was known prior to this as Val Vue Sewer District. Additionally, in 2007, the District worked with Water District 125 to construct a shared-used administration building.

Description of ULIDs

The District currently has 18 ULIDs with assessments outstanding. The assessments from all but four of the ULIDs when paid are deposited into the Bond Fund and are pledged, along with Net Revenues of the System, to pay the Parity Bonds. A portion of the costs of the sewer improvements in the ULIDs are paid by assessments on the benefited properties. The County has a high collection rate on assessments in the District and has the ability to foreclose on individual properties in the event assessments are not paid.

ULID/ Year Created	Original Issue Amount	Principal Outstanding As of 6/30/08	Final Maturity	Total # of Parcels	Residential/ Commercial/ Vacant Parcels
Rainier Vista 18 – 1993	\$166,570	\$1,118.75	2/10/13	22	18/0/4
Rainier Vista 20 – 1993	160,421	10,666.28	2/10/13	20	15/0/5
Rainier Vista 21 – 1993	84,568	364.79	2/10/13	16	15/0/1
Valley View 23 – 1993	236,200	1,843.78	6/02/08	36	36/0/0
Valley View 24 – 1995	156,252	1,855.28	7/27/10	21	20/0/1
Valley View 25 - 1998	400,733	22,344.25	12/01/13	53	53/0/0
Valley View 26 – 1999	390,312	47,487.18	12/01/15	43	41/0/2
Valley View 27 – 1999	448,675	81,651.86	12/01/20	40	38/0/2
Valley View 28 – 1999	293,645	14,139.71	12/01/15	36	33/0/3
Valley View 30 - 2000	273,912	11,786.76	12/01/15	28	26/0/2
Valley View 33 – 2004 ¹	611,082	265,901.49	6/01/22	51	51/0/0
Valley View 34 – 2002 ¹	244,459	83,222.55	6/01/22	20	20/0/0
Valley View 38 - 2005 ¹	586,796	295,871.33	6/01/24	46	36/0/10
Valley View 39 – 2007	312,400	224,308.81	7/20/23	23	22/0/1
Valley View 41 – 2007	253,467	204,847.88	3/14/23	15	15/0/0
Valley View 43 – 2007	573,000	342,777.82	2/3/23	43	38/0/5
Valley View 44 – 2006	100,839	82,914.85	12/1/22	8	7/0/1
Valley View 45 - 2007 ¹	366,783	366,446.80	12/28/23	16	16/0/0
Total		\$2,059,550.17			

¹ ULIDs are not pledged to the Bonds Fund. ULIDS 33, 34 and 38 are pledged to the repayment of State Public Works Trust Fund loans, which are subordinate to the Bonds. ULID 45 was financed by the District and no bonds were issued with respect to that that ULID.

System Rates and Billing and Collection Procedures

Billing and Collection Procedures. Bills are sent on the 1st day of the month and are considered delinquent if not paid by the 25th day of the month following the month in which sewer service was rendered. Delinquent accounts and liens are subject to a 10% penalty and a 12% interest charge until paid.

Monthly Sewer Rates. System customers are currently billed monthly according to their treatment provider based on the year 2008 rate structure shown below (effective as of December 31, 2007). The projected 2009 charges are also shown below for comparative purposes. The Manager reviews the rates each year in light of changes in Maintenance and Operation Expenses that would have an impact on the System's operating results. The District can increase rates by adoption of a resolution.

Sewer Service	Metro		Midway	Southwest Suburban Sewer District	
	Year 2008	Projected 2009	Year 2008	Year 2008	Projected 2009
Residential and Condominium	\$34.95	\$41.00	\$25.00	\$21.20	\$24.20
Apartments and Trailer Parks	\$30.80	\$36.15	\$22.30	\$19.10	\$22.00
Commercial	\$34.95/750 cf (or) \$4.70/100 cf	\$41.00/750 cf (or) \$5.50/100 cf	\$25.00/750 cf (or) \$3.35/100 cf	\$21.20/750 cf (or) \$2.85/100 cf	\$24.20/750 cf (or) \$3.25/100 cf
Travel Trailer Parks	\$34.95/750 cf (or) \$4.70/100 cf	\$41.00/750 cf (or) \$5.50/100 cf	\$25.00/750 cf (or) \$3.35/100 cf	\$21.20/750 cf (or) \$2.85/100 cf	\$24.20/750 cf (or) \$3.25/100 cf

Permit Fees. Shown below is a table of the District's permit fee structure.

Permit Type	Fee
Single Family Residence	\$100.00-2 inspections
Multiple Family Residence (First dwelling unit plus \$10 for each additional unit per building)	\$100.00-2 inspections
Commercial Structures (Per square foot)	\$0.05 (\$100 minimum)
Right of Way Permit	
Burien	\$400.00
Sea Tac	300.00
King County	350.00
Tukwila	Contact the District
Repair Permit	\$15.00
Capping Permit	\$70.00
Private Pump System Installation	\$150.00-2 inspections
Additional Inspections	\$50.00 each

Connection Fees. Shown below is a table of the District's connection fee structure. The connection charges shown below are not applicable to all property owners.

Connection Type	Fee
Residential/Residential Equivalents:	
General Facility Charge	\$850
System Facility Charge ¹	\$1,900-minimum
Multiple Family Residence Per Unit:	
General Facility Charge	\$680
System Facility Charge	\$1,520
Non-Residential/Commercial:	Based on Fixture Count and or Monthly Flow ²

¹ Based on a residence with no frontage. For residences with frontage, the charge is \$37.00 per lineal foot of frontage subject to a minimum charge of \$1,900.

² The charge for non-residential connections is determined by estimated monthly flow converted to "Residential Equivalents".

Rate Comparisons

Shown in the table below are monthly residential sewer rates for surrounding sewer districts and/or municipalities for comparative purposes.

Agency	Metro Charge	Operation and Maintenance Charge	Total
City of Seattle	\$27.95	\$30.18	\$58.13
Mercer Island	27.95	26.60	54.55
City of Kirkland	27.95	23.22	51.17
Skyway Water & Sewer	27.95	22.70	50.65
City of Woodinville	27.95	21.38	49.33
Vashon Sewer	27.95	21.05	49.00
NE Sammamish	27.95	20.03	47.98
Black Diamond	27.95	18.88	46.83
City of Issaquah	27.95	18.01	45.96
Cedar River	27.95	17.40	45.35
City of Bellevue	27.95	16.35	44.30
Sammamish Plateau	27.95	16.20	44.15
City of Renton	27.95	16.11	44.06
Soos Creek	27.95	14.80	42.75
City of Kent	27.95	13.81	41.76
Lake Forest Park	27.95	13.14	41.09
Coal Creek	27.95	12.91	40.86
Alderwood	27.95	11.99	39.94
City of Redmond	27.95	11.59	39.54
Ronald Sewer District	27.95	11.19	39.14
City of Tukwila	27.95	10.12	38.07
Northshore Utility	27.95	10.05	38.00
City of Auburn	27.95	9.81	37.76
City of Algona	27.95	9.12	37.07
Valley View Sewer	27.95	7.00	34.95

Source: The District

THE DISTRICT – FINANCIAL INFORMATION

System Historical Operating Results

The financial information presented below summarizes the historical operating results for the System for the fiscal years ended December 31, 2003 through 2007 as extracted from the System's financial reports.

	Audited 2003	Audited 2004	Audited 2005	Audited 2006	Actual 2007
Operating Revenues:					
Sewer Revenues – Commercial	\$2,754,036	\$2,844,501	\$3,143,136	\$3,298,831	\$4,452,236
Sewer Revenues – Residential	2,329,357	2,357,138	2,641,496	2,675,009	2,924,440
Late Charges	63,164	64,981	88,271	92,170	94,904
Permit Fees	14,900	26,470	26,470	29,944	20,859
Flush Truck Services	6,022	3,997	11,179	1,135	4,267
Miscellaneous	63,528	48,383	105,676	98,887	182,335
Total Operating Revenues	\$5,231,007	\$5,345,470	\$6,018,282	\$6,195,976	\$7,679,041
Operating Expenditures					
Collection and Transmission	\$4,137,254	\$4,135,527	\$4,570,690	\$4,578,915	\$5,447,396
Pumping	129,133	127,870	112,584	147,761	166,166
Infiltration and Inflow	27,078	20,658	31,634	40,845	36,088
General Administration	658,551	746,111	876,711	901,542	1,138,591
Total Operating Expenditures¹	\$4,952,016	\$5,030,166	\$5,588,619	\$5,669,063	\$6,788,241
Net Operating Revenue	\$278,991	\$315,304	\$429,663	\$526,913	\$890,800
Non-Operating Revenues/Expenditures:					
Interest Revenue	\$106,542	\$109,864	\$223,607	\$365,402	\$372,790
Interest on Assessments	74,036	58,713	54,253	57,848	56,689
Interest on Contracts	45,854	41,042	43,700	40,997	42,898
Miscellaneous Revenue	4,840	4,819	6,750	3,652	3,939
Total Non-Operating Revenue:	\$231,272	\$214,438	\$328,310	\$467,899	\$476,318
Capital Contributions					
Connection Fees	\$609,415	\$447,267	\$92,521	\$1,250,989	\$215,086
Bill of Sale ²	181,480	502,470	60,890	81,759	0
Contracts	115,323	238,508	249,122	125,569	176,973
Total Capital Contributions³	\$906,218	\$1,188,245	\$402,533	\$1,458,317	\$392,059
Net Revenue Available:	\$1,416,481	\$1,717,987	\$1,160,506	\$2,453,129	\$1,759,177
Assessment Revenue	0	611,082	586,796	904,473	708,706
Net Revenue Available For Debt Service:	\$1,416,481	\$2,329,069	\$1,747,302	\$3,357,602	\$2,467,883
Debt Service:					
The Bonds	n/a	n/a	n/a	n/a	n/a
2006 Bonds	n/a	n/a	n/a	\$102,448	\$109,375
2000 Bonds	\$152,763	\$148,923	145,043	93,570	89,820
1998 Bonds	276,055	272,865	264,265	247,693	198,453
Total Debt Service	\$428,818	\$421,788	\$409,308	\$443,711	\$397,648
Unappropriated Ending Fund Balance	\$7,100,793	\$6,715,583	\$7,562,382	\$6,066,872	\$5,500,000 ⁵
Revenue Bond Fund/Reserve Account	288,372 ⁴	273,443	366,649	267,835	225,176
Construction Fund	502,146	1,035,743	2,099,070	464,792	729,186
Capital Improvement Fund	2,426,539	2,470,161	2,542,708	2,657,559	624,611

¹ Excludes Depreciation.

² Bill of Sale is a non-cash revenue in accordance with Governmental Accounting Standards Board Statement ("GASB") 33.

³ Excludes Assessment Revenue, which is shown in below in the table.

⁴ At December 31, 2003, the balance in the Bond Fund was inadequate to fund the Reserve Account at the required level of \$288,372. Funds were deposited to fully fund the Reserve Account on January 29, 2004.

⁵ Estimated.

System Projected Operating Results

The financial information presented below summarizes the projected operating results for fiscal years ended December 31, 2008 through 2011, as provided by the District and based on a rate study and the projections compiled by PACE Engineers, Inc. on behalf of the District.

	Projected 2008	Projected 2009	Projected 2010	Projected 2011
Operating Revenues:				
Sewer Revenues – Commercial	\$4,376,511	\$4,420,276	\$4,464,479	\$4,509,124
Sewer Revenues – Residential	2,970,812	3,004,493	3,038,557	3,073,007
Late Charges	98,470	102,170	106,009	109,992
Permit Fees	22,174	23,572	25,057	26,637
Flush Truck Services	4,352	4,440	4,528	4,619
Miscellaneous	155,010	155,010	155,010	155,010
Total Operating Revenues	\$7,627,330	\$7,709,961	\$7,793,640	\$7,878,388
Operating Expenditures				
Collection and Transmission	\$6,163,140	\$6,235,647	\$6,309,251	\$6,383,978
Pumping	173,820	179,314	185,066	191,092
Infiltration and Inflow	44,734	47,180	49,806	52,625
General Administration	1,151,630	1,204,623	1,261,884	1,323,928
Total Operating Expenditures¹	\$7,533,323	\$7,666,764	\$7,806,007	\$7,951,623
Net Operating Revenue	\$94,003	\$43,197	\$(12,366)	\$(73,235)
Total Non-Operating Revenue:	483,258	507,421	532,792	559,432
Total Capital Contributions ²	434,091	442,772	451,627	460,660
Net Revenue Available:	\$1,011,355	\$993,390	\$972,054	\$946,857

¹ Excludes Depreciation.

² Excludes Assessment Revenue, which is shown in the following table.

Projected Debt Service Requirements and Coverage

Year	Net Revenues ¹	Estimated ULID Assessments Income (12/31/07)	Net Revenue Available For Debt Service	Total Parity Debt Service	Debt Service Coverage All Parity Debt Service	Estimated Debt Service Assessment Bonds ²	Net Revenue for DS after Pmt for Assessment Bonds ²	Est. Debt Service Non-Assessment Bonds ³	Debt Service Coverage Non-Assessment Bonds ³	Available Revenue For Other Obligations ⁴	Debt Service Subordinate Lien Bonds (PWTF Loans)
2008	\$1,011,355	\$195,825	\$1,207,180	\$480,292	2.51x	\$304,834	\$902,346	\$175,458	5.14x	\$726,888	\$468,180
2009	993,390	186,384	1,179,774	616,322	1.91x	391,170	788,604	225,152	3.50x	563,452	465,420
2010	972,054	180,139	1,152,193	589,913	1.95x	374,409	777,784	215,504	3.61x	562,280	393,569
2011	946,857	173,028	1,119,885	583,990	1.92x	370,650	749,235	213,340	3.51x	535,895	391,155
2012	946,857	166,843	1,113,700	572,990	1.94x	363,668	750,032	209,322	3.58x	540,710	350,963
2013	946,857	160,657	1,107,514	496,140	2.23x	314,893	792,621	181,247	4.37x	611,374	348,926
2014	946,857	148,469	1,095,326	396,890	2.76x	251,900	843,426	144,990	5.82x	698,436	346,889
2015	946,857	142,708	1,089,565	390,902	2.79x	248,100	841,465	142,802	5.89x	698,663	344,852
2016	946,857	127,461	1,074,318	374,590	2.87x	237,747	836,571	136,843	6.11x	699,728	288,798
2017	946,857	122,364	1,069,221	372,927	2.87x	236,691	832,530	136,236	6.11x	696,294	287,301
2018	946,857	117,267	1,064,124	370,703	2.87x	235,280	828,844	135,423	6.12x	693,421	279,183
2019	946,857	112,170	1,059,027	358,065	2.96x	227,258	831,769	130,807	6.36x	700,962	263,971
2020	946,857	107,072	1,053,929	340,035	3.10x	215,815	838,114	124,220	6.75x	713,894	262,678
2021	946,857	94,506	1,041,363	267,215	3.90x	169,597	871,766	97,618	8.93x	774,148	261,386
2022	946,857	89,931	1,036,788	256,940	4.04x	163,076	873,712	93,864	9.31x	779,848	186,512
2023	946,857	79,830	1,026,687	161,665	6.35x	102,606	924,081	59,059	15.65x	865,022	90,174
2024	946,857	0	946,857	----	----	----	946,857	----	----	946,857	38,300

¹ The 2008, 2009, 2010 and 2011 Net Revenue is based upon projections by the District, with the 2008 Net Revenue utilized for projections through 2024. All Net Revenue includes the Bill of Sale revenue item, which is a non-cash revenue in accordance with GASB 33. See the caption “THE DISTRICT – FINANCIAL INFORMATION - System Historical Operating Results” herein.

² The coverage requirement for the portion of all Parity Bonds that are Assessment Bonds is at least 1.00 times the Annual Debt Service in that current year.

³ The coverage requirement for the portion of all Parity Bonds that are not Assessment Bonds is at least 1.25 times the Annual Debt Service in that current year on that portion of Parity Bonds then outstanding that are not Assessment Bonds.

⁴ The assessments from all but four of the ULIDs when paid are deposited into the Bond Fund and are pledged, along with Net Revenues of the System, to pay the Parity Bonds. Four ULIDs are not pledged to the Bonds Fund, but are pledged to the PWTF loans and such estimated ULID income is included in the revenue for other obligations.

Schedule of System Debt Service

Set forth in the following table is the estimated debt service schedule for the District's outstanding bonds. Some of the interest figures have been rounded. As of the date of this Official Statement, the District has subordinate debt outstanding in the total principal amount of \$7,134,156.11 (Public Works Trust Fund Loans).

Year	Outstanding Parity Debt Service	The Bonds			Total Parity Debt Service
		Principal	Interest	Total	
2008	\$466,145	---	\$14,147	\$14,147	\$480,292
2009	451,557	\$95,000	69,765	164,765	616,322
2010	422,523	100,000	67,390	167,390	589,913
2011	419,100	100,000	64,890	164,890	583,990
2012	411,350	100,000	61,640	161,640	572,990
2013	327,750	110,000	58,390	168,390	496,140
2014	232,350	110,000	54,540	164,540	396,890
2015	225,350	115,000	50,552	165,552	390,902
2016	208,350	120,000	46,240	166,240	374,590
2017	206,337	125,000	41,590	166,590	372,927
2018	204,113	130,000	36,590	166,590	370,703
2019	191,675	135,000	31,390	166,390	358,065
2020	174,450	140,000	25,585	165,585	340,035
2021	97,650	150,000	19,565	169,565	267,215
2022	93,825	150,000	13,115	163,115	256,940
2023		155,000	6,665	161,665	161,665
Total	\$4,132,525	\$1,835,000	\$662,054	\$2,497,054	\$6,629,579

Debt Per Connection

Based upon the total principal amount of the outstanding bonds of \$5,095,000, the estimated number of System connections for sewer services in 2008 of 8,000 and the number of ERUs in 2008 of 17,925, the average debt per connection and per ERU is currently \$637 and \$284, respectively, which amounts do not include the Public Works Trust Fund Loans currently outstanding in the total amount of \$7,134,156.11.

History of Debt Administration

The District has always promptly met principal and interest payments of its outstanding bonds, when due. In addition, no refunding bonds have been issued for the purpose of preventing an impending default.

Investments

In accordance with State investment laws, the District's governing body has entered into a formal interlocal agreement with the District's *ex officio* treasurer, the King County Treasurer (the "County Treasurer"), to have all its funds on deposit with the County not required for immediate expenditures to be invested in the King County Investment Pool (the "Pool"). Investments in the Pool are stated at the fair value of the Pool's underlying assets. The state value per share is \$1. The King County Executive Finance Committee provides oversight of the Pool. As of December 31, 2007, the Pool had a fair value of \$5,859,048.

King County Investment Pool. All of the District's investments during fiscal year 2007 and at fiscal year-end 2007 were registered and held by the County Treasurer for the benefit of the District.

The following information was provided by the County.

The King County investment pool invests cash reserves for all county agencies and approximately 100 special districts and other public entities such as fire, school, sewer and water districts and other public authorities. It is one of the largest investment pools in the State of Washington with an asset balance of about \$4.2 billion. On average, County agencies comprise 40 percent of the pool and outside districts are 60 percent, with assets of the County's General Fund comprising approximately six percent of the balance in the pool.

An Executive Finance Committee (EFC) establishes County investment policies and oversees the investment portfolio to ensure that specific investments comply with both those investment policies and Washington State law. The pool is only allowed to invest in certain types of highly-rated securities including certificates of deposit, US treasury obligations, federal agency obligations, municipal obligations, repurchase agreements and commercial paper. In 2007, the pool distributed nearly \$200 million in interest earnings to members and has averaged a 5 percent rate of return over the past 13 years.

Because of unprecedented turmoil and uncertainty in global credit markets surfacing in late August 2007, the County halted all purchases of commercial paper. In early September 2007, the County commissioned an outside financial consultant, Public Financial Management (PFM), to review the pool's remaining investments in commercial paper and make recommendations going forward. PFM validated the County's strategy of halting the purchase of any new commercial paper and recommended holding remaining assets to maturity dates, while monitoring new developments in the commercial paper markets.

Using the PFM recommended strategy, the investment pool substantially reduced its exposure in commercial paper from 25 percent of the portfolio in August 2007 to about 4 percent as of May 2008. The only commercial paper remaining in the pool is associated with four impaired investments, with an outstanding par value of \$189 million. PFM also completed an assessment of all assets in the pool in April 2008 and concluded that with the exception of the impaired investments "...on the whole, the County's pool is sound." For details please refer to the following web site link:

<http://www.kingcounty.gov/operations/Finance/news/CommercialPaper.aspx>.

The four impaired commercial paper assets are Cheyne, Mainsail, Rhinebridge and Victoria. Each impaired asset is part of an “enforcement event” in which a trustee/receiver takes over the administration of the programs and determines the best way to liquidate assets or restructure the portfolio. Enforcement events are specifically designed to protect the interests of senior creditors, such as the County.

A restructuring auction for the Cheyne commercial paper assets was completed in mid-July and resulted in the County’s recovering approximately 60 percent or \$30 million on its \$50 million investment. The execution of the Cheyne restructuring reduces the outstanding par value of impaired investments to \$139 million, from \$189 million. There are no financial impacts to report at this time regarding the restructuring of the three other impaired commercial paper assets. However, the County does expect implementation of these restructurings to occur in the second half of 2008.

Standard & Poor’s (S&P) first rated the County’s investment pool in 2005 and granted the pool its highest rating of AAf. The pool has continued to earn this highest rating in 2006 and again in 2007. In mid-January 2008, S&P took the temporary action to suspend their rating of the pool pending the outcome of enforcement events associated with each impaired investment. The County fully expects to see its AAf rating restored by segregating the remaining three impaired holdings into a new “impaired pool” and executing restructuring proposals in the second half of 2008.

Major System Accounts

The table below lists the ten major accounts of the System by total annual charges and their respective annual billings for the 12-month period ending December 31, 2007. Total System operating revenues for this period are approximately \$7,679,041.

	Owner/Account	Total System Billings 1/07 to 12/07	Percent of Total Operating Revenues
1.	Port of Seattle	\$718,547	9.36%
2.	United Grocers	66,761	0.87
3.	Highline Medical Center	64,782	0.84
4.	Boeing BCAG	58,493	0.76
5.	Western United Fish Co.	43,193	0.56
6.	Ramada Inn	37,933	0.49
7.	KC Transit & Power	35,013	0.46
8.	Group Health Cooperative	34,671	0.45
9.	Riverside Residences	34,374	0.45
10.	Clarion Hotel	23,894	0.31
	Total	\$1,117,661	14.55%

Source: The District

Risk Management

The District is a member of the Washington Governmental Entity Pool (“WGEP”). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entity to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self/insuring, and/or joint hiring or contracting for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act (the “Pool”).

The Pool allows members to jointly purchase excess insurance coverage, share in the self-insured retention, establish a plan for total self-insurance, and provide excellent risk management services and other related services. The Pool provides “occurrence” policies for all lines of liability coverage including Public Official’ Liability. The property coverage is written on an “all risk” basis, blanket form using current Statement of Values. The property coverage includes mobile equipment, electronic data processing equipment, valuable papers, building ordinance coverage, property in transit, extra expense, consequential loss, accounts receivable, fine arts, inventory or appraisal cost, automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. The Pool offers employee dishonesty coverage up to a liability limit of \$500,000.

Members make an annual contribution to fund the Pool. The Pool acquires insurance from unrelated underwriters that are subject to a “per occurrence” \$500,000 deductible on liability loss, \$100,000 deductible on property loss, and \$5,000 deductible on boiler and machinery loss. The member is responsible for the remaining \$499,999 of liability losses, \$99,000 on property loss, \$4,000 on boiler and machinery loss. Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

The Pool is fully funded by its member participants. Claims are filed by members with the Washington Governmental Entity Pool, and are administered in house.

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

Auditing of District Finances

Accounting systems and budgetary controls are prescribed by the Office of the State Auditor in accordance with RCW 43.09.200 and RCW 43.09.230. State statutes require audits for Districts be conducted by the Office of the State Auditor. The District complies with the systems and controls prescribed by the Office of the State Auditor and establishes procedures and records which reasonably assure safeguarding of assets and the reliability of financial reporting.

The State Auditor is required to examine the affairs of all local governments at least once every three years. The District is audited annually. The examination must include, among other things, the financial condition and resources of the District, whether the laws and constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the District. Reports of the auditor's examinations are required to be filed in the Office of the State Auditor and in the finance department of the District. The most current Accountability and Financial Statement Audit Reports of the District were completed for the fiscal year ended December 31, 2006. The financial audit for fiscal year ended December 31, 2007 is expected to be completed by the fall of 2008. Accountability Audit Reports and financial statements of the District are available by contacting the District.

Authorized Investments

Chapter 35.39 RCW limits the investment by cities and districts of its inactive funds or other funds in excess of current needs to the following authorized investments: United States bonds; United States certificates of indebtedness; bonds or warrants of the State and any local government in the State; its own bonds or warrants of a local improvement district which are within the protection of the local improvement guaranty fund law; and any other investment authorized by law for any other taxing district or the State Treasurer. Under chapter 43.84 RCW, the State Treasurer may invest in non-negotiable certificates of deposit in designated qualified public depositories; in obligations of the U.S. government, its agencies and wholly owned corporations; in bankers' acceptances; in commercial paper; in the obligations of the federal home loan bank, federal national mortgage association and other government corporations subject to statutory provisions and may enter into repurchase agreements. Utility revenue bonds and warrants of any district and bonds or warrants of a local improvement district are also eligible investments (RCW 35.39.030).

Money available for investment may be invested on an individual fund basis or may, unless otherwise restricted by law, be commingled within one common investment portfolio. All income derived from such investment may be either apportioned to and used by the various participating funds or for the benefit of the general government in accordance with District resolutions or resolutions. Funds derived from the sale of bonds or other instruments of indebtedness will be invested or used in such manner as the authorizing Bond Resolution, resolutions or bond covenants may lawfully prescribe.

APPROVAL OF BOND COUNSEL

Legal matters incident to the authorization, issuance and sale of the Bonds by the District are subject to the approving legal opinion of Foster Pepper PLLC, Bond Counsel. A form of the opinion of Bond Counsel is attached hereto as Appendix C. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Bonds.

FEDERAL INCOME TAX EXEMPTION

Exclusion from Gross Income. In the opinion of Bond Counsel, under existing federal law and assuming compliance by the District with applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals.

Continuing Requirements. The District is required to comply with certain requirements of the Code after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirements to the extent applicable to the Bonds. The District has covenanted in the Bond Resolution to comply with those requirements, but if the District fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. Bond Counsel has not undertaken and does not undertake to monitor the District’s compliance with such requirements.

Corporate Alternative Minimum Tax. While interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, under Section 55 of the Code, tax-exempt interest, including interest on the Bonds, received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations (as defined for federal income tax purposes). Under the Code, alternative minimum taxable income of a corporation will be increased by 75% of the excess of the corporation’s adjusted current earnings (including any tax-exempt interest) over the corporation’s alternative minimum taxable income determined without regard to such increase. A corporation’s alternative minimum taxable income, so computed, that is in excess of an exemption of \$40,000, which exemption will be reduced (but not below zero) by 25% of the amount by which the corporation’s alternative minimum taxable income exceeds \$150,000, is then subject to a 20% minimum tax.

A small business corporation is exempt from the corporate alternative minimum tax for any taxable year beginning after December 31, 1997, if its average annual gross receipts during the three-taxable-year period beginning after December 31, 1993, did not exceed \$5,000,000, and its average annual gross receipts during each successive three-taxable-year period thereafter ending before the relevant taxable year did not exceed \$7,500,000.

Tax on Certain Passive Investment Income of S Corporations. Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax. Interest on the Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Possible Consequences of Tax Compliance Audit. The Internal Revenue Service (the “IRS”) has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome.

CERTAIN OTHER FEDERAL TAX CONSEQUENCES

Bonds “Qualified Tax-Exempt Obligations” for Financial Institutions. Section 265 of the Code provides that 100% of any interest expense incurred by banks and other financial institutions for interest allocable to tax-exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax-exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as “qualified tax-exempt obligations,” only 20% of any interest expense deduction allocable to those obligations will be disallowed.

The District is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing less than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) during the current calendar year, and has designated the Bonds as “qualified tax-exempt obligations” for purposes of the 80% financial institution interest expense deduction. Therefore, only 20% of the interest expense deduction of a financial institution allocable to the Bonds will be disallowed for federal income tax purposes.

Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies. Under Section 832 of the Code, interest on the Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15% of tax-exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Bonds into account in determining gross income.

Other Possible Federal Tax Consequences. Receipt of interest on the Bonds may have other federal tax consequences as to which prospective purchasers of the Bonds may wish to consult their own tax advisors.

Original Issue Discount. The Bonds maturing in the year 2023 have been sold at prices reflecting original issue discount (“Discount Bonds”). Under existing law, the original issue discount in the selling price of each Discount Bond, to the extent properly allocable to each owner of such Discount Bond, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds of such maturity were sold.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond will be treated as gain from the sale or exchange of such Discount Bond.

The portion of original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. The accrual of such portion of the original issue discount will be included in the calculation of alternative minimum tax liability as described above, and may result in an alternative minimum tax liability even though the owner of such Discount Bond will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the first offering price at which a substantial amount of those Discount Bonds were sold to the public, or who do not purchase Discount Bonds in the initial public offering, should consult their own tax advisors with respect to the tax consequences of the ownership of such Discount Bonds. Owners of Discount Bonds who sell or otherwise dispose of such Discount Bonds prior to maturity should consult their own tax advisors with respect to the amount of original issue discount accrued over the period such Discount Bonds have been held and the amount of taxable gain or loss to be recognized upon that sale or other disposition of Discount Bonds. Owners of Discount Bonds also should consult their own tax advisors with respect to state and local tax consequences of owning such Discount Bonds.

Original Issue Premium. The Bonds maturing in the years 2011 through 2018, inclusive have been sold at prices reflecting original issue premium (“Premium Bonds”). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. The amount of amortizable premium allocable to an interest accrual period for a Premium Bond will offset a like amount of qualified stated interest on such Premium Bond allocable to that accrual period, and may affect the calculation of alternative minimum tax liability described above. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the District, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, any proceedings of the District taken with respect to the issuance or sale thereof, or the validity of the District's rates for sewer services.

UNDERWRITING

D. A. Davidson & Co. (the "Underwriter") has agreed, subject to the terms of a Bond Purchase Contract, to purchase the Bonds from the District at a price of 99.198381% of the par value of the Bonds. The Bonds are being offered for sale to the public at the price shown on the inside cover of this Official Statement. Concessions from the initial offering price may be allowed to selected dealers and special purchasers. The initial offering price is subject to change after the date hereof.

RATINGS

As noted on the cover page of this Official Statement, Standard and Poor's Rating Services, New York, New York ("S&P") has assigned its municipal rating of "AA+" to this issue of Bonds (the "underlying rating"). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. The underlying rating reflects only the view of S&P and an interpretation of such rating may be obtained only from S&P. There is no assurance that the underlying rating will be retained for any given period of time or that the underlying rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the underlying rating would be likely to have an adverse effect on the market price of the Bonds. Any further explanation of the underlying rating may be obtained from S&P.

NO CONFLICTS OF INTEREST

The District is not aware of the existence of any actual or potential conflict of interests, breach of duty or less than arm's-length transaction regarding the selection of the Underwriter, Bond Counsel and other participants in the offering of the Bonds. Further, the District is not aware of any undisclosed payments to obtain underwriting assignments and undisclosed agreements or arrangements, including fee splitting, between the Underwriter and other participants in the offering of the Bonds.

COMMITMENT TO PROVIDE CONTINUING DISCLOSURE

In order to permit participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the District will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Bond Resolution, to provide certain specified information, if customarily prepared and publicly available, to the state information depository or, if no such depository exists, to any person upon request, and to provide notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The District is the only

“obligated person” in respect of the Bonds within the meaning of the Rule and, giving effect to the issuance of the Bonds, there will not be more than \$10 million in principal amount of municipal securities outstanding on the date of issuance of the Bonds as to which the District is an obligated person excluding municipal securities exempt from the Rule under paragraph (d)(1) thereof. The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix B to this Official Statement.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Bonds or the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the District to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price. The District has not failed to comply with the requirements of any previous undertaking specified in paragraph (b)(5)(i) of Rule 15c2-12.

ADDITIONAL INFORMATION AND MISCELLANEOUS

The descriptions herein of the Bond Resolution and other documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents and contracts, copies of which are available, upon request and upon payment to the District of a charge for copying, mailing and handling, from the District Manager Mr. Dana R. Dick, P.O. Box 69550, Seattle, WA 98168, telephone (206) 242-3236, fax (206) 242-1527.

The summaries and descriptions contained in this Official Statement and the Appendices hereto of the provisions of the Bonds, the Bond Resolution and all reference to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. This Official Statement is not to be construed as a contract or agreement between the District and the Underwriter or holders of any of the Bonds.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact. No representation is made that any of such statements will be realized.

DISCLOSURE STATEMENT

The District will deliver to the Underwriter at the time of the delivery of the Bonds statements substantially to the effect that the Official Statement, including its appendices (but not including the information about DTC under “THE BONDS – Book-Entry System”) did not, at the time the Bonds are issued, contain any untrue statement of a material fact or omit to state a material fact where necessary to make a statement not misleading in light of the circumstances under which it was made, and was true and correct in all material respects.

APPROVAL OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement have been duly authorized by the District.

VALLEY VIEW SEWER DISTRICT
King County, Washington

By: /s/ Rick Forschler
Chairman of the Board of Sewer Commissioners

ATTEST:

By: /s/ Dana R Dick
Manager

APPENDIX A

Economic and Demographic Information

COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

The following discussion includes descriptive information obtained from a variety of sources. The information is presented to provide the reader with an overview of the District's economy, but is not intended to be exhaustive or comprehensive.

Local Economic Overview

Valley View Sewer District (the "District") is located in northwestern Washington in King County (the "County"). The District encompasses approximately 6,000 acres south of the Seattle City limits. The District service area is within the limits of the cities of Burien, SeaTac and Tukwila and within unincorporated King County

The County encompasses 2,128 square miles, ranking 11th in geographical size of Washington's 39 counties, but first in population. Seattle is the largest city in the Pacific Northwest and serves as the County seat. The County and Snohomish and Island Counties to the north together comprise the Seattle Primary Metropolitan Statistical Area (the "Seattle PMSA"), which is the fourth-largest metropolitan center on the Pacific Coast. In addition to the City of Seattle, principal cities of the Seattle PMSA include Auburn, Bellevue, Bothell, Burien, Federal Way, Issaquah, Kent, Mercer Island, Redmond, Renton, Shoreline, and Woodinville, all of which are in the County, and Everett, Edmonds, Mountlake Terrace and Lynnwood in Snohomish County. These communities serve as residential, commercial, and industrial satellites of Seattle.

Seattle PMSA's employment base is well diversified, with strengths in manufacturing, trade services and government sectors. In 2006, manufacturing comprised about 8.0% of the area's employment. In the non-manufacturing sectors, services in aggregate was the largest sector with over 41.0% of the total employment, wholesale and retail trade comprised almost 14.1% and government and government enterprises 11.2%. In 2006, the manufacturing industry contributed 12.2% of the total personal income in the County, the most of any industry, information services industry contributed approximately 11.7% of the total personal income in the County, followed by wholesale and retail trade with 11.5% and government and government enterprises with 10.6%. The U.S. Defense Department is one of the largest employers in the Puget Sound region. Major facilities include Fort Lewis Army Base in Pierce County, the Puget Sound Naval Shipyard in Bremerton (Kitsap County), Bangor Naval Submarine Base in Kitsap County, McChord Air Force Base in Pierce County and Naval Station Everett.

The area's universities and research institutions serve as catalysts in the expansion of high tech industries. Other key factors that support continued growth include the existing industry base; a well-trained labor force; relatively low cost power; and a progressive business climate with excellent transportation access to worldwide markets.

Population Trends

The County is the most populated county in the State. Historical population trends are presented below for the City of Seattle, the County and the State to represent population trends in the area. Historical populations for the District are not tracked by the U.S. Bureau of the Census or the Washington State Office of Financial Management and are not available for purposes of this Official Statement.

Year	City of Seattle	Percent of Change	King County	Percent of Change	State of Washington	Percent of Change
2008 ¹	592,800	5.2%	1,884,200	8.5%	6,587,600	11.8%
2000	563,376	5.4	1,737,046	15.2	5,894,143	21.1
1990	516,259	4.5	1,507,305	18.7	4,866,663	17.8
1980	493,843	--	1,269,898	--	4,132,353	--

¹ Intercensus estimate as of April 2008 reported by the State Office of Financial Management.

Source: U.S. Bureau of the Census and Washington State Office of Financial Management.

Trends in Building Permits

The following table shows the annual new privately-owned residential building permits in Seattle and King County as estimated and reported by the U.S. Census Bureau.

Year	Seattle		King County	
	Number ¹	Value	Number ¹	Value
2007	1,538	\$834,551,924	6,154	\$2,750,229,152
2006	907	687,619,778	6,300	2,644,037,206
2005	830	372,544,970	6,865	2,296,588,684
2004	940	357,269,721	7,318	2,136,048,638
2003	1,010	313,967,922	6,698	1,852,659,732

¹ Represents the number of buildings and the not number of units.

Source: U.S. Census Bureau

Historical Taxable Retail Sales

The following table lists the taxable retail sales for all industries within the City of Seattle and the County since 2003. Figures shown are in (000's).

Year	City of Seattle	King County
2007	\$17,030,512	\$47,766,339
2006	15,564,363	43,993,479
2005	14,231,317	40,441,997
2004	12,868,301	37,253,278
2003	12,522,829	35,370,831

Source: Washington State Department of Revenue

Major Employers

The major employers in the County in 2007 as reported by the Puget Sound Business Journal Book of Lists, 2007, are shown in the following tables.

Employer	Type of Business Activity	Employment ¹
1. Starbucks Coffee	Retail	115,000
2. Washington Mutual, Inc.	Financial Services	63,720
3. Costco Wholesale*	Wholesaler	62,150
4. Microsoft Corporation*	Software	57,000
5. Weyerhaeuser Co. *	Forestry Products	49,900
6. Nordstrom, Inc.	Retail	46,000
7. Paccar Inc. *	Truck Manufacturer	21,900
8. Alaska Air Group	Airlines	13,768
9. Amazon.com, Inc	On-Line Retailer	12,000
10. Safeco Corporation	Insurance	9,181

* Fortune 500 Company

¹ Accounts for the total number of full-time employees for the company, not just those located in King County. However, all of the employers are headquarter in the County.

Source: Enterprise Seattle and Puget Sound Business Journal's Book of Lists

Employment by Major Industry

The table below sets forth the total number of full-time and part-time employees in the County for the years and industries as shown.

	2003	2004	2005	2006
Employment by Place of Work:				
Total Employment	1,388,550	1,416,560	1,454,046	1,506,591
By Type:				
Wage and Salary	1,164,837	1,174,811	1,197,120	1,233,816
Proprietor	223,713	241,749	256,926	272,775
Farm	1,267	1,245	1,241	1,219
Non-Farm	222,446	240,504	255,685	271,556
By Industry:				
Farm	2,076	1,903	1,916	1,901
Non-Farm	1,386,474	1,414,657	1,452,130	1,504,690
Private	1,216,861	1,245,409	1,283,011	1,335,235
Ag. Services, Forestry, Fish. & Other	4,665	4,764	4,655	4,729
Mining	1,496	1,379	1,328	1,298
Utilities	1,183	966	963	1,033
Construction	72,842	75,834	81,717	90,083
Manufacturing	113,025	110,992	114,229	120,972
Wholesale Trade	67,842	68,605	68,983	70,015
Retail Trade	138,121	138,623	140,695	142,087
Transportation and Warehousing	50,937	52,700	52,778	53,871
Information	71,693	71,778	74,324	78,541
Finance, Insurance & Real Estate	70,845	69,900	70,144	71,403
Real Estate, Rental and Leasing	61,599	68,402	75,587	82,499
Professional and Technical Services	125,894	129,058	132,725	138,927
Management of Companies	22,984	23,618	24,653	25,221
Administrative and Waste Services	74,202	79,408	83,832	88,637
Educational Services	27,868	29,051	29,024	30,467
Healthcare and Social Assistance	117,749	121,340	125,233	127,697
Art, Entertainment and Recreation	37,299	39,379	39,216	39,961
Accommodation and Food Services	87,068	88,435	91,575	94,187
Other Services	69,549	71,177	71,350	73,607
Government & Government Enterprises	169,613	169,248	169,119	169,455
Federal/Civilian	22,770	22,601	21,860	21,409
Military	7,686	7,497	7,229	7,076
State and Local	139,157	139,150	140,030	140,970

Source: U.S. Department of Commerce, Regional Economic Information System, Bureau of Economic Analysis.

Labor Force and Unemployment

The following table shows labor force and employment data for the County since 2003 as well as unemployment rates for the State and the United States for the same period.

Year	King County		--- Unemployment Rates ---		
	Labor Force	Employment	King County	State of Washington	United States
2007	1,088,780	1,049,440	3.6%	4.8%	4.6%
2006	1,044,340	1,010,700	4.2	5.1	4.6
2005	1,010,950	961,600	4.8	5.5	5.1
2004	994,800	976,700	5.2	6.3	5.5
2003	989,690	949,700	6.2	7.4	6.0

Source: Washington Employment Department and U.S. Department of Labor-Bureau of Labor Statistics

Personal Income Trends

The following table shows total and per capita personal income growth in the County from 2002 through 2006.

Year	Total Personal Income (000's)	Percent of Change	Per Capita Income	Percent of Change
2006	\$96,579,228	9.67%	\$52,655	7.92%
2005	88,065,435	(0.39)	48,789	(1.50)
2004	88,407,884	11.63	49,533	10.80
2003	79,199,166	1.61	44,704	1.03
2002	77,940,608	n/a	44,250	n/a

Source: U.S. Department of Commerce, Regional Economic Information Center, Bureau of Economic Analysis

Earnings By Industry

The following table shows the County total personal income as well as wage and salary, labor and proprietors' earnings by major industry type for the years 2002 through 2006. Figures shown are in thousands (000's).

	2003	2004	2005	2006
Total Personal Income	\$79,199,166	\$88,407,884	\$88,065,435	\$96,579,228
Earnings by Industry				
Farm	46,947	44,549	41,447	31,895
Non-Farm	77,929,394	81,286,559	85,164,914	92,379,839
Private	68,899,044	71,845,852	75,335,363	82,097,019
Ag. Serv., Forest., Fishing	532,288	499,780	445,622	474,911
Mining	45,633	54,859	51,105	59,980
Utilities	278,037	249,908	275,013	304,960
Construction	4,288,247	4,559,559	5,046,782	5,677,908
Manufacturing	8,945,325	9,685,148	10,636,672	11,758,439
Wholesale Trade	4,779,800	5,241,330	5,291,383	5,702,169
Retail Trade	4,603,284	4,788,558	5,134,606	5,386,249
Transportation and Warehousing	2,994,491	3,365,950	3,328,151	3,446,021
Information	11,263,894	10,220,123	10,179,834	11,287,560
Finance and Insurance	5,175,423	5,423,995	5,722,476	6,309,497
Real Estate, Rental and Leasing	2,131,558	2,327,909	2,325,695	2,436,522
Professional/Technical Services	8,222,206	8,478,471	9,212,493	10,039,643
Management of Companies/Enterprises	2,115,186	2,375,533	2,376,378	2,785,421
Administrative and Waste Services	2,826,328	3,080,580	3,289,481	3,609,735
Educational Services	595,622	650,289	646,024	682,848
Healthcare and Social Assistance	5,355,971	5,762,145	6,060,276	6,429,781
Arts, Entertainment and Recreation	930,148	1,075,941	1,099,946	1,165,916
Accommodation and Food Services	1,891,568	2,007,650	2,120,620	2,347,828
Other Services	1,924,035	1,998,124	2,092,806	2,191,631
Gov't & Gov't Enterprises	9,030,350	9,440,707	9,829,551	10,282,820
Federal/Civilian	1,858,618	2,002,453	2,003,943	2,009,226
Military	303,532	,321,874	347,990	330,330
State and Local	6,868,200	7,116,380	7,477,618	7,943,264

Source: U.S. Department of Commerce, Regional Economic Information Center, Bureau of Economic Analysis. Data for 2006 is most recent available.

[This Page Intentionally Left Blank.]

APPENDIX B

Continuing Disclosure

FORM COMMITMENT TO PROVIDE CONTINUING DISCLOSURE

Basic Undertaking to Provide Annual Financial Information and Notice of Material Events.

To meet the conditions of paragraph (d)(2) of United States Securities and Exchange Commission (“SEC”) Rule 15c2-12 (the “Rule”) as required to qualify for the limited exemption from paragraph (b)(5) of the Rule, as applicable to a participating underwriter for the Bonds, the District will undertake (the “Undertaking”) for the benefit of holders of the Bonds to provide or cause to be provided, either directly or through a designated agent, to any person upon request, or annually to a state information depository, if any, established in the state of Washington (the “SID”), annual financial information and operating data of the type included in this Official Statement for the Bonds that is customarily prepared by the District and otherwise publicly available (“annual financial information”); and to each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule (“NRMSIR”) or the Municipal Securities Rulemaking Board (“MSRB”), and to the SID, timely notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of holders of the Bonds;
- (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds);
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds; and
- (11) rating changes.

Type of Annual Financial Information Undertaken to be Provided

The annual financial information that the District undertakes to provide may be requested from the Manager of the District, whose current address and telephone number are:

Valley View Sewer District
Assistant Manager
3460 South 148th, Suite 100
P.O. Box 69550
Seattle, Washington 98168
(206) 242-3236
Fax: (206) 242-1527

Amendment of Undertaking.

The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule.

The District will give notice to each NRMSIR or the MSRB, and the SID, of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

Beneficiaries

The Undertaking evidenced by this section shall inure to the benefit of the District and any holder of Bonds, and shall not inure to the benefit of or create any rights in any other person.

Termination of Undertaking

The District's obligations under the Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the District's obligations under the Undertaking shall terminate if those provisions of the Rule that require the District to comply with the Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the District, and the District provides timely notice of such termination to each NRMSIR or the MSRB and the SID.

Remedy for Failure to Comply with Undertaking

If the District or any other obligated person fails to comply with the Undertaking, the District will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the District learns of that failure. No failure by the District or other obligated person to comply with the Undertaking will constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the District or other obligated person to comply with the Undertaking.

Designation of Official Responsible to Administer Undertaking

The Assistant Manager (or such other officer of the District who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the District in respect of the Bonds set forth in this section and in accordance with the Rule.

Centralized Dissemination Agent

To the extent authorized by the SEC, the District may satisfy the Undertaking by transmitting the required filings using <http://www.disclosureusa.org> (or such other centralized dissemination agent as may be approved by the SEC).

[This Page Intentionally Left Blank.]

APPENDIX C

**Form of
Legal Opinion**

[FORM OF APPROVING LEGAL OPINION]

Valley View Sewer District
King County, Washington

Re: Valley View Sewer District, King County, Washington,
\$1,835,000 Sewer Revenue Bonds, 2008

We have served as bond counsel to Valley View Sewer District, King County, Washington (the “District”), in connection with the issuance of the above-referenced bonds (the “Bonds”), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation

The Bonds are issued by the District pursuant to Resolution No. 2008-5 (the “Bond Resolution”) to provide funds with which to finance portions of the District’s Comprehensive Plan, including the 2008 Improvements, to pay the cost of District buildings, and to capitalize a reserve for and pay the costs of issuance and sale of the Bonds, all as provided in the Bond Resolution.

The Bonds are payable solely out of the Sewer Revenue Bond Fund (the “Bond Fund”), into which fund the District irrevocably has pledged and bound itself to set aside and pay all ULID Assessments and, out of the Net Revenue of the System, certain fixed amounts without regard to any fixed proportion, namely, amounts sufficient to pay the principal of and interest on the Parity Bonds when due and to create and maintain a reserve, all at the times and in the manner provided by the Bond Resolution.

The Net Revenue of the System and ULID Assessments have been pledged to the payment of the Parity Bonds, and this pledge constitutes a lien and charge on that Net Revenue of the System and ULID Assessments prior and superior to any other charges whatsoever. The Bonds are not general obligations of the District.

Reference is made to the Bond Resolution for the definitions of the capitalized terms used and not otherwise defined herein.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

Under the Internal Revenue Code of 1986, as amended (the “Code”), the District is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The District has covenanted in the Bond Resolution to comply with those requirements, but if the District fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the District’s compliance with such requirements.

Based upon the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The District is a duly organized and legally existing municipal corporation of the State of Washington;
2. The Bonds are issued in full compliance with the provisions of the Constitution and laws of the State of Washington and the resolutions of the District relating thereto;
3. The Bonds constitute valid obligations of the District payable solely out of ULID Assessments and the Net Revenue of the System to be paid into the Bond Fund, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases;
4. The Bonds are not general obligations of the District; and
5. Assuming compliance by the District after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

APPENDIX D

2006 Audited Financial Statements

[This Page Intentionally Left Blank.]

Washington State Auditor's Office
Financial Statements Audit Report

Val Vue Sewer District
(Valley View Sewer District)
King County

Audit Period
January 1, 2006 through December 31, 2006

Report No. 73685

Issue Date
December 10, 2007



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

December 10, 2007

Board of Commissioners
Valley View Sewer District
Seattle, Washington

Report on Financial Statements

Please find attached our report on the Valley View Sewer District's financial statements.

We are issuing this report in order to provide information on the District'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

Table of Contents

**Valley View Sewer District
King County
January 1, 2006 through December 31, 2006**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Financial Statements	3
Financial Section	5

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

Valley View Sewer District King County January 1, 2006 through December 31, 2006

Board of Commissioners
Valley View Sewer District
Seattle, Washington

We have audited the financial statements of the Valley View Sewer District, King County, Washington, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 18, 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 District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District'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 District's financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

This report is intended for the information and use of management and the Board of Commissioners. 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

October 18, 2007

Independent Auditor's Report on Financial Statements

Valley View Sewer District King County January 1, 2006 through December 31, 2006

Board of Commissioners
Valley View Sewer District
Seattle, Washington

We have audited the accompanying basic financial statements of the Valley View Sewer District, King County, Washington, as of and for the years ended December 31, 2006 and 2005, as listed on page 5. These financial statements are the responsibility of the District'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Valley View Sewer District, as of December 31, 2006 and 2005, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 6 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.
audits were

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

October 18, 2007

Financial Section

**Valley View Sewer District
King County
January 1, 2006 through December 31, 2006**

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2006

BASIC FINANCIAL STATEMENTS

Balance Sheet – 2006

Statement of Revenues, Expenses and Changes in Net Assets – 2006

Statement of Cash Flows – 2006

Notes to Financial Statements – 2006



INTRODUCTION

Val Vue Sewer District was organized in 1946 to provide sewer services to customers residing within the District boundaries. Our mission is to provide our ratepayers with excellent customer service by offering safe, reliable and efficient sewer service and to provide our employees a working environment that protects their health and safety and encourages professional development. The District is dedicated to working toward a better environment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of management's discussion and analysis presents our review of the District's financial position as of December 31, 2006 and 2005 and our financial performance for the years then ended. Please read these comments in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include a balance sheet, statement of revenues, expenses and changes in net assets, statement of cash flows and notes to the financial statements.

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

The statement of revenues, expenses and changes in net assets presents the results of the District's business activities over the course of the year. This information can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, and to evaluate our profitability and credit worthiness.

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

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

CONDENSED FINANCIAL INFORMATION

CONDENSED BALANCE SHEETS AT DECEMBER 31

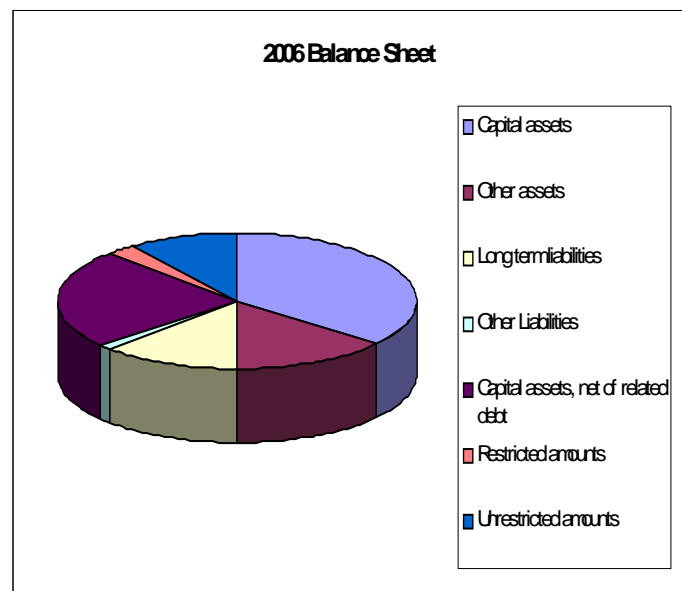
	2006	2005	2004
Capital assets	\$ 30,416,643	\$ 25,983,784	\$ 24,924,824
Other assets	11,992,235	11,619,873	11,043,290
Total assets	<u>\$ 42,408,878</u>	<u>\$ 37,603,657</u>	<u>\$ 35,968,114</u>
Long term liabilities	10,710,982	8,479,182	7,724,415
Other Liabilities	1,099,636	1,023,313	1,014,559
Total liabilities	<u>\$ 11,810,618</u>	<u>\$ 9,502,495</u>	<u>\$ 8,738,974</u>
Capital assets, net of related debt	19,949,195	17,170,488	17,426,920
Restricted amounts	2,220,193	1,645,195	1,378,572
Unrestricted amounts	8,428,872	9,285,478	8,423,648
Total net assets	<u>\$ 30,598,260</u>	<u>\$ 28,101,161</u>	<u>\$ 27,229,140</u>

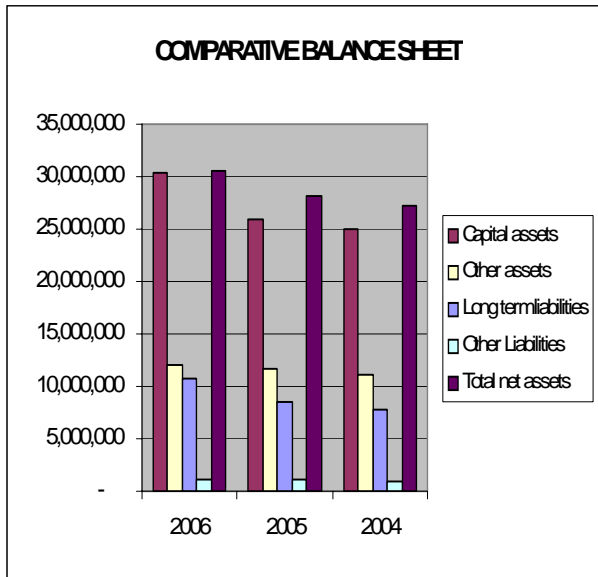
CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS FOR THE YEAR ENDED

	2006	2005	2004
Sewer service charges	\$ 5,973,840	\$ 5,794,632	\$ 5,201,639
Other operating revenue	222,136	223,650	143,831
Total operating revenues	6,195,976	6,018,282	5,345,470
Operating costs	4,767,521	4,714,908	4,284,055
General and administrative expenses	901,542	873,711	746,111
Depreciation and amortization	760,997	732,851	701,533
Total operating expenses	6,430,060	6,321,470	5,731,699
Operating Loss	(234,084)	(303,188)	(386,229)
Non-operating revenue	467,899	328,310	214,438
Non-operating expenses	(99,505)	(142,430)	(156,508)
Capital contributions	2,362,789	989,329	1,799,327
Increase in net assets	<u>\$ 2,497,099</u>	<u>\$ 872,021</u>	<u>\$ 1,471,028</u>

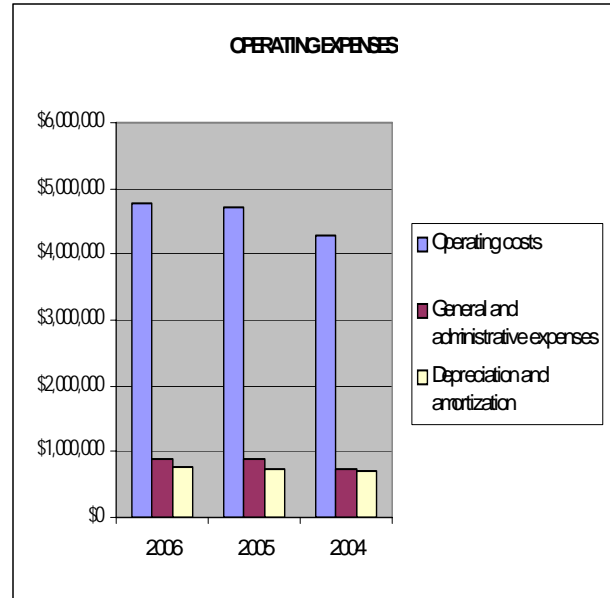
FINANCIAL POSITION

The District's overall financial position continues to be strong. The District is financed primarily by equity. Substantial liquid assets are available to fund liabilities and construction. Capital assets are increasing due to continuing growth in the District's customer base and upgrading the existing system to increase capacity. The following charts indicate the components of financial position.



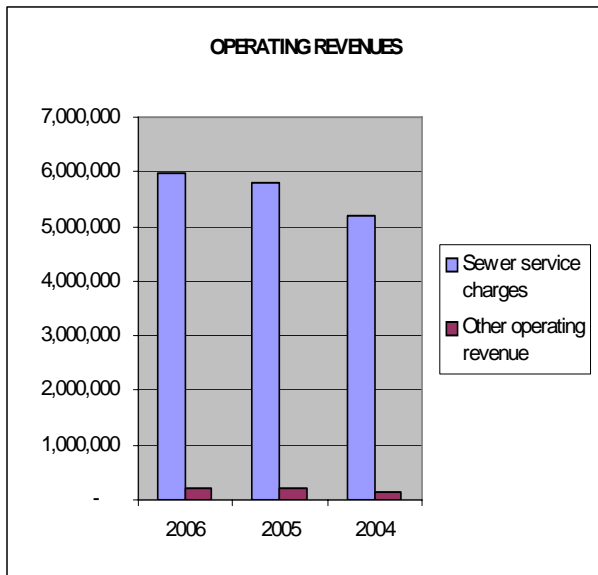


The following chart indicates operating expenses over the last two years.



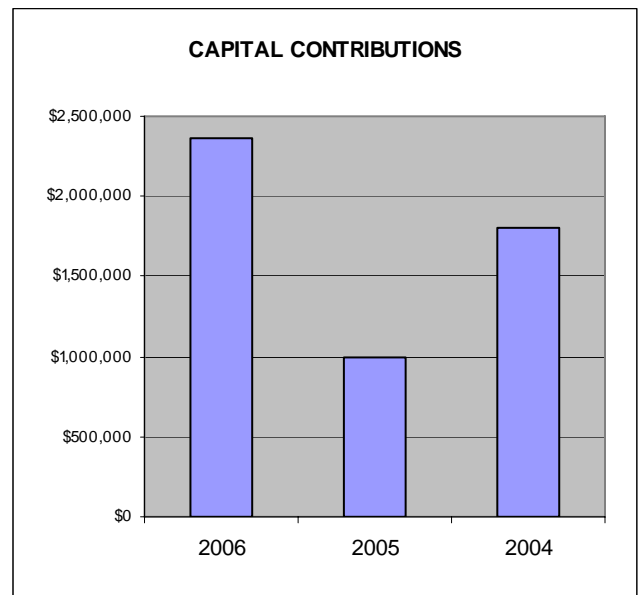
RESULTS OF OPERATIONS

Operating revenues are received from sewer service charges. The following chart indicates operating revenue over the last three years.



The District has operated at a loss in each of the past three years. The District's philosophy is not to provide for all depreciation through rates based on the principle that connection charges and other fees also contribute to the cost of the sewer system. The operating loss is mitigated by earnings on investments and other non-operating revenues and capital contributions.

The District collects capital contributions from new customers. These contributions consist of connections charges, ULID assessments, and donated systems. The following chart indicates capital contributions over the past three years.



The increase in revenues in 2006 and 2005 is due to a rate increase in 2005 and growth of the customer base in both years.

The contributions are indicative of the growth of the District and include the following:

	2006	2005	2004
Donated Systems (valuation adjustment) ULID	\$81,759	\$(60,890)	\$502,740
Assessments Port of Seattle – AKART Line	904,473	586,796	611,082
	908,364		

CAPITAL ASSETS AND LONG-TERM DEBT

The capital assets of the District have increased due to donated systems, system improvements and growth in the customer base and include the following significant construction projects and asset acquisitions:

2006:

Joint Administration Building	\$1,098,856
Comprehensive Plan	62,044
AKART Line	467,809
McMicken Heights	52,075
South 132 nd Street	247,204
ULID #39	618,448
ULID #41	611,593
ULID #43	755,737
ULID #44	188,995
Gracey Extension	150,576
Cedarhurst Relocation	108,576
River Vista	92,113
Property at 14806 Military Road	210,121
Easement Roller	84,113
Donated Systems	81,759

2005:

District Office	\$90,254
Boeing / Towing / Pacific Highway South	304,822
37 th & 137 th	63,536
ULID 37	599,092
ULID 38	73,946
ULID 39	47,737
ULID 41	44,382
GIS System	44,918
Land Purchase	206,875

The increase in long-term debt is due to the issuance of long-term debt to fund the construction projects discussed above, other miscellaneous projects and an advance refunding in 2006.

See notes 4, 5 and 6 in the financial statements for detail activity in capital assets and long-term debt.

The advance refunding occurred on February 1, 2006 when the District issued \$2,605,000 of Sewer Revenue and Refunding bonds to advance refund \$1,145,000 of outstanding bonds and to provide additional funds for construction. See note 7 in the financial statements for details of the refunding

As of December 31, 2006, the District has \$4,136,665 of cash and cash equivalents set aside in construction accounts of which \$277,464 was committed under existing construction contracts.

ADDITIONAL COMMENTS

The District is dependant on King County Wastewater Treatment Division (KCWTD/METRO) for the treatment of sewage collected by the District. The cost for this service charged to the District continues to increase. The District intends to adjust rates to compensate for increases in its direct treatment cost.

VAL VUE SEWER DISTRICT
BALANCE SHEET
DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Unrestricted:		
Cash and cash equivalents	\$ 6,066,872	\$ 7,562,382
Accounts receivable – users	585,427	472,523
Accounts receivable – other	508,192	72,521
Accrued utility revenue	457,409	261,912
Interest receivable	94,694	75,933
Prepaid expenses	50,526	43,796
Contracts receivable – current portion	<u>50,750</u>	<u>55,792</u>
	<u>7,813,870</u>	<u>8,544,859</u>
Restricted:		
Cash and cash equivalents	1,291,521	838,210
Interest receivable	5,477	2,515
Assessments receivable - current portion	<u>158,891</u>	<u>110,316</u>
	<u>1,455,889</u>	<u>951,041</u>
NONCURRENT ASSETS:		
Unrestricted:		
Contracts receivable, less current portion	885,946	880,756
Preliminary surveys and investigations	<u>31,325</u>	<u>64,195</u>
	<u>917,271</u>	<u>944,951</u>
Restricted:		
Assessments receivable, less current portion	<u>1,805,205</u>	<u>1,179,022</u>
	<u>1,805,205</u>	<u>1,179,022</u>
Capital assets:		
Plant in service	36,425,098	34,766,959
Less accumulated depreciation	<u>(11,798,323)</u>	<u>(11,037,326)</u>
Net plant in service	24,626,775	23,729,633
Construction work in progress	<u>5,789,868</u>	<u>2,254,150</u>
	<u>30,416,643</u>	<u>25,983,783</u>
TOTAL	<u>\$ 42,408,878</u>	<u>\$ 37,603,656</u>

See notes to financial statements.

VAL VUE SEWER DISTRICT

BALANCE SHEET (continued)
DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Payable from unrestricted assets:		
Accounts payable	\$ 56,497	\$ 75,234
Side sewer deposits payable	7,922	3,509
Accrued compensated absences	119,350	105,776
Retainage payable	96,869	
Accrued interest	21,631	19,815
Long-term debt - current maturities	<u>508,549</u>	<u>505,849</u>
	<u>810,818</u>	<u>710,183</u>
Payable from restricted assets:		
Accounts payable	1,120	6,258
Retainage payable	25,394	12,148
Accrued interest	12,304	9,724
Long-term debt - current maturities	<u>250,000</u>	<u>285,000</u>
	<u>288,818</u>	<u>313,130</u>
NONCURRENT LIABILITIES:		
Long-term debt payable from unrestricted assets, net of current maturities	<u>7,574,888</u>	<u>6,483,822</u>
Long-term debt payable from restricted assets, net of current maturities	<u>3,136,094</u>	<u>1,995,360</u>
TOTAL LIABILITIES	<u>11,810,618</u>	<u>9,502,495</u>
NET ASSETS:		
Invested in capital assets, net of related debt	19,949,195	17,170,488
Restricted for debt service	2,220,193	1,645,195
Unrestricted	<u>8,428,872</u>	<u>9,285,478</u>
	<u>30,598,260</u>	<u>28,101,161</u>
TOTAL	<u>\$42,408,878</u>	<u>\$37,603,656</u>

See notes to financial statements.

VAL VUE SEWER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUE:		
Service charges:		
Commercial and apartments	\$ 3,298,831	\$ 3,143,136
Residential	<u>2,675,009</u>	<u>2,651,496</u>
Total service charges	5,973,840	5,794,632
Late charges	92,170	88,271
Permit fees	29,944	18,524
Flush truck services	1,135	11,179
Miscellaneous	<u>98,887</u>	<u>105,676</u>
	<u>6,195,976</u>	<u>6,018,282</u>
OPERATING EXPENSE:		
Collection and transmission	4,578,915	4,570,690
Pumping	147,761	112,584
Infiltration and inflow	40,845	31,634
General and administrative	901,542	873,711
Depreciation	<u>760,997</u>	<u>732,851</u>
	<u>6,430,060</u>	<u>6,321,470</u>
OPERATING LOSS	<u>(234,084)</u>	<u>(303,188)</u>
NON OPERATING REVENUE:		
Investment income, net of service fees and amount capitalized	365,402	223,607
Interest on assessments	57,848	54,253
Interest on contracts	40,997	43,700
Other interest	<u>3,652</u>	<u>6,750</u>
	<u>467,899</u>	<u>328,310</u>
NON OPERATING EXPENSE:		
Interest on long-term debt - net of amount capitalized	78,840	125,013
Amortization of debt discount, issue costs and refunding loss	<u>20,665</u>	<u>17,417</u>
	<u>99,505</u>	<u>142,430</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	134,310	(117,308)
CAPITAL CONTRIBUTIONS	<u>2,362,789</u>	<u>989,329</u>
CHANGE IN NET ASSETS	2,497,099	872,021
TOTAL NET ASSETS, JANUARY 1	<u>28,101,161</u>	<u>27,229,140</u>
TOTAL NET ASSETS, DECEMBER 31	<u>\$30,598,260</u>	<u>\$28,101,161</u>

See notes to financial statements.

VAL VUE SEWER DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 5,898,495	\$ 5,845,785
Cash paid to vendors	(4,752,211)	(4,686,853)
Cash paid to and for employees and commissioners	(911,545)	(862,018)
Issuance of side sewer contracts receivable	(12,770)	(51,859)
Collections on side sewer contracts receivable	10,784	28,397
Interest received	6,470	10,922
Net cash provided by operating activities	<u>239,223</u>	<u>284,374</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital contributions	795,381	343,819
Proceeds from issuance of long-term debt	4,204,615	1,515,138
Collections on ULID assessments receivable	229,715	383,174
Collections on contracts receivable	114,785	220,725
Interest received on contracts and assessments	79,204	90,122
Expenditures for plant in service and construction	(4,991,451)	(1,993,422)
Payment on long-term debt	(805,849)	(612,618)
Payment to escrow account to refund bonds, net of amount representing interest	(1,210,162)	
Discount and issue costs paid on issuance of long-term debt	(9,769)	
Interest paid on long-term debt (net of amount capitalized)	(74,444)	(123,204)
Net cash used in financing activities	<u>(1,667,975)</u>	<u>(176,266)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collections on contract with City of Tukwila	26,050	26,050
Interest received on investments and city contract (net of amount capitalized)	360,503	216,706
Net cash provided by investing activities	<u>386,553</u>	<u>242,756</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,042,199)	350,864
CASH AND CASH EQUIVALENTS AT JANUARY 1	<u>8,400,592</u>	<u>8,049,728</u>
CASH AND CASH EQUIVALENTS AT DECEMBER 31	<u>\$ 7,358,393</u>	<u>\$ 8,400,592</u>
CASH AND CASH EQUIVALENTS BALANCE IS COMPOSED OF THE FOLLOWING AT DECEMBER 31:		
Cash and cash equivalents - current assets	\$ 6,066,872	\$ 7,562,382
Cash and cash equivalents - restricted current assets	<u>1,291,521</u>	<u>838,210</u>
	<u>\$ 7,358,393</u>	<u>\$ 8,400,592</u>

See notes to financial statements.

VAL VUE SEWER DISTRICT

STATEMENT OF CASH FLOWS (continued)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (234,084)	\$ (303,188)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	760,997	732,851
(Increase) decrease in assets:		
Accounts receivable	(297,481)	(172,497)
Prepaid expenses	(6,730)	(5,184)
Side sewer contracts	(6,399)	7,279
Increase (decrease) in liabilities:		
Accounts payable	(1,537)	33,239
Side sewer deposits payable	4,413	(30,741)
Accrued compensated absences	13,574	11,693
Interest income	<u>6,470</u>	<u>10,922</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 239,223</u>	<u>\$ 284,374</u>
SUPPLEMENTAL SCHEDULE OF SIGNIFICANT NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Contract assessments	\$ 134,585	\$ 119,604
ULID assessments	904,473	586,796
Utility plant donations received and adjustments to estimated value of utility plant donations received	81,759	(60,890)
Port of Seattle contribution receivable	446,591	

See notes to financial statements.

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 1: Description of Business, Nature of Operations and Significant Accounting Policies

Description of business, nature of operations and reporting entity:

Val Vue Sewer District, a municipal corporation organized under the laws of the state of Washington, was created for the purpose of constructing, maintaining and operating a sewer system within its boundaries, which encompass a portion of the cities of SeaTac, Burien and Tukwila, Washington and surrounding unincorporated areas. The District has no component units.

Basis of presentation and accounting:

These financial statements are prepared utilizing the flow of economic resources measurement focus and full accrual basis of accounting, except interest on assessments is recorded when received. As permitted by governmental accounting standards, the District does not apply standards issued by the Financial Accounting Standards Board issued after November 30, 1989. All activities of the District are accounted for within a single proprietary (enterprise) fund.

Cash and cash equivalents:

The District considers investments in the King County Investment Pool to be cash equivalents. These investments are stated at the fair value of the Pool's underlying assets.

Accounts receivable:

The District utilizes the allowance method of accounting for doubtful accounts. However, all accounts receivable are considered fully collectible since nonpayment of an account can result in a lien assessment filed against the property. Therefore, no allowance for doubtful accounts has been provided in the financial statements.

Capital assets:

Capital assets are stated at cost and include the capitalized portion of District employees' wages and related overhead costs. For sewer systems installed by developers or customers and conveyed to the District by bill of sale, the District records the cost of the system at the contributing party's cost. Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Provision is made for depreciation of capital assets using the two percent composite method and the straight-line method over the estimated useful lives of the assets which generally are 3 to 50 years.

Interest capitalization:

Interest costs incurred for the acquisition and/or construction of capital assets are subject to capitalization based on the guidelines established by FASB statements 34 and 62.

Total interest cost incurred for the years ended December 31, 2006 and 2005 was \$197,281 and \$166,392, respectively. Interest capitalized in 2006 and 2005 was \$56,070 and \$25,638, net of interest income of \$45,457 and \$15,741, respectively.

Accrued compensated absences:

Employees earn vacation and sick leave based upon date of hire and years of service. Unused vacation and sick leave at retirement or normal termination is considered vested and payable to the employee at 100% of vacation (up to 240 hours) and 50% of accrued sick leave for retirement or 25% of accrued sick leave for normal termination. Vacation and the vested portion of sick leave, 50% based on historical turnover, which is earned but not used at December 31 each year is accrued as a liability of the District.

Long-term debt:

Long-term debt is reported net of discounts, issue costs and losses on refunding.

Discounts and issue costs incurred on issuance of long-term debt are amortized by the interest method over the period the related debt is outstanding. Refunding losses are amortized by the interest method over the life of the new debt or the life of the refunded debt, whichever is shorter.

Net assets:

Net assets are classified in the following three components: 1) Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. 2) Restricted – This component of net assets consists of restrictions placed on net asset use by external creditors (such as through debt covenants), grantors, or contributors. 3) Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The District applies unrestricted and restricted resources to purposes for which both unrestricted and restricted net assets are available based on management's discretion.

Revenues and expenses:

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues result from providing services in connection with the District's sewer system. Operating expenses include the costs associated with providing the District's services, general and administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are classified as non-operating revenues and expenses.

Capital contributions:

ULID assessments and contributions in aid of construction from property owners are recorded as capital contribution revenue.

Use of estimates in financial statement preparation:

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

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 2: Deposits and Investments

Deposits:

The District's deposits are covered by federal depository insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

Investments:

In accordance with state investment laws, the District's governing body has entered into a formal interlocal agreement with the district *ex officio* treasurer, King County, to have all its funds on deposit with the county not required for immediate expenditures to be invested in the King County Investment Pool (Pool). Investments in the Pool are stated at the fair value of the Pool's underlying assets. The stated value per share is \$1. The King County Executive Finance Committee provides oversight of the Pool.

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

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>AVERAGE EFFECTIVE DURATION</u>
2006:		
King County Investment Pool	\$7,345,817	0.4 years
2005:		
King County Investment Pool	\$8,312,004	0.5 years

The District may withdraw investments in the Pool based on historical cost which is \$15,362 and \$45,552 more than the fair value reported on the balance sheet as of December 31, 2006 and 2005, respectively.

Interest rate risk:

As of December 31, 2006, the Pool's low sensitivity to changing markets was reflected in the 'S1' volatility rating assigned by Standard & Poor's Rating Services as measured on a six-point scale ranging from 'S1' (lowest volatility) to 'S6' (highest volatility). As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit risk:

As of December 31, 2006 and 2005, the District's investment in the Pool was rated 'AAA' by Standard and Poor's Rating Services. Standard and Poor's is a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. treasury securities, U.S. agency securities and mortgage-backed securities, municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least equivalent of "A-1" by two NRSROs), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 3: Restricted Assets

In accordance with the bond resolutions and other agreements, separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including construction, debt service and other special reserve requirements. Restricted assets are as follows:

	<u>CASH & CASH EQUIVALENTS</u>	<u>INTEREST RECEIVABLE</u>	<u>CURRENT ASSESSMENTS RECEIVABLE</u>	<u>LONG-TERM ASSESSMENTS RECEIVABLE</u>
December 31, 2006:				
Promotion fund	\$ 3,414	\$ 15		
Revenue bond reserve account	267,276			
Revenue bond fund debt service account		1,125	\$158,891	\$1,805,205
Public works trust funds	<u>1,020,831</u>	<u>4,337</u>		
	<u>\$1,291,521</u>	<u>\$5,477</u>	<u>\$158,891</u>	<u>\$1,805,205</u>
December 31, 2005:				
Promotion fund	\$ 3,305	\$ 11		
Revenue bond reserve account	257,563			
Revenue bond fund debt service account	107,073	945	\$110,316	\$1,179,022
Public works trust funds	<u>470,269</u>	<u>1,559</u>		
	<u>\$ 838,210</u>	<u>\$2,515</u>	<u>\$110,316</u>	<u>\$1,179,022</u>

Terms of the revenue bond issues require the District to establish and maintain a reserve account. The reserve account is to provide security for bond holders.

The amount to be reserved is the lesser of the maximum annual debt service, 125% of average annual debt service or 10% of the proceeds of the bonds. As of December 31, 2006 and 2005, the required reserve is \$365,727 and \$257,563, respectively. As of December 31, 2006, the reserve account was not fully funded. A transfer was made in 2007 to fully fund the reserve account. As of December 31, 2005, the reserve account was fully funded.

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 4: Capital Assets

Major classes of capital assets and capital asset activity was as follows:

	BALANCE, BEGINNING OF YEAR	ADDITIONS	DISPOSALS	TRANSFERS	BALANCE END OF YEAR
2006:					
Plant in service:					
Land and land rights (1)	\$ 415,737				\$ 415,737
Sewer mains and extensions	30,089,503	\$ 81,758		\$ 1,407,740	31,579,001
Sewer structures and intangibles	2,811,292				2,811,292
Equipment	784,716	34,216		118,491	937,423
Office building	665,711			15,934	681,645
	<u>34,766,959</u>	<u>115,974</u>		<u>1,542,165</u>	<u>36,425,098</u>
Accumulated depreciation	<u>(11,037,326)</u>	<u>(760,997)</u>			<u>(11,798,323)</u>
Net plant in service	23,729,633	(645,023)		1,542,165	24,626,775
Construction in progress (1)	<u>2,254,150</u>	<u>5,077,883</u>		<u>(1,542,165)</u>	<u>5,789,868</u>
	<u>\$ 25,983,783</u>	<u>\$4,432,860</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,416,643</u>
2005:					
Plant in service:					
Land and land rights (1)	\$ 208,862			\$ 206,875	\$ 415,737
Sewer mains and extensions	29,312,406	\$ (125,564)		902,661	30,089,503
Sewer structures and intangibles	2,763,981	411		46,900	2,811,292
Equipment	728,000	31,977		24,739	784,716
Office building	663,567			2,144	665,711
	<u>33,676,816</u>	<u>(93,176)</u>		<u>1,183,319</u>	<u>34,766,959</u>
Accumulated depreciation	<u>(10,304,475)</u>	<u>(732,851)</u>			<u>(11,037,326)</u>
Net plant in service	23,372,341	(826,027)		1,183,319	23,729,633
Construction in progress (1)	<u>1,552,483</u>	<u>1,887,341</u>	<u>\$(2,355)</u>	<u>(1,183,319)</u>	<u>2,254,150</u>
	<u>\$ 24,924,824</u>	<u>\$1,061,314</u>	<u>\$(2,355)</u>	<u>\$ 0</u>	<u>\$ 25,983,783</u>

(1) Not depreciated

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 5: Long-term Debt Payable From Unrestricted Assets

Long-term debt outstanding payable from unrestricted assets consisted of the following Public Works Trust Fund loans issued for utility construction:

	<u>2006</u>	<u>2005</u>
1991 \$325,872 loan: payable \$17,353 annually through the year 2011, plus interest at 1 annual percentage rate.	\$ 86,765	\$ 104,118
1991 \$386,528 loan: payable \$20,424 annually through the year 2011, plus interest at 1 annual percentage rate.	102,121	122,546
1995 \$494,569 loan: payable \$25,835 annually through the year 2015, plus interest at 1 annual percentage rate.	232,511	258,346
1995 \$535,481 loan: Payable \$28,183 annually through the year 2015, plus interest at 1 annual percentage rate.	253,649	281,832
1997 \$124,334 loan: payable \$6,621 annually through the year 2017, plus interest at 1 annual percentage rate.	72,830	79,450
1998 \$257,040 loan: payable \$13,782 annually through the year 2018, plus interest at 1 annual percentage rate.	165,385	179,167
2001 \$1,394,170 loan: payable \$73,581 annually through the year 2021 plus interest at .50 annual percentage rate.	1,103,718	1,177,299
2002 \$1,908,250 loan: payable \$101,025 annually through the year 2022, plus interest at .50 annual percentage rate.	1,616,400	1,717,425
2003 loan: \$1,301,350 authorized, \$1,236,283 drawn to December 31, 2006. Based on draws to December 31, 2006, payable \$66,019 annually through the year 2023 plus interest at .50 annual percentage rate.	1,122,319	1,188,338
2004 loan: \$88,230 authorized, \$66,173 drawn to December 31, 2006. Based on draws to December 31, 2006, payable \$3,483 annually through the year 2023, plus interest at .50 annual percentage rate.	59,207	62,690

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
2004 loan: \$1,609,050 authorized, \$1,528,598 drawn to December 31, 2006. Based on draws to December 31, 2006, payable \$80,453 annually through the year 2024 plus interest at .50 annual percentage rate.	\$1,448,145	\$1,528,598
2005 loan: \$368,483 authorized, \$276,362 drawn to December 31, 2006. Based on draws to December 31, 2006, payable \$69,090 annually through the year 2009, plus interest at .50 annual percentage rate.	207,272	276,362
2005 loan: \$90,000 authorized, \$13,500 drawn to December 31, 2006. Based on draws to December 31, 2006, payable \$18,000 annually through the year 2011, interest at .00 annual percentage rate.	13,500	13,500
2006 loan: \$3,554,700 authorized, \$1,599,615 drawn to December 31, 2006. Based on draws to December 31, 2006, payable \$84,190 annually beginning in 2008 through the year 2026, plus interest at .05 annual percentage rate.	<u>1,599,615</u>	
	8,083,437	<u>6,989,671</u>
Less current maturities	<u>508,549</u>	<u>505,849</u>
	<u>\$7,574,888</u>	<u>\$6,483,822</u>

Long-term debt service requirements to maturity, payable by the District from unrestricted assets are as follows (based on draws received through December 31, 2006):

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$ 508,549	\$ 44,111	\$ 552,660
2008	592,739	41,826	634,565
2009	592,739	38,315	631,054
2010	523,648	34,803	558,451
2011	523,648	31,638	555,286
2012-2016	2,361,839	114,480	2,476,319
2017-2021	2,077,938	53,694	2,131,632
2022-2026	<u>902,337</u>	<u>10,276</u>	<u>912,613</u>
	<u>\$8,083,437</u>	<u>\$369,143</u>	<u>\$8,452,580</u>

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Long-term debt, payable from unrestricted assets, activity was as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE, END OF YEAR</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<u>2006:</u>					
Public Works Trust					
Fund Loan:					
1991	\$ 104,118		\$ 17,353	\$ 86,765	\$ 17,353
1991	122,546		20,425	102,121	20,425
1995	258,346		25,835	232,511	25,835
1995	281,832		28,183	253,649	28,183
1997	79,450		6,620	72,830	6,620
1998	179,167		13,782	165,385	13,782
2001	1,177,299		73,581	1,103,718	73,581
2002	1,717,425		101,025	1,616,400	101,025
2003	1,188,338		66,019	1,122,319	66,019
2004	62,690		3,483	59,207	3,483
2004	1,528,598		80,453	1,448,145	80,453
2005	276,362		69,090	207,272	69,090
2005	13,500			13,500	2,700
2006	<u> </u>	<u>\$1,599,615</u>	<u> </u>	<u>1,599,615</u>	<u> </u>
	<u>\$6,989,671</u>	<u>\$1,599,615</u>	<u>\$505,849</u>	<u>\$8,083,437</u>	<u>\$508,549</u>
<u>2005:</u>					
Public Works Trust					
Fund Loan:					
1991	\$ 121,470		\$ 17,352	\$ 104,118	\$ 17,353
1991	142,970		20,424	122,546	20,424
1995	284,180		25,834	258,346	25,835
1995	310,015		28,183	281,832	28,183
1997	86,071		6,621	79,450	6,621
1998	192,949		13,782	179,167	13,782
2001	1,250,880		73,581	1,177,299	73,581
2002	1,717,425	\$ 95,413	95,413	1,717,425	101,025
2003	910,945	325,338	47,945	1,188,338	66,019
2004	66,173		3,483	62,690	3,483
2004	724,073	804,525		1,528,598	80,453
2005		276,362		276,362	69,090
2005		13,500		13,500	
	<u>\$5,807,151</u>	<u>\$1,515,138</u>	<u>\$332,618</u>	<u>\$6,989,671</u>	<u>\$505,849</u>

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 6: Long-term Debt Payable From Restricted Assets

Long-term debt outstanding payable from restricted assets consisted of the following:

	<u>2006</u>	<u>2005</u>
Revenue Bonds:		
\$2,770,000 issued July 1, 1998 for utility construction, due serially through the year 2012, with interest payable semi-annually at 4.45 to 4.50 annual percentage rates	\$ 630,000	\$1,230,000
\$1,530,000 issued November 1, 2000 for utility construction and refunding, due serially through the year 2010, with interest payable semi-annually at 5.00 to 5.20 annual percentage rates 290,000	1,120,000	
\$2,605,000 issued February 1, 2006 for utility construction and refunding, due serially through the year 2022, with interest payable semi-annually at 3.75 to 4.25 annual percentage rates <u>2,590,000</u>		
	<u>3,510,000</u>	2,350,000
Less current maturities	250,000	285,000
Less unamortized discounts, issue costs and refunding loss	<u>123,906</u>	<u>69,640</u>
	<u>\$3,136,094</u>	<u>\$1,995,360</u>

Long-term debt service requirements to maturity, payable by the District from restricted assets are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$ 250,000	\$ 147,647	\$ 397,647
2008	330,000	136,145	466,145
2009	330,000	121,558	451,558
2010	315,000	107,523	422,523
2011	325,000	94,100	419,100
2012-2016	1,105,000	300,150	1,405,150
2017-2021	765,000	109,225	874,225
2022	<u>90,000</u>	<u>3,825</u>	<u>93,825</u>
	<u>\$3,510,000</u>	<u>\$1,020,173</u>	<u>\$4,530,173</u>

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Long-term debt, payable from restricted assets, activity was as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE, END OF YEAR</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<u>2006:</u>					
1998 Revenue Bonds	\$1,230,000		\$ 600,000	\$ 630,000	\$170,000
2000 Revenue Bonds	1,120,000		830,000	290,000	75,000
2006 Revenue Bonds		<u>\$2,605,000</u>	<u>15,000</u>	<u>2,590,000</u>	<u>5,000</u>
	<u>\$2,350,000</u>	<u>\$2,605,000</u>	<u>\$1,445,000</u>	<u>\$3,510,000</u>	<u>\$250,000</u>
<u>2005:</u>					
1998 Revenue Bonds	\$1,430,000		\$ 200,000	\$1,230,000	\$210,000
2000 Revenue Bonds	<u>1,200,000</u>		<u>80,000</u>	<u>1,120,000</u>	<u>75,000</u>
	<u>\$2,630,000</u>	<u>\$ 0</u>	<u>\$ 280,000</u>	<u>\$2,350,000</u>	<u>\$285,000</u>

NOTE 7: Refunded Bonds

On February 1, 2006, the District issued \$2,605,000 of Sewer Revenue and Refunding Bonds. Of the \$2,605,000 issued, \$1,200,000 of the bonds with interest rated of 3.75% to 4.25% were used to advance refund \$1,145,000 of outstanding bonds consisting of a portion of the 1998 and 2000 bonds with interest rates of 4.40% to 5.75%. Cash and the net proceeds of the refunding portion of the bonds totaling \$1,220,233, including \$10,071 representing accrued interest to the refunding date, were used to purchase U.S. Government securities and provide the beginning escrow cash balance. The cash and securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds will be considered to be extinguished and the liability for those bonds will not be included in future financial statements. The principal amount of refunded bonds outstanding in this fund at December 31, 2006 is \$1,145,000.

Although the advance refunding resulted in an accounting loss of \$99,219 (which will be amortized over the life of the refunding bonds), the District in effect reduced its aggregate debt service payments by \$88,223 through December 1, 2020 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$67,169.

NOTE 8: Pension Plan

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

Plan description:

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age 60 with five years of service, or at the age 55 with 25 years of service. The annual benefit is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefits component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months of that service are earned after age 44; or after five year service credit years earned in PERS plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; a Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employees Retirement Benefits Board.

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

There are 1,181 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans as of September 30, 2005:

Retirees and beneficiaries receiving benefits	68,609
Terminated plan members entitled to but not yet receiving benefits	22,567
Active plan members vested	104,574
Active plan members nonvested	<u>51,004</u>
Total	<u>246,754</u>

Funding policy:

Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

Contributions:

The District does not have any employees covered under Plan 1.

The required contribution rates expressed as a percentage of covered payroll as of December 31, were:

	2006		2005	
	PERS PLAN 2	PERS PLAN 3	PERS PLAN 2	PERS PLAN 3
Employer*	3.69%	3.69%**	2.44%	2.44%**
Employee	3.50%	***	1.18%	***

* The employer rates include the employer administrative expense fee of .18% and .19% as of December 31, 2006 and 2005, respectively.

** Plan 3 defined benefit portion only.

*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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

	<u>PERS PLAN 2</u>	<u>PERS PLAN 3</u>
2006	\$20,610	\$1,945
2005	12,040	1,172
2004	8,572	724

NOTE 9: Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with Aetna Life Insurance and Annuity Company and the state of Washington. The plan, available to all eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The District made no contributions to the plan in 2006 or 2005.

NOTE 10: Risk Management

Val Vue Sewer District is a member of the Washington Governmental Entity Pool (WGEP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act.

The Pool was formed July 10, 1987, when two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The Pool now services health districts, port districts, public utility districts, water districts, sewer districts, irrigation districts, reclamation districts, diking districts, drainage districts, flood control districts, fire protection districts, mosquito control districts, weed districts, conservation districts, library districts, regional mental health support networks, cemetery districts, park and recreation districts, air pollution districts, public development authorities, public facility districts, metropolitan municipal corporations, and other political subdivisions, governmental subdivisions, municipal corporations, and quasi-municipal corporations.

The Pool allows members to jointly purchase excess insurance coverage, share in the self-insured retention, establish a plan for total self-insurance, and provide excellent risk management services and other related services. The Pool provides "occurrence" policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk" basis, blanket form using current Statement of Values. The property coverage includes mobile equipment, electronic data processing equipment, valuable papers, building ordinance coverage, property in transit, extra expense, consequential loss, accounts receivable, fine arts, inventory or appraisal cost, automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. The Pool offers employee dishonesty coverage up to a liability limit of \$500,000.

VAL VUE SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Members make an annual contribution to fund the Pool. The Pool acquires insurance from unrelated underwriters that are subject to a "per occurrence" \$500,000 deductible on liability loss, \$100,000 deductible on property loss, and \$5,000 deductible on boiler and machinery loss. The member is responsible for the first \$1,000 of the deductible amount of each claim, while the Pool is responsible for the remaining \$499,000 on liability losses, \$99,000 on property loss, \$4,000 on boiler and machinery loss. Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

The Pool is fully funded by its member participants. Claims are filed by members with the Washington Governmental Entity Pool, and are administered in house.

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

NOTE 11: Commitments

As of December 31, 2006, the District is obligated under construction contracts totaling \$2,214,364 of which \$1,936,900 has been expended.

NOTE 12: Major Supplier

Sewage collected by the District is treated by other entities. King County Wastewater Treatment Division (KCWTD/METRO) provides approximately 96% of the District's sewage treatment.



ABOUT THE STATE AUDITOR'S OFFICE

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

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
Jerry Pugnetti
Doug Cochran
Chuck Pfeil, CPA
Linda Long, CPA, CGFM
Jim Brittain, CPA
Jan Jutte
Mike Murphy
Mindy Chambers
Mary Leider
(360) 902-0370
(866) 902-3900**

Web Site

www.sao.wa.gov

[This Page Intentionally Left Blank.]

