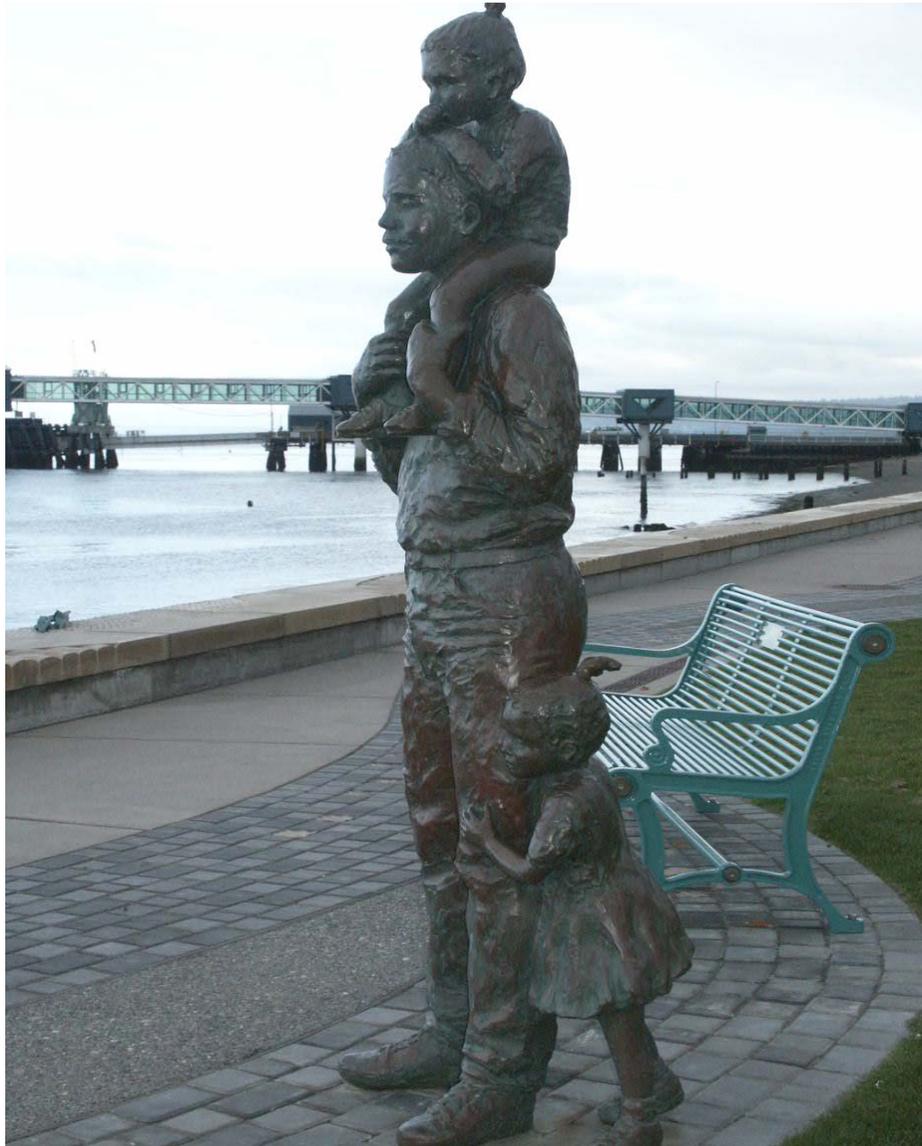


*The City of Edmonds, Washington
Comprehensive Annual Financial Report
(For the Year Ended December 31, 2005)*



"The Locals" by Georgia Gerber, Edmonds Waterfront

Gary Haakenson, Mayor

CITY OF EDMONDS PUBLIC OFFICIALS

ELECTED OFFICIALS

Mayor:	Gary Haakenson
Council:	Richard Marin, President
	Deanna Dawson
	Peggy Pritchard Olson
	David Orvis
	Michael Plunkett
	Mauri Moore
	Jeff Wilson

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Administrative Services Director:	Dan Clements
Community Services Director:	Stephen Clifton
Development Services Director:	Duane Bowman
Economic Development Director:	Jennifer Gerends
Fire Chief:	Tom Tomberg
Human Services Manager:	Debi Humann
Parks & Recreation Director:	Brian McIntosh
Municipal Court Judge:	James White through August 2005
	Douglas Fair beginning August 2005
Police Chief:	David Stern
Public Works Director:	Noel Miller

The CAFR may be found online at www.ci.edmonds.wa.us .

CITY OF EDMONDS WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended

December 31, 2005

Administrative Services Director
Dan Clements

PREPARED BY

DEPARTMENT OF FINANCE

Administrative Services Director
Dan Clements

Assistant Administrative Services Director
Kathleen Junglov, CPA

Accountants
Erin Anderson, CPA
Debra Sharp

Accounting Technician
Lori Cress

For comments or questions, contact
City of Edmonds, Finance Department
425.771.0240

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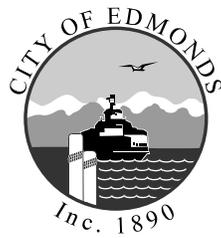
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City of Edmonds

121 FIFTH AVENUE N. • EDMONDS, WA 98020 • 425-771-0239
ADMINISTRATIVE SERVICES DEPARTMENT

Gary Haakenson
Mayor

Dan Clements
Director

May 22, 2006

Honorable Gary Haakenson, Mayor
City of Edmonds
121 Fifth Avenue North
Edmonds, WA 98020

Reference: Transmittal of 2005 Financial Annual Report

Dear Mayor Haakenson:

This correspondence will formally transmit the City of Edmonds' 2005 Annual Financial Report. This submittal meets the requirements of Washington State Law RCW 43.09.230.

Introduction

The City of Edmonds Comprehensive Annual Financial Report was prepared in conformance with Governmental Accounting Standards Board (GASB) Statement 34. The introductory section contains information regarding the City's governmental profile and factors affecting the City's financial condition.

Warranty Responsibility for the completeness and reliability of all of the information presented in this report rests with the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. To the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

Audit The City's financial statements have been audited by the Washington State Auditor's office. The audit was conducted under the federal government's Single Audit Act of 1984 (PL 98-502). The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2005 are free of material misstatements. The State Auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Edmonds' statements are fairly presented in conformity with GAAP. The State Auditor's report is presented at the first component of the financial section of this report.

GAAP requires that the City provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Governmental Profile

The City of Edmonds, incorporated in 1890, is located in Snohomish County on Puget Sound, 12 miles north of Seattle. Edmonds is the twenty-first largest city in the State, currently occupies a land area of 9 square miles and serves a population of 39,860. The City levies a property tax on both real and personal properties located within its boundaries. It also may extend its corporate limits through annexation.

The City of Edmonds is a non-charter code city operating under a strong mayor-council form of government. Policy making and legislative authority are vested with a seven member city council. The city council is responsible, among other things, for establishing corporate policy objectives, budget adoption, and confirmation of mayoral appointments. The mayor is responsible for carrying out Council policy directives, overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The mayor and council are elected on a non-partisan basis and serve four year terms.

The City of Edmonds provides a full range of services, including police and fire protections; water, sewer and storm services; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the Administrative Services Director on or before the last Tuesday in August each year. The Administrative Services Director uses these requests as the starting point for developing a proposed budget.

The mayor then presents this proposed budget to the council for review prior to October 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City's fiscal year. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the City Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is viewed in the broader perspective of the environment within which the City operates. This section will review major factors that impact Edmonds' fiscal condition.

Local Economy & Financial Future

Edmonds has nearly 2,000 city-licensed businesses. Finance, insurance, real estate and other service industries comprise over half of all licensed businesses, followed by the retail industry. Major local employers include Stevens Hospital, the City of Edmonds, the Edmonds School District and also specialty private sector companies such as "Rick Steves' Europe through the Back Door".

Because 37% of the total budget's revenues and 73% of the general fund's revenues stem from taxes, economic development efforts are focusing on ways to diversify the tax base and increase revenues. While the rate of property tax to be collected is limited by state initiatives, increases in property values due to high quality development and redevelopment can provide Edmonds with future increases in the amount of property tax collected. Land use policies around the city have begun to be studied and revised to encourage redevelopment, where appropriate, that can add to the city's tax revenues.

In 2006, the City of Edmonds is adding an Economic Development Element to its Comprehensive Plan and is also updating sections that relate to the neighborhood business districts as opportunities for growth.

Edmonds is also focusing on encouraging increased local consumer spending. A consultant study produced for the Highway 99 Task Force provided new information on the local retail trade area, and Edmonds' substantial "leakage" in consumer discretionary spending. This leakage can partially be explained by Edmonds' proximity to two other local large shopping centers. However, some categories of discretionary spending still offer excellent opportunities for Edmonds to grow sales tax revenues. The Office of Economic Development is focusing recruitment efforts on some of these areas, and land use policies are being revised to encourage targeted redevelopment of shopping areas. Commercial vacancies are also being monitored and quickly filled in order to maintain a stable and vibrant business environment.

While major economic indicators remained stable in 2006, the city has significant capital improvement program needs that are not being met by existing revenues. Therefore, the city is proactively working to create additional revenue that will enable the city not only to maintain a steady, balanced budget but also to implement our capital improvement program goals.

Cash Management Cash temporarily idle during the year was invested in certificates of deposit, obligation of the U.S. Treasury, commercial paper, savings account and the State Treasurer's local government investment pool. The average maturity of the investments was 1.91 years. The average yield on investments was 3.66%. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk Management The City of Edmonds has been a member of the Washington Cities' Insurance Authority (WCIA), since May 15, 1985. WCIA was created through RCW 48.62 and RCW 39.34 to provide a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or contracting for risk management services. To date, WCIA has a total of 115 members.

WCIA offers a combination of self-insurance and standard insurance to cover liability and property risks, and provides related risk management services. Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police professional, public officials' errors or omissions, stop gap, and employee benefits liability. Additional information regarding the City's insurance coverage can be found in the Notes to the Financial Statements, Note 12.

Pension The City and its employees contribute to two mandatory retirement systems managed by the State of Washington. The Public Employees Retirement System (PERS) (Plans 1, 2, and 3) covers all non-uniformed regular employees. The Law Enforcement Officers and Fire Fighters (LEOFF) Retirement System (Plans 1 and 2) covers all uniformed police and fire employees.

The City also administers a closed Firemen's Pension Fund providing benefits for firefighters who retired prior to March 1, 1970 and excess benefits over LEOFF for those retiring after that date if they were members of the Plan prior to October 1, 1977. At least biannually, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by the actuary.

The City has replaced the Federal Social Security Program with a defined contribution, combination savings and insurance program, entitled the Municipal Employees' Benefit Trust. The City contributes to the program at social security tax rates but incurs no unfunded liability since future annuities/payments are based on past contributions and investment earnings.

In addition to providing pension benefits described under "Law Enforcement Officers and Fire Fighters Retirement System" the City provides post-retirement health care benefits in accordance with RCW 41.26.150, to all employees who become eligible after attaining age 50, or become disabled while employed with at least five (5) years of service in the LEOFF I System.

For additional information regarding the City's pension plans refer to the Notes to the Financial Statements, Note 8.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administrative department. I would like to express my appreciation to: Kathleen Junglov, Deb Sharp, Erin Anderson, and Lori Cress.

Staff would like to express our gratitude to the Mayor and Council for their support, especially with regard to working with the Department during the implementation of “best financial business practices.”

Sincerely,

Dan Clements

Dan Clements
Administrative Services Director

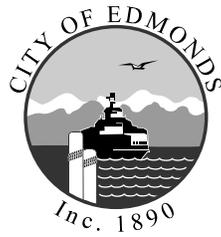
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Municipal Court Judge: James White through August 2005
Douglas Fair beginning August 2005
Police Chief: David Stern
Public Works Director: Noel Miller



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FINANCIAL SECTION



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**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

May 22, 2006

Mayor and City Council
City of Edmonds
Edmonds, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edmonds, Snohomish County, Washington, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edmonds, Snohomish County, Washington, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the General Fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 60 through 61 and pension trust fund information on pages 9 through 17 are not a required part of the basic financial statements but are 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.



Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages 63 through 105 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,



BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Edmonds presents this Management's Discussion and Analysis of its financial activities for the fiscal year ended December 31, 2005. This information focuses on significant financial issues, provides an overview of the City's financial activity, highlights significant changes in the City's financial position, and identifies material variances between the approved budget and actual spending. The City encourages readers to consider this information in conjunction with additional information provided in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities by \$98.4 million. Of this amount, \$64.4 million of total net assets is invested in capital assets, such as land, buildings, net of related debt; \$7.4 million is restricted for debt service and capital projects; and \$26.6 million (unrestricted net assets) may be used to meet the government's ongoing activities and obligations.
- The City's total net assets increased by \$8.9 million in 2005. Governmental activities provided \$6.1 million (69%), and business-type activities provided \$2.8 (31%).
- Governmental fund balances at year end were \$18.8 million: a \$2.4 million increase over the prior year. Of this amount, \$18.6 million is unreserved and available to fund ongoing activities. The remaining \$150,000 is reserved for debt service.
- Unreserved fund balance in the General Fund was \$8 million, an increase of \$336,000 from the prior year. This includes a fund balance of \$1.9 million in the rainy day reserve fund established to provide for future economic downturns or other unforeseen expenditure needs for general City programs. The unreserved fund balance represents 30% of total 2005 General Fund expenditures.
- Total City debt decreased by a net of \$75,000 during the current fiscal year. Outstanding bonded debt, loans, and long term contracts at year end totaled \$36.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the financial statements. The report also contains other supplementary information. This section will introduce and explain the basic financial statements.

Government-wide financial statements

Government-wide financial statements are designed to provide readers a picture of the financial condition and activities of the City of Edmonds as a whole, with a broad overview and in a manner similar to private-sector business. The government-wide financial statements have separate columns for governmental activities, business-type activities, and the City's component unit, the Edmonds Public Facilities District (EPFD). The City's governmental activities include general government (executive, finance, and human resources), judicial, security (police and fire), physical environment, economic environment, transportation, health/human services, and culture/recreation.

The City's business-type activities consist of water, wastewater and stormwater utility operations. Government activities are primarily supported by taxes, charges for services, and grants, while business-type activities are self supporting through user fees and charges.

The component unit consists of the Edmonds Public Facilities District (EPFD) which is constructing a performing arts center in Edmonds, and the EPFD's blended component unit, the Edmonds Center for the Arts (ECA), a non-profit established to collect donations for the EPFD. Although legally separate, the EPFD is important because the City provides financial support and oversight responsibilities connected to the activities of the board.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, including the EPFD, with the difference between the two reported as net assets. This statement is similar to the balance sheet of a private sector business.

Over time, increases or decreases in net assets may serve as a useful indicator of improvement or deterioration in the City's overall financial position.

The **Statement of Activities** presents information designed to show how the City's net assets, including the EPFD, changed during the year. This statement distinguishes revenue generated by specific functions (program revenue) from revenue provided by taxes and other sources not related to a specific function. Program revenue (charges for services, grants, and contributions) is compared to expenses for those functions in order to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for good or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenues and expenses.

The government-wide financial statements can be found immediately following the Management Discussion & Analysis.

Fund Financial Statements

The fund financial statements will look familiar to the traditional users of governmental financial statements. However, the focus now is on major funds rather than fund types.

Individual funds are used to maintain control over resources that are segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories of City funds: governmental funds, proprietary funds, and fiduciary funds

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds. These statements, however, focus on cash and other assets that can readily be converted to available resources, as well as any balances remaining at year-end. Such information is useful in determining what financial resources are available in the near future to finance the City's programs.

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison.

Information for the three major governmental funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances; information for the non-major funds is presented in the aggregate.

Proprietary funds account for services for which the City charges outside customers and internal City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, only in more detail, since both use the accrual basis of accounting. Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements.

The City has two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various City departments.

The enterprise fund statements provide information for the City's water, wastewater and stormwater utilities. Enterprise funds of the City are consolidated into one fund for financial statement reporting purposes. The City uses an internal service fund to account for its fleet of vehicles. Because these services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support City programs. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets as part of the basic financial statements.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

Required Supplementary Information

This report also contains other required supplementary information on pension plan funding.

Combining statements for non-major governmental funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

The Statement of Net Assets can serve as a useful indicator of the City's financial position. The City's net assets at December 31, 2005 total \$98.4 million, excluding art and transportation infrastructure assets acquired prior to 2003, which are not included in this financial report. Following is a condensed version of the government-wide statement of net assets.

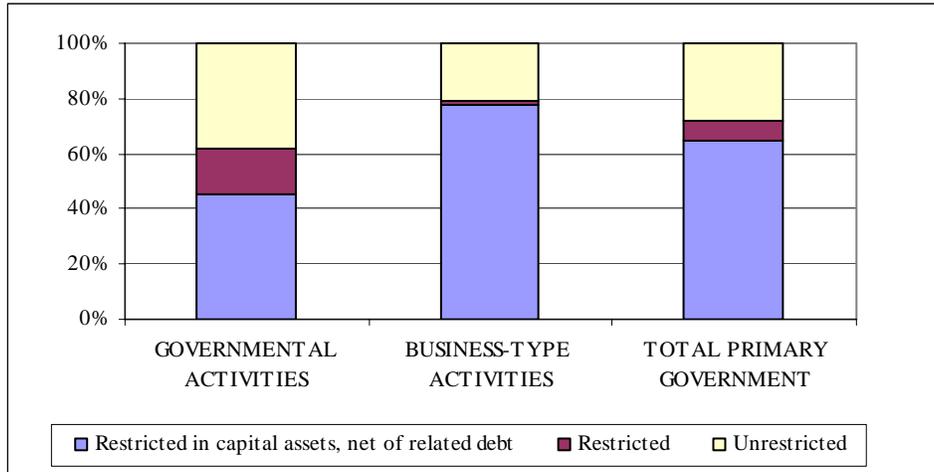
Figure 1: Condensed Statement of Net Assets

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$29,100,473	\$32,983,122	\$13,216,802	\$13,591,251	\$42,317,275	\$46,574,373
Capital assets (net of accumulated depreciation)	35,620,703	38,678,693	52,444,063	55,219,335	88,064,766	93,898,028
TOTAL ASSETS	64,721,176	71,661,815	65,660,865	68,810,586	130,382,041	140,472,401
Current and other liabilities	1,919,864	3,072,246	2,165,207	2,138,007	4,085,071	5,210,253
Long-term liabilities	28,160,045	27,815,540	8,598,441	9,014,741	36,758,486	36,830,281
TOTAL LIABILITIES	30,079,909	30,887,786	10,763,648	11,152,748	40,843,557	42,040,534
NET ASSETS						
Restricted in capital assets, net of related debt	15,661,061	18,521,057	41,657,416	44,910,309	57,318,477	63,431,366
Restricted	5,804,684	6,749,421	910,598	699,701	6,715,282	7,449,122
Unrestricted	13,175,522	15,503,551	12,329,203	12,047,828	25,504,725	27,551,379
TOTAL NET ASSETS	\$34,641,267	\$40,774,029	\$54,897,217	\$57,657,838	\$89,538,484	\$98,431,867

The largest portion of the City's net assets (65%) reflects its investment of \$64.4 million in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Additionally, the resources needed to repay the debt must be provided from other sources since capital assets cannot be used to liquidate these liabilities.

Approximately 6% or \$5.9 million of the total net assets of the City are earmarked for construction projects to renovate or improve the City's buildings, parks, street and utilities infrastructure. The remaining balance of net assets is divided among restrictions for debt service payments of \$1.5 million (2% of the total net assets) and unrestricted net assets of \$27.6 million (28% of the total net assets). The business-type unrestricted assets of \$12 million may only be spent on utility activities. Other functions of the City may access the governmental unrestricted assets of \$15.5 million to meet ongoing obligations to citizens and creditors. There are no restrictions, commitments, or other limitations that significantly affect the availability of resources for future use.

Figure 2: Composition of Net Assets



At the end of the fiscal year, the City of Edmonds reported positive balances in all three categories of net assets, for the government as a whole, as well as for the separate governmental and business-type activities.

Change in Net Assets

The following table illustrates the increases or decreases in net assets of the City resulting from operations. The City’s net assets increased approximately \$8.9 million, an indication that the City’s overall financial position has improved. The increase was split between the governmental activities (\$6.1 million) and the business-type activities (\$2.8 million). Following is a condensed version of the City’s changes in net assets. The graphs that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities.

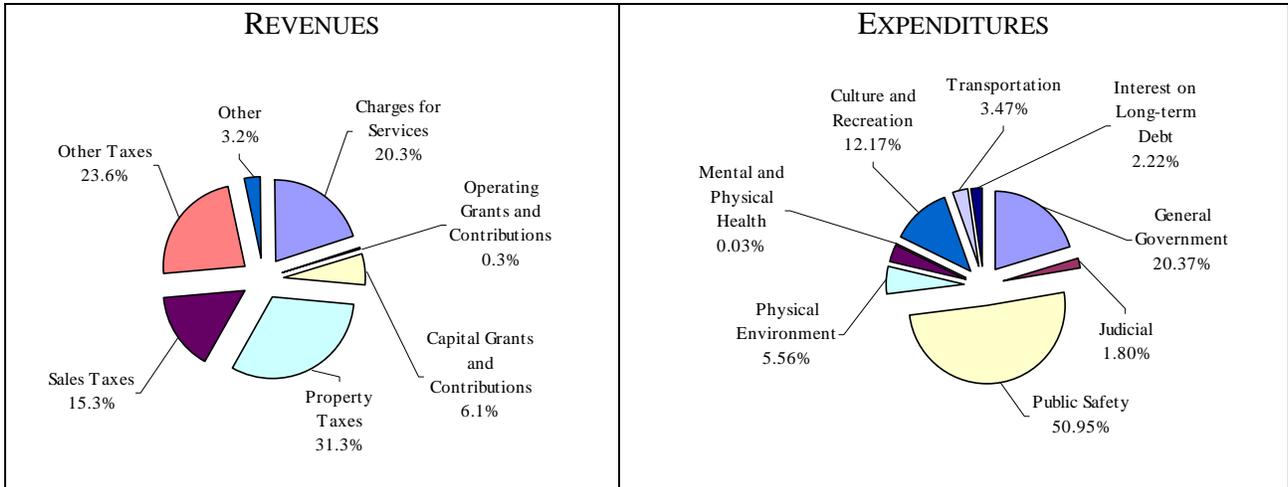
Figure 3: Changes in Net Assets Resulting from Changes in Revenues and Expenses

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	2004	2005	2004	2005	2004	2005
Revenues						
Program Revenue:						
Charges for Services	\$7,323,858	\$7,186,859	\$11,334,142	\$12,553,652	\$18,658,000	\$19,740,511
Operating Grants and Contributions	241,045	107,445	47,067	37,898	288,112	145,343
Capital Grants and Contributions	454,700	2,145,854	677,797	775,691	1,132,497	2,921,545
General Revenues:						
Property Taxes	10,922,324	11,058,167	0	0	10,922,324	11,058,167
Sales Taxes	5,029,012	5,423,994	0	0	5,029,012	5,423,994
Other Taxes	7,367,762	8,330,955	0	0	7,367,762	8,330,955
Other	871,761	1,119,816	217,131	341,252	1,088,892	1,461,068
Total Revenue	32,210,462	35,373,090	12,276,137	13,708,493	44,486,599	49,081,583
Program Expenses						
Governmental Activities						
General Government	5,549,850	6,105,305	0	0	5,549,850	6,105,305
Judicial	504,031	538,956	0	0	504,031	538,956
Public Safety	15,184,024	15,268,262	0	0	15,184,024	15,268,262
Physical Environment	1,844,923	1,664,723	0	0	1,844,923	1,664,723
Economic Environment	880,137	1,027,373	0	0	880,137	1,027,373
Mental and Physical Health	8,468	9,082	0	0	8,468	9,082
Culture and Recreation	3,108,916	3,648,189	0	0	3,108,916	3,648,189
Transportation	754,092	1,038,406	0	0	754,092	1,038,406
Interest on Long-term Debt	1,078,106	666,094	0	0	1,078,106	666,094
Business-Type Activities						
Combined Utility	0	0	11,346,771	11,114,516	11,346,771	11,114,516
Total Expenses	28,912,547	29,966,390	11,346,771	11,114,516	40,259,318	41,080,906
Excess (Deficiency) Before Transfers	3,297,915	5,406,700	929,366	2,593,977	4,227,281	8,000,677
Transfers	100,814	157,755	(101,112)	(157,755)	(298)	0
Increase in Net Assets	3,398,729	5,564,455	828,254	2,436,222	4,226,983	8,000,677
Net Assets - Beginning of Year	30,780,864	34,641,267	53,657,603	54,897,217	84,438,467	89,538,484
Prior Year Adjustment	461,674	568,307	411,360	324,399	873,034	892,706
Net Assets - End of Year	\$34,641,267	\$40,774,029	\$54,897,217	\$57,657,838	\$89,538,484	\$98,431,867

Overall revenues increased from 2004 levels by \$4.6 million. This was primarily due to a .083% increase in the storm utility fees effective in March 1, 2005, and an additional \$1.8 million received in Capital Grants and Contributions. Overall expenditures only slightly increased in 2005, but did not exceed revenues which allowed for an increase to Net Assets.

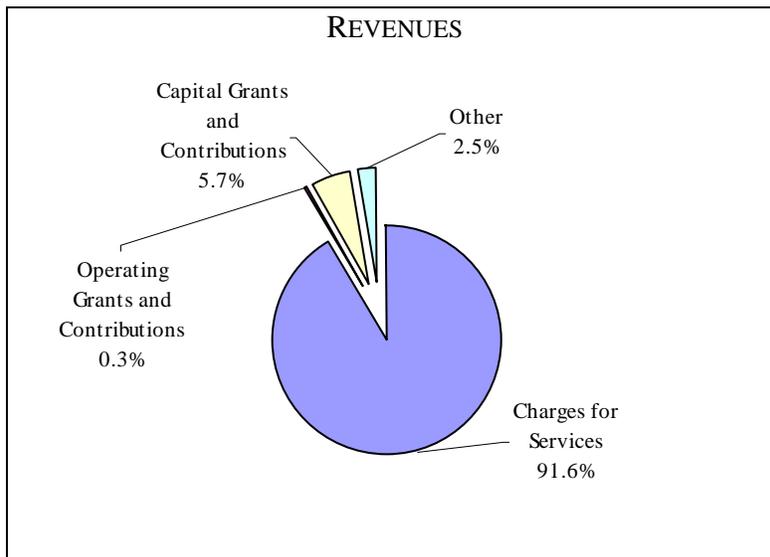
Per the Statement of Activities, the total cost of all governmental activities in 2005 was \$29.9 million. Of this amount, \$9.4 million was paid for by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The net expense (total expenses less program revenues) or \$20 million was the cost of governmental services paid primarily by the City's taxpayers.

Figure 4: General Governmental Activities



The City’s Utility Fund, the only business-type activity of the city, net assets increased by \$2.8 million accounting for 31% of the total growth in the government’s net assets. Overall Utility revenues increased \$1.4 million of which \$1.3 million was attributed to the increase in Charges for Services. Operating costs including personnel services, supplies, professional services and insurance slightly decreased by about \$200,000 over 2004.

Figure 5: Proprietary, or “Business-Type” Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term revenues/financial resources and expenditures. This information helps determine the City's financing requirements in the near future. In particular, unreserved fund balance measures the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$18.8 million. Approximately \$18.6 million (98.9%) of that amount constitutes unreserved fund balance, which is available for discretionary spending. The remainder of the fund balance is reserved; it is committed for various purposes and is not available for new spending.

Revenues for the governmental funds in 2005 were \$34.6 million. Expenditures were \$33.1 million. Other financing sources/uses contributed an additional \$1.1 million. Overall, the fund balance increased by \$2.3 million for the year.

The General Fund is the primary operating fund of the City through which all receipts and payments of City operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2005, the fund balance of the General Fund was \$8 million. As a measure of the fund's liquidity, the ending fund balance is 30.2% of the fund's 2005 expenditures.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the City's proprietary funds have been discussed in the City's business-type activities.

At the end of the current fiscal year the City's proprietary funds reported combined ending fund balances of \$57.6 million. Approximately \$12 million (21%) of that amount constitutes unreserved fund balance, which is available for discretionary spending. The remainder of the fund balance is reserved; it is committed for various purposes and is not available for new spending.

Revenues for the proprietary funds in 2005 were \$12.5 million. Expenditures were \$10.7 million. Other financing sources/uses contributed an additional \$618,000. Overall, the fund balance increased by \$2.8 million for the year.

BUDGETARY HIGHLIGHTS

The annual budget is developed to study and review the City's financial direction. It outlines how financial resources will be managed during the fiscal year; the course can be changed through the allocation of resources. Major groups that participate in the budget process are the Mayor, City Council, Department directors, Managers, and interested Edmonds citizens.

Appropriations of operating funds are reviewed and amended as needed by the City Council. During 2005 the budget was amended three times. A number of the amendments involved items to close and consolidate funds, increase debt proceeds, and increase the utility budget to correspond with the results of the rate study completed in early 2005.

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that the total revenues exceeded budgeted total revenues by \$819,000. An increase in tax revenues and a strong performance in building permits and related activities (permit surcharges, zoning, and plan check fees) are the primary reasons for the excess. Expenditures were \$695,000 below budget, which consisted of salary and benefit savings of \$400,000 due to vacant positions, and \$300,000 in professional services savings.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2005 amounts to \$94 million (net of accumulated depreciation).

Figure 6: Capital Assets at Year End, Net of Depreciation

	Governmental Activities	Business- Type Activities	Total
Land	\$10,975,244	\$1,126,724	\$12,101,968
Buildings	17,111,492	26,377,380	43,488,872
Improvements other than buildings	3,186,588	21,504,108	24,690,696
Infrastructure	2,553,404	0	2,553,404
Machinery and Equipment	2,123,884	437,922	2,561,806
Intangible Assets	0	645,833	645,833
Construction in Progress	2,728,081	5,127,368	7,855,449
	<u>\$38,678,693</u>	<u>\$55,219,335</u>	<u>\$93,898,028</u>

Major capital assets changes during 2005 included the following:

- Implementation of prospective infrastructure totaling \$2.5 million.
- Construction costs totaling \$2.1 million for the 220th Street Improvement project.
- Completion of the \$2 million Mid Waterfront Bulkhead project.
- Completion of the \$1.3 million Sewer Main Rehab project.
- Completion of the \$1 million Lift Station #1 renovation project.

Additional information on the City's assets can be found in Note 7 to the financial statements.

Long Term Debt – New Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$31.3 million and other long term debt of \$4.9 million. The total debt excluding compensated absences and deferred amounts is distributed as follows:

Figure 7: Long Term Debt

	Governmental Activities	Business-Type Activities	Total
General Obligation Debt	\$22,661,984	\$778,541	\$23,440,525
Special Assessment Debt			
with Government Commitment	435,000	0	435,000
Revenue Bonds	0	7,485,000	7,485,000
Capital Contracts	2,142,255	0	2,142,255
Public Work Trust Fund Loans	688,436	2,045,486	2,733,922
Total Long-term Debt	<u>\$25,927,675</u>	<u>\$10,309,027</u>	<u>\$36,236,702</u>

The City maintains Aa3 ratings from Moody’s for its General Obligation Bonds (both voter approved and councilmanic) and Revenue Bonds.

Washington State statutes limit the amount of debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to a 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Of the 2.5 percent allowed for general purposes, Non-voted (councilmanic) general purpose indebtedness is limited to 1.5% of assessed valuation.

The City’s assessed valuation for determining debt capacity available is \$5.4 billion and the total amount of voted and councilmanic debt the City may issue is \$407 million (See Schedule 10). Remaining debt capacity is as follows:

Figure 8: Debt Capacity Available

<u>Item</u>	<u>Capacity</u>
General	\$106,123,536
Parks Facilities/Open Space	135,751,491
Utilities	135,751,491

Additional information on the City’s long-term debt can be found in Note 9 to the financial statements.

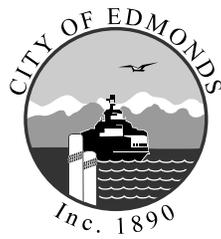
ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s 2006 budget is essentially a status quo budget developed to retain current service levels. The adopted budget achieved the Mayor’s goal of long-term sustainability. The budget complied with Initiative 747, which limits property tax revenue growth to 1% plus the value of new construction. The budget also included the 1.75% banked capacity (\$142,500) remaining from years in which the City collected property taxes below what could have been levied. There were no other new taxes or fees. Total General Fund revenues were estimated to increase by 1.5% over the 2005 Budget as amended. The cost reductions and conservative budgeting that has taken place in the past five years have placed the City in a more positive position for the next two to three years. As a result, the city was able to include a number of one time expenditures to the General Fund Departmental budgets.

A 7% storm water rate increase had originally been scheduled for 2006 as a result of the annual rate study. Due to an emergency outfall repair project, the City passed a Utility Rate Ordinance establishing an 8% increase in storm water rates and a 2.24% decrease in sanitary sewer rates to offset the increase.

Requests for Information

The City’s financial statements are designed to provide users with a general overview of the City’s finances as well as to demonstrate the City’s accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the Administrative Services Director, 121 Fifth Avenue North, City of Edmonds, Washington, WA 98020, (425) 771-0239.



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**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Primary Government			Component Unit
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	EDMONDS PUBLIC FACILITIES DISTRICT
ASSETS				
Cash and cash equivalents	\$14,059,303	\$6,535,497	\$20,594,800	\$4,805,610
Deposits with trustees	87,007	0	87,007	0
Investments	7,131,942	4,296,551	11,428,493	0
Taxes receivable	322,816	0	322,816	0
Accounts receivable	1,044,232	1,332,328	2,376,560	373,674
Special assessments	23,342	0	23,342	0
Interest on investments	34,645	14,936	49,581	0
Due from component unit	70,000	0	70,000	0
Due from other governments	2,283,388	454,112	2,737,500	48,043
Other current assets	61,037	137,336	198,373	0
Deferred charges	49,083	137,442	186,525	15,884
Restricted:				
Cash and cash equivalents	0	683,049	683,049	0
Investments	0	0	0	0
Special assessments	640,950	0	640,950	0
Noncurrent portion of receivables	0	0	0	53,548
Due from component unit - long-term	5,820,000	0	5,820,000	0
Investment in joint venture	1,355,377	0	1,355,377	0
Land	10,975,244	1,126,724	12,101,968	3,444,885
Capital assets (net) (See Note 7)	24,975,368	48,965,243	73,940,611	119,511
Construction in progress	2,728,081	5,127,368	7,855,449	4,230,893
TOTAL ASSETS	\$71,661,815	\$68,810,586	\$140,472,401	\$13,092,048
LIABILITIES				
Accrued wages	\$802,957	\$130,034	\$932,991	\$0
Accounts payable and other current liabilities	820,624	420,818	1,241,442	888,818
Due to other governmental units	0	220,000	220,000	0
Accrued bond interest payable	84,215	25,993	110,208	0
Customer deposits payable	12,546	16,652	29,198	1,350
Non-current liabilities (See Note 9)				
Due within one year	1,351,904	1,324,510	2,676,414	70,000
Due in more than one year	27,260,580	9,014,741	36,275,321	5,820,000
Capital lease	119,960	0	119,960	0
Special assessment debt with governmental commitment	435,000	0	435,000	0
TOTAL LIABILITIES	\$30,887,786	\$11,152,748	\$42,040,534	\$6,780,168
NET ASSETS				
Invested in capital assets, net of related debt	\$18,521,057	\$44,910,309	\$63,431,366	\$0
Restricted for:				
Capital projects	5,869,992	0	5,869,992	0
Debt service	817,461	683,049	1,500,510	0
Future pledges	0	0	0	422,716
Tourism	61,968	0	61,968	0
Customer deposits	0	16,652	16,652	1,350
Unrestricted	15,503,551	12,047,828	27,551,379	5,887,814
TOTAL NET ASSETS	\$40,774,029	\$57,657,838	\$98,431,867	\$6,311,880

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**
Page 1 of 2

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government services	\$6,105,305	\$2,211,982	\$500	\$3,862
Judicial	538,956	341,429	4,631	0
Public safety	15,268,262	1,444,264	24,413	0
Physical environment	1,664,723	479,101	1,993	0
Economic environment	1,027,373	1,536,418	3,600	0
Mental and physical health	9,082	70,753	0	0
Culture and recreation	3,648,189	775,957	72,308	436,116
Transportation	1,038,406	326,955	0	1,705,876
Interest on long-term debt	666,094	0	0	0
Total governmental activities	29,966,390	7,186,859	107,445	2,145,854
Business-type activities:				
Combined utility operation	11,114,516	12,553,652	37,898	775,691
Total business-type activities	11,114,516	12,553,652	37,898	775,691
Total primary government	\$41,080,906	\$19,740,511	\$145,343	\$2,921,545
Component unit:				
Performing Arts Center Operations	99,068	88,600	0	0
Performing Arts Center Renovation	120,266	0	0	395,441
Edmonds Public Facilities District	\$219,334	\$88,600	\$0	\$395,441
<p align="right">General Revenues: Property taxes Sales taxes Utility taxes Fuel taxes Real estate excise taxes Hotel/motel taxes Other taxes Payments from Component Unit Interest and investment earnings Miscellaneous Gain on sale of capital assets Transfers</p>				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning				
Prior period adjustment				
Net assets - ending				

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 2 of 2

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Edmonds Public Facilities District
(\$3,888,961)	\$0	(\$3,888,961)	\$0
(192,896)	0	(192,896)	0
(13,799,585)	0	(13,799,585)	0
(1,183,629)	0	(1,183,629)	0
512,645	0	512,645	0
61,671	0	61,671	0
(2,363,808)	0	(2,363,808)	0
994,425	0	994,425	0
(666,094)	0	(666,094)	0
(20,526,232)	0	(20,526,232)	0
0	2,252,725	2,252,725	0
0	2,252,725	2,252,725	0
(\$20,526,232)	\$2,252,725	(\$18,273,507)	\$0
			(10,468)
			275,175
			<u>\$264,707</u>
11,058,167	0	11,058,167	0
5,423,994	0	5,423,994	345,937
3,986,062	0	3,986,062	0
853,870	0	853,870	0
3,085,181	0	3,085,181	0
66,502	0	66,502	0
339,340	0	339,340	0
265,700	0	265,700	0
522,367	324,668	847,035	21,324
58,049	17,530	75,579	0
273,700	(946)	272,754	0
157,755	(157,755)	0	0
26,090,687	183,497	26,274,184	367,261
5,564,455	2,436,222	8,000,677	631,968
34,641,267	54,897,217	89,538,484	5,620,539
568,307	324,399	892,706	59,373
\$40,774,029	\$57,657,838	\$98,431,867	\$6,311,880

The accompanying notes are an integral part of this statement.

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS AND OTHER DEBITS			
CURRENT ASSETS			
Cash and cash equivalents	\$4,812,570	\$7,299,124	\$12,111,694
Change and imprest funds	6,150	0	6,150
Deposits with trustee	87,007	0	87,007
Investments	2,532,656	2,868,348	5,401,004
Receivables, net			
Taxes	322,816	0	322,816
Customer accounts	553,825	2,125	555,950
Assessments	0	23,342	23,342
Interest	20,051	8,729	28,780
Due from other governmental units	7,098,261	1,075,127	8,173,388
Inventory	185	0	185
Total Current Assets	<u>15,433,521</u>	<u>11,276,795</u>	<u>26,710,316</u>
RESTRICTED ASSETS			
Special assessments - deferred	0	640,950	640,950
Total Restricted Assets	<u>0</u>	<u>640,950</u>	<u>640,950</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$15,433,521</u>	<u>\$11,917,745</u>	<u>\$27,351,266</u>
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$772,688	\$18,826	\$791,514
Accounts payable	254,842	424,310	679,152
Custodial accounts	117,341	432	117,773
Deferred revenues	415,704	2,424	418,128
Total Current Liabilities	<u>1,560,575</u>	<u>445,992</u>	<u>2,006,567</u>
NONCURRENT LIABILITIES			
Deferred revenues	5,890,252	664,292	6,554,544
Total Noncurrent Liabilities	<u>5,890,252</u>	<u>664,292</u>	<u>6,554,544</u>
TOTAL LIABILITIES	<u>7,450,827</u>	<u>1,110,284</u>	<u>8,561,111</u>
FUND BALANCES			
Reserved for:			
Debt service	0	152,745	152,745
Unreserved, reported in:			
General fund	7,982,694	0	7,982,694
Special revenue funds	0	10,654,716	10,654,716
TOTAL FUND BALANCES	<u>7,982,694</u>	<u>10,807,461</u>	<u>18,790,155</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$15,433,521</u>	<u>\$11,917,745</u>	<u>\$27,351,266</u>

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

Total governmental fund balances		\$18,790,155
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.</p>		
		38,344,616
<p>These assets consist of:</p>		
Land	10,975,243	
Construction in progress	2,728,081	
Investment in joint venture	1,355,377	
Buildings	24,808,368	
Improvements other than buildings	7,946,965	
Infrastructure	2,553,404	
Machinery and equipment - general government	1,621,289	
Less: Accumulated depreciation	(13,644,111)	
<p>Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.</p>		
		537,363
Court receivable	488,280	
Deferred charges	49,083	
<p>Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.</p>		
		(22,116,722)
<p>These long-term liabilities consist of:</p>		
General obligation bonds	(22,661,984)	
Special assessment debt with government commitment	(435,000)	
Compensated absences	(3,104,030)	
Capital contracts	(2,142,255)	
Public works trust fund loan	(688,436)	
Accrued interest	(84,215)	
Deferred revenue	6,999,198	
<p>Internal service fund is used by management to charge the costs of equipment rental to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.</p>		
		5,218,617
Net assets of governmental activities		\$40,774,029

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$19,977,824	\$3,565,382	\$23,543,206
Licenses and permits	1,564,290	21,975	1,586,265
Intergovernmental revenues	2,025,474	2,755,514	4,780,988
Charges for services	2,890,358	293,412	3,183,770
Fines and forfeits	350,351	4,032	354,383
Other revenues	580,188	588,414	1,168,602
Total revenues	27,388,485	7,228,729	34,617,214
EXPENDITURES			
Current:			
General government services	6,028,701	237,333	6,266,034
Security of persons and property	14,470,960	130,559	14,601,519
Physical environment	1,770,857	107,084	1,877,941
Transportation	0	1,170,188	1,170,188
Economic environment	894,578	20,303	914,881
Mental and physical health	9,082	0	9,082
Culture and recreation	2,569,419	141,804	2,711,223
Capital outlay	185,761	2,855,709	3,041,470
Debt service:			
Principal	263,430	1,182,903	1,446,333
Interest	217,663	886,537	1,104,200
Total Expenditures	26,410,451	6,732,420	33,142,871
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	978,034	496,309	1,474,343
OTHER FINANCING SOURCES (USES)			
Proceeds of general long-term debt	120,000	385,000	505,000
Disposition of capital assets	0	279,029	279,029
Transfers in	223,700	1,262,052	1,485,752
Transfers out	(898,490)	(589,507)	(1,487,997)
Payment from component unit	0	325,699	325,699
Total other financing sources (uses)	(554,790)	1,662,273	1,107,483
Net change in fund balances	423,244	2,158,582	2,581,826
Fund balances - beginning	7,647,155	8,797,758	16,444,913
Prior Period Corrections	(87,705)	(148,879)	(236,584)
FUND BALANCES - ENDING	\$7,982,694	\$10,807,461	\$18,790,155

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balances - total governmental funds	\$2,345,242
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful life as depreciation expense. This is the amount by which capital outlays plus adjustments exceeded depreciation in the current period.	
	2,882,139
This is comprised of:	
Capital outlays	3,008,686
Current year depreciation	(1,315,364)
Land donated as a capital contribution	375,000
Sale of capital assets	(30,144)
Prior period corrections for infrastructure, other improvements, and depreciation	843,961
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	(218,186)
This is comprised of:	
Deferred tax	(27,927)
Other deferred revenue	(156,838)
Record of court receivable	(33,421)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, yet the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	
	943,703
This is comprised of:	
Amortization for deferred charges	2,370
Proceeds from Public works trust fund loan	(385,000)
Proceeds from GO bond	(120,000)
Long-term debt repayments	1,446,333
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
	(551,768)
This is comprised of:	
Accrued interest expense	4,911
Accrued compensating absence expense	(556,679)
Internal service funds are used by management to charge the cost of equipment rental to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities.	
	731,632
Change in net assets of governmental activities	\$6,132,762

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$19,418,401	\$19,418,401	\$19,977,824	\$559,423
Licenses and Permits	1,189,510	1,189,510	1,564,290	374,780
Intergovernmental Revenues	2,028,150	2,038,209	2,025,474	(12,735)
Charges for Services	3,009,423	3,059,124	2,890,358	(168,766)
Fines and Forfeits	440,550	440,550	350,351	(90,199)
Other Revenues	399,500	423,380	580,188	156,808
Total Revenues	26,485,534	26,569,174	27,388,485	819,311
EXPENDITURES				
Current:				
General Government Services	6,756,862	6,289,779	6,028,701	261,078
Security of Persons and Property	13,979,710	14,493,921	14,470,960	22,961
Physical Environment	1,810,401	1,912,337	1,770,857	141,480
Economic Environment	975,031	1,000,373	894,578	105,795
Mental and Physical Health	11,000	11,000	9,082	1,918
Culture and Recreation	2,627,604	2,681,406	2,569,419	111,987
Capital Outlay	54,851	225,975	185,761	40,214
Debt Service:				
Principal Retirement	243,012	263,012	263,430	(418)
Interest	218,960	227,836	217,663	10,173
Total Expenditures	26,677,431	27,105,639	26,410,451	695,188
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(191,897)	(536,465)	978,034	1,514,499
OTHER FINANCING SOURCES (USES)				
Proceeds of General Long-Term Debt	0	200,000	120,000	(80,000)
Transfers In	173,224	173,224	223,700	50,476
Transfers Out	(898,490)	(898,490)	(898,490)	0
Total other financing sources (uses)	(725,266)	(525,266)	(554,790)	(29,524)
Net change in fund balances	(917,163)	(1,061,731)	423,244	1,484,975
Fund Balances - beginning	5,381,983	5,381,983	7,647,155	2,265,172
Prior Period Adjustment	0	0	(87,705)	(87,705)
FUND BALANCES - ENDING	\$4,464,820	\$4,320,252	\$7,982,694	\$3,662,442

The accompanying notes are an integral part of this statement.

**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
DECEMBER 31, 2005**

	BUSINESS TYPE ACTIVITIES - WATER & SEWER UTILITY	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$6,535,497	\$1,941,458
Investments	4,296,551	1,730,938
Receivables, net		
Customer accounts	1,332,328	0
Interest	14,936	5,865
Due from other governments	454,112	0
Inventory	137,336	60,852
Total Current Assets	<u>12,770,760</u>	<u>3,739,113</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	683,049	0
Intangible assets	645,833	0
Unamortized debt issue costs	137,442	0
Construction in progress	5,127,369	0
Capital assets, net of depreciation (Note 6)	49,446,133	1,689,455
Total Noncurrent Assets	<u>56,039,826</u>	<u>1,689,455</u>
TOTAL ASSETS	<u>\$68,810,586</u>	<u>\$5,428,568</u>
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$420,818	\$23,700
Wages and benefits payable	130,033	11,442
Interest payable	25,993	0
Due to other governments	220,000	0
Current portion of long-term debt (net of unamortized premiums/discounts)	1,324,510	78,771
Other current liabilities	16,652	0
Total Current Liabilities	<u>2,138,006</u>	<u>113,913</u>
NONCURRENT LIABILITIES		
General obligation bonds payable	717,551	0
Revenue bonds payable (net of unamortized premiums/discounts)	6,105,163	0
Loans payable	1,929,696	0
Leases payable	0	41,189
Compensated absences	262,332	54,849
Total Noncurrent Liabilities	<u>9,014,742</u>	<u>96,038</u>
TOTAL LIABILITIES	<u>\$11,152,748</u>	<u>\$209,951</u>
NET ASSETS		
Invested in capital assets, net of related debt	44,910,309	1,569,495
Restricted for debt service	683,049	0
Restricted for customer deposits	16,652	0
Unrestricted	12,047,828	3,649,122
TOTAL NET ASSETS	<u>\$57,657,838</u>	<u>\$5,218,617</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	BUSINESS TYPE ACTIVITIES - WATER & SEWER UTILITY	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OPERATING REVENUES:		
Charges for services	\$10,605,966	\$1,343,695
Other operating revenues	1,947,686	157
Total Operating Revenues	12,553,652	1,343,852
OPERATING EXPENSES:		
Personnel services	3,073,302	320,253
Supplies	5,357,504	494,098
Professional services	183,337	723
Insurance	308,288	28,809
Depreciation and amortization	1,810,779	467,580
Total Operating Expenses	10,733,210	1,311,463
Operating Income (Loss)	1,820,442	32,389
NON-OPERATING REVENUES (EXPENSES):		
Taxes	0	60,000
Intergovernmental revenues	37,898	0
Interest and investment revenue	324,668	103,045
Judgments and settlements	17,530	8,072
Gain (loss) on sale/retirement of assets	(946)	24,476
Interest expense	(381,306)	(11,137)
Other non-operating expenses	0	0
Total Non-Operating Revenues (Expenses)	(2,156)	184,456
Income (Loss) Before Contributions and Transfers	1,818,286	216,845
Capital contributions	775,691	413,175
Transfers in	118,890	160,000
Transfers out	(276,645)	0
NET INCOME (LOSS)	2,436,222	790,020
NET EQUITY - BEGINNING	54,897,217	4,486,985
Prior period corrections	324,399	(58,388)
NET EQUITY - ENDING	\$57,657,838	\$5,218,617

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 1 of 2

	BUSINESS - TYPE ACTIVITIES COMBINED UTILITY FUND	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$12,356,544	\$1,343,949
Payments to suppliers	(5,881,305)	(546,931)
Payments to employees	(2,909,998)	(296,482)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,565,241	500,536
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts from non-capital grants	27,658	0
Transfers to other funds	(276,645)	0
Transfers from other funds	118,890	0
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(130,097)	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital debt	1,397,599	0
Principal paid on capital debt	(1,225,220)	0
Interest paid on capital debt	(348,221)	0
Proceeds from sale of capital assets	0	30,575
Capital contributions	509,160	0
Acquisition and construction of capital assets	(3,935,826)	(100,666)
Payments on lease	0	(85,332)
Other receipts (Payments)	17,530	8,072
Transfers from other funds	0	220,000
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(3,584,978)	72,649
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	2,250,000	0
Purchase of investments	(1,250,000)	0
Investment income	399,240	126,715
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,399,240	126,715
Net Increase (Decrease) in Cash and Cash Equivalents	1,249,406	699,900
Cash and Cash Equivalents, January 1	5,969,140	1,241,558
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$7,218,546	\$1,941,458
Current Cash and Cash Equivalents	\$6,535,497	\$1,941,458
Restricted Cash and Cash Equivalents	683,049	0
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$7,218,546	\$1,941,458

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 2 of 2

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$1,820,442	\$32,389
Adjustments to Reconcile Operating Income to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	1,810,779	467,580
Change in Assets and Liabilities:		
(Increase) decrease in inventories	(12,179)	(13,470)
(Increase) decrease in receivables	(199,397)	96
Increase (decrease) in accounts and other payables	(110,774)	(9,830)
Increase (decrease) in due to other governments	93,067	0
Increase (decrease) in compensated absences	163,303	23,771
TOTAL ADJUSTMENTS	1,744,799	468,147
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$3,565,241	\$500,536

**SCHEDULE OF NON-CASH CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Non-Cash Financing, Capital and Investing Activities:

Capital assets contributed by other funds	266,531	2,316,632
Prior period corrections	324,399	(58,388)
Increase (decrease) in fair value of investments	(51,720)	(19,063)
TOTAL NON-CASH ACTIVITIES	539,210	2,239,181

The accompanying notes are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2005**

	FIREMEN'S PENSION FUNDS
ASSETS AND OTHER DEBITS	
Cash and cash equivalents	\$97,722
Investments	245,547
TOTAL ASSETS AND OTHER DEBITS	343,269
LIABILITIES	
TOTAL LIABILITIES	0
NET ASSETS	
Held in trust for pension benefits and other purposes	\$343,269

The accompanying notes are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	FIREMEN'S PENSION FUNDS
ADDITIONS:	
Employer Contribution	
Fire insurance premiums	\$35,519
Investment income	
Interest	8,180
TOTAL ADDITIONS	43,699
DEDUCTIONS:	
Benefits	89,052
Administrative expense	7,906
TOTAL DEDUCTIONS	96,958
CHANGE IN NET ASSETS	(53,259)
NET ASSETS RESERVED FOR EMPLOYEES' PENSION BENEFITS	
Employees' pension benefits, January 1	396,528
NET ASSETS - ENDING	\$343,269

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Edmonds, which conform to generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB), are regulated by the Washington State Auditor's Office. The City's significant accounting policies are described below.

REPORTING ENTITY

The City of Edmonds was incorporated in 1890 and operates under a Council/Mayor form of government. The City Council is composed of seven members elected at large who each serve a four-year term. The Mayor is elected at large and serves a four-term. The Mayor is responsible for all City affairs. The City provides a full range of general government services: including public safety, streets, parks and recreation, planning and zoning, permits and inspection, general administration, and water, sewer, storm water and wastewater treatment utilities.

The accompanying financial statements include all funds, agencies, and boards controlled by or dependent on the City. Criteria used to determine agency dependence on the City were: selection of the governing body, budget adoption, taxing authority, outstanding debt service secured by City revenues or general obligations, City obligation to finance possible deficits, or receipt of significant City subsidies.

Discretely Presented Component Unit

The Edmonds City Council formed the Edmonds Public Facilities District (PFD) on April 24, 2001 by Ordinance. The PFD was created under the authority provided by the legislature during the 1999 State legislative session, since codified as RCW 35.57. The purpose of the PFD is to construct and operate a "regional center" in the City of Edmonds. RCW 35.57 defines a regional center as a conference, convention or special events center along with related parking.

A five member board governs the PFD and is appointed to four-year terms by the City Council. The PFD has authority under state law to issue debt, levy certain taxes, and enter into contracts. In 2002 the City Issued Limited General Obligation Bonds for the acquisition, renovation and remodeling of a Performing Arts Center by the PFD in the amount of \$7,015,000. These proceeds were transferred to the PFD. The bonds are a debt of the City and not the PFD; however the PFD is obligated by inter-local agreement to transfer sales tax rebate revenues to the City to help offset the City's debt service costs over the life of the bonds. More information about the PFD, including complete financial statements, can be obtained from Edmonds Performing Arts Center, c/o Dan Clements, Administrative Services Director, 121 Fifth Ave. N. Edmonds, WA 98020, or by visiting our web site at www.ci.edmonds.wa.us.

Joint Ventures

A joint venture is an organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate activity. In addition to joint control, each participant must have either an ongoing financial interest or an ongoing financial responsibility.

The City participates in a single joint venture with Snohomish County and other local governments in the Snohomish County Emergency Radio System. See Note 5 for additional information.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The City has allocated certain indirect costs that are included in the program expense reported for individual functions and activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are not included in the government-wide financial statements. Major individual funds are reported as separate columns, while the remaining funds are combined for presentation purposes in the governmental funds statements and the proprietary funds statements.

BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND PRESENTATION OF FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds. Under this approach, revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all the eligibility requirements imposed by the providers have been met.

Governmental funds are used to account for activities typically associated with state and local government operations. All governmental funds are accounted for on a spending or "financial flows" measurement focus, which means that typically only current assets and current liabilities are included on the related balance sheet. The operating statements for governmental funds measure changes in financial position, rather than net income; they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Governmental funds use the modified accrual basis of accounting. On the modified accrual basis, revenues are recorded when susceptible to accrual (i.e. when they are determined to be both measurable and available.) To be considered available, revenues must be collected during the current period or soon enough thereafter to pay current liabilities. For the City of Edmonds, this period is considered to be the first sixty days after the end of the fiscal period. Property taxes, sales taxes, utility taxes, franchise fees, and interest are associated with the current fiscal period and have been recognized as revenues of the current period. Under this method, expenditures are recognized at the time the fund incurs the related liability, with the exception of principal and interest on long-term debt and vacation and sick pay which are recorded when paid.

Major Governmental Funds:

The **General Fund** is the general operating fund of the City and accounts for all activities not required to be accounted for in some other fund.

Proprietary Fund:

The **Combined Utility Operation Fund** accounts for the provision of water, drainage and wastewater treatment services to the residents of the City and some residents of Mountlake Terrace, Lynnwood, Woodway, Olympic View Water District and Ronald Wastewater District. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, financing, and related debt service, billing, and collection.

Internal Service and Fiduciary Funds:

The **Equipment Rental Fund** is an internal service fund used to account for the Fleet Maintenance Division. The Fleet Maintenance Division is responsible for maintaining the City's vehicle fleet.

Fiduciary funds are used to account for City assets held in a trustee capacity or as an agent for individuals, private organizations, and other governments. These funds share characteristics with both the government and proprietary funds and therefore, as described below, use the measurement focus and basis of accounting most appropriate to their specific operations.

The **Firemen's Pension Fund** accounts for a single employer defined benefit system established under state law to provide for eligible firefighters. Although this pension plan has subsequently been replaced by the State Law

Enforcement Officers and Firefighters pension system, firefighters hired prior to March 1, 1970 continue to be eligible for benefits under its provisions. Revenues received by the fund include proceeds of a state-imposed tax on fire insurance premiums and as needed, allocations from the City's annual property tax levy based on actuarial estimates.

The proprietary fund statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and delivering goods in connection with principal ongoing operations. The principal operating revenues of the City's utility fund are charges to customers for sales and service. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds include operating and maintenance costs, employee benefit expenses, contracted services, insurance and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

Pursuant to Statement No. 20 of the Governmental Accounting Standards Board (GASB), the City reports in accordance with all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB), and Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989 (unless they conflict with or contradict GASB pronouncements).

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted as they are needed.

NEW ACCOUNTING STANDARD

In 2005 the City implemented GASB Statement No. 40 "*Deposits and Investment Risk Disclosures*," an amendment of GASB Statement No. 3. This statement addresses disclosure of common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Implementation of this statement had no effect on the City's financial position or results of operations.

BUDGETS AND BUDGETARY ACCOUNTING

Scope of Budget

In accordance with the Revised Code of Washington (RCW) 35A.33 the City budgets for all funds except agency funds. In compliance with this code, annual appropriated budgets are adopted for the General Fund, Special Revenue Funds and Capital Project Funds.

Budgets are adopted at the fund level and this constitutes the legal level of control where expenditures may not exceed appropriations. Purely as a management tool, budgets are broken out to departments, activities and expense types.

The City adopts the budget for governmental funds on the modified accrual basis and all unexpended appropriations lapse at year-end.

Procedures for Adopting the Original Budget

The budget process steps are: 1) prior to November 1, the Mayor submits a proposed budget to the City Council. It is based on Council-established priorities and estimates provided by City departments during the preceding months, and balanced with revenue estimates made by the Mayor; 2) the City Council conducts public hearings on the proposed budget in November and December; 3) the Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31; 4) the final operating budget as adopted is published and distributed by the next February. Limited copies of the budget book can be obtained from City of Edmonds, c/o Dan Clements, Administrative Services Director, 121 5th Ave. N. Edmonds, WA 98020, or by visiting our web site at www.ci.edmonds.wa.us.

Transfers or revisions within funds are allowed, but only the City Council can increase or decrease a fund's annual budget, which is done by City ordinance.

Budgetary accounts are integrated in fund ledgers for all budgeted funds, but financial statements include budget-to-actual comparisons for governmental funds only. The budgetary basis is substantially the same as the accounting basis in all governmental fund types. Proprietary and Trust Fund budgets are "management budgets" and are not legally required to be reported.

ASSETS, LIABILITIES, AND NET ASSET OR EQUITY

Cash and Equity in Pooled Investments

The City of Edmonds invests all short-term cash surpluses. The City considers all highly-liquid assets, including investment in the Washington State’s Local Government Investment Pool, and short-term investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are presented in the financial statements at fair value based on quoted market prices. The City’s position in the Local Government Investment Pool is the same as the value of the pool shares. Pool investments are reported as Cash and Cash Equivalents. Interest earned on the pooled investments is allocated to individual funds at the end of each month on the basis of their average daily cash balance during the preceding month. Investments are also held separately by several funds with interest earned directly for each fund’s benefit. The City holds most investments to maturity. For reporting, all funds’ interest earnings are recognized in the accounting period in which they become available and measurable. Additional deposit and investment information is presented in Note 3.

Inventories

Inventories are generally valued using the weighted-average cost method and consist of expendable materials and supplies. Governmental fund types use the consumption method, where cost is recognized as an expenditure when the inventory is consumed. Inventories in the proprietary funds are expensed as consumed.

Receivables

Property taxes - The County Treasurer collects annual property taxes levied in the county for all taxing authorities. Taxes are levied on January 1 for property value listed as of May 31.

The County Assessor establishes assessed values at 100 percent of fair market value. Property values had been re-evaluated every four years. Beginning with the 2004 assessment for taxes payable in 2005, all property will be appraised annually and updated to reflect the current market value. This will result in smaller increases in assessed value than property owners experienced in the past with the 4-year reval cycle. It also allows property values to be adjusted downward if there is a change in the market, instead of the value being "fixed" for a 4-year period.

Property taxes levied by the County Assessor and collected by the County Treasurer become a lien on the first day of the levy year and may be paid in two equal payments if the total exceeds \$10. The first half is due on April 30 and the balance is due October 31. Delinquent taxes bear interest at 12 percent and are subject to additional penalties if not paid as scheduled.

At year end, property taxes are recorded as a receivable, with the portion not expected to be collected within 60 days offset by a deferred revenue. During the year, property tax revenues are recognized when cash is received.

Due to voter approval of Initiative 747 in November 2001, levy increases are limited to the lesser of the implicit price deflator for personal consumption expenditures for the 12-month period ending in July of each year, or 1%. Any increase above this limit requires voter approval.

In 2005, the City levied the following property taxes on an assessed value of \$4,819,291,927. The special levies identified in the table were approved by the voters and are not subject of the limitation listed above.

PURPOSE OF LEVY	LEVY RATE PER \$1,000	TOTAL LEVY AMOUNT
General Government	1.690	\$8,146,060
Emergency Medical Services	0.471	2,272,982
Debt Service on Voter-approved General Obligation Bonds	0.167	756,672
TOTAL CITY LEVY	2.328	\$11,175,714

Customer Accounts - Customer accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Notes and contracts receivable arise from a written agreement or contract with private individuals or organizations. Receivables are shown net of allowances for uncollectible accounts.

Interfund - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/due from other funds. Advances to other funds in governmental funds are equally offset by a fund balance reserve account, which indicates that they do not constitute available spendable resources since they are not a component of net current assets.

Deferred Revenues and Deferred Charges

Deferred revenues include amounts collected before revenue recognition criteria are met because under the modified accrual basis of accounting, they are measurable but not yet available. The deferred items consist primarily of delinquent property taxes, contracts and agreements, special assessments, and amounts due from component unit.

In the proprietary funds the premium or discount and issuance costs of long-term debt are amortized over the life of the debt. For current refunding and advance refunding of revenue bonds, the difference between the reacquisition price and net carrying amount is amortized over the shorter of the remaining life of the old debt or the life of the new bond issues.

Restricted Assets

In accordance with the utility bond resolutions, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of bond reserve funds, financing the ongoing capital improvement programs of the various utilities, and other purposes. At December 31, 2005 the City had \$683,049 cash in the Enterprise fund restricted for debt service.

Capital Assets

GASB Statement No. 34 established new financial reporting standards including the reporting of infrastructure assets of the general government as capital assets. Prospective reporting of general infrastructure assets was required of the City effective January 1, 2003. Retrospective reporting of general infrastructure assets as required by the statement is effective for the City at January 1, 2007. The City is currently inventorying and valuing these assets and will include them at a later date.

General capital assets are those assets not specifically related to activities reported in the proprietary funds. The capital assets purchased or constructed by a governmental fund are recorded as expenditures in the fund at the time the related purchases are made; however, the associated capital assets are reported in the governmental activities column of the government-wide statement of net assets while not reported in the fund balance sheets.

The City classifies assets with an estimated useful life in excess of one year as capital assets. Capital assets include land, buildings, improvements, machinery, equipment, and infrastructure. Land is capitalized at cost with no minimum threshold. Buildings, improvements, and machinery and equipment are capitalized when cost meets or exceeds \$5,000. Public domain (infrastructure) assets consist of certain improvements other than buildings, including utility systems, streets, bridges, traffic controls, and overlays are capitalized when cost equals or exceeds \$50,000.

Costs of normal maintenance and repair for general capital assets are also not capitalized. However, any improvement that increases an asset's value, capacity or materially extends its life is added to that asset's capitalized costs.

Equipment items acquired through capital lease agreements and land purchased through conditional sales contracts are reported as general capital assets in the government-wide statement of net assets. In the governmental fund financial statements, lease and contract payments are reported as expenditures.

All project costs are included in construction in progress in the government-wide statement of net assets. At completion, capital costs are reclassified to property plant and equipment. In the governmental fund financial statements, projects are reported as expenditures.

Capital assets acquired or constructed by the proprietary funds are capitalized in those funds at historical cost. Contributed assets are recorded at their estimated fair values as of the date acquired. The estimated value of donated assets is recorded as contributed revenue by the fund which receives them.

Land and construction in progress are not depreciated. Buildings, equipment, non-building improvements and intangible assets are depreciated using the straight line method, using varying estimated service lives for individual assets and asset classifications depending on particular characteristics of an asset and factors surrounding its anticipated use. Governmental-fund fixed asset depreciation is reported as part of the related program expense column on government-wide statement of activities, while not reported in the fund statement of revenues, expenditures, and changes in fund balance. Capital assets used by the governmental funds are reported net of accumulated depreciation of the government-wide statement of net assets, while not reported in the fund balance sheets. Refer to note 7 for additional information regarding capital assets.

Capital assets used by proprietary funds are depreciated and reported net of accumulated depreciation on Proprietary Fund statement of net assets. Annual depreciation is recorded as a fund expense and computed using the straight line method over estimated service lives.

The average service lives used to calculate depreciation for specific categories of assets are summarized below:

<u>Asset Type</u>	<u>Est. Service Life (Yrs)</u>
Buildings	30-50
Non-Building Improvements	25-60
Utility Plant	25-60
Equipment	02-20

Accumulated Compensated Absences

Compensated absences including payroll taxes are reported as a current liability in the balance sheet. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is generally estimated using the termination method provided by GASB Statement No. 16.

Vacation Pay – Employees earn vacation based upon their years of service and may accumulate earned vacation up to a maximum of 216 hours. Unused vacation at retirement or termination is considered vested and payable to the employee.

Sick Pay – Employees may accumulate up to 1000 hours of sick leave. Up to 800 hours of unused sick leave at retirement or termination is paid based on a percentage of accumulated sick leave. Payment is based on current wage at termination.

Other Compensated Absences – Other compensated absences include compensatory time in lieu of overtime pay; holiday earned by fire and police employees; and other compensation earned by City employees under law or union contracts. Unused compensated absences are payable at retirement or termination.

Reservations and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are either not appropriable for expenditures or are legally restricted for a specific future use. The amounts not appropriable for expenditures are reported as fund balance reserved for noncurrent assets, inventories, petty cash, and prepaid items. The amounts legally segregated for specific future uses are reported as fund balance reserved for capital improvements and grants, debt service including judgments and claims, employee benefits, endowments and gifts, employee retirement systems, continuing appropriations, and encumbrances.

In cases where a governmental fund does not have enough available unreserved fund balance, the fund balance reserved for that fund is limited to the extent of the amount available.

NOTE 2 — STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of contract provisions. However, in 2005, three special revenue funds, and one capital project fund exceeded their legal level of appropriation:

- 1) The LEOFF Medical Insurance Reserve Fund exceeded legal appropriation due to unanticipated outlays for long term care.
- 2) The Hotel Motel Tax Fund exceeded its legal appropriation due to a transfer to the Tourism Promotional Arts Fund. By ordinance, the Hotel Motel Tax Fund must transfer 25 percent of revenues to the Tourism Promotional Arts Fund. Revenues exceeded estimates, resulting in a transfer out in excess of appropriation.
- 3) The Gifts Catalog Fund exceeded legal appropriations due to an unanticipated capital expenditure. This expenditure was funded by a private donation.
- 4) The Public Safety Building Construction Fund exceeded its legal appropriation due to higher than estimated cash remaining in the fund at year end. This fund was closed and the remaining cash was transferred to Fund 116, the Building Maintenance Fund.

All funds amended budget expenditure appropriations totaled \$70,284,225, which includes \$3,088,788 of supplemental appropriations. Funds with supplemental appropriations during 2005 and the amounts are shown below:

Fund Number	Fund Description	2005 Original Budget	Supplemental Appropriations	2005 Amended Budget
001	General Fund	27,575,921	428,208	28,004,129
009	LEOFF Medical Insurance Reserve Fund	45,600	4,100	49,700
111	Street Fund	1,169,180	110,119	1,279,299
116	Building Maintenance Fund	257,000	650,000	907,000
127	Gifts Catalog Fund	2,660	13,840	16,500
130	Cemetery Maintenance/Improvement Fund	523,870	3,203	527,073
211	LID Fund Control	64,550	170,000	234,550
326	Public Safety Building Construction Fund	796,672	101,223	897,895
411	Combined Utility Operation	11,255,217	553,859	11,809,076
414	Treatment Plant Operations	2,510,895	1,000,000	3,510,895
511	Equipment Rental Fund	1,010,249	41,381	1,051,630
617	Fireman's Pension Fund	95,072	8,000	103,072
621	Special Library Fund	1,100	4,855	5,955
	Totals	\$45,307,986	\$3,088,788	\$48,396,774

NOTE 3 — DEPOSITS AND INVESTMENTS

As of December 31, 2005, the City held the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Agencies	\$6,374,040	1.91
Local Government Investment Pool	21,445,926	-
Total Fair Value	<u>\$27,819,966</u>	

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity of its investments to less than four years.

Credit risk. As required by state law, all investments of the City's fund are obligations of the U.S. Government, U.S. agency issues, Obligations of the State of Washington, repurchase agreements, prime banker's acceptances, the Washington State

Local Government Investment Pool, and time certificates of deposit with authorized Washington State banks. The ratings of debt securities as of December 31, 2005 are:

Debt Security	S&P Rating
Federal Home Loan Bank	AAA
Federal National Mortgage Association (Fannie Mae)	AAA

The Washington State Local Government Investment Pool, operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Act of 1940, is unrated.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All City deposits are insured by Federal Depository Insurance (FDIC) up to \$100,000. All deposits not covered by FDIC insurance are covered by the Washington Public Deposit Protection Commission (WPDPC) of the State of Washington for amounts over \$100,000.

The WPDPC is a statutory authority established under RCW chapter 39.58. It constitutes a multiple financial institution collateral arrangement that provides for additional assessments against members of the pool on a pro rata basis up to a maximum of 10 percent of each institution's public deposits. Provisions of RCW chapter 39.58, section 60 authorize the WPDPC to make pro-rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss.

Custodial credit risk – Investments. For investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All City securities are held for safekeeping by the Bank of New York, as the City's agent, in the City's name.

Concentration of credit risk. Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City limits its exposure to concentration risk by requiring diversification of its investments by type and institution as follows:

Security Type	Portfolio Maximum with One Financial Institution	Portfolio Maximum
Bankers Acceptances	10%	20%
Certificates of Deposit	35%	90%
U. S. Treasuries	100%	90%
U. S. Agencies	100%	90%
State of Washington Bonds	30%	20%
Local Government Bonds	30%	10%
Local Government Investment Pool	100%	100%

The City's investments in the Federal Home Loan Bank and the Federal National Mortgage Association (Fannie Mae), government-sponsored enterprises which are not explicitly backed by the federal government each exceed 5% of the City's total investment portfolio market value at 17.62% and 5.69%, respectively.

A reconciliation of cash, cash equivalents (including pooled investments) and investments as shown in the government-wide and fund financial statements is as follows:

Notes	
Investments	\$6,374,040
Deposits	9,479,092
Local Government Investment Pool	21,445,926
	<u>\$37,299,058</u>

Financial Statements

	Governmental Activities	Business-type Activities	Total Primary Govt.	Component Unit	Fiduciary Funds	Total
Cash and Cash Equivalents	\$14,059,303	\$6,535,497	\$20,594,800	\$4,249,447	\$97,722	\$24,941,969
Restricted Cash and Cash Equivalents	0	683,049	683,049	0	0	683,049
Investments	7,131,942	4,296,551	11,428,493	0	245,547	11,674,040
	<u>\$21,191,245</u>	<u>\$11,515,097</u>	<u>\$32,706,342</u>	<u>\$4,249,447</u>	<u>\$343,269</u>	<u>\$37,299,058</u>

In addition to the Cash and cash equivalents held by the City for the Public Facilities District, the Edmonds Center for the Arts, a component unit of the Public Facilities District holds cash in the amount of \$556,163.

NOTE 4 – RECEIVABLES AND PAYABLES

Receivables at December 31, 2005, are as follows:

	Taxes	Customer Accounts	Due From Other Governments	Interest	Total
Governmental Activities					
General Fund	\$322,816	\$553,825	\$7,098,261	\$20,051	\$7,994,953
Other Governmental Funds	0	2,125	1,075,127	8,729	1,085,981
Internal Service	0	0	0	5,865	5,865
Total Governmental Activities	<u>\$322,816</u>	<u>\$555,950</u>	<u>\$8,173,388</u>	<u>\$34,645</u>	<u>\$9,086,799</u>
Business-type Activities					
Combined Utility Fund	\$0	\$1,332,328	\$454,112	\$14,936	\$1,801,376
Total Business-type Activities	<u>\$0</u>	<u>\$1,332,328</u>	<u>\$454,112</u>	<u>\$14,936</u>	<u>\$1,801,376</u>
Component Unit					
Edmonds Public Facilities District	\$0	\$4,506	\$48,043	\$0	\$52,549
Total Component Unit	<u>\$0</u>	<u>\$4,506</u>	<u>\$48,043</u>	<u>\$0</u>	<u>\$52,549</u>

The amount of accounts receivable on the Statement of Net Assets for Governmental Activities includes the customer accounts listed above, a court receivable in the amount of \$488,280. The amount of accounts receivable on the Statement of Net Assets for the Public Facilities District includes the amounts listed above, and the Edmonds Center for the Arts pledges receivable in the amount of \$369,168.

Payables at December 31, 2005, are as follows:

	Accounts Payable and Other Current Liabilities	Due to Other Governments	Customer Accounts	Total
Governmental Activities				
General Fund	\$372,183	\$0	\$10,545	\$382,728
Other Governmental Funds	424,742	0	2,000	426,742
Internal Service	23,700	0	0	23,700
Total Governmental Activities	\$820,625	\$0	\$12,545	\$833,170
Business-type Activities				
Combined Utility Fund	\$420,818	\$220,000	\$16,652	\$657,470
Total Business-type Activities	\$420,818	\$220,000	\$16,652	\$657,470
Component Unit				
Edmonds Public Facilities District	\$885,079	\$0	\$1,350	\$886,429
Total Component Unit	\$885,079	\$0	\$1,350	\$886,429

In addition to the Public Facilities District payable amounts, the Edmonds Center for the Arts, a component unit of the Public Facilities District has payables in the amount of \$3,740.

NOTE 5 — JOINT VENTURES

The City has entered into a single joint venture with Snohomish County and other local governments in the establishment and operations of the Snohomish County Emergency Radio System. Control of this joint venture is shared equitably by the controlling organizations. This entity is reported as a governmental joint venture. As such the City's share of ownership is included in capital assets.

The Snohomish County Emergency Radio System is considered a separate reporting entity. The City's and each participants share of authority is defined by the terms of the enabling charter. Control as represented by the City Council or Board of County Commissioners is divided between the County and participating Cities. Separate financial statements for the Snohomish County Emergency Radio System can be obtained from the City of Edmonds and Snohomish County.

The Snohomish County Emergency Radio System was created by agreement under the Interlocal Cooperation Act (RCW 39.34) between The City of Edmonds, Snohomish County and various other cities and political districts. The purpose of the venture is to equip and operate a radio system primarily for the use of public safety agencies. The City of Edmonds has an 8% interest in the equity and operations of the venture. The City's share of the assets and fund equity as of 12/31/2005 was \$1,355,377. The venture appears to be accumulating significant resources, and is not experiencing any fiscal stress that would cause an additional financial burden on the participating governments.

NOTE 6 — INTERFUND TRANSFERS

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. The City uses transfers to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund activity for the year is as follows:

	Transfers Out			
	Transfers In	General	Other Governmental	Enterprise
General Fund	\$223,700	\$0	\$143,700	\$80,000
Other Governmental	1,262,052	748,490	326,917	186,645
Internal Service	160,000	150,000	0	10,000
Enterprise	118,890	0	118,890	0
Total	\$1,764,642	\$898,490	\$589,507	\$276,645

Significant transfers are considered transfers that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer. In 2006, the Public Safety Building Construction Fund transferred its respective closing fund balance to the Building Maintenance Fund. Significant transfer activity for the year is as follows:

Significant Transfers Out		
Significant Transfers In	Public Safety Building Construction Fund	
Other Governmental	\$147,170	\$147,170
Total	\$147,170	\$147,170

NOTE 7 — CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$9,913,046	\$1,062,198	\$0	\$10,975,244
Construction in Progress	2,040,816	2,646,888	(1,959,623)	2,728,081
Total capital assets, not being depreciated:	11,953,862	3,709,086	(1,959,623)	13,703,325
Capital assets, being depreciated:				
Building	24,242,417	565,951	0	24,808,368
Improvements other than buildings	7,957,647	26,160	(36,842)	7,946,965
Infrastructure	0	2,553,404	0	2,553,404
Machinery and Equipment	7,923,869	527,635	(871,979)	7,579,525
Total capital assets being depreciated:	40,123,933	3,673,150	(908,821)	42,888,262
Less accumulated depreciation for:				
Buildings	(6,768,405)	(928,471)		(7,696,876)
Improvements other than buildings	(4,472,643)	(287,734)		(4,760,377)
Machinery and Equipment	(5,216,043)	(535,167)	295,569	(5,455,641)
Total accumulated depreciation:	(16,457,091)	(1,751,372)	295,569	(17,912,894)
Total capital assets, being depreciated, net:	23,666,842	1,921,778	(613,252)	24,975,368
Governmental activities capital assets, net:	\$35,620,704	\$5,630,864	(\$2,572,875)	\$38,678,693

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$1,126,724	\$0	\$0	\$1,126,724
Construction in Progress	5,578,503	3,773,212	(4,224,347)	5,127,368
Total capital assets, not being depreciated:	6,705,227	3,773,212	(4,224,347)	6,254,092
Capital assets, being depreciated:				
Building	36,724,797	0	0	36,724,797
Improvements other than buildings	29,017,478	4,728,216	0	33,745,694
Machinery and Equipment	790,265	38,628	(5,070)	823,823
Intangible Assets	1,250,000	0	0	1,250,000
Total capital assets being depreciated:	67,782,540	4,766,844	(5,070)	72,544,314
Less accumulated depreciation for:				
Buildings	(9,636,635)	(710,782)	0	(10,347,417)
Improvements other than buildings	(11,250,188)	(991,398)	0	(12,241,586)
Machinery and Equipment	(602,713)	(58,598)	275,410	(385,901)
Intangible Assets	(554,167)	(50,000)	0	(604,167)
Total accumulated depreciation:	(22,043,703)	(1,810,778)	275,410	(23,579,071)
Total capital assets, being depreciated, net:	45,738,837	2,956,066	270,340	48,965,243
Business activities capital assets, net:	\$52,444,064	\$6,729,278	(\$3,954,007)	\$55,219,335

Depreciation Expense by Function**GOVERNMENTAL ACTIVITIES**

General government	\$612,567
Public safety	504,504
Culture and recreation	176,959
Transportation	12,699
Physical Environment	8,635
Internal Service	467,580
Total depreciation expense - Governmental activities	<u>\$1,782,944</u>

BUSINESS-TYPE ACTIVITIES

Drainage	\$138,380
Water	387,722
Sewer	212,463
Wastewater	<u>1,072,214</u>
Total depreciation expense - Business type activities	<u>\$1,810,779</u>

A decrease in accumulated depreciation presented in the Governmental Activities does not agree with the schedules presenting depreciation by function due to a prior period adjustment.

A decrease in accumulated depreciation presented in the Business-type Activities does not agree with the schedules presenting depreciation by function due to a prior period adjustment.

Discretely Presented Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$1,619,737	\$1,825,148	\$0	\$3,444,885
Construction in Progress	2,058,155	2,172,738	0	4,230,893
Total capital assets, not being depreciated:	3,677,892	3,997,886	0	7,675,778
Capital assets, being depreciated:				
Building	1,280,263		(1,144,455)	135,808
Total capital assets being depreciated:	1,280,263	0	(1,144,455)	135,808
Less accumulated depreciation for:				
Building	(10,865)	(5,432)	0	(16,297)
Total accumulated depreciation:	(10,865)	(5,432)	0	(16,297)
Total capital assets, being depreciated, net:	1,269,398	(5,432)	(1,144,455)	119,511
Component unit capital assets, net:	\$4,947,290	\$3,992,454	(\$1,144,455)	\$7,795,289

NOTE 8 – PENSION PLAN

Substantially all city 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, PO 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*.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLANS 1, 2, & 3**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 combination defined benefit/defined contribution plan. 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 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 of 60 with five years of service, or at the age of 55 with 25

years of service. The annual pension 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 benefit 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. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 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 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 Employee Retirement Benefits Board.

There are 1,169 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2004:

Retirees and Beneficiaries Receiving Benefits	66,846
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	21,031
Active Plan Members Vested	103,039
Active Plan Members Nonvested	53,217
Total	244,133

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 6 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. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. 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.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2005, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	2.44%	2.44%	2.44%**
Employee	6.00%	1.18%	***

* The employer rates include the employer administrative expense fee currently set at 0.19%.

** Plan 3 defined benefit portion only.

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

Both city and the employees made the required contributions. The city’s required contributions for the years ending December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2005	\$18,660	\$146,134	\$14,264
2004	\$16,080	\$98,789	\$10,688
2003	\$16,152	\$92,991	\$8,177

LAW ENFORCEMENT & FIRE FIGHTERS RETIREMENT SYSTEM (LEOFF) PLANS 1 & 2

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF is comprised primarily of non-state employees, with the exception of the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003 being an exception. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board’s duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan. Effective January 1, 2003 firefighter emergency medical technicians (EMT’s) may transfer PERS Plan 1 or Plan 2 service credit to LEOFF Plan 2 if while employed for the city, town, county or district, the EMT’s job was relocated to a fire department from another city, town, county or district. LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF 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 with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months’ salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. 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.

There are 369 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2004:

Retirees and Beneficiaries Receiving Benefits	8,542
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	528
Active Plan Members Vested	12,079
Active Plan Members Nonvested	3,523
Total	24,672

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with Chapter 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 1 and 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2005, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.19%	4.39%**
Employee	0.00%	6.99%

*The employer rates include the employer administrative expense fee currently set at 0.19%.

** The employer rate for ports and universities is 5.28%.

Both city and the employees made the required contributions. The city’s required contributions for the years ending December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2005	\$0	\$319,841
2004	\$0	\$259,477
2003	\$0	\$237,163

FIREMEN’S PENSION

Plan Description

The City of Edmonds is the administrator of the Firemen’s Pension Plan. The Firemen’s Pension Fund was established by the City in compliance with the requirements of the Revised Code of Washington (RCW) 41.20 and 41.18. The pension plan is a closed, single-employer, defined benefit retirement plan.

When the Law Enforcement Officers’ and Firefighters (LEOFF) pension system was installed, the State assumed the major portion of the obligation to provide future retirement benefits for members still in active service at the LEOFF inception date (March 1, 1970). The City retains the responsibility for all benefits payable to members (or to their survivors) who retired prior to that date. In addition, the City retains the responsibility for a portion of the benefits payable to members who were active on that date.

Generally, benefits under the LEOFF retirement benefit system are greater than or equal to the retirement benefits under the old City plan when payments begin. However, LEOFF retirement benefits increase with the consumer price index (CPI-Seattle), while some City benefits increase with wages of current active members. If wages go up faster than the CPI, the City becomes liable for the residual amount.

All City firefighters who served before March 1, 1970 are participants of this pension fund. Those hired between March 1, 1970 and September 30, 1977 are eligible for a supplemental retirement benefit plus health benefits under this plan. Eligible firefighters may retire with full benefits at age 50 after completing 20 years of service, or after 25 years of service regardless of age.

At December 31, 2005, there were seven retirees and beneficiaries eligible to receive retirement pension, medical insurance premiums, medical expenses, and death and disability benefits as set forth in RCWs 41.18 and 41.26. Benefit provisions, amendments, and all other requirements are established by State statute.

The Firemen's Pension Fund is part of the City's reporting entity and is included in the City's financial statements as a pension trust fund. The plan does not issue a stand-alone financial report and is not included in another Public Employee Retirement System or another entity. At a minimum of every four years, a complete actuarial financial report is prepared by Milliman & Robertson, Incorporated, actuaries and consultants. A copy of this report can be obtained from the City of Edmonds, Dan Clements, Administrative Services Director, 121 Fifth Ave. N. Edmonds, WA 98020.

Summary of Significant Accounting Policies

Basis of accounting - The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the plan.

Valuation of investments - For reporting, interest earnings are recognized in the accounting period in which they become available and measurable. Investments are reported on the financial statements at fair value based on quoted market prices.

Funding Policy

Under State law, the Firemen's Pension Fund is provided an allocation of 25% of all monies received by the State from taxes on fire insurance premiums. The General Fund may provide additional funding through transfers as necessary. Active pension plan members are not required to contribute to the plan.

According to Milliman & Roberson, Inc., the actuarial valuation on January 1, 2005, concluded that actuarial assets exceed the actuarial liability. Since pension assets exceed pension liabilities, it is the City's funding policy to contribute only the City's share of the State tax on fire insurance premiums to the Firemen's Pension Fund. In 2005, this contribution totaled \$35,519. The City's payments to covered employees for the year ended December 31, 2005 were \$89,052.

Concentration of Investments

At December 31, 2005 the Pension Trust Fund held a single investment in the Federal Home Loan Bank, a government-sponsored enterprise which is not explicitly backed by the federal government which represented 72% of the Plan Net Assets.

MUNICIPAL EMPLOYEES BENEFITS TRUST (MEBT)

Full- and qualifying part-time City employees participate in the City-defined contribution plan. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to 2 U.S.C.A., Sec. 418 (g) effective July 1, 1977. City employees who customarily work 1,000 or more hours per year and who otherwise would be eligible for Social Security coverage and benefits are required to participate. Both the City and participants are required to contribute an amount equal to the current Federal Insurance Contributions Act tax rate. Tax rates for this Plan correspond to the FICA rate. The City's contributions for fiscal year 2005 were \$997,390, which represent its full liability based on 7.65 percent.

For the year ending December 31, 2005, the City's covered payroll was \$17,631,477. The City's total current year payroll for all employees is \$18,460,491. No significant benefit changes occurred in 2005.

Plan assets are not City property, but are maintained in trust at American Stock Transfer and Trust Company. Plan assets, therefore, are not included in accompanying financial statements.

The City may amend the provisions of the plan, provided that no such amendment shall enlarge the duties or liabilities of the plan trustee without its consent.

The City has the right at any time to reduce suspend or completely discontinue its contributions to the plan.

Actuarial determinations are not required because 1) long-term disability insurance and survivor income insurance are prohibited by Group Insurance Policy No. 377655 with Standard Insurance Company, and 2) each participant shall, at his/her normal retirement, instruct the Trustee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay his/her retirement benefit from his/her account (no City or participant contributions shall be added to his account after retirement), and (c) pay a single cash sum. When a participant terminates, the Trustee shall be instructed to pay the full amount of the participant's contributions plus the vested portion credited to his account.

POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits described under "Law Enforcement Officers and Fire Fighters Retirement System," the City provides post-employment health care benefits. In accordance with RCW 41.26.150, all employees who become

eligible after age 50 or become disabled while employed with at least five years of service in the LEOFF I System are eligible. Currently, 37 retirees meet those eligibility requirements; the City pays their medical insurance premiums and medical expenses including long-term care. Post-employment health care costs of, \$345,038 were reported as an expenditure in the General Fund, and \$50,675 of long-term care costs were reported in the LEOFF 1 Medical Reserve Fund 009. Currently, post-employment health care benefits are being funded on a pay as you go basis.

NOTE 9 — LONG-TERM DEBT

Changes in Long-term Debt

During 2005 the City issued \$200,000 in general obligation bonds for the purchase and installation of a new phone system. Of this amount, \$120,000 is general government obligation, and \$80,000 is an obligation of the Utility fund. The final date of maturity is March 1, 2010. The bond is payable in ten installments in an amount necessary to amortize the principal of and interest on the bond over a five-year period. The bond bears interest at a rate of 3.53% per annum.

The City also authorized the issuance of a water and sewer revenue bond anticipation note (line of credit) in an amount not to exceed \$2,000,000 for improvements to the sewer infrastructure. As of December 31, 2005 the City has drawn \$700,000 on this note. The note bears interest at rate equal to 66% of Frontier Bank's base rate, less 25 basis points. The note matures February 15, 2007.

Increases in Public Works Trust Fund loans are due to draw downs on existing general government loans of \$385,000 and business-type loans of \$454,219., and a draw down on a new business-type loan of \$243,380. For more information refer to the section on Public Works Trust Fund Loans.

The increase in Capital Contracts is due to Snohomish County refunding bonds. The principal amount of the debt increased by \$19,365, however; it results in a reduction of total debt service payments over the next fourteen years of \$132,333.

The following tables summarize City long-term debt transactions for the year ended December 31, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$23,648,601	\$120,000	(\$1,106,617)	\$22,661,984	\$1,171,577
Special assessment debt					
with government commitment	620,000	0	(185,000)	435,000	0
Total bonds payable:	24,268,601	120,000	(1,291,617)	23,096,984	1,171,577
Compensated absences	2,550,801	569,008	0	3,119,809	0
Capital contracts	2,259,463	19,365	(136,573)	2,142,255	142,184
Public Works Trust Loan	321,579	385,000	(18,143)	688,436	38,143
Governmental activity					
long-term liabilities	\$29,400,444	\$1,093,373	(\$1,446,333)	\$29,047,484	\$1,351,904

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$54,849 of internal service funds compensated absences are included in the above amounts.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds Payable:					
General obligation bonds	\$736,399	\$80,000	(\$37,858)	\$778,541	\$60,989
Revenue bonds	7,935,000	700,000	(1,150,000)	7,485,000	1,170,000
Less deferred amounts:					
For issuance premiums	42,119	0	(2,308)	39,811	2,308
For issuance discount	(15,600)	0	1,733	(13,867)	(1,733)
On refunding	(280,896)	0	22,845	(258,052)	(22,845)
Total bonds payable:	8,417,022	780,000	(1,165,588)	8,031,433	1,208,719
Compensated absences	229,062	33,270	0	262,332	0
Public Works Trust Loan	1,415,250	697,599	(67,363)	2,045,486	115,791
Business-type activity long-term liabilities	\$10,061,333	\$1,510,869	(\$1,232,951)	\$10,339,251	\$1,324,510

General Obligation Bonds

The City issues general obligation bonds to provide funding for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues two types of general obligation bonds, Limited Tax General Obligation bonds (LTGO) and Unlimited Tax General Obligation bonds (UTGO). General obligation bonds have been issued for both governmental and business-type activities. At December 31, 2005 the City’s balance of General obligation bonds outstanding was \$23,440,525. Of this amount, \$778,541 is an obligation of the Utility fund.

GENERAL OBLIGATION BONDS	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/05
General Government						
1995 LTGO Bonds - Acquisition City Hall	\$5,000,000	07/01/95	12/01/14	3.90/5.80	\$185,000 - \$250,000	\$0
1996 UTGO Bonds - Public Safety Buildings	9,275,000	08/01/96	12/01/16	5.50/5.60	310,000 - 450,000	1,180,000
1998 LTGO Ref. Bonds - Capital Improvements	4,163,712	12/01/98	12/01/14	4.00/4.40	274,000 - 473,994	3,680,232
2001 LTGO Bonds - Capital Improvements	2,545,000	09/01/01	12/01/21	3.00/4.90	87,759 - 188,055	2,181,438
2001 LTGO Bonds - Park Acquisition	2,260,000	12/15/01	12/01/21	2.65/5.45	70,000 - 175,000	1,955,000
2002 LTGO Bonds - Performing Arts Center	7,015,000	11/13/02	12/01/26	3.00/4.90	50,000 - 460,000	6,810,000
2003 UTGO Ref. Bonds - Public Safety Buildings	7,000,000	07/01/03	12/01/16	2.00/3.50	70,000 - 960,000	6,750,000
2005 LTGO Bonds - Phone System	120,000	02/23/05	12/01/10	3.53	14,685 - 22,883	105,315
Business-type Activities						
1998 LTGO Ref. Bonds - Capital Improvements	316,288	09/01/01	12/01/21	3.00/4.90	20,827 - 36,006	279,768
2001 LTGO Bonds - Capital Improvements	500,000	12/01/98	12/01/14	4.00/4.40	17,241 - 36,945	428,562
2005 LTGO Bonds - Phone System	80,000	02/23/05	12/01/10	3.53	9,789 - 15,255	70,210
TOTAL GENERAL OBLIGATION BONDS	\$38,275,000					\$23,440,525

Public Works Trust Fund Loans

The City has obtained two Public Works Trust Fund loans for the design (\$340,000) and construction (\$400,000) of the 220th Street Improvement. To date, the City has drawn down \$340,000 and \$380,000, respectively for the 220th Street Improvement. The interest for these loans shall be ½ % per annum on the outstanding principal balance and the term of the loan shall not exceed 20 years. These two loans are general government obligations.

The City has four Public Works Trust Fund loans that are business-type obligations. In 2002, the City secured a \$1,347,250 Public Works Trust Fund loan from the State of Washington to finance the 2002 Sanitary Sewer System Improvements. The scope of the improvements included two projects that had been identified as the City’s highest priority wastewater collection

system projects: the Edmonds Way Interceptor Rehabilitation Project and the Rehabilitation of Lift Station No. 1. To date, the City has received \$1,212,525 from the loan. The interest for these loans shall be ½ % per annum on the outstanding principal balance and the term of the loan shall not exceed 20 years.

In 2004, the City has secured two other Public Works Trust Fund loans, one for the Five Corners Water Pump Station project (\$408,000) of which \$81,600 has been received. The second loan (\$605,625) is for Stormwater Outfall improvements of which \$575,344 has been received. The interest for these loans shall be ½ % per annum on the outstanding principal balance and the term of the loan shall not exceed 20 years.

In 2005 the City secured a Public Works Trust fund loan in the amount of \$1,216,902. To date, the City has received \$243,380 from the loan. The interest for this loan shall be ½ % per annum on the outstanding principal balance and the term of the loan shall not exceed 20 years.

PUBLIC WORKS TRUST FUND LOANS	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/05
<u>General Government</u>						
P W Trust Fund Loan - Street Construction	\$340,000	01/06/03	06/30/22	0.50	\$18,143	\$308,436
P W Trust Fund Loan - Street Construction	400,000	09/13/04	06/30/24	0.50	20,000	380,000
<u>Business-type Activities</u>						
P W Trust Fund Loan - Trt. Plant/Sewer Improv.	1,347,250	07/17/02	06/30/22	0.50	67,363	1,145,162
P W Trust Fund Loan - Water Improvements	408,000	06/08/04	06/30/24	0.50	4,295	81,600
P W Trust Fund Loan - Storm Improvements	605,625	06/08/04	06/30/24	0.50	31,964	575,344
P W Trust Fund Loan - Sewer Improvements	1,216,902	05/23/05	06/30/25	0.50	12,169	243,380
TOTAL PUBLIC WORKS TRUST FUND LOANS	\$4,317,777					\$2,733,922

Capital Contracts

Governmental Activities Long-term Debt includes the following Capital Contracts:

In 1995 the City entered into an agreement with Snohomish County for a 20-year purchase contract for a fire station, commencing January 1996. The purchase price of the fire station is \$1,136,115 at 1.00 percent interest to be paid in annual installments for 20 years. No collateral was pledged.

In 2000 the City entered into an agreement with Snohomish County for a 20-year contract of financial assistance for public safety radio equipment. No collateral was pledged. For more information on this agreement, refer to the note on Joint Ventures.

CAPITAL CONTRACTS	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/05
1996 Note - Fire Station #10	\$1,136,115	01/01/96	01/01/15	1.00	\$54,592 - \$65,300	\$624,665
2005 Contract - Public Safety Radio Equipment	1,595,046	06/01/05	12/01/19	3.00/5.00	77,457 - 141,288	1,517,589
TOTAL CAPITAL CONTRACTS	\$2,731,161					\$2,142,254

Revenue Bonds

The City also issues revenue bonds to provide financing for the capital programs of the City Utility Construction/Improvement fund. They are Water, Sewer, Drainage and Wastewater. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility.

REVENUE BONDS	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/05
1998 Water/Sewer Refunding Bonds - Capital Improv.	\$2,420,000	03/01/98	12/01/13	4.00-4.85	\$235,000 - \$1,290,000	\$1,820,000
2003 Water/Sewer Refunding Bonds - Capital Improv.	7,875,000	04/01/03	12/01/22	2.00/4.45	130,000 - 1,045,000	4,965,000
2005 Bond Anticipation Note - Capital Improvements	2,000,000	02/15/05	02/15/07	Variable	N/A	700,000
TOTAL REVENUE BONDS	\$12,295,000					\$7,485,000

Special Assessment Debt with Governmental Commitment

As of December 31, 2005, \$435,000 of long-term, special assessment debt was outstanding. The debt was issued to fund capital improvements to the combined water/sewer/drainage utility. It is repaid through assessments of benefiting property owners. If a property owner defaults, the City is obligated for repayment, and has established a guaranty fund for that purpose. The balance in the guaranty fund as of December 31, 2005 is \$136,428. As of December 31, 2005, special assessment receivables totaled \$664,292, which includes \$624 of delinquent assessments.

SPECIAL ASSESSMENT DEBT	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/05
Sewer LID Bonds 215/216	\$2,252,150	12/01/01	12/01/16	2.75/5.75	\$150,000	\$435,000

Debt Limit

RCW 39.36.020 provides cities with three segments of debt capacity, each equal to two and one-half percent of the city’s assessed valuation, for a total of seven and one-half percent (7.5%). Allowable uses of these segments are as follows:

Segment 1 – General Governmental Purposes

The City can incur debt up to one and one-half percent (1.5%) of its assessed valuation solely with a vote of the legislative body (often referred to as “councilmanic” debt). To use the remaining one percent (1%), a 60 percent vote in favor of the issue by at least 40 percent of the voters voting in the last general election is required.

Segment 2 – City-Owned Water and Sewer Purposes

The City can incur debt up to an additional two and one-half percent (2.5%) for water and sewer purposes with a 60 percent vote in favor of the issue by at least 40 percent of the voters voting in the last general election.

Segment 3 – Acquiring and Developing Open Space, Parks Facilities, and Capital Facilities Associated with Economic Development

The City can incur debt up to an additional two and one-half percent (2.5%) for acquiring and developing open space, parks facilities, and capital facilities associated with economic development purposes with a 60 percent vote in favor of the issue by at least 40 percent of the voters voting in the last general election.

Debt Limit Capacity

		Governmental Purposes		Water & Sewer Purposes	Park & Capital Facilities
		Without Vote (Councilmanic) 1.5%	With Vote 2.5%	With Vote 2.5%	With Vote 2.5%
Legal Limits		\$81,450,895	\$54,300,596	\$135,751,491	\$135,751,491
Net Outstanding Indebtedness		(21,697,955)	(7,930,000)	0	0
Margin Available		\$59,752,940	\$46,370,596	\$135,751,491	\$135,751,491

Refunded Debt

In prior years, the City has defeased several revenue bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government securities that were placed in the trust funds. Investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from City financial statements.

Debt Service to Maturity

The requirements to amortize the long-term debt as of December 31, 2005 are presented below. Debt service for the LTGO bonds are met by the General Fund and certain special revenue funds, and reimbursements from proprietary funds of the City with the exception of the 2002 LTGO issue. The PFD is obligated by inter-local agreement to transfer all sales tax rebate revenues to the City to help offset the City’s debt service costs over the life of these bonds (refer to Note 1 – Reporting Entity). Debt service for the UTGO bonds are covered by property tax levies that authorized the bond issues. Debt service for the revenue bonds is paid by the Utility Bond Reserve Fund. Debt service for the capital contracts is expended from the General Fund. In prior years the City has typically used the General Fund to liquidate long-term liabilities other than debt.

Debt service for the special assessment bonds are disbursed from the L.I.D. Fund Control. As of December 31, 2005 the City has \$435,000 in outstanding special assessment bonds due between 2013 and 2016. It is the City’s policy to call the bonds subject to special assessment receivable collections. It is highly likely, all or part of these bonds will be called and redeemed in 2005.

Following is a table which reflects debt service to maturity for Governmental Activities and Business Type Activities.

Year	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$1,351,903	\$1,010,590	2,362,493	\$1,346,780	\$293,613	\$1,640,393
2007	1,435,723	958,361	2,394,084	2,068,303	258,963	2,327,266
2008	1,524,469	900,536	2,425,005	985,665	220,970	1,206,635
2009	1,627,898	842,213	2,470,111	548,396	190,707	739,103
2010	1,701,021	787,974	2,488,995	571,417	172,304	743,721
2011-2015	9,120,976	2,965,789	12,086,765	2,378,841	564,984	2,943,825
2016-2020	5,046,347	1,471,769	6,518,116	1,644,045	262,547	1,906,592
2021-2025	3,224,341	552,884	3,777,226	765,583	33,165	798,747
2026	460,000	22,540	482,540	0	0	0
	<u>\$25,492,677</u>	<u>\$9,512,657</u>	<u>\$35,005,334</u>	<u>\$10,309,029</u>	<u>\$1,997,253</u>	<u>\$12,306,282</u>

At December 31, 2005 the City had \$683,049 in the Enterprise fund available for debt service.

Arbitrage

The Federal Tax Reform Act of 1986 requires tax-exempt debt issuers to pay investment income received at yields that exceed the issuer's borrowing rates to the United States Treasury. The liability is recorded at present value and payable every five years or 60 days after defeasance of the debt. At December 31, 2005, the City of Edmonds had no arbitrage liability.

NOTE 10 – SHORT-TERM DEBT

The City did not issue short-term debt during 2005 and has no outstanding short-term debt at December 31, 2005.

NOTE 11 — CONTINGENCIES AND LITIGATIONS

The City is exposed to the risk of loss from torts, theft of or damage to assets, business interruption, errors or omissions, law enforcement actions, contractual actions, natural disasters, environmental regulations, and other third-party liabilities. The City also bears the risk of loss for job-related illnesses and injuries to employees. The City has insurance policies to cover these general liability risks with the Washington Cities Insurance Authority (WCIA). Refer to Note 12 for more detailed information on risk management.

There are several other pending lawsuits in which the City is named. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements. The City participates in a number of federal- and state-assisted programs. These programs are subject to audit by the governmental unit administering the program or their representative. Such audits could result in requests for reimbursement of disallowed expenditures. Based on audit history, City management believes that any disallowance will be immaterial.

NOTE 12 — RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance the Washington Cities Insurance Authority (WCIA).

The City of Edmonds is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 115 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and \$11 million per occurrence in the re-insured excess layer with no annual aggregate except \$10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$14 million per occurrence. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

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

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

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

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

There has been no reduction in insurance coverage, and during the last three years, claim settlements have not exceeded insurance coverage amounts.

NOTE 13 — LEASES

Capital Leases

The City of Edmonds has entered into a lease agreement financing six Crown Victoria patrol cars. The lease agreement qualifies as a capital lease for accounting purposes, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The gross amount of the assets recorded was \$230,894. The City is responsible for the service, repair and maintenance of the property at its own expense. At the end of the three year lease term, the City owns the patrol cars and then surpluses the vehicles. The future minimum lease obligation and the net present value of the minimum lease payments as of December 31, 2005 were as follows:

Year Ending December 31,	Governmental Activities
2006	\$85,332
2007	42,666
Total Minimum Lease Payments	<u>\$127,998</u>
Less: Interest	<u>8,038</u>
Present Value of Minimum Lease Payments	<u><u>\$119,960</u></u>

Lease Revenues

The City receives revenue from operating leases as a result of renting space in three of the City's buildings. At the Anderson Center, the City has seven recreation contracts that allow various organizations to rent out a total of 18.5 spaces. The recreation leases are renewed annually. The City rents out three garage bays at the old Public Works building as part of the City's Cultural Arts Plan. The contract was approved in 2003 on a month to month basis for an intended three years. The Edmonds Chamber of Commerce rents space on the first floor of city hall. The contract automatically renews annually unless terminated by the parties. The City also receives revenue by leasing land to communication companies for cell towers. The two cell tower leases were signed in 2004, one for a five year term with an optional renewal clause and the second for 20 years. In 2005, the General Fund received \$113,934 and the Enterprise Fund received \$33,946 in rental income.

The Anderson Center has an original cost of \$3,070,238 and a book value of \$2,094,313. The old Public Works building has an original cost of \$256,942 and a book value of \$69,013. City Hall's original cost is \$3,910,469 and carries a book value of \$2,579,571.

NOTE 14 — COMMITMENTS

The City has several capital improvement projects in progress. As of December 31, 2005, the City's outstanding contractual obligations, which include construction and engineering contracts, are summarized below:

Project	Original Contract	Expended to Date	Remaining Commitment
Interurban Trail	\$ 150,011	\$ 102,930	\$ 47,081
Cemetery Columbarium	710,464	-	710,464
Street Projects	4,941,749	2,066,662	2,875,087
Utility Projects	3,085,170	1,821,239	1,263,931
	<u>\$ 8,887,394</u>	<u>\$ 3,990,831</u>	<u>\$ 4,896,563</u>

On September 27, 2005 the City passed Ordinance No. 3563 authorizing the making of loans to the Edmonds Public Facilities District (EPFD) at times, and in the amounts that may be necessary to make the debt service payments on the Public Facilities \$7,000,000 Sales Tax and General Revenue Obligation Line of Credit. The Line of Credit was issued to provide funds needed to complete construction of the Performing Arts Center. As of December 31, 2005 the EPFD's outstanding balance on the Line of Credit was \$0.

NOTE 15 – PRIOR PERIOD CORRECTIONS

Governmental Activities

General Government

Correct vouchers payable beginning balances	(\$1,451)
Correct beginning balances for critical area review deposit accounts	10,052
Street cut deposit revenue should have been recognized in 2004	600
Amounts should have been written off when accounts referred to collection	(106,695)
Transferred fund balance from Debt Service Fund	1,001
Correct sales/use tax payable beginning balances	1,200
Correct beginning cash balance amounts	8,123
Correct 2004 General Fund grant accruals	(534)
	<u>(\$87,705)</u>

Other Governmental Funds

Correct 2004 Street Fund grant accruals	(\$63,679)
Correct 2004 Multimodal Fund grant accruals	(21,416)
Special assessment beginning balance correction	(62,783)
Transferred fund balance to the General Fund	(1,001)
	<u>(\$148,879)</u>

Entitywide

Correction to include infrastructure in CIP	\$1,108,501
Correct depreciation in the fixed asset system	(287,534)
Correct other improvements beginning balance	22,994
Correct compensated absences balance	(39,070)
	<u>\$804,891</u>

Total Governmental Activities

\$568,307

Business-Type Activities

Correct accumulated depreciation beginning balance	\$271,286
Project accounts should have been closed in prior years	(10,566)
Correct 2004 grant accruals	63,679
Total Business-Type Activities	<u>\$324,399</u>

Internal Service Fund

Correct accumulated depreciation beginning balance	(\$111,127)
Correct vouchers payable beginning balances	16,000
Correct 2004 operating lease payment	36,739
Total Internal Service Fund	<u><u>(58,388)</u></u>

Component Unit

Depreciation expense should have been recorded in 2003 and 2004	(\$10,865)
Correct beginning fund balance to include the blended component unit (ECA)	\$70,238
Total Component Unit	<u><u>\$59,373</u></u>

NOTE 16 – SUBSEQUENT EVENTS

The City Council approved Ordinance No. 3584 authorizing the issuance of a Limited Tax General Obligation Bond Anticipation Note in the principal amount not to exceed \$650,000. The bond was issued to pay for HVAC improvements to City Hall, the Public Safety Complex, and the library. The Note shall mature March 24, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

**Firefighter's Pension Fund
Schedule of Contributions from Employer and Other Contributing Entities**

Fiscal Year Ending 12/31	Medical and Long Term Care Payments	Fire Insurance Premium Taxes	Total Employer Contributions***	Annual Required Contribution	Percentage of ARC Contributed**
2005	(62,106)	35,519	(26,587)	23,901	(111) %
2004	(68,388)	33,452	(34,936)	14,060	(248)
2003	(47,145)	25,836	(21,309)	(4,655)	N/A
2002	(36,932)	21,230	(15,702)	(4,655)	N/A
2001	(32,616)	23,491	(9,125)	(4,655)	N/A
2000	(30,969)	17,146	(13,823)	(4,655)	N/A

** In years with a negative ARC, this percentage is not applicable.

*** Employer contributions for pensions are total contributions net of medical expenses for the year as provided by RCW 41.26.150, and administrative expenses

**Firefighter's Pension Fund
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ©	UAAL as a Percentage of Covered Payroll [(b-a)/c]
January 1, 2005	\$397,000	\$702,000	\$305,000	57%	\$0	N/A
January 1, 2004 *	\$463,000	\$629,000	\$166,000	74%	\$0	N/A
January 1, 2000	\$529,000	\$471,000	(\$58,000)	112%	\$0	N/A

* Projected from November 30, 2003 Valuation.

Actuarial Information

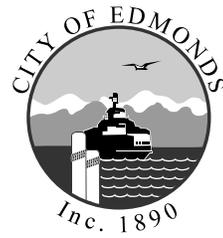
On January 1 2005, Milliman and Roberson Inc., actuaries and consultants, completed the Firemen’s Pension Fund Actuarial valuation. In order to comply with reporting requirements, they computed the annual required contribution (ARC) using the Entry Age Cost Normal Actuarial Method.

Under this method, the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Liability. Since all members have already retired, the annual Normal Cost is zero. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Accrued Liability minus the actuarial value of the Fund’s assets. The UAAL is amortized as a level dollar amount over a closed 30 years beginning January 1, 2000.

Significant actuarial assumptions used in the valuation include:

- 6.0 percent investment return, compounded annually
- 4.0 percent annual salary increase
- 4.0 percent growth in fire insurance premium
- 3.0 percent increase in consumer price index
- 10.0 percent increase in medical inflation for 2005, grading down to 6% in 2009 and later years
- 4.5 percent increase in long term care costs

Prior actuarial studies used 7.0 percent investment return, 5.0 percent annual salary increase, and 4.0 percent increase in consumer price index. There were no material changes to the benefit provisions, actuarial funding method, or other significant factors that affect required contributions.



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COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS AND OTHER DEBITS				
CURRENT ASSETS				
Cash and cash equivalents	\$7,145,955	\$153,169	\$0	\$7,299,124
Investments	2,868,348	0	0	2,868,348
Receivables, net				
Customer accounts	2,125	0	0	2,125
Assessments	0	23,342	0	23,342
Interest	8,729	0	0	8,729
Due from other governmental units	1,075,127	0	0	1,075,127
Total Current Assets	11,100,284	176,511	0	11,276,795
RESTRICTED ASSETS				
Special assessments - deferred	0	640,950	0	640,950
Total Restricted Assets	0	640,950	0	640,950
TOTAL ASSETS AND OTHER DEBITS	\$11,100,284	\$817,461	\$0	\$11,917,745
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$18,826	\$0	\$0	\$18,826
Accounts payable	424,310	0	0	424,310
Custodial accounts	432	0	0	432
Deferred revenues	2,000	424	0	2,424
Total Current Liabilities	445,568	424	0	445,992
NONCURRENT LIABILITIES				
Deferred revenues	0	664,292	0	664,292
Total Noncurrent Liabilities	0	664,292	0	664,292
TOTAL LIABILITIES	445,568	664,716	0	1,110,284
FUND BALANCES				
Reserved for:				
Debt service	0	152,745	0	152,745
Unreserved, reported in:				
Special revenue funds	10,654,716	0	0	10,654,716
TOTAL FUND BALANCES	10,654,716	152,745	0	10,807,461
TOTAL LIABILITIES AND FUND BALANCES	\$11,100,284	\$817,461	\$0	\$11,917,745

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$2,810,586	\$0	\$754,796	\$3,565,382
Licenses and permits	21,975	0	0	21,975
Intergovernmental revenues	2,755,514	0	0	2,755,514
Charges for services	293,412	0	0	293,412
Fines and forfeits	4,032	0	0	4,032
Other revenues	341,261	237,875	9,278	588,414
Total revenues	6,226,780	237,875	764,074	7,228,729
EXPENDITURES				
Current:				
General government services	231,624	622	5,087	237,333
Security of persons and property	130,432	0	127	130,559
Physical environment	107,084	0	0	107,084
Transportation	1,170,188	0	0	1,170,188
Economic environment	20,303	0	0	20,303
Culture and recreation	141,804	0	0	141,804
Capital outlay	2,852,183	0	3,526	2,855,709
Debt service:				
Principal	452,903	265,000	465,000	1,182,903
Interest	253,712	340,545	292,280	886,537
Total expenditures	5,360,233	606,167	766,020	6,732,420
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	866,547	(368,292)	(1,946)	496,309
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	385,000	0	0	385,000
Disposition of capital assets	279,029	0	0	279,029
Transfers in	1,201,641	60,411	0	1,262,052
Transfers out	(298,683)	(125,000)	(165,824)	(589,507)
Payments from component unit	0	325,699	0	325,699
Total other financing sources (uses)	1,566,987	261,110	(165,824)	1,662,273
Net change in fund balances	2,433,534	(107,182)	(167,770)	2,158,582
Fund balances - beginning	8,306,277	323,711	167,770	8,797,758
Prior period corrections	(85,095)	(63,784)	0	(148,879)
FUND BALANCES - ENDING	\$10,654,716	\$152,745	\$0	\$10,807,461

SPECIAL REVENUE FUNDS DESCRIPTION

Special Revenue Funds account for revenue from specific sources (other than special assessments) or finance specified activities as required by law or administrative regulations. Individual fund descriptions are as follows:

009 LEOFF Medical Reserve Fund – created in 1995 in order to establish reserves for the long-term health care and related obligations of LEOFF I employees. Reserve amounts are transferred from the General Fund and are approved by the City Council.

104 Drug Enforcement Fund – all monies and proceeds from the sale of property seized during drug investigations, and for the expenditure of those monies for drug enforcement.

111 Street Fund – revenues from State fuel taxes apportioned from the State of Washington and expenditures as specified under Revised Code of Washington, RCW 47.24 and 47.30.

112 Street Construction Fund – used to account for transportation improvement projects funded by a variety of sources, including federal and state transportation grants, motor vehicle fuel tax, impact fees and Public Works Trust Fund Loans.

113 Multimodal Transportation Fund – established in 1994 to simplify and facilitate accounting for the various local, state, and federal grants and for expenditures that will occur during the planning and development of the multimodal transportation center in Edmonds.

116 Building Maintenance Fund – expenditures incurred for major maintenance of City buildings.

117 Municipal Arts Acquisition Fund – revenues from performing arts programs and one percent of costs of capital construction projects designated by Council and Ordinance No. 1802.

118 Memorial Street Fund – established by Ordinance No. 2396 for the deposit of voluntary contributions to enhance the appearance of Edmonds' city streets by planting street trees in conformance with the Edmonds Street Tree Plan.

120 Hotel/Motel Tax Fund – revenues from two percent of State sales tax collected from lodging within City boundaries. State law requires the funds to be restricted to construction, operation and maintenance of a convention/performing arts center, and promoting tourism.

121 Employee Parking Permit Fund – City employees' parking permit fees.

122 Youth Scholarship Fund – revenues from the Edmonds Charity Festival of Fashion and expenditures to help children with financial hardships participate in recreation and cultural activities and programs.

123 Tourism/Promotional Arts Fund – twenty-five percent of sales tax revenues from lodging within the City's boundaries for promoting tourism; administered by Edmonds Arts Commission.

125 REET 2 Parks Improvement Fund – collection includes the second one fourth percent real estate excise tax (REET) on real estate sales, state and local grants, and contributions from developers. The fund is for improvement, renovation, planning and development of park sites.

126 REET 1 Parks Acquisition Fund – collection includes the first one fourth percent real estate excise tax (REET) on real estate sales. The fund is used to cover debt service for City Hall, Marina Beach and the Edmonds Center for the Arts city contribution. Excess revenues received are used to acquire and improve park and recreation properties and facilities throughout the City.

127 Gifts Catalog Fund – funds donated to the City and used as specified by donor in accordance with the Gift Catalog Program.

130 Cemetery Maintenance/Improvement Fund – for revenue from a probate endowment that is restricted to the improvement and maintenance of the City cemetery.

131 Fire Donations – for fire department donations. These contributions are tax deductible and are used for small equipment and supplies.

601 Parks Trust Fund – established in 2003 for the purpose of receiving donations from citizens with the intent that interest earned will be used to assist in the cost of operating, maintaining, and improving the City Flower Program, Environmental/Beach Ranger Program, and Yost Park Pool.

610 Cemetery Maintenance Trust Fund – established for the purpose of providing an ongoing, stable source of funding for the long-term care and maintenance of the City-owned cemetery. Revenue sources are from lot sales, burial fees, and donations, which provide an investment base for earning expendable interest.

621 Special Library Fund – accounts for all donations from private sources restricted for the purpose of bettering library services and making awards by the Board of Trustees of the public library.

623 Sister City Commission – provides an audit trail for both public and private contributions to be used to promote relationships with Japan.

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2005
(Page 1 of 5)**

	009 LEOFF MEDICAL RESERVE FUND	104 DRUG ENFORCEMENT FUND	111 STREET FUND	112 STREET CONSTRUCTION FUND
ASSETS AND OTHER DEBITS				
CURRENT ASSETS				
Cash and cash equivalents	\$317,800	\$78,503	\$242,386	\$1,502,145
Investments	0	0	0	0
Receivables, net				
Customer accounts	0	0	2,125	0
Interest	0	0	0	0
Due from other governmental units	0	16,637	50,958	580,141
Total Current Assets	317,800	95,140	295,469	2,082,286
TOTAL ASSETS AND OTHER DEBITS	\$317,800	\$95,140	\$295,469	\$2,082,286
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$0	\$3,890	\$12,222	\$0
Accounts payable	3,530	232	6,466	177,568
Custodial accounts	0	432	0	0
Deferred revenues	0	0	2,000	0
Total Current Liabilities	3,530	4,554	20,688	177,568
TOTAL LIABILITIES	3,530	4,554	20,688	177,568
FUND BALANCES				
Unreserved, reported in:				
Special revenue funds	314,270	90,586	274,781	1,904,718
TOTAL FUND BALANCES	314,270	90,586	274,781	1,904,718
TOTAL LIABILITIES AND FUND BALANCES	\$317,800	\$95,140	\$295,469	\$2,082,286

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2005
(Page 2 of 5)**

	113 MULTIMODAL TRANSPORTATION FUND	116 BUILDING MAINTENANCE FUND	117 MUNICIPAL ARTS ACQUIS. FUND	118 MEMORIAL TREE FUND
ASSETS AND OTHER DEBITS				
CURRENT ASSETS				
Cash and cash equivalents	\$56,284	\$326,067	\$201,809	\$15,247
Investments	0	50,000	0	0
Receivables, net				
Customer accounts	0	0	0	0
Interest	0	380	0	0
Due from other governmental units	3,281	152,660	0	0
Total Current Assets	59,565	529,107	201,809	15,247
TOTAL ASSETS AND OTHER DEBITS	\$59,565	\$529,107	\$201,809	\$15,247
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$0	\$0	\$0	\$0
Accounts payable	30	221,977	0	0
Custodial accounts	0	0	0	0
Deferred revenues	0	0	0	0
Total Current Liabilities	30	221,977	0	0
TOTAL LIABILITIES	30	221,977	0	0
FUND BALANCES				
Unreserved, reported in:				
Special revenue funds	59,535	307,130	201,809	15,247
TOTAL FUND BALANCES	59,535	307,130	201,809	15,247
TOTAL LIABILITIES AND FUND BALANCES	\$59,565	\$529,107	\$201,809	\$15,247

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2005**
(Page 3 of 5)

	120 HOTEL/ MOTEL TAX FUND	121 EMPLOYEE PKG PERMIT FUND	122 YOUTH SCHOLARSHIP FUND	123 TOURISM PROMOTIONAL/ ARTS FUND
ASSETS AND OTHER DEBITS				
CURRENT ASSETS				
Cash and cash equivalents	\$51,262	\$70,473	\$8,313	\$31,741
Investments	0	0	0	0
Receivables, net				
Customer accounts	0	0	0	0
Interest	0	0	0	0
Due from other governmental units	10,706	0	0	0
Total Current Assets	61,968	70,473	8,313	31,741
TOTAL ASSETS AND OTHER DEBITS	\$61,968	\$70,473	\$8,313	\$31,741
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$0	\$0	\$0	\$0
Accounts payable	0	0	0	250
Custodial accounts	0	0	0	0
Deferred revenues	0	0	0	0
Total Current Liabilities	0	0	0	250
TOTAL LIABILITIES	0	0	0	250
FUND BALANCES				
Unreserved, reported in:				
Special revenue funds	61,968	70,473	8,313	31,491
TOTAL FUND BALANCES	61,968	70,473	8,313	31,491
TOTAL LIABILITIES AND FUND BALANCES	\$61,968	\$70,473	\$8,313	\$31,741

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2005**
(Page 4 of 5)

	125 REET 2 PARKS IMPRV. FUND	126 REET 1 PARKS ACQUIS. FUND	127 GIFTS CATALOG FUND	130 CEMETERY MAINT./IMPRV. FUND	131 FIRE DONATIONS FUND
ASSETS AND OTHER DEBITS					
CURRENT ASSETS					
Cash and cash equivalents	\$2,754,542	\$525,453	\$138,925	\$419,683	\$7,940
Investments	1,342,645	980,156	0	150,000	0
Receivables, net					
Customer accounts	0	0	0	0	0
Interest	2,657	3,795	0	1,138	0
Due from other governmental units	160,930	99,814	0	0	0
Total Current Assets	4,260,774	1,609,218	138,925	570,821	7,940
TOTAL ASSETS AND OTHER DEBITS	\$4,260,774	\$1,609,218	\$138,925	\$570,821	\$7,940
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Wages payable	\$0	\$0	\$0	\$2,714	\$0
Accounts payable	12,590	0	141	1,435	0
Custodial accounts	0	0	0	0	0
Deferred revenues	0	0	0	0	0
Total Current Liabilities	12,590	0	141	4,149	0
TOTAL LIABILITIES	12,590	0	141	4,149	0
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	4,248,184	1,609,218	138,784	566,672	7,940
TOTAL FUND BALANCES	4,248,184	1,609,218	138,784	566,672	7,940
TOTAL LIABILITIES AND FUND BALANCES	\$4,260,774	\$1,609,218	\$138,925	\$570,821	\$7,940

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2005**
(Page 5 of 5)

	601 PARKS TRUST FUND	610 CEMETERY MAINTENANCE TRUST FUND	621 SPECIAL LIBRARY FUND	623 SISTER CITY COMMISSION	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS AND OTHER DEBITS					
CURRENT ASSETS					
Cash and cash equivalents	\$124,359	\$256,420	\$2,779	\$13,824	\$7,145,955
Investments	0	345,547	0	0	2,868,348
Receivables, net					
Customer accounts	0	0	0	0	2,125
Interest	0	759	0	0	8,729
Due from other governmental units	0	0	0	0	1,075,127
Total Current Assets	124,359	602,726	2,779	13,824	11,100,284
TOTAL ASSETS AND OTHER DEBITS	\$124,359	\$602,726	\$2,779	\$13,824	\$11,100,284
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Wages payable	\$0	\$0	\$0	\$0	\$18,826
Accounts payable	0	0	0	91	424,310
Custodial accounts	0	0	0	0	432
Deferred revenues	0	0	0	0	2,000
Total Current Liabilities	0	0	0	91	445,568
TOTAL LIABILITIES	0	0	0	91	445,568
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	124,359	602,726	2,779	13,733	10,654,716
TOTAL FUND BALANCES	124,359	602,726	2,779	13,733	10,654,716
TOTAL LIABILITIES AND FUND BALANCES	\$124,359	\$602,726	\$2,779	\$13,824	\$11,100,284

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

(Page 1 of 5)

	009 LEOFF MEDICAL RESERVE FUND	104 DRUG ENFORCEMENT FUND	111 STREET FUND	112 STREET CONSTRUCTION FUND
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Licenses and permits	0	0	4,200	0
Intergovernmental revenues	0	74,369	581,287	1,978,657
Charges for services	0	0	29,934	170,701
Fines and forfeits	0	4,032	0	0
Other revenues	15,485	7,449	5,084	30,320
Total revenues	15,485	85,850	620,505	2,179,678
EXPENDITURES				
Current:				
General government services	54,759	0	0	0
Security of persons and property	0	130,432	0	0
Physical environment	0	0	0	0
Transportation	0	0	1,085,694	59,547
Economic environment	0	0	0	0
Culture and recreation	0	0	0	0
Capital outlay	0	0	0	1,844,835
Debt service:				
Principal	0	0	9,184	18,143
Interest	0	0	12,106	1,553
Total expenditures	54,759	130,432	1,106,984	1,924,078
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(39,274)	(44,582)	(486,479)	255,600
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	0	0	0	385,000
Disposition of capital assets	0	0	130,231	0
Transfers in	65,000	62,070	476,320	262,654
Transfers out	0	0	(64,000)	(124,445)
Total other financing sources (uses)	65,000	62,070	542,551	523,209
Net change in fund balances	25,726	17,488	56,072	778,809
Fund balances - beginning	288,544	73,098	222,254	1,186,043
Prior period corrections	0	0	(3,545)	(60,134)
FUND BALANCES - ENDING	\$314,270	\$90,586	\$274,781	\$1,904,718

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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	113 MULTIMODAL TRANSPORTATION FUND	116 BUILDING MAINTENANCE FUND	117 MUNICIPAL ARTS ACQUIS. FUND	118 MEMORIAL TREE FUND
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Licenses and permits	0	0	0	0
Intergovernmental revenues	53,661	3,862	2,562	0
Charges for services	0	0	18,901	0
Fines and forfeits	0	0	0	0
Other revenues	554	5,771	13,953	482
Total revenues	54,215	9,633	35,416	482
EXPENDITURES				
Current:				
General government services	0	163,414	0	0
Security of persons and property	0	0	0	0
Physical environment	0	0	0	0
Transportation	24,947	0	0	0
Economic environment	0	0	0	0
Culture and recreation	0	0	41,277	0
Capital outlay	0	81,471	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total expenditures	24,947	244,885	41,277	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	29,268	(235,252)	(5,861)	482
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	0	0	0	0
Disposition of capital assets	0	148,798	0	0
Transfers in	0	203,770	41,495	0
Transfers out	0	(115)	(3,000)	0
Total other financing sources (uses)	0	352,453	38,495	0
Net change in fund balances	29,268	117,201	32,634	482
Fund balances - beginning	51,683	189,929	169,175	14,765
Prior period corrections	(21,416)	0	0	0
FUND BALANCES - ENDING	\$59,535	\$307,130	\$201,809	\$15,247

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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	120 HOTEL/ MOTEL TAX FUND	121 EMPLOYEE PKG PERMIT FUND	122 YOUTH SCHOLARSHIP FUND	123 TOURISM PROMOTIONAL/ ARTS FUND
REVENUES				
Taxes	\$66,502	\$0	\$0	\$0
Licenses and permits	0	17,775	0	0
Intergovernmental revenues	0	0	0	0
Charges for services	0	0	0	269
Fines and forfeits	0	0	0	0
Other revenues	1,367	2,426	4,360	1,285
Total revenues	67,869	20,201	4,360	1,554
EXPENDITURES				
Current:				
General government services	0	751	0	0
Security of persons and property	0	0	0	0
Physical environment	0	0	0	0
Transportation	0	0	0	0
Economic environment	0	0	0	0
Culture and recreation	40,523	0	2,958	15,410
Capital outlay	0	0	0	0
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total expenditures	40,523	751	2,958	15,410
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	27,346	19,450	1,402	(13,856)
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	0	0	0	0
Disposition of capital assets	0	0	0	0
Transfers in	0	0	0	16,296
Transfers out	(20,296)	(18,700)	0	0
Total other financing sources (uses)	(20,296)	(18,700)	0	16,296
Net change in fund balances	7,050	750	1,402	2,440
Fund balances - beginning	54,918	69,723	6,911	29,051
Prior period corrections	0	0	0	0
FUND BALANCES - ENDING	\$61,968	\$70,473	\$8,313	\$31,491

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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	125 REET 2 PARKS IMPRV. FUND	126 REET 1 PARKS ACQUIS. FUND	127 GIFTS CATALOG FUND	130 CEMETARY MAINT./IMPRV. FUND	131 FIRE DONATIONS FUND
REVENUES					
Taxes	\$1,372,042	\$1,372,042	\$0	\$0	\$0
Licenses and permits	0	0	0	0	0
Intergovernmental revenues	61,116	0	0	0	0
Charges for services	0	0	0	66,246	0
Fines and forfeits	0	0	0	0	0
Other revenues	121,805	35,271	29,449	16,200	3,577
Total revenues	1,554,963	1,407,313	29,449	82,446	3,577
EXPENDITURES					
Current:					
General government services	0	12,700	0	0	0
Security of persons and property	0	0	0	0	0
Physical environment	0	0	0	107,084	0
Transportation	0	0	0	0	0
Economic environment	0	0	0	0	0
Culture and recreation	14,025	0	21,757	0	0
Capital outlay	267,017	653,970	0	4,890	0
Debt service:					
Principal	0	425,576	0	0	0
Interest	0	240,053	0	0	0
Total expenditures	281,042	1,332,299	21,757	111,974	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,273,921	75,014	7,692	(29,528)	3,577
OTHER FINANCING SOURCES (USES)					
Proceeds of general long-term debt	0	0	0	0	0
Disposition of capital assets	0	0	0	0	0
Transfers in	0	0	0	73,500	0
Transfers out	(75)	(60,411)	(536)	(7,105)	0
Total other financing sources (uses)	(75)	(60,411)	(536)	66,395	0
Net change in fund balances	1,273,846	14,603	7,156	36,867	3,577
Fund balances - beginning	2,974,338	1,594,615	131,628	529,805	4,363
Prior period corrections	0	0	0	0	0
FUND BALANCES - ENDING	\$4,248,184	\$1,609,218	\$138,784	\$566,672	\$7,940

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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	601 PARKS TRUST FUND	610 CEMETERY MAINTENANCE TRUST FUND	621 SPECIAL LIBRARY FUND	623 SISTER CITY COMMISSION	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES					
Taxes	\$0	\$0	\$0	\$0	\$2,810,586
Licenses and permits	0	0	0	0	21,975
Intergovernmental revenues	0	0	0	0	2,755,514
Charges for services	0	7,361	0	0	293,412
Fines and forfeits	0	0	0	0	4,032
Other revenues	12,077	14,392	176	19,778	341,261
Total revenues	12,077	21,753	176	19,778	6,226,780
EXPENDITURES					
Current:					
General government services	0	0	0	0	231,624
Security of persons and property	0	0	0	0	130,432
Physical environment	0	0	0	0	107,084
Transportation	0	0	0	0	1,170,188
Economic environment	0	0	0	20,303	20,303
Culture and recreation	0	0	5,854	0	141,804
Capital outlay	0	0	0	0	2,852,183
Debt service:					
Principal	0	0	0	0	452,903
Interest	0	0	0	0	253,712
Total expenditures	0	0	5,854	20,303	5,360,233
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	12,077	21,753	(5,678)	(525)	866,547
OTHER FINANCING SOURCES (USES)					
Proceeds of general long-term debt	0	0	0	0	385,000
Disposition of capital assets	0	0	0	0	279,029
Transfers in	536	0	0	0	1,201,641
Transfers out	0	0	0	0	(298,683)
Total other financing sources (uses)	536	0	0	0	1,566,987
Net change in fund balances	12,613	21,753	(5,678)	(525)	2,433,534
Fund balances - beginning	111,746	580,973	8,457	14,258	8,306,277
Prior period corrections	0	0	0	0	(85,095)
FUND BALANCES - ENDING	\$124,359	\$602,726	\$2,779	\$13,733	\$10,654,716

DEBT SERVICE FUNDS DESCRIPTION

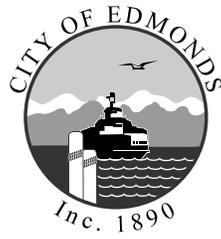
Debt Service Funds are used to account for the payment of principal and interest on Special Assessment Bonds. Special assessments against specific parcels of real property provide the funding source to retire Special Assessment Bonds. Costs of the street, sidewalk improvements, or utility services projects are estimated and property owners are assessed their proportionate share on the basis of cost per linear foot as required by state law. Interest is charged on the unpaid assessment at rates of one-half percent higher than those on the related bonds for the purpose of paying costs of handling.

211 L.I.D. Fund Control Fund – fund collects special assessments levied against benefited properties for payment of principal and interest for special assessment bond issues.

213 L.I.D. Guaranty Fund – established for the protection of the Local Improvement District bondholders. If the City is unable to pay debt service because of insufficient special assessment collections, the bond payments will be made from this fund.

230 LTGO Bond Debt Service Fund – established for payment of principal and interest on the 2001 LTGO bond issue.

234 Limited Tax G.O. Bond Fund – established for payment of principal and interest on the 2002 LTGO bond issue.



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**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	211 L.I.D. CONTROL FUND	213 L.I.D. GUARANTY FUND	230 LTGO BOND DEBT SERVICE FUND	234 LIMITED TAX G.O. BOND FUND	TOTAL NONMAJOR DEBT SERVICE FUNDS
ASSETS AND OTHER DEBITS					
CURRENT ASSETS					
Cash and cash equivalents	\$16,740	\$136,429	\$0	\$0	\$153,169
Receivables, net					
Assessments	23,342	0	0	0	23,342
Total Current Assets	40,082	136,429	0	0	176,511
RESTRICTED ASSETS					
Special assessments - deferred	640,950	0	0	0	640,950
Total Restricted Assets	640,950	0	0	0	640,950
TOTAL ASSETS AND OTHER DEBITS	\$681,032	\$136,429	\$0	\$0	\$817,461
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Deferred revenues	\$424	\$0	\$0	\$0	\$424
Total Current Liabilities	424	0	0	0	424
NONCURRENT LIABILITIES					
Deferred revenues	664,292	0	0	0	664,292
Total Noncurrent Liabilities	664,292	0	0	0	664,292
TOTAL LIABILITIES	664,716	0	0	0	664,716
FUND BALANCES					
Reserved for:					
Debt service	16,316	136,429	0	0	152,745
TOTAL FUND BALANCES	16,316	136,429	0	0	152,745
TOTAL LIABILITIES AND FUND BALANCES	\$681,032	\$136,429	\$0	\$0	\$817,461

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

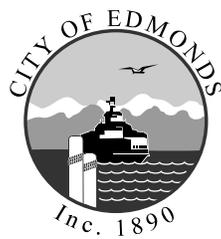
	211 L.I.D. FUND CONTROL FUND	213 L.I.D. GUARANTY FUND	230 LTGO BOND DEBT SERVICE FUND	234 LIMITED TAX G.O. BOND FUND	TOTAL NONMAJOR DEBT SERVICE FUNDS
REVENUES					
Other revenues	\$224,429	\$13,446	\$0	\$0	\$237,875
Total revenues	224,429	13,446	0	0	237,875
EXPENDITURES					
Current:					
General government services	622	0	0	0	622
Debt service:					
Principal	185,000	0	0	80,000	265,000
Interest	34,435	0	0	306,110	340,545
Total expenditures	220,057	0	0	386,110	606,167
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	4,372	13,446	0	(386,110)	(368,292)
OTHER FINANCING SOURCES (USES)					
Transfers in	0	0	0	60,411	60,411
Transfers out	404	(125,404)	0	0	(125,000)
Payments from component unit	0	0	0	325,699	325,699
Total other financing sources (uses)	404	(125,404)	0	386,110	261,110
Net change in fund balances	4,776	(111,958)	0	0	(107,182)
Fund balances - beginning	74,323	248,387	1,001	0	323,711
Prior period corrections	(62,783)	0	(1,001)	0	(63,784)
FUND BALANCES - ENDING	\$16,316	\$136,429	\$0	\$0	\$152,745

CAPITAL PROJECTS FUNDS DESCRIPTIONS

Capital Projects Funds are used to account for the acquisition and development of capital facilities. Principal fund sources are grants and bonds. Individual fund descriptions are as follows:

326 Public Safety Building Construction Fund – created to account for the design and construction of a new police station, courtroom, and two new fire stations. Revenues are generated from a property tax levy that was approved in 1996.

330 2001 City Capital Improvements Fund - accounts for the financing, construction, and improvements to various projects as determined by City Ordinance.



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**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2005**

	326 PUBLIC SAFETY BLDG CONST FUND	330 2001 CITY CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
ASSETS AND OTHER DEBITS			
TOTAL ASSETS AND OTHER DEBITS	\$0	\$0	\$0
LIABILITIES AND FUND BALANCES			
TOTAL LIABILITIES	0	0	0
TOTAL FUND BALANCES	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$0	\$0

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	326 PUBLIC SAFETY BLDG CONST FUND	330 2001 CITY CAPITAL IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
REVENUES			
Taxes	\$754,796	\$0	\$754,796
Other revenues	8,777	501	9,278
Total revenues	763,573	501	764,074
EXPENDITURES			
Current:			
General government services	5,087	0	5,087
Security of persons and property	127	0	127
Capital outlay	360	3,166	3,526
Debt service:			
Principal	465,000	0	465,000
Interest	292,280	0	292,280
Total expenditures	762,854	3,166	766,020
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	719	(2,665)	(1,946)
OTHER FINANCING SOURCES (USES)			
Transfers out	(147,170)	(18,654)	(165,824)
Total other financing sources (uses)	(147,170)	(18,654)	(165,824)
Net change in fund balances	(146,451)	(21,319)	(167,770)
Fund balances - beginning	146,451	21,319	167,770
FUND BALANCES - ENDING	\$0	\$0	\$0

BUDGET AND ACTUAL



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**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 009 - LEOFF MEDICAL RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$4,100	\$4,100	\$15,485	\$11,385
Total Revenues	4,100	4,100	15,485	11,385
EXPENDITURES				
Current:				
General government services	45,600	49,700	54,759	(5,059)
Total Expenditures	45,600	49,700	54,759	(5,059)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(41,500)	(45,600)	(39,274)	6,326
OTHER FINANCING SOURCES (USES)				
Transfers in	65,000	65,000	65,000	0
Total other financing sources (uses)	65,000	65,000	65,000	0
Net changes in fund balances	23,500	19,400	25,726	6,326
Fund balances - beginning	276,457	276,457	288,544	12,087
FUND BALANCES - ENDING	\$299,957	\$295,857	\$314,270	\$18,413

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 104 - DRUG ENFORCEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$74,139	\$74,139	\$74,369	\$230
Fines and forfeits	16,500	16,500	4,032	(12,468)
Other revenues	0	0	7,449	7,449
Total Revenues	90,639	90,639	85,850	(4,789)
EXPENDITURES				
Current:				
Security of persons and property	148,203	148,203	130,432	17,771
Total Expenditures	148,203	148,203	130,432	17,771
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(57,564)	(57,564)	(44,582)	12,982
OTHER FINANCING SOURCES (USES)				
Transfers in	62,070	62,070	62,070	0
Total other financing sources (uses)	62,070	62,070	62,070	0
Net changes in fund balances	4,506	4,506	17,488	12,982
Fund balances - beginning	70	70	73,098	73,028
FUND BALANCES - ENDING	\$4,576	\$4,576	\$90,586	\$86,010

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 111 - STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Licenses and Permits	\$2,000	\$2,000	\$4,200	\$2,200
Intergovernmental revenues	560,000	560,000	581,287	21,287
Charges for services	23,750	23,750	29,934	6,184
Other revenues	2,500	2,500	5,084	2,584
Total Revenues	588,250	588,250	620,505	32,255
EXPENDITURES				
Current:				
Transportation	1,147,880	1,193,999	1,085,694	108,305
Debt service:				
Principal retirement	9,190	9,190	9,184	6
Interest	12,110	12,110	12,106	4
Total Expenditures	1,169,180	1,215,299	1,106,984	108,315
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(580,930)	(627,049)	(486,479)	140,570
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	0	98,981	130,231	31,250
Transfers in	517,400	517,400	476,320	(41,080)
Transfers out	0	(64,000)	(64,000)	0
Total other financing sources (uses)	517,400	552,381	542,551	(9,830)
Net changes in fund balances	(63,530)	(74,668)	56,072	130,740
Fund balances - beginning	165,020	165,020	222,254	57,234
Prior Period Adjustment	0	0	(3,545)	(3,545)
FUND BALANCES - ENDING	\$101,490	\$90,352	\$274,781	\$184,429

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 112 - STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$3,783,500	\$3,783,500	\$1,978,657	(\$1,804,843)
Charges for services	130,000	130,000	170,701	40,701
Other revenues	95,000	95,000	30,320	(64,680)
Total Revenues	4,008,500	4,008,500	2,179,678	(1,828,822)
EXPENDITURES				
Current:				
Transportation	0	0	59,547	(59,547)
Capital outlay	5,388,000	5,388,000	1,844,835	3,543,165
Debt service:				
Principal retirement	0	0	18,143	(18,143)
Interest	0	0	1,553	(1,553)
Total Expenditures	5,388,000	5,388,000	1,924,078	3,463,922
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,379,500)	(1,379,500)	255,600	1,635,100
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	485,000	485,000	385,000	(100,000)
Transfers in	199,123	199,123	262,654	63,531
Transfers out	0	0	(124,445)	(124,445)
Total other financing sources (uses)	684,123	684,123	523,209	(160,914)
Net changes in fund balances	(695,377)	(695,377)	778,809	1,474,186
Fund balances - beginning	726,402	726,402	1,186,043	459,641
Prior Period Adjustment	0	0	(60,134)	(60,134)
FUND BALANCES - ENDING	\$31,025	\$31,025	\$1,904,718	\$1,873,693

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 113 - MULTIMODAL TRANSPORTATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$1,250,000	\$1,250,000	\$53,661	(\$1,196,339)
Other revenues	0	0	554	554
Total Revenues	1,250,000	1,250,000	54,215	(1,195,785)
EXPENDITURES				
Current:				
Transportation	1,250,000	1,250,000	24,947	1,225,053
Total Expenditures	1,250,000	1,250,000	24,947	1,225,053
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	0	0	29,268	29,268
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	0	0	29,268	29,268
Fund balances - beginning	0	0	51,683	51,683
Prior Period Adjustment	0	0	(21,416)	(21,416)
FUND BALANCES - ENDING	\$0	\$0	\$59,535	\$59,535

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 116 - BUILDING MAINTENANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$126,000	\$126,000	\$3,862	(\$122,138)
Other revenues	1,707	1,707	5,771	4,064
Total Revenues	127,707	127,707	9,633	(118,074)
EXPENDITURES				
Current:				
General government services	0	0	163,414	(163,414)
Capital outlay	257,000	907,000	81,471	825,529
Total Expenditures	257,000	907,000	244,885	662,115
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(129,293)	(779,293)	(235,252)	544,041
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	0	590,000	0	(590,000)
Disposition of capital assets	0	0	148,798	148,798
Transfers in	56,600	56,600	203,770	147,170
Transfers out	0	0	(115)	(115)
Total other financing sources (uses)	56,600	646,600	352,453	(294,147)
Net changes in fund balances	(72,693)	(132,693)	117,201	249,894
Fund balances - beginning	113,824	173,824	189,929	16,105
FUND BALANCES - ENDING	\$41,131	\$41,131	\$307,130	\$265,999

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 117 - MUNICIPAL ARTS ACQUISITION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$2,000	\$2,000	\$2,562	\$562
Charges for services	25,500	25,500	18,901	(6,599)
Other revenues	8,150	8,150	13,953	5,803
Total Revenues	35,650	35,650	35,416	(234)
EXPENDITURES				
Current:				
Culture and recreation	69,045	69,045	41,277	27,768
Total Expenditures	69,045	69,045	41,277	27,768
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(33,395)	(33,395)	(5,861)	27,534
OTHER FINANCING SOURCES (USES)				
Transfers in	42,500	42,500	41,495	(1,005)
Transfers out	(3,000)	(3,000)	(3,000)	0
Total other financing sources (uses)	39,500	39,500	38,495	(1,005)
Net changes in fund balances	6,105	6,105	32,634	26,529
Fund balances - beginning	152,806	152,806	169,175	16,369
FUND BALANCES - ENDING	\$158,911	\$158,911	\$201,809	\$42,898

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 118 - MEMORIAL TREE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$150	\$150	\$482	\$332
Total Revenues	150	150	482	332
EXPENDITURES				
Current:				
Culture and recreation	500	500	0	500
Total Expenditures	500	500	0	500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(350)	(350)	482	832
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	(350)	(350)	482	832
Fund balances - beginning	14,756	14,756	14,765	9
FUND BALANCES - ENDING	\$14,406	\$14,406	\$15,247	\$841

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 120 - HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$59,000	\$59,000	\$66,502	\$7,502
Other revenues	508	508	1,367	859
Total Revenues	59,508	59,508	67,869	8,361
EXPENDITURES				
Current:				
Culture and recreation	41,750	41,750	40,523	1,227
Total Expenditures	41,750	41,750	40,523	1,227
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,758	17,758	27,346	9,588
OTHER FINANCING SOURCES (USES)				
Transfers out	(18,000)	(18,000)	(20,296)	(2,296)
Total other financing sources (uses)	(18,000)	(18,000)	(20,296)	(2,296)
Net changes in fund balances	(242)	(242)	7,050	7,292
Fund balances - beginning	34,052	34,052	54,918	20,866
FUND BALANCES - ENDING	\$33,810	\$33,810	\$61,968	\$28,158

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 121 - EMPLOYEE PARKING PERMIT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET/ POSITIVE/ (NEGATIVE)
REVENUES				
Licenses and Permits	\$12,000	\$12,000	\$17,775	\$5,775
Other revenues	1,100	1,100	2,426	1,326
Total Revenues	13,100	13,100	20,201	7,101
EXPENDITURES				
Current:				
General government services	1,000	1,000	751	249
Total Expenditures	1,000	1,000	751	249
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,100	12,100	19,450	7,350
OTHER FINANCING SOURCES (USES)				
Transfers out	(18,700)	(18,700)	(18,700)	0
Total other financing sources (uses)	(18,700)	(18,700)	(18,700)	0
Net changes in fund balances	(6,600)	(6,600)	750	7,350
Fund balances - beginning	73,366	73,366	69,723	(3,643)
FUND BALANCES - ENDING	\$66,766	\$66,766	\$70,473	\$3,707

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 122 - YOUTH SCHOLARSHIP FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$2,580	\$2,580	\$4,360	\$1,780
Total Revenues	2,580	2,580	4,360	1,780
EXPENDITURES				
Current:				
Culture and recreation	3,500	3,500	2,958	542
Total Expenditures	3,500	3,500	2,958	542
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(920)	(920)	1,402	2,322
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	(920)	(920)	1,402	2,322
Fund balances - beginning	5,541	5,541	6,911	1,370
FUND BALANCES - ENDING	\$4,621	\$4,621	\$8,313	\$3,692

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 123 - TOURISM/PROMOTIONAL ARTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$1,500	\$1,500	\$269	(\$1,231)
Other revenues	500	500	1,285	785
Total Revenues	2,000	2,000	1,554	(446)
EXPENDITURES				
Current:				
Culture and recreation	25,400	25,400	15,410	9,990
Total Expenditures	25,400	25,400	15,410	9,990
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(23,400)	(23,400)	(13,856)	9,544
OTHER FINANCING SOURCES (USES)				
Transfers in	13,000	13,000	16,296	3,296
Total other financing sources (uses)	13,000	13,000	16,296	3,296
Net changes in fund balances	(10,400)	(10,400)	2,440	12,840
Fund balances - beginning	21,668	21,668	29,051	7,383
FUND BALANCES - ENDING	\$11,268	\$11,268	\$31,491	\$20,223

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 125 - REET 2 PARKS IMPROVEMENTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$750,000	\$750,000	\$1,372,042	\$622,042
Intergovernmental revenues	250,000	250,000	61,116	(188,884)
Other revenues	85,000	85,000	121,805	36,805
Total Revenues	1,085,000	1,085,000	1,554,963	469,963
EXPENDITURES				
Current:				
Culture and recreation	8,000	8,000	14,025	(6,025)
Capital outlay	2,198,000	2,198,000	267,017	1,930,983
Total Expenditures	2,206,000	2,206,000	281,042	1,924,958
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,121,000)	(1,121,000)	1,273,921	2,394,921
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,350)	(7,350)	(75)	7,275
Total other financing sources (uses)	(7,350)	(7,350)	(75)	7,275
Net changes in fund balances	(1,128,350)	(1,128,350)	1,273,846	2,402,196
Fund balances - beginning	2,483,121	2,483,121	2,974,338	491,217
FUND BALANCES - ENDING	\$1,354,771	\$1,354,771	\$4,248,184	\$2,893,413

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 126 - REET 1 PARKS ACQUISITION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$750,000	\$750,000	\$1,372,042	\$622,042
Intergovernmental revenues	600,000	600,000	0	(600,000)
Other revenues	1,017,544	1,017,544	35,271	(982,273)
Total Revenues	2,367,544	2,367,544	1,407,313	(960,231)
EXPENDITURES				
Current:				
General government services	0	0	12,700	(12,700)
Capital outlay	2,808,000	2,808,000	653,970	2,154,030
Debt service:				
Principal retirement	425,576	425,576	425,576	0
Interest	240,953	240,953	240,053	900
Total Expenditures	3,474,529	3,474,529	1,332,299	2,142,230
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,106,985)	(1,106,985)	75,014	1,181,999
OTHER FINANCING SOURCES (USES)				
Transfers out	(60,411)	(60,411)	(60,411)	0
Total other financing sources (uses)	(60,411)	(60,411)	(60,411)	0
Net changes in fund balances	(1,167,396)	(1,167,396)	14,603	1,181,999
Fund balances - beginning	1,169,609	1,169,609	1,594,615	425,006
FUND BALANCES - ENDING	\$2,213	\$2,213	\$1,609,218	\$1,607,005

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 127 - GIFTS CATALOG FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$10,529	\$27,029	\$29,449	\$2,420
Total Revenues	10,529	27,029	29,449	2,420
EXPENDITURES				
Current:				
Culture and recreation	2,660	16,500	21,757	(5,257)
Total Expenditures	2,660	16,500	21,757	(5,257)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,869	10,529	7,692	(2,837)
OTHER FINANCING SOURCES (USES)				
Transfers out	0	0	(536)	(536)
Total other financing sources (uses)	0	0	(536)	(536)
Net changes in fund balances	7,869	10,529	7,156	(3,373)
Fund balances - beginning	123,409	123,409	131,628	8,219
FUND BALANCES - ENDING	\$131,278	\$133,938	\$138,784	\$4,846

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 130 - CEMETERY MAINTENANCE/IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$113,000	\$113,000	\$66,246	(\$46,754)
Other revenues	11,000	11,000	16,200	5,200
Total Revenues	124,000	124,000	82,446	(41,554)
EXPENDITURES				
Current:				
Physical environment	121,370	124,573	107,084	17,489
Capital outlay	400,000	400,000	4,890	395,110
Total Expenditures	521,370	524,573	111,974	412,599
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(397,370)	(400,573)	(29,528)	371,045
OTHER FINANCING SOURCES (USES)				
Transfers in	73,500	73,500	73,500	0
Transfers out	(2,500)	(2,500)	(7,105)	(4,605)
Total other financing sources (uses)	71,000	71,000	66,395	(4,605)
Net changes in fund balances	(326,370)	(329,573)	36,867	366,440
Fund balances - beginning	521,855	521,855	529,805	7,950
FUND BALANCES - ENDING	\$195,485	\$192,282	\$566,672	\$374,390

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 131 - FIRE DONATIONS FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET/ POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$2,425	\$2,425	\$3,577	\$1,152
Total Revenues	2,425	2,425	3,577	1,152
EXPENDITURES				
Current:				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,425	2,425	3,577	1,152
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	2,425	2,425	3,577	1,152
Fund balances - beginning	832	1,937	4,363	2,426
FUND BALANCES - ENDING	\$3,257	\$4,362	\$7,940	\$3,578

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 601 - PARKS TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$1,480	\$1,480	\$12,077	\$10,597
Total Revenues	1,480	1,480	12,077	10,597
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,480	1,480	12,077	10,597
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	536	536
Total other financing sources (uses)	0	0	536	536
Net changes in fund balances	1,480	1,480	12,613	11,133
Fund balances - beginning	112,707	112,707	111,746	(961)
FUND BALANCES - ENDING	\$114,187	\$114,187	\$124,359	\$10,172

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 610 - CEMETERY MAINTENANCE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$10,000	\$10,000	\$7,361	(\$2,639)
Other revenues	14,000	14,000	14,392	392
Total Revenues	24,000	24,000	21,753	(2,247)
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	24,000	24,000	21,753	(2,247)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	24,000	24,000	21,753	(2,247)
Fund balances - beginning	580,660	580,660	580,973	313
FUND BALANCES - ENDING	\$604,660	\$604,660	\$602,726	(\$1,934)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 621 - SPECIAL LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$80	\$80	\$176	\$96
Total Revenues	80	80	176	96
EXPENDITURES				
Culture and recreation	1,100	5,955	5,854	101
Total Expenditures	1,100	5,955	5,854	101
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,020)	(5,875)	(5,678)	197
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	(1,020)	(5,875)	(5,678)	197
Fund balances - beginning	8,450	8,450	8,457	7
FUND BALANCES - ENDING	\$7,430	\$2,575	\$2,779	\$204

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 623 - SISTER CITY COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$20,220	\$20,220	\$19,778	(\$442)
Total Revenues	20,220	20,220	19,778	(442)
EXPENDITURES				
Current:				
Economic environment	25,000	25,000	20,303	4,697
Total Expenditures	25,000	25,000	20,303	4,697
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,780)	(4,780)	(525)	4,255
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	(4,780)	(4,780)	(525)	4,255
Fund balances - beginning	10,737	10,737	14,258	3,521
FUND BALANCES - ENDING	\$5,957	\$5,957	\$13,733	\$7,776

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 211 - L.I.D. FUND CONTROL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other Revenues	\$256,000	\$256,000	\$224,429	(\$31,571)
Total Revenues	256,000	256,000	224,429	(31,571)
EXPENDITURES				
Current:				
General Government Services	350	350	622	(272)
Debt Service:				
Principal Retirement	0	170,000	185,000	(15,000)
Interest	64,200	64,200	34,435	29,765
Total Expenditures	64,550	234,550	220,057	14,493
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	191,450	21,450	4,372	(17,078)
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	404	404
Total other financing sources (uses)	0	0	404	404
Net change in fund balances	191,450	21,450	4,776	(16,674)
Fund Balances - beginning	353,697	353,697	74,323	(279,374)
Prior Period Adjustment	0	0	(62,783)	(62,783)
FUND BALANCES - ENDING	\$545,147	\$375,147	\$16,316	(\$358,831)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 213 - L.I.D. GUARANTY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other Revenues	\$3,714	\$3,714	\$13,446	\$9,732
Total Revenues	3,714	3,714	13,446	9,732
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,714	3,714	13,446	9,732
OTHER FINANCING SOURCES (USES)				
Transfers Out	(125,000)	(125,000)	(125,404)	(404)
Total other financing sources (uses)	(125,000)	(125,000)	(125,404)	(404)
Net change in fund balances	(121,286)	(121,286)	(111,958)	9,328
Fund Balances - beginning	247,579	247,579	248,387	808
FUND BALANCES - ENDING	\$126,293	\$126,293	\$136,429	\$10,136

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 230 - LTGO BOND DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
TOTAL REVENUES	0	0	0	0
EXPENDITURES				
TOTAL EXPENDITURES	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	0	0
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net change in fund balances	0	0	0	0
Fund Balances - beginning	0	0	1,001	1,001
Prior Period Adjustment	0		(1,001)	(1,001)
FUND BALANCES - ENDING	\$0	\$0	\$0	\$0

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FUND 234 - LIMITED TAX G.O. BOND FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
TOTAL REVENUES	0	0	0	0
EXPENDITURES				
Debt service:				
Principal retirement	80,000	80,000	80,000	0
Interest	306,110	306,110	306,110	0
TOTAL EXPENDITURES	386,110	386,110	386,110	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(386,110)	(386,110)	(386,110)	0
OTHER FINANCING SOURCES (USES)				
Transfers in	386,110	386,110	60,411	(325,699)
Payment from component unit	0	0	325,699	325,699
Total other financing sources (uses)	386,110	386,110	386,110	0
Net change in fund balances	0	0	0	0
Fund Balances - beginning	0	0	0	0
FUND BALANCES - ENDING	\$0	\$0	\$0	\$0



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FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds.

622 State Judicial Agency Fund - accounts for collection of State traffic violation assessments that are sent to the State to be used for traffic safety, motor vehicle intoxication, and criminal justice training programs on a statewide basis.

811 Payroll Clearing Fund - accounts for receipt and disbursement of monies to a variety of other funds, governmental units, or private parties.

812 Claims Clearing Fund - accounts for receipt and disbursement of monies to a variety of other funds, governmental units, or private parties.

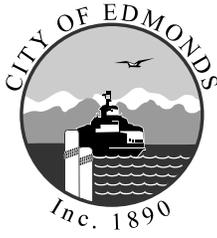
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	BALANCE JANUARY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31, 2005
<u>FUND 622 - STATE JUEICIAL</u>				
ASSETS				
Cash and cash equivalents	\$0	\$4,424	\$4,424	\$0
TOTAL ASSETS	\$0	\$4,424	\$4,424	\$0
LIABILITIES				
Accounts payable	\$0	\$3,855	\$3,855	\$0
Due to other governments	0	3,855	3,855	0
Sales/Use tax payable	0	569	569	0
TOTAL LIABILITIES	\$0	\$8,279	\$8,279	\$0
<u>FUND 811 - PAYROLL CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$0	\$23,451,266	\$23,451,266	\$0
TOTAL ASSETS	\$0	\$23,451,266	\$23,451,266	\$0
LIABILITIES				
Accounts payable	\$0	\$26,531,776	\$26,531,776	\$0
TOTAL LIABILITIES	\$0	\$26,531,776	\$26,531,776	\$0
<u>FUND 812 - CLAIMS CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$0	\$25,153,369	\$25,153,369	\$0
TOTAL ASSETS	\$0	\$25,153,369	\$25,153,369	\$0
LIABILITIES				
Accounts payable	\$0	\$25,153,369	\$25,153,369	\$0
TOTAL LIABILITIES	\$0	\$25,153,369	\$25,153,369	\$0
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$0	\$48,609,059	\$48,609,059	\$0
TOTAL ASSETS	\$0	\$48,609,059	\$48,609,059	\$0
LIABILITIES				
Accounts payable	\$0	\$51,689,000	\$51,689,000	\$0
Due to other governments	0	3,855	3,855	0
Sales/Use tax payable	0	569	569	0
TOTAL LIABILITIES	\$0	\$51,693,424	\$51,693,424	\$0



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STATISTICAL SECTION

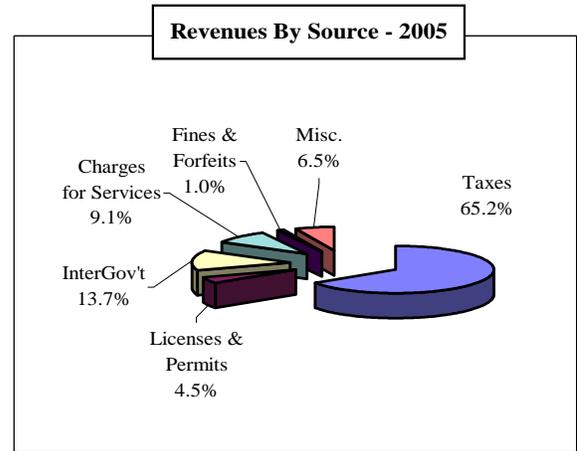
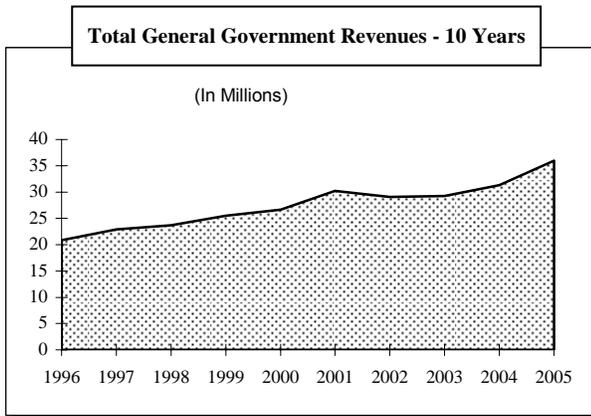


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GENERAL GOVERNMENTAL REVENUES AND OTHER SOURCES BY SOURCE
Last Ten Fiscal Years

<u>Year</u>	<u>Taxes</u>	<u>Licenses & Permits</u>	<u>Intergov't Revenue</u>	<u>Charges For Services</u>	<u>Fines & Forfeits</u>	<u>Misc. Revenue</u>	<u>Totals</u>
1996	\$12,541,805	\$347,666	\$4,472,089	\$1,804,065	\$499,874	\$1,203,233	\$20,868,732
1997	14,485,840	475,359	4,480,124	1,860,154	575,259	1,021,116	22,897,852
1998	15,614,196	469,694	4,488,204	1,602,335	573,081	943,114	23,690,624
1999	16,903,621	673,962	4,205,884	2,145,655	560,347	986,645	25,476,114
2000	17,886,787	1,118,165	3,417,691	2,396,435	636,048	1,206,612	26,661,738
2001	18,390,331	982,176	5,432,608	2,467,181	605,263	2,325,811	30,203,370
2002	18,913,446	1,001,635	3,980,529	2,650,359	434,170	2,100,251	29,080,390
2003	19,691,389	1,105,107	4,029,161	2,912,644	47,571	1,455,979	29,241,851
2004	21,342,264	1,512,968	3,397,518	3,355,619	513,611	1,185,965	31,307,945
2005	22,788,410	1,586,265	4,780,988	3,183,770	354,383	2,269,052	34,962,868

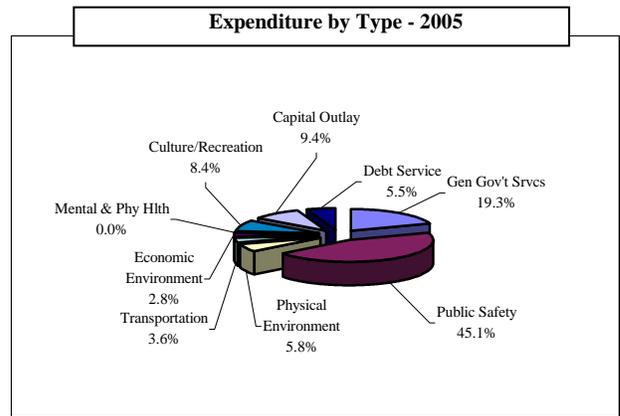
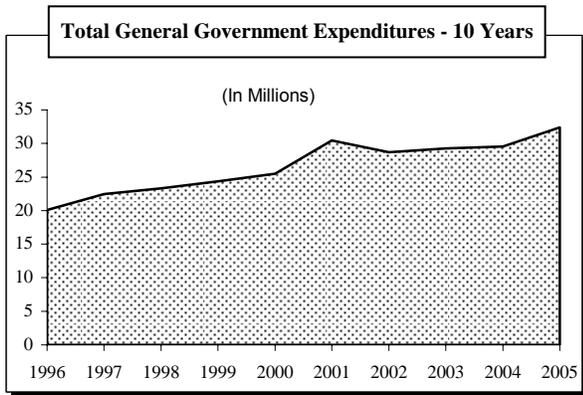
* Includes General Fund, Special Revenue Funds and Debt Service Funds



GENERAL GOVERNMENTAL EXPENDITURES AND OTHER USES BY FUNCTION
Last Ten Fiscal Years

<u>Year</u>	<u>General Gov't Services</u>	<u>Security of Persons & Property</u>	<u>Physical Environment</u>	<u>Transportation</u>	<u>Environment Economic</u>	<u>Mental & Physical Health</u>	<u>Culture & Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Totals</u>
1996	\$3,920,749	\$8,442,398	\$667,056	\$1,536,993	\$469,047	\$306,265	\$2,479,035	\$1,358,338	\$930,474	\$20,110,355
1997	4,253,014	8,471,146	710,686	1,234,439	464,147	334,421	2,791,759	3,042,779	1,168,458	22,470,849
1998	4,409,802	9,360,960	779,416	967,491	511,880	459,032	2,903,992	2,878,338	1,047,297	23,318,208
1999	4,779,062	10,332,966	839,004	994,620	631,626	689,964	3,236,729	1,830,287	1,009,793	24,344,051
2000	4,705,542	10,768,745	861,700	1,060,441	730,446	722,039	3,337,716	2,190,757	1,101,013	25,478,399
2001	5,752,749	11,694,882	923,307	1,294,678	776,586	732,871	3,452,410	5,091,088	739,616	30,458,187
2002	5,927,313	12,227,213	934,018	1,231,487	784,183	979,639	2,492,393	2,491,218	1,626,836	28,694,300
2003	5,471,678	13,707,020	871,693	1,487,633	761,550	7,642	2,576,333	2,506,528	1,870,762	29,260,841
2004	5,724,465	14,411,608	1,040,113	1,266,838	877,816	8,468	2,626,855	1,237,149	2,329,291	29,522,603
2005	6,260,947	14,601,392	1,877,941	1,170,188	914,881	9,082	2,711,224	3,037,944	1,793,253	32,376,852

* Includes General Fund, Special Revenue Funds and Debt Service Funds



ASSESSED VALUATION, PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<u>Year</u>	<u>Assessed Valuation*</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>% of Levy Collections</u>	<u>Delinquent Tax Collections</u>	<u>% of Total Collections to Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>% of Delinquent Taxes to Levy</u>
1996	2,416,356,778	5,568,006	5,460,054	98.06%	114,815	100.12%	179,348	3.22%
1997	2,641,482,032	7,186,340	7,024,659	97.75%	136,399	99.65%	217,784	3.03%
1998	2,668,908,479	7,543,925	7,339,627	97.29%	201,662	99.97%	278,464	3.69%
1999	2,841,059,132	8,416,688	8,146,757	96.79%	168,679	98.80%	269,932	3.21%
2000	3,208,755,952	9,333,601	9,142,301	97.95%	275,587	100.90%	388,087	4.16%
2001	3,261,044,413	9,528,000	9,540,961	100.14%	65,367	100.82%	429,825	4.51%
2002	3,318,312,127	9,920,195	9,836,863	99.16%	26,003	99.42%	478,285	4.82%
2003	3,348,388,884	10,203,659	9,986,122	97.87%	256,991	100.39%	368,157	3.61%
2004	4,465,519,067	10,978,476	10,718,851	97.64%	227,853	99.71%	350,742	3.19%
2005	4,819,291,927	11,175,713	10,947,400	97.96%	226,264	99.98%	322,816	2.89%

Assessed Valuation approximates actual value.

PROPERTY TAX RATES – DIRECT AND OVERLAPPING
(PER \$1,000 OF ASSESSED VALUE)
 Last Ten Fiscal Years

Year	City	County	School		Other Overlapping Rates			Total
			State	Local	Library	Port	Hospital	
1996	2.30	1.33	3.38	4.06	0.00	0.24	0.23	11.54
1997	2.72	1.44	3.62	4.18	0.00	0.24	0.24	12.44
1998	2.83	1.49	3.58	4.12	0.00	0.24	0.38	12.64
1999	2.98	1.53	3.52	4.93	0.00	0.23	0.38	13.57
2000	2.94	1.48	3.50	4.55	0.00	0.21	0.34	13.02
2001	2.96	1.48	3.40	4.53	0.00	0.05	0.34	12.76
2002	3.01	1.43	3.29	4.52	0.47	0.06	0.27	13.05
2003	3.07	1.83	3.18	4.60	0.46	0.09	0.36	13.58
2004	2.47	1.75	2.95	3.50	0.50	0.07	0.27	11.51
2005	2.33	1.57	2.79	3.99	0.46	0.06	0.11	11.30

PRINCIPAL TAXPAYERS

December 31, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Equity Residential	Apartment Complex	\$22,933,800	0.48%
Park 212 Apt LLC	Apartment Complex	15,703,200	0.33%
Aurora Marketplace LLC	Retail	13,343,700	0.28%
Stevens Pavillion LLC	Medical Offices	12,100,700	0.25%
Briar Development Co.	Housing Development	10,891,600	0.23%
Pacific Park Apt LLC	Apartment Complex	10,825,000	0.22%
Edmonds Retirement Com LLC	Retirement Facility	9,393,100	0.19%
Franklin-Edmonds LLC	Vacant	9,221,900	0.19%
Stevens Medical LLC	Medical Offices	8,804,000	0.18%
Harbor Square Assoc	Retail	8,443,300	0.18%
Puget Sound Energy/Gas	Utility Company	7,792,037	0.16%
Michel Robin W & Karen	Construction Company	7,367,200	0.15%
Beryl B Longway Trust	Trust	7,335,300	0.15%
Park Edmonds Apt LLC	Apartment Complex	7,282,500	0.15%
Shurgard	Storage Facility	7,181,000	0.15%
P Salamonsen Const. Co.	Construction Company	6,879,851	0.14%
Total Assessed Valuation - Largest Taxpayers		\$165,498,188	3.43%
Total Assessed Valuation - All Other		4,653,793,739	96.57%
Total Assessed Value		\$4,819,291,927	100.00%

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2005

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Edmonds</u>	<u>Amount Applicable to Edmonds</u>
City of Edmonds	<u>\$23,440,525</u>	100.00%	<u>\$23,440,525</u>
Total Direct Debt	<u>\$23,440,525</u>	100.00%	<u>\$23,440,525</u>
Local School	178,991,469	33.18%	59,387,590
County	335,512,783	7.93%	26,593,844
Hospital	13,958,587	26.34%	3,676,497
Port	3,975,000	75.43%	2,998,501
Library	<u>0</u>	9.20%	<u>0</u>
Total Overlapping Debt	<u>532,437,839</u>	17.40%	<u>92,656,431</u>
Total Direct and Overlapping Debt	<u>\$555,878,364</u>	20.89%	<u>\$116,096,956</u>

REVENUE BOND COVERAGE
WATER AND SEWER BONDS
 Last Ten Fiscal Years

<u>Year</u>	<u>Gross Revenue (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirement</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1996	9,429,268	6,736,909	2,692,359	745,000	824,848	1,569,848	1.72%
1997	9,157,622	5,956,653	3,200,969	800,000	784,110	1,584,110	2.02%
1998	9,668,350	6,912,474	2,755,876	850,000	750,906	1,600,906	1.72%
1999	9,303,186	6,902,925	2,400,261	1,220,000	663,618	1,883,618	1.27%
2000	10,374,772	7,809,483	2,565,289	1,015,000	610,608	1,625,608	1.58%
2001	9,998,432	7,796,720	2,201,712	940,000	558,068	1,498,068	1.47%
2002	10,875,368	8,169,783	2,705,585	990,000	507,588	1,497,588	1.81%
2003	11,820,916	8,527,717	3,293,199	1,105,000	255,397	1,360,397	2.42%
2004	11,598,339	9,162,022	2,436,317	1,125,000	305,850	1,430,850	1.70%
2005	12,933,748	8,922,431	4,011,317	1,150,000	279,830	1,429,830	2.81%

- (1) Includes operating and non-operating revenue.
 (2) Excludes depreciation.

SPECIAL ASSESSMENTS COLLECTION
Last Ten Fiscal Years

<u>Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Assessments</u>
1996	43,234	37,562	86.88%	339,105
1997	26,701	26,365	98.74%	159,525
1998	23,954	21,460	89.59%	119,506
1999	19,208	18,780	97.77%	78,963
2000	10,937	9,373	85.70%	51,158
2001	8,649	6,108	70.62%	2,223,931
2002	120,407	117,627	97.69%	1,586,410
2003	91,270	492,382	539.48%	1,094,034
2004	77,111	273,271	354.39%	820,763
2005	12,136	167,671	1381.64%	653,086

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2005

Total Taxable Property Value	\$5,430,059,642	
(1) 2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted	135,751,491	
(2) <i>Up to 1.5% debt without a vote (councilmanic)</i>		81,450,895
(3) Less: outstanding debt		(15,510,525)
(4) Less: contracts payable		(6,510,245)
(5) Less: excess of debt with a vote		0
(6) Add: available assets		322,815
(7) Equals: remaining debt capacity without a vote		59,752,940
(8) <i>1% general purposes debt with a vote</i>		54,300,596
(9) Less: outstanding debt		(7,930,000)
(10) Less: contracts payable		0
(11) Add: available assets		0
(12) Equals: remaining debt capacity with a vote		46,370,596
(13) 2.5% Utility purpose limit, voted	135,751,491	
(14) Less: outstanding debt		0
(15) Less: contracts payable		0
(16) Add: available assets		0
(17) Equals: remaining debt capacity - utility purposes, voted		135,751,491
(18) 2.5% Open space, park and capital facilities, voted	135,751,491	
(19) Less: outstanding debt		0
(20) Less: contracts payable		0
(21) Add: available assets		0
(22) Equals: remaining debt capacity - open space and capital facilities, voted		135,751,491

**RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE (AV) AND NET BONDED DEBT PER CAPITA**
Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Assessed Value in Thousands</u>	<u>Gross Bonded Debt</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio Net Bonded Debt to AV</u>	<u>Net Bonded Debt per Capita</u>
1996	35,480	\$2,416,356	\$16,770,000	\$0	\$16,770,000	0.69%	\$473
1997	38,610	2,641,482	16,260,000	0	16,260,000	0.62%	421
1998	38,610	2,668,908	16,160,000	0	16,160,000	0.61%	419
1999	38,610	2,841,059	15,365,000	0	15,365,000	0.54%	398
2000	39,544	3,208,756	14,525,000	0	14,525,000	0.45%	367
2001	39,590	3,261,044	19,275,000	0	19,275,000	0.59%	487
2002	39,460	3,318,312	25,505,000	0	25,505,000	0.77%	646
2003	39,580	3,320,328	25,440,000	0	25,440,000	0.77%	643
2004	39,620	4,465,519	24,685,000	0	24,685,000	0.55%	623
2005	39,860	5,430,060	23,440,525	0	23,440,525	0.43%	588

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**
Last Ten Fiscal Years

Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1996	\$500,000	\$399,508	\$899,508	\$20,110,355	4.47%
1997	510,000	416,035	926,035	22,470,849	4.12%
1998	520,000	369,560	889,560	23,318,208	3.81%
1999	595,000	300,927	895,927	24,334,051	3.68%
2000	615,000	273,898	888,898	25,478,399	3.49%
2001	555,000	730,268	1,285,268	30,458,187	4.22%
2002	780,000	740,164	1,520,164	28,694,300	5.30%
2003	955,000	937,461	1,892,461	29,260,841	6.47%
2004	1,055,000	1,050,785	2,105,785	29,522,603	7.13%
2005	1,144,475	1,010,186	2,154,661	32,376,854	6.65%

DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Per Capita Income (1)</u>	<u>Median Age (2)</u>	<u>Education Level or Years of Formal Schooling (2)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (3)</u>
1996	35,480	23,596	33.9	13.1	4,582	2.7%
1997	38,610	24,800	33.9	13.1	4,582	3.0%
1998	38,610	24,800	33.9	13.1	4,828	3.7%
1999	38,610	24,800	33.9	13.1	4,828	3.7%
2000	39,544	28,105	42	13.1	4,600	3.9%
2001	39,590	31,410	42	13.1	4,600	5.39%
2002	39,460	31,410	42	13.1	5,184	6.80%
2003	39,580	30,076	42	13.1	5,184	6.80%
2004	39,620	30,076	42	13.1	5,184	5.77%
2005	39,860	30,076	42	13.1	5,020	4.70%

PROPERTY VALUE AND CONSTRUCTION
Last Ten Fiscal Years

<u>Year</u>	<u>Commercial Construction*</u>		<u>Residential Construction*</u>		<u>Commercial</u>	<u>Residential</u>	<u>Non-Taxable</u>
	<u># of Buildings</u>	<u>Value</u>	<u># of Units</u>	<u>Value</u>			
1996	5	3,870,493	52	10,466,171	495,353,139	1,921,003,639	230,273,700
1997	2	773,770	64	14,307,139	503,784,911	2,137,697,121	247,644,270
1998	21	9,300,495	63	15,021,441	513,085,406	2,155,823,073	247,644,270
1999	20	15,816,327	59	13,665,755	528,901,733	2,169,488,828	247,644,270
2000	9	2,656,341	88	28,718,066	531,558,074	2,198,206,894	247,705,090
2001	3	2,314,258	69	22,535,767	533,872,332	2,220,742,661	247,705,090
2002	14	13,707,180	83	19,930,165	547,579,512	2,240,672,826	249,439,777
2003	8	6,501,153	65	17,362,916	554,080,665	2,258,035,742	249,439,777
2004	14	28,264,146	106	29,639,200	582,344,811	2,287,674,942	249,439,777
2005	9	11,962,595	109	32,355,981	594,307,406	2,320,030,923	249,439,778

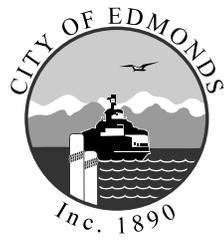
* Source: Building Permit Applications

MISCELLANEOUS STATISTICS

December 31, 2005

Date of Incorporation	1890
Form of Government	Council - Mayor
Area	9 Square Miles
Miles of Streets	134.46
Number of Street Lights	2580
Fire Protection :	
Number of Stations	3
Number of Firefighters	37
Number of Paramedics	11
Number of Administrative Staff	5
Police Protection :	
Number of Stations	1
Number of Commissioned Officers	50
Number of Commissioned Command Staff	3
Number of Support Staff	9
Number of Security Officers	6
Education:	
Elementary	
Number of Schools	8
Number of Classrooms	189
Number of Teachers	143
Number of Students	3,292
High School - Edmonds/Woodway	
Number of Classrooms	60
Number of Teachers	101
Number of Students	1,728
Municipal Water Department :	
Number of Consumers	9,786
Average Daily Consumption	3,813
Miles of Water Mains	138
Sewers :	
Miles Sanitary Sewers	186.31
Miles Storm Sewers	120
Building Permits Issued	1151
Recreation and Culture :	
Number of Parks (Includes 3 County Parks)	63 with 489.6 acres
Number of Libraries	1
Number of Volumes	112,434
Full-time Employees :	
Classified Service	220
Exempt	45

SINGLE AUDIT SECTION



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CITY OF EDMONDS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2005

1	2	3	4	5			6
Federal Agency Name / Pass- through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
US Department of Justice	COPS Grant	16.711			\$3,052	\$3,052	
US Department of Justice	Bulletproof Vest Partnership Program	16.607			1,993	1,993	
Washington State Traffic Safety Commission	Safety Incentive Grants for Use of Seatbelts (Click-it or Ticket)	20.604		\$5,708		5,708	
Washington State Traffic Safety Commission	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Program (DUI Traffic Safety)	20.601	DHGN	1,200		1,200	
Washington State Assoc. of Sheriffs and Police Chiefs	Safety Incentive Grants for Use of Seatbelts (Traffic Safety)	20.604		1,500		1,500	
Washington State of Transportation	Highway Planning and Construction (Multi Modal)	20.205	STPU0104 (019)	48,919		48,919	
Washington State of Transportation	Highway Planning and Construction (SR99/76th Avenue West Safety Improvements)	20.205	STPUL-2511(003)	1,182		1,182	
Washington State of Transportation	Highway Planning and Construction (220th St SW Improvements)	20.205	LA-5883 P001	500,000		500,000	
Washington State of Transportation	Highway Planning and Construction (Edmonds Interurban Trail)	20.205	8-1-139 (001)-1	61,116		61,116	
Federal Office of Domestic Preparedness	State Domestic Preparedness Equipment Support Program (Pharmaceuticals)	97.004	Edmonds #02-1176 D	2,029		2,029	5
Federal Office of Domestic Preparedness	State Domestic Preparedness Equipment Support Program (IRIS - Info System)	97.004		30,701		30,701	6
Office of Housing and Urban Development	Community Development Block Grants / State Program	14.228	CDBG 2003	3,862		3,862	
Total Federal Awards Expended				\$656,217	\$5,045	\$661,262	

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2005

1	2	3
Grantor/ Pass-Through Grantor Program Title	Other Identification Number	Current Year Expenditures
<u>WA State Department of Ecology</u> Local Toxics Control	G0400151	\$15,999
TOTAL DEPARTMENT OF ECOLOGY		15,999
<u>Department of Transportation</u> 96th Ave Pedestrian Improvement Project	School Zone 2 TIB9-P-	160,814
Transportation Impact Account	139(I01)-1	4,742
220th St SW Improvements	8-1-139(001)-1	960,400
RTID Cost-Risk Assessment	GCA 4234	2,800
TOTAL DEPARTMENT OF TRANSPORTATION		1,128,756
<u>WA State Admin Office Courts</u> AOC Grant/Equipment Replacement	PRA06001	4,631
TOTAL WA STATE ADMIN OFFICE COURTS GRANT		4,631
<u>WA State Arts Commission</u> WSAC Grant	PDAP 05	2,562
TOTAL ARTS COMMISSION		2,562
<u>WA State Traffic Safety Commission</u> School Zone Funds/Decatur Radar		3,800
Camera Equipment Grant		3,568
TOTAL WASHINGTON STATE TRAFFIC		7,368
<u>WA State Department of Health</u> EMS Fire Dept Grant	64901450	1,290
TOTAL DEPARTMENT OF HEALTH		1,290
<u>WA State Patrol</u> Wash. State FF1 Training Grant	C050583GSC	5,689
TOTAL WASHINGTON ST PATROL		5,689
TOTAL STATE AND LOCAL ASSISTANCE		\$1,166,295

CITY OF EDMONDS, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FINANCIAL ASSISTANCE
For the Year Ended December 31, 2005

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Edmonds's financial statements. The City uses the modified accrual accounting method which is followed in all government funds, expendable trust, and agency funds and the full accrual accounting method in its proprietary funds.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

NOTE 3 – REVOLVING LOAN – PROGRAM INCOME

The City does not have any revolving loans.

NOTE 4 – FEDERAL LOANS

The City does not have any federal loans.

NOTE 5 – NONCASH AWARDS - VACCINATIONS

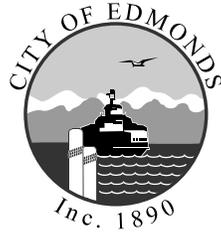
The amount of pharmaceuticals reported on the schedule is the value of pharmaceuticals distributed by the City during the current year and priced as prescribed by the Department of Homeland Security.

NOTE 6 – NONCASH AWARDS – EQUIPMENT

The City received equipment that was purchased with federal Homeland Security funds by the State of Washington. The amount reported on the schedule is the value of the property on the date it was received by the City and priced as prescribed by the State of Washington.

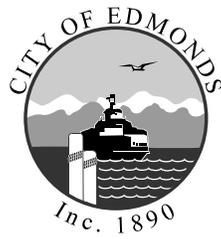
NOTE 7 – PRIOR PERIOD EXPENDITURES

The amount of funding reported on the schedule from the Department of Transportation for the RTID Cost-Risk Assessment is for costs that were expended in 2004. These expenditures were not on the 2004 schedule because the City applied for and received the grant funding in 2005.



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SUPPLEMENTAL SCHEDULES



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Schedule of Long-Term Debt
For the Year Ended December 31, 2005

ID. NUMBER	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/05	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/05
251.10	07/01/95	12/01/14	\$250,000	\$0			\$250,000	591.95	126	\$0
251.12	08/01/96	12/01/16	1,555,000	0			375,000	591.96	326	1,180,000
251.10	12/01/98	12/01/14	4,090,000	0			130,000	591.79	001/111/126	3,960,000
251.10	09/01/01	12/01/21	2,725,000	0			115,000	591.79 591.23	411 001	2,610,000
251.10	12/15/01	12/01/21	2,035,000	0			80,000	582.00 591.01	414 126	1,955,000
251.10	11/13/02	12/01/26	6,890,000	0			80,000	591.73	234	6,810,000
251.12	07/01/03	12/01/16	6,840,000	0			90,000	591.96	326	6,750,000
251.10	02/23/05	12/01/10	0	200,000	391.90	001	24,475	591.73	001	175,525
263.81	01/06/03	06/30/22	241,579	85,000	382.82	112	18,143	591.95	112	308,436
263.81	09/13/04	06/30/24	80,000	300,000	382.82	112	0			380,000
263.80	01/01/96	01/01/15	683,781	0			59,116	591.78	001	624,665
263.80	06/01/05	12/01/19	1,595,046	0			77,457	591.22 582.39	001 411	1,517,589
			<u>\$26,985,406</u>	<u>\$585,000</u>			<u>\$1,299,191</u>			<u>\$26,271,215</u>

ID. NUMBER	DATE OF ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/05	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/05
252.10	03/01/98	12/01/13	\$1,980,000	\$0			\$160,000	582.20	411	\$1,820,000
252.10	04/01/03	12/01/22	5,955,000	0			990,000	582.30	411	4,965,000
252.11	02/15/05	02/15/07	0	700,000	382.00	414	0		414	700,000
263.81	07/17/02	06/30/22	1,212,525	0			67,363	582.10	411/414	1,145,162
263.81	06/08/04	06/30/24	81,600	0			0		411	81,600
263.81	06/08/04	06/30/24	121,125	454,219	382.00	412	0		411	575,344
263.81	05/23/05	06/30/25	0	243,380	382.00	412	0		411	243,380
			<u>\$9,350,250</u>	<u>\$1,397,599</u>			<u>\$1,217,363</u>			<u>\$9,530,486</u>

ID. NUMBER	DATE OF ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/05	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/05
253.11	12/01/01	12/01/16	\$620,000	\$0			\$185,000	582.10	211	\$435,000
			<u>\$620,000</u>	<u>\$0</u>			<u>\$185,000</u>			<u>\$435,000</u>

**SCHEDULE OF LIMITATION OF INDEBTEDNESS
AS OF DECEMBER 31, 2005**

Total Taxable Property Value	\$ 5,430,059,642	
(1) 2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted	135,751,491	
(2) <i>Up to 1.5% debt without a vote (councilmanic)</i>		81,450,895
(3) Less: outstanding debt		(15,510,525)
(4) Less: contracts payable		(6,510,245)
(5) Less: excess of debt with a vote		0
(6) Add: available assets		322,815
(7) Equals: remaining debt capacity without a vote		59,752,940
(8) <i>1% general purposes debt with a vote</i>		54,300,596
(9) Less: outstanding debt		(7,930,000)
(10) Less: contracts payable		0
(11) Add: available assets		0
(12) Equals: remaining debt capacity with a vote		46,370,596
(13) 2.5% Utility purpose limit, voted	135,751,491	
(14) Less: outstanding debt		0
(15) Less: contracts payable		0
(16) Add: available assets		0
(17) Equals: remaining debt capacity - utility purposes, voted		135,751,491
(18) 2.5% Open space, park and capital facilities, voted	135,751,491	
(19) Less: outstanding debt		0
(20) Less: contracts payable		0
(21) Add: available assets		0
(22) Equals: remaining debt capacity - open space and capital facilities, voted		135,751,491

**LIMITATION ON PUBLIC WORKS PROJECTS PERFORMED BY PUBLIC EMPLOYEES
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. Total current public work construction budget as amended (annual or biennial as applicable)	<u>19,165,250</u>
2. Allowable portion of total public works (10 percent of line 1)	<u>1,916,525</u>
3. Less: Amount (if any) in excess of permitted amount from prior budget period	<u>0</u>
4. Total allowable public works (line 2 minus line 3)	<u>1,916,525</u>
5. Total public works projects performed by public employees during the current year (include work performed by a county)	<u>88,365</u>
6. If this is the second year of a biennial budget, total public works projects performed by public employees during the first year of biennium	<u>N/A</u>
7. Restricted under (over) allowable (line 4 minus line 5 minus line 6)	<u>1,828,160</u>

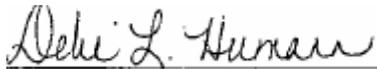
**LABOR RELATIONS CONSULTANTS
For the year ended December 31, 2005**

Has your government engaged labor relations consultants? Yes

If yes, please provide the following information for each consultant(s):

Name of Firm Summit Law Group
Name of Consultant Rodney Younker
Business Address 315 5th Avenue South, Suite 1000, Seattle, WA 98104-2682
Amount Paid to Consultant During Fiscal Year \$25,327.32
Terms and Conditions
Services Provided Professional services – collective bargaining agreement negotiation

Certified correct this 31st day of January, 2006 to the best of my knowledge and belief:



Debi L. Humann
Human Resources Manager

Special thanks to the CAFR team who produced this document and who have substantially up-graded and improved the City's annual reporting process:

Kathleen Junglov
Deb Sharp
Erin Anderson
Lori Cress

Thank You!
Dan Clements