

The City of Edmonds, Washington
Comprehensive Annual Financial Report
(For the Year Ended December 31, 2007)

Edmonds Center for the Arts is Born



Gary Haakenson, Mayor

CITY OF EDMONDS PUBLIC OFFICIALS

ELECTED OFFICIALS

Mayor: Gary Haakenson
Council: Peggy Pritchard Olson, President
Richard Marin
Deanna Dawson
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
Acting Economic Development Director: Stephen Clifton, November 2007
Fire Chief: Tom Tomberg
Human Services Manager: Debi Humann
Parks & Recreation Director: Brian McIntosh
Municipal Court Judge: Douglas Fair
Police Chief: David Stern thru April 2007
Al Compaan May thru December 2007
Public Works Director: Noel Miller

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

CITY OF EDMONDS WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended

December 31, 2007

Administrative Services Director
Dan Clements

PREPARED BY

DEPARTMENT OF FINANCE

Administrative Services Director
Dan Clements

Assistant Administrative Services Director
Kathleen Junglov, CPA

Accountant
Debra Sharp, CPA

Accounting Technician
Lori Cress

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

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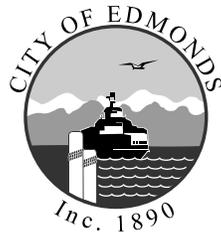
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City of Edmonds

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

Gary Haakenson
Mayor

Dan Clements
Director

June 11, 2008

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

Reference: Transmittal of 2007 Financial Annual Report

Dear Mayor Haakenson:

This correspondence will formally transmit the City of Edmonds' 2007 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, 2007 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 40,560.

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 40% of the total budget's revenues and 76% 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. Under current law retail sales tax is collected based on the location from which merchandise is shipped. Beginning July 1, 2008, Washington retailers must start collecting sales tax based on where the customer receives the merchandise – the "destination" of the sale. Local sales taxes will be credited to the destination jurisdiction. The City of Edmonds will be positively impacted by the new legislation.

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 2007, 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, obligations of the U.S. Treasury, public funds account, and the State Treasurer's local government investment pool. The weighted average maturity of the investments was .42 years. The average yield on investments was 3.77%, while the average yield on funds held in the public funds account was 5.43%. 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 126 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 2006. 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, 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

CITY OF EDMONDS PUBLIC OFFICIALS

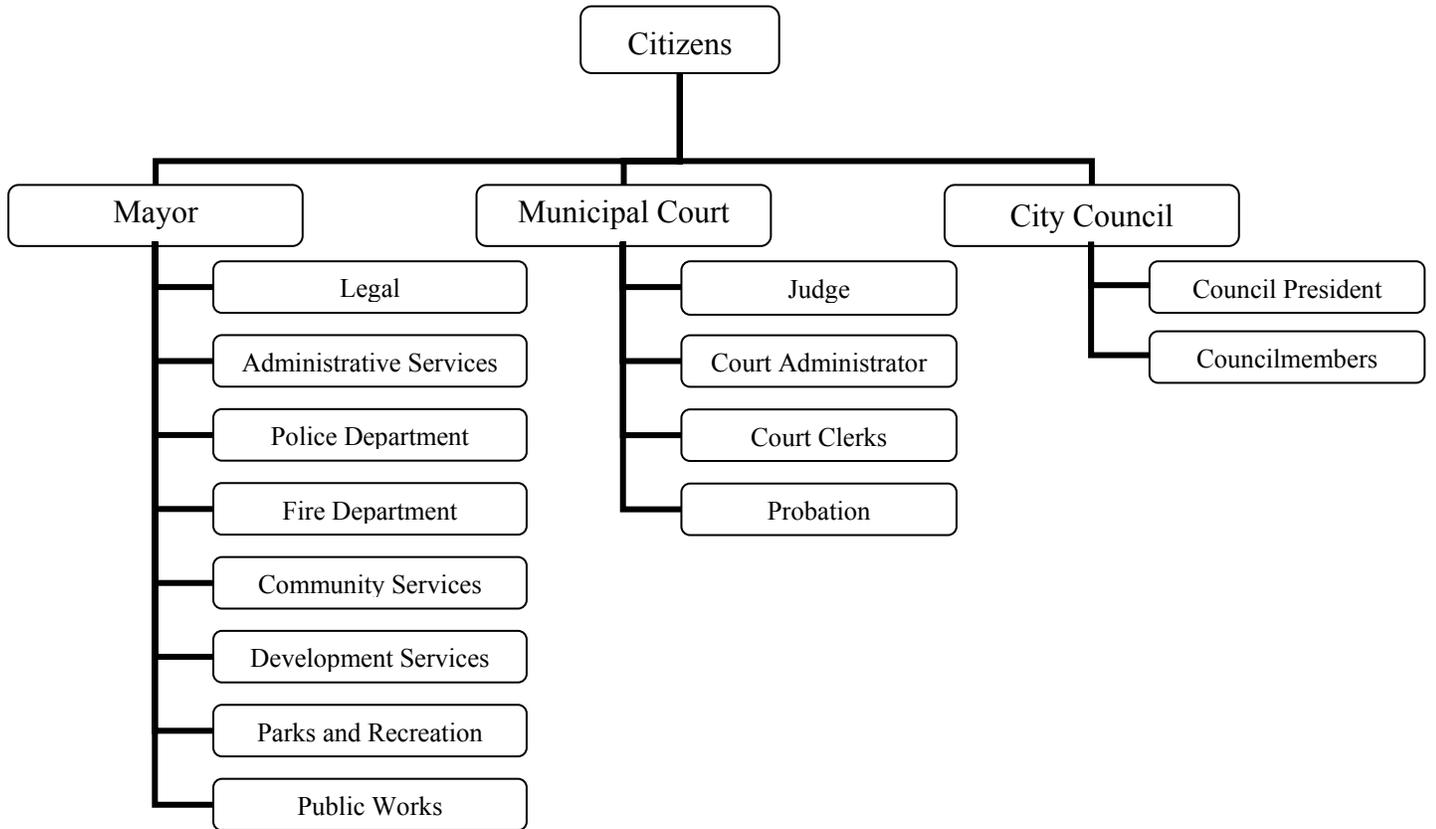
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Al Compaan May thru December 2007
Public Works Director: Noel Miller

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, 2006

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.



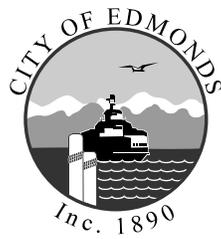
Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



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**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 11, 2008

Council
City of Edmonds
Edmonds, Washington

We have audited the accompanying financial statements of the the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edmonds, Snohomish County, Washington, as of and for the year ended December 31, 2007, 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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edmonds, Snohomish County, Washington, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 9 through 18 and the pension trust fund information on page 60 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Combining Financial Statements, Single Audit Section on pages 125 through 127, and Schedule of Long Term Debt on page 129 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, Statistical Sections, and Supplemental Schedule on pages 130 through 132 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,

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

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, 2007. 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

- At December 31, 2007 the City's net assets, the amount by which total assets exceeded total liabilities totaled \$133.8 million. Of this amount, \$104 million is invested in capital assets, such as land, buildings, infrastructure net of related debt; \$10.1 million is restricted for debt service and capital projects; and \$19.6 million (unrestricted net assets) may be used to meet the government's ongoing activities and obligations.
- The City's total net assets increased by \$4.8 million or 3.61% in 2007. Governmental activities provided \$3.8 million, and business-type activities provided \$1 million.
- Governmental funds reported a combined ending fund balance of \$18.3 million: a \$1.3 million increase over the prior year. Of this amount, \$18.2 million is unreserved and available to fund ongoing activities. The remaining \$60,000 is reserved for debt service.
- Unreserved fund balance in the General Fund was \$7.7 million, a decrease of \$351,000 from the prior year. This includes \$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 25% of total 2007 General Fund expenditures.
- Total City debt increased by a net of \$1.1 million during the current fiscal year. Outstanding bonded debt, loans, and long term contracts at year-end totaled \$35.5 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 distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities), from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities include general government (executive, finance, and human resources), judicial, public safety (police and fire), physical environment, economic environment, transportation, mental/physical health, and culture/recreation. Business-type activities consist of water, sewer, storm water, wastewater treatment utility operations.

The City also includes as a discretely presented component unit the Edmonds Public Facilities District (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, with the difference between the two reported as net assets. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. 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 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 goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenues and expenses.

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 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

As noted earlier, changes in net assets over time may serve as a useful indicator of a government's financial position. The City's net assets at December 31, 2007 totaled \$133.8 million, an increase of \$4.8 million over the prior year end. This increase is explained in more detail in the Statement of Changes in Net Assets starting on page 12. Following is a condensed version of the Government-Wide Statement of Net Assets.

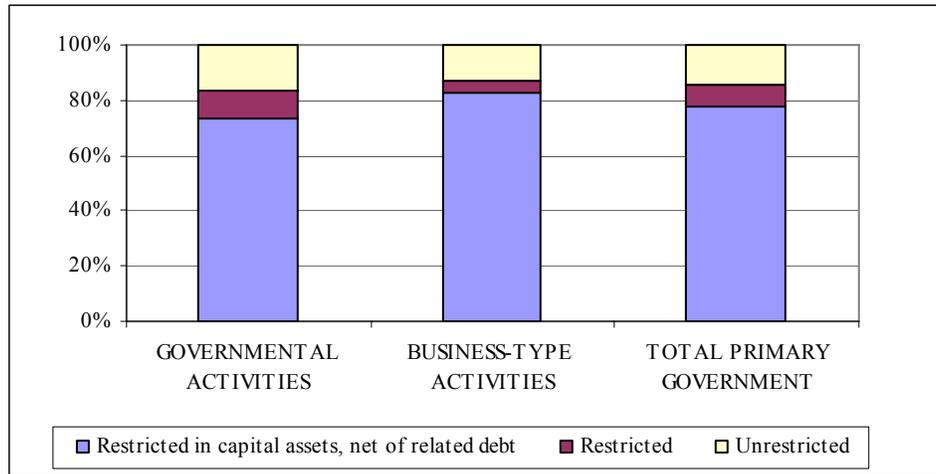
Figure 1: Condensed Statement of Net Assets

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$31,908,479	\$32,116,264	\$11,294,738	\$13,762,823	\$43,203,217	\$45,879,087
Capital assets (net of accumulated depreciation)	69,681,203	71,777,599	57,024,696	58,323,952	126,705,899	130,101,551
TOTAL ASSETS	101,589,682	103,893,863	68,319,434	72,086,775	169,909,116	175,980,638
Current and other liabilities	6,115,798	6,228,671	1,426,193	2,247,776	7,541,991	8,476,447
Long-term liabilities	25,864,812	24,257,235	7,517,955	9,429,450	33,382,767	33,686,685
TOTAL LIABILITIES	31,980,610	30,485,906	8,944,148	11,677,226	40,924,758	42,163,132
NET ASSETS						
Restricted in capital assets, net of related debt	51,166,559	54,021,806	47,924,210	49,910,564	99,090,769	103,932,370
Restricted	6,717,794	7,490,300	686,847	2,786,695	7,404,641	10,276,995
Unrestricted	11,724,719	11,895,851	10,764,229	7,712,290	22,488,948	19,608,141
TOTAL NET ASSETS	\$69,609,072	\$73,407,957	\$59,375,286	\$60,409,549	\$128,984,358	\$133,817,506

Approximately \$8.9 million of total net assets 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 primarily allocated to restrictions for debt service payments \$1.2 million and unrestricted net assets of \$19.6 million. The business-type unrestricted assets of \$7.7 million may only be spent on utility activities. Other functions of the City may access the governmental unrestricted assets of \$11.8 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 below provides a graphical comparison of the three categories of net assets. As shown, the majority of the City’s net assets are invested in capital assets which are used to provide services to citizens. Capital assets include streets, water/sewer lines and related infrastructure, land, buildings, equipment, etc., less any related outstanding debt used to acquire those assets. It should be noted that although the investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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.

Statement of 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 \$4.8 million. The increase was split between the governmental activities (\$3.8 million) and the business-type activities (\$1.0 million), an indication that the City’s overall financial position has improved.

The graphs that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities. Following is a condensed version of the City’s changes in net assets.

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

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT	
	2006	2007	2006	2007	2006	2007
Revenues						
Program Revenue:						
Charges for Services	\$7,105,101	\$7,266,346	\$12,644,769	\$12,754,577	\$19,749,870	\$20,020,923
Operating Grants and Contributions	597,047	297,549	44,350	54,116	641,397	351,665
Capital Grants and Contributions	3,046,262	1,126,513	512,527	490,709	3,558,789	1,617,222
General Revenues:						
Property Taxes	11,497,708	11,988,296	0	0	11,497,708	11,988,296
Sales Taxes	5,835,031	6,216,836	0	0	5,835,031	6,216,836
Other Taxes	8,799,428	9,099,463	0	0	8,799,428	9,099,463
Other	1,418,046	1,305,539	541,403	645,980	1,959,449	1,951,519
Total Revenue	38,298,623	37,300,542	13,743,049	13,945,382	52,041,672	51,245,924
Program Expenses						
Governmental Activities						
General Government	6,178,971	6,748,067	0	0	6,178,971	6,748,067
Judicial	767,221	756,649	0	0	767,221	756,649
Public Safety	17,021,180	16,765,814	0	0	17,021,180	16,765,814
Physical Environment	1,866,080	1,697,734	0	0	1,866,080	1,697,734
Economic Environment	1,169,306	1,088,773	0	0	1,169,306	1,088,773
Mental and Physical Health	8,562	7,237	0	0	8,562	7,237
Culture and Recreation	5,822,424	3,393,130	0	0	5,822,424	3,393,130
Transportation	1,283,183	3,019,710	0	0	1,283,183	3,019,710
Interest on Long-term Debt	531,869	512,154	0	0	531,869	512,154
Business-Type Activities						
Combined Utility	0	0	11,528,591	12,423,508	11,528,591	12,423,508
Total Expenses	34,648,796	33,989,268	11,528,591	12,423,508	46,177,387	46,412,776
Excess (Deficiency) Before Transfers	3,649,827	3,311,274	2,214,458	1,521,874	5,864,285	4,833,148
Transfers						
Increase in Net Assets	157,671	487,611	(157,671)	(487,611)	0	0
	3,807,498	3,798,885	2,056,787	1,034,263	5,864,285	4,833,148
Net Assets - Beginning of Year	65,801,574	69,609,072	57,318,499	59,375,286	123,120,073	128,984,358
Net Assets - End of Year	\$69,609,072	\$73,407,957	\$59,375,286	\$60,409,549	\$128,984,358	\$133,817,506

Figure 4: Governmental Activities

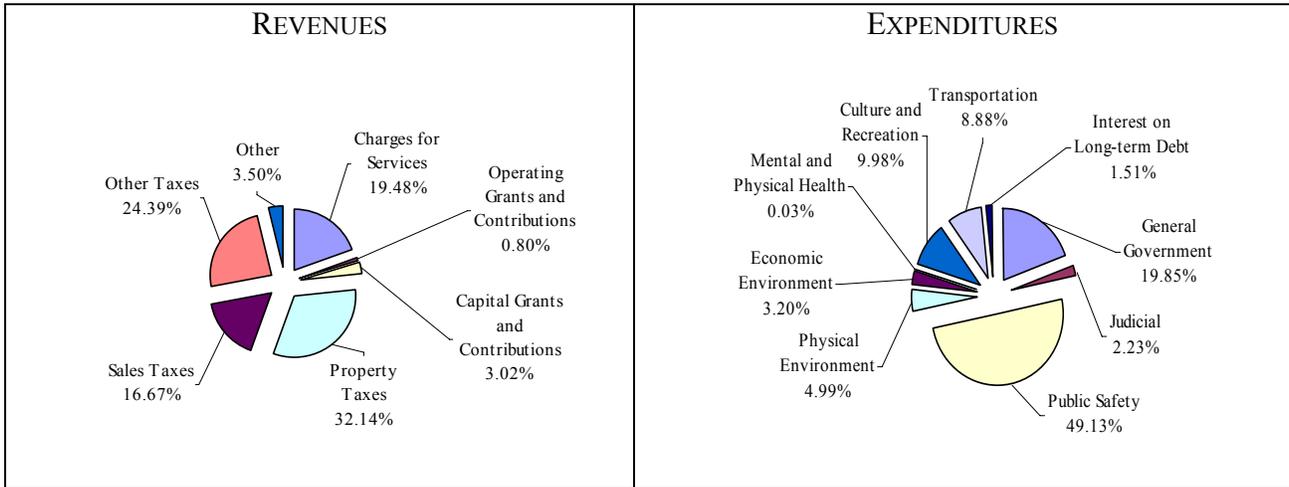
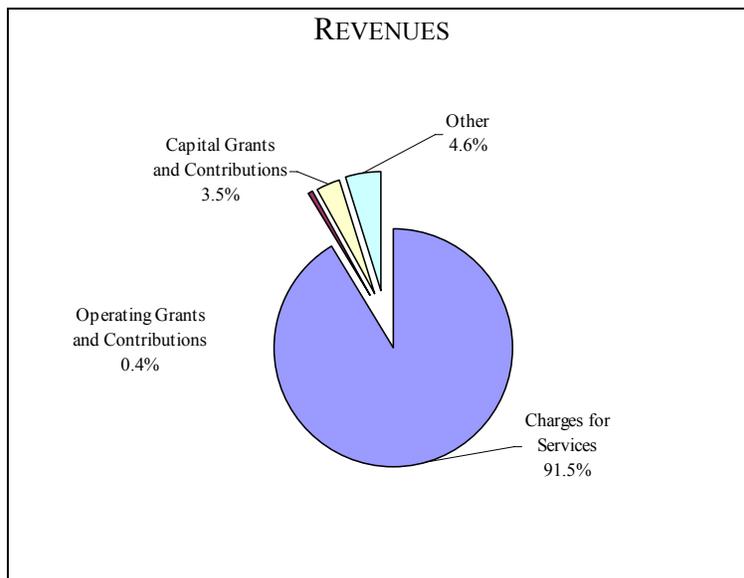


Figure 5: Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Activities Analysis

Total revenues decreased from 2006 levels by \$1 million. Favorable collections in sales, utility, and real estate excise tax revenues, as well as charges for services were offset by a reduction in grant revenues received. A large property purchase in 2006 resulted in expenditures coming in \$1 million lower in 2007 than the previous year. Overall expenditures did not exceed revenues which allowed for a \$3.8 million increase in Net Assets.

Per the Statement of Activities, the total cost of all governmental activities in 2007 was \$33.9 million. Of this amount, \$8.7 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 \$25.2 million was the cost of governmental services paid primarily by the City's taxpayers.

Business-Type Activities Analysis

The City's Utility Fund, the only business-type activity of the city, net assets increased by \$1 million accounting for 21.4% of the total growth in the government's net assets. Utility operating revenues of \$12.7 million showed a slight increase (\$202,000) over 2006 collections, however, operating costs including personnel services, supplies, professional services and insurance increased \$894,000. In addition to general inflation in the cost of doing business, contributing to this increase was the implementation of a storm water utility tax and an increase in maintenance projects. There was also an increase in interfund transfers and interfund services related to purchasing and maintaining utility fund vehicles.

At the end of the current fiscal year the City's Utility fund reported an ending fund balance of \$60.4 million. Of this amount \$49.9 million is invested in capital assets, net of related debt and approximately \$7.7 million 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.

Governmental Funds

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

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

At the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$18.4 million. Approximately \$18.3 million (99.1%) 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 loans receivable and is not available for new spending.

In 2007 the governmental funds reported revenue of \$37.4 million and expenditures of \$38 million. Other financing sources/uses contributed an additional \$1.8 million comprised of transfers in and transfers out which netted to zero and bond proceeds of \$1.8 million. Overall, the governmental funds fund balance increased by \$1.3 million for the year.

The General Fund is the primary operating fund of the City through which all receipts and payments of City operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2007, the fund balance of the General Fund was \$7.7 million, a 4.3% decrease over 2006. As a measure of the fund's liquidity, the ending fund balance is 25% of the fund's 2007 expenditures. Further detail regarding the activity in the General Fund is discussed below under the heading of General Budgetary Highlights.

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. As the City has only one enterprise fund, factors concerning the finances of the City's enterprise fund have been discussed in the City's business-type activities.

GENERAL FUND 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.

During 2007 the budget was amended three times. The final general fund expenditure budget was 3%, or \$922,000 higher than the original adopted budget. This was the net result of several individual amendment requests enacted during the year. The more significant amendments are listed below:

- Amendments totaling \$142,000 for professional services and equipment to improve the City's technology environment.
- An amendment in the amount of \$626,000 to record payment of the remaining outstanding principal balance on the 2006 Limited Tax General Obligation (LTGO) bond.
- Amendments totaling \$78,000 for Public Safety Equipment - \$39,000 for the purchase of a new K-9 vehicle, and \$39,000 to replace laptops in police vehicles. Funding for the purchase of the K-9 vehicle was provided by a donation from the Police Foundation.

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 million. This favorable result was experienced in all revenue categories. Revenue from sales tax exceeded budget due to continued construction activity and car sales, and a cooler than normal year provided additional utility tax revenue. A strong performance in building permits and related activities (permit surcharges, zoning, and plan check fees) again due to construction activity also contributed.

Expenditures were \$940,000 below budget, which consisted of salary and benefit savings of \$722,000 due to vacant positions primarily in the police department and engineering division. Additionally, the budget anticipated an increase in pension rates as of January 1 which actually became effective July 1. Intergovernmental service charges were also under expended due to lower costs of incarceration.

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, 2007 amounted to \$130.1 million (net of accumulated depreciation), an increase of \$3.4 million.

Major capital projects and/or capital expenditures during 2007 included the following:

- Street overlay projects in the amount of \$888,000.
- Scheduled replacement purchases of public works equipment including: a vector truck (\$300,000), a street sweeper (\$200,000), a back hoe (\$100,000), and an asphalt grinder (\$85,000).
- Construction costs totaling \$1.2 million for three park projects: a skateboard park, the 164th street walkway, and the development of the old Woodway Elementary property.
- Completion of the \$1.5 million Wastewater Treatment Plant Screenings project.
- Completion of a \$1.7 million Waterline Replacement project.

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

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

	Governmental Activities	Business- Type Activities	Total
Land	\$14,199,411	\$1,126,723	\$15,326,134
Buildings	\$16,263,001	24,957,700	41,220,701
Improvements other than buildings	3,752,181	27,618,676	31,370,857
Infrastructure	24,720,152	0	24,720,152
Machinery and Equipment	3,687,577	366,693	4,054,270
Intangible Assets	0	546,180	546,180
Construction in Progress	9,155,277	3,707,980	12,863,257
	<u>\$71,777,599</u>	<u>\$58,323,952</u>	<u>\$130,101,551</u>

Long Term Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$30.4 million and other long term debt of \$5.1 million. The total debt excluding compensated absences and deferred amounts is distributed as follows:

Figure 7: Long Term Debt

	Governmental Activities	Business-Type Activities	Total
General Obligation Debt	\$21,589,831	\$4,404,404	\$25,994,235
Special Assessment Debt			
with Government Commitment	190,000	0	190,000
Revenue Bonds	0	4,425,000	4,425,000
Capital Contracts	1,853,702	0	1,853,702
Capital Leases	0	0	0
Public Work Trust Fund Loans	1,225,662	1,888,238	3,113,900
Total Long-term Debt	<u>\$24,859,195</u>	<u>\$10,717,642</u>	<u>\$35,576,837</u>

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 \$7.6 billion (See Schedule 10). Remaining debt capacity is as follows:

Figure 8: Debt Capacity Available

<u>Item</u>	Capacity
General	\$163,228,410
Parks Facilities/Open Space	190,388,730
Utilities	190,388,730

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 2007-2008 biennial budget is essentially a status quo budget developed to retain current service levels. Economic factors considered when preparing the budget were as follows:

- Overall economic activity was expected to remain strong in 2007.
- A property tax increase of 1%, plus use of \$138,000 of banked capacity.
- Increasing utility taxes to from an average of 5.75% to the statutory maximum of 6% and implementing a Stormwater utility tax.
- Increasing water rates by 3% in 2007 and 3% in 2008.
- Increased sales tax revenue due to Streamlined Sales Tax (destination-based) legislation passed by the state legislature effective July 1, 2007.
- Renegotiation of contracts with all five labor unions scheduled to commence in 2007 for the three year period covering 2008-2010.

Additional discussion about the City's overall economic outlook can be found in the City's Letter of Transmittal.

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, Edmonds, Washington, WA 98020, (425) 771-0239.

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Primary Government			Component Unit
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	EDMONDS PUBLIC FACILITIES DISTRICT
ASSETS				
Cash and cash equivalents	\$16,695,087	\$7,261,637	\$23,956,724	\$774,472
Deposits with trustees	21,428	0	21,428	0
Investments	4,293,883	3,308,652	7,602,535	0
Taxes receivable	309,171	0	309,171	0
Accounts receivable	974,631	1,569,893	2,544,524	175,975
Special assessments	15,225	0	15,225	0
Interest on investments	4,625	8,967	13,592	0
Due from component unit	100,000	0	100,000	0
Due from other governments	2,572,518	619,801	3,192,319	0
Other current assets	49,527	142,919	192,446	9,802
Deferred charges	53,441	167,905	221,346	7,942
Restricted:				
Cash and cash equivalents	0	683,049	683,049	0
Special assessments	436,528	0	436,528	0
Due from component unit - long-term	5,635,000	0	5,635,000	0
Investment in joint venture	955,200	0	955,200	0
Land	14,199,411	1,126,723	15,326,134	3,444,885
Capital assets (net) (See Note 7)	48,422,911	53,489,249	101,912,160	13,357,292
Construction in progress	9,155,277	3,707,980	12,863,257	0
TOTAL ASSETS	\$103,893,863	\$72,086,775	\$175,980,638	\$17,770,368
LIABILITIES				
Accrued wages	\$943,043	\$141,436	\$1,084,479	\$3,690
Accounts payable and other current liabilities	856,939	375,621	1,232,560	5,293
Due to other governmental units	0	285,504	285,504	0
Accrued bond interest payable	81,764	25,994	107,758	0
Deferred revenues	0	26,096	26,096	64,637
Customer deposits payable	5,997	3,595	9,592	8,660
Non-current liabilities (See Note 9):				
Net pension obligation	189,974	0	189,974	0
Due within one year	4,150,954	1,389,530	5,540,484	100,000
Due in more than one year	24,067,235	9,429,450	33,496,685	9,518,804
Special assessment debt with governmental commitment	190,000	0	190,000	0
TOTAL LIABILITIES	\$30,485,906	\$11,677,226	\$42,163,132	\$9,701,084
NET ASSETS				
Invested in capital assets, net of related debt	\$54,021,806	\$49,910,564	\$103,932,370	\$7,183,373
Restricted for:				
Capital projects	6,827,957	2,100,051	8,928,008	0
Debt service	512,220	683,049	1,195,269	0
Future pledges	0	0	0	132,668
Tourism	150,123	0	150,123	0
Customer deposits	0	3,595	3,595	73,297
Unrestricted	11,895,851	7,712,290	19,608,141	679,946
TOTAL NET ASSETS	\$73,407,957	\$60,409,549	\$133,817,506	\$8,069,284

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**
Page 1 of 2

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government services	\$6,748,067	\$2,600,612	\$0	\$218,038
Judicial	756,649	503,961	0	0
Public safety	16,765,814	1,034,060	76,873	0
Physical environment	1,697,734	315,700	56,955	0
Economic environment	1,088,773	1,483,898	3,034	0
Mental and physical health	7,237	206,918	1,439	0
Culture and recreation	3,393,130	847,982	54,965	648,000
Transportation	3,019,710	273,215	104,283	260,475
Interest on long-term debt	512,154	0	0	0
Total governmental activities	33,989,268	7,266,346	297,549	1,126,513
Business-type activities:				
Combined utility operation	12,423,508	12,754,577	54,116	490,709
Total business-type activities	12,423,508	12,754,577	54,116	490,709
Total primary government	\$46,412,776	\$20,020,923	\$351,665	\$1,617,222
Component unit:				
Edmonds Public Facilities District	\$2,281,854	\$459,143	\$319,102	\$1,031,426
<p align="right">General Revenues: Property taxes Sales taxes Utility taxes Fuel taxes Real estate excise taxes Hotel/motel taxes Other taxes Payments from Component Unit Interest and investment earnings Miscellaneous Gain on sale of capital assets Transfers</p>				
<p align="right">Total general revenues, special items, and transfers</p>				
<p align="right">Change in net assets</p>				
<p align="right">Net assets - beginning</p>				
<p align="right">Net assets - ending</p>				

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
 Page 2 of 2

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Edmonds Public Facilities District
(\$3,929,417)	\$0	(\$3,929,417)	\$0
(252,688)	0	(252,688)	0
(15,654,881)	0	(15,654,881)	0
(1,325,079)	0	(1,325,079)	0
398,159	0	398,159	0
201,120	0	201,120	0
(1,842,183)	0	(1,842,183)	0
(2,381,737)	0	(2,381,737)	0
(512,154)	0	(512,154)	0
(25,298,860)	0	(25,298,860)	0
0	875,894	875,894	0
0	875,894	875,894	0
(\$25,298,860)	\$875,894	(\$24,422,966)	\$0
			(\$472,183)
11,988,296	0	11,988,296	0
6,216,836	0	6,216,836	389,830
4,501,056	0	4,501,056	0
977,014	0	977,014	0
3,201,773	0	3,201,773	0
82,907	0	82,907	0
336,713	0	336,713	0
346,799	0	346,799	0
851,162	645,980	1,497,142	18,780
45,353	0	45,353	0
62,225	0	62,225	0
487,611	(487,611)	0	0
29,097,745	158,369	29,256,114	408,610
3,798,885	1,034,263	4,833,148	(63,573)
69,609,072	59,375,286	128,984,358	8,132,857
\$73,407,957	\$60,409,549	\$133,817,506	\$8,069,284

The accompanying notes are an integral part of this statement.

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$4,736,514	\$9,254,311	\$13,990,825
Change and imprest funds	6,250	0	6,250
Deposits with trustee	21,428	0	21,428
Investments	2,363,665	787,813	3,151,478
Receivables, net			
Taxes	309,171	0	309,171
Customer accounts	463,798	0	463,798
Assessments	0	15,225	15,225
Interfund loans receivable	0	105,413	105,413
Due from other governmental units	7,160,396	1,147,122	8,307,518
Inventory	382	0	382
Total Current Assets	15,061,604	11,309,884	26,371,488
RESTRICTED ASSETS			
Special assessments - deferred	0	436,528	436,528
Total Restricted Assets	0	436,528	436,528
TOTAL ASSETS	\$15,061,604	\$11,746,412	\$26,808,016
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$900,618	\$22,593	\$923,211
Accounts payable	290,144	456,253	746,397
Interfund loans payable	0	105,413	105,413
Custodial accounts	31,925	833	32,758
Deferred revenues	464,791	0	464,791
Other current liabilities	1,147	69,476	70,623
Total Current Liabilities	1,688,625	654,568	2,343,193
NONCURRENT LIABILITIES			
Deferred revenues	5,635,000	452,295	6,087,295
Total Noncurrent Liabilities	5,635,000	452,295	6,087,295
TOTAL LIABILITIES	7,323,625	1,106,863	8,430,488
FUND BALANCES			
Reserved for:			
Loans receivable	0	105,413	105,413
Debt service	0	59,924	59,924
Unreserved, reported in:			
General fund	7,737,979	0	7,737,979
Special revenue funds	0	10,474,212	10,474,212
TOTAL FUND BALANCES	7,737,979	10,639,549	18,377,528
TOTAL LIABILITIES AND FUND BALANCES	\$15,061,604	\$11,746,412	\$26,808,016

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, 2007**

Total governmental fund balances		\$18,377,528
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.		
		69,698,926
These assets consist of:		
Land	14,199,411	
Construction in progress	9,155,277	
Investment in joint venture	955,200	
Buildings	25,479,908	
Improvements other than buildings	8,836,808	
Infrastructure	46,141,204	
Machinery and equipment - general government	1,883,416	
Less: Accumulated depreciation	(36,952,297)	
Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.		
		563,081
Court receivable	509,640	
Deferred charges	53,441	
Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		
		(22,074,739)
These long-term liabilities consist of:		
General obligation bonds	(21,589,831)	
Special assessment debt with government commitment	(190,000)	
Compensated absences	(3,495,892)	
Capital contracts	(1,853,702)	
Public works trust fund loan	(1,225,662)	
Accrued interest	(81,764)	
Net pension obligation	(189,974)	
Deferred revenue	6,552,086	
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.		
		6,843,161
Net assets of governmental activities		\$73,407,957

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, 2007**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$23,010,460	\$2,855,185	\$25,865,645
Licenses and permits	1,662,935	26,825	1,689,760
Intergovernmental revenues	1,760,518	2,123,361	3,883,879
Charges for services	3,109,710	441,849	3,551,559
Fines and forfeits	512,529	0	512,529
Other revenues	775,834	1,120,055	1,895,889
Total revenues	30,831,986	6,567,275	37,399,261
EXPENDITURES			
Current:			
General government services	6,210,160	496,030	6,706,190
Security of persons and property	16,381,888	58,269	16,440,157
Physical environment	1,786,308	128,101	1,914,409
Transportation	0	1,349,378	1,349,378
Economic environment	1,103,158	19,344	1,122,502
Mental and physical health	7,237	0	7,237
Culture and recreation	2,888,891	232,402	3,121,293
Capital outlay	147,107	3,914,542	4,061,649
Debt service:			
Principal	1,517,473	689,474	2,206,947
Interest	474,935	572,716	1,047,651
Total Expenditures	30,517,157	7,460,256	37,977,413
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	314,829	(892,981)	(578,152)
OTHER FINANCING SOURCES (USES)			
Proceeds of general long-term debt	640,819	1,232,648	1,873,467
Disposition of capital assets	0	6,049	6,049
Transfers in	118,159	2,272,433	2,390,592
Transfers out	(1,425,231)	(951,949)	(2,377,180)
Total other financing sources (uses)	(666,253)	2,559,181	1,892,928
Net change in fund balances	(351,424)	1,666,200	1,314,776
Fund balances - beginning	8,089,403	8,973,349	17,062,752
FUND BALANCES - ENDING	\$7,737,979	\$10,639,549	\$18,377,528

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, 2007**

Net change in fund balances - total governmental funds	\$1,314,776
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.	
	1,061,231
This is comprised of:	
Capital outlays	4,469,561
Current year depreciation	(3,408,330)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	(160,142)
This is comprised of:	
Deferred tax	(20,191)
Other deferred revenue	(152,975)
Record of court receivable	13,023
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.	
	333,211
This is comprised of:	
Amortization for deferred charges	8,950
Proceeds from Public works trust fund loan	(488,563)
Proceeds from GO bond	(1,384,904)
Long-term debt repayments	2,197,728
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.	
	192,316
This is comprised of:	
Accrued interest expense	1,422
Net pension obligation	(7,922)
Accrued compensating absence expense	198,816
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.	
	<u>1,057,493</u>
Change in net assets of governmental activities	<u><u>\$3,798,885</u></u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$22,599,125	\$22,599,125	\$23,010,460	\$411,335
Licenses and Permits	1,541,160	1,541,160	1,662,935	121,775
Intergovernmental Revenues	1,586,635	1,628,248	1,760,518	132,270
Charges for Services	2,965,658	2,965,658	3,109,710	144,052
Fines and Forfeits	480,300	480,300	512,529	32,229
Other Revenues	515,710	559,427	775,834	216,407
Total Revenues	29,688,588	29,773,918	30,831,986	1,058,068
EXPENDITURES				
Current:				
General Government Services	6,665,514	6,645,514	6,210,160	435,354
Security of Persons and Property	16,392,757	16,601,988	16,381,888	220,100
Physical Environment	1,872,855	1,872,855	1,786,308	86,547
Economic Environment	1,188,608	1,188,608	1,103,158	85,450
Mental and Physical Health	9,382	9,382	7,237	2,145
Culture and Recreation	2,980,656	3,000,671	2,888,891	111,780
Capital Outlay	50,818	145,018	147,107	(2,089)
Debt Service:				
Principal Retirement	926,149	1,514,502	1,517,473	(2,971)
Interest	448,530	478,825	474,935	3,890
Total Expenditures	30,535,269	31,457,363	30,517,157	940,206
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(846,681)	(1,683,445)	314,829	1,998,274
OTHER FINANCING SOURCES (USES)				
Proceeds of General Long-Term Debt	174,000	640,819	640,819	0
Transfers In	19,475	120,635	118,159	(2,476)
Transfers Out	(1,491,529)	(1,551,731)	(1,425,231)	126,500
Total other financing sources (uses)	(1,298,054)	(790,277)	(666,253)	124,024
Net change in fund balances	(2,144,735)	(2,473,722)	(351,424)	2,122,298
Fund Balances - beginning	5,478,928	5,478,928	8,089,403	2,610,475
FUND BALANCES - ENDING	\$3,334,193	\$3,005,206	\$7,737,979	\$4,732,773

The accompanying notes are an integral part of this statement.

**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
DECEMBER 31, 2007**

	BUSINESS TYPE ACTIVITIES - COMBINED UTILITY FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$7,261,637	\$2,698,012
Investments	3,308,652	1,142,405
Receivables, net		
Customer accounts	1,569,893	1,192
Interest	8,967	4,625
Due from other governments	619,801	0
Inventory	142,919	49,146
Total Current Assets	12,911,869	3,895,380
NONCURRENT ASSETS		
Restricted cash and cash equivalents	683,049	0
Intangible assets	546,180	0
Unamortized debt issue costs	167,905	0
Construction in progress	3,707,980	0
Capital assets, net of depreciation (Note 7)	54,069,792	3,033,877
Total Noncurrent Assets	59,174,906	3,033,877
TOTAL ASSETS	\$72,086,775	\$6,929,257
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$365,210	\$13,160
Wages and benefits payable	141,436	19,832
Compensated absences	284,168	38,080
Interest payable	25,994	0
Due to other governments	285,504	0
Custodial accounts	3,595	0
Deferred revenues	26,096	0
Current portion of long-term debt (net of unamortized premiums/discounts)	1,105,362	0
Other current liabilities	10,411	0
Total Current Liabilities	2,247,776	71,072
NONCURRENT LIABILITIES		
General obligation bonds payable	4,184,095	0
Revenue bonds payable (net of unamortized premiums/discounts)	3,454,701	0
Loans payable	1,769,280	0
Compensated absences	21,374	15,024
Total Noncurrent Liabilities	9,429,450	15,024
TOTAL LIABILITIES	\$11,677,226	\$86,096
NET ASSETS		
Invested in capital assets, net of related debt	49,910,564	3,033,877
Restricted for debt service	683,049	0
Restricted for capital projects	2,100,051	0
Restricted for customer deposits	3,595	0
Unrestricted	7,712,290	3,809,284
TOTAL NET ASSETS	\$60,409,549	\$6,843,161

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, 2007**

	BUSINESS TYPE ACTIVITIES - COMBINED UTILITY FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OPERATING REVENUES:		
Charges for services	\$10,956,604	\$1,723,966
Rental revenues	64,516	0
Other operating revenues	1,733,457	5,370
Total Operating Revenues	12,754,577	1,729,336
OPERATING EXPENSES:		
Personnel services	3,409,052	346,036
Supplies	5,866,905	555,510
Professional services	177,596	1,993
Insurance	312,917	30,165
Depreciation and amortization	2,251,931	489,069
Total Operating Expenses	12,018,401	1,422,773
Operating Income (Loss)	736,176	306,563
NON-OPERATING REVENUES (EXPENSES):		
Intergovernmental revenues	149,596	0
Interest and investment revenue	645,980	197,654
Judgements and settlements	0	32,077
Gain (loss) on sale/retirement of assets	0	21,623
Sale of junk/salvage	0	2,475
Interest expense	(405,107)	0
Total Non-Operating Revenues (Expenses)	390,469	253,829
Income (Loss) Before Contributions and Transfers	1,126,645	560,392
Capital contributions	395,229	6,236
Transfers in	0	513,413
Transfers out	(487,611)	(39,213)
NET INCOME (LOSS)	1,034,263	1,040,828
NET EQUITY - BEGINNING	59,375,286	5,785,668
Prior period corrections	0	16,665
NET EQUITY - ENDING	\$60,409,549	\$6,843,161

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Page 1 of 2

	BUSINESS-TYPE ACTIVITIES - COMBINED UTILITY FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$12,569,407	\$1,729,368
Payments to suppliers	(6,601,252)	(582,618)
Payments to employees	(3,358,679)	(357,863)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,609,476	788,887
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts from non-capital grants	54,116	0
Transfers to other funds	(105,357)	0
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(51,241)	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital debt	3,809,269	0
Principal paid on capital debt	(2,137,481)	0
Interest paid on capital debt	(404,923)	0
Receipts from capital grants	95,480	0
Proceeds from sale of capital assets	0	85,939
Capital contributions	395,229	6,236
Acquisition and construction of capital assets	(3,574,408)	(1,461,088)
Payments on lease	0	(24,524)
Transfer to other funds	(382,255)	0
Transfers from other funds	0	513,413
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(2,199,089)	(880,024)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	2,453,750	108,845
Purchase of investments	(1,815,737)	0
Investment income	639,976	193,450
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,277,989	302,295
Net Increase (Decrease) in Cash and Cash Equivalents	1,637,135	211,158
Cash and Cash Equivalents, January 1	6,307,551	2,486,854
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$7,944,686	\$2,698,012
Current Cash and Cash Equivalents	\$7,261,637	\$2,698,012
Restricted Cash and Cash Equivalents	683,049	0
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$7,944,686	\$2,698,012

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Page 2 of 2

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$736,176	\$306,563
Adjustments to Reconcile Operating Income to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	2,251,931	489,069
Change in Assets and Liabilities:		
(Increase) decrease in inventories	(23,801)	8,231
(Increase) decrease in receivables	(185,170)	32
Increase (decrease) in accounts and other payables	(317,991)	(3,181)
Increase (decrease) in due to other governments	97,958	0
Increase (decrease) in compensated absences	50,373	(11,827)
TOTAL ADJUSTMENTS	1,873,300	482,324
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$2,609,476	\$788,887

SCHEDULE OF NON-CASH CAPITAL AND RELATED

FINANCING ACTIVITIES:

Non-Cash Financing, Capital and Investing Activities:		
Prior period corrections	0	16,665
Increase (decrease) in fair value of investments	35,080	7,656
TOTAL NON-CASH ACTIVITIES	35,080	24,321

The accompanying notes are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2007**

	FIREMEN'S PENSION FUND
ASSETS AND OTHER DEBITS	
Cash and cash equivalents	\$304,370
TOTAL ASSETS AND OTHER DEBITS	304,370
 LIABILITIES	
Benefits payable	2,600
Accounts payable	2,715
TOTAL LIABILITIES	5,315
 NET ASSETS	
Held in trust for pension benefits and other purposes	\$299,055

The accompanying notes are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	FIREMEN'S PENSION FUND
ADDITIONS:	
Contributions	
Employer	\$51,500
Fire insurance premiums	42,531
Investment income	
Interest	16,198
TOTAL ADDITIONS	110,229
DEDUCTIONS:	
Benefits	103,551
Administrative expense	8,568
TOTAL DEDUCTIONS	112,119
CHANGE IN NET ASSETS	(1,890)
NET ASSETS RESERVED FOR EMPLOYEES' PENSION BENEFITS	
Employees' pension benefits, January 1	300,945
NET ASSETS - ENDING	\$299,055

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 charges between the government's water and sewer function and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND PRESENTATION OF FINANCIAL STATEMENTS

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

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

Major Governmental Funds:

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

Proprietary Fund:

The **Combined Utility Operation Fund** accounts for the provision of water, 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.

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 1st 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 5th Ave. N. Edmonds, WA 98020, or by visiting our web site at 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 revaluation 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 2007, the City levied the following property taxes on an assessed value of \$6,612,373,915. 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	1.337	\$8,841,902
Emergency Medical Services	0.361	2,388,622
Debt Service on Voter-approved General Obligation Bonds	0.127	787,348
TOTAL CITY LEVY	1.825	\$12,017,872

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, 2007 the City had \$683,049 cash in the Enterprise fund restricted for debt service.

Capital Assets

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
Improvements other than Buildings	25-60
Infrastructure	20-100
Machinery and Equipment	02-20
Intangible Assets	20-30

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 two years accrual. 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, 2007 Fund 121 – Employee Parking Permit Fund exceeded its budget by \$18.

All funds amended expenditure budgets totaled \$76,611,239, which includes \$5,973,913 of supplemental appropriations. Funds with supplemental appropriations during 2007 and the amounts are shown below:

FUND NO.	FUND DESCRIPTION	2007 Budget as Originally Adopted	Supplemental Appropriations	2007 Final Amended Budget
001	General Fund	32,026,798	982,296	33,009,094
111	Street Fund	1,340,217	3,617	1,343,834
112	Combined Street Construction Fund	2,215,699	31,000	2,246,699
116	Building Maintenance Fund	1,142,460	587,050	1,729,510
120	Hotel/Motel Tax Revenue Fund	63,625	3,000	66,625
126	Park Acquisition Fund	880,661	21,054	901,715
127	Gifts Catalog Fund	4,866	8,000	12,866
129	Special Projects Fund	316,000	11,000	327,000
411	Combined Utility Fund	13,528,375	1,984,344	15,512,719
414	Capital Improvement Reserve	1,286,844	2,147,071	3,433,915
511	Equipment Rental Fund	2,610,299	195,481	2,805,780
	Totals	55,415,844	5,973,913	61,389,757

NOTE 3 — DEPOSITS AND INVESTMENTS

As of December 31, 2007, the City held the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Agencies	\$2,488,853	0.42
Local Government Investment Pool	732,491	-
Total Fair Value	<u>\$3,221,343</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, 2007 are:

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

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

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

The WPDPC is a statutory authority established under RCW chapter 39.58. It constitutes a multiple financial institution collateral arrangement that provides for additional assessments against members of the pool on a pro rata basis up to a

maximum of 10 percent of each institution’s public deposits. Provisions of RCW chapter 39.58, section 60 authorize the WPDPC to make pro-rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss.

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

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

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

The City’s investments in the Federal Home Loan Bank and the Federal National Mortgage Association (Fannie Mae), government-sponsored enterprises which are not explicitly backed by the federal government each exceed 5% of the City’s total investment portfolio market value at 46.38% and 30.88%, respectively.

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

Notes	
Investments	\$2,488,853
Deposits	29,325,336
Local Government Investment Pool	732,491
	\$32,546,680

Financial Statements

	Governmental Activities	Business-type Activities	Total Primary Govt.	Fiduciary Funds	Total
Cash and Cash Equivalents	\$16,695,087	\$7,261,637	\$23,956,724	\$304,370	\$24,261,095
Restricted Cash and Cash Equivalents	0	683,049	683,049	0	683,049
Investments	4,293,883	3,308,652	7,602,535	0	7,602,535
	\$20,988,970	\$11,253,338	\$32,242,308	\$304,370	\$32,546,679

NOTE 4 – RECEIVABLES AND PAYABLES

Receivables at December 31, 2007, are as follows:

	Taxes	Customer Accounts	Due From Other Governments	Interest	Total
Governmental Activities					
General Fund	\$309,171	\$463,799	\$7,160,396	\$0	\$7,933,365
Other Governmental Funds	0	0	1,147,122	0	1,147,122
Internal Service	0	1,192	0	4,625	5,817
Total Governmental Activities	\$309,171	\$464,991	\$8,307,518	\$4,625	\$9,086,303
Business-type Activities					
Combined Utility Fund	\$0	\$1,569,893	\$619,801	\$8,967	\$2,198,661
Total Business-type Activities	\$0	\$1,569,893	\$619,801	\$8,967	\$2,198,661

The amount of accounts receivable on the Statement of Net Assets for Governmental Activities includes the customer accounts listed above, as well as, a court receivable in the amount of \$509,640.

Payables at December 31, 2007, are as follows:

	Accounts Payable and Other Current Liabilities	Due to Other Governments	Customer Accounts	Total
Governmental Activities				
General Fund	\$322,069	\$0	\$1,144	\$323,213
Other Governmental Funds	521,710	0	4,853	526,563
Internal Service	13,160	0	0	13,160
Total Governmental Activities	\$856,939	\$0	\$5,997	\$862,936
Business-type Activities				
Combined Utility Fund	\$375,621	\$285,504	\$3,595	\$664,720
Total Business-type Activities	\$375,621	\$285,504	\$3,595	\$664,720

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 12/31/2007 was \$955,200. 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 \$300,000 was established in 2006 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 due to favorable collections only \$105,413 is remaining on the loan.

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 In	Transfers Out				Total
		General	Other Governmental	Internal Service	Enterprise	
General Fund	\$118,159	\$0	\$1,193,086	\$232,145	\$0	\$1,425,231
Other Governmental	2,272,432	78,946	873,003	0	0	\$951,949
Internal Service	513,413	39,213	0	0	0	\$39,213
Enterprise	0	0	245,545	242,066	0	\$487,611
Total	\$2,904,004	\$118,159	\$2,311,634	\$474,211	\$0	\$2,904,004

There were no significant transfers in 2007.

NOTE 7 — CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$14,199,411	\$0	\$0	\$14,199,411
Construction in Progress	7,625,572	4,361,504	(2,831,799)	9,155,277
Total capital assets, not being depreciated:	21,824,983	4,361,504	(2,831,799)	23,354,688
Capital assets, being depreciated:				
Building	24,784,293	869,763	(174,148)	25,479,908
Improvements other than buildings	7,792,826	1,115,678	(71,696)	8,836,808
Infrastructure	45,252,909	888,295	0	46,141,204
Machinery and Equipment	8,636,698	1,656,779	(426,728)	9,866,749
Total capital assets being depreciated:	86,466,726	4,530,515	(672,572)	90,324,669
Less accumulated depreciation for:				
Buildings	(8,538,432)	(852,623)	174,148	(9,216,907)
Improvements other than buildings	(4,916,647)	(233,725)	65,745	(5,084,627)
Infrastructure	(19,221,888)	(2,199,164)	0	(21,421,052)
Machinery and Equipment	(5,933,539)	(611,887)	366,254	(6,179,172)
Total accumulated depreciation:	(38,610,506)	(3,897,399)	606,147	(41,901,758)
Total capital assets, being depreciated, net:	47,856,220	633,116	(66,425)	48,422,911
Governmental activities capital assets, net:	\$69,681,203	\$4,994,620	(\$2,898,224)	\$71,777,599

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$1,126,723	\$0	\$0	\$1,126,723
Construction in Progress	4,872,469	608,293	(1,772,782)	3,707,980
Total capital assets, not being depreciated:	5,999,192	608,293	(1,772,782)	4,834,703
Capital assets, being depreciated:				
Building	36,724,796	0	0	36,724,796
Improvements other than buildings	37,759,192	4,699,650	0	42,458,842
Machinery and Equipment	833,755	16,026	0	849,781
Intangible Assets	1,250,000	0	0	1,250,000
Total capital assets being depreciated:	76,567,743	4,715,676	0	81,283,419
Less accumulated depreciation for:				
Buildings	(11,058,200)	(708,896)	0	(11,767,096)
Improvements other than buildings	(13,393,550)	(1,446,616)	0	(14,840,166)
Machinery and Equipment	(436,322)	(46,766)	0	(483,088)
Intangible Assets	(654,167)	(49,653)	0	(703,820)
Total accumulated depreciation:	(25,542,239)	(2,251,931)	0	(27,794,170)
Total capital assets, being depreciated, net:	51,025,504	2,463,745	0	53,489,249
Business activities capital assets, net:	\$57,024,696	\$3,072,038	(\$1,772,782)	\$58,323,952

Depreciation Expense by Function

GOVERNMENTAL ACTIVITIES

Governmental Activities:	
General government	\$749,886
Public safety	324,430
Culture and recreation	171,864
Transportation	2,157,984
Physical Environment	4,166
Internal service	489,069
Total depreciation expense - Governmental Activities	<u>\$3,897,399</u>

BUSINESS-TYPE ACTIVITIES

Stormwater	\$84,044
Water	484,468
Sewer	401,513
Wastewater Treatment	1,281,906
Total depreciation expense - Business Type Activities	<u>\$2,251,931</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 members are vested after the completion of 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 two 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. Plan 1 retirements from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index), capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Plan 2 members are vested after the completion of 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 two 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 three 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 a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three 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 one 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. Vested Plan 3 members are eligible to retire with a full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three 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.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS may choose to participate in the Judicial Benefit Multiplier Program (JBM). Current justices or judges in PERS Plan 1 and 2 may make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average financial compensation. Judges in PERS Plan 3 can elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Members who choose to participate in JBM will accrue service credit at the higher multiplier beginning with the date of their election, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who do not choose to participate will: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Justices and judges who are newly elected or appointed to judicial service and choose to become PERS members on or after January 1, 2007, or who have not previously opted into PERS membership, are required to participate in the JPM Program.

Justices and judges who are newly elected or appointed to judicial service will: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,188 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	70,201
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	25,610
Active Plan Members Vested	105,215
Active Plan Members Nonvested	49,812
Total	250,838

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. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. 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, 2007, were as follows:

Members not participating in JPM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	6.13%**	6.13%	6.13%***
Employee	6.00%****	4.15%****	*****

- * The employer rates include the employer administrative expense fee currently set at 0.16%.
- ** The employer rate for state elected officials is 9.12% for Plan 1 and 6.13% for Plan 2 and Plan 3.
- *** Plan 3 defined benefit portion only.
- **** The employee rate for state elected officials is 7.50% for Plan 1 and 4.15% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	8.63%	8.63%	8.63%**
Employer-Local Government*	6.13%	6.13%	6.13%**
Employee-State Agency	9.76%	7.88%	7.50%***
Employee-Local Government	12.26%	10.38%	7.50%***

- * The employer rates include the employer administrative expense fee currently set at 0.16%.
- ** Plan 3 defined benefit portion only.
- *** Minimum Rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2007	\$47,926	\$458,374	\$48,198
2006	29,379	237,267	24,809
2005	18,660	146,134	14,264

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 members are vested after completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

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

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

Plan 2 members are vested after completion 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 two 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 383 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	8,951
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	602
Active Plan Members Vested	12,711
Active Plan Members Nonvested	3,603
Total	25,867

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employees 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. All employers are required to contribute at the level required by state law. The Legislature by means of a special funding arrangement appropriated money from the General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. 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, 2007, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.35%**
Employee	0.00%	8.64%
State	n/a	3.45%

*The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for ports and universities is 8.80%.

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

	LEOFF Plan 1	LEOFF Plan 2
2007	\$0	\$482,912
2006	0	412,289
2005	0	319,841

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, 2007, there were six retirees receiving pension and 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, 2007 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, 2007 the Fire Pension Fund did not hold any investments.

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

	<u>12/31/2005</u>	<u>12/31/2006</u>	<u>12/31/2007</u>
1. Annual Normal Cost (BOY)	\$0	\$0	\$0
2. Amortization of UAAL (BOY)	22,548	22,548	27,266
3. Interest to EOY [(1)+(2)]x(i)*	<u>1,353</u>	<u>1,353</u>	<u>1,363</u>
4. Annual Required Contribution (ARC) at EOY [(1)+(2)+(3)]	\$23,901	\$23,901	\$28,629
5. Interest on NPO	\$5,377	\$8,332	\$9,103
6. Adjustment to ARC	<u>6,614</u>	<u>10,439</u>	<u>12,854</u>
7. Annual pension cost (APC) [(4)+(5)-(6)]	\$22,664	\$21,794	\$24,878
8. Employer Contributions**	(26,587)	(21,390)	16,956
9. Change in NPO [(7)-(8)]	<u>49,251</u>	<u>43,184</u>	<u>7,922</u>
10. NPO at BOY [(11) prior year]	<u>\$89,617</u>	<u>\$138,868</u>	<u>\$182,052</u>
11. NPO at EOY [(9)+(10)]	\$138,868	\$182,052	\$189,974

* (i) is the assumed interest rate that year: 6.0% in 2005, 6.0% in 2006, and 5.0% in 2007.

**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

<u>Fiscal Year Ending 12/31</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution as a Percentage of APC</u>	<u>Net Pension Obligation (NPO)</u>
2005	22,664	(117)	138,868
2006	21,794	(98)	182,052
2007	24,878	68	189,974

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 2007 was \$1,068,282 which represents its full liability.

For the year ending December 31, 2007, the City's covered payroll was \$19,122,762. The City's total current year payroll for all employees is \$19,866,986. No significant benefit changes occurred in 2007.

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 Fund 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 \$344,391 and long-term care costs of \$56,103 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, 2007 there was \$421,193 of Cash and cash equivalents available to pay benefits.

NOTE 9 — LONG-TERM DEBT

Changes in Long-term Debt

During 2007 the City authorized the issuance of a general obligation bond in the amount of \$5,230,000 for capital improvement projects. A portion of the bond funds were governmental activities and a portion were issued for business-type activities. The bond matures March 15, 2026 and has interest rates ranging from 3.65% - 3.95%.

The increase in Public Works Trust Fund loans are due to additional draws on existing loans. 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, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$22,118,141	\$1,384,904	(\$1,913,215)	\$21,589,830	\$1,385,385
Special assessment debt with government commitment	290,000	0	(100,000)	190,000	0
Total bonds payable:	22,408,141	1,384,904	(2,013,215)	21,779,830	1,385,385
Compensated absences	3,765,539	2,254,247	(2,470,791)	3,548,995	2,544,914
Capital contracts	2,000,070	0	(146,368)	1,853,702	151,274
Capital Lease	41,189	0	(41,189)	0	0
Public Works Trust Loan	775,242	488,563	(38,143)	1,225,662	69,381
Governmental activity long-term liabilities	\$28,990,181	\$4,127,714	(\$4,709,706)	\$28,408,189	\$4,150,954

Internal service funds predominately serve the governmental funds. Accordingly, the December 31, 2007 long-term liabilities for the fund are included as part of the above totals for governmental activities. At year end, the balance for the Internal Service Fund was for compensated absences in the amount of \$53,104.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds Payable:					
General obligation bonds	\$717,551	\$3,845,096	(\$158,243)	\$4,404,404	\$204,541
Revenue bonds	6,315,000	0	(1,890,000)	4,425,000	805,000
Less deferred amounts:					
For issuance premiums	37,503	0	(2,308)	35,195	2,308
For issuance discount	(12,134)	(17,359)	2,457	(27,036)	(2,600)
On refunding	(235,207)	0	22,845	(212,363)	(22,845)
Total bonds payable:	6,822,713	3,827,737	(2,025,249)	8,625,200	986,404
Compensated absences	304,638	276,795	(275,891)	305,542	284,168
Public Works Trust Loan	2,006,948	0	(118,710)	1,888,238	118,958
Business-type activity long-term liabilities	\$9,134,298	\$4,104,532	(\$2,419,850)	\$10,818,980	\$1,389,530

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, 2007 the City's balance of General obligation bonds outstanding was \$21,589,831. Of this amount, \$4,404,404 is an obligation of the Utility fund.

	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/07
GENERAL OBLIGATION BONDS						
<u>General Government</u>						
1996 UTGO Bonds - Public Safety Buildings	9,275,000	08/01/96	12/01/16	5.50/5.60	310,000 - 450,000	330,000
1998 LTGO Ref. Bonds - Capital Improvements	4,163,712	12/01/98	12/01/14	4.00/4.40	274,000 - 473,994	2,922,963
2001 LTGO Bonds - Capital Improvements	2,545,000	09/01/01	12/01/21	3.00/4.90	87,759 - 188,055	1,980,846
2001 LTGO Bonds - Park Acquisition	2,260,000	12/15/01	12/01/21	2.65/5.45	70,000 - 175,000	1,780,000
2002 LTGO Bonds - Performing Arts Center	7,015,000	11/13/02	12/01/26	3.00/4.90	50,000 - 460,000	6,595,000
2003 UTGO Ref. Bonds - Public Safety Buildings	7,000,000	07/01/03	12/01/16	2.00/3.50	70,000 - 960,000	6,565,000
2005 LTGO Bonds - Phone System	120,000	02/23/05	12/01/10	3.53	14,685 - 22,883	65,541
2006 LTGO Bonds - HVAC Upgrade	627,733	03/24/06	03/24/08	5.28	N/A	0
2007 LTGO Bonds - Capital Improvements	1,384,904	03/15/07	03/15/26	3.65/3.95	130,000-370,000	1,350,480
<u>Business-type Activities</u>						
1998 LTGO Ref. Bonds - Capital Improvements	316,288	09/01/01	12/01/21	3.00/4.90	20,827 - 36,006	222,037
2001 LTGO Bonds - Capital Improvements	500,000	12/01/98	12/01/14	4.00/4.40	17,241 - 36,945	389,154
2005 LTGO Bonds - Phone System	80,000	02/23/05	12/01/10	3.53	9,789 - 15,255	43,694
2007 LTGO Bonds - Capital Improvements	3,845,096	03/15/07	03/15/26	3.65/3.95	130,000-370,000	3,749,520
TOTAL GENERAL OBLIGATION BONDS	<u>\$39,132,733</u>					<u>\$25,994,235</u>

Public Works Trust Fund Loans

The City has three existing Public Works Trust Fund loans that are general government obligations. During 2007, the City drew on two of the three loans for a total of \$488,563. Two of the loans are for the design (\$340,000) and construction (\$400,000) of the 220th Street Improvement. To date, the City has drawn down the full \$740,000 for the 220th Street Improvement project. The third loan funds the 100th Avenue West Right of Way Stabilization project. The amount drawn on the loan as of 12/31/2007 was \$593,513. 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.

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 12/31/07
PUBLIC WORKS TRUST FUND LOANS						
<u>General Government</u>						
P W Trust Fund Loan - Street Construction	\$340,000	01/06/03	06/30/22	0.5	\$18,143	\$272,149
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	593,513
<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	1,069,875
P W Trust Fund Loan - Water Improvements	408,000	06/08/04	06/30/24	0.5	4,295	73,010
P W Trust Fund Loan - Storm Improvements	605,625	06/08/04	06/30/24	0.5	31,964	514,782
P W Trust Fund Loan - Sewer Improvements	1,216,902	05/23/05	06/30/25	0.5	12,169	230,571
TOTAL PUBLIC WORKS TRUST FUND LOANS	<u>\$4,942,527</u>					<u>\$3,113,900</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 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.

	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/07
CAPITAL CONTRACTS						
1996 Note - Fire Station #10	\$1,136,115	01/01/96	01/01/15	1.00	\$54,592 - \$65,300	\$504,655
2004 Capital Lease	\$230,894	07/01/04	07/01/07	10	\$7,111	\$0
2005 Contract - Public Safety Radio Equipment	1,595,046	06/01/05	12/01/19	3.00/5.00	77,457 - 141,288	1,349,047
TOTAL CAPITAL CONTRACTS	<u>\$2,962,055</u>					<u>\$1,853,702</u>

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.

	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/07
REVENUE BONDS						
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	\$1,530,000
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	2,895,000
2005 Bond Anticipation Note - Capital Improvements	2,000,000	02/15/05	02/15/07	5.28	N/A	0
TOTAL REVENUE BONDS	<u>\$12,295,000</u>					<u>\$4,425,000</u>

Special Assessment Debt with Governmental Commitment

As of December 31, 2007, \$190,000 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, 2007 is \$46,416. As of December 31, 2007, special assessment receivables totaled \$451,753, which includes \$158 of delinquent assessments.

SPECIAL ASSESSMENT DEBT	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/07
Sewer LID Bonds 215/216	\$2,252,150	12/01/01	12/01/16	2.75/5.75	\$150,000	\$190,000

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	\$114,233,238	\$76,155,492	\$190,388,730	\$190,388,730
Net Outstanding Indebtedness	(20,265,320)	(6,895,000)	0	0
Margin Available	\$93,967,918	\$69,260,492	\$190,388,730	\$190,388,730

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, 2007 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. 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, 2007 the City has \$190,000 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 2008.

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
2008	1,606,040	981,166	2,587,206	1,128,500	362,213	1,490,713
2009	1,710,793	919,444	2,630,237	694,907	326,857	1,021,764
2010	1,786,566	861,757	2,648,323	725,278	303,228	1,028,506
2011	1,867,595	798,522	2,666,117	731,753	278,560	1,010,313
2012	1,962,940	729,910	2,692,851	736,338	252,351	988,689
2013-2017	8,442,173	2,568,327	11,010,500	2,776,612	919,190	3,695,802
2018-2022	4,503,749	1,234,065	5,737,815	2,791,072	488,858	3,279,930
2023-2027	2,789,339	321,195	3,110,534	1,133,180	103,778	1,236,958
	<u>\$24,669,195</u>	<u>\$8,414,386</u>	<u>\$33,083,581</u>	<u>\$10,717,641</u>	<u>\$3,035,033</u>	<u>\$13,752,675</u>

At December 31, 2007 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, 2007, the City of Edmonds had no arbitrage liability.

NOTE 10 – SHORT-TERM DEBT

The City did not issue short-term debt during 2007 and has no outstanding short-term debt at December 31, 2007.

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).

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 126 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. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. 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**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 entered into a telecommunications contract in March of 2007 with the Netriver Corporation. The three year contract allows Netriver Corporation to use the City's fiber optic network. At the end of the three year contract, the agreement shall continue on a month to month basis until the contract is terminated in writing or a new contract is executed.

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 \$1,891,197. Depreciation expense for 2007 was \$101,196.

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 \$62,130. Depreciation expense for 2007 was \$3,434.

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 \$2,316,713. Depreciation expense for 2007 was \$131,135.

In 2007, the General Fund received \$152,418 and the Enterprise Fund received \$64,516 in rental income.

NOTE 14 — COMMITMENTS

The City has several capital improvement projects in progress. As of December 31, 2007, the City's outstanding contractual obligations, which include construction and engineering contracts, are summarized below:

Project	Original Contract	Expended to Date	Remaining Commitment
100th Avenue West Stabilization	\$171,615	\$110,560	\$61,055
2007 Citywide Storm/Slope Improvements	33,265	32,360	905
Caspers/Ninth/Puget Walkway	116,805	76,687	40,118
Shell Valley Emergency Access Road	51,990	5,546	46,444
2007 Storm Damage Emergency Projects	250,000	4,934	245,066
75th/76th Walkway	279,586	184,923	94,663
Interurban Trail	216,097	143,631	72,466
Old Woodway Elementary Park Design	146,917	60,051	86,866
SR 99 International District Enhancements	12,205	3,213	8,992
Utility Projects	1,471,027	999,713	471,314
	\$2,749,507	\$1,621,618	\$1,127,889

NOTE 15 – PRIOR PERIOD CORRECTIONS

The city recorded a prior period correction in the Internal Service Fund in the amount of \$16,605 due to incorrect amortization on a capital lease. The lease is now paid in full.

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**
2007	(25,575)	42,531	16,956	28,629	59
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

** 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

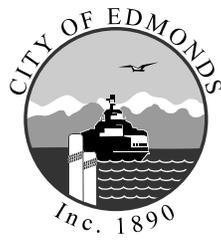
**Firefighter's Pension Fund
Schedule of Funding Progress**

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.

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS



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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS AND OTHER DEBITS			
CURRENT ASSETS			
Cash and cash equivalents	\$9,193,845	\$60,466	\$9,254,311
Investments	787,813	0	787,813
Receivables, net			
Assessments	0	15,225	15,225
Interfund loans receivable	105,413	0	105,413
Due from other governmental units	1,147,122	0	1,147,122
Total Current Assets	11,234,193	75,691	11,309,884
RESTRICTED ASSETS			
Special assessments - deferred	0	436,528	436,528
Total Restricted Assets	0	436,528	436,528
TOTAL ASSETS	\$11,234,193	\$512,219	\$11,746,412
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$22,593	\$0	\$22,593
Accounts payable	456,253	0	456,253
Interfund loans payable	105,413	0	105,413
Custodial accounts	833	0	833
Deferred revenues	0	0	0
Other current liabilities	69,476	0	69,476
Total Current Liabilities	654,568	0	654,568
NONCURRENT LIABILITIES			
Deferred revenues	0	452,295	452,295
Total Noncurrent Liabilities	0	452,295	452,295
TOTAL LIABILITIES	654,568	452,295	1,106,863
FUND BALANCES			
Reserved for:			
Loans receivable	105,413	0	105,413
Debt service	0	59,924	59,924
Unreserved, reported in:			
Special revenue funds	10,474,212	0	10,474,212
TOTAL FUND BALANCES	10,579,625	59,924	10,639,549
TOTAL LIABILITIES AND FUND BALANCES	\$11,234,193	\$512,219	\$11,746,412

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$2,855,185	\$0	\$2,855,185
Licenses and permits	26,825	0	26,825
Intergovernmental revenues	2,123,361	0	2,123,361
Charges for services	441,849	0	441,849
Other revenues	658,651	461,404	1,120,055
Total revenues	6,105,871	461,404	6,567,275
EXPENDITURES			
Current:			
General government services	495,813	217	496,030
Security of persons and property	58,269	0	58,269
Physical environment	128,101	0	128,101
Transportation	1,349,378	0	1,349,378
Economic environment	19,344	0	19,344
Culture and recreation	232,402	0	232,402
Capital outlay	3,914,542	0	3,914,542
Debt service:			
Principal	474,474	215,000	689,474
Interest	255,541	317,175	572,716
Total expenditures	6,927,864	532,392	7,460,256
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(821,993)	(70,988)	(892,981)
OTHER FINANCING SOURCES (USES)			
Proceeds of general long-term debt	1,232,648	0	1,232,648
Disposition of capital assets	6,049	0	6,049
Transfers in	2,203,522	68,911	2,272,433
Transfers out	(951,949)	0	(951,949)
Total other financing sources (uses)	2,490,270	68,911	2,559,181
Net change in fund balances	1,668,277	(2,077)	1,666,200
Fund balances - beginning	8,911,348	62,001	8,973,349
FUND BALANCES - ENDING	\$10,579,625	\$59,924	\$10,639,549

SPECIAL REVENUE FUNDS DESCRIPTION

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

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

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

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

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

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

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

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

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

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

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

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

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

125 Real Estate Excise Tax (REET) 2 Fund – collects the second quarter percent real estate excise tax collections which are restricted to the use of improvement, renovation, planning and development of parks and streets.

126 REET 1 Parks Acquisition Fund – collection includes the first one fourth percent real estate excise tax 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.

132 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.

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.

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, 2007**
(Page 1 of 5)

	009 LEOFF MEDICAL RESERVE FUND	104 DRUG ENFORCEMENT FUND	111 STREET FUND	112 STREET CONSTRUCTION FUND
ASSETS AND OTHER DEBITS				
CURRENT ASSETS				
Cash and cash equivalents	\$425,810	\$102,326	\$234,002	\$745,465
Investments	0	0	0	0
Receivables, net				
Interfund loans receivable	0	0	0	0
Due from other governmental units	0	0	89,664	109,365
Total Current Assets	425,810	102,326	323,666	854,830
TOTAL ASSETS	\$425,810	\$102,326	\$323,666	\$854,830
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$0	\$0	\$19,312	\$0
Accounts payable	4,616	363	31,944	132,478
Interfund loans payable	0	0	0	0
Custodial accounts	0	833	0	0
Other current liabilities	0	0	4,853	22,209
Total Current Liabilities	4,616	1,196	56,109	154,687
TOTAL LIABILITIES	4,616	1,196	56,109	154,687
FUND BALANCES				
Reserved for:				
Loans receivable	0	0	0	0
Unreserved, reported in:				
Special revenue funds	421,194	101,130	267,557	700,143
TOTAL FUND BALANCES	421,194	101,130	267,557	700,143
TOTAL LIABILITIES AND FUND BALANCES	\$425,810	\$102,326	\$323,666	\$854,830

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007
(Page 2 of 5)**

	113 MULTIMODAL TRANSPORTATION FUND	116 BUILDING MAINTENANCE FUND	117 MUNICIPAL ARTS ACQUIS. FUND	118 MEMORIAL TREE FUND
ASSETS AND OTHER DEBITS				
CURRENT ASSETS				
Cash and cash equivalents	\$40,000	\$1,019,344	\$286,293	\$16,925
Investments	0	0	0	0
Receivables, net				
Interfund loans receivable	0	0	0	0
Due from other governmental units	9,344	197,499	0	0
Total Current Assets	49,344	1,216,843	286,293	16,925
TOTAL ASSETS	\$49,344	\$1,216,843	\$286,293	\$16,925
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$0	\$0	\$0	\$0
Accounts payable	0	192,950	259	0
Interfund loans payable	0	0	0	0
Custodial accounts	0	0	0	0
Other current liabilities	0	0	0	0
Total Current Liabilities	0	192,950	259	0
TOTAL LIABILITIES	0	192,950	259	0
FUND BALANCES				
Reserved for:				
Loans receivable	0	0	0	0
Unreserved, reported in:				
Special revenue funds	49,344	1,023,893	286,034	16,925
TOTAL FUND BALANCES	49,344	1,023,893	286,034	16,925
TOTAL LIABILITIES AND FUND BALANCES	\$49,344	\$1,216,843	\$286,293	\$16,925

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007
(Page 3 of 5)**

	120 HOTEL/ MOTEL TAX FUND	121 EMPLOYEE PKG PERMIT FUND	122 YOUTH SCHOLARSHIP FUND	123 TOURISM PROMOTIONAL/ ARTS FUND	125 REET 2 FUND
ASSETS AND OTHER DEBITS					
CURRENT ASSETS					
Cash and cash equivalents	\$138,008	\$86,882	\$10,775	\$42,556	\$3,904,501
Investments	0	0	0	0	787,813
Receivables, net					
Interfund loans receivable	0	0	0	0	0
Due from other governmental units	12,154	0	0	0	64,548
Total Current Assets	150,162	86,882	10,775	42,556	4,756,862
TOTAL ASSETS	\$150,162	\$86,882	\$10,775	\$42,556	\$4,756,862
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Wages payable	\$0	\$0	\$0	\$0	\$0
Accounts payable	39	0	0	1,670	90,051
Interfund loans payable	0	0	0	0	0
Custodial accounts	0	0	0	0	0
Other current liabilities	0	0	0	0	42,414
Total Current Liabilities	39	0	0	1,670	132,465
TOTAL LIABILITIES	39	0	0	1,670	132,465
FUND BALANCES					
Reserved for:					
Loans receivable	0	0	0	0	0
Unreserved, reported in:					
Special revenue funds	150,123	86,882	10,775	40,886	4,624,397
TOTAL FUND BALANCES	150,123	86,882	10,775	40,886	4,624,397
TOTAL LIABILITIES AND FUND BALANCES	\$150,162	\$86,882	\$10,775	\$42,556	\$4,756,862

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007**
(Page 4 of 5)

	126 REET 1 PARKS ACQUIS. FUND	127 GIFTS CATALOG FUND	129 SPECIAL PROJECTS FUND	130 CEMETERY MAINT./IMPRV. FUND	131 FIRE DONATIONS FUND
ASSETS AND OTHER DEBITS					
CURRENT ASSETS					
Cash and cash equivalents	\$1,084,052	\$160,904	\$11,606	\$119,080	\$8,289
Investments	0	0	0	0	0
Receivables, net					
Interfund loans receivable	0	0	0	0	0
Due from other governmental units	664,548	0	0	0	0
Total Current Assets	1,748,600	160,904	11,606	119,080	8,289
TOTAL ASSETS	\$1,748,600	\$160,904	\$11,606	\$119,080	\$8,289
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Wages payable	\$0	\$0	\$0	\$3,281	\$0
Accounts payable	0	0	0	1,775	0
Interfund loans payable	0	0	0	105,413	0
Custodial accounts	0	0	0	0	0
Other current liabilities	0	0	0	0	0
Total Current Liabilities	0	0	0	110,469	0
TOTAL LIABILITIES	0	0	0	110,469	0
FUND BALANCES					
Reserved for:					
Loans receivable	0	0	0	0	0
Unreserved, reported in:					
Special revenue funds	1,748,600	160,904	11,606	8,611	8,289
TOTAL FUND BALANCES	1,748,600	160,904	11,606	8,611	8,289
TOTAL LIABILITIES AND FUND BALANCES	\$1,748,600	\$160,904	\$11,606	\$119,080	\$8,289

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007
(Page 5 of 5)**

	132 PARKS CONST. FUND	601 PARKS TRUST FUND	610 CEMETERY MAINTENANCE TRUST FUND	623 SISTER CITY COMMISSION	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS AND OTHER DEBITS					
CURRENT ASSETS					
Cash and cash equivalents	\$0	\$142,083	\$600,298	\$14,646	\$9,193,845
Investments	0	0	0	0	787,813
Receivables, net					
Interfund loans receivable	0	0	105,413	0	105,413
Due from other governmental units	0	0	0	0	1,147,122
Total Current Assets	0	142,083	705,711	14,646	11,234,193
TOTAL ASSETS	\$0	\$142,083	\$705,711	\$14,646	\$11,234,193
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Wages payable	\$0	\$0	\$0	\$0	\$22,593
Accounts payable	0	0	0	108	456,253
Interfund loans payable	0	0	0	0	105,413
Custodial accounts	0	0	0	0	833
Other current liabilities	0	0	0	0	69,476
Total Current Liabilities	0	0	0	108	654,568
TOTAL LIABILITIES	0	0	0	108	654,568
FUND BALANCES					
Reserved for:					
Loans receivable	0	0	105,413	0	105,413
Unreserved, reported in:					
Special revenue funds	0	142,083	600,298	14,538	10,474,212
TOTAL FUND BALANCES	0	142,083	705,711	14,538	10,579,625
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$142,083	\$705,711	\$14,646	\$11,234,193

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(Page 1 of 5)

	009 LEOFF MEDICAL RESERVE FUND	104 DRUG ENFORCEMENT FUND	111 STREET FUND	112 STREET CONSTRUCTION FUND
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Licenses and permits	0	0	2,700	0
Intergovernmental revenues	0	22,596	860,565	395,167
Charges for services	0	0	56,156	155,243
Other revenues	16,822	34,904	11,769	61,299
Total revenues	16,822	57,500	931,190	611,709
EXPENDITURES				
Current:				
General government services	410,826	0	0	0
Security of persons and property	0	58,269	0	0
Physical environment	0	0	0	0
Transportation	0	0	1,256,685	92,693
Economic environment	0	0	0	0
Culture and recreation	0	0	0	0
Capital outlay	0	0	0	1,541,318
Debt Service:				
Principal	0	0	31,041	38,143
Interest	0	0	13,110	3,906
Total expenditures	410,826	58,269	1,300,836	1,676,060
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(394,004)	(769)	(369,646)	(1,064,351)
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	0	0	0	488,563
Disposition of capital assets	0	0	6,049	0
Transfers in	464,095	26,555	485,520	631,734
Transfers out	0	0	0	0
Total other financing sources (uses)	464,095	26,555	491,569	1,120,297
Net change in fund balances	70,091	25,786	121,923	55,946
Fund balances - beginning	351,103	75,344	145,634	644,197
FUND BALANCES - ENDING	\$421,194	\$101,130	\$267,557	\$700,143

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(Page 2 of 5)

	113 MULTIMODAL TRANSPORTATION FUND	116 BUILDING MAINTENANCE FUND	117 MUNICIPAL ARTS ACQUIS. FUND	118 MEMORIAL TREE FUND
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Licenses and permits	0	0	0	0
Intergovernmental revenues	26,995	218,038	0	0
Charges for services	0	0	23,100	0
Other revenues	0	48,873	23,440	896
Total revenues	26,995	266,911	46,540	896
EXPENDITURES				
Current:				
General government services	0	79,165	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	0	0	28,561	0
Capital outlay	0	377,531	0	0
Debt Service:				
Principal	0	0	0	0
Interest	0	8,118	0	0
Total expenditures	0	464,814	28,561	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,995	(197,903)	17,979	896
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	0	744,085	0	0
Disposition of capital assets	0	0	0	0
Transfers in	0	160,294	24,815	0
Transfers out	(61,946)	(25)	0	0
Total other financing sources (uses)	(61,946)	904,354	24,815	0
Net change in fund balances	(34,951)	706,451	42,794	896
Fund balances - beginning	84,295	317,442	243,240	16,029
FUND BALANCES - ENDING	\$49,344	\$1,023,893	\$286,034	\$16,925

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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	120 HOTEL/ MOTEL TAX FUND	121 EMPLOYEE PKG PERMIT FUND	122 YOUTH SCHOLARSHIP FUND	123 TOURISM PROMOTIONAL/ ARTS FUND	125 REET 2 FUND
REVENUES					
Taxes	\$82,907	\$0	\$0	\$0	\$1,386,139
Licenses and permits	0	24,125	0	0	0
Intergovernmental revenues	0	0	0	0	0
Charges for services	0	0	0	432	0
Other revenues	6,635	4,708	4,732	1,828	250,101
Total revenues	89,542	28,833	4,732	2,260	1,636,240
EXPENDITURES					
Current:					
General government services	0	1,018	0	0	0
Security of persons and property	0	0	0	0	0
Physical environment	0	0	0	0	0
Transportation	0	0	0	0	0
Economic environment	0	0	0	0	0
Culture and recreation	22,143	0	2,040	17,130	153,300
Capital outlay	0	0	0	0	1,634,776
Debt Service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total expenditures	22,143	1,018	2,040	17,130	1,788,076
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	67,399	27,815	2,692	(14,870)	(151,836)
OTHER FINANCING SOURCES (USES)					
Proceeds of general long-term debt	0	0	0	0	0
Disposition of capital assets	0	0	0	0	0
Transfers in	0	0	0	21,405	0
Transfers out	(25,405)	(17,000)	0	0	(776,349)
Total other financing sources (uses)	(25,405)	(17,000)	0	21,405	(776,349)
Net change in fund balances	41,994	10,815	2,692	6,535	(928,185)
Fund balances - beginning	108,129	76,067	8,083	34,351	5,552,582
FUND BALANCES - ENDING	\$150,123	\$86,882	\$10,775	\$40,886	\$4,624,397

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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	126 REET 1 PARKS ACQUIS. FUND	127 GIFTS CATALOG FUND	129 SPECIAL PROJECTS FUND	130 CEMETARY MAINT./IMPRV. FUND	131 FIRE DONATIONS FUND
REVENUES					
Taxes	\$1,386,139	\$0	\$0	\$0	\$0
Licenses and permits	0	0	0	0	0
Intergovernmental revenues	600,000	0	0	0	0
Charges for services	0	0	0	186,226	0
Other revenues	51,024	19,164	606	6,699	2,781
Total revenues	2,037,163	19,164	606	192,925	2,781
EXPENDITURES					
Current:					
General government services	4,804	0	0	0	0
Security of persons and property	0	0	0	0	0
Physical environment	0	0	0	128,101	0
Transportation	0	0	0	0	0
Economic environment	0	0	0	0	0
Culture and recreation	0	9,228	0	0	0
Capital outlay	0	0	0	15,240	0
Debt Service:					
Principal	405,290	0	0	0	0
Interest	220,466	0	0	9,941	0
Total expenditures	630,560	9,228	0	153,282	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,406,603	9,936	606	39,643	2,781
OTHER FINANCING SOURCES (USES)					
Proceeds of general long-term debt	0	0	0	0	0
Disposition of capital assets	0	0	0	0	0
Transfers in	0	0	0	85,114	1,000
Transfers out	(68,911)	0	0	0	0
Total other financing sources (uses)	(68,911)	0	0	85,114	1,000
Net change in fund balances	1,337,692	9,936	606	124,757	3,781
Fund balances - beginning	410,908	150,968	11,000	(116,146)	4,508
FUND BALANCES - ENDING	\$1,748,600	\$160,904	\$11,606	\$8,611	\$8,289

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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	132 PARKS CONST. FUND	601 PARKS TRUST FUND	610 CEMETERY MAINTENANCE TRUST FUND	623 SISTER CITY COMMISSION	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES					
Taxes	\$0	\$0	\$0	\$0	\$2,855,185
Licenses and permits	0	0	0	0	26,825
Intergovernmental revenues	0	0	0	0	2,123,361
Charges for services	0	0	20,692	0	441,849
Other revenues	45,000	9,456	36,673	21,241	658,651
Total revenues	45,000	9,456	57,365	21,241	6,105,871
EXPENDITURES					
Current:					
General government services	0	0	0	0	495,813
Security of persons and property	0	0	0	0	58,269
Physical environment	0	0	0	0	128,101
Transportation	0	0	0	0	1,349,378
Economic environment	0	0	0	19,344	19,344
Culture and recreation	0	0	0	0	232,402
Capital outlay	345,677	0	0	0	3,914,542
Debt Service:					
Principal	0	0	0	0	474,474
Interest	0	0	0	0	255,541
Total expenditures	345,677	0	0	19,344	6,927,864
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(300,677)	9,456	57,365	1,897	(821,993)
OTHER FINANCING SOURCES (USES)					
Proceeds of general long-term debt	0	0	0	0	1,232,648
Disposition of capital assets	0	0	0	0	6,049
Transfers in	302,990	0	0	0	2,203,522
Transfers out	(2,313)	0	0	0	(951,949)
Total other financing sources (uses)	300,677	0	0	0	2,490,270
Net change in fund balances	0	9,456	57,365	1,897	1,668,277
Fund balances - beginning	0	132,627	648,346	12,641	8,911,348
FUND BALANCES - ENDING	\$0	\$142,083	\$705,711	\$14,538	\$10,579,625

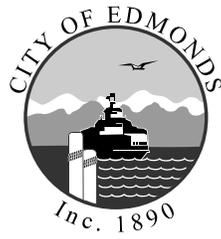
DEBT SERVICE FUNDS DESCRIPTION

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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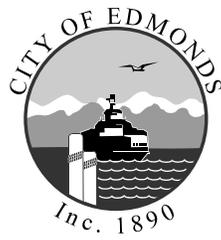
**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2007**

	211 L.I.D. FUND CONTROL FUND	213 L.I.D. GUARANTY FUND	234 LIMITED TAX G.O. BOND FUND	TOTAL NONMAJOR DEBT SERVICE FUNDS
ASSETS AND OTHER DEBITS				
CURRENT ASSETS				
Cash and cash equivalents	\$14,050	\$46,416	\$0	\$60,466
Receivables, net				
Assessments	15,225	0	0	15,225
Total Current Assets	29,275	46,416	0	75,691
RESTRICTED ASSETS				
Special assessments - deferred	436,528	0	0	436,528
Total Restricted Assets	436,528	0	0	436,528
TOTAL ASSETS	\$465,803	\$46,416	\$0	\$512,219
LIABILITIES AND FUND BALANCES				
NONCURRENT LIABILITIES				
Deferred revenues	452,295	0	0	452,295
Total Noncurrent Liabilities	452,295	0	0	452,295
TOTAL LIABILITIES	452,295	0	0	452,295
FUND BALANCES				
Reserved for:				
Debt service	13,508	46,416	0	59,924
TOTAL FUND BALANCES	13,508	46,416	0	59,924
TOTAL LIABILITIES AND FUND BALANCES	\$465,803	\$46,416	\$0	\$512,219

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	211 L.L.D. FUND CONTROL FUND	213 L.I.D. GUARANTY FUND	234 LIMITED TAX G.O. BOND FUND	TOTAL NONMAJOR DEBT SERVICE FUNDS
REVENUES				
Other revenues	\$110,139	\$4,466	\$346,799	\$461,404
Total revenues	110,139	4,466	346,799	461,404
EXPENDITURES				
Current:				
General government services	217	0	0	217
Principal	100,000	0	115,000	215,000
Interest	16,465	0	300,710	317,175
Total expenditures	116,682	0	415,710	532,392
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,543)	4,466	(68,911)	(70,988)
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	68,911	68,911
Total other financing sources (uses)	0	0	68,911	68,911
Net change in fund balances	(6,543)	4,466	0	(2,077)
Fund balances - beginning	20,051	41,950	0	62,001
FUND BALANCES - ENDING	\$13,508	\$46,416	\$0	\$59,924

BUDGET AND ACTUAL



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**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 009 – LEOFF MEDICAL RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$12,000	\$12,000	\$16,822	\$4,822
Total Revenues	12,000	12,000	16,822	4,822
EXPENDITURES				
Current:				
General government services	497,250	497,250	410,826	86,424
Total Expenditures	497,250	497,250	410,826	86,424
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(485,250)	(485,250)	(394,004)	91,246
OTHER FINANCING SOURCES (USES)				
Transfers in	464,095	464,095	464,095	0
Total other financing sources (uses)	464,095	464,095	464,095	0
Net changes in fund balances	(21,155)	(21,155)	70,091	91,246
Fund balances - beginning	338,670	338,670	351,103	12,433
FUND BALANCES - ENDING	\$317,515	\$317,515	\$421,194	\$103,679

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 104 – DRUG ENFORCEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$19,828	\$19,828	\$22,596	\$2,768
Fines and forfeits	500	500	0	(500)
Other revenues	15,000	15,000	34,904	19,904
Total Revenues	35,328	35,328	57,500	22,172
EXPENDITURES				
Current:				
Security of persons and property	89,213	89,213	58,269	30,944
Total Expenditures	89,213	89,213	58,269	30,944
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(53,885)	(53,885)	(769)	53,116
OTHER FINANCING SOURCES (USES)				
Transfers in	26,555	26,555	26,555	0
Total other financing sources (uses)	26,555	26,555	26,555	0
Net changes in fund balances	(27,330)	(27,330)	25,786	53,116
Fund balances - beginning	46,260	46,260	75,344	29,084
FUND BALANCES - ENDING	\$18,930	\$18,930	\$101,130	\$82,200

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 111 – STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Licenses and Permits	\$0	\$0	\$2,700	\$2,700
Intergovernmental revenues	760,000	760,000	860,565	100,565
Charges for services	22,509	22,509	56,156	33,647
Other revenues	5,000	5,000	11,769	6,769
Total Revenues	787,509	787,509	931,190	143,681
EXPENDITURES				
Current:				
Transportation	1,300,290	1,300,290	1,256,685	43,605
Redemption of Debt Principal	29,319	31,061	31,041	20
Interest	10,608	12,483	13,110	(627)
Total Expenditures	1,340,217	1,343,834	1,300,836	42,998
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(552,708)	(556,325)	(369,646)	186,679
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	0	0	6,049	6,049
Transfers in	485,520	485,520	485,520	0
Total other financing sources (uses)	485,520	485,520	491,569	6,049
Net changes in fund balances	(67,188)	(70,805)	121,923	192,728
Fund balances - beginning	101,683	101,683	145,634	43,951
FUND BALANCES - ENDING	\$34,495	\$30,878	\$267,557	\$236,679

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 112 – STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$499,500	\$499,500	\$395,167	(\$104,333)
Charges for services	80,000	80,000	155,243	75,243
Other revenues	82,196	82,196	61,299	(20,897)
Total Revenues	661,696	661,696	611,709	(49,987)
EXPENDITURES				
Current:				
Transportation	0	0	92,693	(92,693)
Capital outlay	2,174,305	2,205,305	1,541,318	663,987
Debt service:				
Redemption of Debt Principal	38,143	38,143	38,143	0
Interest	3,251	3,251	3,906	(655)
Total Expenditures	2,215,699	2,246,699	1,676,060	570,639
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,554,003)	(1,585,003)	(1,064,351)	520,652
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	499,800	499,800	488,563	(\$11,237)
Transfers in	955,200	975,200	631,734	(\$343,466)
Total other financing sources (uses)	1,455,000	1,475,000	1,120,297	(354,703)
Net changes in fund balances	(99,003)	(110,003)	55,946	165,949
Fund balances - beginning	793,490	793,490	644,197	(149,293)
FUND BALANCES - ENDING	\$694,487	\$683,487	\$700,143	\$16,656

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 113 – MULTIMODAL TRANSPORTATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$625,000	\$625,000	\$26,995	(\$598,005)
Total Revenues	625,000	625,000	26,995	(598,005)
EXPENDITURES				
Current:				
Transportation	625,000	563,053	0	563,053
Total Expenditures	625,000	563,053	0	563,053
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	61,947	26,995	(34,952)
OTHER FINANCING SOURCES (USES)				
Transfers out	0	(61,947)	(61,946)	1
Total other financing sources (uses)	0	(61,947)	(61,946)	1
Net changes in fund balances	0	0	(34,951)	(34,951)
Fund balances - beginning	0	0	84,295	84,295
FUND BALANCES - ENDING	\$0	\$0	\$49,344	\$49,344

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 116 – BUILDING MAINTENANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$848,845	\$848,845	\$218,038	(\$630,807)
Other revenues	7,500	7,500	48,873	41,373
Total Revenues	856,345	856,345	266,911	(589,434)
EXPENDITURES				
Current:				
General government services	140,000	140,000	79,165	60,835
Capital outlay	1,002,460	1,581,391	377,531	1,203,860
Debt service:				
Interest	0	8,119	8,118	1
Total Expenditures	1,142,460	1,729,510	464,814	1,264,696
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(286,115)	(873,165)	(197,903)	675,262
OTHER FINANCING SOURCES (USES)				
Proceeds of general long-term debt	260,730	847,780	744,085	(103,695)
Transfers in	56,600	56,600	160,294	103,694
Transfers out	0	0	(25)	(25)
Total other financing sources (uses)	317,330	904,380	904,354	(26)
Net changes in fund balances	31,215	31,215	706,451	675,236
Fund balances - beginning	247,138	247,138	317,442	70,304
FUND BALANCES - ENDING	\$278,353	\$278,353	\$1,023,893	\$745,540

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 117 – MUNICIPAL ARTS ACQUISITION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$1,200	\$1,200	\$0	(\$1,200)
Charges for services	21,200	21,200	23,100	1,900
Other revenues	16,530	16,530	23,440	6,910
Total Revenues	38,930	38,930	46,540	7,610
EXPENDITURES				
Current:				
Culture and recreation	100,250	100,250	28,561	71,689
Total Expenditures	100,250	100,250	28,561	71,689
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(61,320)	(61,320)	17,979	79,299
OTHER FINANCING SOURCES (USES)				
Transfers in	27,000	27,000	24,815	(2,185)
Transfers out	(3,000)	(3,000)	0	3,000
Total other financing sources (uses)	24,000	24,000	24,815	815
Net changes in fund balances	(37,320)	(37,320)	42,794	80,114
Fund balances - beginning	204,625	204,625	243,240	38,615
FUND BALANCES - ENDING	\$167,305	\$167,305	\$286,034	\$118,729

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 118 – MEMORIAL TREE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$600	\$600	\$896	\$296
Total Revenues	600	600	896	296
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	600	600	896	296
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	600	600	896	296
Fund balances - beginning	15,847	15,847	16,029	182
FUND BALANCES - ENDING	\$16,447	\$16,447	\$16,925	\$478

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 120 – HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$61,740	\$61,740	\$82,907	\$21,167
Other revenues	1,885	1,885	6,635	4,750
Total Revenues	63,625	63,625	89,542	25,917
EXPENDITURES				
Current:				
Culture and recreation	44,190	47,190	22,143	25,047
Total Expenditures	44,190	47,190	22,143	25,047
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	19,435	16,435	67,399	50,964
OTHER FINANCING SOURCES (USES)				
Transfers out	(19,435)	(19,435)	(25,405)	(5,970)
Total other financing sources (uses)	(19,435)	(19,435)	(25,405)	(5,970)
Net changes in fund balances	0	(3,000)	41,994	44,994
Fund balances - beginning	55,268	55,268	108,129	52,861
FUND BALANCES - ENDING	\$55,268	\$52,268	\$150,123	\$97,855

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 121 – EMPLOYEE PARKING PERMIT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Licenses and Permits	\$15,000	\$15,000	\$24,125	\$9,125
Other revenues	3,600	3,600	4,708	1,108
Total Revenues	18,600	18,600	28,833	10,233
EXPENDITURES				
Current:				
General government services	1,000	1,000	1,018	(18)
Total Expenditures	1,000	1,000	1,018	(18)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,600	17,600	27,815	10,215
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,000)	(17,000)	(17,000)	0
Total other financing sources (uses)	(17,000)	(17,000)	(17,000)	0
Net changes in fund balances	600	600	10,815	10,215
Fund balances - beginning	71,574	71,574	76,067	4,493
FUND BALANCES - ENDING	\$72,174	\$72,174	\$86,882	\$14,708

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 122 – YOUTH SCHOLARSHIP FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$2,740	\$2,740	\$4,732	\$1,992
Total Revenues	2,740	2,740	4,732	1,992
EXPENDITURES				
Current:				
Culture and recreation	3,200	3,200	2,040	1,160
Total Expenditures	3,200	3,200	2,040	1,160
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(460)	(460)	2,692	3,152
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	(460)	(460)	2,692	3,152
Fund balances - beginning	8,303	8,303	8,083	(220)
FUND BALANCES - ENDING	\$7,843	\$7,843	\$10,775	\$2,932

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 123 – TOURISM/PROMOTIONAL ARTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$200	\$200	\$432	\$232
Other revenues	1,400	1,400	1,828	428
Total Revenues	1,600	1,600	2,260	660
EXPENDITURES				
Current:				
Culture and recreation	21,800	21,800	17,130	4,670
Total Expenditures	21,800	21,800	17,130	4,670
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,200)	(20,200)	(14,870)	5,330
OTHER FINANCING SOURCES (USES)				
Transfers in	15,435	15,435	21,405	5,970
Total other financing sources (uses)	15,435	15,435	21,405	5,970
Net changes in fund balances	(4,765)	(4,765)	6,535	11,300
Fund balances - beginning	26,941	26,941	34,351	7,410
FUND BALANCES - ENDING	\$22,176	\$22,176	\$40,886	\$18,710

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 125 – REAL ESTATE EXCISE TAX (REET) 2 FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$1,400,000	\$1,400,000	\$1,386,139	(\$13,861)
Other revenues	117,500	117,500	250,101	132,601
Total Revenues	1,517,500	1,517,500	1,636,240	118,740
EXPENDITURES				
Current:				
Culture and recreation	0	0	153,300	(153,300)
Capital outlay	3,622,000	3,622,000	1,634,776	1,987,224
Total Expenditures	3,622,000	3,622,000	1,788,076	1,833,924
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,104,500)	(2,104,500)	(151,836)	1,952,664
OTHER FINANCING SOURCES (USES)				
Transfers out	(886,200)	(886,200)	(776,349)	109,851
Total other financing sources (uses)	(886,200)	(886,200)	(776,349)	109,851
Net changes in fund balances	(2,990,700)	(2,990,700)	(928,185)	2,062,515
Fund balances - beginning	4,996,514	4,996,514	5,552,582	556,068
FUND BALANCES - ENDING	\$2,005,814	\$2,005,814	\$4,624,397	\$2,618,583

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 126 – REAL ESTATE EXCISE TAX (REET) 1 PARK ACQUISITION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$1,400,000	\$1,400,000	\$1,386,139	(\$13,861)
Intergovernmental revenues	0	0	600,000	600,000
Other revenues	70,000	70,000	51,024	(18,976)
Total Revenues	1,470,000	1,470,000	2,037,163	567,163
EXPENDITURES				
Current:				
General government services	0	0	4,804	(4,804)
Capital outlay	210,000	210,000	0	210,000
Debt service:				
Principal retirement	395,108	405,248	405,290	(42)
Interest	206,642	217,556	220,466	(2,910)
Total Expenditures	811,750	832,804	630,560	202,244
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	658,250	637,196	1,406,603	769,407
OTHER FINANCING SOURCES (USES)				
Transfers out	(68,911)	(68,911)	(68,911)	0
Total other financing sources (uses)	(68,911)	(68,911)	(68,911)	0
Net changes in fund balances	589,339	568,285	1,337,692	769,407
Fund balances - beginning	198,648	198,648	410,908	212,260
FUND BALANCES - ENDING	\$787,987	\$766,933	\$1,748,600	\$981,667

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 127 – GIFTS CATALOG FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$8,260	\$16,260	\$19,164	\$2,904
Total Revenues	8,260	16,260	19,164	2,904
EXPENDITURES				
Current:				
Culture and recreation	4,866	12,866	9,228	3,638
Total Expenditures	4,866	12,866	9,228	3,638
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,394	3,394	9,936	6,542
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	3,394	3,394	9,936	6,542
Fund balances - beginning	148,875	148,875	150,968	2,093
FUND BALANCES - ENDING	\$152,269	\$152,269	\$160,904	\$8,635

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 129 – SPECIAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$316,000	\$316,000	\$0	(\$316,000)
Other revenues	0	0	606	606
Total Revenues	316,000	316,000	606	(315,394)
EXPENDITURES				
Capital outlay	316,000	327,000	0	327,000
Total Expenditures	316,000	327,000	0	327,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	(11,000)	606	11,606
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	0	(11,000)	606	11,606
Fund balances - beginning	0	11,000	11,000	0
FUND BALANCES - ENDING	\$0	\$0	\$11,606	\$11,606

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 130 – CEMETERY MAINTENANCE/IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$165,000	\$165,000	\$186,226	\$21,226
Other revenues	11,100	11,100	6,699	(4,401)
Total Revenues	176,100	176,100	192,925	16,825
EXPENDITURES				
Current:				
Physical environment	135,656	135,656	128,101	7,555
Capital outlay	16,000	16,000	15,240	760
Debt service:				
Redemption of Debt Principal	13,903	13,903	0	13,903
Interest	15,000	15,000	9,941	5,059
Total Expenditures	180,559	180,559	153,282	27,277
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(4,459)	(4,459)	39,643	44,102
OTHER FINANCING SOURCES (USES)				
Proceeds of interfund loan				0
Transfers in	85,114	85,114	85,114	0
Total other financing sources (uses)	85,114	85,114	85,114	0
Net changes in fund balances	80,655	80,655	124,757	44,102
Fund balances - beginning	160,240	160,240	(116,146)	(276,386)
FUND BALANCES - ENDING	\$240,895	\$240,895	\$8,611	(\$232,284)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 131 – FIRE DONATIONS FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$5,838	\$5,838	\$2,781	(\$3,057)
Total Revenues	5,838	5,838	2,781	(3,057)
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,838	5,838	2,781	(3,057)
OTHER FINANCING SOURCES (USES)				
Transfers in	0	1,000	1,000	0
Total other financing sources (uses)	0	1,000	1,000	0
Net changes in fund balances	5,838	6,838	3,781	(3,057)
Fund balances - beginning	13,778	13,778	4,508	(9,270)
FUND BALANCES - ENDING	\$19,616	\$20,616	\$8,289	(\$12,327)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 132 – PARK CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$225,000	\$225,000	\$0	(\$225,000)
Other revenues	0	15,000	45,000	30,000
Total Revenues	225,000	240,000	45,000	(195,000)
EXPENDITURES				
Capital outlay	0	420,000	345,677	74,323
Total Expenditures	0	420,000	345,677	74,323
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	225,000	(180,000)	(300,677)	(120,677)
OTHER FINANCING SOURCES (USES)				
Transfers in	195,000	195,000	302,990	107,990
Transfers out	0	0	(2,313)	(2,313)
Total other financing sources (uses)	195,000	195,000	300,677	105,677
Net changes in fund balances	420,000	15,000	0	(15,000)
Fund balances - beginning	0	0	0	0
FUND BALANCES - ENDING	\$420,000	\$15,000	\$0	(\$15,000)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 601 – PARK TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$4,000	\$4,000	\$9,456	\$5,456
Total Revenues	4,000	4,000	9,456	5,456
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,000	4,000	9,456	5,456
Net changes in fund balances	4,000	4,000	9,456	5,456
Fund balances - beginning	124,908	124,908	132,627	7,719
FUND BALANCES - ENDING	\$128,908	\$128,908	\$142,083	\$13,175

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 610 – CEMETERY MAINTENANCE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$17,223	\$17,223	\$20,692	\$3,469
Other revenues	29,000	29,000	36,673	7,673
Total Revenues	46,223	46,223	57,365	11,142
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	46,223	46,223	57,365	11,142
OTHER FINANCING SOURCES (USES)				
Transfers in	13,903	13,903	0	(13,903)
Total other financing sources (uses)	13,903	13,903	0	(13,903)
Net changes in fund balances	60,126	60,126	57,365	(2,761)
Fund balances - beginning	323,949	323,949	648,346	324,397
FUND BALANCES - ENDING	\$384,075	\$384,075	\$705,711	\$321,636

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 623 – SISTER CITY COMMISSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$21,200	\$21,200	\$21,241	\$41
Total Revenues	21,200	21,200	21,241	41
EXPENDITURES				
Current:				
Economic environment	20,000	20,000	19,344	656
Total Expenditures	20,000	20,000	19,344	656
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,200	1,200	1,897	697
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	1,200	1,200	1,897	697
Fund balances - beginning	14,937	14,937	12,641	(2,296)
FUND BALANCES - ENDING	\$16,137	\$16,137	\$14,538	(\$1,599)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 211 – LID FUND CONTROL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

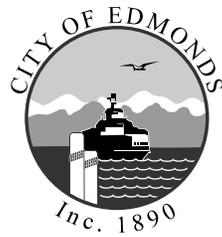
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other Revenues	\$351,000	\$351,000	\$110,139	(\$240,861)
Total Revenues	351,000	351,000	110,139	(240,861)
EXPENDITURES				
Current:				
General Government Services	300	300	217	83
Debt Service:				
Principal	325,000	325,000	100,000	225,000
Interest	20,000	20,000	16,465	3,535
Total Expenditures	345,300	345,300	116,682	228,618
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,700	5,700	(6,543)	(12,243)
Net change in fund balances	5,700	5,700	(6,543)	(12,243)
Fund Balances - beginning	1,766	1,766	20,051	18,285
FUND BALANCES - ENDING	\$7,466	\$7,466	\$13,508	\$6,042

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 213 – LID GUARANTY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other Revenues	\$2,000	\$2,000	\$4,466	\$2,466
Total Revenues	2,000	2,000	4,466	2,466
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,000	2,000	4,466	2,466
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net change in fund balances	2,000	2,000	4,466	2,466
Fund Balances - beginning	41,529	41,529	41,950	421
FUND BALANCES - ENDING	\$43,529	\$43,529	\$46,416	\$2,887

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 234 – LIMITED TAX GENERAL OBLIGATION BOND FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$346,799	\$346,799	\$346,799	\$0
TOTAL REVENUES	346,799	346,799	346,799	0
EXPENDITURES				
Debt service:				
Principal	115,000	115,000	115,000	0
Interest	300,710	300,710	300,710	0
TOTAL EXPENDITURES	415,710	415,710	415,710	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(68,911)	(68,911)	(68,911)	0
OTHER FINANCING SOURCES (USES)				
Transfers in	68,911	68,911	68,911	0
Total other financing sources (uses)	68,911	68,911	68,911	0
Net change in fund balances	0	0	0	0
Fund Balances - beginning	0	0	0	0
FUND BALANCES - ENDING	\$0	\$0	\$0	\$0



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FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

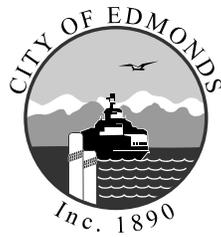
811 Payroll Clearing Fund - accounts for receipt and disbursement of monies to a variety of other funds, governmental units, or private parties.

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, 2007**

	BALANCE JANUARY 1, 2007	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31, 2007
<u>FUND 811 - PAYROLL CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$0	\$28,277,701	\$28,277,701	\$0
TOTAL ASSETS	\$0	\$28,277,701	\$28,277,701	\$0
LIABILITIES				
Wages Payable	\$0	\$27,958,743	\$27,958,743	\$0
Accounts payable	0	5,803,305	5,803,305	0
TOTAL LIABILITIES	\$0	\$33,762,048	\$33,762,048	\$0
<u>FUND 812 - CLAIMS CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$0	\$29,095,212	\$29,095,212	\$0
TOTAL ASSETS	\$0	\$29,095,212	\$29,095,212	\$0
LIABILITIES				
Accounts payable	\$0	\$29,056,660	\$29,056,660	\$0
TOTAL LIABILITIES	\$0	\$29,056,660	\$29,056,660	\$0
<u>FUND 825 - INVESTMENT CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$0	\$84,210,796	\$84,210,796	\$0
Investments	0	8,113,683	8,113,683	0
TOTAL ASSETS	\$0	\$92,324,479	\$92,324,479	\$0
LIABILITIES				
Accounts payable	\$0	\$0	\$0	\$0
TOTAL LIABILITIES	\$0	\$0	\$0	\$0
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$0	\$141,583,709	\$141,583,709	\$0
Investments	0	8,113,683	8,113,683	0
TOTAL ASSETS	\$0	\$149,697,392	\$149,697,392	\$0
LIABILITIES				
Wages payable	\$0	\$27,958,743	\$27,958,743	\$0
Accounts payable	0	34,859,965	34,859,965	0
TOTAL LIABILITIES	\$0	\$62,818,708	\$62,818,708	\$0



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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 five years of information.

GOVERNMENT WIDE NET ASSETS BY COMPONENT
Last Five Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities					
Invested in capital assets, net of related debt ³	\$ 1,777,861	\$ 15,661,061	\$ 18,521,057	\$ 51,166,559	\$54,021,806
Restricted	11,119,246	5,804,684	6,749,421	6,717,794	7,490,300
Unrestricted	17,883,400	13,175,522	15,503,551	11,724,719	11,895,851
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>	<u>\$ 73,407,957</u>
Business-type Activities					
Invested in capital assets, net of related debt	\$ 38,375,525	\$ 41,657,416	\$ 44,910,309	\$ 47,924,210	\$ 49,910,564
Restricted	4,326,736	910,598	699,701	686,847	2,786,695
Unrestricted	10,955,342	12,329,203	12,047,828	10,764,229	7,712,290
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>	<u>\$ 60,409,549</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 40,153,386	\$ 57,318,477	\$ 63,431,366	\$ 99,090,769	\$ 103,932,370
Restricted	15,445,982	6,715,282	7,449,122	7,404,641	10,276,995
Unrestricted	28,838,742	25,504,725	27,551,379	22,488,948	19,608,141
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>	<u>\$ 133,817,506</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 five 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 Five Fiscal Years

	2003	2004	2005	2006	2007
Expenses:					
Governmental activities					
General government	\$ 8,446,718	\$ 6,053,881	\$ 6,105,305	\$6,178,971	\$6,748,067
Judicial	-	-	538,956	767,221	756,649
Public safety	15,727,734	15,184,024	15,268,262	17,021,180	16,765,814
Physical environment	1,975,296	1,844,923	1,664,723	1,866,080	1,697,734
Economic environment	574,557	880,137	1,027,373	1,169,306	1,088,773
Mental and physical health	101,257	8,468	9,082	8,562	7,237
Culture and recreation	2,887,460	3,108,916	3,648,189	5,822,424	3,393,130
Transportation	525,077	754,092	1,038,406	1,283,183	3,019,710
Interest and fiscal charges	1,208,012	1,078,106	666,094	531,869	512,154
Total governmental activities expenses	<u>31,446,111</u>	<u>28,912,547</u>	<u>29,966,390</u>	<u>34,648,796</u>	<u>33,989,268</u>
Business-type activities					
Utility Operations	10,609,568	11,346,771	11,114,516	11,528,591	12,423,508
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>	<u>12,423,508</u>
Program Revenues:					
Governmental activities					
Charges for services:					
General government	3,099,891	2,439,152	2,211,982	\$2,324,217	\$2,600,612
Public safety	3,473,896	3,290,851	1,444,264	1,237,307	1,034,060
Other	1,382,313	1,593,855	3,530,613	3,543,577	3,631,674
Operating grants and contributions	784,940	241,045	107,445	597,047	297,549
Capital grants and contributions	590,001	454,700	2,145,854	3,046,262	1,126,513
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>	<u>8,690,408</u>
Business-type activities					
Charges for services	11,398,816	11,334,141	12,553,652	12,644,769	12,754,577
Operating grants and contributions	40,199	47,067	37,898	44,350	54,116
Capital grants and contributions	496,713	677,797	775,691	512,527	490,709
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>	<u>13,299,402</u>
Net (Expense) Revenue					
Governmental activities	(22,115,070)	(20,892,944)	(20,526,232)	(23,900,386)	(25,298,860)
Business-type activities	1,326,160	712,234	2,252,725	1,673,055	875,894
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>	<u>(24,422,966)</u>
General Revenues:					
Governmental activities					
Taxes:					
Property	10,623,848	10,922,324	11,058,167	11,497,708	11,988,296
Sales	4,832,004	5,029,012	5,423,994	5,835,031	6,216,836
Utility	3,677,778	3,777,845	3,986,062	4,228,565	4,501,056
Other	3,107,503	3,589,917	4,344,893	4,570,863	4,598,407
Investment earnings	393,856	363,449	522,367	841,684	851,162
Gain on sale of capital assets	299,056	64,681	273,700	195,896	62,225
Miscellaneous	357,866	443,631	323,749	380,466	392,152
Transfers	105,285	100,814	157,755	157,671	487,611
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>	<u>29,097,745</u>
Business-type activities					
Investment earnings	381,901	217,131	324,668	516,611	645,980
Miscellaneous	-	-	16,584	24,792	-
Transfers	(105,285)	(101,112)	(157,755)	(157,671)	(487,611)
Total business-type activities general revenues	<u>276,616</u>	<u>116,019</u>	<u>183,497</u>	<u>383,732</u>	<u>158,369</u>
Total primary government	<u>23,673,812</u>	<u>24,407,692</u>	<u>26,274,184</u>	<u>28,091,616</u>	<u>29,256,114</u>
Change in Net Assets					
Governmental activities	1,282,126	3,398,729	5,564,455	3,807,498	3,798,885
Business-type activities	1,602,776	828,253	2,436,222	2,056,787	1,034,263
Total primary government	<u>\$ 2,884,902</u>	<u>\$ 4,226,982</u>	<u>\$ 8,000,677</u>	<u>\$ 5,864,285</u>	<u>\$ 4,833,148</u>

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

Source: Prior years published Comprehensive Annual Financial Reports.

TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS
Last Nine Fiscal Years

Fiscal Year	Property	Sales & Use	Utility	Lodging	Real Estate Excise	Other ¹	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
2007	12,008,487	6,232,946	4,484,946	82,907	2,772,278	284,081	25,865,645

Percentage Change In Dollars Over							
8 Years	42.5%	35.6%	87.5%	30.1%	85.2%	-55.0%	46.9%

Notes:

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

¹ 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

	1998	1999	2000	2001	2002
General Fund					
Reserved	\$ -	\$ 17,582	\$ 15,652	\$ -	\$ -
Unreserved	5,417,119	5,706,191	6,328,821	5,075,385	5,592,524
Subtotal General Fund	5,417,119	5,723,773	6,344,473	5,075,385	5,592,524
General Fund Percentage Change	11.6%	5.7%	10.8%	-20.0%	10.2%
All Other Governmental Funds					
Reserved	447,539	480,259	511,368	810,220	647,503
Unreserved					
Special Revenue Funds	5,166,935	6,013,469	6,695,118	8,205,084	7,197,588
Capital Projects Funds	6,264,729	2,638,851	2,435,613	4,980,849	2,899,853
Subtotal All Other Governmental Funds	11,879,203	9,132,579	9,642,099	13,996,153	10,744,944
Total Governmental Funds					
Reserved	447,539	497,841	527,020	810,220	647,503
Unreserved	16,848,783	14,358,511	15,459,552	18,261,318	15,689,965
Total Governmental Funds	\$ 17,296,322	\$ 14,856,352	\$ 15,986,572	\$ 19,071,538	\$ 16,337,468
All Governmental Funds Percentage Change	-9.7%	-14.1%	7.6%	19.3%	-14.3%

Source: Prior years published Comprehensive Annual Financial Reports.

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Page 2 of 2

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 129,423	\$ -	\$ -	\$ -	\$ -
6,293,691	7,647,155	7,982,694	8,089,403	7,737,979
6,423,114	7,647,155	7,982,694	8,089,403	7,737,979
14.9%	19.1%	4.4%	1.3%	-4.3%
704,933	323,711	152,745	276,376	165,337
3,769,929	8,306,278	10,654,716	8,696,973	10,474,212
3,614,307	167,769	-	-	-
8,089,169	8,797,758	10,807,461	8,973,349	10,639,549
834,356	323,711	152,745	276,376	165,337
13,677,927	16,121,202	18,637,410	16,786,376	18,212,191
\$ 14,512,283	\$ 16,444,913	\$ 18,790,155	\$ 17,062,752	\$ 18,377,528
-11.2%	13.3%	14.3%	-9.2%	7.7%

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Page 1 of 2

	1998	1999	2000	2001
Revenues:				
Taxes	\$ 16,117,761	\$ 17,606,538	\$ 18,602,178	\$ 19,120,571
Licenses and permits	469,694	673,962	1,118,165	982,176
Intergovernmental	4,558,607	4,205,884	3,417,691	5,432,608
Charges for services	1,602,335	2,145,655	2,396,435	2,467,181
Fines and forfeitures	573,081	560,347	636,048	605,263
Other revenue	1,445,573	1,201,454	1,503,773	2,539,404
Total revenues	\$ 24,767,051	\$ 26,393,840	\$ 27,674,290	\$ 31,147,203
Expenditures:				
General government	4,409,802	4,779,062	4,705,542	5,752,749
Security of persons and property	9,360,960	10,322,966	10,768,745	11,694,882
Physical environment	779,416	839,004	861,700	923,307
Transportation	967,491	994,620	1,060,441	1,294,678
Economic environment	522,246	664,654	750,636	789,693
Mental and physical health	459,032	689,964	722,039	732,871
Culture and recreation	2,903,992	3,236,729	3,337,716	3,452,410
Capital outlay	6,569,272	5,794,661	5,312,987	6,202,322
Debt service:				
Principal retirement	1,554,552	1,717,190	1,867,383	4,415,444
Interest and fiscal charges	-	-	-	-
Total Expenditures	27,526,763	29,038,850	29,387,189	35,258,356
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,759,712)	(2,645,010)	(1,712,899)	(4,111,153)
Other Financing Sources (Uses)				
Proceeds of capital leases	689,528	-	-	-
Proceeds of refunding bonds	-	-	-	-
Proceeds from Long-Term Debt	-	1,884,794	2,743,000	7,557,150
Payment to refunded bonds escrow agent	-	-	-	-
Capital contributions to other government	-	(1,884,794)	-	-
Sale of fixed assets	13,497	30,862	-	5,501
Transfers in	705,665	1,288,998	1,349,478	2,886,064
Transfers out	(537,181)	(1,149,009)	(1,290,635)	(2,783,603)
Total Other Financing Sources (Uses)	871,509	170,851	2,801,843	7,665,112
Prior period corrections	-	-	-	-
Net Change in Fund Balances	\$ (1,888,203)	\$ (2,474,159)	\$ 1,088,944	\$ 3,553,959
Debt Service as a % of Noncapital Expenditures	8.0%	8.0%	8.4%	17.9%

Source: Prior years published Comprehensive Annual Financial Reports

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Page 2 of 2

	2002	2003	2004	2005	2006	2007
\$	19,806,699	\$ 20,492,758	\$ 22,079,776	\$ 23,543,206	\$24,762,811	\$25,865,645
	1,001,635	1,105,109	1,512,968	1,586,265	1,595,459	1,689,760
	3,993,510	4,355,014	3,391,452	4,780,988	6,330,512	3,883,879
	2,650,359	2,871,571	3,355,377	3,183,770	3,267,307	3,551,559
	434,170	536,555	513,611	354,383	505,402	512,529
	2,098,613	1,575,037	1,283,911	1,494,301	1,867,779	1,895,889
\$	29,984,986	\$ 30,936,044	\$ 32,137,095	\$ 34,942,913	\$ 38,329,270	\$ 37,399,261
	5,927,313	5,744,297	5,724,465	6,266,034	6,733,227	6,706,190
	12,227,213	12,786,639	14,418,558	14,601,519	15,693,183	16,440,157
	934,018	871,693	1,040,113	1,877,941	1,824,727	1,914,409
	1,231,487	1,487,633	1,266,838	1,170,188	1,231,251	1,349,378
	784,183	523,049	877,816	914,881	1,156,471	1,122,502
	979,639	955,094	8,468	9,082	8,562	7,237
	2,508,228	2,576,330	2,626,855	2,711,223	2,976,815	3,121,293
	4,202,261	5,703,817	1,548,070	3,041,470	8,532,955	4,061,649
	2,441,931	3,077,032	1,894,713	1,446,333	1,518,665	2,206,947
	-	-	1,178,628	1,104,200	1,059,377	1,047,651
	31,236,273	33,725,584	30,584,524	33,142,871	40,735,233	37,977,413
	(1,251,287)	(2,789,540)	1,552,571	1,800,042	(2,405,963)	(578,152)
	-	-	36,500	505,000	-	-
	7,018,859	7,000,000	-	-	-	-
	-	255,000	80,000	279,029	751,058	1,873,467
	-	(6,959,659)	-	-	-	-
	-	-	-	-	-	-
	3,056	299,056	-	-	153,982	6,049
	2,691,692	1,908,898	2,158,561	1,485,752	992,726	2,390,592
	(11,736,266)	(1,508,996)	(1,970,678)	(1,487,997)	(1,238,139)	(2,377,180)
	(2,022,659)	994,299	304,383	781,784	659,627	1,892,928
	-	-	75,318	(236,584)	18,934	-
\$	(3,273,946)	\$ (1,795,241)	\$ 1,932,272	\$ 2,345,242	\$ (1,727,402)	\$ 1,314,776
	9.9%	12.3%	11.8%	9.3%	8.7%	10.6%

TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY

Last Eight Fiscal Years

Page 1 of 2

Year Ended December, 31	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Multi- Family Property
2000	\$2,645,557,747	\$480,977,700	\$6,283,800	\$1,858,000	\$167,489,200
2001	2,696,702,250	489,405,966	6,242,800	1,858,000	168,267,300
2002	2,731,165,499	542,745,166	5,418,800	1,844,400	169,042,800
2003	2,769,798,200	551,696,766	5,418,800	1,844,400	171,878,600
2004	3,787,693,800	674,959,350	14,342,000	2,715,700	259,966,800
2005	4,135,907,800	702,820,600	5,514,200	2,845,200	277,035,300
2006	4,640,914,959	820,116,000	6,342,800	4,438,200	298,599,600
2007	5,749,197,973	981,659,850	6,436,300	5,958,000	341,540,684

Source: Snohomish County Assessor's Office

Notes:

Information in not available for years prior to 2000.

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

² Tax rates expressed in rate per \$1,000

TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY

Last Eight Fiscal Years

Page 2 of 2

Other Property	Less: Tax Exempt Property	Total Taxable Assessed Value¹	Total Direct Tax Rate²	Estimated Actual Value	Annual Percentage Change
\$66,671,100	(\$527,778,415)	\$2,841,059,132	2.94	\$3,368,837,547	N/A
67,218,900	(220,939,264)	3,208,755,952	2.96	3,429,695,216	1.8%
66,367,300	(255,539,552)	3,261,044,413	3.01	3,516,583,965	2.5%
69,855,800	(252,180,439)	3,318,312,127	3.07	3,570,492,566	1.5%
95,722,500	(369,881,083)	4,465,519,067	2.47	4,835,400,150	35.4%
112,249,000	(417,080,173)	4,819,291,927	2.33	5,236,372,100	8.3%
126,461,780	(466,813,697)	5,430,059,642	2.14	5,896,873,339	12.6%
149,903,700	(622,322,592)	6,612,373,915	1.83	7,234,696,507	22.7%

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	
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
2007	1.83	1.24	2.16	3.51	0.35	0.09	0.18	9.36

Source: Snohomish County Assessor Annual Reports

PRINCIPAL TAXPAYERS
December 31, 2007 and 1998

Principal Taxpayer	2007			1998			
	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	\$ 28,806,000	1	6.93%	ERP Limited Partnership	\$ 19,448,500	1	4.68%
FW WA-Aurora Marketpalce LLC	17,212,000	2	4.14%	Gramar Development NW Inc.	9,601,300	2	2.31%
Park 212 Apt LLC	15,914,000	3	3.83%	Park 212 Apartments	8,649,500	3	2.08%
Briar Development Co	14,231,000	4	3.42%	Briar Development Co.	8,633,000	4	2.08%
Stevens Pavillion LLC	12,100,700	5	2.91%	Edmonds Associates	8,268,100	5	1.99%
Gemsa Loan Service	11,366,000	6	2.73%	Pacific Park Apartments	5,862,600	6	1.41%
Franklin-Edmonds LLC	10,955,200	7	2.63%	LP Franklin-Edmonds	5,794,700	7	1.39%
FSC Pacific Park Associates LLC	10,883,300	8	2.62%	Shurgard Storage Center	5,143,900	8	1.24%
Michel Robin W & Karen	10,060,500	9	2.42%	Edmonds Highlands Apts.	5,130,300	9	1.23%
Edmonds Landing Senior Housing	9,994,000	10	2.40%	Unicare Homes Inc.	4,800,000	10	1.15%
Total Principal Taxpayers	141,522,700		2.14%		81,331,900		3.05%
All Other Taxpayers	6,470,851,215		97.86%		2,587,576,579		96.95%
Total	\$ 6,612,373,915		100.00%		\$2,668,908,479		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		Collections in Subsequent Years	Total Collections to Date		Total Uncollected Taxes ¹	
		Fiscal Year of The Levy			Percentage of Levy		Percentage of Levy	
		Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
1998	\$ 7,543,925	\$ 7,339,627	97.29%	\$ 204,276	\$ 7,543,903	100.00%	\$ 22	0.00%
1999	8,416,688	8,146,757	96.79%	245,975	8,392,732	99.72%	23,956	0.28%
2000	9,333,601	9,142,301	97.95%	191,140	9,333,441	100.00%	160	0.00%
2001	9,528,000	9,540,961	100.14%	(13,132)	9,527,829	100.00%	171	0.00%
2002	9,920,195	9,836,863	99.16%	83,071	9,919,934	100.00%	261	0.00%
2003	10,209,227	9,986,121	97.81%	222,654	10,208,775	100.00%	452	0.00%
2004	10,941,961	10,718,852	97.96%	220,757	10,939,609	99.98%	2,352	0.02%
2005	11,152,382	10,947,400	98.16%	186,422	11,133,822	99.83%	18,560	0.17%
2006	11,506,710	11,267,986	97.93%	187,717	11,455,703	99.56%	51,007	0.44%
2007	11,994,777	11,782,550	98.23%	(0)	11,782,550	98.23%	212,227	1.77%

Notes:

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

Source: Snohomish County Assessor

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December, 31, 2007

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Edmonds</u>	<u>Amount Applicable to Edmonds</u>
City of Edmonds	<u>\$29,073,599</u>	100.00%	<u>\$29,073,599</u>
Total Direct Debt	<u>\$29,073,599</u>	100.00%	<u>\$29,073,599</u>
Local School	255,746,000	33.20%	84,900,324
County	391,456,947	7.86%	30,769,368
Hospital	6,735,000	30.85%	2,077,627
Port	3,860,000	85.19%	<u>3,288,279</u>
Total Overlapping Debt	<u>657,797,947</u>	18.40%	<u>121,035,599</u>
Total Direct and Overlapping Debt	<u>\$686,871,546</u>	21.85%	<u>\$150,109,198</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,	1998	1999	2000	2001	2002
Total Taxable Property Value	\$2,668,908,479	\$2,841,059,132	\$3,208,755,952	\$3,261,044,413	\$3,318,312,127
2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted	66,722,712	71,026,478	80,218,899	81,526,110	82,957,803
<i>Up to 1.5% debt without a vote (councilmanic)</i>	40,033,627	42,615,887	48,131,339	48,915,666	49,774,682
Less: outstanding debt	(6,885,000)	(6,290,000)	(5,675,000)	(10,675,000)	(17,185,000)
Less: contracts payable	(3,642,463)	(5,479,700)	(7,851,552)	(5,150,466)	(4,866,776)
Less: excess of debt with a vote	0	0	0	0	0
Add: available assets	447,539	473,925	507,747	841,359	644,594
Equals: remaining debt capacity without a vote	29,953,703	31,320,112	35,112,534	33,931,559	28,367,500
<i>1% general purposes debt with a vote</i>	26,689,085	28,410,591	32,087,560	32,610,444	33,183,121
Less: outstanding debt	(9,275,000)	(9,075,000)	(8,850,000)	(8,600,000)	(8,320,000)
Less: contracts payable	0	0	0	0	0
Add: available assets	0	0	0	0	0
Equals: remaining debt capacity with a vote	17,414,085	19,335,591	23,237,560	24,010,444	24,863,121
2.5% Utility purpose limit, voted	66,722,712	71,026,478	80,218,899	81,526,110	82,957,803
Less: outstanding debt	0	0	0	0	0
Less: contracts payable	0	0	0	0	0
Add: available assets	0	0	0	0	0
Equals: remaining debt capacity - utility purposes, voted	66,722,712	71,026,478	80,218,899	81,526,110	82,957,803
2.5% Open space, park and capital facilities, voted	66,722,712	71,026,478	80,218,899	81,526,110	82,957,803
Less: outstanding debt	0	0	0	0	0
Less: contracts payable	0	0	0	0	0
Add: available assets	0	0	0	0	0
Equals: remaining debt capacity - open space and capital facilities, voted	66,722,712	71,026,478	80,218,899	81,526,110	82,957,803

Source: Prior years published Comprehensive Annual Financial Reports.

COMPUTATION OF LEGAL DEBT MARGIN

Last Ten Fiscal Years

Page 2 of 2

2003	2004	2005	2006	2007
\$4,465,519,067	\$4,819,291,927	\$5,430,059,642	\$6,665,146,142	\$7,615,549,203
111,637,977	120,482,298	135,751,491	166,628,654	190,388,730
66,982,786	72,289,379	81,450,895	99,977,192	114,233,238
33,756,709	(15,990,000)	(15,510,525)	(15,400,693)	(13,999,235)
(5,344,846)	(5,602,104)	(6,510,245)	(7,361,940)	(7,373,461)
0	0	0	0	0
501,868	350,743	322,816	1,221,281	1,107,376
95,896,517	51,048,018	59,752,940	78,435,840	93,967,918
44,655,191	48,192,919	54,300,596	66,651,461	76,155,492
(8,825,000)	(8,395,000)	(7,930,000)	(7,435,000)	(6,895,000)
0	(9,196)	0	0	0
0	0	0	0	0
35,830,191	39,788,723	46,370,596	59,216,461	69,260,492
111,637,977	120,482,298	135,751,491	166,628,654	190,388,730
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
111,637,977	120,482,298	135,751,491	166,628,654	190,388,730
111,637,977	120,482,298	135,751,491	166,628,654	190,388,730
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
111,637,977	120,482,298	135,751,491	166,628,654	190,388,730

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	
1998	\$16,160,000	\$2,285,785	\$0	\$0	\$18,445,785
1999	15,365,000	3,999,950	0	0	19,364,950
2000	14,525,000	3,673,679	0	2,743,000	20,941,679
2001	19,275,000	3,341,092	0	0	22,616,092
2002	25,505,000	2,995,240	0	0	28,500,240
2003	24,676,709	2,634,879	255,000	0	27,566,588
2004	23,648,601	2,259,463	321,579	0	26,229,643
2005	22,661,984	2,142,255	688,436	0	25,492,675
2006	22,118,142	2,041,259	775,243	0	24,934,644
2007	21,589,831	1,853,702	1,225,662	0	24,669,195

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

Business-type Activities				Total	Total Primary Government	Percentage of Personal Income	Per Capita
Revenue Bonds	General Obligation Bonds	Public Works Trust Fund Loans					
\$12,270,000	\$0	\$0	\$12,270,000	\$30,715,785	2.87%	\$796	
11,050,000	0	0	11,050,000	30,414,950	2.76%	788	
10,035,000	0	0	10,035,000	30,976,679	2.58%	783	
9,095,000	0	0	9,095,000	31,711,092	2.57%	801	
8,105,000	0	0	8,105,000	36,605,240	2.95%	928	
9,060,000	763,291	654,075	10,477,366	38,043,954	3.04%	961	
7,935,000	736,399	1,415,250	10,086,649	36,316,292	1.60%	522	
7,485,000	778,541	2,045,486	10,309,027	35,801,702	1.57%	512	
6,315,000	717,551	2,006,948	9,039,499	33,974,143	2.58%	842	
4,425,000	4,404,404	1,888,238	10,717,642	35,386,837	2.57%	872	

**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>
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	6,612,374	22,835,693	0	22,835,693	0.35%	566
2007	40,560	7,615,549	25,994,235	0	25,994,235	0.34%	641

Source:

Prior years published Comprehensive Annual Financial Reports.
Snohomish County Assessor.

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>	
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%
2007	13,550,154	9,766,470	3,783,684	1,190,000	218,168	1,408,168	2.69%

Notes:¹ Includes operating and non-operating revenue² Excludes depreciation

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Population (1)	<i>(thousands of dollars)</i> Personal Income	Per Capita Income (2)	Median Age (3)	School Enrollment (4)	Unemployment Rate (5)
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%
2007	40,560	1,378,999	33,999	42.0	5,683	3.9%

Notes:

- (1) Information provided by Washington State Office of Financial Management
- (2) Information provided by Bureau of Economic Analysis for Snohomish County
- (3) U.S. Census Bureau, Census 2000
- (4) Information provided by Edmonds School District
- (5) Information provided by U.S. Department of Labor

PRINCIPAL EMPLOYERS

December 31, 2007 and 2006

<u>Employer</u>	<u>2007</u>			<u>Employer</u>	<u>2006</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>		<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Stevens Memorial Hospital	1,030	1	8.56%	Stevens Memorial Hospital	1,030	1	9.48%
City of Edmonds	330	2	2.74%	City of Edmonds	330	2	3.04%
Edmonds School District	165	3	1.37%	Edmonds School District	165	3	1.52%
Aldercrest	160	4	1.33%	Aldercrest	160	4	1.47%
Anthony's Restaurants	141	5	1.17%	Anthony's Restaurants	141	5	1.30%
Top Foods	122	6	1.01%	Top Foods	122	6	1.12%
Edmonds Rehabilitation	120	7	1.00%	Edmonds Rehabilitation	120	7	1.10%
Safeway	102	8	0.85%	Safeway	108	8	0.99%
Lynnwood Honda	100	9	0.83%	Fred Meyer/QFC	84	9	0.67%
Fred Meyer/QFC	92	10	0.77%	Burlington Coat Factory	73	10	0.77%
Total Principal Employers	2,362		19.64%	Total Principal Employers	2,333		21.47%
Other Employers	9,664		80.36%	Other Employers	8,531		78.53%
Total Employers	12,026		100.00%	Total Employers	10,864		100.00%

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

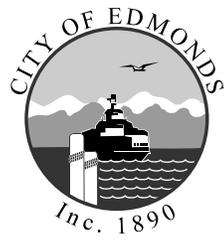
Source: Eden Business Licensing, Claritas, Snohomish County EDC

CITY EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	<u>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>	<u>2007</u>
<u>Governmental Activities</u>										
General Government										
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	8.5	8.5	8.5	7.0	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	1.0	1.0	1.0	1.0
Human Resources	2.5	2.5	2.5	2.5	2.5	2.4	1.5	2.0	2.0	2.0
Administrative Services	11.0	11.0	12.0	13.0	13.0	10.7	11.0	11.0	11.0	11.0
Facilities	12.0	13.0	13.0	13.0	13.0	11.0	11.0	11.0	11.0	11.0
Equipment Rental	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
	<u>38.5</u>	<u>39.5</u>	<u>40.5</u>	<u>40.0</u>	<u>40.0</u>	<u>35.6</u>	<u>36.0</u>	<u>36.5</u>	<u>36.5</u>	<u>36.5</u>
Judicial										
Municipal Court	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>	<u>8.5</u>
Public Safety										
Police	70.0	71.0	71.0	72.5	72.5	69.0	69.0	70.0	73.0	69.0
Fire	41.0	41.0	41.0	41.5	44.5	51.0	53.0	53.0	54.0	54.0
	<u>111.0</u>	<u>112.0</u>	<u>112.0</u>	<u>114.0</u>	<u>117.0</u>	<u>120.0</u>	<u>122.0</u>	<u>123.0</u>	<u>127.0</u>	<u>123.0</u>
Physical Environment										
Development Services	<u>23.5</u>	<u>27.5</u>	<u>28.5</u>	<u>28.5</u>	<u>28.5</u>	<u>24.5</u>	<u>28.8</u>	<u>28.8</u>	<u>26.8</u>	<u>27.1</u>
Economic Environment										
Community Services	<u>4.0</u>	<u>2.0</u>								
Culture and Recreation										
Parks	<u>20.5</u>	<u>20.5</u>	<u>20.5</u>	<u>22.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>22.3</u>
Transportation										
Streets	<u>6.5</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	<u>8.0</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>
Total Governmental Activities	<u>210.0</u>	<u>215.5</u>	<u>217.5</u>	<u>220.5</u>	<u>224.5</u>	<u>218.6</u>	<u>226.8</u>	<u>228.3</u>	<u>230.3</u>	<u>226.9</u>
<u>Business-type Activities</u>										
Combined Utility										
Public Works Administration	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Storm	6.5	8.0	8.0	8.0	8.0	7.5	7.5	7.5	7.5	7.5
Water/Sewer/Treatment Plant	33.0	32.0	32.0	32.0	32.0	33.0	33.0	33.0	33.0	33.0
Total Business-type Activities	<u>43.5</u>	<u>44.0</u>	<u>44.0</u>	<u>44.0</u>	<u>44.0</u>	<u>44.5</u>	<u>44.5</u>	<u>44.5</u>	<u>44.5</u>	<u>44.5</u>
Grand Total	<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>	<u>271.4</u>

Source: Prior years published Budgets

SINGLE AUDIT SECTION



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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2007**

1	2	3	4	5			6
				Expenditures			
Federal Agency Name / Pass-through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
US Department of Justice	Bulletproof Vest Partnership Program	16.607	N/A		2,099	2,099	
Washington State Traffic Safety Commission	State and Community Highway Safety	20.600	N/A	\$12,464		12,464	
Washington State Traffic Safety Commission	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Program (DUI Traffic Safety)	20.601	N/A	2,783		2,783	
Washington State Traffic Safety Commission	Occupant Protection	20.602	N/A	7,873		7,873	
Washington State Department of Transportation	Highway Planning and Construction (Multi Modal)	20.205	STPU0104 (019)	26,995		26,995	
Snohomish County Office of Housing and Community Development	2004 Community Development Block Grants	14.228	CDBG-F 2004 #01	1,081		1,081	
Snohomish County Office of Housing and Community Development	2005 Community Development Block Grants	14.228	CDBG-F 2005	19,459		19,459	
Snohomish County Department of Emergency Management	State Domestic Preparedness Equipment Support Program	97.004	E05-071	9,000		9,000	
National Park Service/Department of the Interior	Historic Preservation Fund Grants-In-Aid	15.904	N/A	3,000		3,000	
Federal Highway Agency	Federal-Aid Highway Program	20.205		190,960		190,960	
Washington State Military Department & FEMA	Flood Mitigation Assistance	97.029	EMS-2006-PC-0006	257,978		257,978	
Department of Homeland Security	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	SLS-008	12,875		12,875	
Department of Homeland Security	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	SLS-009	13,535		13,535	
Department of Homeland Security	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	061-90992-00	22,975		22,975	
Department of Homeland Security	Urban Areas Security Initiative	97.008	N/A	134		134	5
Total Federal Awards Expended				\$581,110	\$2,099	\$583,209	

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2007

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	\$15,744
Shoreline Master Program	G0600108	\$53,955
TOTAL DEPARTMENT OF ECOLOGY		69,699
<u>Department of Transportation</u>		
220th St SW Improvements	8-1-139(001)-1	94,611
Puget Drive Walkway	HLP - PB07(009)	3,000
TOTAL DEPARTMENT OF TRANSPORTATION		97,611
<u>WA State Traffic Safety Commission</u>		
School Zone Funds/Decatur Radar	11504	1,196
Drug Recognition Enforcement	N/A	350
TOTAL WASHINGTON STATE TRAFFIC		1,546
<u>WA State Department of Health</u>		
EMS Pre-hospital Participation Grant	64901450	1,439
TOTAL DEPARTMENT OF HEALTH		1,439
<u>WA State Military Department</u>		
Disaster Grants	E07-943	3,829
TOTAL STATE MILITARY DEPARTMEN		3,829
<u>Recreation and Conservation Funding Board</u>		
Old Woodway Elem. School Acquisition Project	RCO #06-1673A	500,000
Shell Creek Property Project	RCO #06-1674A	100,000
TOTAL RECREATION AND CONSERVATION FUNDING BOARD		600,000
TOTAL STATE AND LOCAL ASSISTANCE		\$774,124

CITY OF EDMONDS, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FINANCIAL ASSISTANCE
For the Year Ended December 31, 2007

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

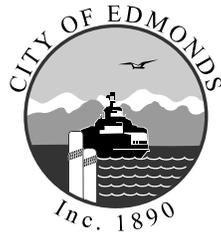
The City does not have any revolving loans.

NOTE 4 – FEDERAL LOANS

The City does not have any federal loans.

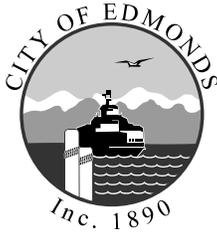
NOTE 5 – NONCASH AWARDS – EQUIPMENT

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.



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SUPPLEMENTAL SCHEDULES



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SCHEDULE OF LONG-TERM DEBT
For the year ended December 31, 2007

General Obligation Debt

I.D. NUMBER	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/07	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/07
251.12	08/01/96	12/01/16	780,000	0			450,000	591.52	001	330,000
251.10	12/01/98	12/01/14	3,560,000	0			415,000	591.79	001/111/126	3,145,000
251.10	09/01/01	12/01/21	2,490,000	0			120,000	591.79 591.23	411 001	2,370,000
251.10	12/15/01	12/01/21	1,870,000	0			90,000	582.00 591.01	414 126	1,780,000
251.10	11/13/02	12/01/26	6,710,000	0			115,000	591.730	234	6,595,000
251.12	07/01/03	12/01/16	6,655,000	0			90,000	591.520	001	6,565,000
251.10	02/23/05	12/01/10	142,960	0			33,725	591.730	001	109,235
251.10	03/24/06	03/24/08	627,733	0			627,733	591.000	001	0
251.10	03/15/07	03/15/26	0	5,230,000	391.100 391.100 382.100 382.100	001 116 411 414	130,000	591.191 591.420 591.190 582.340 582.350 582.380	001 111 126 411 411 411/414	5,100,000
263.81	01/06/03	06/30/22	290,292	0			18,143	591.950	112	272,149
263.81	09/13/04	06/30/24	360,000	20,000	382.820	112	20,000	591.900	112	360,000
263.81	05/24/06	05/24/26	124,950	468,563	391.800	112	0	591.000	112	593,513
263.80	01/01/96	01/01/15	564,959	0			60,304	591.780	001	504,655
263.80	06/01/05	12/01/19	1,435,111	0			86,064	591.220	001	1,349,047
263.53	07/01/04	07/01/07	41,189	0			41,189	548.680	511	0
			<u>\$25,652,194</u>	<u>\$5,718,563</u>			<u>\$2,297,158</u>			<u>\$29,073,599</u>

Revenue Debt

I.D. NUMBER	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/07	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/07
252.10	03/01/98	12/01/13	\$1,675,000	\$0			\$145,000	582.20	411	1,530,000
252.10	04/01/03	12/01/22	3,940,000	0			1,045,000	582.30	411	2,895,000
252.11	02/15/05	02/15/07	700,000	0			700,000	582.30 582.35	414 414	0
263.81	07/17/02	06/30/22	1,141,200	0			71,325	582.10	411/414	1,069,875
263.81	06/08/04	06/30/24	77,305	0			4,295	582.10	411	73,010
263.81	06/08/04	06/30/24	545,063	0			30,281	582.10	411	514,782
263.81	05/23/05	06/30/25	243,380	0			12,809		411	230,571
			<u>\$8,321,948</u>	<u>\$0</u>			<u>\$2,008,710</u>			<u>\$6,313,238</u>

Special Assessment Debt

I.D. NUMBER	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/07	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/07
253.11	12/01/01	12/01/16	\$290,000	\$0			\$100,000	582.10	211	\$190,000
			<u>\$290,000</u>	<u>\$0</u>			<u>\$100,000</u>			<u>\$190,000</u>

SCHEDULE OF LIMITATION OF INDEBTEDNESS

As of December 31, 2007

Total Taxable Property Value	\$ 7,615,549,203	
(1) 2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted	190,388,730	
(2) <i>Up to 1.5% debt without a vote (councilmanic)</i>		114,233,238
(3) Less: outstanding debt		(13,999,235)
(4) Less: contracts payable		(7,373,461)
(5) Less: excess of debt with a vote		0
(6) Add: available assets		1,107,376
(7) Equals: remaining debt capacity without a vote		93,967,918
(8) <i>1% general purposes debt with a vote</i>		76,155,492
(9) Less: outstanding debt		(6,895,000)
(10) Less: contracts payable		0
(11) Add: available assets		0
(12) Equals: remaining debt capacity with a vote		69,260,492
(13) 2.5% Utility purpose limit, voted	190,388,730	
(14) Less: outstanding debt		0
(15) Less: contracts payable		0
(16) Add: available assets		0
(17) Equals: remaining debt capacity - utility purposes, voted		190,388,730
(18) 2.5% Open space, park and capital facilities, voted	190,388,730	
(19) Less: outstanding debt		0
(20) Less: contracts payable		0
(21) Add: available assets		0
(22) Equals: remaining debt capacity - open space and capital facilities, voted		190,388,730

**LIMITATION ON PUBLIC WORKS PROJECTS PERFORMED BY PUBLIC EMPLOYEES
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. Total current public work construction budget as amended (annual or biennial as applicable)	<u>18,074,484</u>
2. Allowable portion of total public works (10 percent of line 1)	<u>1,807,448</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>1,807,448</u>
5. Total public works projects performed by public employees during the current year (include work performed by a county)	<u>9,527</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>1,797,921</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, 2007

Has your government engaged labor relations consultants? Yes

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

Name of Firm: Ogden Murphy Wallace

Name of Consultant: Scott Snyder

Business Address: Suite 2100, Westlake Center Tower
 1601 5th Avenue South
 Seattle, WA 98101

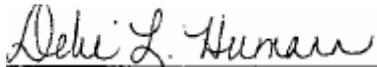
Amount Paid to Consultant During Fiscal Year: \$11,900

Terms and Conditions: Hourly, not to exceed \$30,000

Duration of Services: January 1, 2007 through contract ratification.

Services Provided: Support for negotiations with five bargaining units.

Certified correct this 31st day of January, 2008 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
Lori Cress

Thank You!

Dan Clements