

*The City of Edmonds, Washington*  
*Comprehensive Annual Financial Report*  
*(For the Year Ended December 31, 2006)*

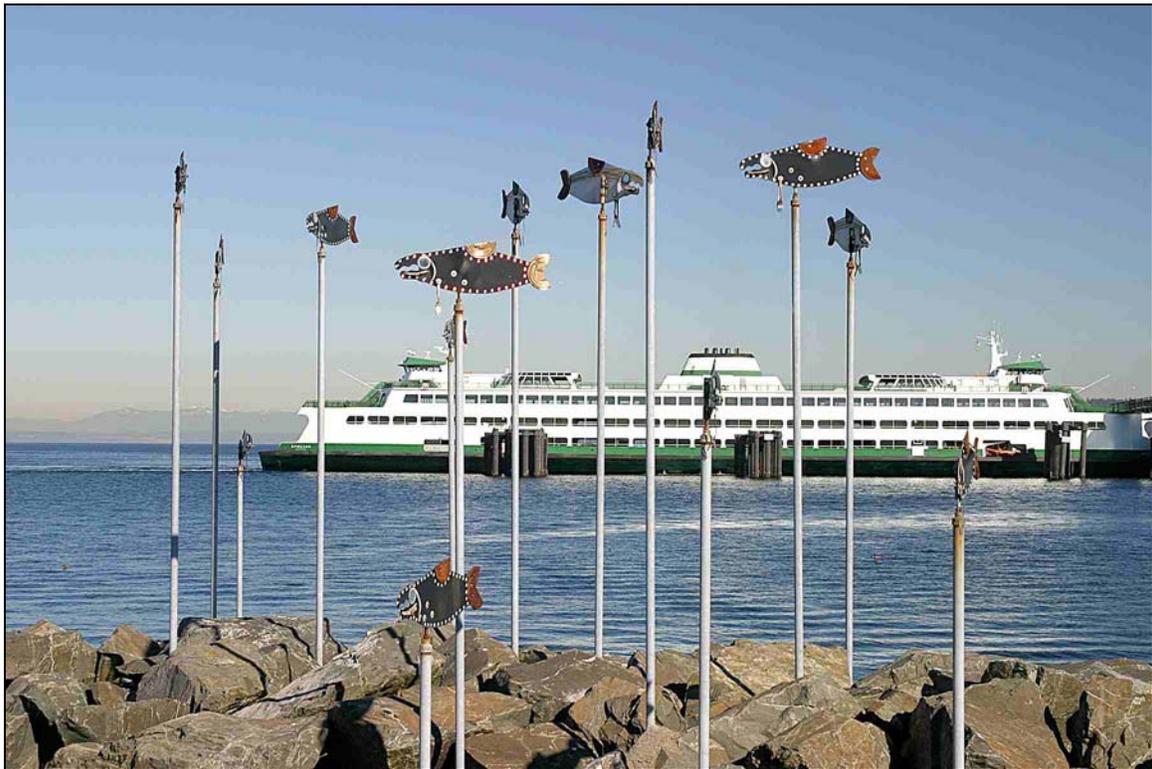


Photo courtesy of Bruce Coxley

*Gary Haakenson, Mayor*

CITY OF EDMONDS PUBLIC OFFICIALS

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

Administrative Services Director:	Dan Clements
Community Services Director:	Stephen Clifton
Development Services Director:	Duane Bowman
Economic Development Director:	Jennifer Gerend thru June 2006
Fire Chief:	Tom Tomberg
Human Services Manager:	Debi Humann
Parks & Recreation Director:	Brian McIntosh
Municipal Court Judge:	Douglas Fair
Police Chief:	David Stern
Public Works Director:	Noel Miller

The CAFR may be found online at [www.ci.edmonds.wa.us](http://www.ci.edmonds.wa.us) .

# CITY OF EDMONDS WASHINGTON

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended

December 31, 2006

Administrative Services Director  
Dan Clements

PREPARED BY

DEPARTMENT OF FINANCE

Administrative Services Director  
Dan Clements

Assistant Administrative Services Director  
Kathleen Junglov, CPA

Accountants  
Erin Monroe, CPA  
Debra Sharp, CPA

Accounting Technician  
Lori Cress

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

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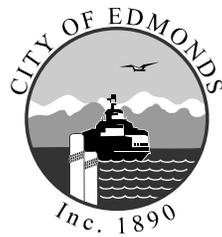
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## City of Edmonds

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

Gary Haakenson  
Mayor

Dan Clements  
Director

June 19, 2007

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

Reference: Transmittal of 2006 Financial Annual Report

Dear Mayor Haakenson:

This correspondence will formally transmit the City of Edmonds' 2006 Comprehensive Annual Financial Report. This submittal meets the requirements of Washington State Law RCW 43.09.230.

*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 Generally Accepted Accounting Principles (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 goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2006 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-second largest city in the State, currently occupies a land area of 9 square miles and serves a population of 40,360.

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 biennial budget serves as the foundation for the City's financial planning and control. The Revised Code of Washington (RCW) 35A.34 contains the provisions for a biennial budget. According to RCW 35A.34, all departments of the City are required to submit requests for appropriation to the Administrative Services Director on or before the fourth Monday in September in the even numbered years. 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 in the even numbered years. 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); however, it is adopted at the fund level. Department heads may make transfers of appropriations within their department. The Mayor may make transfers of appropriations between departments within any one fund. Increases to appropriations at the Fund level require the City Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated 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 39% of the total budget's revenues and 75% of the general fund's revenues stem from taxes, economic development efforts are focusing on ways to diversify the tax base and increase revenues. In early 2007, the State Legislature passed the Streamlined Sales Tax Bill.

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.

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 accounts and the State Treasurer's local government investment pool. The average maturity of the investments was 3.97 years. The average yield on investments was 3.64%. 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 121 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 biennially, 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 program, combination savings and insurance, entitled the Municipal Employees' Benefit Trust (MEBT). The City contributes to the program at social security tax rates for all full- and qualifying part-time employees 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.

*Awards and Acknowledgements*

The City of Edmonds participated in the Government Finance Officers Association peer review program in 2005. Through this program the City received a Certificate of Achievement for Excellence in Financial Reporting.

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 Monroe, 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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**CITY OF EDMONDS PUBLIC OFFICIALS**

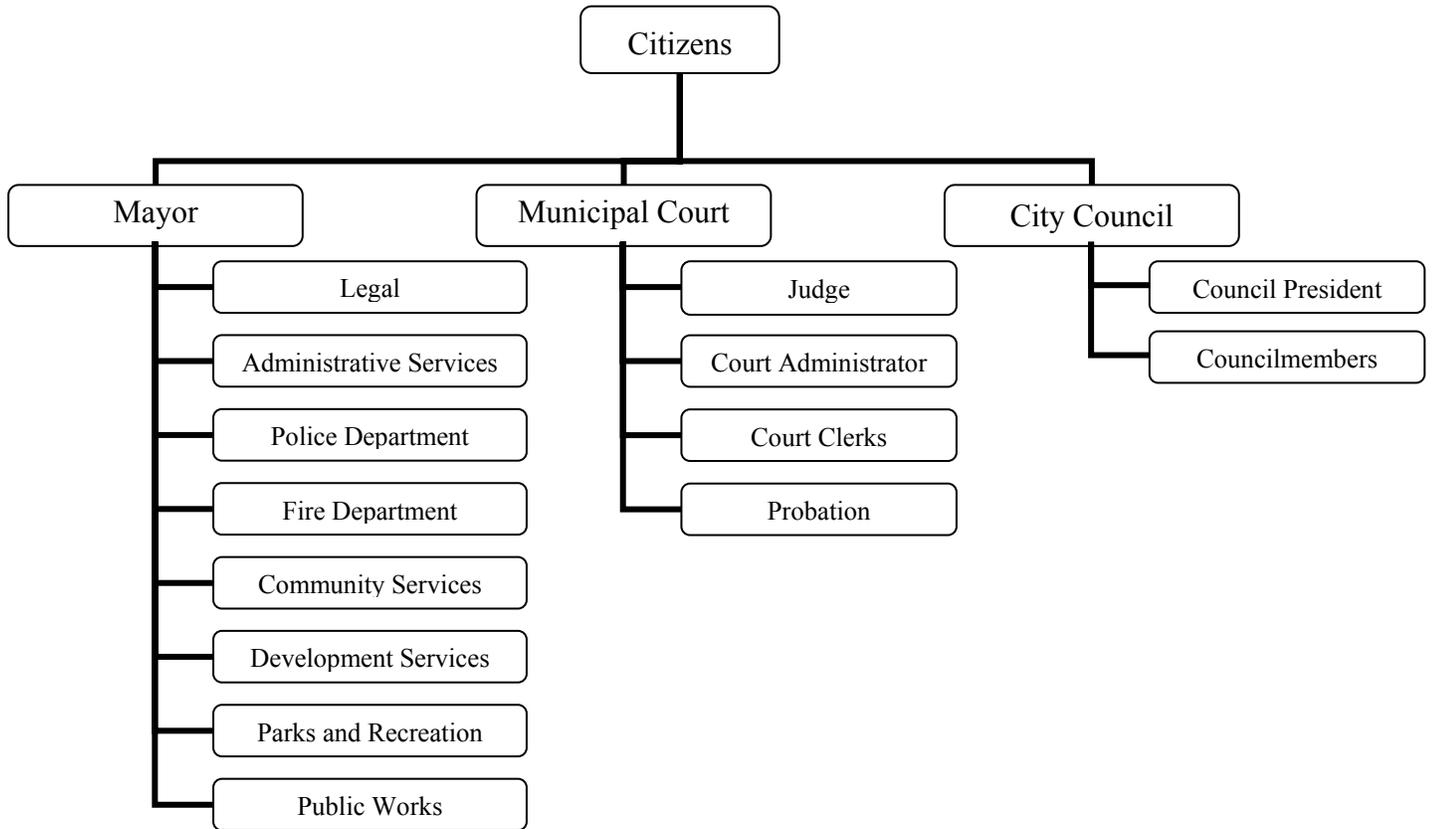
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Fire Chief: Tom Tomberg  
Human Services Manager: Debi Humann  
Parks & Recreation Director: Brian McIntosh  
Municipal Court Judge: Douglas Fair  
Police Chief: David Stern  
Public Works Director: Noel Miller

City of Edmonds  
Organization Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Edmonds Washington

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2005

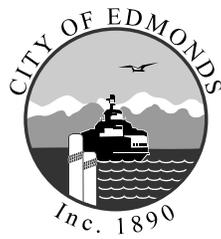
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## FINANCIAL SECTION



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**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 19, 2007

Council  
City of Edmonds  
Edmonds, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2006 which collectively comprise the City's basic financial statements 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 opinions.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Edmonds, Snohomish County, Washington, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Real Estate Excise Tax 2 Fund and Parks Construction 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 9 through 18 and pension trust fund information on page 63 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We



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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 and individual fund statements and schedules on pages 65 through 103 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 (City) presents this Management's Discussion and Analysis of its financial activities for the fiscal year ended December 31, 2006. 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 \$129 million. Of this amount, \$99.1 million of total net assets is invested in capital assets, such as land, buildings, infrastructure net of related debt; \$7.3 million is restricted for debt service and capital projects; and \$22.4 million (unrestricted net assets) may be used to meet the government's ongoing activities and obligations.
- The City's total net assets increased by \$30.5 million in 2006. Governmental activities provided \$3.7 million (12%), and business-type activities provided \$1.7 (6%). The remaining \$25.1 million (82%) resulted from the implementation of the GASB 34 pronouncement to retrospectively report infrastructure within the City's governmental activities.
- Governmental fund balances at year end were \$17.1 million: a \$1.7 million decrease over the prior year. Of this amount, \$17 million is unreserved and available to fund ongoing activities. The remaining \$62,000 is reserved for debt service.
- Unreserved fund balance in the General Fund was \$8.1 million, an increase of \$106,000 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 28% of total 2006 General Fund expenditures.
- Total City debt decreased by a net of \$1.4 million during the current fiscal year. Outstanding bonded debt, loans, and long term contracts at year-end totaled \$34 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, mental/physical health, and culture/recreation.

The City's business-type activities consist of water, sewer, storm water, wastewater treatment 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 EPFD, 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 and manage the operations 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. 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's 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, sewer, and storm water and wastewater treatment 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, 2006 totaled \$129 million. Following is a condensed version of the Government-Wide Statement of Net Assets.

**Figure 1: Condensed Statement of Net Assets**

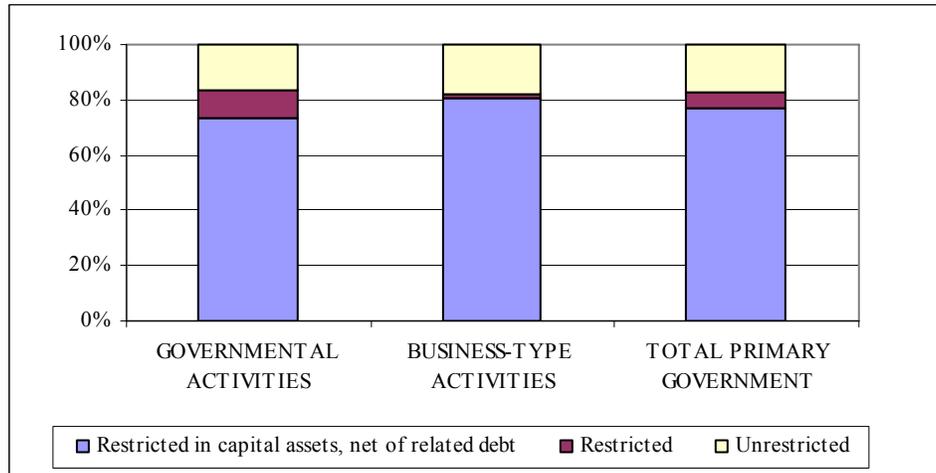
	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$32,983,122	\$31,908,479	\$13,591,251	\$11,294,738	\$46,574,373	\$43,203,217
Capital assets (net of accumulated depreciation)	38,678,693	69,681,203	55,219,335	57,024,696	93,898,028	126,705,899
<b>TOTAL ASSETS</b>	<b>71,661,815</b>	<b>101,589,682</b>	<b>68,810,586</b>	<b>68,319,434</b>	<b>140,472,401</b>	<b>169,909,116</b>
Current and other liabilities	3,072,246	6,156,988	2,138,007	1,426,193	5,210,253	7,583,181
Long-term liabilities	27,815,540	25,823,622	9,014,741	7,517,955	36,830,281	33,341,577
<b>TOTAL LIABILITIES</b>	<b>30,887,786</b>	<b>31,980,610</b>	<b>11,152,748</b>	<b>8,944,148</b>	<b>42,040,534</b>	<b>40,924,758</b>
<b>NET ASSETS</b>						
Restricted in capital assets, net of related debt	18,521,057	51,166,559	44,910,309	47,924,210	63,431,366	99,090,769
Restricted	6,749,421	6,717,794	699,701	686,847	7,449,122	7,404,641
Unrestricted	15,503,551	11,724,719	12,047,828	10,764,229	27,551,379	22,488,948
<b>TOTAL NET ASSETS</b>	<b>\$40,774,029</b>	<b>\$69,609,072</b>	<b>\$57,657,838</b>	<b>\$59,375,286</b>	<b>\$98,431,867</b>	<b>\$128,984,358</b>

The largest portion of the City's net assets (77%) reflects its investment of \$99.1 million in capital assets such as land, buildings, infrastructure 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 million (5%) 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 \$1.3 million (1%) and unrestricted net assets of \$22.4 million (17% of the total net assets). The business-type unrestricted assets of \$10.8 million may only be spent on utility activities. Other functions of the City may access the governmental unrestricted assets of \$11.7 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 \$30.5 million. The increase was split between the governmental activities (\$3.7 million) and the business-type activities (\$1.7 million), an indication that the City’s overall financial position has improved.

The remaining \$25.1 million increase in the City’s governmental activities was a result of retrospectively reporting transportation infrastructure acquired prior to 2003.

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.

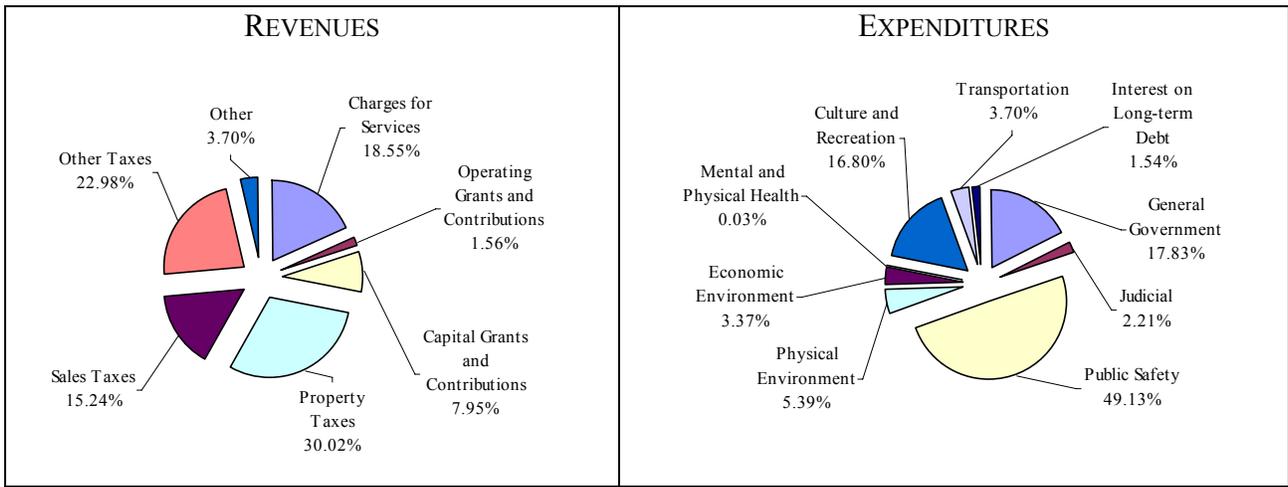
**Figure 3: Changes in Net Assets Resulting from Changes in Revenues and Expenses**

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	2005	2006	2005	2006	2005	2006
<b>Revenues</b>						
<b>Program Revenue:</b>						
Charges for Services	\$7,186,859	\$7,105,101	\$12,553,652	\$12,644,769	\$19,740,511	\$19,749,870
Operating Grants and Contributions	107,445	597,047	37,898	44,350	145,343	641,397
Capital Grants and Contributions	2,145,854	3,046,262	775,691	512,527	2,921,545	3,558,789
<b>General Revenues:</b>						
Property Taxes	11,058,167	11,497,708	0	0	11,058,167	11,497,708
Sales Taxes	5,423,994	5,835,031	0	0	5,423,994	5,835,031
Other Taxes	8,330,955	8,799,428	0	0	8,330,955	8,799,428
Other	1,119,816	1,418,046	341,252	541,403	1,461,068	1,959,449
Total Revenue	35,373,090	38,298,623	13,708,493	13,743,049	49,081,583	52,041,672
<b>Program Expenses</b>						
Governmental Activities						
General Government	6,105,305	6,178,971	0	0	6,105,305	6,178,971
Judicial	538,956	767,221	0	0	538,956	767,221
Public Safety	15,268,262	17,021,180	0	0	15,268,262	17,021,180
Physical Environment	1,664,723	1,866,080	0	0	1,664,723	1,866,080
Economic Environment	1,027,373	1,169,306	0	0	1,027,373	1,169,306
Mental and Physical Health	9,082	8,562	0	0	9,082	8,562
Culture and Recreation	3,648,189	5,822,424	0	0	3,648,189	5,822,424
Transportation	1,038,406	1,283,183	0	0	1,038,406	1,283,183
Interest on Long-term Debt	666,094	531,869	0	0	666,094	531,869
Business-Type Activities						
Combined Utility	0	0	11,114,516	11,528,591	11,114,516	11,528,591
Total Expenses	29,966,390	34,648,796	11,114,516	11,528,591	41,080,906	46,177,387
Excess (Deficiency) Before Transfers	5,406,700	3,649,827	2,593,977	2,214,458	8,000,677	5,864,285
<b>Transfers</b>						
Increase in Net Assets	157,755	157,671	(157,755)	(157,671)	0	0
	5,564,455	3,807,498	2,436,222	2,056,787	8,000,677	5,864,285
Net Assets - Beginning of Year	34,641,267	40,774,029	54,897,217	57,657,838	89,538,484	98,431,867
Prior Year Adjustment	568,307	25,027,545	324,399	(339,339)	892,706	24,688,206
Net Assets - End of Year	\$40,774,029	\$69,609,072	\$57,657,838	\$59,375,286	\$98,431,867	\$128,984,358

Overall revenues increased from 2005 levels by \$2.9 million. This was primarily due to a \$1.2 million capital grant received by the City to purchase land and favorable collections in sales, utility, and real estate excise tax revenues. 2006 Expenditures increased \$5.1 million (12%) over 2005, but did not exceed revenues which allowed for an overall increase in Net Assets. The increases were primarily due to increases in salaries and benefits, intergovernmental services (jail fees), and debt and capital expenditures.

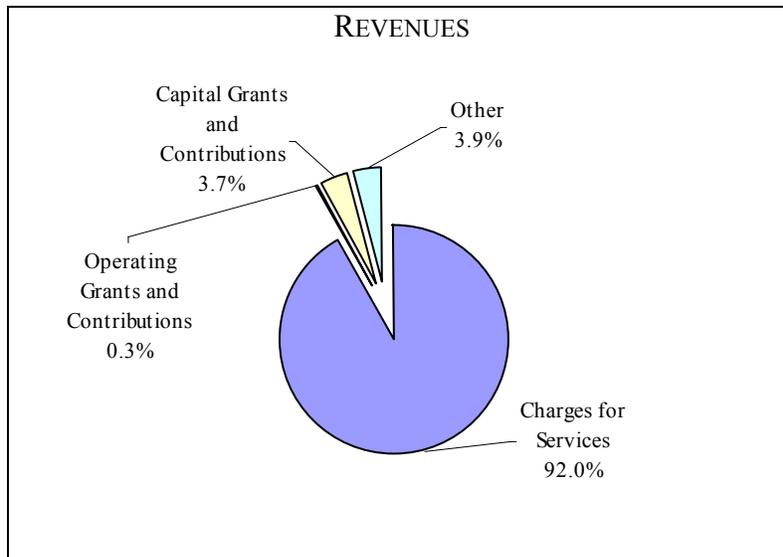
Per the Statement of Activities, the total cost of all governmental activities in 2006 was \$34.6 million. Of this amount, \$10.7 million was paid for by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The net expense (total expenses less program revenues) or \$23.9 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 \$1.7 million accounting for 6% of the total growth in the government’s net assets. Overall Utility revenues only slightly increased by approximately \$35,000 (0%). Operating costs including personnel services, supplies, professional services and insurance only slightly increased by about \$414,000 (4%) over 2005.

**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 \$17.1 million. Approximately \$17 million (99.6%) 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 debt service and is not available for new spending.

Revenues for the governmental funds in 2006 were \$38.3 million. Expenditures were \$40.8 million. Other financing sources/uses contributed an additional \$660,000. Overall, the fund balance decreased by \$1.7 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 2006, the fund balance of the General Fund was \$8.1 million, a 1% increase over 2005. As a measure of the fund's liquidity, the ending fund balance is 28% of the fund's 2006 expenditures. The slight increase was primarily due to favorable collections of sales and utility tax revenue, offset by increased expenditures for labor, public safety and debt service.

The REET 2 Fund is for improvement, renovation, planning and development of parks and streets. Revenue sources include the second one-fourth percent excise tax on real estate sales (REET). At the end of 2006, the fund balance was \$5.6 million, a 31% increase over 2005. The increase was primarily due to revenues increasing by 8%, whereas overall expenditures slightly decreased from the prior year.

The Parks Construction Fund is a new fund established in late 2006 for park improvements, maintenance and renovation projects. Significant activity in this fund included the \$1.2 million receipt of grant funds with an offset expenditure to purchase the Woodway School property. This resulted in an ending fund balance of zero.

**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 enterprise 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 \$65.1 million. Approximately \$14.5 million (22%) 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 2006 were \$14.1 million. Expenses were \$12.9 million. Other financing sources/uses contributed an additional \$758,000. Overall, the fund balances increased by \$2.3 million for the year.

**BUDGETARY HIGHLIGHTS**

The budget is developed to study and review the City's financial direction. It outlines how financial resources will be managed during the upcoming 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 2006 the budget was amended three times. A number of budget amendments involved increasing construction projects and repairs and maintenance costs in addition to receiving grant revenues. Significant amendments included receiving grant funds for the Francis Anderson Center seismic improvements, HVAC and 220<sup>th</sup> Street construction projects, and the purchase of the Woodway Elementary property.

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 \$1.2 million. 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 \$962,000 below budget, which consisted of salary and benefit savings of \$421,000 due to vacant positions, and \$400,000 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, 2006 amounted to \$126.7 million (net of accumulated depreciation).

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Land	\$14,199,411	\$1,126,723	\$15,326,134
Buildings	16,245,861	25,666,596	41,912,457
Improvements other than buildings	2,876,179	24,365,642	27,241,821
Infrastructure	26,031,021	0	26,031,021
Machinery and Equipment	2,703,159	397,433	3,100,592
Intangible Assets	0	595,833	595,833
Construction in Progress	7,625,572	4,872,469	12,498,041
	\$69,681,203	\$57,024,696	\$126,705,899

Major capital assets changes during 2006 included the following:

- Reporting of retrospective infrastructure totaling \$25.1 million.
- Purchase of the \$3.2 million former Edmonds/Woodway school property for future development into a park.
- Construction costs totaling \$3.7 million for the 220<sup>th</sup> Street Improvement project.
- Construction costs totaling \$840,000 for construction of the cemetery's columbarium.
- Completion of the \$1.2 million Outfall project.
- Completion of the \$1 million Water Replacement 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 \$29.4 million and other long term debt of \$4.8 million. The total debt excluding compensated absences and deferred amounts is distributed as follows:

**Figure 7: Long Term Debt**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
General Obligation Debt	\$22,118,142	\$717,551	\$22,835,693
Special Assessment Debt			
with Government Commitment	290,000	0	290,000
Revenue Bonds	0	6,315,000	6,315,000
Capital Contracts	2,000,070	0	2,000,070
Capital Leases	41,189	0	41,189
Public Work Trust Fund Loans	775,243	2,006,948	2,782,191
<b>Total Long-term Debt</b>	<b>\$25,224,644</b>	<b>\$9,039,499</b>	<b>\$34,264,143</b>

The City maintains high ratings from Moody’s for its General Obligation Bonds (Aa3 for voter approved and A1 for councilmanic).

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 \$6.7 billion (See Schedule 10). Remaining debt capacity is as follows:

**Figure 8: Debt Capacity Available**

<b><u>Item</u></b>	<b>Capacity</b>
General	\$137,652,302
Parks Facilities/Open Space	166,628,654
Utilities	166,628,654

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**

In mid 2006, the City developed a biennial budget instead of an annual budget effective for 2007-2008. The City’s 2007-08 biennial 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 General and Utility expenditures are expected to increase by \$2.5 million in 2007, while the significant capital project funds will be decreasing by \$2.4 million as an offset to other increases.

The budget complied with Initiative 747, which limits property tax revenue growth to 1% plus the value of new construction. Additionally, the 2007-2008 budget included the 1.64% banked capacity (\$138,000) remaining from years in which the City collected property taxes below what could have been levied. There is a 3% water rate increase in addition to a ¼% utility tax rate

and a 6% storm drain tax rates increases. There were no other new taxes or fees.

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.

**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.

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	Primary Government			Component Unit
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	EDMONDS PUBLIC FACILITIES DISTRICT
<b>ASSETS</b>				
Cash and cash equivalents	\$14,444,409	\$5,624,502	\$20,068,911	\$1,049,465
Deposits with trustees	17,973	0	17,973	0
Investments	5,466,016	2,717,835	8,183,851	0
Taxes receivable	329,362	0	329,362	0
Accounts receivable	899,395	1,459,817	2,359,212	185,292
Special assessments	18,013	0	18,013	0
Interest on investments	28,140	19,083	47,223	0
Due from component unit	85,000	0	85,000	0
Due from other governments	3,190,809	544,707	3,735,516	123,888
Other current assets	57,821	119,118	176,939	56,819
Deferred charges	44,491	126,627	171,118	11,913
Restricted:				
Cash and cash equivalents	0	683,049	683,049	0
Special assessments	512,382	0	512,382	0
Noncurrent portion of receivables	0	0	0	13,690
Due from component unit - long-term	5,735,000	0	5,735,000	0
Investment in joint venture	1,079,668	0	1,079,668	0
Land	14,199,411	1,126,723	15,326,134	3,444,885
Capital assets (net) (See Note 7)	47,856,220	51,025,504	98,881,724	13,859,301
Construction in progress	7,625,572	4,872,469	12,498,041	0
<b>TOTAL ASSETS</b>	<b>\$101,589,682</b>	<b>\$68,319,434</b>	<b>\$169,909,116</b>	<b>\$18,745,253</b>
<b>LIABILITIES</b>				
Accrued wages	\$614,151	\$91,966	\$706,117	\$18,939
Accounts payable and other current liabilities	885,989	701,835	1,587,824	154,057
Internal balances	1,218,960	(1,218,960)	0	0
Due to other governmental units	0	187,546	187,546	0
Accrued bond interest payable	83,185	25,993	109,178	51,871
Deferred revenues	0	17,670	17,670	57,388
Customer deposits payable	6,089	3,798	9,887	0
Non-current liabilities (See Note 9):				
Net pension obligation	182,052	0	182,052	0
Due within one year	3,125,372	1,616,345	4,741,717	85,000
Due in more than one year	25,574,812	7,517,955	33,092,767	10,184,353
Special assessment debt with governmental commitment	290,000	0	290,000	0
<b>TOTAL LIABILITIES</b>	<b>\$31,980,610</b>	<b>\$8,944,148</b>	<b>\$40,924,758</b>	<b>\$10,551,608</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$51,166,559	\$47,924,210	\$99,090,769	\$7,034,835
Restricted for:				
Capital projects	6,017,341	0	6,017,341	0
Debt service	592,324	683,049	1,275,373	0
Future pledges	0	0	0	158,893
Tourism	108,129	0	108,129	0
Customer deposits	0	3,798	3,798	40,088
Unrestricted	11,724,719	10,764,229	22,488,948	959,829
<b>TOTAL NET ASSETS</b>	<b>\$69,609,072</b>	<b>\$59,375,286</b>	<b>\$128,984,358</b>	<b>\$8,193,645</b>

*The accompanying notes are an integral part of this statement.*

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**  
Page 1 of 2

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government services	\$6,178,971	\$2,324,217	\$0	\$154,811
Judicial	767,221	491,122	0	0
Public safety	17,021,180	1,237,307	254,905	0
Physical environment	1,866,080	276,525	286,436	0
Economic environment	1,169,306	1,448,345	4,281	0
Mental and physical health	8,562	180,806	0	0
Culture and recreation	5,822,424	867,634	51,425	1,200,000
Transportation	1,283,183	279,145	0	1,691,451
Interest on long-term debt	531,869	0	0	0
<b>Total governmental activities</b>	<b>34,648,796</b>	<b>7,105,101</b>	<b>597,047</b>	<b>3,046,262</b>
Business-type activities:				
Combined utility operation	11,528,591	12,644,769	44,350	512,527
<b>Total business-type activities</b>	<b>11,528,591</b>	<b>12,644,769</b>	<b>44,350</b>	<b>512,527</b>
<b>Total primary government</b>	<b>\$46,177,387</b>	<b>\$19,749,870</b>	<b>\$641,397</b>	<b>\$3,558,789</b>
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
<b>General Revenues:</b>				
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				
<b>Transfers</b>				
<b>Total general revenues, special items, and transfers</b>				
Change in net assets				
Net assets - beginning				
Prior period adjustment				
<b>Net assets - ending</b>				

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**  
Page 2 of 2

<b>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Edmonds Public Facilities District</b>
(\$3,699,943)	\$0	(\$3,699,943)	\$0
(276,099)	0	(276,099)	0
(15,528,968)	0	(15,528,968)	0
(1,303,119)	0	(1,303,119)	0
283,320	0	283,320	0
172,244	0	172,244	0
(3,703,365)	0	(3,703,365)	0
687,413	0	687,413	0
(531,869)	0	(531,869)	0
<b>(23,900,386)</b>	<b>0</b>	<b>(23,900,386)</b>	<b>0</b>
0	1,673,055	1,673,055	0
<b>0</b>	<b>1,673,055</b>	<b>1,673,055</b>	<b>0</b>
<b>(\$23,900,386)</b>	<b>\$1,673,055</b>	<b>(\$22,227,331)</b>	<b>\$0</b>
			(370,662)
			1,834,144
			<b>\$1,463,482</b>
11,497,708	0	11,497,708	0
5,835,031	0	5,835,031	375,041
4,228,565	0	4,228,565	0
929,561	0	929,561	0
3,255,316	0	3,255,316	0
75,077	0	75,077	0
310,909	0	310,909	0
333,899	0	333,899	0
841,684	516,611	1,358,295	43,242
46,567	24,792	71,359	0
195,896	0	195,896	0
157,671	(157,671)	0	0
<b>27,707,884</b>	<b>383,732</b>	<b>28,091,616</b>	<b>418,283</b>
3,807,498	2,056,787	5,864,285	1,881,765
40,774,029	57,657,838	98,431,867	6,311,880
25,027,545	(339,339)	24,688,206	0
<b>\$69,609,072</b>	<b>\$59,375,286</b>	<b>\$128,984,358</b>	<b>\$8,193,645</b>

*The accompanying notes are an integral part of this statement.*

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	GENERAL FUND	REET 2 FUND	PARKS CONST. FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS AND OTHER DEBITS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$4,581,256	\$4,197,809	\$0	\$3,172,340	\$11,951,405
Change and imprest funds	6,150	0	0	0	6,150
Deposits with trustee	17,973	0	0	0	17,973
Investments	2,686,875	1,280,000	0	247,890	4,214,765
Receivables, net					
Taxes	329,362	0	0	0	329,362
Customer accounts	401,354	0	0	200	401,554
Assessments	0	0	0	18,012	18,012
Interest	14,250	5,813	0	0	20,063
Interfund loans receivable	0	0	0	214,375	214,375
Due from other governmental units	7,400,427	103,851	1,200,000	306,531	9,010,809
Inventory	448	0	0	0	448
Total Current Assets	<u>15,438,095</u>	<u>5,587,473</u>	<u>1,200,000</u>	<u>3,959,348</u>	<u>26,184,916</u>
<b>RESTRICTED ASSETS</b>					
Special assessments - deferred	0	0		512,382	512,382
Total Restricted Assets	<u>0</u>	<u>0</u>		<u>512,382</u>	<u>512,382</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b><u>\$15,438,095</u></b>	<b><u>\$5,587,473</u></b>	<b><u>\$1,200,000</u></b>	<b><u>\$4,471,730</u></b>	<b><u>\$26,697,298</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>CURRENT LIABILITIES</b>					
Wages payable	\$578,952	\$0	\$0	\$21,269	\$600,221
Accounts payable	544,251	34,891	0	263,112	842,254
Due to other funds	0	0	0	18,960	18,960
Interfund loans payable	0	0	1,200,000	214,375	1,414,375
Custodial accounts	30,632	0	0	2,853	33,485
Deferred revenues	459,857	0	0	0	459,857
Total Current Liabilities	<u>1,613,692</u>	<u>34,891</u>	<u>1,200,000</u>	<u>520,569</u>	<u>3,369,152</u>
<b>NONCURRENT LIABILITIES</b>					
Deferred revenues	5,735,000	0	0	530,394	6,265,394
Total Noncurrent Liabilities	<u>5,735,000</u>	<u>0</u>	<u>0</u>	<u>530,394</u>	<u>6,265,394</u>
<b>TOTAL LIABILITIES</b>	<u>7,348,692</u>	<u>34,891</u>	<u>1,200,000</u>	<u>1,050,963</u>	<u>9,634,546</u>
<b>FUND BALANCES</b>					
Reserved for:					
Loans receivable	0	0	0	214,375	214,375
Debt service	0	0	0	62,001	62,001
Unreserved, reported in:					
General fund	8,089,403	0	0	0	8,089,403
Special revenue funds	0	5,552,582	0	3,144,391	8,696,973
<b>TOTAL FUND BALANCES</b>	<u>8,089,403</u>	<u>5,552,582</u>	<u>0</u>	<u>3,420,767</u>	<u>17,062,752</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$15,438,095</u></b>	<b><u>\$5,587,473</u></b>	<b><u>\$1,200,000</u></b>	<b><u>\$4,471,730</u></b>	<b><u>\$26,697,298</u></b>

*The accompanying notes are an integral part of this statement.*

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

Total governmental fund balances		\$17,062,752
<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>		
		68,637,695
<p>These assets consist of:</p>		
Land	14,199,411	
Construction in progress	7,625,572	
Investment in joint venture	1,079,668	
Buildings	24,784,293	
Improvements other than buildings	7,792,826	
Infrastructure	45,252,909	
Machinery and equipment - general government	1,958,744	
Less: Accumulated depreciation	(34,022,746)	
Less: Disposed asset adjustments	(32,982)	
<p>Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.</p>		
		541,108
Court receivable	496,617	
Deferred charges	44,491	
<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>		
		(22,418,151)
<p>These long-term liabilities consist of:</p>		
General obligation bonds	(22,118,142)	
Special assessment debt with government commitment	(290,000)	
Compensated absences	(3,694,709)	
Capital contracts	(2,000,070)	
Public works trust fund loan	(775,243)	
Accrued interest	(83,186)	
Net pension obligation	(182,052)	
Deferred revenue	6,725,251	
<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>		
		5,785,668
Net assets of governmental activities		\$69,609,072

*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, 2006**

	GENERAL FUND	REET 2 FUND	PARKS CONST. FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$21,819,437	\$1,434,148	\$0	\$1,509,226	\$24,762,811
Licenses and permits	1,573,584	0	0	21,875	1,595,459
Intergovernmental revenues	2,161,155	0	1,200,000	2,969,357	6,330,512
Charges for services	2,942,023	0	0	325,284	3,267,307
Fines and forfeits	505,402	0	0	0	505,402
Other revenues	718,910	248,210	0	900,659	1,867,779
<b>Total revenues</b>	<b>29,720,511</b>	<b>1,682,358</b>	<b>1,200,000</b>	<b>5,726,401</b>	<b>38,329,270</b>
<b>EXPENDITURES</b>					
Current:					
General government services	6,417,713	0	0	315,514	6,733,227
Security of persons and property	15,556,402	0	0	136,781	15,693,183
Physical environment	1,704,832	0	0	119,895	1,824,727
Transportation	0	0	0	1,231,251	1,231,251
Economic environment	1,136,769	0	0	19,702	1,156,471
Mental and physical health	8,562	0	0	0	8,562
Culture and recreation	2,731,142	177,940	0	67,733	2,976,815
Capital outlay	8,391	61,591	1,200,000	7,262,973	8,532,955
Debt service:					
Principal	828,183	0	0	690,482	1,518,665
Interest	471,472	0	0	587,905	1,059,377
<b>Total Expenditures</b>	<b>28,863,466</b>	<b>239,531</b>	<b>1,200,000</b>	<b>10,432,236</b>	<b>40,735,233</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	857,045	1,442,827	0	(4,705,835)	(2,405,963)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of general long-term debt	0	0	0	751,058	751,058
Disposition of capital assets	57,142	0	0	96,840	153,982
Transfers in	116,500	0	0	876,226	992,726
Transfers out	(927,202)	(77,313)	0	(233,624)	(1,238,139)
<b>Total other financing sources (uses)</b>	<b>(753,560)</b>	<b>(77,313)</b>	<b>0</b>	<b>1,490,500</b>	<b>659,627</b>
Net change in fund balances	103,485	1,365,514	0	(3,215,335)	(1,746,336)
Fund balances - beginning	7,982,693	4,248,184	0	6,559,277	18,790,154
Prior Period Corrections	3,225	(61,116)	0	76,825	18,934
<b>FUND BALANCES - ENDING</b>	<b>\$8,089,403</b>	<b>\$5,552,582</b>	<b>\$0</b>	<b>\$3,420,767</b>	<b>\$17,062,752</b>

*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, 2006**

Net change in fund balances - total governmental funds		(\$1,727,402)
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.		
	30,293,077	
This is comprised of:		
Capital outlays	8,585,722	
Current year depreciation	(3,440,123)	
Prior period corrections for infrastructure, other improvements, and depreciation	25,147,478	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(226,541)
This is comprised of:		
Deferred tax	6,546	
Other deferred revenue	(241,424)	
Record of court receivable	8,337	
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.		
		739,628
This is comprised of:		
Amortization for deferred charges	(4,592)	
Proceeds from Public works trust fund loan	(124,950)	
Proceeds from GO bond	(627,733)	
Long-term debt repayments	1,496,903	
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.		
		(810,770)
This is comprised of:		
Accrued interest expense	1,030	
Net pension obligation	(182,052)	
Accrued compensating absence expense	(629,748)	
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.		
		567,051
Change in net assets of governmental activities		\$28,835,043

*The accompanying notes are an integral part of this statement.*

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL  
GENERAL FUND  
DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Taxes	\$21,270,188	\$21,270,188	\$21,819,437	\$549,249
Licenses and Permits	1,363,790	1,363,790	1,573,584	209,794
Intergovernmental Revenues	2,011,236	2,210,186	2,161,155	(49,031)
Charges for Services	2,809,630	2,826,497	2,942,023	115,526
Fines and Forfeits	410,000	410,000	505,402	95,402
Other Revenues	452,570	475,770	718,910	243,140
<b>Total Revenues</b>	<b>28,317,414</b>	<b>28,556,431</b>	<b>29,720,511</b>	<b>1,164,080</b>
<b>EXPENDITURES</b>				
Current:				
General Government Services	6,507,006	6,814,906	6,417,713	397,193
Security of Persons and Property	15,883,640	16,447,011	15,556,402	890,609
Physical Environment	1,057,448	1,064,048	1,704,832	(640,784)
Economic Environment	1,173,403	1,367,988	1,136,769	231,219
Mental and Physical Health	9,200	9,200	8,562	638
Culture and Recreation	2,776,068	2,783,768	2,731,142	52,626
Capital Outlay	20,700	28,941	8,391	20,550
Debt Service:				
Principal Retirement	799,249	825,249	828,183	(2,934)
Interest	484,143	484,143	471,472	12,671
<b>Total Expenditures</b>	<b>28,710,857</b>	<b>29,825,254</b>	<b>28,863,466</b>	<b>961,788</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(393,443)	(1,268,823)	857,045	2,125,868
<b>OTHER FINANCING SOURCES (USES)</b>				
Disposition of Capital Assets	0	100,000	57,142	(42,858)
Transfers In	119,000	119,000	116,500	(2,500)
Transfers Out	(853,200)	(927,202)	(927,202)	0
<b>Total other financing sources (uses)</b>	<b>(734,200)</b>	<b>(708,202)</b>	<b>(753,560)</b>	<b>(45,358)</b>
Net change in fund balances	(1,127,643)	(1,977,025)	103,485	2,080,510
Fund Balances - beginning	5,201,422	5,201,422	7,982,693	2,781,271
Prior Period Adjustment	0	0	3,225	3,225
<b>FUND BALANCES - ENDING</b>	<b>\$4,073,779</b>	<b>\$3,224,397</b>	<b>\$8,089,403</b>	<b>\$4,865,006</b>

*The accompanying notes are an integral part of this statement.*

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL  
REAL ESTATE EXCISE TAX 2 FUND  
DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Taxes	\$1,000,000	\$1,000,000	\$1,434,148	\$434,148
Other revenues	85,000	85,000	248,210	163,210
<b>Total Revenues</b>	<b>1,085,000</b>	<b>1,085,000</b>	<b>1,682,358</b>	<b>597,358</b>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	0	0	177,940	(177,940)
Capital outlay	4,141,000	4,266,000	61,591	4,204,409
<b>Total Expenditures</b>	<b>4,141,000</b>	<b>4,266,000</b>	<b>239,531</b>	<b>4,026,469</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,056,000)	(3,181,000)	1,442,827	4,623,827
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,000)	(76,000)	(77,313)	(1,313)
<b>Total other financing sources (uses)</b>	<b>(1,000)</b>	<b>(76,000)</b>	<b>(77,313)</b>	<b>(1,313)</b>
<b>Net changes in fund balances</b>	<b>(3,057,000)</b>	<b>(3,257,000)</b>	<b>1,365,514</b>	<b>4,622,514</b>
Fund balances - beginning	3,410,965	3,410,965	4,248,184	837,219
Prior Period Adjustment	0	0	(61,116)	(61,116)
<b>FUND BALANCES - ENDING</b>	<b>\$353,965</b>	<b>\$153,965</b>	<b>\$5,552,582</b>	<b>\$5,398,617</b>

*The accompanying notes are an integral part of this statement.*

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL  
PARKS CONSTRUCTION FUND  
DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Intergovernmental revenues	\$0	\$1,200,000	\$1,200,000	\$0
<b>Total Revenues</b>	<b>0</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>0</b>
<b>EXPENDITURES</b>				
Capital outlay	0	1,200,000	1,200,000	0
<b>Total Expenditures</b>	<b>0</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>0</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	0	0
<b>Net changes in fund balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fund balances - beginning	0	0	0	0
<b>FUND BALANCES - ENDING</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*The accompanying notes are an integral part of this statement.*

**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS  
DECEMBER 31, 2006**

	BUSINESS TYPE ACTIVITIES - COMBINED UTILITY FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$5,624,502	\$2,486,854
Investments	2,717,835	1,251,250
Receivables, net		
Customer accounts	1,459,817	1,224
Interest	19,083	8,077
Due from other funds	18,960	0
Interfund loans	1,200,000	0
Due from other governments	544,707	0
Inventory	119,118	57,376
Total Current Assets	<u>11,704,022</u>	<u>3,804,781</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	683,049	0
Intangible assets	595,833	0
Unamortized debt issue costs	126,627	0
Construction in progress	4,872,469	0
Capital assets, net of depreciation (Note 7)	51,556,394	2,123,179
Total Noncurrent Assets	<u>57,834,372</u>	<u>2,123,179</u>
<b>TOTAL ASSETS</b>	<b><u>\$69,538,394</u></b>	<b><u>\$5,927,960</u></b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$701,835	\$16,340
Wages and benefits payable	91,966	13,932
Compensated absences	267,782	855
Interest payable	25,993	0
Due to other governments	187,546	0
Custodial accounts	3,798	0
Deferred revenues	17,670	0
Current portion of long-term debt (net of unamortized premiums/discounts)	1,348,563	41,189
Total Current Liabilities	<u>2,645,153</u>	<u>72,316</u>
<b>NONCURRENT LIABILITIES</b>		
General obligation bonds payable	655,037	0
Revenue bonds payable (net of unamortized premiums/discounts)	4,937,432	0
Loans payable	1,888,630	0
Compensated absences	36,856	69,976
Total Noncurrent Liabilities	<u>7,517,955</u>	<u>69,976</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$10,163,108</u></b>	<b><u>\$142,292</u></b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	47,924,210	2,081,990
Restricted for debt service	683,049	0
Restricted for customer deposits	3,798	0
Unrestricted	10,764,229	3,703,678
<b>TOTAL NET ASSETS</b>	<b><u>\$59,375,286</u></b>	<b><u>\$5,785,668</u></b>

*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, 2006**

	BUSINESS TYPE ACTIVITIES -	GOVERNMENTAL ACTIVITIES -
	COMBINED UTILITY FUNDS	INTERNAL SERVICE FUNDS
<b>OPERATING REVENUES:</b>		
Charges for services	\$10,694,290	\$1,447,885
Rental revenues	32,239	0
Other operating revenues	1,918,240	3,466
<b>Total Operating Revenues</b>	<b>12,644,769</b>	<b>1,451,351</b>
<b>OPERATING EXPENSES:</b>		
Personnel services	3,275,766	348,474
Supplies	5,359,287	503,637
Professional services	280,144	1,574
Insurance	290,375	28,219
Depreciation and amortization	1,960,266	522,830
<b>Total Operating Expenses</b>	<b>11,165,838</b>	<b>1,404,734</b>
Operating Income (Loss)	1,478,931	46,617
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Intergovernmental revenues	44,350	0
Interest and investment revenue	516,611	174,392
Judgements and settlements	24,792	0
Gain (loss) on sale/retirement of assets	0	41,913
Interest expense	(362,753)	0
<b>Total Non-Operating Revenues (Expenses)</b>	<b>223,000</b>	<b>216,305</b>
Income (Loss) Before Contributions and Transfers	1,701,931	262,922
Capital contributions	512,527	0
Transfers in	0	403,083
Transfers out	(157,671)	0
<b>NET INCOME (LOSS)</b>	<b>2,056,787</b>	<b>666,005</b>
NET EQUITY - BEGINNING	57,657,838	5,218,617
Prior period corrections	(339,339)	(98,954)
<b>NET EQUITY - ENDING</b>	<b>\$59,375,286</b>	<b>\$5,785,668</b>

*The accompanying notes are an integral part of this statement.*

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

Page 1 of 2

	<b>BUSINESS-TYPE ACTIVITIES -  COMBINED UTILITY FUNDS</b>	<b>GOVERNMENTAL ACTIVITIES -  INTERNAL SERVICE FUNDS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$12,171,076	\$1,450,128
Payments to suppliers	(5,658,209)	(537,314)
Payments to employees	(3,271,526)	(330,002)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,241,341</b>	<b>582,812</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Receipts from non-capital grants	44,350	0
Transfers to other funds	(157,671)	0
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(113,321)</b>	<b>0</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from capital debt	67,363	0
Principal paid on capital debt	(1,336,890)	0
Interest paid on capital debt	(329,669)	0
Proceeds from sale of capital assets	0	71,006
Capital contributions	483,269	0
Acquisition and construction of capital assets	(3,839,061)	(1,084,602)
Payments on lease	0	(78,771)
Insurance Proceeds	24,792	0
Transfers from other funds	0	403,083
<b>NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES</b>	<b>(4,930,196)</b>	<b>(689,284)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	3,350,000	1,250,000
Purchase of investments	(2,960,000)	(760,000)
Investment income	501,181	161,868
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>891,181</b>	<b>651,868</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(910,995)	545,396
Cash and Cash Equivalents, January 1	7,218,546	1,941,458
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$6,307,551</b>	<b>\$2,486,854</b>
Current Cash and Cash Equivalents	\$5,624,502	\$2,486,854
Restricted Cash and Cash Equivalents	683,049	0
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$6,307,551</b>	<b>\$2,486,854</b>

*The accompanying notes are an integral part of this statement.*

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

Page 2 of 2

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET**

**CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$1,478,931	\$46,618
Adjustments to Reconcile Operating Income to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	1,960,266	522,831
Change in Assets and Liabilities:		
(Increase) decrease in inventories	18,218	3,475
(Increase) decrease in receivables	(473,693)	(1,224)
Increase (decrease) in accounts and other payables	285,833	(7,360)
Increase (decrease) in due to other governments	(32,454)	0
Increase (decrease) in compensated absences	4,240	18,472
TOTAL ADJUSTMENTS	1,762,410	536,194
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$3,241,341</b>	<b>\$582,812</b>

**SCHEDULE OF NON-CASH CAPITAL AND RELATED**

**FINANCING ACTIVITIES:**

Non-Cash Financing, Capital and Investing Activities:		
Prior period corrections	(339,339)	(98,954)
Increase (decrease) in fair value of investments	11,284	10,313
TOTAL NON-CASH ACTIVITIES	(328,055)	(88,641)

*The accompanying notes are an integral part of this statement.*

**STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2006**

	<b>FIREMEN'S PENSION FUND</b>
<b>ASSETS AND OTHER DEBITS</b>	
Cash and cash equivalents	\$56,279
Investments	
U.S. Government Agency	247,891
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>304,170</b>
 <b>LIABILITIES</b>	
Benefits payable	2,355
Accounts payable	870
<b>TOTAL LIABILITIES</b>	<b>3,225</b>
 <b>NET ASSETS</b>	
Held in trust for pension benefits and other purposes	<b>\$300,945</b>

*The accompanying notes are an integral part of this statement.*

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>FIREMEN'S PENSION FUND</b>
<b>ADDITIONS:</b>	
Employer Contribution	
Fire insurance premiums	\$38,540
Investment income	
Interest	14,851
<b>TOTAL ADDITIONS</b>	<b>53,391</b>
<b>DEDUCTIONS:</b>	
Benefits	95,715
<b>TOTAL DEDUCTIONS</b>	<b>95,715</b>
<b>CHANGE IN NET ASSETS</b>	<b>(42,324)</b>
<b>NET ASSETS RESERVED FOR EMPLOYEES' PENSION BENEFITS</b>	
Employees' pension benefits, January 1	343,269
<b>NET ASSETS - ENDING</b>	<b>\$300,945</b>

*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 Tax 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 Joe McIalwain, 401 Fourth Ave. N. Edmonds, WA 98020.

**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 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. The City has allocated certain indirect costs that are included in the program expense reported for individual functions and activities. 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.

The **Real Estate Excise Tax 2 (REET 2) Fund** collects the second quarter percent real estate excise tax. These funds are restricted for the use of improvement, renovation, planning and development of parks and streets.

The **Parks Construction Fund** is used to accumulate resources from various sources including taxes, grants and contributions to be expended for park improvement, maintenance and renovation projects.

#### Proprietary Fund:

The **Combined Utility Operation Fund** accounts for the provision of water, sewer, storm water 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 benefits to 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 2006 the City implemented GASB Statement No. 44 "*Economic Condition Reporting: the Statistical Section*" which provided guidance on the tables and narrative explanations in the statistical section. Implementation of this statement had no affect on the City's financial position or results of operations.

The City also implemented the retrospective reporting of infrastructure as required by GASB Statement No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" The implementation of this statement resulted in a \$25,147,478 increase to the Governmental Activities Net Assets.

## **BUDGETS AND BUDGETARY ACCOUNTING**

### **Scope of Budget**

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

The City adopts the budget for governmental funds on the modified accrual basis and all unexpended appropriations lapse at year-end. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but financial statements include budget-to-actual comparisons for governmental funds only. Proprietary and Trust Fund budgets are "management budgets" and are not legally required to be reported.

### **Procedures for Adopting the Original Budget**

The budget process steps are: 1) prior to November 1<sup>st</sup> in even numbered years, the Mayor submits a proposed biennial 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 biennial budget no later than December 31; 4) the final biennial budget as adopted is published and distributed by the end of the year. A mid-biennial review is required no sooner than eight months after the start nor later than the conclusion of the first year of the fiscal biennium. Limited copies of the budget book can be obtained from City of Edmonds, c/o Dan Clements, Administrative Services Director, 121 5<sup>th</sup> Ave. N. Edmonds, WA 98020, or by visiting our web site at [www.ci.edmonds.wa.us](http://www.ci.edmonds.wa.us).

## **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 use two separate methods. The Utility fund inventories are expensed as consumed. The Internal Service fund inventories are expensed when purchased with the inventories adjusted at year-end.

### **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. Beginning with the 2004 assessment for taxes payable in 2005, all property is 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 2006, the City levied the following property taxes on an assessed value of \$5,430,059,642. 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	1.560	\$8,530,240
Emergency Medical Services	0.428	2,318,000
Debt Service on Voter-approved General Obligation Bonds	0.150	764,248
<b>TOTAL CITY LEVY</b>	<b>2.138</b>	<b>\$11,612,488</b>

*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, 2006 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; however, the City has implemented the retrospective reporting requirement as of December 31, 2006.

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 assets are 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 capital 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. Depreciation is reported as part of the related program expense column on government-wide statement of activities and as a fund expense in the proprietary funds, while not reported in the fund statements of governmental funds. Capital assets are reported net of accumulated depreciation on the government-wide statement of net assets and in the proprietary funds statement of net assets, while not reported in the governmental fund balance sheets. Refer to note 7 for additional information regarding capital assets.

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. At December 31, 2006 Fund 126 – Park Acquisition Fund exceeded its budget by \$5,385 for accrued interest on an interfund loan established to cover a capital acquisition pending the receipt of a grant from Snohomish County.

All funds amended expenditure budgets totaled \$74,629,962, which includes \$8,094,519 of supplemental appropriations. Funds with supplemental appropriations during 2006 and the amounts are shown below:

FUND NO.	FUND DESCRIPTION	2006 Budget as Originally Adopted	Supplemental Appropriations	2006 Final Amended Budget
001	General Fund	29,564,059	1,188,397	30,752,456
104	Drug Enforcement Fund	150,985	3,358	154,343
111	Street Fund	1,284,966	66,000	1,350,966
112	Combined Street Const/Improve	2,917,919	1,215,500	4,133,419
116	Building Maintenance	399,500	1,927,010	2,326,510
120	Hotel/Motel Tax Revenue Fund	63,000	5,700	68,700
125	Park Acq/Improvement	4,142,000	200,000	4,342,000
126	Special Capital Fund	1,970,781	740,167	2,710,948
129	Special Projects Fund	0	327,000	327,000
130	Cemetery Maintenance/Improv	632,514	310,371	942,885
131	Fire Donations	0	10,083	10,083
132	Parks Construction Fund	0	1,200,000	1,200,000
411	Combined Utility Operation	12,430,483	78,000	12,508,483
414	Capital Improvements Reserve	1,536,625	300,000	1,836,625
511	Equipment Rental Fund	1,865,273	218,083	2,083,356
610	Cemetery Maintenance Trust Fund	0	300,000	300,000
617	Firemen's Pension Fund	95,448	3,100	98,548
621	Special Library	1,100	1,750	2,850
	<b>Totals</b>	<b>57,054,653</b>	<b>8,094,519</b>	<b>65,149,172</b>

**NOTE 3 — DEPOSITS AND INVESTMENTS**

As of December 31, 2006, the City held the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
U.S. Agencies	\$3,431,741	1.17
Local Government Investment Pool	1,206,255	-
Total Fair Value	<u>\$4,637,996</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.* City policy complies with state law which requires all investments of the City's funds be 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, 2006 are:

<b>Debt Security</b>	<b>S&amp;P Rating</b>
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.

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:

<b>Security Type</b>	<b>Portfolio Maximum with One Financial Institution</b>	<b>Portfolio Maximum</b>
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 52.98% and 21.01%, 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:

<b>Notes</b>	
Investments	\$3,431,741
Deposits	24,601,983
Local Government Investment Pool	1,206,255
	<u>\$29,239,980</u>

**Financial Statements**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Govt.</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Cash and Cash Equivalents	\$14,444,409	\$5,624,502	\$20,068,911	\$56,279	\$20,125,190
Restricted Cash and Cash Equivalents	0	683,049	683,049	0	683,049
Investments	5,466,016	2,717,835	8,183,851	247,891	8,431,741
	<u>\$19,910,425</u>	<u>\$9,025,386</u>	<u>\$28,935,810</u>	<u>\$304,169</u>	<u>\$29,239,980</u>

**NOTE 4 – RECEIVABLES AND PAYABLES**

Receivables at December 31, 2006, are as follows:

	Taxes	Customer Accounts	Due From Other Governments	Interest	Total
<b>Governmental Activities</b>					
General Fund	\$329,362	\$401,354	\$7,400,426	\$14,250	\$8,145,392
Other Governmental Funds	0	200	1,610,383	5,813	1,616,396
Internal Service	0	1,224	0	8,077	9,301
<b>Total Governmental Activities</b>	<u>\$329,362</u>	<u>\$402,778</u>	<u>\$9,010,809</u>	<u>\$28,140</u>	<u>\$9,771,089</u>
<b>Business-type Activities</b>					
Combined Utility Fund	\$0	\$1,459,817	\$544,707	\$19,083	\$2,023,607
<b>Total Business-type Activities</b>	<u>\$0</u>	<u>\$1,459,817</u>	<u>\$544,707</u>	<u>\$19,083</u>	<u>\$2,023,607</u>
<b>Component Unit</b>					
Edmonds Public Facilities District	\$0	\$40,088	\$123,888	\$158,894	\$322,870
<b>Total Component Unit</b>	<u>\$0</u>	<u>\$40,088</u>	<u>\$123,888</u>	<u>\$158,894</u>	<u>\$322,870</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 \$496,617.

Payables at December 31, 2006, are as follows:

	Accounts Payable and Other Current Liabilities	Due to Other Governments	Customer Accounts	Total
<b>Governmental Activities</b>				
General Fund	\$571,647	\$0	\$3,236	\$574,883
Other Governmental Funds	298,003	0	2,853	300,856
Internal Service	16,340	0	0	16,340
<b>Total Governmental Activities</b>	<b>\$885,990</b>	<b>\$0</b>	<b>\$6,089</b>	<b>\$892,079</b>
<b>Business-type Activities</b>				
Combined Utility Fund	\$701,835	\$187,546	\$3,798	\$893,179
<b>Total Business-type Activities</b>	<b>\$701,835</b>	<b>\$187,546</b>	<b>\$3,798</b>	<b>\$893,179</b>
<b>Component Unit</b>				
Edmonds Public Facilities District	\$224,867	\$0	\$0	\$224,867
<b>Total Component Unit</b>	<b>\$224,867</b>	<b>\$0</b>	<b>\$0</b>	<b>\$224,867</b>

#### NOTE 5 — JOINT VENTURES

The City entered into a 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 12/31/2006 was \$1,079,668. 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 BALANCES AND TRANSFERS

The Interfund balances that remain at year-end are due to loans between funds. A loan in the amount of \$1,200,000 plus interest in the amount of \$18,960 was established from the Enterprise fund to the Parks Construction fund pending the receipt of grant funds. The loan balance will be repaid in early 2007. There is also a loan between other governmental funds which is not included in the schedule below. The second loan in the amount of \$214,375 was established from the Cemetery Maintenance Trust to the Cemetery Maintenance and Improvement fund (both nonmajor governmental funds) to expedite the construction of a columbarium. The source of repayment is from niche and plot sales. A 15 year amortization schedule was agreed to at the time the loan was established, however it is anticipated that the loan will be repaid early.

	Due To	Due From
Other Governmental Funds	\$0	\$1,218,960
Enterprise Fund	1,218,960	0
<b>Total</b>	<b>\$1,218,960</b>	<b>\$1,218,960</b>

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	\$116,500	\$0	\$116,500	\$0
Other Governmental	876,227	559,202	171,854	145,171
Internal Service	403,083	368,000	22,583	12,500
<b>Total</b>	<b>\$1,395,810</b>	<b>\$927,202</b>	<b>\$310,937</b>	<b>\$157,671</b>

There were no significant transfers in 2006.

#### NOTE 7 — CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

##### Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$10,975,244	\$3,224,167	\$0	\$14,199,411
Construction in Progress	2,728,081	5,668,806	(771,315)	7,625,572
Total capital assets, not being depreciated:	13,703,325	8,892,973	(771,315)	21,824,983
Capital assets, being depreciated:				
Building	24,808,368	0	(24,075)	24,784,293
Improvements other than buildings	7,946,965	0	(154,139)	7,792,826
Infrastructure	44,748,051	504,858	0	45,252,909
Machinery and Equipment	7,579,525	1,334,870	(277,697)	8,636,698
Total capital assets being depreciated:	85,082,909	1,839,728	(455,911)	86,466,726
Less accumulated depreciation for:				
Buildings	(7,696,876)	(853,660)	12,104	(8,538,432)
Improvements other than buildings	(4,760,377)	(307,024)	150,754	(4,916,647)
Infrastructure	(17,047,168)	(2,174,720)	0	(19,221,888)
Machinery and Equipment	(5,554,595)	(602,811)	223,867	(5,933,539)
Total accumulated depreciation:	(35,059,016)	(3,938,215)	386,725	(38,610,506)
Total capital assets, being depreciated, net:	50,023,893	(2,098,487)	(69,186)	47,856,220
Governmental activities capital assets, net:	\$63,727,218	\$6,794,486	(\$840,501)	\$69,681,203

**Business-type Activities**

	Ending Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$1,126,723	\$0	\$0	\$1,126,723
Construction in Progress	5,127,368	3,806,260	(4,061,159)	4,872,469
Total capital assets, not being depreciated:	6,254,091	3,806,260	(4,061,159)	5,999,192
Capital assets, being depreciated:				
Building	36,724,796	0	0	36,724,796
Improvements other than buildings	33,745,695	4,024,063	(10,566)	37,759,192
Machinery and Equipment	823,823	9,932	0	833,755
Intangible Assets	1,250,000	0	0	1,250,000
Total capital assets being depreciated:	72,544,314	4,033,995	(10,566)	76,567,743
Less accumulated depreciation for:				
Buildings	(10,347,418)	(710,782)	0	(11,058,200)
Improvements other than buildings	(12,255,053)	(1,149,063)	10,566	(13,393,550)
Machinery and Equipment	(385,901)	(50,421)	0	(436,322)
Intangible Assets	(604,167)	(50,000)	0	(654,167)
Total accumulated depreciation:	(23,592,539)	(1,960,266)	10,566	(25,542,239)
Total capital assets, being depreciated, net:	48,951,775	2,073,729	0	51,025,504
Business activities capital assets, net:	\$55,205,866	\$5,879,989	(\$4,061,159)	\$57,024,696

**Depreciation Expense by Function**

**GOVERNMENTAL ACTIVITIES**

General government	\$337,003
Public safety	470,025
Culture and recreation	2,467,201
Transportation	157,310
Physical Environment	8,584
Internal service	498,092
Total depreciation expense - Governmental Activities	<u>\$3,938,215</u>

**BUSINESS-TYPE ACTIVITIES**

Stormwater	\$147,220
Water	441,041
Sewer	279,414
Wastewater Treatment	1,092,591
Total depreciation expense - Business Type Activities	<u>\$1,960,266</u>

An increase in infrastructure and accumulated depreciation infrastructure presented in the Governmental Activities does not agree with the 2005 note due to the retrospective reporting of infrastructure assets in accordance with GASB Statement No. 34.

The beginning balance in accumulated depreciation machinery and equipment presented in the Governmental Activities does not agree with the 2005 note due to a prior period adjustment to accumulated depreciation.

The beginning balance in accumulated depreciation improvements other than building presented in the Business- type Activities does not agree with the 2005 note due to a prior period adjustment to accumulated depreciation.

### Discretely Presented Component Unit

	<b>Balance 01/01/06</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/06</b>
Capital assets, not being depreciated				
Land	\$3,444,885	\$0	\$0	\$3,444,885
Construction in progress	4,230,893	0	(4,230,893)	0
Total capital assets, not being depreciated	<u>\$7,675,778</u>	<u>(\$0)</u>	<u>(\$4,230,893)</u>	<u>\$3,444,885</u>
Capital Assets, being depreciated				
Building	135,808	0	0	135,808
Renovation	0	13,626,758	0	13,626,758
Machinery & Equipment	0	263,842	0	263,842
Total capital assets, being depreciated	<u>\$135,808</u>	<u>\$13,890,601</u>	<u>\$0</u>	<u>\$14,026,408</u>
Less accumulated depreciation for:				
Building	(16,297)	(5,432)	0	(21,729)
Renovation	0	(136,268)	0	(136,268)
Machinery & Equipment	0	(9,108)	0	(9,108)
Total accumulated depreciation	<u>(\$16,297)</u>	<u>(\$150,808)</u>	<u>\$0</u>	<u>(\$167,105)</u>
Total capital assets, being depreciated, net	<u>\$119,511</u>	<u>\$13,739,793</u>	<u>\$0</u>	<u>\$13,859,303</u>
Total capital assets, net	<u><u>\$7,795,289</u></u>	<u><u>\$13,739,792</u></u>	<u><u>(\$4,230,893)</u></u>	<u><u>\$17,304,188</u></u>

### 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, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, Accounting for Pensions by State and Local Government Employers.

#### Public Employees' Retirement System (PERS) Plans 1, 2 and 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 defined benefit plan with a defined contribution component. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by

September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

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

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

Plan 3 has a dual benefit structure. Employer contributions finance a defined 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. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; 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 1,181 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

Retirees and Beneficiaries Receiving Benefits	68,609
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	22,567
Active Plan Members Vested	104,574
Active Plan Members Nonvested	51,004
<b>Total</b>	<b>246,754</b>

#### 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. Under PERS Plan 3, employer contributions finance the defined benefit

portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee’s age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2006, were as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer*	3.69%**	3.69%	3.69%****
Employee	6.00%***	3.50%	*****

- \* The employer rates include the employer administrative expense fee currently set at 0.18%.
- \*\* The employer rate for state elected officials is 5.44%.
- \*\*\* The employee rate for state elected officials is 7.50%.
- \*\*\*\* 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 the city and the employees made the required contributions. The city’s required contributions for the years ended December 31 were as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2006	\$29,379	\$237,267	\$24,809
2005	18,660	146,134	14,264
2004	16,080	98,789	10,688

**Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Plans 1 and 2**

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. 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. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003 being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2. 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. 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 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:

<b>Term of Service</b>	<b>Percent of Final Average Salary</b>
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 and to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 376 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

Retirees and Beneficiaries Receiving Benefits	8,723
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	577
Active Plan Members Vested	12,348
Active Plan Members Nonvested	3,543
<b>Total</b>	<b>25,191</b>

**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 LEOFF Plan 2 Retirement Board in accordance with Chapter 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature has the ability, by means of a special funding arrangement, to appropriate money from the state General Fund to supplement the current service liability and fund the prior service costs of Plans 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 required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2006, were as follows:

	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
Employer*	0.18%	4.90%**
Employee	0.00%	7.85%
State	n/a	3.13%

\*The employer rates include the employer administrative expense fee currently set at 0.18%.

\*\* The employer rate for ports and universities is 8.03%.

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

	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
2006	\$0	\$412,289
2005	0	319,841
2004	0	259,477

**FIREMEN’S PENSION**

**Plan Description**

The Law Enforcement Officers’ and Firefighters’ (LEOFF) pension system was established by the State of Washington on March 1, 1970. The City retained the responsibility for all benefits payable to members (or to their survivors) who retired prior to that date. In addition, the City retained the responsibility for a portion of the benefits payable to members who were active on that date.

As a result, the City of Edmonds is the administrator of the Firemen's Pension Plan which is shown as a trust fund in the City's financial reports. Separate financial statements are not issued.

This system is a closed, single-employer, defined benefit pension system. All City firefighters who served before March 1, 1970 are participants of this pension fund. Benefits are established in accordance with Revised Code of Washington (RCW) 41.18 and 41.20. At December 31, 2006, there were seven retirees and beneficiaries receiving pension benefits, and six retirees receiving medical benefits from this fund.

Firefighters hired between March 1, 1970 and September 30, 1977 are members of the LEOFF 1 pension system and are also eligible for a supplemental retirement benefit plus health benefits under the City plan. Generally, benefits under the LEOFF 1 retirement benefit system are greater than or equal to the retirement benefits under the City plan. However, should the benefits under the old law exceed those under LEOFF 1, the City becomes liable for the excess benefits. As such, the laws require the payment of excess benefits only and do not require a specific contribution rate by the City. At December 31, 2006 there were 6 retirees receiving medical benefits. These benefits were paid from the LEOFF 1 Retiree Medical Reserve Fund.

#### **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.

#### **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.

#### **Concentration of Investments**

At December 31, 2006 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 81% of the Plan Net Assets.

The City's annual pension cost and net pension obligation changes for the current year and two preceding years were as follows:

	<u>12/31/2004</u>	<u>12/31/2005</u>	<u>12/31/2006</u>
1. Annual Normal Cost (BOY)	\$0	\$0	\$0
2. Amortization of UAAL (BOY)	13,140	22,548	22,548
3. Interest to EOY [(1)+(2)]x(i)	920	1,353	1,353
4. Annual Required Contribution (ARC) at EOY [1)+(2)+(3)]	\$14,060	\$23,901	\$23,901
5. Interest on NPO	\$2,869	\$5,377	\$8,332
6. Adjustment to ARC	3,240	6,614	10,439
7. Annual pension cost (APC) [(4)+(5)-(6)]	\$13,689	\$22,664	\$21,794
8. Employer Contributions**	(34,936)	(26,587)	(21,390)
9. Change in NPO [(7)-(8)]	48,625	49,251	43,184
10. NPO at BOY [(11) prior year]	\$40,992	\$89,617	\$138,868
11. NPO at EOY [(9)+(10)]	\$89,617	\$138,868	\$182,052

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

The net pension obligation has been recorded as a noncurrent liability on the City's government-wide statement of net assets.

### THREE YEAR TREND INFORMATION

Fiscal Year Ending 12/31	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
2004	13,689	(255)	89,617
2005	22,664	(117)	138,868
2006	21,794	(98)	182,052

### Actuarial Information

On January 1 2007, 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:

- 5.0 percent investment return, compounded annually
- 4.0 percent annual salary increase
- 3.0 percent growth in fire insurance premium
- 3.0 percent increase in consumer price index
- 10.0 percent increase in medical inflation rate, trending down to 5 percent in 2017
- 4.5 percent increase in long term care inflation rate

Prior actuarial studies used 6.0 percent investment return and a 4.0 percent growth in the fire insurance premium. There were no material changes to the benefit provisions, actuarial funding method, or other significant factors that affect required contributions.

### **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 (FICA) tax rate. The City's contribution for fiscal year 2006 was \$1,033,057, which represent its full liability.

For the year ending December 31, 2006, the City's covered payroll was \$18,376,682. The City's total current year payroll for all employees is \$19,259,519. No significant benefit changes occurred in 2006.

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 provided 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 "Fireman's Pension," 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. In addition to the 12 firefighters referenced in the Fireman's Pension" there currently 25 retired police officers who meet the eligibility requirements; the City pays their medical insurance premiums and medical expenses including long-term care. Post-employment health care costs of, \$358,813 were reported as an expenditure in the General Fund, and \$44,246 of long-term care costs were reported in the LEOFF 1 Medical Reserve Fund 009. Post-employment health care benefits are being funded on a pay as you go basis. At December 31, 2006 there was \$354,823 of Cash and cash equivalents available to pay benefits.

#### NOTE 9 — LONG-TERM DEBT

##### Changes in Long-term Debt

During 2006 the City authorized the issuance of a general obligation bond anticipation note (line of credit) in the amount of \$627,733 for the purchase and installation of a new HVAC system. The note bears interest at a rate equal to 66% of Frontier Bank's base rate, less 25 basis points. At December 31, 2006 the rate was 5.28%. The note matures March, 24, 2008.

Increases in Public Works Trust Fund loans are due to a new loan in the amount of \$624,750. The draw down on the loan as of December 31, 2006 was \$124,950. There was a draw down on an existing business-type loan in the amount of \$67,363. For more information refer to the section on Public Works Trust Fund Loans.

The following tables summarize City long-term debt transactions for the year ended December 31, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable:					
General obligation bonds	\$22,661,985	\$627,733	(\$1,171,576)	\$22,118,142	\$1,188,698
Special assessment debt					
with government commitment	435,000	0	(145,000)	290,000	0
Total bonds payable:	23,096,985	627,733	(1,316,576)	22,408,142	1,188,698
Compensated absences	3,119,809	2,300,805	(1,655,074)	3,765,540	1,704,726
Capital contracts	2,142,254	0	(142,184)	2,000,070	146,368
Capital Lease	119,960	0	(78,771)	41,189	41,189
Public Works Trust Loan	688,436	124,950	(38,144)	775,242	44,391
Governmental activity long-term liabilities	<u>\$29,167,444</u>	<u>\$3,053,488</u>	<u>(\$3,230,749)</u>	<u>\$28,990,183</u>	<u>\$3,125,372</u>

Internal service funds predominately serve the governmental funds. Accordingly, the December 31, 2006 long-term liabilities for the fund are included as part of the above totals for governmental activities. At year end, the balances for the Internal Service Fund were for compensated absences in the amount of \$70,831 and capital leases in the amount of \$41,189.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Bonds Payable:					
General obligation bonds	\$778,540	\$0	(\$60,989)	\$717,551	\$62,514
Revenue bonds	7,485,000	0	(1,170,001)	6,314,999	1,190,000
Less deferred amounts:					
For issuance premiums	39,811	0	(2,308)	37,503	2,308
For issuance discount	(13,867)	0	1,733	(12,134)	(1,733)
On refunding	(258,052)	0	22,845	(235,207)	(22,845)
Total bonds payable:	8,031,432	0	(1,208,720)	6,822,712	1,230,244
Compensated absences	262,332	302,289	(259,983)	304,638	267,782
Public Works Trust Loan	2,045,486	67,363	(105,901)	2,006,948	118,318
Business-type activity long-term liabilities	<u>\$10,339,250</u>	<u>\$369,652</u>	<u>(\$1,574,604)</u>	<u>\$9,134,297</u>	<u>\$1,616,345</u>

**General Obligation Bonds**

The City issues general obligation bonds to provide funding for the acquisition and construction of major capital facilities. 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, 2006 the City’s balance of General obligation bonds outstanding was \$22,118,142. Of this amount, \$717,551 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 12/31/06
<b>General Government</b>						
1996 UTGO Bonds - Public Safety Buildings	9,275,000	08/01/96	12/01/16	5.50/5.60	310,000 - 450,000	780,000
1998 LTGO Ref. Bonds - Capital Improvements	4,163,712	12/01/98	12/01/14	4.00/4.40	274,000 - 473,994	3,308,491
2001 LTGO Bonds - Capital Improvements	2,545,000	09/01/01	12/01/21	3.00/4.90	87,759 - 188,055	2,081,142
2001 LTGO Bonds - Park Acquisition	2,260,000	12/15/01	12/01/21	2.65/5.45	70,000 - 175,000	1,870,000
2002 LTGO Bonds - Performing Arts Center	7,015,000	11/13/02	12/01/26	3.00/4.90	50,000 - 460,000	6,710,000
2003 UTGO Ref. Bonds - Public Safety Buildings	7,000,000	07/01/03	12/01/16	2.00/3.50	70,000 - 960,000	6,655,000
2005 LTGO Bonds - Phone System	120,000	02/23/05	12/01/10	3.53	14,685 - 22,883	85,776
2006 LTGO Bonds - HVAC Upgrade	627,733	03/24/06	03/24/08	Variable	N/A	627,733
<b>Business-type Activities</b>						
1998 LTGO Ref. Bonds - Capital Improvements	316,288	09/01/01	12/01/21	3.00/4.90	20,827 - 36,006	251,509
2001 LTGO Bonds - Capital Improvements	500,000	12/01/98	12/01/14	4.00/4.40	17,241 - 36,945	408,858
2005 LTGO Bonds - Phone System	80,000	02/23/05	12/01/10	3.53	9,789 - 15,255	57,184
TOTAL GENERAL OBLIGATION BONDS	<u>\$33,902,733</u>					<u>\$22,835,693</u>

**Public Works Trust Fund Loans**

The City has obtained one new Public Works Trust Fund loan in the amount of \$624,750 for the construction of the 100<sup>th</sup> Avenue West right of way stabilization. During 2006, the City drew \$124,950 on the loan. The interest for the loan shall be

½ % per annum on the outstanding principal balance and the term of the loan shall not exceed 20 years. The loan is a general government obligation.

The City has two existing Public Works Trust Fund loans for the design (\$340,000) and construction (\$400,000) of the 220<sup>th</sup> Street Improvement. To date, the City has drawn down \$340,000 and \$380,000, respectively for the 220<sup>th</sup> Street Improvement. The interest for these loans shall be 1/2% 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 \$1,347,250 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.

In 2004, the City 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.

	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/06
<b>PUBLIC WORKS TRUST FUND LOANS</b>						
<u>General Government</u>						
P W Trust Fund Loan - Street Construction	\$340,000	01/06/03	06/30/22	0.5	\$18,143	\$290,293
P W Trust Fund Loan - Street Construction	400,000	09/13/04	06/30/24	0.5	20,000	360,000
P W Trust Fund Loan - Street Construction	624,750	05/24/06	05/24/26	0.5	6,248	124,950
<u>Business-type Activities</u>						
P W Trust Fund Loan - Trt. Plant/Sewer Improv.	1,347,250	07/17/02	06/30/22	0.5	67,363	1,141,200
P W Trust Fund Loan - Water Improvements	408,000	06/08/04	06/30/24	0.5	4,295	77,305
P W Trust Fund Loan - Storm Improvements	605,625	06/08/04	06/30/24	0.5	31,964	545,063
P W Trust Fund Loan - Sewer Improvements	1,216,902	05/23/05	06/30/25	0.5	12,169	243,380
TOTAL PUBLIC WORKS TRUST FUND LOANS	<u>\$4,942,527</u>					<u>\$2,782,191</u>

**Capital Contracts**

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

In 1996 the City entered into an agreement with Snohomish County for a 20-year purchase contract for a fire station. 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 2004 the City entered into a three year lease agreement with Financial Consultants International for the purchase of police cars. For more information refer to Note 13 – Leases.

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 Note 5 - Joint Ventures.

CAPITAL CONTRACTS	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/06
1996 Note - Fire Station #10	\$1,136,115	01/01/96	01/01/15	1.00	\$54,592 - \$65,300	\$564,959
2004 Capital Lease	\$230,894	07/01/04	07/01/07	10	\$7,111	\$41,189
2005 Contract - Public Safety Radio Equipment	1,595,046	06/01/05	12/01/19	3.00/5.00	77,457 - 141,288	1,435,111
<b>TOTAL CAPITAL CONTRACTS</b>	<b>\$2,962,055</b>					<b>\$2,041,259</b>

**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 12/31/06
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	\$1,675,000
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	3,940,000
2005 Bond Anticipation Note - Capital Improvements	2,000,000	02/15/05	02/15/07	Variable	N/A	700,000
<b>TOTAL REVENUE BONDS</b>	<b>\$12,295,000</b>					<b>\$6,315,000</b>

**Special Assessment Debt with Governmental Commitment**

As of December 31, 2006, \$290,000 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, 2006 is \$41,950. As of December 31, 2006, special assessment receivables totaled \$530,395, which includes \$253 of delinquent assessments.

SPECIAL ASSESSMENT DEBT	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/06
Sewer LID Bonds 215/216	\$2,252,150	12/01/01	12/01/16	2.75/5.75	\$150,000	\$290,000

**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	\$99,977,192	\$66,651,461	\$166,628,654	\$166,628,654
	Net Outstanding Indebtedness	(21,541,352)	(7,435,000)	0	0
	Margin Available	\$78,435,840	\$59,216,461	\$166,628,654	\$166,628,654

**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, 2006 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 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 Fund. Debt service for the capital contracts is expended from the General Fund and an Internal Service. 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, 2006 the City has \$290,000 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 2007.

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
2007	\$1,483,159	\$998,226	2,481,385	\$2,070,831	\$259,032	\$2,329,863
2008	2,158,449	938,611	3,097,061	988,192	221,048	1,209,240
2009	1,634,145	847,836	2,481,981	550,924	190,793	741,717
2010	1,707,268	793,285	2,500,553	573,945	172,398	746,343
2011	1,786,972	733,281	2,520,253	576,745	153,234	729,978
2012-2016	9,074,968	2,649,845	11,724,813	2,126,788	483,483	2,610,271
2017-2021	4,240,299	1,266,228	5,506,527	1,704,895	214,452	1,919,347
2022-2026	2,849,381	406,111	3,255,492	447,179	11,854	459,033
	<u>\$24,934,643</u>	<u>\$8,633,422</u>	<u>\$33,568,065</u>	<u>\$9,039,499</u>	<u>\$1,706,295</u>	<u>\$10,745,794</u>

At December 31, 2006 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, 2006, the City of Edmonds had no arbitrage liability.

#### **NOTE 10 – SHORT-TERM DEBT**

The City did not issue short-term debt during 2006 and has no outstanding short-term debt at December 31, 2006.

#### **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 121 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 \$12 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 \$15 million per occurrence subject to aggregate sublimits in the excess layers. 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 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 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, 2006 were as follows:

<b>Year Ending December 31,</b>	<b>Governmental Activities</b>
2007	\$42,666
Total Minimum Lease Payments	<u>42,666</u>
Less: Interest	<u>1,477</u>
Present Value of Minimum Lease Payments	<u><u>\$41,189</u></u>

**Lease Revenues**

The City 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 November of 2006 a one year lease was signed with Milltown Pizza for the organization to run a concession stand on the public right of way.

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 Anderson Center has an original cost of \$3,070,238 and a book value of \$1,992,393. Depreciation expense for 2006 was \$101,920.

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 old Public Works building has an original cost of \$256,942 and a book value of \$65,564. Depreciation expense for 2006 was \$3,450.

The Edmonds Chamber of Commerce rents space on the first floor of city hall. The contract automatically renews annually unless terminated by the parties. City Hall's original cost is \$3,910,469 and carries a book value of \$2,447,848. Depreciation expense for 2006 was \$131,723.

In 2006, the General Fund received \$122,071 and the Enterprise Fund received \$32,239 in rental income.

**NOTE 14 — COMMITMENTS**

The City has several capital improvement projects in progress. As of December 31, 2006, the City's outstanding contractual obligations, which include construction and engineering contracts, are summarized below:

<b>Project</b>	<b>Original Contract</b>	<b>Expended to Date</b>	<b>Remaining Commitment</b>
Lidar Mapping Evaluation	\$50,000	\$48,121	\$1,879
SR99 Traffic Circulation Study	49,785	48,323	1,462
Transportation Projects	6,243,160	6,047,291	195,869
Senior Center Improvements	66,194	63,154	3,040
Interurban Trail	216,097	128,632	87,465
Woodway Elementary	53,022	18,596	34,426
Cemetery Columbarium	798,519	761,856	36,663
Civic Center Skateboard Park	231,336	0	231,336
Utility Projects	2,902,675	2,120,542	782,133
	<b>\$10,610,789</b>	<b>\$9,236,516</b>	<b>\$1,374,272</b>

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, 2006 the EPFD's outstanding balance on the Line of Credit was \$4,449,353.

**NOTE 15 – PRIOR PERIOD CORRECTIONS****Governmental Activities****Major Governmental Funds**

Correct critical area review deposit account beginning balances	\$3,225
Correct 2005 grant accrual	(61,116)
	<u>(57,891)</u>

**Other Governmental Funds**

Correct 2005 grant accrual	76,825
Correct prior years receipting error	1,000
Correct prior years receipting error	2,500
Correct prior years receipting error	(3,500)
	<u>76,825</u>

**Entitywide**

Recording of retrospective infrastructure as required by GASB 34	25,147,478
Recording of Net Pension Obligation as required by GASB 34	(138,868)
	<u>25,008,610</u>

**Total Governmental Activities**\$25,027,544**Business-Type Activities**

Correct 2005 intergovernmental revenue not included on excise tax return	(\$33,975)
Expense projects previously capitalized to Construction Work in Progress	(36,288)
2005 intergovernmental revenue overstated	(255,609)
Depreciation expense ran in 2006, should have been expensed in 2005	(13,467)

**Total Business-Type Activities**(\$339,339)**Internal Service Fund**

Depreciation expense ran in 2006, should have been expensed in 2005	(\$98,954)
---	------------

**Total Internal Service Fund**(\$98,954)**NOTE 16 – SUBSEQUENT EVENTS**

On February 27, 2007 the City issued \$5.23 million in Limited Tax General Obligation Bonds for capital projects. The bonds will mature over 20 years and have a true interest cost of 3.91 percent. Obligation for repayment of the bonds is distributed to the General fund (17.34%), Special Revenue funds (9.15%), and Enterprise funds (73.51%).

During 2006 the City authorized the issuance of a general obligation bond anticipation note (line of credit) in the amount of \$627,733 for the purchase and installation of a new HVAC system. The City paid off the entire outstanding balance of the 2006 LTGO Bond issue with proceeds from the 2007 Limited Tax General Obligation bond issue which closed March 15, 2007.

The City extended the maturity date regarding the 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, 2006 the City had drawn \$700,000 on this note. The note originally scheduled to mature on February 23, 2007 was extended to February 23, 2009. The City paid off this line of credit with proceeds from the 2007 Limited Tax General Obligation bond issue which closed March 15, 2007.

**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**
2006	(59,930)	38,540	(21,390)	23,901	(89) %
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

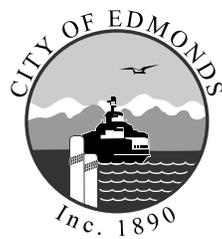
\*\* In years with a negative ARC, this percentage is not applicable.

\*\*\* 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, 2007	\$301,000	\$704,000	\$403,000	43%	\$0	N/A %
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

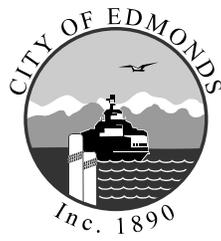
\* Projected from November 30, 2003 Valuation.



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COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS



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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS AND OTHER DEBITS</b>			
CURRENT ASSETS			
Cash and cash equivalents	\$3,110,339	\$62,001	\$3,172,340
Investments	247,890	0	247,890
Receivables, net			
Customer accounts	200	0	200
Assessments	0	18,012	18,012
Interfund loans receivable	214,375	0	214,375
Due from other governmental units	306,531	0	306,531
Total Current Assets	3,879,335	80,013	3,959,348
RESTRICTED ASSETS			
Special assessments - deferred	0	512,382	512,382
Total Restricted Assets	0	512,382	512,382
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$3,879,335</b>	<b>\$592,395</b>	<b>\$4,471,730</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
CURRENT LIABILITIES			
Wages payable	\$21,269	\$0	\$21,269
Accounts payable	263,112	0	263,112
Due to other funds	18,960	0	18,960
Interfund loans payable	214,375	0	214,375
Custodial accounts	2,853	0	2,853
Deferred revenues	0	0	0
Total Current Liabilities	520,569	0	520,569
NONCURRENT LIABILITIES			
Deferred revenues	0	530,394	530,394
Total Noncurrent Liabilities	0	530,394	530,394
<b>TOTAL LIABILITIES</b>	520,569	530,394	1,050,963
FUND BALANCES			
Reserved for:			
Loans receivable	214,375	0	214,375
Debt service	0	62,001	62,001
Unreserved, reported in:			
Special revenue funds	3,144,391	0	3,144,391
<b>TOTAL FUND BALANCES</b>	3,358,766	62,001	3,420,767
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$3,879,335</b>	<b>\$592,395</b>	<b>\$4,471,730</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>			
Taxes	\$1,509,226	\$0	\$1,509,226
Licenses and permits	21,875	0	21,875
Intergovernmental revenues	2,969,357	0	2,969,357
Charges for services	325,284	0	325,284
Other revenues	388,054	512,605	900,659
<b>Total revenues</b>	<b>5,213,796</b>	<b>512,605</b>	<b>5,726,401</b>
<b>EXPENDITURES</b>			
Current:			
General government services	315,514	0	315,514
Security of persons and property	136,781	0	136,781
Physical environment	119,895	0	119,895
Transportation	1,231,251	0	1,231,251
Economic environment	19,702	0	19,702
Culture and recreation	67,733	0	67,733
Capital outlay	7,262,973	0	7,262,973
Debt service:			
Principal	445,482	245,000	690,482
Interest	259,745	328,160	587,905
<b>Total expenditures</b>	<b>9,859,076</b>	<b>573,160</b>	<b>10,432,236</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,645,280)	(60,555)	(4,705,835)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of general long-term debt	751,058	0	751,058
Disposition of capital assets	96,840	0	96,840
Transfers in	806,415	69,811	876,226
Transfers out	(133,624)	(100,000)	(233,624)
<b>Total other financing sources (uses)</b>	<b>1,520,689</b>	<b>(30,189)</b>	<b>1,490,500</b>
Net change in fund balances	(3,124,591)	(90,744)	(3,215,335)
Fund balances - beginning	6,406,532	152,745	6,559,277
Prior period corrections	76,825	0	76,825
<b>FUND BALANCES - ENDING</b>	<b>\$3,358,766</b>	<b>\$62,001</b>	<b>\$3,420,767</b>

## **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.

**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.

**129 Special Projects Fund** – funds used for the Highway 99 International District Enhancements Project.

**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, 2006**  
(Page 1 of 5)

	<b>009 LEOFF MEDICAL RESERVE FUND</b>	<b>104 DRUG ENFORCEMENT FUND</b>	<b>111 STREET FUND</b>	<b>112 STREET CONSTRUCTION FUND</b>	<b>113 MULTIMODAL TRANSP. FUND</b>
<b>ASSETS AND OTHER DEBITS</b>					
CURRENT ASSETS					
Cash and cash equivalents	\$354,823	\$68,945	\$157,147	\$705,925	\$73,679
Investments	0	0	0	0	0
Receivables, net					
Customer accounts	0	0	200	0	0
Interfund loans receivable	0	0	0	0	0
Due from other governmental units	0	13,488	39,034	44,091	10,616
Total Current Assets	354,823	82,433	196,381	750,016	84,295
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$354,823</b>	<b>\$82,433</b>	<b>\$196,381</b>	<b>\$750,016</b>	<b>\$84,295</b>
<b>LIABILITIES AND FUND BALANCES</b>					
CURRENT LIABILITIES					
Wages payable	\$0	\$3,203	\$15,978	\$0	\$0
Accounts payable	3,720	3,886	31,916	105,819	0
Due to other funds	0	0	0	0	0
Interfund loans payable	0	0	0	0	0
Custodial accounts	0	0	2,853	0	0
Total Current Liabilities	3,720	7,089	50,747	105,819	0
<b>TOTAL LIABILITIES</b>	<b>3,720</b>	<b>7,089</b>	<b>50,747</b>	<b>105,819</b>	<b>0</b>
FUND BALANCES					
Reserved for:					
Loans receivable	0	0	0	0	0
Unreserved, reported in:					
Special revenue funds	351,103	75,344	145,634	644,197	84,295
<b>TOTAL FUND BALANCES</b>	<b>351,103</b>	<b>75,344</b>	<b>145,634</b>	<b>644,197</b>	<b>84,295</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$354,823</b>	<b>\$82,433</b>	<b>\$196,381</b>	<b>\$750,016</b>	<b>\$84,295</b>

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2006  
(Page 2 of 5)**

	<b>116 BUILDING MAINTENANCE FUND</b>	<b>117 MUNICIPAL ARTS ACQUIS. FUND</b>	<b>118 MEMORIAL TREE FUND</b>	<b>120 HOTEL/ MOTEL TAX FUND</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$265,142	\$243,409	\$16,029	\$93,264
Investments	0	0	0	0
Receivables, net				
Customer accounts	0	0	0	0
Interfund loans receivable	0	0	0	0
Due from other governmental units	80,586	0	0	14,865
Total Current Assets	345,728	243,409	16,029	108,129
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$345,728</b>	<b>\$243,409</b>	<b>\$16,029</b>	<b>\$108,129</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>CURRENT LIABILITIES</b>				
Wages payable	\$0	\$0	\$0	\$0
Accounts payable	28,286	169	0	0
Due to other funds	0	0	0	0
Interfund loans payable	0	0	0	0
Custodial accounts	0	0	0	0
Total Current Liabilities	28,286	169	0	0
<b>TOTAL LIABILITIES</b>	<b>28,286</b>	<b>169</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCES</b>				
Reserved for:				
Loans receivable	0	0	0	0
Unreserved, reported in:				
Special revenue funds	317,442	243,240	16,029	108,129
<b>TOTAL FUND BALANCES</b>	<b>317,442</b>	<b>243,240</b>	<b>16,029</b>	<b>108,129</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$345,728</b>	<b>\$243,409</b>	<b>\$16,029</b>	<b>\$108,129</b>

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2006  
(Page 3 of 5)**

	121 EMPLOYEE PKG PERMIT FUND	122 YOUTH SCHOLARSHIP FUND	123 TOURISM PROMOTIONAL/ ARTS FUND	126 REET 1 PARKS ACQUIS. FUND
<b>ASSETS AND OTHER DEBITS</b>				
CURRENT ASSETS				
Cash and cash equivalents	\$76,067	\$8,083	\$34,589	\$326,017
Investments	0	0	0	0
Receivables, net				
Customer accounts	0	0	0	0
Interfund loans receivable	0	0	0	0
Due from other governmental units	0	0	0	103,851
Total Current Assets	76,067	8,083	34,589	429,868
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$76,067</b>	<b>\$8,083</b>	<b>\$34,589</b>	<b>\$429,868</b>
<b>LIABILITIES AND FUND BALANCES</b>				
CURRENT LIABILITIES				
Wages payable	\$0	\$0	\$0	\$0
Accounts payable	0	0	238	0
Due to other funds	0	0	0	18,960
Interfund loans payable	0	0	0	0
Custodial accounts	0	0	0	0
Total Current Liabilities	0	0	238	18,960
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>238</b>	<b>18,960</b>
FUND BALANCES				
Reserved for:				
Loans receivable	0	0	0	0
Unreserved, reported in:				
Special revenue funds	76,067	8,083	34,351	410,908
<b>TOTAL FUND BALANCES</b>	<b>76,067</b>	<b>8,083</b>	<b>34,351</b>	<b>410,908</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$76,067</b>	<b>\$8,083</b>	<b>\$34,589</b>	<b>\$429,868</b>

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2006  
(Page 4 of 5)**

	127 GIFTS CATALOG FUND	129 SPECIAL PROJECTS FUND	130 CEMETERY MAINT./IMPRV. FUND	131 FIRE DONATIONS FUND	601 PARKS TRUST FUND
<b>ASSETS AND OTHER DEBITS</b>					
CURRENT ASSETS					
Cash and cash equivalents	\$150,968	\$11,000	\$189,235	\$4,508	\$132,627
Investments	0	0	0	0	0
Receivables, net					
Customer accounts	0	0	0	0	0
Interfund loans receivable	0	0	0	0	0
Due from other governmental units	0	0	0	0	0
Total Current Assets	150,968	11,000	189,235	4,508	132,627
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$150,968</b>	<b>\$11,000</b>	<b>\$189,235</b>	<b>\$4,508</b>	<b>\$132,627</b>
<b>LIABILITIES AND FUND BALANCES</b>					
CURRENT LIABILITIES					
Wages payable	\$0	\$0	\$2,088	\$0	\$0
Accounts payable	0	0	88,918	0	0
Due to other funds	0	0	0	0	0
Interfund loans payable	0	0	214,375	0	0
Custodial accounts	0	0	0	0	0
Total Current Liabilities	0	0	305,381	0	0
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>305,381</b>	<b>0</b>	<b>0</b>
FUND BALANCES					
Reserved for:					
Loans receivable	0	0	0	0	0
Unreserved, reported in:					
Special revenue funds	150,968	11,000	(116,146)	4,508	132,627
<b>TOTAL FUND BALANCES</b>	<b>150,968</b>	<b>11,000</b>	<b>(116,146)</b>	<b>4,508</b>	<b>132,627</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$150,968</b>	<b>\$11,000</b>	<b>\$189,235</b>	<b>\$4,508</b>	<b>\$132,627</b>

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2006**

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	<b>610 CEMETERY MAINTENANCE TRUST FUND</b>	<b>621 SPECIAL LIBRARY FUND</b>	<b>623 SISTER CITY COMMISSION</b>	<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$186,081	\$160	\$12,641	\$3,110,339
Investments	247,890	0	0	247,890
Receivables, net				
Customer accounts	0	0	0	200
Interfund loans receivable	214,375	0	0	214,375
Due from other governmental units	0	0	0	306,531
Total Current Assets	648,346	160	12,641	3,879,335
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$648,346</b>	<b>\$160</b>	<b>\$12,641</b>	<b>\$3,879,335</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>CURRENT LIABILITIES</b>				
Wages payable	\$0	\$0	\$0	\$21,269
Accounts payable	0	160	0	263,112
Due to other funds	0	0	0	18,960
Interfund loans payable	0	0	0	214,375
Custodial accounts	0	0	0	2,853
Total Current Liabilities	0	160	0	520,569
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>160</b>	<b>0</b>	<b>520,569</b>
<b>FUND BALANCES</b>				
Reserved for:				
Loans receivable	214,375	0	0	214,375
Unreserved, reported in:				
Special revenue funds	433,971	0	12,641	3,144,391
<b>TOTAL FUND BALANCES</b>	<b>648,346</b>	<b>0</b>	<b>12,641</b>	<b>3,358,766</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$648,346</b>	<b>\$160</b>	<b>\$12,641</b>	<b>\$3,879,335</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Page 1 of 5)

	<b>009 LEOFF MEDICAL RESERVE FUND</b>	<b>104 DRUG ENFORCEMENT FUND</b>	<b>111 STREET FUND</b>	<b>112 STREET CONSTRUCTION FUND</b>
<b>REVENUES</b>				
Taxes	\$0	\$0	\$0	\$0
Licenses and permits	0	0	2,700	0
Intergovernmental revenues	0	74,152	763,505	1,950,975
Charges for services	0	0	24,388	94,008
Other revenues	16,079	47,387	5,543	49,798
<b>Total revenues</b>	<b>16,079</b>	<b>121,539</b>	<b>796,136</b>	<b>2,094,781</b>
<b>EXPENDITURES</b>				
Current:				
General government services	44,246	0	0	0
Security of persons and property	0	136,781	0	0
Physical environment	0	0	0	0
Transportation	0	0	1,220,059	8,452
Economic environment	0	0	0	0
Culture and recreation	0	0	0	0
Capital outlay	0	0	0	3,646,429
Debt Service:				
Principal	0	0	28,259	38,143
Interest	0	0	11,760	3,130
<b>Total expenditures</b>	<b>44,246</b>	<b>136,781</b>	<b>1,260,078</b>	<b>3,696,154</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,167)	(15,242)	(463,942)	(1,601,373)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long-term debt	0	0	0	124,950
Disposition of capital assets	0	0	20,975	0
Transfers in	65,000	0	326,320	215,902
Transfers out	0	0	(12,500)	0
<b>Total other financing sources (uses)</b>	<b>65,000</b>	<b>0</b>	<b>334,795</b>	<b>340,852</b>
Net change in fund balances	36,833	(15,242)	(129,147)	(1,260,521)
Fund balances - beginning	314,270	90,586	274,781	1,904,718
Prior period corrections	0	0	0	0
<b>FUND BALANCES - ENDING</b>	<b>\$351,103</b>	<b>\$75,344</b>	<b>\$145,634</b>	<b>\$644,197</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Page 2 of 5)

	<b>113 MULTIMODAL TRANSPORTATION FUND</b>	<b>116 BUILDING MAINTENANCE FUND</b>	<b>117 MUNICIPAL ARTS ACQUIS. FUND</b>	<b>118 MEMORIAL TREE FUND</b>
<b>REVENUES</b>				
Taxes	\$0	\$0	\$0	\$0
Licenses and permits	0	0	0	0
Intergovernmental revenues	25,914	154,811	0	0
Charges for services	0	0	25,814	0
Other revenues	1,586	59,671	19,286	782
<b>Total revenues</b>	<b>27,500</b>	<b>214,482</b>	<b>45,100</b>	<b>782</b>
<b>EXPENDITURES</b>				
Current:				
General government services	0	267,487	0	0
Security of persons and property	0	0	0	0
Physical environment	0	0	0	0
Transportation	2,740	0	0	0
Economic environment	0	0	0	0
Culture and recreation	0	0	30,251	0
Capital outlay	0	777,081	0	0
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<b>2,740</b>	<b>1,044,568</b>	<b>30,251</b>	<b>0</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>24,760</b>	<b>(830,086)</b>	<b>14,849</b>	<b>782</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long-term debt	0	626,108	0	0
Disposition of capital assets	0	75,865	0	0
Transfers in	0	61,600	28,582	0
Transfers out	0	0	(3,000)	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>763,573</b>	<b>25,582</b>	<b>0</b>
Net change in fund balances	24,760	(66,513)	40,431	782
Fund balances - beginning	59,535	307,130	201,809	15,247
Prior period corrections	0	76,825	1,000	0
<b>FUND BALANCES - ENDING</b>	<b>\$84,295</b>	<b>\$317,442</b>	<b>\$243,240</b>	<b>\$16,029</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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	<b>120 HOTEL/ MOTEL TAX FUND</b>	<b>121 EMPLOYEE PKG PERMIT FUND</b>	<b>122 YOUTH SCHOLARSHIP FUND</b>	<b>123 TOURISM PROMOTIONAL/ ARTS FUND</b>
<b>REVENUES</b>				
Taxes	\$75,077	\$0	\$0	\$0
Licenses and permits	0	19,175	0	0
Intergovernmental revenues	0	0	0	0
Charges for services	0	0	0	269
Other revenues	3,947	3,905	2,932	1,494
<b>Total revenues</b>	<b>79,024</b>	<b>23,080</b>	<b>2,932</b>	<b>1,763</b>
<b>EXPENDITURES</b>				
Current:				
General government services	0	986	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	11,133	0	3,162	16,632
Capital outlay	0	0	0	0
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
<b>Total expenditures</b>	<b>11,133</b>	<b>986</b>	<b>3,162</b>	<b>16,632</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>67,891</b>	<b>22,094</b>	<b>(230)</b>	<b>(14,869)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long-term debt	0	0	0	0
Disposition of capital assets	0	0	0	0
Transfers in	0	0	0	17,729
Transfers out	(21,730)	(16,500)	0	0
<b>Total other financing sources (uses)</b>	<b>(21,730)</b>	<b>(16,500)</b>	<b>0</b>	<b>17,729</b>
Net change in fund balances	46,161	5,594	(230)	2,860
Fund balances - beginning	61,968	70,473	8,313	31,491
Prior period corrections	0	0	0	0
<b>FUND BALANCES - ENDING</b>	<b>\$108,129</b>	<b>\$76,067</b>	<b>\$8,083</b>	<b>\$34,351</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Page 4 of 5)

	<b>126 REET 1 PARKS ACQUIS. FUND</b>	<b>127 GIFTS CATALOG FUND</b>	<b>129 SPECIAL PROJECTS FUND</b>	<b>130 CEMETARY MAINT./IMPRV. FUND</b>	<b>131 FIRE DONATIONS FUND</b>
<b>REVENUES</b>					
Taxes	\$1,434,149	\$0	\$0	\$0	\$0
Licenses and permits	0	0	0	0	0
Intergovernmental revenues	0	0	0	0	0
Charges for services	0	0	0	162,725	0
Other revenues	83,874	13,389	0	13,741	6,651
<b>Total revenues</b>	<b>1,518,023</b>	<b>13,389</b>	<b>0</b>	<b>176,466</b>	<b>6,651</b>
<b>EXPENDITURES</b>					
Current:					
General government services	2,795	0	0	0	0
Security of persons and property	0	0	0	0	0
Physical environment	0	0	0	119,895	0
Transportation	0	0	0	0	0
Economic environment	0	0	0	0	0
Culture and recreation	0	3,705	0	0	0
Capital outlay	2,024,167	0	0	815,296	0
Debt Service:					
Principal	379,080	0	0	0	0
Interest	240,480	0	0	4,375	0
<b>Total expenditures</b>	<b>2,646,522</b>	<b>3,705</b>	<b>0</b>	<b>939,566</b>	<b>0</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	(1,128,499)	9,684	0	(763,100)	6,651
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of general long-term debt	0	0	0	0	0
Disposition of capital assets	0	0	0	0	0
Transfers in	0	0	11,000	80,282	0
Transfers out	(69,811)	0	0	0	(10,083)
<b>Total other financing sources (uses)</b>	<b>(69,811)</b>	<b>0</b>	<b>11,000</b>	<b>80,282</b>	<b>(10,083)</b>
Net change in fund balances	(1,198,310)	9,684	11,000	(682,818)	(3,432)
Fund balances - beginning	1,609,218	138,784	0	566,672	7,940
Prior period corrections	0	2,500	0	0	0
<b>FUND BALANCES - ENDING</b>	<b>\$410,908</b>	<b>\$150,968</b>	<b>\$11,000</b>	<b>(\$116,146)</b>	<b>\$4,508</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

(Page 5 of 5)

	<b>601 PARKS TRUST FUND</b>	<b>610 CEMETERY MAINTENANCE TRUST FUND</b>	<b>621 SPECIAL LIBRARY FUND</b>	<b>623 SISTER CITY COMMISSION</b>	<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>
<b>REVENUES</b>					
Taxes	\$0	\$0	\$0	\$0	\$1,509,226
Licenses and permits	0	0	0	0	21,875
Intergovernmental revenues	0	0	0	0	2,969,357
Charges for services	0	18,080	0	0	325,284
Other revenues	11,768	27,540	71	18,610	388,054
<b>Total revenues</b>	<b>11,768</b>	<b>45,620</b>	<b>71</b>	<b>18,610</b>	<b>5,213,796</b>
<b>EXPENDITURES</b>					
Current:					
General government services	0	0	0	0	315,514
Security of persons and property	0	0	0	0	136,781
Physical environment	0	0	0	0	119,895
Transportation	0	0	0	0	1,231,251
Economic environment	0	0	0	19,702	19,702
Culture and recreation	0	0	2,850	0	67,733
Capital outlay	0	0	0	0	7,262,973
Debt Service:					
Principal	0	0	0	0	445,482
Interest	0	0	0	0	259,745
<b>Total expenditures</b>	<b>0</b>	<b>0</b>	<b>2,850</b>	<b>19,702</b>	<b>9,859,076</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	11,768	45,620	(2,779)	(1,092)	(4,645,280)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of general long-term debt	0	0	0	0	751,058
Disposition of capital assets	0	0	0	0	96,840
Transfers in	0	0	0	0	806,415
Transfers out	0	0	0	0	(133,624)
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,520,689</b>
Net change in fund balances	11,768	45,620	(2,779)	(1,092)	(3,124,591)
Fund balances - beginning	124,359	602,726	2,779	13,733	6,406,532
Prior period corrections	(3,500)	0	0	0	76,825
<b>FUND BALANCES - ENDING</b>	<b>\$132,627</b>	<b>\$648,346</b>	<b>\$0</b>	<b>\$12,641</b>	<b>\$3,358,766</b>

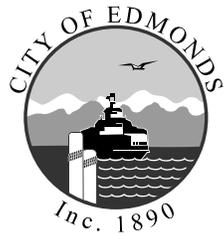
## **DEBT SERVICE FUNDS DESCRIPTION**

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.

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



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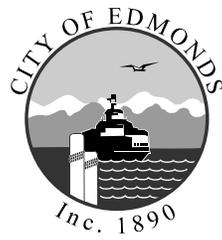
**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2006**

	<b>211 L.I.D. FUND CONTROL FUND</b>	<b>213 L.I.D. GUARANTY FUND</b>	<b>234 LIMITED TAX G.O. BOND FUND</b>	<b>TOTAL NONMAJOR DEBT SERVICE FUNDS</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$20,051	\$41,950	\$0	\$62,001
Receivables, net				
Assessments	18,012	0	0	18,012
Total Current Assets	<u>38,063</u>	<u>41,950</u>	<u>0</u>	<u>80,013</u>
<b>RESTRICTED ASSETS</b>				
Special assessments - deferred	512,382	0	0	512,382
Total Restricted Assets	<u>512,382</u>	<u>0</u>	<u>0</u>	<u>512,382</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b><u>\$550,445</u></b>	<b><u>\$41,950</u></b>	<b><u>\$0</u></b>	<b><u>\$592,395</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>NONCURRENT LIABILITIES</b>				
Deferred revenues	530,394	0	0	530,394
Total Noncurrent Liabilities	<u>530,394</u>	<u>0</u>	<u>0</u>	<u>530,394</u>
<b>TOTAL LIABILITIES</b>	<u>530,394</u>	<u>0</u>	<u>0</u>	<u>530,394</u>
<b>FUND BALANCES</b>				
Reserved for:				
Debt service	20,051	41,950	0	62,001
<b>TOTAL FUND BALANCES</b>	<u>20,051</u>	<u>41,950</u>	<u>0</u>	<u>62,001</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$550,445</u></b>	<b><u>\$41,950</u></b>	<b><u>\$0</u></b>	<b><u>\$592,395</u></b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>211 L.I.D. FUND CONTROL FUND</b>	<b>213 L.I.D. GUARANTY FUND</b>	<b>234 LIMITED TAX G.O. BOND FUND</b>	<b>TOTAL NONMAJOR DEBT SERVICE FUNDS</b>
Other revenues	\$173,185	\$5,521	\$333,899	\$512,605
	<b>173,185</b>	<b>5,521</b>	<b>333,899</b>	<b>512,605</b>
Principal	145,000	0	100,000	245,000
Interest	24,450	0	303,710	328,160
	<b>169,450</b>	<b>0</b>	<b>403,710</b>	<b>573,160</b>
OVER (UNDER) EXPENDITURES	3,735	5,521	(69,811)	(60,555)
Transfers in	0	0	69,811	69,811
Transfers out	0	(100,000)	0	(100,000)
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>(100,000)</b>	<b>69,811</b>	<b>(30,189)</b>
Net change in fund balances	3,735	(94,479)	0	(90,744)
Fund balances - beginning	16,316	136,429	0	152,745
<b>FUND BALANCES - ENDING</b>	<b>\$20,051</b>	<b>\$41,950</b>	<b>\$0</b>	<b>\$62,001</b>

# **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, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other revenues	\$4,100	\$4,100	\$16,079	\$11,979
<b>Total Revenues</b>	<b>4,100</b>	<b>4,100</b>	<b>16,079</b>	<b>11,979</b>
<b>EXPENDITURES</b>				
Current:				
General government services	74,415	74,415	44,246	30,169
<b>Total Expenditures</b>	<b>74,415</b>	<b>74,415</b>	<b>44,246</b>	<b>30,169</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(70,315)	(70,315)	(28,167)	42,148
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	65,000	65,000	65,000	0
<b>Total other financing sources (uses)</b>	<b>65,000</b>	<b>65,000</b>	<b>65,000</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>(5,315)</b>	<b>(5,315)</b>	<b>36,833</b>	<b>42,148</b>
Fund balances - beginning	312,641	312,641	314,270	1,629
<b>FUND BALANCES - ENDING</b>	<b>\$307,326</b>	<b>\$307,326</b>	<b>\$351,103</b>	<b>\$43,777</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 104 - DRUG ENFORCEMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Intergovernmental revenues	\$79,312	\$82,670	\$74,152	(\$8,518)
Fines and forfeits	15,500	15,500	0	(15,500)
Other revenues	0	0	47,387	47,387
<b>Total Revenues</b>	<b>94,812</b>	<b>98,170</b>	<b>121,539</b>	<b>23,369</b>
<b>EXPENDITURES</b>				
Current:				
Security of persons and property	150,985	154,343	136,781	17,562
<b>Total Expenditures</b>	<b>150,985</b>	<b>154,343</b>	<b>136,781</b>	<b>17,562</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(56,173)	(56,173)	(15,242)	40,931
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>(56,173)</b>	<b>(56,173)</b>	<b>(15,242)</b>	<b>40,931</b>
Fund balances - beginning	64,973	64,973	90,586	25,613
<b>FUND BALANCES - ENDING</b>	<b>\$8,800</b>	<b>\$8,800</b>	<b>\$75,344</b>	<b>\$66,544</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 111 - STREET FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Licenses and Permits	\$0	\$0	\$2,700	\$2,700
Intergovernmental revenues	585,685	735,685	763,505	27,820
Charges for services	85,050	85,050	24,388	(60,662)
Other revenues	5,700	5,700	5,543	(157)
<b>Total Revenues</b>	<b>676,435</b>	<b>826,435</b>	<b>796,136</b>	<b>(30,299)</b>
<b>EXPENDITURES</b>				
Current:				
Transportation	1,232,468	1,298,468	1,220,059	78,409
Principal retirement	28,259	28,259	28,259	0
Interest	11,739	11,739	11,760	(21)
<b>Total Expenditures</b>	<b>1,272,466</b>	<b>1,338,466</b>	<b>1,260,078</b>	<b>78,388</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(596,031)	(512,031)	(463,942)	48,089
<b>OTHER FINANCING SOURCES (USES)</b>				
Disposition of capital assets	0	0	20,975	20,975
Transfers in	476,320	326,320	326,320	0
Transfers out	(12,500)	(12,500)	(12,500)	0
<b>Total other financing sources (uses)</b>	<b>463,820</b>	<b>313,820</b>	<b>334,795</b>	<b>20,975</b>
<b>Net changes in fund balances</b>	<b>(132,211)</b>	<b>(198,211)</b>	<b>(129,147)</b>	<b>69,064</b>
Fund balances - beginning	149,887	215,887	274,781	58,894
<b>FUND BALANCES - ENDING</b>	<b>\$17,676</b>	<b>\$17,676</b>	<b>\$145,634</b>	<b>\$127,958</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 112 - STREET CONSTRUCTION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Intergovernmental revenues	\$2,084,000	\$2,642,700	\$1,950,975	(\$691,725)
Charges for services	80,000	80,000	94,008	14,008
Other revenues	75,342	121,342	49,798	(71,544)
<b>Total Revenues</b>	<b>2,239,342</b>	<b>2,844,042</b>	<b>2,094,781</b>	<b>(749,261)</b>
<b>EXPENDITURES</b>				
Current:				
Transportation	0	0	8,452	(8,452)
Capital outlay	2,898,767	4,114,267	3,646,429	467,838
Debt service:				
Redemption of Debt Principal	0	0	0	0
Principal retirement	17,632	17,632	38,143	(20,511)
Interest	1,520	1,520	3,130	(1,610)
<b>Total Expenditures</b>	<b>2,917,919</b>	<b>4,133,419</b>	<b>3,696,154</b>	<b>437,265</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(678,577)	(1,289,377)	(1,601,373)	(311,996)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long-term debt	200,000	200,000	124,950	(75,050)
Transfers in	160,000	235,000	215,902	55,902
<b>Total other financing sources (uses)</b>	<b>360,000</b>	<b>435,000</b>	<b>340,852</b>	<b>(19,148)</b>
<b>Net changes in fund balances</b>	<b>(318,577)</b>	<b>(854,377)</b>	<b>(1,260,521)</b>	<b>(331,144)</b>
Fund balances - beginning	1,082,984	1,082,984	1,904,718	821,734
<b>FUND BALANCES - ENDING</b>	<b>\$764,407</b>	<b>\$228,607</b>	<b>\$644,197</b>	<b>\$490,590</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 113 - MULTIMODAL TRANSPORTATION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Intergovernmental revenues	\$1,250,000	\$1,250,000	\$25,914	(\$1,224,086)
Other revenues	0	0	1,586	1,586
<b>Total Revenues</b>	<b>1,250,000</b>	<b>1,250,000</b>	<b>27,500</b>	<b>(1,222,500)</b>
<b>EXPENDITURES</b>				
Current:				
Transportation	1,250,000	1,250,000	2,740	1,247,260
<b>Total Expenditures</b>	<b>1,250,000</b>	<b>1,250,000</b>	<b>2,740</b>	<b>1,247,260</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	24,760	24,760
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>0</b>	<b>0</b>	<b>24,760</b>	<b>24,760</b>
Fund balances - beginning	0	0	59,535	59,535
<b>FUND BALANCES - ENDING</b>	<b>\$0</b>	<b>\$0</b>	<b>\$84,295</b>	<b>\$84,295</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 116 - BUILDING MAINTENANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Intergovernmental revenues	\$175,000	\$957,190	\$154,811	(\$802,379)
Other revenues	1,707	1,707	59,671	57,964
<b>Total Revenues</b>	<b>176,707</b>	<b>958,897</b>	<b>214,482</b>	<b>(744,415)</b>
<b>EXPENDITURES</b>				
Current:				
General government services	0	80,000	267,487	(187,487)
Capital outlay	399,500	2,246,510	777,081	1,469,429
<b>Total Expenditures</b>	<b>399,500</b>	<b>2,326,510</b>	<b>1,044,568</b>	<b>1,281,942</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(222,793)	(1,367,613)	(830,086)	537,527
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long-term debt	0	650,000	626,108	(23,892)
Disposition of capital assets	0	75,000	75,865	865
Transfers in	56,600	322,330	61,600	(260,730)
Transfers out	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>56,600</b>	<b>1,047,330</b>	<b>763,573</b>	<b>(283,757)</b>
<b>Net changes in fund balances</b>	<b>(166,193)</b>	<b>(320,283)</b>	<b>(66,513)</b>	<b>253,770</b>
Fund balances - beginning	169,210	323,300	307,130	(16,170)
Prior Period Adjustment	0	0	76,825	76,825
<b>FUND BALANCES - ENDING</b>	<b>\$3,017</b>	<b>\$3,017</b>	<b>\$317,442</b>	<b>\$314,425</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 117 - MUNICIPAL ARTS ACQUISITION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Intergovernmental revenues	\$1,200	\$1,200	\$0	(\$1,200)
Charges for services	22,500	22,500	25,814	3,314
Other revenues	12,310	12,310	19,286	6,976
<b>Total Revenues</b>	<b>36,010</b>	<b>36,010</b>	<b>45,100</b>	<b>9,090</b>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	98,420	98,420	30,251	68,169
<b>Total Expenditures</b>	<b>98,420</b>	<b>98,420</b>	<b>30,251</b>	<b>68,169</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(62,410)	(62,410)	14,849	77,259
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	29,500	29,500	28,582	(918)
Transfers out	0	(3,000)	(3,000)	0
<b>Total other financing sources (uses)</b>	<b>29,500</b>	<b>26,500</b>	<b>25,582</b>	<b>(918)</b>
<b>Net changes in fund balances</b>	<b>(32,910)</b>	<b>(35,910)</b>	<b>40,431</b>	<b>76,341</b>
Fund balances - beginning	177,038	177,038	201,809	24,771
Prior Period Adjustment	0	0	1,000	1,000
<b>FUND BALANCES - ENDING</b>	<b>\$144,128</b>	<b>\$141,128</b>	<b>\$243,240</b>	<b>\$102,112</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 118 - MEMORIAL TREE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other revenues	\$450	\$450	\$782	\$332
<b>Total Revenues</b>	<b>450</b>	<b>450</b>	<b>782</b>	<b>332</b>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	0	0	0	0
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	450	450	782	332
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net changes in fund balances</b>	450	450	782	332
Fund balances - beginning	15,208	15,208	15,247	39
<b>FUND BALANCES - ENDING</b>	<b>\$15,658</b>	<b>\$15,658</b>	<b>\$16,029</b>	<b>\$371</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 120 - HOTEL/MOTEL TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Taxes	\$60,000	\$60,000	\$75,077	\$15,077
Other revenues	800	800	3,947	3,147
<b>Total Revenues</b>	<b>60,800</b>	<b>60,800</b>	<b>79,024</b>	<b>18,224</b>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	44,000	49,700	11,133	38,567
<b>Total Expenditures</b>	<b>44,000</b>	<b>49,700</b>	<b>11,133</b>	<b>38,567</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,800	11,100	67,891	56,791
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(19,000)	(19,000)	(21,730)	(2,730)
<b>Total other financing sources (uses)</b>	<b>(19,000)</b>	<b>(19,000)</b>	<b>(21,730)</b>	<b>(2,730)</b>
<b>Net changes in fund balances</b>	<b>(2,200)</b>	<b>(7,900)</b>	<b>46,161</b>	<b>54,061</b>
Fund balances - beginning	47,696	47,696	61,968	14,272
<b>FUND BALANCES - ENDING</b>	<b>\$45,496</b>	<b>\$39,796</b>	<b>\$108,129</b>	<b>\$68,333</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 121 - EMPLOYEE PARKING PERMIT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Licenses and Permits	\$11,000	\$11,000	\$19,175	\$8,175
Other revenues	1,300	1,300	3,905	2,605
<b>Total Revenues</b>	<b>12,300</b>	<b>12,300</b>	<b>23,080</b>	<b>10,780</b>
<b>EXPENDITURES</b>				
Current:				
General government services	1,000	1,000	986	14
<b>Total Expenditures</b>	<b>1,000</b>	<b>1,000</b>	<b>986</b>	<b>14</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,300	11,300	22,094	10,794
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(16,500)	(16,500)	(16,500)	0
<b>Total other financing sources (uses)</b>	<b>(16,500)</b>	<b>(16,500)</b>	<b>(16,500)</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>(5,200)</b>	<b>(5,200)</b>	<b>5,594</b>	<b>10,794</b>
Fund balances - beginning	62,035	62,035	70,473	8,438
<b>FUND BALANCES - ENDING</b>	<b>\$56,835</b>	<b>\$56,835</b>	<b>\$76,067</b>	<b>\$19,232</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 122 - YOUTH SCHOLARSHIP FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other revenues	\$3,580	\$3,580	\$2,932	(\$648)
<b>Total Revenues</b>	<b>3,580</b>	<b>3,580</b>	<b>2,932</b>	<b>(648)</b>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	4,000	4,000	3,162	838
<b>Total Expenditures</b>	<b>4,000</b>	<b>4,000</b>	<b>3,162</b>	<b>838</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(420)	(420)	(230)	190
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>(420)</b>	<b>(420)</b>	<b>(230)</b>	<b>190</b>
Fund balances - beginning	6,726	6,726	8,313	1,587
<b>FUND BALANCES - ENDING</b>	<b>\$6,306</b>	<b>\$6,306</b>	<b>\$8,083</b>	<b>\$1,777</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 123 - TOURISM/PROMOTIONAL ARTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Charges for services	\$300	\$300	\$269	(\$31)
Other revenues	500	500	1,494	994
<b>Total Revenues</b>	<b>800</b>	<b>800</b>	<b>1,763</b>	<b>963</b>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	21,200	21,200	16,632	4,568
<b>Total Expenditures</b>	<b>21,200</b>	<b>21,200</b>	<b>16,632</b>	<b>4,568</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,400)	(20,400)	(14,869)	5,531
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	14,500	14,500	17,729	3,229
<b>Total other financing sources (uses)</b>	<b>14,500</b>	<b>14,500</b>	<b>17,729</b>	<b>3,229</b>
<b>Net changes in fund balances</b>	<b>(5,900)</b>	<b>(5,900)</b>	<b>2,860</b>	<b>8,760</b>
Fund balances - beginning	20,551	20,551	31,491	10,940
<b>FUND BALANCES - ENDING</b>	<b>\$14,651</b>	<b>\$14,651</b>	<b>\$34,351</b>	<b>\$19,700</b>

**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, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Taxes	\$1,000,000	\$1,000,000	\$1,434,149	\$434,149
Intergovernmental revenues	1,600,000	1,600,000	0	(1,600,000)
Other revenues	30,000	30,000	83,874	53,874
<b>Total Revenues</b>	<b>2,630,000</b>	<b>2,630,000</b>	<b>1,518,023</b>	<b>(1,111,977)</b>
<b>EXPENDITURES</b>				
Current:				
General government services	0	0	2,795	(2,795)
Capital outlay	1,300,000	2,024,167	2,024,167	0
Debt service:				
Principal retirement	379,080	379,080	379,080	0
Interest	221,890	237,890	240,480	(2,590)
<b>Total Expenditures</b>	<b>1,900,970</b>	<b>2,641,137</b>	<b>2,646,522</b>	<b>(5,385)</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	729,030	(11,137)	(1,128,499)	(1,117,362)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(69,811)	(69,811)	(69,811)	0
<b>Total other financing sources (uses)</b>	<b>(69,811)</b>	<b>(69,811)</b>	<b>(69,811)</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>659,219</b>	<b>(80,948)</b>	<b>(1,198,310)</b>	<b>(1,117,362)</b>
Fund balances - beginning	1,514,173	1,514,173	1,609,218	95,045
<b>FUND BALANCES - ENDING</b>	<b>\$2,173,392</b>	<b>\$1,433,225</b>	<b>\$410,908</b>	<b>(\$1,022,317)</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 127 - GIFTS CATALOG FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other revenues	\$8,710	\$8,710	\$13,389	\$4,679
<b>Total Revenues</b>	<b>8,710</b>	<b>8,710</b>	<b>13,389</b>	<b>4,679</b>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	5,320	5,320	3,705	1,615
<b>Total Expenditures</b>	<b>5,320</b>	<b>5,320</b>	<b>3,705</b>	<b>1,615</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,390	3,390	9,684	6,294
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>3,390</b>	<b>3,390</b>	<b>9,684</b>	<b>6,294</b>
Fund balances - beginning	140,838	140,838	138,784	(2,054)
Prior Period Adjustment	0	0	2,500	2,500
<b>FUND BALANCES - ENDING</b>	<b>\$144,228</b>	<b>\$144,228</b>	<b>\$150,968</b>	<b>\$6,740</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 129 - SPECIAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Intergovernmental revenues	\$0	\$316,000	\$0	(\$316,000)
<b>Total Revenues</b>	<b>0</b>	<b>316,000</b>	<b>0</b>	<b>(316,000)</b>
<b>EXPENDITURES</b>				
Capital outlay	0	327,000	0	327,000
<b>Total Expenditures</b>	<b>0</b>	<b>327,000</b>	<b>0</b>	<b>327,000</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	(11,000)	0	11,000
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	11,000	11,000	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>11,000</b>	<b>11,000</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>0</b>	<b>0</b>	<b>11,000</b>	<b>11,000</b>
Fund balances - beginning	0	0	0	0
<b>FUND BALANCES - ENDING</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,000</b>	<b>\$11,000</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 130 - CEMETERY MAINTENANCE/IMPROVEMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Charges for services	\$80,000	\$80,000	\$162,725	\$82,725
Other revenues	11,100	11,100	13,741	2,641
<b>Total Revenues</b>	<b>91,100</b>	<b>91,100</b>	<b>176,466</b>	<b>85,366</b>
<b>EXPENDITURES</b>				
Current:				
Physical environment	130,014	130,014	119,895	10,119
Capital outlay	500,000	810,371	815,296	(4,925)
Debt service:				
Interest	0	0	4,375	(4,375)
<b>Total Expenditures</b>	<b>630,014</b>	<b>940,385</b>	<b>939,566</b>	<b>819</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(538,914)	(849,285)	(763,100)	86,185
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of interfund loan	0	300,000	0	(300,000)
Transfers in	80,282	80,282	80,282	0
Transfers out	0	(2,500)	0	2,500
<b>Total other financing sources (uses)</b>	<b>80,282</b>	<b>377,782</b>	<b>80,282</b>	<b>(297,500)</b>
<b>Net changes in fund balances</b>	<b>(458,632)</b>	<b>(471,503)</b>	<b>(682,818)</b>	<b>(211,315)</b>
Fund balances - beginning	564,608	564,608	566,672	2,064
<b>FUND BALANCES - ENDING</b>	<b>\$105,976</b>	<b>\$93,105</b>	<b>(\$116,146)</b>	<b>(\$209,251)</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 131 - FIRE DONATIONS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other revenues	\$2,425	\$4,309	\$6,651	\$2,342
<b>Total Revenues</b>	<b>2,425</b>	<b>4,309</b>	<b>6,651</b>	<b>2,342</b>
<b>EXPENDITURES</b>				
Current:				
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,425	4,309	6,651	2,342
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	0	(10,083)	(10,083)	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>(10,083)</b>	<b>(10,083)</b>	<b>0</b>
<b>Net changes in fund balances</b>	2,425	(5,774)	(3,432)	2,342
Fund balances - beginning	6,792	6,792	7,940	1,148
<b>FUND BALANCES - ENDING</b>	<b>\$9,217</b>	<b>\$1,018</b>	<b>\$4,508</b>	<b>\$3,490</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 601 - PARKS TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other revenues	\$1,480	\$1,480	\$11,768	\$10,288
<b>Total Revenues</b>	<b>1,480</b>	<b>1,480</b>	<b>11,768</b>	<b>10,288</b>
<b>EXPENDITURES</b>				
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,480	1,480	11,768	10,288
<b>Net changes in fund balances</b>	1,480	1,480	11,768	10,288
Fund balances - beginning	115,122	115,122	124,359	9,237
Prior Period Adjustment	0	0	(3,500)	(3,500)
<b>FUND BALANCES - ENDING</b>	<b>\$116,602</b>	<b>\$116,602</b>	<b>\$132,627</b>	<b>\$16,025</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 610 - CEMETERY MAINTENANCE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Charges for services	\$8,889	\$8,889	\$18,080	\$9,191
Other revenues	14,000	14,000	27,540	13,540
<b>Total Revenues</b>	<b>22,889</b>	<b>22,889</b>	<b>45,620</b>	<b>22,731</b>
<b>EXPENDITURES</b>				
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,889	22,889	45,620	22,731
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund loan disbursements	0	(300,000)	0	300,000
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>(300,000)</b>	<b>0</b>	<b>300,000</b>
<b>Net changes in fund balances</b>	<b>22,889</b>	<b>(277,111)</b>	<b>45,620</b>	<b>322,731</b>
Fund balances - beginning	604,876	604,876	602,726	(2,150)
<b>FUND BALANCES - ENDING</b>	<b>\$627,765</b>	<b>\$327,765</b>	<b>\$648,346</b>	<b>\$320,581</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 621 - SPECIAL LIBRARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other revenues	\$120	\$120	\$71	(\$49)
<b>Total Revenues</b>	<b>120</b>	<b>120</b>	<b>71</b>	<b>(49)</b>
<b>EXPENDITURES</b>				
Culture and recreation	1,100	2,850	2,850	0
<b>Total Expenditures</b>	<b>1,100</b>	<b>2,850</b>	<b>2,850</b>	<b>0</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(980)	(2,730)	(2,779)	(49)
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>(980)</b>	<b>(2,730)</b>	<b>(2,779)</b>	<b>(49)</b>
Fund balances - beginning	2,589	2,730	2,779	49
<b>FUND BALANCES - ENDING</b>	<b>\$1,609</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FUND 623 - SISTER CITY COMMISSION  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other revenues	\$20,375	\$20,375	\$18,610	(\$1,765)
<b>Total Revenues</b>	<b>20,375</b>	<b>20,375</b>	<b>18,610</b>	<b>(1,765)</b>
<b>EXPENDITURES</b>				
Current:				
Economic environment	25,000	25,000	19,702	5,298
<b>Total Expenditures</b>	<b>25,000</b>	<b>25,000</b>	<b>19,702</b>	<b>5,298</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,625)	(4,625)	(1,092)	3,533
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net changes in fund balances</b>	<b>(4,625)</b>	<b>(4,625)</b>	<b>(1,092)</b>	<b>3,533</b>
Fund balances - beginning	11,143	11,143	13,733	2,590
<b>FUND BALANCES - ENDING</b>	<b>\$6,518</b>	<b>\$6,518</b>	<b>\$12,641</b>	<b>\$6,123</b>

**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, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other Revenues	\$476,000	\$476,000	\$173,185	(\$302,815)
<b>Total Revenues</b>	<b>476,000</b>	<b>476,000</b>	<b>173,185</b>	<b>(302,815)</b>
<b>EXPENDITURES</b>				
Current:				
General Government Services	350	350	0	350
Debt Service:				
Principal	450,000	450,000	145,000	305,000
Interest	25,875	25,875	24,450	1,425
<b>Total Expenditures</b>	<b>476,225</b>	<b>476,225</b>	<b>169,450</b>	<b>306,775</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(225)	(225)	3,735	3,960
Net change in fund balances	(225)	(225)	3,735	3,960
Fund Balances - beginning	8,411	8,411	16,316	7,905
<b>FUND BALANCES - ENDING</b>	<b>\$8,186</b>	<b>\$8,186</b>	<b>\$20,051</b>	<b>\$11,865</b>

**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, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other Revenues	\$1,950	\$1,950	\$5,521	\$3,571
<b>Total Revenues</b>	<b>1,950</b>	<b>1,950</b>	<b>5,521</b>	<b>3,571</b>
<b>EXPENDITURES</b>				
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,950	1,950	5,521	3,571
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(100,000)	(100,000)	(100,000)	0
<b>Total other financing sources (uses)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>0</b>
Net change in fund balances	(98,050)	(98,050)	(94,479)	3,571
Fund Balances - beginning	127,382	127,382	136,429	9,047
<b>FUND BALANCES - ENDING</b>	<b>\$29,332</b>	<b>\$29,332</b>	<b>\$41,950</b>	<b>\$12,618</b>

**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, 2006**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
<b>REVENUES</b>				
Other revenues	\$333,899	\$333,899	\$333,899	\$0
<b>TOTAL REVENUES</b>	<b>333,899</b>	<b>333,899</b>	<b>333,899</b>	<b>0</b>
<b>EXPENDITURES</b>				
Debt service:				
Principal	100,000	100,000	100,000	0
Interest	303,710	303,710	303,710	0
<b>TOTAL EXPENDITURES</b>	<b>403,710</b>	<b>403,710</b>	<b>403,710</b>	<b>0</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(69,811)	(69,811)	(69,811)	0
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	69,811	69,811	69,811	0
<b>Total other financing sources (uses)</b>	<b>69,811</b>	<b>69,811</b>	<b>69,811</b>	<b>0</b>
Net change in fund balances	0	0	0	0
Fund Balances - beginning	0	0	0	0
<b>FUND BALANCES - ENDING</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# 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.

**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.

**825 All Funds Investment Fund** – accounts for investments 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, 2006**

	BALANCE JANUARY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31, 2006
<b><u>FUND 811 - PAYROLL CLEARING</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$0	\$25,936,624	\$25,936,624	\$0
<b>TOTAL ASSETS</b>	<b>\$0</b>	<b>\$25,936,624</b>	<b>\$25,936,624</b>	<b>\$0</b>
<b>LIABILITIES</b>				
Wages Payable	\$0	\$10,850,171	\$10,850,171	\$0
Accounts payable	0	20,488,241	20,488,241	0
<b>TOTAL LIABILITIES</b>	<b>\$0</b>	<b>\$31,338,412</b>	<b>\$31,338,412</b>	<b>\$0</b>
<b><u>FUND 812 - CLAIMS CLEARING</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$0	\$39,114,131	\$39,114,131	\$0
<b>TOTAL ASSETS</b>	<b>\$0</b>	<b>\$39,114,131</b>	<b>\$39,114,131</b>	<b>\$0</b>
<b>LIABILITIES</b>				
Accounts payable	\$0	\$39,075,577	\$39,075,577	\$0
<b>TOTAL LIABILITIES</b>	<b>\$0</b>	<b>\$39,075,577</b>	<b>\$39,075,577</b>	<b>\$0</b>
<b><u>FUND 825 - INVESTMENT CLEARING</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$0	\$51,060,857	\$51,060,857	\$0
<b>TOTAL ASSETS</b>	<b>\$0</b>	<b>\$51,060,857</b>	<b>\$51,060,857</b>	<b>\$0</b>
<b>LIABILITIES</b>				
Accounts payable	\$0	\$0	\$0	\$0
<b>TOTAL LIABILITIES</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>TOTAL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$0	\$116,111,612	\$116,111,612	\$0
<b>TOTAL ASSETS</b>	<b>\$0</b>	<b>\$116,111,612</b>	<b>\$116,111,612</b>	<b>\$0</b>
<b>LIABILITIES</b>				
Wages payable	\$0	\$10,850,171	\$10,850,171	\$0
Accounts payable	0	59,563,818	59,563,818	0
<b>TOTAL LIABILITIES</b>	<b>\$0</b>	<b>\$70,413,989</b>	<b>\$70,413,989</b>	<b>\$0</b>



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# STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information. This information is unaudited.

## **Contents**

### **Financial Trends**

These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.

### **Revenue Capacity**

These tables contain information that may assist the reader in assessing the viability of the City's most significant "own-source" revenue source, property taxes.

### **Debt Capacity**

These tables present information that may assist the reader in analyzing the affordability of the County's current levels of outstanding debt and the City's ability to issue additional debt in the future.

### **Demographic and Economic Information**

These tables present demographic and economic information intended (1) to assist users in understanding the socioeconomic environment within which the City operates and (2) to provide information that facilitates comparisons of financial statement information over time and among cities.

### **Operating Information**

These tables contain service and infrastructure indicators that can inform one's understanding how the information in the City's financial statements relates to the services the City provides and the activities it performs.

### ***Data Source:***

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the applicable year. The City implemented GASB Statement No. 34 in fiscal year 2003, therefore tables presenting government-wide financial data include only four years of information.

**GOVERNMENT WIDE NET ASSETS BY COMPONENT**  
Last Four Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
	<u>Amounts</u>			
<b>Governmental Activities</b>				
Invested in capital assets, net of related debt <sup>3</sup>	\$ 1,777,861	\$ 15,661,061	\$ 18,521,057	\$ 51,166,559
Restricted	11,119,246	5,804,684	6,749,421	6,717,794
Unrestricted	17,883,400	13,175,522	15,503,551	11,724,719
Total governmental activities net assets	<u>\$ 30,780,507</u>	<u>\$ 34,641,267</u>	<u>\$ 40,774,029</u>	<u>\$ 69,609,072</u>
<b>Business-type Activities</b>				
Invested in capital assets, net of related debt	\$ 38,375,525	\$ 41,657,416	\$ 44,910,309	\$ 47,924,210
Restricted	4,326,736	910,598	699,701	686,847
Unrestricted	10,955,342	12,329,203	12,047,828	10,764,229
Total business-type activities net assets	<u>\$ 53,657,603</u>	<u>\$ 54,897,217</u>	<u>\$ 57,657,838</u>	<u>\$ 59,375,286</u>
<b>Primary Government</b>				
Invested in capital assets, net of related debt	\$ 40,153,386	\$ 57,318,477	\$ 63,431,366	\$ 99,090,769
Restricted	15,445,982	6,715,282	7,449,122	7,404,641
Unrestricted	28,838,742	25,504,725	27,551,379	22,488,948
Total primary government net assets	<u>\$ 84,438,110</u>	<u>\$ 89,538,484</u>	<u>\$ 98,431,867</u>	<u>\$ 128,984,358</u>

**Notes:**

Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted only when (1) an external party, such as the State of Washington or the federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the City. There are no restrictions currently reported as a result of enabling legislation.

The City implemented GASB Statement No. 34 in fiscal year 2003, therefore, only four years of government-wide financial data is presented.

The increase in "invested in capital assets, net of related debt" from fiscal years 2005 - 2006 relates to the retrospective reporting of infrastructure assets in governmental activities, as required by GASB Statement No. 34.

**Source:** Prior years published Comprehensive Annual Financial Reports.

**CHANGE IN NET ASSETS – GOVERNMENT WIDE**  
Last Four Fiscal Years

	2003	2004	2005	2006
<b>Expenses:</b>				
Governmental activities				
General government	\$ 8,446,718	\$ 6,053,881	\$ 6,105,305	\$6,178,971
Judicial	-	-	538,956	767,221
Public safety	15,727,734	15,184,024	15,268,262	17,021,180
Physical environment	1,975,296	1,844,923	1,664,723	1,866,080
Economic environment	574,557	880,137	1,027,373	1,169,306
Mental and physical health	101,257	8,468	9,082	8,562
Culture and recreation	2,887,460	3,108,916	3,648,189	5,822,424
Transportation	525,077	754,092	1,038,406	1,283,183
Interest and fiscal charges	1,208,012	1,078,106	666,094	531,869
Total governmental activities expenses	<u>31,446,111</u>	<u>28,912,547</u>	<u>29,966,390</u>	<u>34,648,796</u>
Business-type activities				
Utility Operations	10,609,568	11,346,771	11,114,516	11,528,591
Total business-type activities expenses	<u>10,609,568</u>	<u>11,346,771</u>	<u>11,114,516</u>	<u>11,528,591</u>
<b>Program Revenues:</b>				
Governmental activities				
Charges for services:				
General government	3,099,891	2,439,152	2,211,982	\$2,324,217
Public safety	3,473,896	3,290,851	1,444,264	1,237,307
Other	1,382,313	1,593,855	3,530,613	3,543,577
Operating grants and contributions	784,940	241,045	107,445	597,047
Capital grants and contributions	590,001	454,700	2,145,854	3,046,262
Total governmental activities program revenue	<u>9,331,041</u>	<u>8,019,603</u>	<u>9,440,158</u>	<u>10,748,410</u>
Business-type activities				
Charges for services	11,398,816	11,334,141	12,553,652	12,644,769
Operating grants and contributions	40,199	47,067	37,898	44,350
Capital grants and contributions	496,713	677,797	775,691	512,527
Total business-type activities program revenues	<u>11,935,728</u>	<u>12,059,005</u>	<u>13,367,241</u>	<u>13,201,646</u>
<b>Net (Expense) Revenue</b>				
Governmental activities	(22,115,070)	(20,892,944)	(20,526,232)	(23,900,386)
Business-type activities	1,326,160	712,234	2,252,725	1,673,055
Total primary government net expense	<u>(20,788,910)</u>	<u>(20,180,710)</u>	<u>(18,273,507)</u>	<u>(22,227,331)</u>
<b>General Revenues:</b>				
Governmental activities				
Taxes:				
Property	10,623,848	10,922,324	11,058,167	11,497,708
Sales	4,832,004	5,029,012	5,423,994	5,835,031
Utility	3,677,778	3,777,845	3,986,062	4,228,565
Other	3,107,503	3,589,917	4,344,893	4,570,863
Investment earnings	393,856	363,449	522,367	841,684
Gain on sale of capital assets	299,056	64,681	273,700	195,896
Miscellaneous	357,866	443,631	323,749	380,466
Transfers	105,285	100,814	157,755	157,671
Total governmental activities general revenues	<u>23,397,196</u>	<u>24,291,673</u>	<u>26,090,687</u>	<u>27,707,884</u>
Business-type activities				
Investment earnings	381,901	217,131	324,668	516,612
Miscellaneous	-	-	16,584	24,792
Transfers	(105,285)	(101,112)	(157,755)	(157,671)
Total business-type activities general revenues	<u>276,616</u>	<u>116,019</u>	<u>183,497</u>	<u>383,733</u>
Total primary government	<u>23,673,812</u>	<u>24,407,692</u>	<u>26,274,184</u>	<u>28,091,617</u>
<b>Prior period adjustment</b>				
Governmental activities	(16,412)	461,674	568,307	25,027,545
Business-type activities	(2,389,651)	411,360	324,399	(339,339)
Total primary government	<u>(2,406,063)</u>	<u>873,034</u>	<u>892,706</u>	<u>24,688,206</u>
<b>Change in Net Assets</b>				
Governmental activities	1,265,714	3,860,403	6,132,762	28,835,043
Business-type activities	(786,875)	1,239,613	2,760,621	1,717,449
Total primary government	<u>\$ 478,839</u>	<u>\$ 5,100,016</u>	<u>\$ 8,893,383</u>	<u>\$ 30,552,492</u>

**Notes:** The City implemented GASB 34 in fiscal year 2003, therefore only four years of data is presented.

**Source:** Prior years published Comprehensive Annual Financial Reports.

**TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS**  
Last Eight Fiscal Years

Fiscal Year	Property	Sales & Use	Utility	Lodging	Real Estate Excise	Other <sup>1</sup>	Total
1999	8,424,566	4,597,288	2,392,104	63,736	1,497,115	631,730	17,606,539
2000	9,246,558	4,773,265	2,855,273	66,581	1,265,203	395,298	18,602,178
2001	9,606,327	4,737,766	3,228,422	65,791	1,406,242	361,149	19,405,698
2002	9,862,866	4,672,049	3,365,974	55,839	1,490,149	359,823	19,806,700
2003	10,255,691	4,840,940	3,505,244	54,619	1,596,227	240,036	20,492,758
2004	10,940,440	5,038,596	3,768,262	61,385	2,042,072	229,023	22,079,778
2005	11,146,094	5,433,086	3,976,971	66,502	2,744,083	236,469	23,603,205
2006	11,491,162	5,854,152	4,209,444	75,077	2,868,297	264,679	24,762,811
Percentage Change In Dollars Over 8 Years	36.4%	27.3%	76.0%	17.8%	91.6%	-58.1%	40.6%

**Notes:**

Detailed information on tax revenues by source not available for years prior to 1999.

<sup>1</sup> Includes leasehold excise tax, pull tabs, bingo, and amusement games tax

**Source:** Prior years published Comprehensive Annual Financial Reports.

**FUND BALANCES - GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

Page 1 of 2

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>General Fund</b>					
Reserved	\$ 3,662	\$ -	\$ 17,582	\$ 15,652	\$ -
Unreserved	4,851,767	5,417,119	5,706,191	6,328,821	5,075,385
<b>Subtotal General Fund</b>	<b>4,855,429</b>	<b>5,417,119</b>	<b>5,723,773</b>	<b>6,344,473</b>	<b>5,075,385</b>
<b>General Fund Percentage Change</b>	<b>0.0%</b>	<b>11.6%</b>	<b>5.7%</b>	<b>10.8%</b>	<b>-20.0%</b>
<b>All Other Governmental Funds</b>					
Reserved	462,474	447,539	480,259	511,368	810,220
Unreserved					
Special Revenue Funds	4,398,081	5,166,935	6,013,469	6,695,118	8,205,084
Capital Projects Funds	9,436,502	6,264,729	2,638,851	2,435,613	4,980,849
<b>Subtotal All Other Governmental Funds</b>	<b>14,297,057</b>	<b>11,879,203</b>	<b>9,132,579</b>	<b>9,642,099</b>	<b>13,996,153</b>
<b>Total Governmental Funds</b>					
Reserved	466,136	447,539	497,841	527,020	810,220
Unreserved	18,686,350	16,848,783	14,358,511	15,459,552	18,261,318
<b>Total Governmental Funds</b>	<b>\$ 19,152,486</b>	<b>\$ 17,296,322</b>	<b>\$ 14,856,352</b>	<b>\$ 15,986,572</b>	<b>\$ 19,071,538</b>
<b>All Governmental Funds Percentage Change</b>	<b>0.0%</b>	<b>-9.7%</b>	<b>-14.1%</b>	<b>7.6%</b>	<b>19.3%</b>

Source: Prior years published Comprehensive Annual Financial Reports.

**FUND BALANCES - GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

Page 2 of 2

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ -	\$ 129,423	\$ -	\$ -	\$ -
5,592,524	6,293,691	7,647,155	7,982,694	8,089,403
5,592,524	6,423,114	7,647,155	7,982,694	8,089,403
10.2%	14.9%	19.1%	4.4%	1.3%
647,503	704,933	323,711	152,745	276,376
7,197,588	3,769,929	8,306,278	10,654,716	8,696,973
2,899,853	3,614,307	167,769	-	-
10,744,944	8,089,169	8,797,758	10,807,461	8,973,349
647,503	834,356	323,711	152,745	276,376
15,689,965	13,677,927	16,121,202	18,637,410	16,786,376
\$ 16,337,468	\$ 14,512,283	\$ 16,444,913	\$ 18,790,155	\$ 17,062,752
-14.3%	-11.2%	13.3%	14.3%	-9.2%

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

Page 1 of 2

	1997	1998	1999	2000
<b>Revenues:</b>				
Taxes	\$ 15,146,203	\$ 16,117,761	\$ 17,606,538	\$ 18,602,178
Licenses and permits	475,359	469,694	673,962	1,118,165
Intergovernmental	4,521,170	4,558,607	4,205,884	3,417,691
Charges for services	1,860,154	1,602,335	2,145,655	2,396,435
Fines and forfeitures	575,259	573,081	560,347	636,048
Other revenue	1,557,896	1,445,573	1,201,454	1,503,773
<b>Total revenues</b>	<b>\$ 24,136,041</b>	<b>\$ 24,767,051</b>	<b>\$ 26,393,840</b>	<b>\$ 27,674,290</b>
<b>Expenditures:</b>				
General government	4,253,014	4,409,802	4,779,062	4,705,542
Security of persons and property	8,471,146	9,360,960	10,322,966	10,768,745
Physical environment	710,686	779,416	839,004	861,700
Transportation	1,234,439	967,491	994,620	1,060,441
Economic environment	489,494	522,246	664,654	750,636
Mental and physical health	334,421	459,032	689,964	722,039
Culture and recreation	2,791,759	2,903,992	3,236,729	3,337,716
Capital outlay	3,566,593	6,569,272	5,794,661	5,312,987
Debt service:				
Principal retirement	1,844,840	1,554,552	1,717,190	1,867,383
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>23,696,392</b>	<b>27,526,763</b>	<b>29,038,850</b>	<b>29,387,189</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>439,649</b>	<b>(2,759,712)</b>	<b>(2,645,010)</b>	<b>(1,712,899)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of capital leases	605,128	689,528	-	-
Proceeds of refunding bonds	-	-	-	-
Proceeds from Long-Term Debt	-	-	1,884,794	2,743,000
Payment to refunded bonds escrow agent	-	-	-	-
Capital contributions to other government	-	-	(1,884,794)	-
Sale of fixed assets	-	13,497	30,862	-
Proceeds from Issuance of Bond Anticipation Notes	-	-	-	-
Transfers in	1,244,116	705,665	1,288,998	1,349,478
Transfers out	(1,188,406)	(537,181)	(1,149,009)	(1,290,635)
<b>Total Other Financing Sources (Uses)</b>	<b>660,838</b>	<b>871,509</b>	<b>170,851</b>	<b>2,801,843</b>
Prior period corrections	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>\$ 1,100,487</b>	<b>\$ (1,888,203)</b>	<b>\$ (2,474,159)</b>	<b>\$ 1,088,944</b>
<b>Debt Service as a % of Noncapital Expenditures</b>	<b>10.1%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>8.4%</b>

**Source:** Prior years published Comprehensive Annual Financial Reports

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

Page 2 of 2

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
\$	19,120,571	\$ 19,806,699	\$ 20,492,758	\$ 22,079,776	\$ 23,543,206	\$24,762,811
	982,176	1,001,635	1,105,109	1,512,968	1,586,265	1,595,459
	5,432,608	3,993,510	4,355,014	3,391,452	4,780,988	6,330,512
	2,467,181	2,650,359	2,871,571	3,355,377	3,183,770	3,267,307
	605,263	434,170	536,555	513,611	354,383	505,402
	2,539,404	2,098,613	1,575,037	1,283,911	1,494,301	1,867,779
\$	31,147,203	\$ 29,984,986	\$ 30,936,044	\$ 32,137,095	\$ 34,942,913	\$ 38,329,270
	5,752,749	5,927,313	5,744,297	5,724,465	6,266,034	6,733,227
	11,694,882	12,227,213	12,786,639	14,418,558	14,601,519	15,693,183
	923,307	934,018	871,693	1,040,113	1,877,941	1,824,727
	1,294,678	1,231,487	1,487,633	1,266,838	1,170,188	1,231,251
	789,693	784,183	523,049	877,816	914,881	1,156,471
	732,871	979,639	955,094	8,468	9,082	8,562
	3,452,410	2,508,228	2,576,330	2,626,855	2,711,223	2,976,815
	6,202,322	4,202,261	5,703,817	1,548,070	3,041,470	8,532,955
	4,415,444	2,441,931	3,077,032	1,894,713	1,446,333	1,518,665
	-	-	-	1,178,628	1,104,200	1,059,377
	35,258,356	31,236,273	33,725,584	30,584,524	33,142,871	40,735,233
	(4,111,153)	(1,251,287)	(2,789,540)	1,552,571	1,800,042	(2,405,963)
	-	-	-	36,500	505,000	-
	-	7,018,859	7,000,000	-	-	-
	7,557,150	-	255,000	80,000	279,029	751,058
	-	-	(6,959,659)	-	-	-
	-	-	-	-	-	-
	5,501	3,056	299,056	-	-	153,982
	-	-	-	-	-	-
	2,886,064	2,691,692	1,908,898	2,158,561	1,485,752	992,726
	(2,783,603)	(11,736,266)	(1,508,996)	(1,970,678)	(1,487,997)	(1,238,139)
	7,665,112	(2,022,659)	994,299	304,383	781,784	659,627
	-	-	-	75,318	(236,584)	18,934
\$	3,553,959	\$ (3,273,946)	\$ (1,795,241)	\$ 1,932,272	\$ 2,345,242	\$ (1,727,402)
	17.9%	9.9%	12.3%	11.8%	9.3%	8.7%

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**TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY**

Last Seven Fiscal Years

Page 1 of 2

<b>Year Ended December, 31</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Agricultural Property</b>	<b>Mult- Family Property</b>	<b>Other Property</b>
2000	\$2,645,557,747	\$480,977,700	\$6,283,800	\$1,858,000	\$167,489,200	\$66,671,100
2001	2,696,702,250	489,405,966	6,242,800	1,858,000	168,267,300	67,218,900
2002	2,731,165,499	542,745,166	5,418,800	1,844,400	169,042,800	66,367,300
2003	2,769,798,200	551,696,766	5,418,800	1,844,400	171,878,600	69,855,800
2004	3,787,693,800	674,959,350	14,342,000	2,715,700	259,966,800	95,722,500
2005	4,135,907,800	702,820,600	5,514,200	2,845,200	277,035,300	112,249,000
2006	4,640,914,959	820,116,000	6,342,800	4,438,200	298,599,600	126,461,780

**Source:** Snohomish County Assessor's Office

**Notes:**

Information is not available for years prior to 2000.

<sup>1</sup> Washington State law requires all property be assessed at 100 % of its true and fair market value.

<sup>2</sup> Tax rates expressed in rate per \$1,000

**TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY**

Last Seven Fiscal Years

Page 2 of 2

<b>Less: Tax Exempt Property</b>	<b>Total Taxable Assessed Value<sup>1</sup></b>	<b>Total Direct Tax Rate<sup>2</sup></b>	<b>Estimated Actual Value</b>
(\$527,778,415)	\$2,841,059,132	2.94	\$3,368,837,547
(220,939,264)	3,208,755,952	2.96	3,429,695,216
(255,539,552)	3,261,044,413	3.01	3,516,583,965
(252,180,439)	3,318,312,127	3.07	3,570,492,566
(369,881,083)	4,465,519,067	2.47	4,835,400,150
(417,080,173)	4,819,291,927	2.33	5,236,372,100
(466,813,697)	5,430,059,642	2.14	5,896,873,339

**PROPERTY TAX RATES DIRECT AND OVERLAPPING**  
(per \$1,000 of assessed valuation)  
Last Ten Fiscal Years

Year	City	County	School		Other Overlapping Rates			Total
			State	Local	Library	Port	Hospital	
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	0.24	11.43
2006	2.14	1.45	2.53	3.74	0.42	0.09	0.22	10.60

**Source:** Snohomish County Assessor Annual Reports

**PRINCIPAL TAXPAYERS**  
December 31, 2006 and 1997

Principal Taxpayer	2006			1997			
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Equity Residential Prop TR	\$ 24,500,000	1	5.89%	ERP Limited Partnership	\$ 19,448,500	1	4.68%
Park 212 Apt LLC	15,703,200	2	3.78%	AMB Property LP	9,601,300	2	2.31%
FW WA-Aurora Marketpalce LLC	13,343,700	3	3.21%	Park 212 Apartments	8,649,500	3	2.08%
Briar Development Co	12,108,000	4	2.91%	Briar Development Co.	8,633,000	4	2.08%
Stevens Pavillion LLC	12,100,700	5	2.91%	9830 Investments	6,042,300	5	1.45%
Stevens Med LLC	11,279,000	6	2.71%	L P Franklin-Edmonds	5,794,700	6	1.39%
FSC Pacific Park Associates LLC	10,877,400	7	2.62%	Edmonds Associates	5,161,600	7	1.24%
Franklin-Edmonds LLC	10,528,400	8	2.53%	Unicare Homes Inc.	4,800,000	8	1.15%
Edmonds Retirement Comm LLC	9,693,500	9	2.33%	Kruger Clinic	4,344,400	9	1.04%
Puget Sound Energy/Gas	8,292,412	10	1.99%	Edmonds Professional Center	4,321,500	10	1.04%
Total Principal Taxpayers	128,426,312		2.37%		76,796,800		2.91%
All Other Taxpayers	5,301,633,330		97.63%		2,564,685,232		97.09%
Total	\$ 5,430,059,642		100.00%		\$2,641,482,032		100.00%

Source: Snohomish County Assessor

**PROPERTY TAX LEVIES AND COLLECTIONS**  
Last Ten Fiscal Years

For the Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of The Levy		Collections in Subsequent Years	Total Collections to Date		Total Uncollected Taxes <sup>1</sup>	
		Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
1997	\$ 7,186,340	\$ 7,024,659	97.75%	\$ 162,847	\$ 7,187,506	100.02%	\$ (1,166)	-0.02%
1998	7,543,925	7,339,627	97.29%	204,939	7,544,566	100.01%	(641)	-0.01%
1999	8,416,688	8,146,757	96.79%	245,898	8,392,655	99.71%	24,033	0.29%
2000	9,333,601	9,142,301	97.95%	191,023	9,333,324	100.00%	277	0.00%
2001	9,528,000	9,540,961	100.14%	(13,361)	9,527,600	100.00%	400	0.00%
2002	9,920,195	9,836,863	99.16%	82,845	9,919,708	100.00%	487	0.00%
2003	10,209,227	9,986,121	97.81%	221,096	10,207,217	99.98%	2,010	0.02%
2004	10,941,961	10,718,852	97.96%	205,958	10,924,810	99.84%	17,151	0.16%
2005	11,152,382	10,947,400	98.16%	156,504	11,103,904	99.57%	48,478	0.43%
2006	11,506,710	11,267,986	97.93%	-	11,267,986	97.93%	238,724	2.07%

**Notes:**

<sup>1</sup> The amounts reported in the total uncollected taxes column are the uncollected taxes for each tax levy.

**Source:** Snohomish County Assessor

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**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

December, 31, 2006

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Edmonds</u>	<u>Amount Applicable to Edmonds</u>
City of Edmonds	<u>\$25,486,055</u>	100.00%	<u>\$25,486,055</u>
Total Direct Debt	<u>\$25,486,055</u>	100.00%	<u>\$25,486,055</u>
Local School	269,295,000	32.94%	88,707,439
County	411,677,303	7.92%	32,587,536
Hospital	8,440,000	30.68%	2,589,610
Port	9,495,000	85.47%	8,115,148
Library	<u>6,725,000</u>	10.72%	<u>720,639</u>
Total Overlapping Debt	<u>705,632,303</u>	18.81%	<u>132,720,373</u>
Total Direct and Overlapping Debt	<u>\$731,118,358</u>	21.64%	<u>\$158,206,428</u>

**Notes:** The percentage of Net Debt Outstanding applicable to Edmonds was determined by review of the Snohomish County Assessor records and allocating based on Tax Code Areas (TCA's).

**COMPUTATION OF LEGAL DEBT MARGIN**

Last Ten Fiscal Years

Page 1 of 2

For the Year Ended December 31,	1997	1998	1999	2000	2001
Total Taxable Property Value	\$2,641,482,032	\$2,668,908,479	\$2,841,059,132	\$3,208,755,952	\$3,261,044,413
(1) 2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted	66,037,051	66,722,712	71,026,478	80,218,899	81,526,110
(2) <i>Up to 1.5% debt without a vote (councilmanic)</i>	39,622,230	40,033,627	42,615,887	48,131,339	48,915,666
(3) Less: outstanding debt	(6,985,000)	(6,885,000)	(6,290,000)	(5,675,000)	(10,675,000)
(4) Less: contracts payable	(3,322,957)	(3,642,463)	(5,479,700)	(7,851,552)	(5,150,466)
(5) Less: excess of debt with a vote	0	0	0	0	0
(6) Add: available assets	462,199	447,539	473,925	507,747	841,359
(7) Equals: remaining debt capacity without a vote	29,776,472	29,953,703	31,320,112	35,112,534	33,931,559
(8) <i>1% general purposes debt with a vote</i>	26,414,820	26,689,085	28,410,591	32,087,560	32,610,444
(9) Less: outstanding debt	(9,275,000)	(9,275,000)	(9,075,000)	(8,850,000)	(8,600,000)
(10) Less: contracts payable	0	0	0	0	0
(11) Add: available assets	0	0	0	0	0
(12) Equals: remaining debt capacity with a vote	17,139,820	17,414,085	19,335,591	23,237,560	24,010,444
(13) 2.5% Utility purpose limit, voted	66,037,051	66,722,712	71,026,478	80,218,899	81,526,110
(14) Less: outstanding debt	0	0	0	0	0
(15) Less: contracts payable	0	0	0	0	0
(16) Add: available assets	0	0	0	0	0
(17) Equals: remaining debt capacity - utility purposes, voted	66,037,051	66,722,712	71,026,478	80,218,899	81,526,110
(18) 2.5% Open space, park and capital facilities, voted	66,037,051	66,722,712	71,026,478	80,218,899	81,526,110
(19) Less: outstanding debt	0	0	0	0	0
(20) Less: contracts payable	0	0	0	0	0
(21) Add: available assets	0	0	0	0	0
(22) Equals: remaining debt capacity - open space and capital facilities, voted	66,037,051	66,722,712	71,026,478	80,218,899	81,526,110

**Source:** Prior years published Comprehensive Annual Financial Reports.

**COMPUTATION OF LEGAL DEBT MARGIN**

Last Ten Fiscal Years

Page 2 of 2

<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
\$3,318,312,127	\$4,465,519,067	\$4,819,291,927	\$5,430,059,642	\$6,665,146,142
82,957,803	111,637,977	120,482,298	135,751,491	166,628,654
49,774,682	66,982,786	72,289,379	81,450,895	99,977,192
(17,185,000)	33,756,709	(15,990,000)	(15,510,525)	(15,400,693)
(4,866,776)	(5,344,846)	(5,602,104)	(6,510,245)	(7,361,940)
0	0	0	0	0
644,594	501,868	350,743	322,816	1,221,281
<b>28,367,500</b>	<b>95,896,517</b>	<b>51,048,018</b>	<b>59,752,940</b>	<b>78,435,840</b>
33,183,121	44,655,191	48,192,919	54,300,596	66,651,461
(8,320,000)	(8,825,000)	(8,395,000)	(7,930,000)	(7,435,000)
0	0	(9,196)	0	0
0	0	0	0	0
<b>24,863,121</b>	<b>35,830,191</b>	<b>39,788,723</b>	<b>46,370,596</b>	<b>59,216,461</b>
82,957,803	111,637,977	120,482,298	135,751,491	166,628,654
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<b>82,957,803</b>	<b>111,637,977</b>	<b>120,482,298</b>	<b>135,751,491</b>	<b>166,628,654</b>
82,957,803	111,637,977	120,482,298	135,751,491	166,628,654
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<b>82,957,803</b>	<b>111,637,977</b>	<b>120,482,298</b>	<b>135,751,491</b>	<b>166,628,654</b>

**RATIO OF TOTAL DEBT OUTSTANDING BY TYPE**

Last Ten Fiscal Years

Page 1 of 2

Fiscal Year	Governmental - Activities				Total
	General Obligation Bonds	Capital Contracts	Public Works Trust Fund Loans	Bond Anticipation Note	
1997	\$ 16,260,000	\$ 1,686,651	\$ -	\$ -	\$ 17,946,651
1998	16,160,000	2,285,785	-	-	18,445,785
1999	15,365,000	3,999,950	-	-	19,364,950
2000	14,525,000	3,673,679	-	2,743,000	18,198,679
2001	19,275,000	3,341,092	-	-	22,616,092
2002	25,505,000	2,995,240	-	-	28,500,240
2003	25,440,000	2,634,879	255,000	-	28,074,879
2004	24,385,000	2,259,463	321,579	-	26,644,463
2005	23,440,525	2,142,255	688,436	-	25,582,780
2006	22,835,693	2,041,259	775,243	-	24,876,952

**Notes:** Information on the City’s outstanding debt can be found in the Notes to the Financial Statements.

**RATIO OF TOTAL DEBT OUTSTANDING BY TYPE**

Last Ten Fiscal Years

Page 2 of 2

		<b>Business-type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
<b>Revenue Bonds</b>	<b>Public Works Trust Fund Loans</b>	<b>Total</b>				
\$ 12,080,000	\$ -	\$ 12,080,000	\$ 30,026,651	2.92%	\$ 778	
12,270,000	-	12,270,000	30,715,785	2.87%	796	
11,050,000	-	11,050,000	30,414,950	2.76%	788	
10,035,000	-	10,035,000	28,233,679	2.35%	714	
9,095,000	-	9,095,000	31,711,092	2.57%	801	
8,105,000	-	8,105,000	36,605,240	2.95%	928	
9,060,000	654,075	9,060,000	37,134,879	2.96%	938	
7,935,000	1,415,250	7,935,000	34,579,463	1.52%	497	
7,485,000	2,045,486	7,485,000	33,067,780	1.45%	473	
6,315,000	2,006,948	6,315,000	31,191,952	2.37%	773	

**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>
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
2006	40,360	6,665,146	22,835,693	0	22,835,693	0.34%	566

**REVENUE BOND COVERAGE**  
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>	
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%
2006	13,230,523	9,205,572	4,024,951	1,170,000	249,955	1,419,955	2.83%

**Notes:**<sup>1</sup> Includes operating and non-operating revenue<sup>2</sup> Excludes depreciation

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
Last Ten Fiscal Years

<b>Year</b>	<b>Population (1)</b>	<i>(thousands of dollars)</i> <b>Personal Income</b>	<b>Per Capita Income (2)</b>	<b>Median Age (3)</b>	<b>School Enrollment (4)</b>	<b>Unemployment Rate (2)</b>
1997	38,610	1,030,038	26,678	32.4	4,582	4.2%
1998	38,610	1,069,188	27,692	32.4	4,828	4.1%
1999	38,610	1,103,474	28,580	32.4	4,828	4.7%
2000	39,544	1,201,861	30,393	42.0	4,600	4.5%
2001	39,560	1,233,402	31,178	42.0	4,600	5.3%
2002	39,460	1,242,793	31,495	42.0	5,184	7.0%
2003	39,580	1,252,707	31,650	42.0	5,184	7.1%
2004	39,620	1,291,255	32,591	42.0	5,184	5.7%
2005	39,860	1,299,077	32,591	42.0	5,020	5.1%
2006	40,360	1,315,373	32,591	42.0	5,541	4.6%

## Notes:

- (1) Information provided by Workforce Explorer.
- (2) Information provided by Workforce Explorer, and is for Snohomish County.
- (3) U.S. Census Bureau, Census 2000.
- (4) Information provided by Edmonds School District.

**PRINCIPAL EMPLOYERS**

December 31, 2006

<u>Employer</u>	<u>2006</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Stevens Memorial Hospital	1,500	1	9.68%
City of Edmonds	330	2	2.13%
Edmonds School District	165	3	1.06%
Aldercrest	160	4	1.03%
Anthony's Restaurants	141	5	0.91%
Top Foods	122	6	0.79%
Edmonds Rehabilitation	120	7	0.77%
Safeway	108	8	0.70%
Fred Meyer/QFC	84	9	0.54%
Burlington Coat Factory	73	10	0.47%
<b>Total Principal Employers</b>	2,803		18.09%
<b>Other Employers</b>	12,693		81.91%
<b>Total Employers</b>	15,496		100.00%

**Note:** Information for years prior to 2006 is not available.

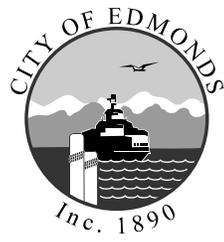
**Source:** Eden Business Licensing, Claritas, Snohomish County EDC

**CITY EMPLOYEES BY FUNCTION/PROGRAM**  
Last Ten Fiscal Years

<u>Function/program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City Council	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Mayor/City Clerk	6.0	8.5	8.5	8.5	7.0	7.0	7.0	7.0	7.0	7.0
Economic Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0
Human Resources	2.0	2.5	2.5	2.5	2.5	2.5	2.4	1.5	2.0	2.0
Municipal Court	5.0	6.0	6.0	6.0	6.0	6.0	6.0	7.5	7.5	7.5
Administrative Services	11.0	11.0	11.0	12.0	13.0	13.0	10.7	11.0	11.0	11.0
Police	65.0	70.0	71.0	71.0	72.5	72.5	69.0	69.0	70.0	73.0
Fire	41.0	41.0	41.0	41.0	41.5	44.5	51.0	53.0	53.0	54.0
Community Services	5.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Development Services	21.0	23.5	27.5	28.5	28.5	28.5	24.5	28.8	28.8	26.8
Parks	18.0	20.5	20.5	20.5	22.0	23.0	23.0	23.0	23.0	23.0
Public Works Administration	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Facilities	12.0	12.0	13.0	13.0	13.0	13.0	11.0	11.0	11.0	11.0
Streets/Storm	12.0	13.0	16.0	16.0	16.0	16.0	15.0	15.0	15.0	15.0
Water/Sewer/Treatment Plant	33.0	33.0	32.0	32.0	32.0	32.0	33.0	33.0	33.0	33.0
Equipment Rental	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total	<u>239.5</u>	<u>253.5</u>	<u>259.5</u>	<u>261.5</u>	<u>264.5</u>	<u>268.5</u>	<u>263.1</u>	<u>271.3</u>	<u>272.8</u>	<u>274.8</u>

**Source:** Prior years published Budgets

# SINGLE AUDIT SECTION



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**CITY OF EDMONDS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For Year Ended December 31, 2006**

1	2	3	4	5			6
				From Pass-Through Awards	From Direct Awards	Total	
US Department of Justice	Bulletproof Vest Partnership Program	16.607	N/A		\$8,132	\$8,132	
Washington State Traffic Safety Commission	State and Community Highway Safety	20.600	N/A	\$13,275		13,275	
Washington State Traffic Safety Commission	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Program (DUI Traffic Safety)	20.601	N/A	5,506		5,506	6
Washington State Traffic Safety Commission	Safety Incentive Grants for Use of Seatbelts (Traffic Safety)	20.604	N/A	3,939		3,939	
Washington State Department of Transportation	Highway Planning and Construction (Multi Modal)	20.205	STPU0104 (019)	25,914		25,914	
Snohomish County Office of Housing and Community Development	2003 Community Development Block Grants	14.228	CDBG-F 2003 #25	74,225		74,225	
Snohomish County Office of Housing and Community Development	2004 Community Development Block Grants	14.228	CDBG-F 2004 #01	22,901		22,901	
Snohomish County Office of Housing and Community Development	2005 Community Development Block Grants	14.228	CDBG-F 2005	40,698		40,698	
Federal Emergency Management Agency	Pre-Disaster Mitigation	97.017	E06-218	16,987		16,987	
Snohomish County Department of Emergency Management	State Domestic Preparedness Equipment Support Program	97.004	E05-071	200,000		200,000	
Snohomish County Department of Emergency Management	State Domestic Preparedness Equipment Support Program	97.004	N/A	3,914		3,914	5
Snohomish County Department of Emergency Management	ODP Mass Decontamination Equipment Training Overtime	97.005	N/A	829		829	
Department of Homeland Security	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	EMW-2005-FG-03795		195,152	195,152	
Snohomish County Department of Emergency Management	Homeland Security Outreach, Education, and Demonstration of Technologies	97.086	N/A	3,138		3,138	
<b>Total Federal Awards Expended</b>				<b>\$411,325</b>	<b>\$203,284</b>	<b>\$614,610</b>	

**City of Edmonds**  
**SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE**  
**For the Year Ended December 31, 2006**

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	G0600170	\$22,335
Shoreline Master Program	G0600108	91,284
<b>TOTAL DEPARTMENT OF ECOLOGY</b>		<b>113,619</b>
<u>Department of Transportation</u>		
220th St SW Improvements	8-1-139(001)-1	1,661,600
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>		<b>1,661,600</b>
<u>WA State Traffic Safety Commission</u>		
School Zone Funds/Decatur Radar	11504	4,787
Drug Recognition Enforcement	N/A	486
<b>TOTAL WASHINGTON STATE TRAFFIC</b>		<b>5,273</b>
<u>WA State Department of Health</u>		
EMS Pre-hospital Participation Grant	64901450	1,463
<b>TOTAL DEPARTMENT OF HEALTH</b>		<b>1,463</b>
<u>Snohomish County</u>		
Mitigation - Woodway Elem Land Purchase	SC306A	1,200,000
PDS - Hotel Motel - Team Edmonds	187153	2,820
<b>TOTAL SNOHOMISH COUNTY</b>		<b>1,202,820</b>
<b>TOTAL STATE AND LOCAL ASSISTANCE</b>		<b>\$2,984,776</b>

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**CITY OF EDMONDS, WASHINGTON**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FINANCIAL ASSISTANCE**  
**For the Year Ended December 31, 2006**

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

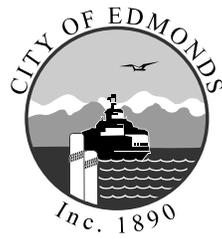
The City does not have any federal loans.

NOTE 5 – NONCASH AWARDS – 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. Of this amount, \$310 of equipment was received in 2005.

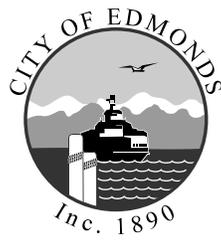
NOTE 6 – PRIOR PERIOD EXPENDITURES

A portion of the amount of funding reported on the schedule from the Washington State Traffic Safety Commission for DUI Traffic Safety (\$345) is for costs expended in 2005. These expenditures were not on the 2005 schedule because the City applied for and received the grant funding in 2006.



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## SUPPLEMENTAL SCHEDULES



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**City of Edmonds  
Schedule of Long-Term Debt  
For the Year Ended December 31, 2006**

**General Obligation Debt**

I.D. NUMBER	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/06	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/06
251.12	08/01/96	12/01/16	1,180,000	0			400,000	591.52	001	780,000
251.10	12/01/98	12/01/14	3,960,000	0			400,000	591.79	001/111/126	3,560,000
251.10	09/01/01	12/01/21	2,610,000	0			120,000	591.79 591.23	411 001	2,490,000
251.10	12/15/01	12/01/21	1,955,000	0			85,000	582.00 591.01	414 126	1,870,000
251.10	11/13/02	12/01/26	6,810,000	0			100,000	591.73	234	6,710,000
251.12	07/01/03	12/01/16	6,750,000	0			95,000	591.52	001	6,655,000
251.10	02/23/05	12/01/10	175,525	0			32,565	591.73	001	142,960
251.10	03/24/06	03/24/08	0	627,733	391.60	116	0	591.00	001	627,733
263.81	01/06/03	06/30/22	308,436	0			18,143	591.95	112	290,293
263.81	09/13/04	06/30/24	380,000	0			20,000	591.90	112	360,000
263.81	05/24/06	05/24/26	0	124,950	391.80	112	0	591.00	112	124,950
263.80	01/01/96	01/01/15	624,665	0			59,706	591.78	001	564,959
263.80	06/01/05	12/01/19	1,517,589	0			82,478	591.22	001	1,435,111
263.53	07/01/04	07/01/07	119,960	0			78,771	548.68	511	41,189
			<u>\$26,391,175</u>	<u>\$752,683</u>			<u>\$1,491,663</u>			<u>\$25,652,195</u>

**Revenue Debt**

I.D. NUMBER	DATE OF ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/06	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/06
252.10	03/01/98	12/01/13	\$1,820,000	\$0			\$145,000	582.20	411	1,675,000
252.10	04/01/03	12/01/22	4,965,000	0			1,025,000	582.30	411	3,940,000
252.11	02/15/05	02/15/07	700,000	0			0		414	700,000
263.81	07/17/02	06/30/22	1,145,162	67,363	391.80 382.82	411 414	71,325	582.10	411/414	1,141,200
263.81	06/08/04	06/30/24	81,600	0			4,295	582.10	411	77,305
263.81	06/08/04	06/30/24	575,344	0			30,281	582.10	411	545,063
263.81	05/23/05	06/30/25	243,380	0			0		411	243,380
			<u>\$9,530,486</u>	<u>\$67,363</u>			<u>\$1,275,901</u>			<u>\$8,321,948</u>

**Special Assessment Debt**

I.D. NUMBER	DATE OF ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/06	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/06
253.11	12/01/01	12/01/16	\$435,000	\$0			\$145,000	582.10	211	\$290,000
			<u>\$435,000</u>	<u>\$0</u>			<u>\$145,000</u>			<u>\$290,000</u>

**City of Edmonds**  
**SCHEDULE OF LIMITATION OF INDEBTEDNESS**  
**AS OF DECEMBER 31, 2006**

Total Taxable Property Value	\$6,665,146,142	
(1) 2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted	166,628,654	
(2) <i>Up to 1.5% debt without a vote (councilmanic)</i>		99,977,192
(3) Less: outstanding debt		(15,400,693)
(4) Less: contracts payable		(7,361,940)
(5) Less: excess of debt with a vote		0
(6) Add: available assets		1,221,281
<b>(7) Equals: remaining debt capacity without a vote</b>		<b>78,435,840</b>
(8) <i>1% general purposes debt with a vote</i>		66,651,461
(9) Less: outstanding debt		(7,435,000)
(10) Less: contracts payable		0
(11) Add: available assets		0
<b>(12) Equals: remaining debt capacity with a vote</b>		<b>59,216,461</b>
(13) 2.5% Utility purpose limit, voted	166,628,654	
(14) Less: outstanding debt		0
(15) Less: contracts payable		0
(16) Add: available assets		0
<b>(17) Equals: remaining debt capacity - utility purposes, voted</b>		<b>166,628,654</b>
(18) 2.5% Open space, park and capital facilities, voted	166,628,654	
(19) Less: outstanding debt		0
(20) Less: contracts payable		0
(21) Add: available assets		0
<b>(22) Equals: remaining debt capacity - open space and capital facilities, voted</b>		<b>166,628,654</b>

**LIMITATION ON PUBLIC WORKS PROJECTS PERFORMED BY PUBLIC EMPLOYEES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. Total current public work construction budget as amended (annual or biennial as applicable)	<u>19,856,381</u>
2. Allowable portion of total public works (10 percent of line 1)	<u>1,985,638</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>1,985,638</u>
5. Total public works projects performed by public employees during the current year (include work performed by a county)	<u>78,518</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>1,907,120</u>

NOTE: If the restricted amount is over allowable, this amount must be carried forward to next budget period report

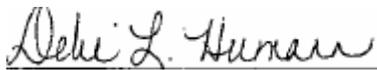
**LABOR RELATIONS CONSULTANTS**  
**For the year ended December 31, 2006**

Has your government engaged labor relations consultants? No

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

<b>Name of Firm</b>	
<b>Name of Consultant</b>	
<b>Business Address</b>	
<b>Amount Paid to Consultant During Fiscal Year</b>	
<b>Terms and Conditions</b>	
<b>Services Provided</b>	

Certified correct this 31st day of January, 2007 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 Monroe  
Lori Cress

Thank You!

*Dan Clements*