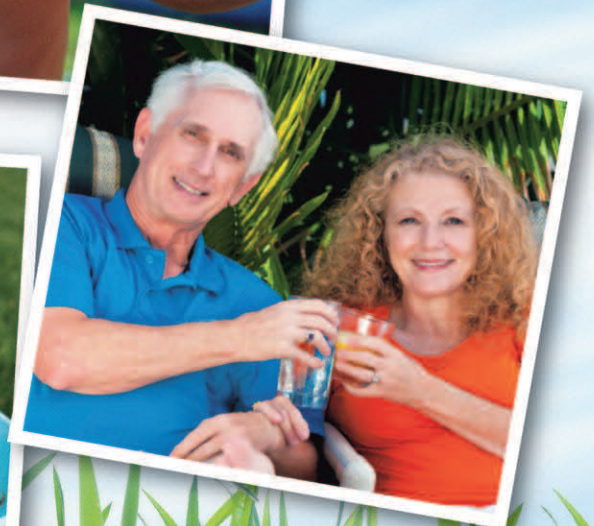




Water Quality Business & Annual Report 2010



A Message from Your Board of Commissioners

Water rules. We know that's a pretty bold statement, but it's a sentiment we here at Lakewood Water District feel every day. Electricity is great, but you can't drink it. Natural gas is convenient, but it won't get that stain out of your favorite pair of jeans. Cable TV? Nice to have, but no one ever died from missing a few days of Judge Judy. So you can see why we say water rules. It's the one thing seven billion people on Earth have in common. We all need water.

That is why we take seriously our responsibility to provide each and every one of our customers with clean, safe, and plentiful water every minute of every day. Part of that responsibility includes informing you what we have done and are continuing to do with your money in order to maintain and improve our level of service.

You may recall that last year we completed the installation of a 4.6-mile, 20-inch transmission main through Parkland. While this significant investment will be advantageous to the District and our customers for many years to come by providing added revenue from our surplus water going to neighbors who need it, it also meant (in conjunction with other large projects and challenging economic times) we had to cut back in other areas. Absent from this year's budget were wage increases, the purchasing of new trucks, major tools and equipment, and some upgrades to our infrastructure that might have happened during any other time. We carefully weighed these cuts to ensure service to our customers would not be adversely affected, and we feel we have succeeded.

In the coming months, we will hopefully be getting back to a more normal way of conducting business. In fact, as we write this, work is being done to complete a new booster pump station that will be the keystone of the aforementioned transmission main. Once completed, we can start selling our excess water and begin to see the fruits of our many months of labor. We also currently have plans to upgrade our mains and service lines in the Lake City area and will determine during our upcoming budget session what other areas of the District we will be able to improve next.

There's more to this annual report, however, than just budgetary items. We urge you to take a few moments to look through the pages and see the faces of our employees who are entrusted with the privilege of serving you. Read how we've done when it comes to testing your water to ensure its safety and even how that very same water is now award-winning. Take a look also at a new method we've implemented to make paying your bill easier for you.

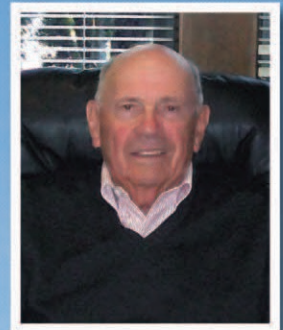
We realize our customers don't have a choice when it comes to who they get their water from. We're the only game in town. In spite of that, in fact **because** of that, we strive daily to make sure that even if you did have another option, you would feel no need to choose it. We're here for you. It's your District. If you have time, come pay your bill at our office and say hello to our staff. Wave at the blue truck with the water drop on the door. We'll wave back.

Above all, let us know how we're doing.

We don't just **want** to be the best product you receive; we **have** to be the best. Because after all, water rules.



Larry Ghilarducci
President



Bill Philip
Vice-President



John Korsmo
Secretary



www.lakewood-water-dist.org



Lakewood Water District Staff



Customer paying his bill via new direct line...in comfortable style!

New Direct Line for Automated Bill-Pay

(253) 292-4377



In a hurry to pay your water bill? We've made it even easier and more convenient than ever before in that we now offer our direct line to automated bill-pay! The District continues to accept VISA or MasterCard credit or debit card payments in person, over the phone, or online at www.lakewood-water-dist.org, but we now also have a direct phone number into the automated bill-pay system for you to call 24 hours a day, 7 days a week to make your payment. This number is (253) 292-4377. If you need assistance utilizing the automated system or using the online features that are available to you through our website, please feel free to call our office during business hours at (253) 588-4423. A customer service representative will be glad to help you!

WATER FACTS

Water freezes at 32 degrees Fahrenheit and boils at 212 degrees Fahrenheit.

Once evaporated, a water molecule spends ten days in the air.

Water makes up 90% of a tomato, 80% of pineapples and corn, and 70% of a tree.

Clean Audit Award

Your Lakewood Water District works hard every year to deliver the highest level of integrity, accuracy, and regulatory compliance through exceptional financial and compliance practices.

Once again, for the 15th year in a row, the State Auditor's Office has completed its annual review and awarded the District a clean audit. The SAO's official Accountability Audit and Financial Statement Audit Reports note no deficiencies and compliment the District on its strong financial policies, precise accounting internal controls, and competent and cooperative staff.

The District commissioners and staff are proud of our record of consistently clean audits and are committed to continuing our efforts to maintain our financial stability so we can serve you most efficiently.

Lakewood Water District Balance Sheet

Year Ended December 31, 2010 (Unaudited)



Our Finance Director/Office Supervisor diligently watches over every penny of our rate-payers' money.

ASSETS

Total Net Utility Plant	\$ 51,735,343
Cash	1,362,558
Temporary Cash Investments	325,000
Other Current Accrued Assets	825,990
Total Current Assets	\$ 2,513,548
Deferred Debits	346,395
TOTAL ASSETS	\$ 54,595,286

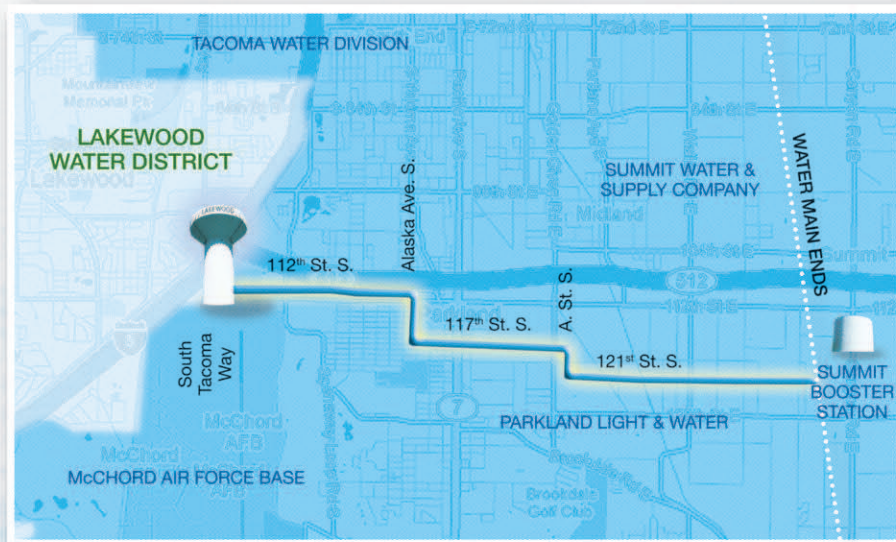
CURRENT LIABILITIES & EQUITY

Current Liabilities	\$ 1,017,421
Deferred Credits	4,917
Contributions in Aid of Construction	15,066,467
Bonds Payable	14,972,808
Unappropriated Retained Earnings	23,553,673
TOTAL LIABILITIES & EQUITY	\$ 54,595,286

District Projects 2010-2011

Wholesale Water Transmission Main

Installation of the Wholesale Transmission Main started in early fall of 2009 and was officially completed in August 2010. The 4.6-mile 20-inch pipeline is designed to carry 7.4 million gallons per day to Summit Water & Supply Company, Rainier View Water Company, Spanaway Water Company, and possibly future purveyors beyond.



Wholesale Transmission Main installation.



scheduled to receive \$800,000 to help pay for this project! Please see the June 1 Press Release on the District's website (www.lakewood-water-dist.org) for more details.

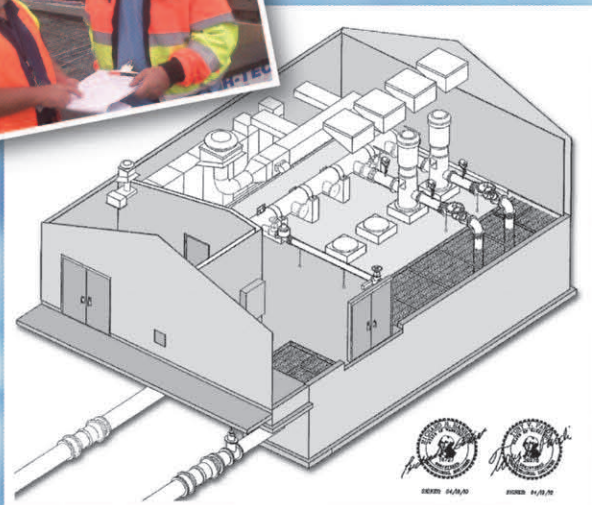
The booster pump station is scheduled for final completion in September of 2011. A fully operational station and main represents the culmination of years of planning, design, and just plain hard work. This project will not only help meet the needs of Wholesale Water partners, but will also provide a benefit to the District rate-payers well into the future.

Booster Pump Station

The next phase of the Wholesale Transmission Main project is the construction of a \$1.3M booster pump station designed to deliver water to the District's wholesale customers equivalent to their pressures. The station, located on 115th Street in Parkland, was put out to bid in February of 2011. The contract award went to WC&T Construction of Lacey, Washington in the amount of \$861,202. Thanks to the recent victory in the State's approved 2012 budget including the infrastructure projects recommended by the Public Works Board, the District is



Getting ready to pour the concrete slab of the booster pump station. Lakewood Water District Project Manager with contractor confirming plans and details of the pour.



Grant Avenue Water Main Replacement

The City of Lakewood is expanding their sanitary sewer service in the Tillicum area on Grant Avenue between Berkley Street and Orchard Street. With these sewer projects, we have the opportunity to upgrade our old waterlines at a reduced cost. We upgraded the 4-inch asbestos concrete waterline to 8-inch ductile iron, with four main tie-ins at Portland Avenue, Grant Avenue, Thorne Lane, and Orchard Street SW and replaced every water service along the way to provide better service to the area. Our work was completed in June.



New 8-inch ductile iron pipe replaces old 4-inch asbestos concrete pipe.

Sound Transit Phase 2

The District recently received official word from Sound Transit that its new commuter rail project is on hold for two years. This means the District's replacement of the three remaining rail crossings (Clover Creek Drive, New York Avenue, and Glenwood Avenue) will also be delayed. As you know, the District replaced six crossings in 2009 at a cost of \$608K. The engineer's estimate for the remaining three crossings is not known at this time, but the District estimates the costs will be at \$275K. Both projects were unfunded and mandated by Sound Transit.

R&R in Lake City Area

Due to the delay in the Sound Transit Phase 2 project, monies budgeted for this project in 2011 will be able to be redirected to needed Repair & Replacement work to the District's infrastructure in the Lake City area. Approximately 1800 feet of 12-inch main will be replaced on Veterans Drive between Interlaaken Drive SW and Lakeholme Road SW. This project is anticipated to go to bid in August of this year.

LWD Staff Working to Serve You



Installing new water services.



Taking water samples.



Helping you pay your bill.



Paying our bills.



Locating our mains.



Reading your meters.



Making sure your bills are accurate.



Monitoring one of our water treatment plants.



Assisting you with your account.



Getting the mail.

Monitoring Our Lakes and Streams

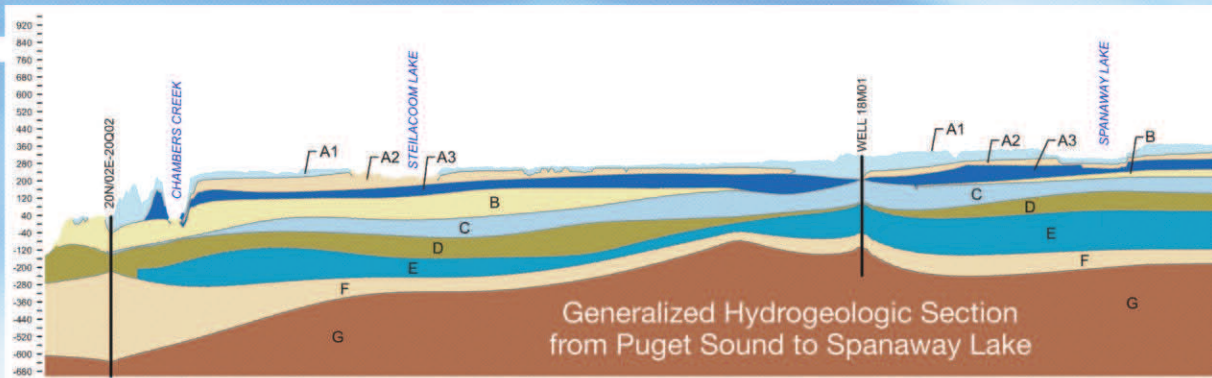
Lakewood Water District constantly monitors the levels of the lakes and streams in our service area. The area lakes are expressions of the water table in the Steilacoom Gravel deposited by the receding Vashon Glacier. Water in the Steilacoom Gravel also leaks through the Vashon Till or springs out above the till adding to the flows of the area's major springs such as Ponce de Leon, Chambers, Garrison, and Sequelichew. The District collects monthly data from gauges on five local lakes and two streams. Together with the data collected from the Pierce County Stream Team, this information is vital to the District's aquifer management program as well as the Tacoma-Pierce County Health Department's long-term ground water monitoring program.



The Source of Your Water



The District has a total of 30 active wells which together provide a maximum production capacity of approximately 30 million gallons per day (mgd), with a total water right capacity to pump up to over 60 mgd. The District's sole source of water is from underground aquifers; no surface water, desalinated water, or recycled water is used.



Reference: Provided by Robinson Noble, Inc. based on "Hydrogeologic Framework, Groundwater Movement, and Water Budget in the Chambers-Clover Creek Watershed and Vicinity, Pierce County, Washington, 2010, United States Geologic Survey.

The Lakewood area has two basic geologic formations exposed at the surface: the Steilacoom Gravel and the Vashon Till. The Gravel was deposited by vigorous, widespread and braided glacial outwash rivers, which flowed from the receding Vashon glacier and emptied into a short-lived glacial lake west and south of present-day Lakewood. The Gravel is highly permeable, rapidly receiving all rainwater, and is less than 30 feet thick in most places. The area lakes are expressions of the water table in the Steilacoom Gravel. The Steilacoom Gravel and Vashon Till lie on older sequences of glacial and interglacial deposits that extend at least 1500 feet below the surface at Lakewood.

Water enters these deposits by leaking downward from near-surface deposits. With few exceptions, the major wells in the area extend to these deeper deposits, tapping aquifers at greatly different depths.

Aquifer Zones are designated as layers A, C, E, and G from shallowest to deepest. Aquifer Zones are of glacial origin and tend to be coarse-grained and highly permeable. Aquitards B, D, and F, which are of interglacial origin, represent finer-grained and less permeable layers whose sediments were deposited by the ancestral Nisqually and Puyallup rivers. Historical sedimentation is not unlike the alluvium presently being deposited by these rivers today. Recharge of the aquifers follows ground water gradients that extend from the east to the west into Puget Sound. Most recharge will be from the Clover/Chambers drainage basin, but E and G level aquifers most likely receive some deep underflow from east of the Puyallup River basin as well.

Water Use Efficiency Rule

Public water purveyors have basic standards they are required to meet. In recent years, these standards were increased by the Water Use Efficiency Rule (WUE) to include 1) source and use meter requirements; 2) system leak standards; 3) conservation goals and objectives; and 4) reporting requirements. Lakewood Water District has historically complied with all requirements except #3, adopting a conservation program.

A public hearing was held and the findings adopted by the Board on January 17, 2008. The District's Conservation Program includes two quantifiable goals: 1) reduction of water loss, and 2) reduction of consumed water by ¼ percent per year. Measures were adopted in 2008 to accomplish these goals by identifying and repairing leaks, conducting water audits, providing historical information on utility bills, and public education. With subsequent modifications adopted by the Board on June 29, 2009, the District became 100 percent compliant with the WUE on all provisions and have remained compliant.

High quality water is more than the dream of the conservationists, more than a political slogan; high quality water, in the right quantity at the right place at the right time, is essential to health, recreation, and economic growth.

Edmund S. Muskie

Water Quality Monitoring Results

The table below reflects the maximum allowed levels of certain contaminants and the levels experienced in Lakewood Water District. Not listed are 63 volatile organic chemicals for which we tested, all resulting in either Not Detected (ND) or well below the MCL (Maximum Contaminant Level). Your water meets or exceeds all federal, state, and local quality standards, ensuring that you enjoy safe, clean water. As a customer, if you ever experience water that is unsatisfactory, please do not hesitate to call us. Our goal is to provide the cleanest, safest, and best-tasting water possible.

Sample Type	Samples Taken per Year	Last Sample Year	Next Sample Year	MCL (maximum level allowed)	Highest Level Detected	Detected Range	Number of Samples MCL	MCLG	Typical Sources
Arsenic	22 every 3 yrs	2010	2013	10 ppb	<6 ppb	<2ppb - <6ppb	0		Erosion of natural deposits
Asbestos	3 every 3 yrs*	2007	2011*			No structures detected	0	0	Friable fibers
Copper	30 every 3 yrs	2008	2011	1.3 ppm AL	.54 AL	.02 - .54 AL	0	1.3 ppm AL	Household plumbing
Fecal Coliform	840 per yr	2010	2011	0	ND	ND		0	Human and animal fecal waste
Total Coliform	840 per yr	2010	2011	<5% positive	ND	ND	0	0	Found throughout the environment
Haloacetic Acids	4 per yr	2010	2011	60 ppm	ND	ND	0	0	Byproduct of drinking water disinfection
Lead	30 every 3 yrs	2008	2011	15 ppb AL	.004 AL	<.002 - .004 AL	0	0	Household plumbing
Nitrates	22 per yr	2010	2011	10 ppm	2.0	<0.2 - 2.0	0	0	Erosion of natural deposits
Total Trihalomethanes	4 per yr	2010	2011	80 ppm	3.9 ppb	0.0 - 3.9 ppb	0	0	Byproduct of drinking water disinfection

Our testing resulted in no violations.

Washington State Department of Health suspended issuing waivers for testing Synthetic Organic Chemicals in 2010. All of the elements for which we tested in 2010, including Synthetic Organic Chemicals, either met or exceeded federal and state standards. The chart above only reflects a portion of the testing LWD performs. Complete Source Water Assessment (testing result) information is available at the District office.

Definitions:

MCLG: (Maximum Contaminant Level Goal) The level of a contaminant in drinking water below which there is no known or expected risk to health. MCLGs allow for a margin of safety.

MCL: (Maximum Contaminant Level) The highest level of a contaminant that is allowed in drinking water. MCLs are set as close to the MCLGs as feasible using the best available treatment technology.

Treatment Technique:

A required process intended to reduce the level of a contaminant in drinking water.

AL: (Action Level)

The concentration of a contaminant which triggers treatment or other requirement which a water system must follow.

ND: Not Detected

NA: Not Applicable

pCi/L: Pico Curie per Liter

ppm: parts per million, or milligrams per liter (mg/L)

ppb: parts per billion, or micrograms per liter (ug/L)

1 mg/L = 1000 ug/L

For aqueous (water) samples:

1mg/L = 1 part per million (ppm)

1 ug/L = 1 part per billion (ppb)

ug = micrograms

*Asbestos testing is required by the EPA every five years; LWD tests more often for your safety.

Important Information from the EPA

Drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that water poses a health risk. More information about contaminants and potential health effects can be obtained by calling the Environmental Protection Agency's Safe Drinking Water Hotline at 1-800-426-4791.

Some people may be more vulnerable to contaminants in drinking water than the general population. Immuno-compromised persons, such as persons with cancer undergoing chemotherapy, persons who have

undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk for infections. These people should seek advice about drinking water from their healthcare providers.

EPA/CDC guidelines on appropriate means to lessen the risk of infections by cryptosporidium and microbial contaminants are available from the Safe Drinking Water Hotline at 1-800-426-4791.

Rate Comparisons

Comparison of Lakewood Water District Rates with Surrounding Utilities Two-Month Billings of Residential Costs for Water as of June 1, 2011

COMPANY	Total Charge for 1500 Cu Ft
Lakewood Water District 253-588-4423	\$25.20
Dupont 253-964-8121 Ext# 385	\$44.95
Parkland Light & Water 253-531-5666	\$38.10
Spanaway Water Co. 253-531-9024	\$44.50
Town of Steilacoom 253-581-1912	\$62.29
Summit Water & Supply Co. 253-537-7781	\$59.04
Tacoma Water (Inside City) 253-383-9600	Winter \$51.71 Summer \$55.01
Tacoma Water (Outside City) 253-383-9600	Winter \$62.03 Summer \$65.93



P.O. Box 99729
Lakewood, Washington
98496-0729

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If you would like to learn more about our water, or have questions regarding water quality or what you can do to help keep our water supply clean and safe, please contact us at Lakewood Water District, or any of the following organizations:

Lakewood Water District
11900 Gravelly Lake Drive SW
Lakewood, WA 98499
www.lakewood-water-dist.org
253-588-4423

Mailing Address
P.O. Box 99729
Lakewood, WA 98496

Randall M. Black, General Manager
Email: rblack@lakewood-water-dist.org

Washington State Department of Health (WDOH)
www.doh.wa.gov/ehp/dw

Environmental Protection Agency (EPA)
www.epa.gov/safewater

Safe Drinking Water Hotline
800-426-479
Email: hotline-sdwa@epa.gov

To request additional copies of this year's Water Quality & Annual Business Report, please contact the District office at 253-588-4423.

Lakewood Water Voted "Best Tasting" in 2011

After taking second place the previous two years, Lakewood Water District is pleased to announce we recently took the top spot at the PNWS-AWWA South Sound Subsection Water Tasting Contest held on March 25, 2011. While we work daily to ensure we deliver pristine water, it's wonderful to know a panel of unbiased judges agreed that out of a field of ten from around the South Sound area, ours tasted best. We will proudly display the plaque we were awarded in our office lobby, but in actuality the real prize goes to our customers.



General Manager proudly holds up a jug of the "good stuff."