

The City of Edmonds, Washington
Comprehensive Annual Financial Report
(For the Year Ended December 31, 2008)



Sunning Cormorant by Tony Angell

Gary Haakenson, Mayor

CITY OF EDMONDS PUBLIC OFFICIALS

ELECTED OFFICIALS

Mayor: Gary Haakenson
Council: Michael Plunkett, President
Stephen Bernheim
Deanna Dawson
David Orvis
Peggy Pritchard Olson
D J Wilson
Ron Wambolt

APPOINTED OFFICIALS

Administrative Services Director: Dan Clements, thru June 30, 2008
Community Services Director: Stephen Clifton
Development Services Director: Duane Bowman
Acting Economic Development Director: Stephen Clifton
Finance Director: Kathleen Junglov, July 1, 2008
Fire Chief: Tom Tomberg
Human Services Director: Debi Humann
Parks & Recreation Director: Brian McIntosh
Municipal Court Judge: Douglas Fair
Police Chief: Al Compaan
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, 2008

Finance Department

PREPARED BY

DEPARTMENT OF FINANCE

Finance 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

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>PAGE</u>
Letter of Transmittal	1
City of Edmonds Public Officials	4
Organization Chart.....	5
Certificate of Achievement for Excellence in Financial Reporting	6
 <u>FINANCIAL SECTION</u>	
Independent Auditor’s Report	7
Management’s Discussion and Analysis.....	9
 <i><u>Basic Financial Statements</u></i>	
Government Wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Statement Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual: General Fund	26
Statement of Net Assets – Proprietary Funds	27
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	28
Statement of Cash Flows – Proprietary Funds	29
Statement of Fiduciary Net Assets	31
Statement of Changes in Fiduciary Net Assets.....	32
Notes to Financial Statements	33
 <i><u>Required Supplementary Information</u></i>	
Schedule of Employer Contributions – Pension Fund	61
Schedule of Funding Progress – Pension Fund.....	61
Schedule of Employer Contributions – OPEB.....	62
Schedule of Funding Progress – OPEB	62
 <i><u>Combining and Individual Fund Statements and Schedules</u></i>	
Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds	64
Combining Balance Sheet – Nonmajor Special Revenue Funds	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds	70
Combining Balance Sheet – Nonmajor Debt Service Funds	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds	76

FINANCIAL SECTION (continued)

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

- LEOFF Medical Reserve Fund.....77
- Drug Enforcement Fund.....78
- Street Fund.....79
- Street Construction Fund.....80
- Multimodal Transportation Fund.....81
- Building Maintenance Fund.....82
- Municipal Arts Acquisition Fund.....83
- Memorial Tree Fund.....84
- Hotel/Motel Tax Fund.....85
- Employee Parking Permit Fund.....86
- Youth Scholarship Fund.....87
- Tourism/Promotional Arts Fund.....88
- Real Estate Excise Tax (REET) 2 Fund.....89
- Real Estate Excise Tax (REET) 1 – Parks Acquisition Fund.....90
- Gifts Catalog Fund.....91
- Special Projects Fund.....92
- Cemetery Maintenance/Improvement Fund.....93
- Fire Donations.....94
- Park Construction Fund.....95
- Parks Trust Fund.....96
- Cemetery Maintenance Trust Fund.....97
- Sister City Commission.....98
- LID Fund Control Fund.....99
- LID Guaranty Fund.....100
- Limited Tax General Obligation Bond Fund.....101

Fiduciary Funds

- Combining Statement of Changes in Assets and Liabilities – Agency Funds.....103

STATISTICAL SECTION

Financial:

- Government-wide Net Assets by Component – Last Six Fiscal Years.....105
- Changes in Net Assets – Last six Fiscal Years.....106
- Tax Revenues by Source Governmental Funds – Last Ten Fiscal Years.....107
- Fund Balances Governmental Funds – Last Ten Fiscal Years.....108
- Changes in Fund Balances Governmental Funds – Last Ten Fiscal Years.....110

Revenue Capacity:

- Property Tax Rates Direct and Overlapping – Last Ten Fiscal Years.....112
- Principal Property Taxpayers – Fiscal Year Ended December 31, 2008 and 1999.....113
- Property Tax Levies and Collections – Last Ten Fiscal Years.....114

Debt Capacity:

- Computation of Direct and Overlapping Debt.....115
- Computation of Legal Debt Margin – Last Ten Fiscal Years.....116
- Ratio of Total Debt Outstanding by Type – Last Ten Fiscal Years.....118
- Ratio of Net General Bonded Debt to Assessed Valuation and Net Bonded Debt per Capita.....120
- Revenue Bond Coverage – Last Ten Fiscal Years.....121

Demographic & Economic:

- Demographic & Economic Statistics – Last Ten Fiscal Years122
- Principal Employers – Fiscal Year Ended December 31, 2008 and 2006123

Operating:

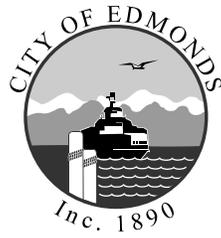
- City Employees by Function/Program – Last Ten Fiscal Years124
- Operating Indicators by Function/Program125
- Capital Asset Statistics by Function/Program126

SINGLE AUDIT SECTION

- Schedule of Expenditures of Federal Awards.....127
- Schedule of State and Local Financial Assistance.....128
- Notes to the Schedule of Expenditures of Federal Awards, and State and Local Financial Assistance129

SUPPLEMENTAL SCHEDULES

- Schedule of Long-Term Debt (Schedule 9).....131
- Limitation of Indebtedness (Schedule 10).....132
- Annual Report on Public Works Projects (Schedule 17).....133
- Schedule of Labor Relations Consultant(s) (Schedule 19)134



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City of Edmonds

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

Gary Haakenson
Mayor

Kathleen Junglov
Director

June 25, 2009

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

Reference: Transmittal of 2008 Financial Annual Report

Dear Mayor Haakenson:

This correspondence will formally transmit the City of Edmonds' 2008 Comprehensive Annual Financial Report. The City has also complied with the submittal requirements of Washington State Law RCW 43.09.230 requiring annual reports for Washington municipal governments to be certified and filed with the State Auditor's Office within one hundred fifty days after the close of each fiscal year.

Responsibility for the accuracy of the data, the completeness and reliability of all information presented in this report rests with management. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework 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.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the State Auditor's Office. The City's financial statements have been audited by the Washington State Auditor's office. The goal of an independent audit is to provide reasonable assurance that City financial statements for the fiscal year ended December 31, 2008 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.

As the recipient of federal, state, and county financial assistance the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, Budget Circular A-133, *Audits of State and Local Governments*, and the March 2006 Compliance Supplement. This audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit.

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 within Snohomish County and is 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

40,760. A picturesque waterfront community, Edmonds offers an appealing small town quality of life, complimented by many amenities including, specialty shops, a variety of restaurants, an active arts community, and an array of outdoor activities.

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 who are elected for staggered four year-terms and are elected at-large, rather than by district. The city council is responsible for establishing policy objectives and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out Council policy directives and for the oversight of day-to-day operations of the City.

The City of Edmonds provides a full range of services, including police, fire, and emergency medical services; planning and zoning; water, sewer and stormwater services; the construction and maintenance of streets and other infrastructure; and recreational activities and cultural events.

This report includes all funds, agencies, and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments. Included as part of the reporting entity are the Edmonds Public Facilities District and the Snohomish County Emergency Radio System (SERS). Additional information on these entities can be found in the Notes to the Financial Statements.

The City prepares biennial budgets in accordance with the Revised Code of Washington (RCW) 35A.34. Biennial budgets must be adopted by the City Council prior to the first of each odd numbered calendar year. A mid-biennial review is conducted and any changes for the second half of the biennium are adopted by the City Council. 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.

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".

In 2008 taxes made up 75% of the general fund's revenues. Of this amount, sales taxes contributed 17%, a 3% decrease from 2007 levels. The City's top two sources of sales tax revenue is from automobile dealers and construction, both hit hard by the current economic downturn.

Beginning in 2002 the rate of property tax to be collected was limited to 1%. Prior to this legislation, the City relied heavily on property tax revenue to fund general government services. A number of measures have since been implemented on both sides of the equation, increasing revenue and cutting expenditures. Buoyed by a good economy the City was able to sustain operations and fund limited capital improvements thru 2007.

By mid 2008, it became apparent that predictions the Pacific Northwest's economy would be immune to the economic downturn affecting the rest of the nation were incorrect. The City experienced falling sales tax revenue. A spending freeze was implemented, vacant positions remained unfilled, and merit increases for non-represented employees were eliminated. The 2009-2010 biennial budget was adopted with additional cuts as well as new and increased revenue.

As an indicator of how the local economy is performing, the City monitors the Washington State Economic and Revenue Forecast Council publications. According to the latest publication issued in March 2009, "Previously, there was optimism that Washington would be one of the first states to pull out of the recession. That hope has disappeared and the current forecast assumes that like the rest of the country, Washington will be in recession for most of 2009, leveling out sometime

late in the third quarter. Growth is expected to remain flat through the first half of 2010, improving in the second half of the year.”

Presently the City Council is exploring options to restore the financial stability to the general fund; specifically, a property tax levy lid lift, and/or regionalization of fire services is being considered.

Major 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. Challenged by the fact that the City is substantially built out, and that there are very few parcels of vacant land available for (re)development, the City is in the process of forming a Citizen Economic Development Commission to help determine new strategies for economic development, identify new sources of revenue, and advise and make recommendations to the Mayor and City Council. Land use policies are also being examined to explore possible ways of encouraging redevelopment, where appropriate, that can add to the city’s tax revenues.

Celebrated as an arts community, downtown Edmonds hosts Third Thursday Art Walks, where participants can meet local artists, tour galleries and purchase art. Adding to Edmonds’ reputation for cultivating artistic expression, Edmonds Center for the Arts presents a wide variety of rousing performances year-round and is home to a local symphony, ballet, and chorus. Community events draw large crowds throughout the year and include: the Edmonds Arts Festival; Jazz Connection; The Waterfront Festival; Fourth of July celebration, highlighted by a children’s parade, a Main Street parade, and an evening of fireworks; A Taste of Edmonds; Write on the Sound writers’ conference; Hot Autumn Nites classic car show; and a family favorite tree lighting during the holidays. The Outdoor Market, which takes place each Saturday from May to October, supports local sustainable agriculture by connecting the public with local farmers, artisans, and other producers in an economically viable marketplace.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial Reporting to the City of Edmonds for its comprehensive annual financial report for the fiscal year ended December 31, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of all finance and administrative department staff. I would like to express my appreciation to Debra Sharp and Lori Cress. Staff would also 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,

Kathleen Junglov

Kathleen Junglov
Finance Director

CITY OF EDMONDS PUBLIC OFFICIALS

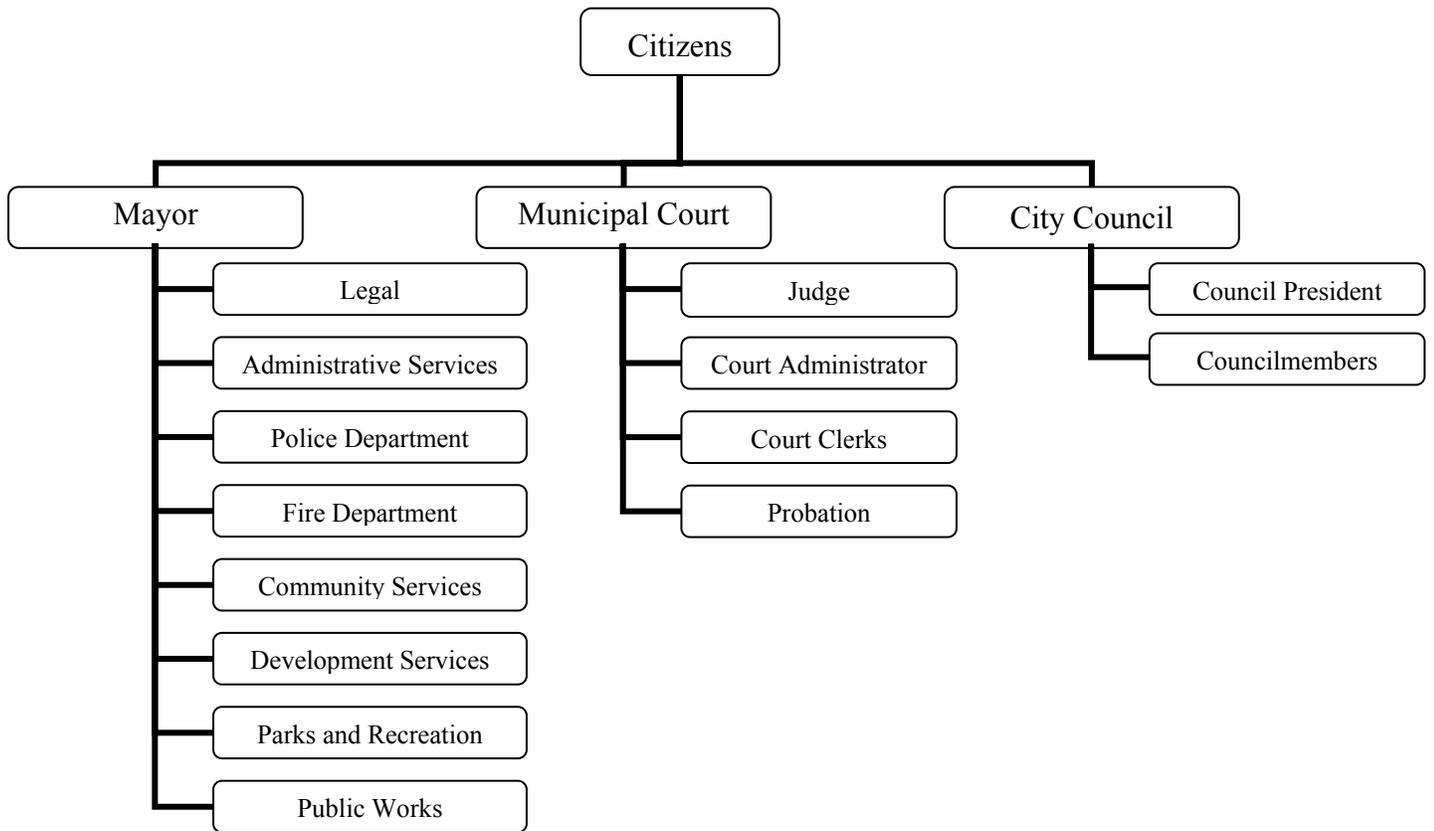
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Human Services Director: Debi Humann
Parks & Recreation Director: Brian McIntosh
Municipal Court Judge: Douglas Fair
Police Chief: Al Compaan
Public Works Director: Noel Miller

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, 2007

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.



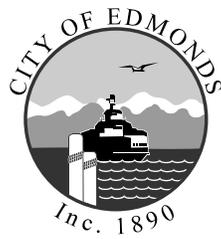
A handwritten signature in black ink, appearing to read "M. L. R.", is written above the title.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is written above the title.

Executive Director

FINANCIAL SECTION



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**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 25, 2009

Council
City of Edmonds
Edmonds, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edmonds, Snohomish County, Washington, as of and for the year ended December 31, 2008, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the 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, 2008, 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.

As described in Note 1, during the year ended December 31, 2008, the City has implemented the Governmental Accounting Standards Board's Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and Statement 50, Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27.



In accordance with *Government Auditing Standards*, we will also issue our report dated June 25, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 9 through 18, pension trust information on page 61, and information on postemployment benefits other than pensions on page 62 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 and Individual Fund Statements and Schedules on pages 63 through 103, Single Audit Section on pages 127 through 129, and Schedule of Long Term Debt on page 131 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 Section, Statistical Section, and the Supplemental Schedules on pages 132-134 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,



BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Edmonds (City) presents this Management's Discussion and Analysis of its financial activities for the fiscal year ended December 31, 2008. 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, 2008 the City's net assets, the amount by which total assets exceeded total liabilities totaled \$133.4 million. Of this amount, \$107 million is invested in capital assets, such as land, buildings, infrastructure net of related debt; \$6.6 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 decreased by \$267,387 or .2% in 2008. Governmental activities decreased by \$622,422 offset by business-type activities which provided \$355,035.
- Governmental funds reported a combined ending fund balance of \$13.6 million: a \$4.8 million decrease over the prior year. Of this amount, \$13.5 million is unreserved and available to fund ongoing activities. The remaining \$72,706 is reserved for debt service.
- Unreserved fund balance in the General Fund was \$5.2 million, a decrease of \$2.5 million 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 16% of total 2008 General Fund expenditures.
- Total City debt decreased by a net of \$2.2 million during the current fiscal year. Outstanding bonded debt, loans, and long term contracts at year-end totaled \$33.1 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, and 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, 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, 2008 totaled \$133.4 million, a decrease of \$267,387 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.

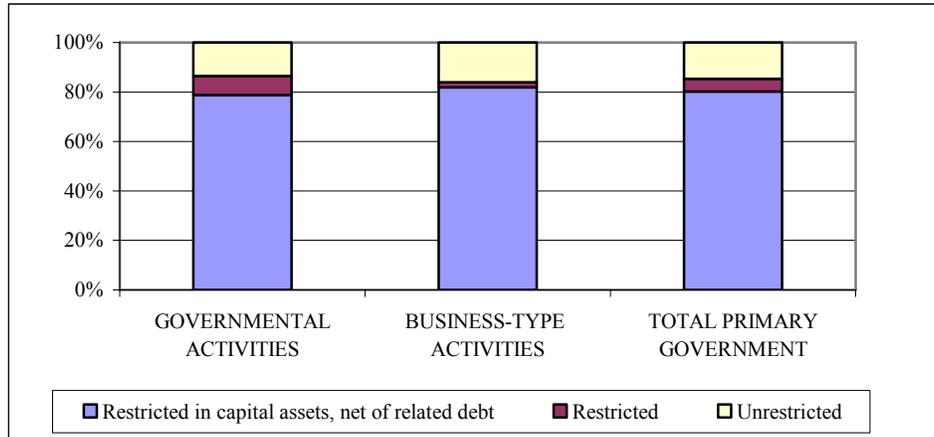
Figure 1: Condensed Statement of Net Assets

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL PRIMARY GOVERNMENT</u>	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$32,116,264	\$27,844,156	\$13,762,823	\$13,387,243	\$45,879,087	\$41,231,399
Capital assets (net of accumulated depreciation)	71,777,599	73,925,586	58,323,952	58,911,891	130,101,551	132,837,477
TOTAL ASSETS	103,893,863	101,769,742	72,086,775	72,299,134	175,980,638	174,068,876
Current and other liabilities	6,228,671	6,822,434	2,247,776	2,359,149	8,476,447	9,181,583
Long-term liabilities	24,257,235	22,309,747	9,429,450	9,147,606	33,686,685	31,457,353
TOTAL LIABILITIES	30,485,906	29,132,181	11,677,226	11,506,755	42,163,132	40,638,936
NET ASSETS						
Restricted in capital assets, net of related debt	54,021,806	57,252,149	49,910,564	49,753,793	103,932,370	107,005,942
Restricted	7,490,300	5,546,803	2,786,695	1,269,595	10,276,995	6,816,398
Unrestricted	11,895,851	9,838,608	7,712,290	9,768,990	19,608,141	19,607,598
TOTAL NET ASSETS	\$73,407,957	\$72,637,560	\$60,409,549	\$60,792,378	\$133,817,506	\$133,429,938

Approximately \$5.5 million of the primary government's total net assets are restricted 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 in the amount of \$1.1 million and unrestricted net assets of \$19.6 million. The business-type unrestricted assets of \$9.8 million may only be spent on utility activities. Other functions of the City may access the governmental unrestricted assets of \$9.8 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 decreased approximately \$267,387. The decrease in net assets was due to a decrease in governmental activities by \$622,422 and an increase in business-type activities in the amount of \$355,035, an indication that the City’s overall financial position has declined.

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	
	2007	2008	2007	2008	2007	2008
Revenues						
Program Revenue:						
Charges for Services	\$7,266,346	\$6,857,346	\$12,754,577	\$13,030,325	\$20,020,923	\$19,887,671
Operating Grants and Contributions	297,549	163,438	54,116	47,654	351,665	211,092
Capital Grants and Contributions	1,126,513	1,138,795	490,709	610,910	1,617,222	1,749,705
General Revenues:						
Property Taxes	11,988,296	12,256,542	0	0	11,988,296	12,256,542
Sales Taxes	6,216,836	5,448,281	0	0	6,216,836	5,448,281
Other Taxes	9,099,463	7,963,820	0	0	9,099,463	7,963,820
Other	1,305,539	1,017,046	645,980	280,710	1,951,519	1,297,756
Total Revenue	37,300,542	34,845,268	13,945,382	13,969,599	51,245,924	48,814,867
Program Expenses						
Governmental Activities						
General Government	6,748,067	7,695,483	0	0	6,748,067	7,695,483
Judicial	756,649	846,130	0	0	756,649	846,130
Public Safety	16,765,814	18,049,555	0	0	16,765,814	18,049,555
Physical Environment	1,697,734	1,870,405	0	0	1,697,734	1,870,405
Economic Environment	1,088,773	1,120,777	0	0	1,088,773	1,120,777
Mental and Physical Health	7,237	9,291	0	0	7,237	9,291
Culture and Recreation	3,393,130	3,976,440	0	0	3,393,130	3,976,440
Transportation	3,019,710	1,812,089	0	0	3,019,710	1,812,089
Interest on Long-term Debt	512,154	492,082	0	0	512,154	492,082
Business-Type Activities						
Combined Utility	0	0	12,423,508	13,210,002	12,423,508	13,210,002
Total Expenses	33,989,268	35,872,252	12,423,508	13,210,002	46,412,776	49,082,254
Excess (Deficiency) Before Transfers	3,311,274	(1,026,984)	1,521,874	759,597	4,833,148	(267,387)
Transfers						
Increase in Net Assets	487,611	404,562	(487,611)	(404,562)	0	0
	3,798,885	(622,422)	1,034,263	355,035	4,833,148	(267,387)
Net Assets - Beginning of Year	69,609,072	73,259,982	59,375,286	60,437,343	128,984,358	133,697,325
Net Assets - End of Year	\$73,407,957	\$72,637,560	\$60,409,549	\$60,792,378	\$133,817,506	\$133,429,938

Figure 4: Governmental Activities

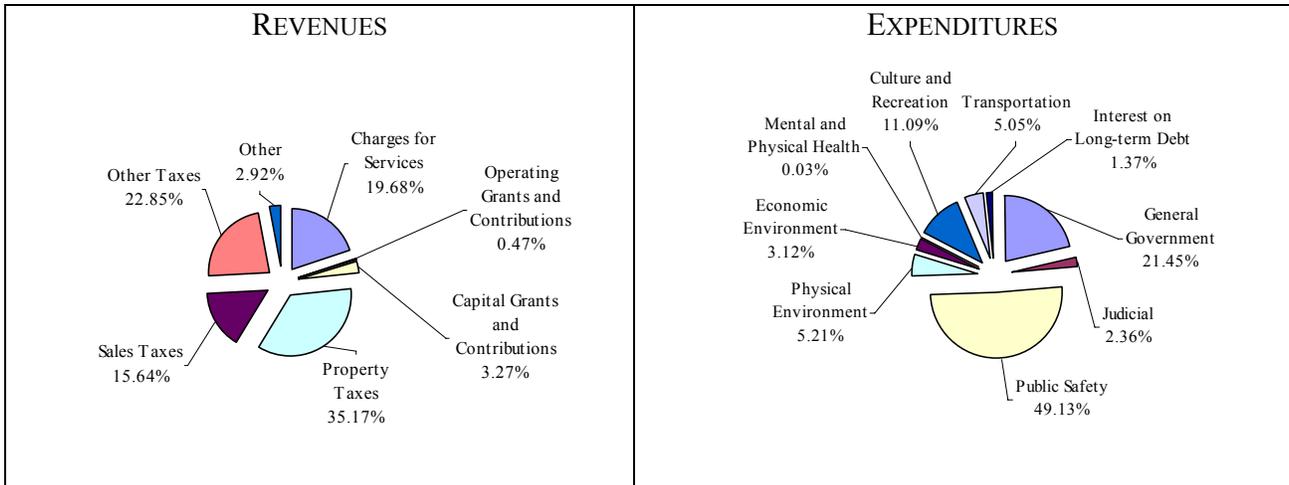
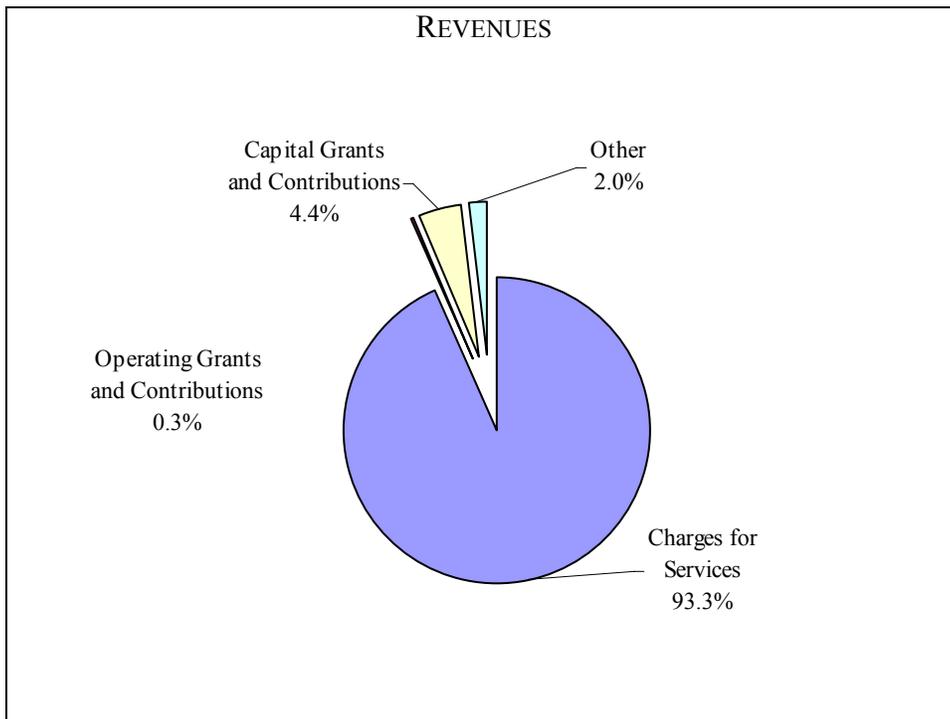


Figure 5: Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS**Governmental Activities Analysis**

Total revenues decreased from 2007 levels by \$2.5 million due to unfavorable collections in sales and real estate excise tax revenues, as well as a decrease in license and permit fees, charges for services and miscellaneous revenues. Overall expenditures exceeded revenues which caused a \$622,422 decrease in Net Assets.

Per the Statement of Activities, the total cost of all governmental activities in 2008 was \$35.9 million. Of this amount, \$8.2 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 \$27.7 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 \$355,035. Utility operating revenues of \$13 million showed a slight increase (\$275,748) over 2007 collections, however, operating costs including personnel services, supplies, professional services and insurance increased \$794,721. In addition to general inflation in the cost of doing business, contributing to this increase was an increase in maintenance projects due to storm repairs and an increase in permit fees required by the Department of Ecology. There was also an increase in interfund rental fees for the cost of maintaining utility fund vehicles.

At the end of the current fiscal year the City's Utility fund reported an ending fund balance of \$60.8 million. Of this amount \$49.7 million is invested in capital assets, net of related debt and approximately \$9.8 million 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 \$13.6 million. Approximately \$13.5 million (99.5%) 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 2008 the governmental funds reported revenue of \$35 million and expenditures of \$39.9 million. Other financing sources/uses provided an additional \$204,976 comprised of transfers in and transfers out which netted to \$161,231, public works trust fund proceeds in the amount of \$31,238 and insurance proceeds in the amount of \$12,507. Overall, the governmental funds fund balance decreased by \$4.8 million for the year. In governmental funds other than the General Fund, this decrease can be attributed to spending for capital and maintenance projects.

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 2008, the fund balance of the General Fund was \$5.2 million, a 33% decrease over 2007. As a measure of the fund's liquidity, the ending fund balance is 16% of the fund's 2008 expenditures. Further detail regarding the activity in the General Fund is discussed below under the heading of General Fund 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 2008 the budget was amended three times. The final general fund expenditure budget was 3%, or \$954,749 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 \$344,000 which distributed salary and benefit budgets based on 2008-2010 settled contract.
- Amendments totaling \$292,000 for professional services and equipment associated with the Fiber Optic Project.
- An amendment in the amount of \$100,000 increasing legal fees due to lengthy labor negotiations and a LUPA appeal.

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that the total revenues were less than budgeted total revenues by approximately \$486,000. With the exception of sales tax receipts and charges for services, for the most part General Fund revenues met or exceeded budget estimates. Sales tax revenue under performance was due to two factors, the depressed auto and construction industries, and revenue anticipated based on new sales tax legislation did not materialize. Primary causes for the short fall in charges for services revenue was due to a change in how the Municipal Court administered the Electronic Home Monitoring and Probation programs, as well as, reduced zoning and subdivision fee receipts.

Expenditures were \$1.1 million below budget, which consisted of salary and benefit savings of \$818,000 primarily due to vacant positions. Approximately \$130,000 of the under run was due to the Fiber Optic Project, with the balance due to general maintenance and operations under expenditures.

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, 2008 amounted to \$132.8 million (net of accumulated depreciation), an increase of \$2.7 million.

Major capital projects and/or capital expenditures during 2008 included the following:

- Scheduled replacement purchases of police equipment including: 7 patrol vehicles (\$211,309), 3 police motorcycles (\$63,935), a Ford Ranger (\$18,735), and a radar trailer (\$8,640).
- Construction costs totaling \$2.8 million for storm water improvements and emergency repairs.
- Telemetry upgrades on all lift stations in the amount of \$232,242.

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	\$14,240,161	\$1,126,723	\$15,366,884
Buildings	\$15,380,330	24,246,762	39,627,092
Improvements other than buildings	3,467,454	29,046,773	32,514,226
Infrastructure	32,809,708	0	32,809,708
Machinery and Equipment	3,420,716	331,783	3,752,499
Intangible Assets	0	496,148	496,148
Construction in Progress	4,607,216	3,663,703	8,270,919
	<u>\$73,925,586</u>	<u>\$58,911,891</u>	<u>\$132,837,477</u>

Long Term Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$28 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	\$20,204,446	\$4,199,863	\$24,404,309
Special Assessment Debt			
with Government Commitment	100,000	0	100,000
Revenue Bonds	0	3,620,000	3,620,000
Capital Contracts	1,702,428	0	1,702,428
Public Work Trust Fund Loans	1,184,699	2,102,253	3,286,952
Total Long-term Debt	<u>\$23,191,573</u>	<u>\$9,922,116</u>	<u>\$33,113,689</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 \$7.7 billion (See Schedule 10). Remaining debt capacity is as follows:

Figure 8: Debt Capacity Available

<u>Item</u>	<u>Capacity</u>
General	\$161,369,092
Parks Facilities/Open Space	192,730,237
Utilities	192,730,237
Total Capacity	<u>\$546,829,566</u>

Additional information on the City's long-term debt can be found in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's 2009-2010 biennial budget is essentially a status quo budget in that it includes no new programs. However, due to the economic downturn which continues to have a negative impact on the City's sales tax revenue, several positions were eliminated, and staff was directed to hold the line on spending. Economic factors considered were as follows:

- The local economy would show some signs of improvement in late 2009. This expectation has since been revised and the turn around is not expected until late 2010.
- Cost of living increases for 2009 at 5.8% (CPI-U) and 6.2% (CPI-W), and 2010 at 4.5%.
- Increasing Water, Sewer, and Stormwater utility taxes from 6% to 10%.
- Increasing Cable TV Utility Tax from 1% to 6%.
- Increasing both Business License Fees and Development Services Fees.
- Created a Transportation Benefit District which will be effective 7/1/2009.
- Implemented EMS transport user fees.

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 Finance Director, 121 Fifth Avenue North, Edmonds, Washington, WA 98020, (425) 771-0240.

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	<u>EDMONDS PUBLIC FACILITIES DISTRICT</u>
ASSETS				
Cash and cash equivalents	\$14,114,729	\$7,721,020	\$21,835,749	\$237,308
Deposits with trustees	20,115	0	20,115	0
Investments	3,823,434	2,278,799	6,102,233	0
Taxes receivable	267,469	0	267,469	0
Accounts receivable	958,106	1,681,314	2,639,420	125,365
Special assessments	21,711	0	21,711	0
Due from component unit	115,000	0	115,000	0
Due from other governments	1,758,557	787,220	2,545,777	30,586
Other current assets	25,328	78,751	104,079	61,139
Deferred charges	48,136	157,090	205,226	88,910
Restricted:				
Cash and cash equivalents	0	683,049	683,049	0
Special assessments	347,194	0	347,194	0
Due from component unit - long-term	5,520,000	0	5,520,000	0
Investment in joint venture	824,377	0	824,377	0
Land	14,240,161	1,126,723	15,366,884	3,444,885
Capital assets (net) (See Note 7)	55,078,209	54,121,465	109,199,674	12,775,413
Construction in progress	4,607,216	3,663,703	8,270,919	0
TOTAL ASSETS	\$101,769,742	\$72,299,134	\$174,068,876	\$16,763,606
LIABILITIES				
Accrued wages	\$1,051,192	\$144,352	\$1,195,544	\$21,200
Accounts payable	799,145	592,997	1,392,142	37,155
Internal Balances	(100,190)	100,190	0	0
Due to other governmental units	0	443,224	443,224	0
Accrued bond interest payable	74,523	25,993	100,516	0
Other current liabilities	66,844	22,442	89,286	0
Deferred revenues	0	28,380	28,380	68,785
Non-current liabilities (See Note 10):				
Net pension obligation	174,655	0	174,655	0
Net other post employment obligation	208,513	0	208,513	0
Due within one year	4,547,752	1,001,571	5,549,323	166,736
Due in more than one year	22,209,747	9,147,606	31,357,353	9,489,637
Special assessment debt with governmental commitment	100,000	0	100,000	0
TOTAL LIABILITIES	\$29,132,181	\$11,506,755	\$40,638,936	\$9,783,513
NET ASSETS				
Invested in capital assets, net of related debt	\$57,252,149	\$49,753,793	\$107,005,942	\$6,585,297
Restricted for:				
Capital projects	4,934,627	582,951	5,517,578	272,568
Debt service	441,757	683,049	1,124,806	32,773
Future pledges and sponsorship	0	0	0	211,778
Tourism	170,419	0	170,419	0
Customer deposits	0	3,595	3,595	0
Unrestricted	9,838,608	9,768,990	19,607,598	(122,323)
TOTAL NET ASSETS	\$72,637,560	\$60,792,378	\$133,429,938	\$6,980,093

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**
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	\$7,695,483	\$2,668,773	\$0	\$533,228
Judicial	846,130	604,387	656	0
Public safety	18,049,555	1,121,939	67,352	0
Physical environment	1,870,405	199,678	0	0
Economic environment	1,120,777	1,050,345	26,296	0
Mental and physical health	9,291	148,213	1,644	0
Culture and recreation	3,976,440	947,111	67,490	11,614
Transportation	1,812,089	116,900	0	593,953
Interest on long-term debt	492,082	0	0	0
Total governmental activities	35,872,252	6,857,346	163,438	1,138,795
Business-type activities:				
Combined utility operation	13,210,002	13,030,325	47,654	610,910
Total business-type activities	13,210,002	13,030,325	47,654	610,910
Total primary government	\$49,082,254	\$19,887,671	\$211,092	\$1,749,705
Component unit:				
Edmonds Public Facilities District	\$2,258,703	\$522,947	\$250,163	\$0
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				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
 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
(\$4,493,482)	\$0	(\$4,493,482)	\$0
(241,087)	0	(241,087)	0
(16,860,264)	0	(16,860,264)	0
(1,670,727)	0	(1,670,727)	0
(44,136)	0	(44,136)	0
140,566	0	140,566	0
(2,950,225)	0	(2,950,225)	0
(1,101,236)	0	(1,101,236)	0
(492,082)	0	(492,082)	0
(27,712,673)	0	(27,712,673)	0
0	478,887	478,887	0
0	478,887	478,887	0
(\$27,712,673)	\$478,887	(\$27,233,786)	\$0
			(\$1,485,593)
12,256,542	0	12,256,542	0
5,448,281	0	5,448,281	378,164
4,843,225	0	4,843,225	0
921,261	0	921,261	0
1,764,121	0	1,764,121	0
86,119	0	86,119	0
349,094	0	349,094	0
359,036	0	359,036	0
380,181	280,710	660,891	4,373
175,830	0	175,830	1,416
101,999	0	101,999	0
404,562	(404,562)	0	0
27,090,251	(123,852)	26,966,399	383,953
(622,422)	355,035	(267,387)	(1,101,640)
73,259,982	60,437,343	133,697,325	8,081,733
\$72,637,560	\$60,792,378	\$133,429,938	\$6,980,093

The accompanying notes are an integral part of this statement.

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$3,641,543	\$6,832,556	\$10,474,099
Deposits with trustee	20,115	0	20,115
Investments	1,072,956	1,675,933	2,748,889
Receivables, net			
Taxes	267,469	0	267,469
Customer accounts	385,142	0	385,142
Assessments	0	21,711	21,711
Due from other funds	100,190	0	100,190
Interfund loans receivable	57,012	0	57,012
Due from other governmental units	6,863,920	529,637	7,393,557
Inventory	510	0	510
Total Current Assets	12,408,857	9,059,837	21,468,694
RESTRICTED ASSETS			
Special assessments - deferred	0	347,194	347,194
Total Restricted Assets	0	347,194	347,194
TOTAL ASSETS	\$12,408,857	\$9,407,031	\$21,815,888
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$974,536	\$65,124	\$1,039,660
Accounts payable	270,721	477,716	748,437
Interfund loans payable	0	57,012	57,012
Custodial accounts	25,656	38	25,694
Other current liabilities	15,627	25,523	41,150
Total Current Liabilities	1,286,540	625,413	1,911,953
NONCURRENT LIABILITIES			
Deferred revenues	5,933,797	369,050	6,302,847
Total Noncurrent Liabilities	5,933,797	369,050	6,302,847
TOTAL LIABILITIES	7,220,337	994,463	8,214,800
FUND BALANCES			
Reserved for:			
Debt service	0	72,706	72,706
Unreserved, reported in:			
General fund	5,188,520	0	5,188,520
Special revenue funds	0	8,339,862	8,339,862
TOTAL FUND BALANCES	5,188,520	8,412,568	13,601,088
TOTAL LIABILITIES AND FUND BALANCES	\$12,408,857	\$9,407,031	\$21,815,888

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, 2008**

Total governmental fund balances		\$13,601,088
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.		
		71,920,872
These assets consist of:		
Land	14,240,161	
Construction in progress	4,607,216	
Investment in joint venture	824,377	
Buildings	25,479,908	
Improvements other than buildings	8,836,808	
Infrastructure	54,326,213	
Machinery and equipment - general government	1,929,483	
Less: Accumulated depreciation	(38,323,293)	
Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.		
		619,908
Court receivable	571,772	
Deferred charges	48,136	
Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		
		(20,962,657)
These long-term liabilities consist of:		
General obligation bonds	(20,204,446)	
Special assessment debt with government commitment	(100,000)	
Compensated absences	(3,616,245)	
Capital contracts	(1,702,428)	
Public works trust fund loan	(1,184,699)	
Accrued interest	(74,523)	
Net pension obligation	(174,655)	
Net OPEB Obligation	(208,513)	
Deferred revenue	6,302,852	
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.		
		7,458,349
Net assets of governmental activities		\$72,637,560

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, 2008**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$22,904,389	\$1,413,593	\$24,317,982
Licenses and permits	1,549,931	20,600	1,570,531
Intergovernmental revenues	1,740,566	2,086,056	3,826,622
Charges for services	2,899,575	247,343	3,146,918
Fines and forfeits	593,121	0	593,121
Other revenues	621,178	907,138	1,528,316
Total revenues	30,308,760	4,674,730	34,983,490
EXPENDITURES			
Current:			
General government services	6,670,930	1,181,789	7,852,719
Security of persons and property	17,361,450	88,535	17,449,985
Physical environment	1,084,466	121,698	1,206,164
Transportation	0	1,852,790	1,852,790
Economic environment	1,862,209	30,603	1,892,812
Mental and physical health	9,291	0	9,291
Culture and recreation	3,082,632	330,599	3,413,231
Capital outlay	42,797	3,517,094	3,559,891
Debt service:			
Principal	957,756	741,104	1,698,860
Interest	436,168	537,726	973,894
Other debt service costs	0	0	0
Total Expenditures	31,507,699	8,401,938	39,909,637
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,198,939)	(3,727,208)	(4,926,147)
OTHER FINANCING SOURCES (USES)			
Issuance of general long-term debt	12,507	31,238	43,745
Transfers in	41,403	2,582,851	2,624,254
Transfers out	(1,414,034)	(1,048,989)	(2,463,023)
Total other financing sources (uses)	(1,360,124)	1,565,100	204,976
Net change in fund balances	(2,559,063)	(2,162,108)	(4,721,171)
Fund balances - beginning	7,737,979	10,639,549	18,377,528
Prior Period Corrections	9,604	(64,873)	(55,269)
FUND BALANCES - ENDING	\$5,188,520	\$8,412,568	\$13,601,088

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, 2008**

Net change in fund balances - total governmental funds	(\$4,721,171)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful life as depreciation expense. This is the amount by which capital outlays plus adjustments exceeded depreciation in the current period.	2,221,950
This is comprised of:	
Capital outlays	3,600,812
Current year depreciation	(1,378,862)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(187,108)
This is comprised of:	
Deferred tax	(41,702)
Other deferred revenue	(207,538)
Record of court receivable	62,132
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.	1,662,317
This is comprised of:	
Amortization for deferred charges	(5,305)
Proceeds from Public works trust fund loan	(31,238)
Long-term debt repayments	1,698,860
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.	(213,598)
This is comprised of:	
Accrued interest expense	7,240
Net pension obligation	15,319
Net OPEB Obligation	(115,810)
Accrued compensating absence expense	(120,347)
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>615,188</u>
Change in net assets of governmental activities	<u><u>(\$622,422)</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, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$23,630,026	\$23,630,026	\$22,904,389	(\$725,637)
Licenses and Permits	1,528,045	1,528,045	1,549,931	21,886
Intergovernmental Revenues	1,577,286	1,581,203	1,740,566	159,363
Charges for Services	2,982,344	3,056,897	2,899,575	(157,322)
Fines and Forfeits	513,340	513,340	593,121	79,781
Other Revenues	469,210	485,529	621,178	135,649
Total Revenues	30,700,251	30,795,040	30,308,760	(486,280)
EXPENDITURES				
Current:				
General Government Services	7,047,309	7,330,461	6,670,930	659,531
Security of Persons and Property	17,015,560	17,473,176	17,361,450	111,726
Physical Environment	1,183,321	1,231,821	1,084,466	147,355
Economic Environment	1,934,830	1,934,830	1,862,209	72,621
Mental and Physical Health	9,452	9,452	9,291	161
Culture and Recreation	3,086,149	3,088,420	3,082,632	5,788
Capital Outlay	3,000	161,120	42,797	118,323
Debt Service:				
Principal Retirement	1,008,402	991,037	957,756	33,281
Interest	414,133	436,588	436,168	420
Total Expenditures	31,702,156	32,656,905	31,507,699	1,149,206
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,001,905)	(1,861,865)	(1,198,939)	662,926
OTHER FINANCING SOURCES (USES)				
Issuance of General Long-Term Debt	78,000	78,000	12,507	(65,493)
Transfers In	19,962	43,855	41,403	(2,452)
Transfers Out	(1,579,616)	(1,425,081)	(1,414,034)	11,047
Total other financing sources (uses)	(1,481,654)	(1,303,226)	(1,360,124)	(56,898)
Net change in fund balances	(2,483,559)	(3,165,091)	(2,559,063)	606,028
Fund Balances - beginning	4,900,217	5,232,159	7,737,979	2,505,820
Prior Period Adjustment	0	0	9,604	9,604
FUND BALANCES - ENDING	\$2,416,658	\$2,067,068	\$5,188,520	\$3,121,452

The accompanying notes are an integral part of this statement.

**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
DECEMBER 31, 2008**

	BUSINESS TYPE ACTIVITIES - COMBINED UTILITY FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$7,721,020	\$3,640,629
Investments	2,278,799	1,074,545
Receivables, net		
Customer accounts	1,681,314	1,192
Due from other governments	787,220	0
Inventory	78,751	24,818
Total Current Assets	12,547,104	4,741,184
NONCURRENT ASSETS		
Restricted cash and cash equivalents	683,049	0
Intangible assets	496,148	0
Unamortized debt issue costs	157,090	0
Construction in progress	3,663,703	0
Capital assets, net of depreciation (Note 7)	54,752,040	2,829,091
Total Noncurrent Assets	59,752,030	2,829,091
TOTAL ASSETS	\$72,299,134	\$7,570,275
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$592,997	\$50,709
Wages and benefits payable	144,352	11,533
Compensated absences	308,454	38,411
Interest payable	25,993	0
Due to other funds	100,190	0
Due to other governments	443,224	0
Custodial accounts	3,595	0
Deferred revenues	28,380	0
Current portion of long-term debt (net of unamortized premiums/discounts)	693,117	0
Other current liabilities	18,847	0
Total Current Liabilities	2,359,149	100,653
NONCURRENT LIABILITIES		
General obligation bonds payable	3,974,015	0
Revenue bonds payable (net of unamortized premiums/discounts)	3,111,972	0
Loans payable	1,961,946	0
Compensated absences	99,673	11,273
Total Noncurrent Liabilities	9,147,606	11,273
TOTAL LIABILITIES	\$11,506,755	\$111,926
NET ASSETS		
Invested in capital assets, net of related debt	49,753,793	2,829,091
Restricted for debt service	683,049	0
Restricted for capital projects	582,951	0
Restricted for customer deposits	3,595	0
Unrestricted	9,768,990	4,629,258
TOTAL NET ASSETS	\$60,792,378	\$7,458,349

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, 2008**

	BUSINESS TYPE ACTIVITIES - COMBINED UTILITY FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OPERATING REVENUES:		
Charges for services	\$11,121,999	\$1,818,099
Rental revenues	45,630	0
Other operating revenues	1,862,696	480
Total Operating Revenues	13,030,325	1,818,579
OPERATING EXPENSES:		
Personnel services	3,584,883	354,120
Supplies	6,185,979	633,537
Professional services	269,447	3,056
Insurance	306,212	30,014
Depreciation and amortization	2,466,601	560,869
Total Operating Expenses	12,813,122	1,581,596
Operating Income (Loss)	217,203	236,983
NON-OPERATING REVENUES (EXPENSES):		
Intergovernmental revenues	424,782	0
Interest and investment revenue	280,710	98,382
Judgements and settlements	0	5,722
Gain (loss) on sale/retirement of assets	0	83,770
Interest expense	(396,880)	0
Total Non-Operating Revenues (Expenses)	308,612	187,874
Income (Loss) Before Contributions and Transfers	525,815	424,857
Capital contributions	233,782	0
Transfers in	0	204,124
Transfers out	(404,562)	(13,793)
NET INCOME (LOSS)	355,035	615,188
NET EQUITY - BEGINNING	60,409,549	6,843,161
Prior period corrections	27,794	0
NET EQUITY - ENDING	\$60,792,378	\$7,458,349

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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	\$12,751,484	\$1,818,579
Payments to suppliers	(6,201,053)	(604,731)
Payments to employees	(3,479,381)	(365,839)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,071,050	848,009
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts from non-capital grants	47,654	0
Transfers to other funds	(1,756)	0
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	45,898	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from capital debt	334,507	0
Principal paid on capital debt	(1,130,033)	0
Interest paid on capital debt	(362,927)	0
Receipts from capital grants	377,128	0
Proceeds from sale of capital assets	0	146,935
Capital contributions	233,781	0
Acquisition and construction of capital assets	(2,336,611)	(419,248)
Insurance Proceeds	0	5,722
Transfer to other funds	(402,806)	(13,793)
Transfers from other funds	0	204,124
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(3,286,961)	(76,260)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	3,308,652	1,143,499
Purchase of investments	(2,278,799)	(1,074,545)
Investment income	282,592	101,914
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,312,445	170,868
Net Increase (Decrease) in Cash and Cash Equivalents	1,142,432	942,617
Cash and Cash Equivalents, January 1	7,261,637	2,698,012
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$8,404,069	\$3,640,629
Current Cash and Cash Equivalents	\$7,721,020	\$3,640,629
Restricted Cash and Cash Equivalents	683,049	0
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$8,404,069	\$3,640,629

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Page 2 of 2

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$217,203	\$236,983
Adjustments to Reconcile Operating Income to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	2,466,601	560,869
Change in Assets and Liabilities:		
(Increase) decrease in inventories	64,168	24,327
(Increase) decrease in receivables	(278,841)	0
Increase (decrease) in accounts and other payables	236,222	37,549
Increase (decrease) in due to other governments	157,721	0
Increase (decrease) in due to funds	100,190	0
Increase (decrease) in compensated absences	105,501	(11,719)
Increase (decrease) in other current liabilities	2,285	0
TOTAL ADJUSTMENTS	2,853,847	611,026
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$3,071,050	\$848,009

SCHEDULE OF NON-CASH CAPITAL AND RELATED

FINANCING ACTIVITIES:

Non-Cash Financing, Capital and Investing Activities:		
Prior period corrections	276	0
Increase (decrease) in fair value of investments	7,085	1,094
TOTAL NON-CASH ACTIVITIES	7,361	1,094

The accompanying notes are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2008**

	FIREMEN'S PENSION FUND
ASSETS AND OTHER DEBITS	
Cash and cash equivalents	\$303,064
TOTAL ASSETS AND OTHER DEBITS	303,064
 LIABILITIES	
Benefits payable	4,652
Accounts payable	1,487
TOTAL LIABILITIES	6,139
 NET ASSETS	
Held in trust for pension benefits and other purposes	\$296,925

The accompanying notes are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	FIREMEN'S PENSION FUND
ADDITIONS:	
Contributions	
Employer	\$53,000
Fire insurance premiums	44,226
Investment income	
Interest	7,192
TOTAL ADDITIONS	104,418
DEDUCTIONS:	
Benefits	106,388
Administrative expense	160
TOTAL DEDUCTIONS	106,548
CHANGE IN NET ASSETS	(2,130)
NET ASSETS RESERVED FOR EMPLOYEES' PENSION BENEFITS	
Employees' pension benefits, January 1	299,055
NET ASSETS - ENDING	\$296,925

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

<i>ITEM</i>	<u>INDEX</u>	<i>PAGE</i>
NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES		34
NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY		39
NOTE 3 – DEPOSITS & INVESTMENTS		40
NOTE 4 – RECEIVABLES AND PAYABLES		42
NOTE 5 – JOINT VENTURE		42
NOTE 6 – INTERFUND TRANSFERS		43
NOTE 7 – CAPITAL ASSETS		43
NOTE 8 – PENSION PLAN		44
NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS		51
NOTE 10 – LONG-TERM DEBT		53
NOTE 11 – SHORT-TERM DEBT		58
NOTE 12 – CONTINGENCIES AND LITIGATIONS		58
NOTE 13 – RISK MANAGEMENT		58
NOTE 14 – LEASES		59
NOTE 15 – COMMITMENTS		60
NOTE 16 – PRIOR PERIOD CORRECTIONS		60

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-year 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.

NEW ACCOUNTING STANDARD

In 2008 the City implemented GASB Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*" and GASB Statement No. 50 "*Pension Disclosures*". The implementation of GASB No. 45 resulted in a \$208,513 decrease to the Governmental Activities Net Assets.

BUDGETS AND BUDGETARY ACCOUNTING

Scope of Budget

Budgets are adopted at the fund level and this constitutes the legal level of control where expenditures may not exceed appropriations. Purely as a management tool, budgets are broken out to departments, activities and expense types. Transfers or revisions within funds are allowed, but only the City Council can increase or decrease a fund's budget, which is done by City ordinance.

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

Procedures for Adopting the Original Budget

The budget process steps are: 1) prior to November 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 City of Edmonds Finance Department, 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.

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. 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.

In 2008, the City levied the following property taxes on an assessed value of \$7,615,549,203. 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	1.189	\$9,057,961
Emergency Medical Services	0.321	2,447,069
Debt Service on Voter-approved General Obligation Bonds	0.114	817,373
TOTAL CITY LEVY	1.625	\$12,322,403

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, 2008 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, 2008 Fund 104 – Drug Enforcement Fund exceeded its budget by \$193. Fund 132 – Park Construction Fund had a deficit fund balance of \$645. This amount was eliminated in January, 2009 by an interfund transfer.

All funds amended expenditure budgets totaled \$74,586,937, which includes \$8,594,823 of supplemental appropriations. Funds with supplemental appropriations during 2008 and the amounts are shown below:

FUND NO.	FUND DESCRIPTION	2008 Budget as Originally Adopted	Supplemental Appropriations	2008 Final Amended Budget
001	GENERAL FUND	33,281,772	800,214	34,081,986
104	DRUG ENFORCEMENT FUND	70,035	18,307	88,342
111	STREET FUND	1,362,403	48,614	1,411,017
116	BUILDING MAINTENANCE	193,000	2,633,400	2,826,400
120	HOTEL/MOTEL TAX REVENUE FUND	65,206	10,000	75,206
122	YOUTH SCHOLARSHIP FUND	3,200	3,800	7,000
125	PARK ACQ/IMPROVEMENT	3,388,000	110,000	3,498,000
126	SPECIAL CAPITAL FUND	869,550	947,298	1,816,848
127	GIFTS CATALOG FUND	1,600	25,692	27,292
129	SPECIAL PROJECTS FUND	0	384,606	384,606
131	FIRE DONATIONS	0	10,100	10,100
132	PARKS CONSTRUCTION FUND	0	110,000	110,000
411	COMBINED UTILITY OPERATION	13,023,174	337,857	13,361,031
412	COMBINED UTILITY CONST/IMPROVE	5,346,000	2,852,000	8,198,000
414	CAPITAL IMPROVEMENTS RESERVE	552,076	149,142	701,218
511	EQUIPMENT RENTAL FUND	1,363,287	143,793	1,507,080
623	SISTER CITY COMMISSION	23,500	10,000	33,500
	Totals	59,542,803	8,594,823	68,137,626

NOTE 3 — DEPOSITS AND INVESTMENTS

As of December 31, 2008, the City held the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Local Government Investment Pool	\$686,472	-
Total Fair Value	\$686,472	

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 City held no debt securities as of December 31, 2008.

The Washington State Local Government Investment Pool (LGIP), created by the Washington State Legislature in 1986, is managed and operated solely by the Office of the State Treasurer. The State Finance Committee administers the statute that created the pool and adopts appropriate rules. The State Treasurer established the LGIP Advisory Committee to provide advice on the pool's operation. The advisory committee includes 12 members selected from the active pool participants. Eight members are appointed by the participant associations, and four are appointed by the State Treasurer.

The LGIP is considered extremely low risk. It is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations

with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The City’s position in the pool is the same as the value of the shares.

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 \$250,000. 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%

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	
Deposits	\$28,237,622
Local Government Investment Pool	686,472
	\$28,924,093

Financial Statements

	Governmental Activities	Business-type Activities	Total Primary Govt.	Fiduciary Funds	Total
Cash and Cash Equivalents	\$14,114,729	\$7,721,020	\$21,835,748	\$233,998	\$22,069,747
Restricted Cash and Cash Equivalents	0	683,049	683,049	0	683,049
Investments	3,823,434	2,278,799	6,102,232	69,065	6,171,298
	\$17,938,163	\$10,682,867	\$28,621,030	\$303,064	\$28,924,093

NOTE 4 – RECEIVABLES AND PAYABLES

Receivables at December 31, 2008, are as follows:

	Taxes	Customer Accounts	Due From Other Governments	Total
Governmental Activities				
General Fund	\$267,469	\$385,142	\$6,863,922	\$7,516,533
Other Governmental Funds	0	0	529,635	529,635
Internal Service	0	1,192	0	1,192
Total Governmental Activities	\$267,469	\$386,334	\$7,393,557	\$8,047,360
Business-type Activities				
Combined Utility Fund	\$0	\$1,681,314	\$787,220	\$2,468,534
Total Business-type Activities	\$0	\$1,681,314	\$787,220	\$2,468,534

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 \$571,772.

Payables at December 31, 2008, are as follows:

	Accounts Payable and Other Current Liabilities	Due to Other Governments	Customer Accounts	Total
Governmental Activities				
General Fund	\$270,721	\$0	\$41,282	\$312,003
Other Governmental Funds	477,715	0	25,562	503,277
Internal Service	50,709	0	0	50,709
Total Governmental Activities	\$799,145	\$0	\$66,844	\$865,989
Business-type Activities				
Combined Utility Fund	\$592,997	\$443,224	\$22,442	\$1,058,663
Total Business-type Activities	\$592,997	\$443,224	\$22,442	\$1,058,663

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 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 12/31/2008 was

\$824,377. The venture appears to be accumulating significant resources, and is not experiencing any fiscal stress that would cause an additional financial burden on the participating governments.

NOTE 6 — INTERFUND BALANCES AND TRANSFERS

There were three interfund balances as of December 31, 2008. The first one was the transfer of utility tax revenues from the Utility Fund to the General Fund for services rendered. The other two interfund balances were for interfund loans between the General Fund and two Special Revenue Funds, the Special Projects Fund and Multimodal Transportation Fund. Both funds made grant eligible payments and were waiting for grant reimbursements.

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. There were no significant transfers in 2008. The difference between the following table and the Revenues, Expenditures, and Changes in Fund Balance is due to the transfer between the General Fund and the Firemen's Pension Fund, which is not included in the table below. Interfund activity for the year is as follows:

	Transfers In	Transfers Out			Total
		General	Other Governmental	Internal Service	
General Fund	\$41,403	\$0	\$1,156,910	\$204,124	\$1,361,034
Other Governmental	2,582,851	27,610	1,021,379	0	1,048,989
Internal Service	204,124	13,793	0	0	13,793
Enterprise	0	0	404,562	0	404,562
Total	\$2,828,378	\$41,403	\$2,582,851	\$204,124	\$2,828,378

NOTE 7 — CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$14,199,411	\$40,750	\$0	\$14,240,161
Construction in Progress	9,155,277	3,637,343	(8,185,404)	4,607,216
Total capital assets, not being depreciated:	23,354,688	3,678,093	(8,185,404)	18,847,377
Capital assets, being depreciated:				
Building	25,479,908	0	0	25,479,908
Improvements other than buildings	8,836,808	0	0	8,836,808
Infrastructure	46,141,204	8,185,009	0	54,326,213
Machinery and Equipment	9,866,749	497,683	(632,895)	9,731,537
Total capital assets being depreciated:	90,324,669	8,682,692	(632,895)	98,374,466
Less accumulated depreciation for:				
Buildings	(9,216,907)	(882,671)	0	(10,099,578)
Improvements other than buildings	(5,084,627)	(284,727)	0	(5,369,354)
Infrastructure	(21,421,052)	(95,453)	0	(21,516,505)
Machinery and Equipment	(6,179,172)	(676,879)	545,231	(6,310,820)
Total accumulated depreciation:	(41,901,758)	(1,939,729)	545,231	(43,296,257)
Total capital assets, being depreciated, net:	48,422,911	6,742,963	(87,665)	55,078,209
Governmental activities capital assets, net:	\$71,777,599	\$10,421,056	(\$8,273,069)	\$73,925,586

Business-type Activities

	Ending Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$1,126,723	\$0	\$0	\$1,126,723
Construction in Progress	3,707,980	2,495,458	(2,539,735)	3,663,703
Total capital assets, not being depreciated:	4,834,703	2,495,458	(2,539,735)	4,790,426
Capital assets, being depreciated:				
Building	36,724,796	0	0	36,724,796
Improvements other than buildings	42,458,842	3,087,659	0	45,546,501
Machinery and Equipment	849,781	11,159	0	860,940
Intangible Assets	1,250,000	0	0	1,250,000
Total capital assets being depreciated:	81,283,419	3,098,818	0	84,382,237
Less accumulated depreciation for:				
Buildings	(11,767,096)	(710,938)	0	(12,478,034)
Improvements other than buildings	(14,840,166)	(1,659,562)	0	(16,499,728)
Machinery and Equipment	(483,088)	(46,069)	0	(529,157)
Intangible Assets	(703,820)	(50,032)	0	(753,852)
Total accumulated depreciation:	(27,794,170)	(2,466,601)	0	(30,260,771)
Total capital assets, being depreciated, net:	53,489,249	632,216	0	54,121,465
Business activities capital assets, net:	\$58,323,952	\$3,127,674	(\$2,539,735)	\$58,911,891

Depreciation Expense by Function

GOVERNMENTAL ACTIVITIES

Governmental Activities:	
General government	\$793,757
Public safety	314,906
Culture and recreation	155,089
Transportation	108,069
Physical Environment	7,039
Internal service	560,869
Total depreciation expense - Governmental Activities	<u>\$1,939,729</u>

BUSINESS-TYPE ACTIVITIES

Business-Type Activities	
Stormwater	\$227,150
Water	513,684
Sewer	295,925
Wastewater Treatment	1,429,842
Total depreciation expense - Business Type Activities	<u>\$2,466,601</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* and No. 50, *Pension Disclosures, and Amendment of GASB Statements No. 25 and No 27*.

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. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

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.

PERS 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 members who retire 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 that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is 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 with an allowance of two percent of the AFC per year of service. (The AFC 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 (based on the 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 AFC per year of service. (The AFC 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. Plan 3

members who retire 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). Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.

Members who choose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75%, 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 did not choose to participate would: 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.

Newly elected or appointed justices and judges who and choose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, are required to participate in the JPM Program. Members required into the JBM program would: 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 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2007:

Retirees and Beneficiaries Receiving Benefits	71,244
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	26,583
Active Plan Members Vested	105,447
Active Plan Members Nonvested	52,575
Total	255,849

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee’s age. 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, 2008, 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
2008	\$45,903	\$595,203	\$62,253
2007	47,926	458,374	48,198
2006	29,379	237,267	24,809

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, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. 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.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 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 benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF 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 (FAS) 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 FAS 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. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF 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 FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced 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 (based on the Consumer Price Index), capped at 3 percent annually.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2007:

Retirees and Beneficiaries Receiving Benefits	9,085
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	633
Active Plan Members Vested	12,904
Active Plan Members Nonvested	3,708
Total	26,330

Funding Policy

Starting on July 1, 2000, LEOFF 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. LEOFF 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, 2008, 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 8.99%.

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
2008	\$0	\$543,787
2007	0	482,912
2006	0	412,289

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, 2008, 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, 2008 there were 35 retirees receiving medical benefits. These benefits were paid from the LEOFF 1 Retiree Medical Reserve Fund.

Funding Policy and Funding Status

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 to help fund benefits and administrative costs as necessary. Active pension plan members are not required to contribute to the plan. The funded status of the plan as of the most recent actuarial valuation date is 43% or an Unfunded Actuarial Liability of \$403,000.

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, 2008 the Fire Pension Fund did not hold any investments.

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>
2006	21,794	(98)	182,052
2007	24,878	68	189,974
2008	24,383	163	174,655

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

	12/31/2006	12/31/2007	12/31/2008
1. Annual Normal Cost (BOY)	\$0	\$0	\$0
2. Amortization of UAAL (BOY)	22,548	27,266	27,266
3. Interest to EOY [(1)+(2)]x(i)*	1,353	1,363	1,313
4. Annual Required Contribution (ARC) at EOY [(1)+(2)+(3)]	\$23,901	\$28,629	\$28,579
5. Interest on NPO	\$8,332	\$9,103	\$9,499
6. Adjustment to ARC	10,439	12,854	13,745
7. Annual pension cost (APC) [(4)+(5)-(6)]	\$21,794	\$24,878	\$24,333
8. Employer Contributions**	(21,390)	16,956	39,702
9. Change in NPO [(7)-(8)]	43,184	7,922	(15,319)
10. NPO at BOY [(11) prior year]	\$138,868	\$182,052	\$189,974
11. NPO at EOY [(9)+(10)]	\$182,052	\$189,974	\$174,655

* (i) is the assumed interest rate that year: 6.0% in 2006, 5.0% in 2007, and 5.0% in 2008.

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

Actuarial Information

On January 1 2008, Milliman 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
- Plan assets are valued at market value

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 2008 was \$1,262,562 which represents its full liability.

For the year ending December 31, 2008, the City's covered payroll was \$19,812,867. The City's total current year payroll for all employees is \$20,122,759. No significant benefit changes occurred in 2008.

The plan is administered by a Plan Committee consisting of two members appointed by the Mayor and five members elected by the employees who contribute to the plan. Members appointed by the Mayor hold office at the pleasure of the Mayor, elected members serve a two year term and may be re-elected for an additional two year term.

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.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

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. Under authorization of the Disability Board, the City pays medical insurance premiums and medical expenses including long-term care. Post-employment health care benefits are being funded on a pay as you go basis. The retiree does not contribute towards the cost of his/her medical care. Post-employment health care costs of \$342,025 and long-term care costs of \$45,897 were reported in the LEOFF 1 Medical Reserve Fund 009. At December 31, 2008 there was \$483,168 of Cash and cash equivalents available to pay benefits.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ending 12/31	Annual OPEB Cost	Contribution as a Percentage of Annual OPEB Cost	Net OPEB Obligation
2007	561,707	83%	92,703
2008	560,511	79%	208,516

The City's annual OPEB and Net OPEB obligation for the current and preceding year were as follows:

	<u>12/31/2007</u>	<u>12/31/2008</u>
1. Annual Normal Cost (BOY)	\$0	\$0
2. Amortization of UAAL (BOY)	534,959	534,959
3. Interest to EOY [(1)+(2)]x(i)*	26,748	26,748
4. Annual Required Contribution (ARC) at EOY [(1)+(2)+(3)]	\$561,707	\$561,707
5. Interest on Net OPEB Obligation	\$0	\$4,635
6. Adjustment to ARC	0	5,831
7. Annual pension cost (APC) [(4)+(5)-(6)]	\$561,707	\$560,511
8. Employer Contributions	469,004	444,701
9. Change in Net OPEB Obligation [(7)-(8)]	92,703	115,810
10. Net OPEB Obligation at BOY [(11) prior year]	\$0	\$92,703
11. Net OPEB Obligation at EOY [(9)+(10)]	\$92,703	\$208,513

Actuarial Information

GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions requires the disclosure of the employer liability for retiree medical subsidies and other post-employment benefits. On January 1 2008, Milliman Inc., actuaries and consultants, completed an Actuarial valuation. In order to comply with reporting requirements, they computed the annual required contribution (ARC) using the Entry Age Cost Normal Actuarial Method.

The ARC is equal to an amount required each year to fully fund the liability. 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, 2007.

Significant actuarial assumptions used in the valuation include:

- 5.0 percent investment return, compounded annually
- 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
- Asset valuation method N/A

ASSOCIATION OF WASHINGTON CITIES EMPLOYEE BENEFIT TRUST (TRUST)

Trust Description. The City is a Participating Employer in the Association of Washington Cities Employee Benefit Trust, a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of the Participating Employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. That report, along with a copy of the Trust document, may be obtained by writing to Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346.

Funding Policy. The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute \$644.35 per month for non-Medicare enrolled retiree-only coverage, \$1,288.70 for non-Medicare enrolled retiree and spouse coverage, \$987.25 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare enrolled spouse) and \$685.80 for Medicare enrolled retiree and spouse coverage.

Participating Employers are contractually required to contribute at a rate assessed each year by the Trust. The required contribution rate expressed as a percentage of current year covered payroll is 15.88 percent. The City's contribution to the Trust for the year ended December 31, 2008 was \$3,208,528, which equaled the required contribution for the year.

Retiring employees from a Participating Employer have several retiree medical plans to choose from. The AWC Trust works directly with the retired employee, and no monies pass through the former employer. Additionally, the AWC Trust pools the health care costs of the retiree medical programs, and rates the programs accordingly. Currently, the AWC Trust Board of Trustees have committed to a retiree medical plan subsidy of 25% which is drawn from the accumulated medical reserve fund. The medical reserves have accumulated over the years from excess premium contributions of employers, active employees and retirees in favorable claims years. The Trust Board of Trustees can change their retiree medical plan subsidy policy in any given year.

NOTE 10 — LONG-TERM DEBT

Changes in Long-term Debt

During 2008 Public Works Trust Fund loan balances increased with 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, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$21,589,831	\$0	(\$1,385,385)	\$20,204,446	\$1,485,222
Special assessment debt					
with government commitment	190,000	0	(90,000)	100,000	0
Total bonds payable:	21,779,831	0	(1,475,385)	20,304,446	1,485,222
Compensated absences	3,548,995	2,868,525	(2,751,591)	3,665,929	2,834,139
Capital contracts	1,853,702	0	(151,274)	1,702,428	156,190
Public Works Trust Loan	1,225,662	31,238	(72,201)	1,184,699	72,201
Governmental activity long-term liabilities	<u>\$28,408,190</u>	<u>\$2,899,763</u>	<u>(\$4,450,451)</u>	<u>\$26,857,502</u>	<u>\$4,547,752</u>

Internal service funds predominately serve the governmental funds. Accordingly, the December 31, 2008 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 \$49,684.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds Payable:					
General obligation bonds	\$4,404,405	\$0	(\$204,542)	\$4,199,863	\$210,948
Revenue bonds	4,425,000	0	(805,000)	3,620,000	365,000
Less deferred amounts:					
For issuance premiums	35,195	0	(2,308)	32,887	2,308
For issuance discount	(27,036)	0	2,601	(24,435)	(2,601)
On refunding	(212,363)	0	22,845	(189,518)	(22,845)
Total bonds payable:	8,625,201	0	(986,404)	7,638,797	552,810
Compensated absences	305,542	402,055	(299,470)	408,127	308,454
Public Works Trust Loan	1,888,238	334,507	(120,492)	2,102,253	140,307
Business-type activity long-term liabilities	<u>\$10,818,981</u>	<u>\$736,562</u>	<u>(\$1,406,366)</u>	<u>\$10,149,177</u>	<u>\$1,001,571</u>

General Obligation Bonds

The City issues general obligation bonds to provide funding for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues two types of general obligation bonds, Limited Tax General Obligation bonds (LTGO) and Unlimited Tax General Obligation bonds (UTGO). General obligation bonds have been issued for both governmental and business-type activities. At December 31, 2008 the City’s balance of General obligation bonds outstanding was \$24,404,309. Of this amount, \$4,199,863 is an obligation of the Utility fund.

GENERAL OBLIGATION BONDS	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/08
General Government						
1996 UTGO Bonds - Public Safety Buildings	9,275,000	08/01/96	12/01/16	5.50/5.60	310,000 - 450,000	0
1998 LTGO Ref. Bonds - Capital Improvements	4,163,712	12/01/98	12/01/14	4.00/4.40	274,000 - 473,994	2,523,322
2001 LTGO Bonds - Capital Improvements	2,545,000	09/01/01	12/01/21	3.00/4.90	87,759 - 188,055	1,876,371
2001 LTGO Bonds - Park Acquisition	2,260,000	12/15/01	12/01/21	2.65/5.45	70,000 - 175,000	1,690,000
2002 LTGO Bonds - Performing Arts Center	7,015,000	11/13/02	12/01/26	3.00/4.90	50,000 - 460,000	6,470,000
2003 UTGO Ref. Bonds - Public Safety Buildings	7,000,000	07/01/03	12/01/16	2.00/3.50	70,000 - 960,000	6,300,000
2005 LTGO Bonds - Phone System	120,000	02/23/05	12/01/10	3.53	14,685 - 22,883	44,585
2007 LTGO Bonds - Capital Improvements	1,384,904	03/15/07	03/15/26	3.65/3.95	130,000-370,000	1,300,168
Business-type Activities						
1998 LTGO Ref. Bonds - Capital Improvements	316,288	09/01/01	12/01/21	3.00/4.90	20,827 - 36,006	191,679
2001 LTGO Bonds - Capital Improvements	500,000	12/01/98	12/01/14	4.00/4.40	17,241 - 36,945	368,629
2005 LTGO Bonds - Phone System	80,000	02/23/05	12/01/10	3.53	9,789 - 15,255	29,723
2007 LTGO Bonds - Capital Improvements	3,845,096	03/15/07	03/15/26	3.65/3.95	130,000-370,000	3,609,832
TOTAL GENERAL OBLIGATION BONDS	<u>\$38,505,000</u>					<u>\$24,404,309</u>

Public Works Trust Fund Loans

The City has three existing Public Works Trust Fund loans that are general government obligations. During 2008, the City drew on one of the three loans for a total of \$31,238. 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 12/31/2008 was \$624,750. 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 1/2% 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 \$605,625 has been received. 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.

In 2005 the City secured a Public Works Trust Fund loan in the amount of \$1,216,902. During 2008, the City drew down \$304,226 for a total of \$547,606 received from the loan. The interest for this loan shall be 1/2% per annum on the outstanding principal balance and the term of the loan shall not exceed 20 years.

PUBLIC WORKS TRUST FUND LOANS	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/08
<u>General Government</u>						
P W Trust Fund Loan - Street Construction	\$340,000	01/06/03	06/30/22	0.5	\$18,143	\$254,006
P W Trust Fund Loan - Street Construction	400,000	09/13/04	06/30/24	0.5	20,000	338,824
P W Trust Fund Loan - Street Construction	624,750	05/24/06	05/24/26	0.5	6,248	591,869
<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	998,550
P W Trust Fund Loan - Water Improvements	408,000	06/08/04	06/30/24	0.5	4,295	68,716
P W Trust Fund Loan - Storm Improvements	605,625	06/08/04	06/30/24	0.5	31,964	513,000
P W Trust Fund Loan - Sewer Improvements	1,216,902	05/23/05	06/30/25	0.5	12,169	521,987
TOTAL PUBLIC WORKS TRUST FUND LOANS	\$4,942,527					\$3,286,952

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.

CAPITAL CONTRACTS	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/08
1996 Note - Fire Station #10	\$1,136,115	01/01/96	01/01/15	1.00	\$54,592 - \$65,300	\$443,748
2005 Contract - Public Safety Radio Equipment	1,595,046	06/01/05	12/01/19	3.00/5.00	77,457 - 141,288	1,258,680
TOTAL CAPITAL CONTRACTS	\$2,731,161					\$1,702,428

Revenue Bonds

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

REVENUE BONDS	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/08
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	\$1,310,000
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	2,310,000
TOTAL REVENUE BONDS	<u>\$10,295,000</u>					<u>\$3,620,000</u>

Special Assessment Debt with Governmental Commitment

As of December 31, 2008, \$100,000 of long-term, special assessment debt was outstanding. The debt was issued to fund capital improvements to the combined water/sewer/stormwater 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, 2008 is \$49,556. As of December 31, 2008, special assessment receivables totaled \$368,905, which includes \$1,281 of delinquent assessments.

SPECIAL ASSESSMENT DEBT	ORIGINAL AMOUNT ISSUED	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	INT. RATES	AMOUNT OF INSTALLMENTS	BALANCE 12/31/08
Sewer LID Bonds 215/216	\$2,252,150	12/01/01	12/01/16	2.75/5.75	\$150,000	\$100,000

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	\$115,638,142	\$77,092,095	\$192,730,237	\$192,730,237
Net Outstanding Indebtedness	(25,061,146)	(6,300,000)	0	0
Margin Available	\$90,576,996	\$70,792,095	\$192,730,237	\$192,730,237

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, 2008 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, 2008 the City has \$100,000 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 2009.

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
2009	1,713,613	894,283	2,607,897	716,255	328,521	1,044,776
2010	1,789,386	837,989	2,627,374	746,627	304,783	1,051,410
2011	1,870,415	776,145	2,646,560	753,102	280,007	1,033,109
2012	1,965,760	708,925	2,674,685	757,687	253,691	1,011,377
2013	1,940,390	637,225	2,577,615	793,712	226,485	1,020,197
2014-2018	7,468,112	2,167,704	9,635,815	2,640,471	832,479	3,472,950
2019-2023	4,252,064	988,299	5,240,363	2,662,297	397,378	3,059,675
2024-2028	2,091,834	182,788	2,274,621	851,966	63,072	915,038
	<u>\$23,091,573</u>	<u>\$7,193,357</u>	<u>\$30,284,931</u>	<u>\$9,922,116</u>	<u>\$2,686,417</u>	<u>\$12,608,533</u>

At December 31, 2008 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, 2008, the City of Edmonds had no arbitrage liability.

NOTE 11 – SHORT-TERM DEBT

The City did not issue short-term debt during 2008 and has no outstanding short-term debt at December 31, 2008.

NOTE 12 — 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 13 — RISK MANAGEMENT

The City of Edmonds is a member of the Washington Cities Insurance Authority.

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 129 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 \$4 million per occurrence self insured layer, and \$16 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 \$20 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 insurance.

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.

In the past three years, settlements have not exceeded insurance coverage.

NOTE 14 — LEASES

Lease Revenues

The City receives revenue by leasing land to T-Mobile West Corporation for a cell tower placed on the Five Corners Water Tank Site. The original lease was signed in 1997 for a term of five years and could be renewed for five additional five-year terms. Along with the actual tower lease, there are two sub-leases to co-locate on the tower leased to T-Mobile. The first lease is with Clearwire, LLC and the second lease is with Cingular Wireless. Each of these leases was signed in 1997 for a five-year term and could be renewed for three additional five-year periods.

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 various City buildings. At the Anderson Center, the City has six 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 \$3,056,857 and a book value of \$1,789,079. Depreciation expense for 2008 was \$102,117.

The City rents space at the old Public Works building. The City entered into a month-to-month contract with the Edmonds Arts Festival Foundation on November 13, 2008. The Foundations rents three garage bays as part of the City's Cultural Arts Plan. The City also entered into a ten year lease agreement with the Driftwood Players in December of 2008 to rent administrative office space along with the old crew area space. The old Public Works building has an original cost of \$249,396 and a book value of \$58,679. Depreciation expense for 2008 was \$3,451.

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 \$2,184,957. Depreciation expense for 2008 was \$131,756.

The City has two leases which provide recreational services to the citizens. A four year lease agreement was entered into on December 29, 2006 with the Boys and Girls Clubs of Snohomish County. The agreement may be renewed for consecutive five-year terms upon mutual agreement of the parties. The original cost of the Boys and Girls Clubs of Snohomish County is \$85,570 and is fully depreciated. A lease agreement was entered into with the South County Senior Center, Inc on December 1, 2008. The term of the lease is for eleven years and is automatically renewable for two additional five-year terms for a total of twenty-one years. The Senior Center original cost is \$1,060,523 and carries a book value of \$226,034. Depreciation expense for 2008 was \$60,729.

In July of 2008 a one year lease was signed with Shorts 'n Slippas, LLC for the organization to run a concession stand on the public right of way.

In 2008, the General Fund received \$142,007 and the Enterprise Fund received \$45,630 in rental income.

NOTE 15 — COMMITMENTS

The City has several capital improvement projects in progress. As of December 31, 2008, the City's outstanding contractual obligations, which include construction and engineering contracts, are summarized below:

Contract Name	Original Amount	Expenditures to Date	Remaining Commitment
4th Avenue Cultural Corridor	\$ 100,000	\$ 82,588	\$ 17,412
8001 Talbot Road Emergency Repairs	29,882	27,815	2,067
8002 Talbot Road Emergency Repairs	34,500	18,938	15,562
8003 Talbot Road Emergency Repairs	250,000	0	250,000
BNSF Utilities Relocate	105,396	52,592	52,804
Comp Transportation Plan Update	227,913	97,825	130,088
Interurban Trail	232,741	171,338	61,403
Lake Ballinger Watershed Forum	200,000	88,654	111,346
Lift Station 2 Rehabilitation (L/S 13 too)	188,049	186,990	1,059
Lift Station 7/8 Improvements	2,838,786	763,989	2,074,797
Old Woodway Park	1,855,099	897,614	957,485
Olympic View Drive Improvements	125,000	73,045	51,955
OVD Improvements w/Lynnwood	421,660	370,512	51,148
Shell Valley Emergency Access	108,990	72,055	36,935
SR99 International District Enhancements	108,000	31,620	76,380
SR99/76th Avenue West Intersection	155,899	61,702	94,197
Treatment Plant Electrical Improvements Project	79,184	75,548	3,636
Water Supply System Improvements	1,079,397	186,379	893,018
	<u>\$ 8,140,496</u>	<u>\$ 3,259,204</u>	<u>\$ 4,881,292</u>

NOTE 16 – PRIOR PERIOD CORRECTIONS**Governmental Activities****Major Governmental Funds**

Recorded FEMA Grant #E06218 in the wrong fund	\$60,479
Correct 2007 voter registration payment	(56,180)
Correct grant accrual	5,305
	<u>9,604</u>

Other Governmental Funds

Recorded FEMA Grant #E06218 in the wrong fund	(60,479)
Correct grant accrual	(4,394)
	<u>(64,873)</u>

Total Governmental Activities(\$55,269)**Business-Type Activities**

Correct King County Intergovernmental accruals	27,518
Correct grant accrual	276
Total Business-Type Activities	<u>\$27,794</u>

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**
2008	(4,524)	44,226	39,702	28,629	139 %
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

** 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.

**LEOFF 1 Medical Reserve
Schedule of Employer Contributions**

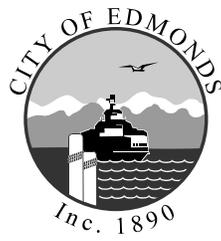
Fiscal Year Ending 12/31	Total Employer Contributions***	Annual Required Contribution	Percentage of ARC Contributed**
2008	444,701	561,707	79 %
2007	469,004	561,707	83

**LEOFF 1 Medical Reserve
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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	\$0	\$8,635	\$8,635	0%	N/A	N/A %

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS



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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$6,759,705	\$72,851	\$6,832,556
Investments	1,675,933	0	1,675,933
Receivables, net			
Assessments	0	21,711	21,711
Due from other governmental units	529,637	0	529,637
Total Current Assets	8,965,275	94,562	9,059,837
RESTRICTED ASSETS			
Special assessments - deferred	0	347,194	347,194
Total Restricted Assets	0	347,194	347,194
TOTAL ASSETS	\$8,965,275	\$441,756	\$9,407,031
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$65,124	\$0	\$65,124
Accounts payable	477,716	0	477,716
Interfund loans payable	57,012	0	57,012
Custodial accounts	38	0	38
Other current liabilities	25,523	0	25,523
Total Current Liabilities	625,413	0	625,413
NONCURRENT LIABILITIES			
Deferred revenues	0	369,050	369,050
Total Noncurrent Liabilities	0	369,050	369,050
TOTAL LIABILITIES	625,413	369,050	994,463
FUND BALANCES			
Reserved for:			
Drug enforcement	0	0	0
Advances from Other Funds	0	0	0
Debt service	0	72,706	72,706
Unreserved, reported in:			
Special revenue funds	8,339,862	0	8,339,862
TOTAL FUND BALANCES	8,339,862	72,706	8,412,568
TOTAL LIABILITIES AND FUND BALANCES	\$8,965,275	\$441,756	\$9,407,031

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	SPECIAL REVENUE	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$1,413,593	\$0	\$1,413,593
Licenses and permits	20,600	0	20,600
Intergovernmental revenues	2,086,056	0	2,086,056
Charges for services	247,343	0	247,343
Other revenues	434,244	472,894	907,138
Total revenues	4,201,836	472,894	4,674,730
EXPENDITURES			
Current:			
General government services	1,181,578	211	1,181,789
Security of persons and property	88,535	0	88,535
Physical environment	121,698	0	121,698
Transportation	1,852,790	0	1,852,790
Economic environment	30,603	0	30,603
Culture and recreation	330,599	0	330,599
Capital outlay	3,517,094	0	3,517,094
Debt service:			
Principal	526,104	215,000	741,104
Interest	229,888	307,838	537,726
Total expenditures	7,878,889	523,049	8,401,938
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,677,053)	(50,155)	(3,727,208)
OTHER FINANCING SOURCES (USES)			
Issuance of general long-term debt	31,238	0	31,238
Transfers in	2,519,914	62,937	2,582,851
Transfers out	(1,048,989)	0	(1,048,989)
Total other financing sources (uses)	1,502,163	62,937	1,565,100
Net change in fund balances	(2,174,890)	12,782	(2,162,108)
Fund balances - beginning	10,579,625	59,924	10,639,549
Prior period corrections	(64,873)	0	(64,873)
FUND BALANCES - ENDING	\$8,339,862	\$72,706	\$8,412,568

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, 2008**
(Page 1 of 5)

	009 LEOFF MEDICAL RESERVE FUND	104 DRUG ENFORCEMENT FUND	111 STREET FUND	112 STREET CONSTRUCTION FUND
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$445,143	\$111,525	\$179,467	\$397,987
Investments	131,386	32,917	52,970	90,984
Receivables, net				
Due from other governmental units	0	0	57,180	15,567
Total Current Assets	576,529	144,442	289,617	504,538
TOTAL ASSETS	\$576,529	\$144,442	\$289,617	\$504,538
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$0	\$0	\$61,513	\$0
Accounts payable	11,977	1,029	28,454	31,679
Interfund loans payable	0	0	0	0
Custodial accounts	0	38	0	0
Other current liabilities	0	0	3,853	21,670
Total Current Liabilities	11,977	1,067	93,820	53,349
TOTAL LIABILITIES	11,977	1,067	93,820	53,349
FUND BALANCES				
Unreserved, reported in:				
Special revenue funds	564,552	143,375	195,797	451,189
TOTAL FUND BALANCES	564,552	143,375	195,797	451,189
TOTAL LIABILITIES AND FUND BALANCES	\$576,529	\$144,442	\$289,617	\$504,538

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**
(Page 2 of 5)

	113 MULTIMODAL TRANSPORTATION FUND	116 BUILDING MAINTENANCE FUND	117 MUNICIPAL ARTS ACQUIS. FUND	118 MEMORIAL TREE FUND
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$40,000	\$110,825	\$283,503	\$17,342
Investments	0	0	47,058	0
Receivables, net				
Due from other governmental units	328,179	26,003	0	0
Total Current Assets	368,179	136,828	330,561	17,342
TOTAL ASSETS	\$368,179	\$136,828	\$330,561	\$17,342
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$0	\$0	\$0	\$0
Accounts payable	268,559	27,277	194	0
Interfund loans payable	37,226	0	0	0
Custodial accounts	0	0		0
Other current liabilities	0	0	0	0
Total Current Liabilities	305,785	27,277	194	0
TOTAL LIABILITIES	305,785	27,277	194	0
FUND BALANCES				
Unreserved, reported in:				
Special revenue funds	62,394	109,551	330,367	17,342
TOTAL FUND BALANCES	62,394	109,551	330,367	17,342
TOTAL LIABILITIES AND FUND BALANCES	\$368,179	\$136,828	\$330,561	\$17,342

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**
(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					
CURRENT ASSETS					
Cash and cash equivalents	\$125,516	\$90,927	\$19,019	\$48,208	\$3,148,317
Investments	37,047	0	0	0	908,422
Receivables, net					
Due from other governmental units	10,857	0	0	0	33,426
Total Current Assets	<u>173,420</u>	<u>90,927</u>	<u>19,019</u>	<u>48,208</u>	<u>4,090,165</u>
TOTAL ASSETS	<u>\$173,420</u>	<u>\$90,927</u>	<u>\$19,019</u>	<u>\$48,208</u>	<u>\$4,090,165</u>
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Wages payable	\$0	\$0	\$0	\$0	\$0
Accounts payable	3,000	0	0	0	91,639
Interfund loans payable	0	0	0	0	0
Custodial accounts	0	0	0	0	0
Other current liabilities	0	0	0	0	0
Total Current Liabilities	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>91,639</u>
TOTAL LIABILITIES	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>91,639</u>
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	170,420	90,927	19,019	48,208	3,998,526
TOTAL FUND BALANCES	<u>170,420</u>	<u>90,927</u>	<u>19,019</u>	<u>48,208</u>	<u>3,998,526</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$173,420</u>	<u>\$90,927</u>	<u>\$19,019</u>	<u>\$48,208</u>	<u>\$4,090,165</u>

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**
(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					
CURRENT ASSETS					
Cash and cash equivalents	\$696,964	\$172,678	\$0	\$109,314	\$20,242
Investments	205,712	0	0	0	0
Receivables, net					
Due from other governmental units	33,425	0	25,000	0	0
Total Current Assets	936,101	172,678	25,000	109,314	20,242
TOTAL ASSETS	\$936,101	\$172,678	\$25,000	\$109,314	\$20,242
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Wages payable	\$0	\$0	\$0	\$3,611	\$0
Accounts payable	0	0	0	760	837
Interfund loans payable	0	0	19,786	0	0
Custodial accounts	0	0	0	0	0
Other current liabilities	0	0		0	0
Total Current Liabilities	0	0	19,786	4,371	837
TOTAL LIABILITIES	0	0	19,786	4,371	837
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	936,101	172,678	5,214	104,943	19,405
TOTAL FUND BALANCES	936,101	172,678	5,214	104,943	19,405
TOTAL LIABILITIES AND FUND BALANCES	\$936,101	\$172,678	\$25,000	\$109,314	\$20,242

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**
(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					
CURRENT ASSETS					
Cash and cash equivalents	\$11,614	\$145,946	\$574,067	\$11,101	\$6,759,705
Investments	0	0	169,437	0	1,675,933
Receivables, net					
Due from other governmental units	0	0	0	0	529,637
Total Current Assets	11,614	145,946	743,504	11,101	8,965,275
TOTAL ASSETS	\$11,614	\$145,946	\$743,504	\$11,101	\$8,965,275
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Wages payable	\$0	\$0	\$0	\$0	\$65,124
Accounts payable	12,259	0	0	52	477,716
Interfund loans payable	0	0	0	0	57,012
Custodial accounts	0	0	0	0	38
Other current liabilities	0	0	0	0	25,523
Total Current Liabilities	12,259	0	0	52	625,413
TOTAL LIABILITIES	12,259	0	0	52	625,413
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	(645)	145,946	743,504	11,049	8,339,862
TOTAL FUND BALANCES	(645)	145,946	743,504	11,049	8,339,862
TOTAL LIABILITIES AND FUND BALANCES	\$11,614	\$145,946	\$743,504	\$11,101	\$8,965,275

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(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	525	0
Intergovernmental revenues	0	0	755,434	424,405
Charges for services	0	0	12,185	60,309
Other revenues	9,456	130,780	5,413	11,078
Total revenues	9,456	130,780	773,557	495,792
EXPENDITURES				
Current:				
General government services	389,590	0	165	0
Security of persons and property	0	88,535	0	0
Physical environment	0	0	0	0
Transportation	0	0	1,270,314	260,151
Economic environment	0	0	0	0
Culture and recreation	0	0	0	0
Capital outlay	0	0	0	874,695
Debt Service:				
Principal	0	0	32,904	72,201
Interest	0	0	12,024	5,568
Total expenditures	389,590	88,535	1,315,407	1,212,615
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(380,134)	42,245	(541,850)	(716,823)
OTHER FINANCING SOURCES (USES)				
Issuance of general long-term debt	0	0	0	31,238
Transfers in	523,492	0	472,550	436,631
Transfers out	0	0	0	0
Total other financing sources (uses)	523,492	0	472,550	467,869
Net change in fund balances	143,358	42,245	(69,300)	(248,954)
Fund balances - beginning	421,194	101,130	267,557	700,143
Prior period corrections	0	0	(2,460)	0
FUND BALANCES - ENDING	\$564,552	\$143,375	\$195,797	\$451,189

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(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	335,375	533,228	0	0
Charges for services	0	0	26,436	0
Other revenues	0	11,483	17,276	417
Total revenues	335,375	544,711	43,712	417
EXPENDITURES				
Current:				
General government services	0	783,331	0	0
Security of persons and property	0	0	0	0
Physical environment	0	0	0	0
Transportation	322,325	0	0	0
Economic environment	0	0	0	0
Culture and recreation	0	0	33,295	0
Capital outlay	0	1,478,623	0	0
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total expenditures	322,325	2,261,954	33,295	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,050	(1,717,243)	10,417	417
OTHER FINANCING SOURCES (USES)				
Issuance of general long-term debt	0	0	0	0
Transfers in	0	863,380	33,916	0
Transfers out	0	0	0	0
Total other financing sources (uses)	0	863,380	33,916	0
Net change in fund balances	13,050	(853,863)	44,333	417
Fund balances - beginning	49,344	1,023,893	286,034	16,925
Prior period corrections	0	(60,479)	0	0
FUND BALANCES - ENDING	\$62,394	\$109,551	\$330,367	\$17,342

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(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
REVENUES					
Taxes	\$86,119	\$0	\$0	\$0	\$663,737
Licenses and permits	0	20,075	0	0	0
Intergovernmental revenues	0	0	0	0	0
Charges for services	0	0	0	200	0
Other revenues	3,556	2,319	12,040	970	104,589
Total revenues	89,675	22,394	12,040	1,170	768,326
EXPENDITURES					
Current:					
General government services	0	839	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	43,524	0	3,796	15,702	227,315
Capital outlay	0	0	0	0	1,041,074
Debt Service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total expenditures	43,524	839	3,796	15,702	1,268,389
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	46,151	21,555	8,244	(14,532)	(500,063)
OTHER FINANCING SOURCES (USES)					
Issuance of general long-term debt	0	0	0	0	0
Transfers in	0	0	0	21,854	0
Transfers out	(25,854)	(17,510)	0	0	(125,808)
Total other financing sources (uses)	(25,854)	(17,510)	0	21,854	(125,808)
Net change in fund balances	20,297	4,045	8,244	7,322	(625,871)
Fund balances - beginning	150,123	86,882	10,775	40,886	4,624,397
Prior period corrections	0	0	0	0	0
FUND BALANCES - ENDING	\$170,420	\$90,927	\$19,019	\$48,208	\$3,998,526

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Page 4 of 5)

	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	\$663,737	\$0	\$0	\$0	\$0
Licenses and permits	0	0	0	0	0
Intergovernmental revenues	0	1,000	25,000	0	0
Charges for services	0	0	0	133,392	0
Other revenues	28,862	17,741	228	2,871	21,216
Total revenues	692,599	18,741	25,228	136,263	21,216
EXPENDITURES					
Current:					
General government services	7,653	0	0	0	0
Security of persons and property	0	0	0	0	0
Physical environment	0	0	0	121,698	0
Transportation	0	0	0	0	0
Economic environment	0	0	0	0	0
Culture and recreation	0	6,967	0	0	0
Capital outlay	0	0	31,620	0	0
Debt Service:					
Principal	420,999	0	0	0	0
Interest	204,795	0	0	7,501	0
Total expenditures	633,447	6,967	31,620	129,199	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	59,152	11,774	(6,392)	7,064	21,216
OTHER FINANCING SOURCES (USES)					
Issuance of general long-term debt	0	0	0	0	0
Transfers in	0	0	0	89,268	0
Transfers out	(869,717)	0	0	0	(10,100)
Total other financing sources (uses)	(869,717)	0	0	89,268	(10,100)
Net change in fund balances	(810,565)	11,774	(6,392)	96,332	11,116
Fund balances - beginning	1,748,600	160,904	11,606	8,611	8,289
Prior period corrections	(1,934)	0	0	0	0
FUND BALANCES - ENDING	\$936,101	\$172,678	\$5,214	\$104,943	\$19,405

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(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
REVENUES					
Taxes	\$0	\$0	\$0	\$0	\$1,413,593
Licenses and permits	0	0	0	0	20,600
Intergovernmental revenues	11,614	0	0	0	2,086,056
Charges for services	0	0	14,821	0	247,343
Other revenues	0	3,863	22,972	27,114	434,244
Total revenues	11,614	3,863	37,793	27,114	4,201,836
EXPENDITURES					
Current:					
General government services	0	0	0	0	1,181,578
Security of persons and property	0	0	0	0	88,535
Physical environment	0	0	0	0	121,698
Transportation	0	0	0	0	1,852,790
Economic environment	0	0	0	30,603	30,603
Culture and recreation	0	0	0	0	330,599
Capital outlay	91,082	0	0	0	3,517,094
Debt Service:					
Principal	0	0	0	0	526,104
Interest	0	0	0	0	229,888
Total expenditures	91,082	0	0	30,603	7,878,889
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(79,468)	3,863	37,793	(3,489)	(3,677,053)
OTHER FINANCING SOURCES (USES)					
Issuance of general long-term debt	0	0	0	0	31,238
Transfers in	78,823	0	0	0	2,519,914
Transfers out	0	0	0	0	(1,048,989)
Total other financing sources (uses)	78,823	0	0	0	1,502,163
Net change in fund balances	(645)	3,863	37,793	(3,489)	(2,174,890)
Fund balances - beginning	0	142,083	705,711	14,538	10,579,625
Prior period corrections	0	0	0	0	(64,873)
FUND BALANCES - ENDING	(\$645)	\$145,946	\$743,504	\$11,049	\$8,339,862

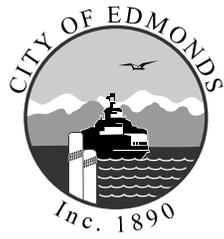
DEBT SERVICE FUNDS DESCRIPTION

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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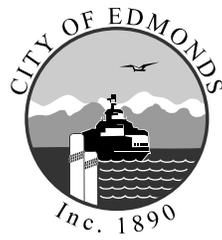
**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2008**

	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				
CURRENT ASSETS				
Cash and cash equivalents	\$23,295	\$49,556	\$0	\$72,851
Receivables, net				
Assessments	21,711	0	0	21,711
Total Current Assets	45,006	49,556	0	94,562
RESTRICTED ASSETS				
Special assessments - deferred	347,194	0	0	347,194
Total Restricted Assets	347,194	0	0	347,194
TOTAL ASSETS	\$392,200	\$49,556	\$0	\$441,756
LIABILITIES AND FUND BALANCES				
NONCURRENT LIABILITIES				
Deferred revenues	369,050	0	0	369,050
Total Noncurrent Liabilities	369,050	0	0	369,050
TOTAL LIABILITIES	369,050	0	0	369,050
FUND BALANCES				
Reserved for:				
Debt service	23,150	49,556	0	72,706
TOTAL FUND BALANCES	23,150	49,556	0	72,706
TOTAL LIABILITIES AND FUND BALANCES	\$392,200	\$49,556	\$0	\$441,756

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	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	\$110,718	\$3,140	\$359,036	\$472,894
Total revenues	110,718	3,140	359,036	472,894
EXPENDITURES				
Current:				
General government services	211	0	0	211
Principal	90,000	0	125,000	215,000
Interest	10,865	0	296,973	307,838
Total expenditures	101,076	0	421,973	523,049
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,642	3,140	(62,937)	(50,155)
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	62,937	62,937
Total other financing sources (uses)	0	0	62,937	62,937
Net change in fund balances	9,642	3,140	0	12,782
Fund balances - beginning	13,508	46,416	0	59,924
FUND BALANCES - ENDING	\$23,150	\$49,556	\$0	\$72,706

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, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$12,000	\$12,000	\$9,456	(\$2,544)
Total Revenues	12,000	12,000	9,456	(2,544)
EXPENDITURES				
Current:				
General government services	561,938	561,938	389,590	172,348
Total Expenditures	561,938	561,938	389,590	172,348
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(549,938)	(549,938)	(380,134)	169,804
OTHER FINANCING SOURCES (USES)				
Transfers in	523,492	523,492	523,492	0
Total other financing sources (uses)	523,492	523,492	523,492	0
Net changes in fund balances	(26,446)	(26,446)	143,358	169,804
Fund balances - beginning	317,515	317,515	421,194	103,679
FUND BALANCES - ENDING	\$291,069	\$291,069	\$564,552	\$273,483

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 104 – DRUG ENFORCEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Fines and forfeits	500	500	0	(500)
Other revenues	15,000	124,000	130,780	6,780
Total Revenues	15,500	124,500	130,780	6,280
EXPENDITURES				
Current:				
Security of persons and property	70,035	88,342	88,535	(193)
Total Expenditures	70,035	88,342	88,535	(193)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(54,535)	36,158	42,245	6,087
OTHER FINANCING SOURCES (USES)				
Transfers in	54,535	0	0	0
Total other financing sources (uses)	54,535	0	0	0
Net changes in fund balances	0	36,158	42,245	6,087
Fund balances - beginning	18,930	117,437	101,130	(16,307)
FUND BALANCES - ENDING	\$18,930	\$153,595	\$143,375	(\$10,220)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 111 – STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Licenses and Permits	\$0	\$0	\$525	\$525
Intergovernmental revenues	760,000	760,000	755,434	(4,566)
Charges for services	22,509	22,509	12,185	(10,324)
Other revenues	5,000	5,000	5,413	413
Total Revenues	787,509	787,509	773,557	(13,952)
EXPENDITURES				
Current:				
General government services	0	0	165	(165)
Transportation	1,322,589	1,355,489	1,270,314	85,175
Capital outlay		10,595		10,595
Debt service:				
Redemption of Debt Principal	30,379	32,925	32,904	21
Interest	9,435	12,008	12,024	(16)
Total Expenditures	1,362,403	1,411,017	1,315,407	95,610
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(574,894)	(623,508)	(541,850)	81,658
OTHER FINANCING SOURCES (USES)				
Transfers in	572,550	472,550	472,550	0
Total other financing sources (uses)	572,550	472,550	472,550	0
Net changes in fund balances	(2,344)	(150,958)	(69,300)	81,658
Fund balances - beginning	34,495	177,990	267,557	89,567
Prior Period Adjustment			(2,460)	(2,460)
FUND BALANCES - ENDING	\$32,151	\$27,032	\$195,797	\$168,765

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 112 – STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$2,054,500	\$2,054,500	\$424,405	(\$1,630,095)
Charges for services	80,000	80,000	60,309	(19,691)
Other revenues	23,547	23,547	11,078	(12,469)
Total Revenues	2,158,047	2,158,047	495,792	(1,662,255)
EXPENDITURES				
Current:				
Transportation	0	0	260,151	(260,151)
Capital outlay	2,779,691	2,779,691	874,695	1,904,996
Debt service:				
Redemption of Debt Principal	38,143	38,143	72,201	(34,058)
Interest	3,061	3,061	5,568	(2,507)
Total Expenditures	2,820,895	2,820,895	1,212,615	1,608,280
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(662,848)	(662,848)	(716,823)	(53,975)
OTHER FINANCING SOURCES (USES)				
Issuance of general long-term debt	0	0	31,238	\$31,238
Advances to other funds				
Transfers in	195,000	195,000	436,631	\$241,631
Total other financing sources (uses)	195,000	195,000	467,869	272,869
Net changes in fund balances	(467,848)	(467,848)	(248,954)	218,894
Fund balances - beginning	694,487	694,487	700,143	5,656
FUND BALANCES - ENDING	\$226,639	\$226,639	\$451,189	\$224,550

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 113 – MULTIMODAL TRANSPORTATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$2,000,000	\$2,000,000	\$335,375	(\$1,664,625)
Total Revenues	2,000,000	2,000,000	335,375	(1,664,625)
EXPENDITURES				
Current:				
Transportation	2,000,000	2,000,000	322,325	1,677,675
Total Expenditures	2,000,000	2,000,000	322,325	1,677,675
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	13,050	13,050
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	0	0	13,050	13,050
Fund balances - beginning	0	0	49,344	49,344
FUND BALANCES - ENDING	\$0	\$0	\$62,394	\$62,394

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 116 – BUILDING MAINTENANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$0	\$925,000	\$533,228	(\$391,772)
Other revenues	7,500	7,500	11,483	3,983
Total Revenues	7,500	932,500	544,711	(387,789)
EXPENDITURES				
Current:				
General government services	72,000	926,700	783,331	143,369
Capital outlay	121,000	1,899,700	1,478,623	421,077
Total Expenditures	193,000	2,826,400	2,261,954	564,446
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(185,500)	(1,893,900)	(1,717,243)	176,657
OTHER FINANCING SOURCES (USES)				
Transfers in	56,600	974,100	863,380	(110,720)
Total other financing sources (uses)	56,600	974,100	863,380	(110,720)
Net changes in fund balances	(128,900)	(919,800)	(853,863)	65,937
Fund balances - beginning	278,353	991,746	1,023,893	32,147
Prior Period Adjustment			(60,479)	(60,479)
FUND BALANCES - ENDING	\$149,453	\$71,946	\$109,551	\$37,605

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 117 – MUNICIPAL ARTS ACQUISITION FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	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	26,436	5,236
Other revenues	16,530	16,530	17,276	746
Total Revenues	38,930	38,930	43,712	4,782
EXPENDITURES				
Current:				
Culture and recreation	74,250	74,250	33,295	40,955
Total Expenditures	74,250	74,250	33,295	40,955
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,320)	(35,320)	10,417	45,737
OTHER FINANCING SOURCES (USES)				
Transfers in	27,000	27,000	33,916	6,916
Transfers out	(3,000)	(3,000)	0	3,000
Total other financing sources (uses)	24,000	24,000	33,916	9,916
Net changes in fund balances	(11,320)	(11,320)	44,333	55,653
Fund balances - beginning	167,305	167,305	286,034	118,729
FUND BALANCES - ENDING	\$155,985	\$155,985	\$330,367	\$174,382

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 118 – MEMORIAL TREE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$600	\$600	\$417	(\$183)
Total Revenues	600	600	417	(183)
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	600	600	417	(183)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	600	600	417	(183)
Fund balances - beginning	16,447	16,447	16,925	478
FUND BALANCES - ENDING	\$17,047	\$17,047	\$17,342	\$295

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 120 – HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$63,530	\$63,530	\$86,119	\$22,589
Other revenues	1,676	1,676	3,556	1,880
Total Revenues	65,206	65,206	89,675	24,469
EXPENDITURES				
Current:				
Culture and recreation	45,323	55,323	43,524	11,799
Total Expenditures	45,323	55,323	43,524	11,799
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	19,883	9,883	46,151	36,268
OTHER FINANCING SOURCES (USES)				
Issuance of general long-term debt	0	0	0	0
Issuance of Refunding General LT Debt	0	0	0	0
Payment to Refunded Debt Escrow Agent	0	0	0	0
Disposition of capital assets	0	0	0	0
Advances to other funds	0	0	0	0
Transfers in	0	0	0	0
Transfers out	(19,883)	(19,883)	(25,854)	(5,971)
Total other financing sources (uses)	(19,883)	(19,883)	(25,854)	(5,971)
Net changes in fund balances	0	(10,000)	20,297	30,297
Fund balances - beginning	55,268	137,930	150,123	12,193
FUND BALANCES - ENDING	\$55,268	\$127,930	\$170,420	\$42,490

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 121 – EMPLOYEE PARKING PERMIT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Licenses and Permits	\$15,000	\$15,000	\$20,075	\$5,075
Other revenues	3,600	3,600	2,319	(1,282)
Total Revenues	18,600	18,600	22,394	3,794
EXPENDITURES				
Current:				
General government services	1,000	1,000	839	161
Total Expenditures	1,000	1,000	839	161
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,600	17,600	21,555	3,955
OTHER FINANCING SOURCES (USES)				
Transfers out	(17,510)	(17,510)	(17,510)	0
Total other financing sources (uses)	(17,510)	(17,510)	(17,510)	0
Net changes in fund balances	90	90	4,045	3,955
Fund balances - beginning	72,174	72,174	86,882	14,708
FUND BALANCES - ENDING	\$72,264	\$72,264	\$90,927	\$18,663

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 122 – YOUTH SCHOLARSHIP FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$2,850	\$13,770	\$12,040	(\$1,730)
Total Revenues	2,850	13,770	12,040	(1,730)
EXPENDITURES				
Current:				
Culture and recreation	3,200	7,000	3,796	3,204
Total Expenditures	3,200	7,000	3,796	3,204
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(350)	6,770	8,244	1,474
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	(350)	6,770	8,244	1,474
Fund balances - beginning	7,843	7,843	10,775	2,932
FUND BALANCES - ENDING	\$7,493	\$14,613	\$19,019	\$4,406

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 123 – TOURISM/PROMOTIONAL ARTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$200	\$200	\$200	\$0
Other revenues	1,400	1,400	970	(430)
Total Revenues	1,600	1,600	1,170	(430)
EXPENDITURES				
Current:				
Culture and recreation	21,800	21,800	15,702	6,098
Total Expenditures	21,800	21,800	15,702	6,098
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,200)	(20,200)	(14,532)	5,668
OTHER FINANCING SOURCES (USES)				
Transfers in	15,883	15,883	21,854	5,971
Total other financing sources (uses)	15,883	15,883	21,854	5,971
Net changes in fund balances	(4,317)	(4,317)	7,322	11,639
Fund balances - beginning	22,176	22,176	40,886	18,710
FUND BALANCES - ENDING	\$17,859	\$17,859	\$48,208	\$30,349

**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, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$1,400,000	\$1,400,000	\$663,737	(\$736,263)
Other revenues	88,808	88,808	104,589	15,781
Total Revenues	1,488,808	1,488,808	768,326	(720,482)
EXPENDITURES				
Current:				
Culture and recreation	0	0	227,315	(227,315)
Capital outlay	3,387,000	3,387,000	1,041,074	2,345,926
Total Expenditures	3,387,000	3,387,000	1,268,389	2,118,611
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(1,898,192)	(1,898,192)	(500,063)	1,398,129
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000)	(111,000)	(125,808)	(14,808)
Total other financing sources (uses)	(1,000)	(111,000)	(125,808)	(14,808)
Net changes in fund balances	(1,899,192)	(2,009,192)	(625,871)	1,383,321
Fund balances - beginning	2,005,814	2,015,300	4,624,397	2,609,097
FUND BALANCES - ENDING	\$106,622	\$6,108	\$3,998,526	\$3,992,418

**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, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$1,400,000	\$1,400,000	\$663,737	(\$736,263)
Intergovernmental revenues	0	600,000	0	(600,000)
Other revenues	70,000	70,000	28,862	(41,138)
Total Revenues	1,470,000	2,070,000	692,599	(1,377,401)
EXPENDITURES				
Current:				
General government services	0	0	7,653	(7,653)
Capital outlay	210,000	210,000	0	210,000
Debt service:				
Principal retirement	406,136	420,956	420,999	(43)
Interest	190,478	205,456	204,795	661
Total Expenditures	806,614	836,412	633,447	202,965
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	663,386	1,233,588	59,152	(1,174,436)
OTHER FINANCING SOURCES (USES)				
Transfers out	(62,936)	(980,436)	(869,717)	110,719
Total other financing sources (uses)	(62,936)	(980,436)	(869,717)	110,719
Net changes in fund balances	600,450	253,152	(810,565)	(1,063,717)
Fund balances - beginning	787,987	1,084,052	1,748,600	664,548
Prior Period Adjustment	0	0	(1,934)	(1,934)
FUND BALANCES - ENDING	\$1,388,437	\$1,337,204	\$936,101	(\$401,103)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 127 – GIFTS CATALOG FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$0	\$1,000	\$1,000	\$0
Other revenues	8,700	39,200	17,741	(21,459)
Total Revenues	8,700	40,200	18,741	(21,459)
EXPENDITURES				
Current:				
Culture and recreation	1,600	27,292	6,967	20,325
Total Expenditures	1,600	27,292	6,967	20,325
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,100	12,908	11,774	(1,134)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	7,100	12,908	11,774	(1,134)
Fund balances - beginning	152,269	152,269	160,904	8,635
FUND BALANCES - ENDING	\$159,369	\$165,177	\$172,678	\$7,501

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 129 – SPECIAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$0	\$373,000	\$25,000	(\$348,000)
Other revenues	0	0	228	228
Total Revenues	0	373,000	25,228	(347,772)
EXPENDITURES				
Capital outlay	0	384,606	31,620	352,986
Total Expenditures	0	384,606	31,620	352,986
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	(11,606)	(6,392)	5,214
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	0	(11,606)	(6,392)	5,214
Fund balances - beginning	0	11,606	11,606	0
FUND BALANCES - ENDING	\$0	\$0	\$5,214	\$5,214

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 130 – CEMETERY MAINTENANCE/IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$165,000	\$165,000	\$133,392	(\$31,608)
Other revenues	11,100	11,100	2,871	(8,229)
Total Revenues	176,100	176,100	136,263	(39,837)
EXPENDITURES				
Current:				
Physical environment	141,742	141,742	121,698	20,044
Debt service:				
Redemption of Debt Principal	14,598	14,598	0	14,598
Interest	14,305	14,305	7,501	6,804
Total Expenditures	170,645	170,645	129,199	41,446
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	5,455	5,455	7,064	1,609
OTHER FINANCING SOURCES (USES)				
Transfers in	89,264	89,264	89,268	4
Total other financing sources (uses)	89,264	89,264	89,268	4
Net changes in fund balances	94,719	94,719	96,332	1,613
Fund balances - beginning	240,895	240,895	8,611	(232,284)
FUND BALANCES - ENDING	\$335,614	\$335,614	\$104,943	(\$230,671)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 131 – FIRE DONATIONS FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$5,838	\$5,838	\$21,216	\$15,378
Total Revenues	5,838	5,838	21,216	15,378
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,838	5,838	21,216	15,378
OTHER FINANCING SOURCES (USES)				
Transfers out	0	(10,100)	(10,100)	0
Total other financing sources (uses)	0	(10,100)	(10,100)	0
Net changes in fund balances	5,838	(4,262)	11,116	15,378
Fund balances - beginning	19,616	8,289	8,289	0
FUND BALANCES - ENDING	\$25,454	\$4,027	\$19,405	\$15,378

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 132 – PARK CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$0	\$0	\$11,614	\$11,614
Total Revenues	0	0	11,614	11,614
EXPENDITURES				
Capital outlay	0	110,000	91,082	18,918
Total Expenditures	0	110,000	91,082	18,918
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	(110,000)	(79,468)	30,532
OTHER FINANCING SOURCES (USES)				
Transfers in	0	110,000	78,823	(31,177)
Total other financing sources (uses)	0	110,000	78,823	(31,177)
Net changes in fund balances	0	0	(645)	(645)
FUND BALANCES - ENDING	\$0	\$0	(\$645)	(\$645)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 601 – PARK TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$4,000	\$4,000	\$3,863	(\$137)
Total Revenues	4,000	4,000	3,863	(137)
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,000	4,000	3,863	(137)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	4,000	4,000	3,863	(137)
Fund balances - beginning	128,908	128,908	142,083	13,175
FUND BALANCES - ENDING	\$132,908	\$132,908	\$145,946	\$13,038

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 610 – CEMETERY MAINTENANCE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$17,223	\$17,223	\$14,821	(\$2,402)
Other revenues	42,903	42,903	22,972	(19,931)
Total Revenues	60,126	60,126	37,793	(22,333)
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	60,126	60,126	37,793	(22,333)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	60,126	60,126	37,793	(22,333)
Fund balances - beginning	384,075	384,075	705,711	321,636
FUND BALANCES - ENDING	\$444,201	\$444,201	\$743,504	\$299,303

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 623 – SISTER CITY COMMISSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$21,200	\$21,200	\$27,114	\$5,914
Total Revenues	21,200	21,200	27,114	5,914
EXPENDITURES				
Current:				
Economic environment	23,500	33,500	30,603	2,897
Total Expenditures	23,500	33,500	30,603	2,897
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,300)	(12,300)	(3,489)	8,811
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net changes in fund balances	(2,300)	(12,300)	(3,489)	8,811
Fund balances - beginning	16,137	16,137	14,538	(1,599)
FUND BALANCES - ENDING	\$13,837	\$3,837	\$11,049	\$7,212

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 211 – LID FUND CONTROL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

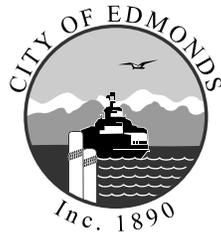
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other Revenues	\$251,000	\$251,000	\$110,718	(\$140,282)
Total Revenues	251,000	251,000	110,718	(140,282)
EXPENDITURES				
Current:				
General Government Services	300	300	211	89
Debt Service:				
Principal	225,000	225,000	90,000	135,000
Interest	18,000	18,000	10,865	7,135
Total Expenditures	243,300	243,300	101,076	142,224
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,700	7,700	9,642	1,942
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net change in fund balances	7,700	7,700	9,642	1,942
Fund Balances - beginning	7,466	7,466	13,508	6,042
FUND BALANCES - ENDING	\$15,166	\$15,166	\$23,150	\$7,984

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 213 – LID GUARANTY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other Revenues	\$2,000	\$2,000	\$3,140	\$1,140
Total Revenues	2,000	2,000	3,140	1,140
EXPENDITURES				
Total Expenditures	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,000	2,000	3,140	1,140
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	0	0	0	0
Net change in fund balances	2,000	2,000	3,140	1,140
Fund Balances - beginning	43,529	43,529	46,416	2,887
FUND BALANCES - ENDING	\$45,529	\$45,529	\$49,556	\$4,027

**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, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$359,036	\$359,036	\$359,036	\$0
TOTAL REVENUES	359,036	359,036	359,036	0
EXPENDITURES				
Debt service:				
Principal	125,000	125,000	125,000	0
Interest	296,973	296,973	296,973	0
TOTAL EXPENDITURES	421,973	421,973	421,973	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(62,937)	(62,937)	(62,937)	0
OTHER FINANCING SOURCES (USES)				
Transfers in	62,937	62,937	62,937	0
Total other financing sources (uses)	62,937	62,937	62,937	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.

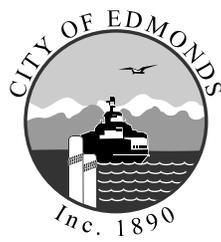
811 Payroll Clearing Fund - accounts for receipt and disbursement of monies to a variety of other funds, governmental units, or private parties.

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, 2008**

	BALANCE JANUARY 1, 2008	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31, 2008
<u>FUND 811 - PAYROLL CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$0	\$28,286,755	\$28,286,755	\$0
TOTAL ASSETS	\$0	\$28,286,755	\$28,286,755	\$0
LIABILITIES				
Wages Payable	\$0	\$28,306,677	\$28,306,677	\$0
Accounts payable	0	6,544,351	6,544,351	0
TOTAL LIABILITIES	\$0	\$34,851,028	\$34,851,028	\$0
<u>FUND 812 - CLAIMS CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$0	\$29,419,325	\$29,419,325	\$0
TOTAL ASSETS	\$0	\$29,419,325	\$29,419,325	\$0
LIABILITIES				
Accounts payable	\$0	\$29,419,172	\$29,419,172	\$0
TOTAL LIABILITIES	\$0	\$29,419,172	\$29,419,172	\$0
<u>FUND 825 - INVESTMENT CLEARING</u>				
ASSETS				
Cash and cash equivalents	\$0	\$91,038,928	\$91,038,928	\$0
Investments	0	6,171,298	6,171,298	0
TOTAL ASSETS	\$0	\$97,210,226	\$97,210,226	\$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	\$148,745,009	\$148,745,009	\$0
Investments	0	6,171,298	6,171,298	0
TOTAL ASSETS	\$0	\$154,916,306	\$154,916,306	\$0
LIABILITIES				
Wages payable	\$0	\$28,306,677	\$28,306,677	\$0
Accounts payable	0	35,963,523	35,963,523	0
TOTAL LIABILITIES	\$0	\$64,270,200	\$64,270,200	\$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 six years of information.

GOVERNMENT WIDE NET ASSETS BY COMPONENT
Last Six Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</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	\$57,252,149
Restricted	11,119,246	5,804,684	6,749,421	6,717,794	7,490,300	5,546,803
Unrestricted	<u>17,883,400</u>	<u>13,175,522</u>	<u>15,503,551</u>	<u>11,724,719</u>	<u>11,895,851</u>	<u>9,838,608</u>
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>	<u>\$ 72,637,560</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	\$ 49,753,793
Restricted	4,326,736	910,598	699,701	686,847	2,786,695	1,269,595
Unrestricted	<u>10,955,342</u>	<u>12,329,203</u>	<u>12,047,828</u>	<u>10,764,229</u>	<u>7,712,290</u>	<u>9,768,990</u>
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>	<u>\$ 60,792,378</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	\$ 107,005,942
Restricted	15,445,982	6,715,282	7,449,122	7,404,641	10,276,995	6,816,398
Unrestricted	<u>28,838,742</u>	<u>25,504,725</u>	<u>27,551,379</u>	<u>22,488,948</u>	<u>19,608,141</u>	<u>19,607,598</u>
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>	<u>\$ 133,429,938</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 six 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 Six Fiscal Years

	2003	2004	2005	2006	2007	2008
Expenses:						
Governmental activities						
General government	\$ 8,446,718	\$ 6,053,881	\$ 6,105,305	\$6,178,971	\$6,748,067	\$7,695,483
Judicial	-	-	538,956	767,221	756,649	846,130
Public safety	15,727,734	15,184,024	15,268,262	17,021,180	16,765,814	18,049,555
Physical environment	1,975,296	1,844,923	1,664,723	1,866,080	1,697,734	1,870,405
Economic environment	574,557	880,137	1,027,373	1,169,306	1,088,773	1,120,777
Mental and physical health	101,257	8,468	9,082	8,562	7,237	9,291
Culture and recreation	2,887,460	3,108,916	3,648,189	5,822,424	3,393,130	3,976,440
Transportation	525,077	754,092	1,038,406	1,283,183	3,019,710	1,812,089
Interest and fiscal charges	1,208,012	1,078,106	666,094	531,869	512,154	492,082
Total governmental activities expenses	31,446,111	28,912,547	29,966,390	34,648,796	33,989,268	35,872,252
Business-type activities						
Utility Operations	10,609,568	11,346,771	11,114,516	11,528,591	12,423,508	13,210,002
Total business-type activities expenses	10,609,568	11,346,771	11,114,516	11,528,591	12,423,508	13,210,002
Program Revenues:						
Governmental activities						
Charges for services:						
General government	3,099,891	2,439,152	2,211,982	\$2,324,217	\$2,600,612	\$2,668,773
Public safety	3,473,896	3,290,851	1,444,264	1,237,307	1,034,060	1,121,939
Other	1,382,313	1,593,855	3,530,613	3,543,577	3,631,674	3,066,634
Operating grants and contributions	784,940	241,045	107,445	597,047	297,549	163,438
Capital grants and contributions	590,001	454,700	2,145,854	3,046,262	1,126,513	1,138,795
Total governmental activities program revenue	9,331,041	8,019,603	9,440,158	10,748,410	8,690,408	8,159,579
Business-type activities						
Charges for services	11,398,816	11,334,141	12,553,652	12,644,769	12,754,577	13,030,325
Operating grants and contributions	40,199	47,067	37,898	44,350	54,116	47,654
Capital grants and contributions	496,713	677,797	775,691	512,527	490,709	610,910
Total business-type activities program revenues	11,935,728	12,059,005	13,367,241	13,201,646	13,299,402	13,688,889
Net (Expense) Revenue						
Governmental activities	(22,115,070)	(20,892,944)	(20,526,232)	(23,900,386)	(25,298,860)	(27,712,673)
Business-type activities	1,326,160	712,234	2,252,725	1,673,055	875,894	478,887
Total primary government net expense	(20,788,910)	(20,180,710)	(18,273,507)	(22,227,331)	(24,422,966)	(27,233,786)
General Revenues:						
Governmental activities						
Taxes:						
Property	10,623,848	10,922,324	11,058,167	11,497,708	11,988,296	12,256,542
Sales	4,832,004	5,029,012	5,423,994	5,835,031	6,216,836	5,448,281
Utility	3,677,778	3,777,845	3,986,062	4,228,565	4,501,056	4,843,225
Other	3,107,503	3,589,917	4,344,893	4,570,863	4,598,407	3,120,595
Investment earnings	393,856	363,449	522,367	841,684	851,162	380,181
Gain on sale of capital assets	299,056	64,681	273,700	195,896	62,225	101,999
Miscellaneous	357,866	443,631	323,749	380,466	392,152	534,866
Transfers	105,285	100,814	157,755	157,671	487,611	404,562
Total governmental activities general revenues	23,397,196	24,291,673	26,090,687	27,707,884	29,097,745	27,090,251
Business-type activities						
Investment earnings	381,901	217,131	324,668	516,611	645,980	280,710
Miscellaneous	-	-	16,584	24,792	-	-
Transfers	(105,285)	(101,112)	(157,755)	(157,671)	(487,611)	(404,562)
Total business-type activities general revenues	276,616	116,019	183,497	383,732	158,369	(123,852)
Total primary government	23,673,812	24,407,692	26,274,184	28,091,616	29,256,114	26,966,399
Change in Net Assets						
Governmental activities	1,282,126	3,398,729	5,564,455	3,807,498	3,798,885	(622,422)
Business-type activities	1,602,776	828,253	2,436,222	2,056,787	1,034,263	355,035
Total primary government	\$ 2,884,902	\$ 4,226,982	\$ 8,000,677	\$ 5,864,285	\$ 4,833,148	\$ (267,387)

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

Source: Prior years published Comprehensive Annual Financial Reports.

TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS
Last Ten 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
2008	12,256,542	5,448,281	4,843,225	86,119	1,764,121	349,094	24,747,382
Percentage Change							
In Dollars Over							
10 Years	45.5%	18.5%	102.5%	35.1%	17.8%	-44.7%	40.6%

Notes:

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

	1999	2000	2001	2002	2003
General Fund					
Reserved	\$ 17,582	\$ 15,652	\$ -	\$ -	\$ 129,423
Unreserved	5,706,191	6,328,821	5,075,385	5,592,524	6,293,691
Subtotal General Fund	5,723,773	6,344,473	5,075,385	5,592,524	6,423,114
General Fund Percentage Change	5.7%	10.8%	-20.0%	10.2%	14.9%
All Other Governmental Funds					
Reserved	480,259	511,368	810,220	647,503	704,933
Unreserved					
Special Revenue Funds	6,013,469	6,695,118	8,205,084	7,197,588	3,769,929
Capital Projects Funds	2,638,851	2,435,613	4,980,849	2,899,853	3,614,307
Subtotal All Other Governmental Funds	9,132,579	9,642,099	13,996,153	10,744,944	8,089,169
Total Governmental Funds					
Reserved	497,841	527,020	810,220	647,503	834,356
Unreserved	14,358,511	15,459,552	18,261,318	15,689,965	13,677,927
Total Governmental Funds	\$ 14,856,352	\$ 15,986,572	\$ 19,071,538	\$ 16,337,468	\$ 14,512,283
All Governmental Funds Percentage Change	-14.1%	7.6%	19.3%	-14.3%	-11.2%

Source: Prior years published Comprehensive Annual Financial Reports.

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Page 2 of 2

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ -	\$ -	\$ -	\$ -	\$ -
7,647,155	7,982,694	8,089,403	7,737,979	5,188,520
7,647,155	7,982,694	8,089,403	7,737,979	5,188,520
19.1%	4.4%	1.3%	-4.3%	-32.9%
323,711	152,745	276,376	165,337	72,706
8,306,278	10,654,716	8,696,973	10,474,212	8,339,862
167,769	-	-	-	-
8,797,758	10,807,461	8,973,349	10,639,549	8,412,568
323,711	152,745	276,376	165,337	72,706
16,121,202	18,637,410	16,786,376	18,212,191	13,528,382
\$ 16,444,913	\$ 18,790,155	\$ 17,062,752	\$ 18,377,528	\$ 13,601,088
13.3%	14.3%	-9.2%	7.7%	-26.0%

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Page 1 of 2

	1998	1999	2000	2001	2002
Revenues:					
Taxes	\$ 16,117,761	\$ 17,606,538	\$ 18,602,178	\$ 19,120,571	\$ 19,806,699
Licenses and permits	469,694	673,962	1,118,165	982,176	1,001,635
Intergovernmental	4,558,607	4,205,884	3,417,691	5,432,608	3,993,510
Charges for services	1,602,335	2,145,655	2,396,435	2,467,181	2,650,359
Fines and forfeitures	573,081	560,347	636,048	605,263	434,170
Other revenue	1,445,573	1,201,454	1,503,773	2,539,404	2,098,613
Total revenues	\$ 24,767,051	\$ 26,393,840	\$ 27,674,290	\$ 31,147,203	\$ 29,984,986
Expenditures:					
General government	4,409,802	4,779,062	4,705,542	5,752,749	5,927,313
Security of persons and property	9,360,960	10,322,966	10,768,745	11,694,882	12,227,213
Physical environment	779,416	839,004	861,700	923,307	934,018
Transportation	967,491	994,620	1,060,441	1,294,678	1,231,487
Economic environment	522,246	664,654	750,636	789,693	784,183
Mental and physical health	459,032	689,964	722,039	732,871	979,639
Culture and recreation	2,903,992	3,236,729	3,337,716	3,452,410	2,508,228
Capital outlay	6,569,272	5,794,661	5,312,987	6,202,322	4,202,261
Debt service:					
Principal retirement	1,554,552	1,717,190	1,867,383	4,415,444	2,441,931
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	27,526,763	29,038,850	29,387,189	35,258,356	31,236,273
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,759,712)	(2,645,010)	(1,712,899)	(4,111,153)	(1,251,287)
Other Financing Sources (Uses)					
Proceeds of capital leases	689,528	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	7,018,859
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	3,056
Transfers in	705,665	1,288,998	1,349,478	2,886,064	2,691,692
Transfers out	(537,181)	(1,149,009)	(1,290,635)	(2,783,603)	(11,736,266)
Total Other Financing Sources (Uses)	871,509	170,851	2,801,843	7,665,112	(2,022,659)
Prior period corrections	-	-	-	-	-
Net Change in Fund Balances	\$ (1,888,203)	\$ (2,474,159)	\$ 1,088,944	\$ 3,553,959	\$ (3,273,946)
Debt Service as a % of Noncapital Expenditures	8.0%	8.0%	8.4%	17.9%	9.9%

Source: Prior years published Comprehensive Annual Financial Reports

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Page 2 of 2

2003	2004	2005	2006	2007	2008
\$ 20,492,758	\$ 22,079,776	\$ 23,543,206	\$24,762,811	\$25,865,645	\$24,317,982
1,105,109	1,512,968	1,586,265	1,595,459	1,689,760	1,570,531
4,355,014	3,391,452	4,780,988	6,330,512	3,883,879	3,826,622
2,871,571	3,355,377	3,183,770	3,267,307	3,551,559	3,146,918
536,555	513,611	354,383	505,402	512,529	593,121
1,575,037	1,283,911	1,494,301	1,867,779	1,895,889	1,528,316
\$ 30,936,044	\$ 32,137,095	\$ 34,942,913	\$ 38,329,270	\$ 37,399,261	\$ 34,983,490
5,744,297	5,724,465	6,266,034	6,733,227	6,706,190	7,852,719
12,786,639	14,418,558	14,601,519	15,693,183	16,440,157	18,215,380
871,693	1,040,113	1,877,941	1,824,727	1,914,409	1,206,164
1,487,633	1,266,838	1,170,188	1,231,251	1,349,378	1,852,790
523,049	877,816	914,881	1,156,471	1,122,502	1,127,417
955,094	8,468	9,082	8,562	7,237	9,291
2,576,330	2,626,855	2,711,223	2,976,815	3,121,293	3,413,231
5,703,817	1,548,070	3,041,470	8,532,955	4,061,649	3,559,891
3,077,032	1,894,713	1,446,333	1,518,665	2,206,947	1,698,860
-	1,178,628	1,104,200	1,059,377	1,047,651	973,894
33,725,584	30,584,524	33,142,871	40,735,233	37,977,413	39,909,637
(2,789,540)	1,552,571	1,800,042	(2,405,963)	(578,152)	(4,926,147)
-	36,500	505,000	-	-	-
7,000,000	-	-	-	-	-
255,000	80,000	279,029	751,058	1,873,467	43,745
(6,959,659)	-	-	-	-	-
-	-	-	-	-	-
299,056	-	-	153,982	6,049	-
1,908,898	2,158,561	1,485,752	992,726	2,390,592	2,624,254
(1,508,996)	(1,970,678)	(1,487,997)	(1,238,139)	(2,377,180)	(2,463,023)
994,299	304,383	781,784	659,627	1,892,928	204,976
-	75,318	(236,584)	18,934	-	(55,269)
\$ (1,795,241)	\$ 1,932,272	\$ 2,345,242	\$ (1,727,402)	\$ 1,314,776	\$ (4,776,440)
12.3%	11.8%	9.3%	8.7%	10.6%	7.9%

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	
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
2008	1.62	0.72	1.91	3.19	0.31	0.09	0.16	8.00

Source: Snohomish County Assessor Annual Reports

PRINCIPAL TAXPAYERS
December 31, 2008 and 1999

Principal Taxpayer	2008			1999			
	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	\$ 30,880,000	1	7.43%	Stevens Hospital	\$ 36,731,800	1	8.83%
FW WA-Aurora Marketpalce LLC	23,022,000	2	5.54%	ERP Limited Partnership	21,472,000	2	5.16%
Park 212 Apt LLC	19,513,000	3	4.69%	BPP Retail LLC	10,417,800	3	2.51%
Briar Development Co	16,074,500	4	3.87%	Harbor Square Assoc.	9,608,700	4	2.31%
Stevens Pavillion LLC	15,348,000	5	3.69%	Park 212 Apartments	8,775,000	5	2.11%
Franklin-Edmonds LLC	12,216,700	6	2.94%	Pacific Park Apts. LLC	7,788,000	6	1.87%
GEMSA Loan Service	11,915,600	7	2.87%	L.P. Franklin-Edmonds	6,595,500	7	1.59%
FSC Pacific Park Associates LLC	11,191,900	8	2.69%	Shurgard Storage Center	5,773,300	8	1.39%
P Salamonsen Construction Co	10,513,383	9	2.53%	Edmonds Highlands Apts.	5,686,800	9	1.37%
Property Management NW	9,998,500	10	2.40%	Salamonsen Const.	5,400,100	10	1.30%
Total Principal Taxpayers	160,673,583		2.08%		118,249,000		4.16%
All Other Taxpayers	7,548,535,907		97.92%		2,722,810,132		95.84%
Total	\$ 7,709,209,490		100.00%		\$2,841,059,132		100.00%

Source: Snohomish County Assessor and prior year Comprehensive Annual Financial Reports.

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		Percentage	
		Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
1999	\$8,416,688	\$8,146,757	96.79%	\$269,738	\$8,416,495	100.00%	\$193	0.00%
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%	-13,110	9,527,851	100.00%	149	0.00%
2002	9,920,195	9,836,863	99.16%	83,223	9,920,086	100.00%	109	0.00%
2003	10,209,227	9,986,121	97.81%	222,789	10,208,910	100.00%	317	0.00%
2004	10,941,961	10,718,852	97.96%	222,690	10,941,542	100.00%	419	0.00%
2005	11,152,382	10,947,400	98.16%	202,459	11,149,859	99.98%	2,523	0.02%
2006	11,506,710	11,267,986	97.93%	215,440	11,483,426	99.80%	23,284	0.20%
2007	11,994,777	11,782,550	98.23%	158,005	11,940,556	99.55%	54,222	0.45%
2008	12,344,373	12,158,305	98.49%	0	12,158,305	98.49%	186,068	1.51%

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, 2008

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Edmonds</u>	<u>Amount Applicable to Edmonds</u>
City of Edmonds	<u>\$27,291,436</u>	100.00%	<u>\$27,291,436</u>
Total Direct Debt	<u>\$27,291,436</u>	100.00%	<u>\$27,291,436</u>
Local School	244,230,000	33.23%	81,155,132
County	374,585,451	7.67%	28,723,437
Hospital	4,960,000	30.87%	1,531,353
Port	3,795,000	85.54%	<u>3,246,171</u>
Total Overlapping Debt	<u>627,570,451</u>	18.27%	<u>114,656,092</u>
Total Direct and Overlapping Debt	<u>\$654,861,887</u>	21.68%	<u>\$141,947,528</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,	1999	2000	2001	2002	2003
Total Taxable Property Value	\$2,841,059,132	\$3,208,755,952	\$3,261,044,413	\$3,318,312,127	\$4,465,519,067
2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted	71,026,478	80,218,899	81,526,110	82,957,803	111,637,977
<i>Up to 1.5% debt without a vote (councilmanic)</i>	42,615,887	48,131,339	48,915,666	49,774,682	66,982,786
Less: outstanding debt	(6,290,000)	(5,675,000)	(10,675,000)	(17,185,000)	33,756,709
Less: contracts payable	(5,479,700)	(7,851,552)	(5,150,466)	(4,866,776)	(5,344,846)
Less: excess of debt with a vote	0	0	0	0	0
Add: available assets	473,925	507,747	841,359	644,594	501,868
Equals: remaining debt capacity without a vote	31,320,112	35,112,534	33,931,559	28,367,500	95,896,517
<i>1% general purposes debt with a vote</i>	28,410,591	32,087,560	32,610,444	33,183,121	44,655,191
Less: outstanding debt	(9,075,000)	(8,850,000)	(8,600,000)	(8,320,000)	(8,825,000)
Less: contracts payable	0	0	0	0	0
Add: available assets	0	0	0	0	0
Equals: remaining debt capacity with a vote	19,335,591	23,237,560	24,010,444	24,863,121	35,830,191
2.5% Utility purpose limit, voted	71,026,478	80,218,899	81,526,110	82,957,803	111,637,977
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	71,026,478	80,218,899	81,526,110	82,957,803	111,637,977
2.5% Open space, park and capital facilities, voted	71,026,478	80,218,899	81,526,110	82,957,803	111,637,977
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	71,026,478	80,218,899	81,526,110	82,957,803	111,637,977

Source: Prior years published Comprehensive Annual Financial Reports.

COMPUTATION OF LEGAL DEBT MARGIN

Last Ten Fiscal Years

Page 2 of 2

2004	2005	2006	2007	2008
\$4,819,291,927	\$5,430,059,642	\$6,665,146,142	\$7,615,549,203	\$7,709,209,490
120,482,298	135,751,491	166,628,654	190,388,730	192,730,237
72,289,379	81,450,895	99,977,192	114,233,238	115,638,142
(15,990,000)	(15,510,525)	(15,400,693)	(13,999,235)	(18,104,309)
(5,602,104)	(6,510,245)	(7,361,940)	(7,373,461)	(7,224,306)
0	0	0	0	0
350,743	322,816	1,221,281	1,107,376	267,469
51,048,018	59,752,940	78,435,840	93,967,918	90,576,997
48,192,919	54,300,596	66,651,461	76,155,492	77,092,095
(8,395,000)	(7,930,000)	(7,435,000)	(6,895,000)	(6,300,000)
(9,196)	0	0	0	0
0	0	0	0	0
39,788,723	46,370,596	59,216,461	69,260,492	70,792,095
120,482,298	135,751,491	166,628,654	190,388,730	192,730,237
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
120,482,298	135,751,491	166,628,654	190,388,730	192,730,237
120,482,298	135,751,491	166,628,654	190,388,730	192,730,237
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
120,482,298	135,751,491	166,628,654	190,388,730	192,730,237

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	
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
2008	20,204,446	1,702,428	1,184,699	0	23,091,573

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					
	General	Public Works		Total		Percentage of	
Revenue Bonds	Obligation Bonds	Trust Fund Loans		Total	Primary Government	Personal Income	Per Capita
\$11,050,000	\$0	\$0	\$0	\$11,050,000	\$30,414,950	2.76%	\$788
10,035,000	0	0	0	10,035,000	30,976,679	2.58%	783
9,095,000	0	0	0	9,095,000	31,711,092	2.57%	801
8,105,000	0	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
3,620,000	4,199,863	2,102,253		9,922,116	33,013,689	2.04%	810

**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>
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
2008	40,760	7,712,463	24,404,309	0	24,404,309	0.32%	599

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>	
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%
2008	13,735,817	10,346,521	3,389,296	805,000	183,196	988,196	3.43%

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)
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%
2008	40,760	1,621,922	39,792	44.2	5,537	7.1%

Notes:

- (1) Information provided by Washington State Office of Financial Management
- (2) Information provided by factfinder.census.gov
- (3) Information provided by city-data.com
- (4) Information provided by www.city-data.com
- (5) Information is for the State of Washington, provided by workforceexplorer.com

PRINCIPAL EMPLOYERS
December 31, 2008 and 2006

<u>Employer</u>	<u>2008</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	1,280	1	9.09%	Stevens Memorial Hospital	1,030	1	9.48%
City of Edmonds	335	2	2.38%	City of Edmonds	330	2	3.04%
Edmonds School District	165	3	1.17%	Edmonds School District	165	3	1.52%
Aldercrest	160	4	1.14%	Aldercrest	160	4	1.47%
Anthony's Restaurants	141	5	1.00%	Anthony's Restaurants	141	5	1.30%
Edmonds Rehabilitation	120	6	0.85%	Top Foods	122	6	1.12%
Lynnwood Enterprises Inc	115	7	0.82%	Edmonds Rehabilitation	120	7	1.10%
PCC Natural Markets	115	8	0.82%	Safeway	108	8	0.99%
Top Foods	114	9	0.81%	Lynnwood Honda	84	9	0.77%
Safeway	93	10	0.66%	Fred Meyer/QFC	73	10	0.67%
Total Principal Employers	2,638		18.73%	Total Principal Employers	2,333		21.47%
Other Employers	11,448		81.27%	Other Employers	8,531		78.53%
Total Employers	14,086		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, Puget Sound Regional Council (PRSC), AllBusiness.com

CITY EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	<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>2008</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	7.5	7.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Economic Development	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0
Human Resources	2.5	2.5	2.5	2.5	2.4	1.5	2.0	2.0	2.0	2.0
Administrative Services	11.0	12.0	13.0	13.0	10.7	11.0	11.0	11.0	11.0	11.0
Facilities	13.0	13.0	13.0	13.0	11.0	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>39.0</u>	<u>39.0</u>	<u>34.6</u>	<u>35.0</u>	<u>35.5</u>	<u>35.5</u>	<u>35.5</u>	<u>35.5</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>7.5</u>	<u>7.5</u>	<u>7.5</u>	<u>8.5</u>	<u>8.5</u>
Public Safety										
Police	71.0	71.0	72.5	72.5	69.0	69.0	70.0	73.0	69.0	69.0
Fire	41.0	41.0	41.5	44.5	51.0	53.0	53.0	54.0	54.0	54.0
	<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>	<u>123.0</u>
Physical Environment										
Development Services	<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>	<u>27.1</u>
Economic Environment										
Community Services	<u>2.0</u>									
Culture and Recreation										
Parks	<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>22.9</u>	<u>22.9</u>
Transportation										
Streets	<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>	<u>7.5</u>
Total Governmental Activities	<u>214.5</u>	<u>216.5</u>	<u>219.5</u>	<u>223.5</u>	<u>217.6</u>	<u>225.8</u>	<u>227.3</u>	<u>229.3</u>	<u>226.5</u>	<u>226.5</u>
<u>Business-type Activities</u>										
Combined Utility										
Public Works Administration	4.0	4.0	4.0	4.0	2.5	2.5	2.5	2.5	2.5	2.5
Storm	8.0	8.0	8.0	8.0	7.5	7.5	7.5	7.5	7.5	7.5
Water/Sewer/Treatment Plant	32.0	32.0	32.0	32.0	34.5	34.5	34.5	34.5	34.5	34.5
Total Business-type Activities	<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>	<u>44.5</u>
Grand Total	<u>258.5</u>	<u>260.5</u>	<u>263.5</u>	<u>267.5</u>	<u>262.1</u>	<u>270.3</u>	<u>271.8</u>	<u>273.8</u>	<u>271.0</u>	<u>271.0</u>

Source: Prior years published Budgets

OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Four Fiscal Years

Function/Program	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government services				
Finance				
General Business Licenses	1,857	1,922	1,920	2,002
Non-resident Business Licenses	950	930	982	1,127
Judicial				
Municipal Court				
Total filings (infraction, parking, criminal)	5,318	7,194	6,010	7,782
Public Safety				
Police				
Dispatched calls	23,519	23,530	23,104	22,320
Traffic citations and infractions	3,328	4,139	4,058	5,803
Adult arrests	1,310	1,448	1,389	1,565
Juvenile arrests	213	208	245	219
Animal control incidents	1,227	1,547	1,388	1,108
Crimes per 1,000 residents	36.4	35.0	26.0	25.4
Fire/EMS				
EMS	3,691	3,522	3,669	3,555
False Alarm	286	260	229	238
Fire	127	143	135	104
Good Intent Call	631	791	747	396
Hazardous Condition	78	139	150	105
Rupture / Explosion	15	8	13	8
Service Call	224	285	216	264
Special Type	13	8	8	3
Other	0	15	11	0
Physical Environment				
Engineering & construction services				
Permits issued	1,256	1,187	1,253	1,028
Inspections	8,848	6,645	5,853	4,267
Economic Environment				
Community services				
Planning				
Code enforcement actions	680	619	733	577
Animal Services				
Adoptions	64	37	70	77
Owner releases	211	200	201	159
Culture and recreation				
Aquatics participants	19,147	20,582	21,584	22,047
Athletics (Adult) participants	2,246	2,422	2,184	2,294
Gymnastics participants	1,473	1,424	1,651	1,520
Fitness participants	2,184	2,108	1,853	2,548
Special Events participants	9,001	9,105	9,129	9,354
Transportation				
Number of paving projects	84	58	53	63
Street patching/paving (in sq ft)	5,168	5,711	3,422	8,232
Curbs and gutters replaced (in lineal ft)	67	35	35	27
Sidewalks replaced (in sq ft)	2,689	2,261	2,257	2,900
Water/Sewer				
Water				
New connections	27	11	8	20
Water main breaks	22	15	8	5
Average daily consumption (mgd) - finished water	3.2	3.3	3.1	3.0
Peak daily consumption (mgd) - finished water	3.2	4.6	n/a	n/a
Treated water delivered (mg)	1,162	1,192	1,138	1,122
Water customers served by system	10,014	9,998	10,031	10,058
Sewer				
Average daily sewage treated (mg)	5.3	6.2	5.3	5.5
Sewage treated (mg)	1,945	2,249	1,938	2,022

Note: Information prior to 2005 is not available. Over time this statistic will include 10 years of data.

Source: Various City Departments, Reports, and the City website.

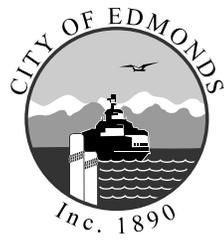
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Four Fiscal Years

Function/Program	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public Safety				
Police stations	1	1	1	1
Police vehicles	33	33	33	33
Fire stations	3	3	3	3
Fire engines (pumpers)	3	3	3	3
Aerial ladder trucks	1	1	1	1
Emergency Medical Units	5	5	5	5
Public safety boat	0	1	1	1
Transportation				
Paved streets (in miles)	128	128	128	128
Other Improved streets (in miles)	6	6	6	6
Unimproved streets (in miles)	1	1	1	1
Signalized intersections	20	20	20	20
Community services				
Animal shelter	1	1	1	1
Senior center	1	1	1	1
Cemetery	1	1	1	1
Culture and recreation				
Number of parks	46	47	47	47
Number of playgrounds	13	13	13	13
Total acreage owned/managed by City	238.1	243.7	243.7	243.7
Public swimming pool	1	1	1	1
Water/Sewer				
Water				
Water mains (miles)	179	179	179	179
Fire hydrants	1,086	1,086	1,086	1,086
Water storage capacity (within city)(in mg)	7.5	7.5	7.5	7.5
Sewer				
Sanitary sewers (miles)	186	186	186	186
Storm sewers (miles)	120	120	120	120
Treatment capacity per day (mgd)	21.5	21.5	21.5	21.5

Note: Information prior to 2005 is not available. Over time this statistic will include 10 years of data.

Source: Various City Departments. Capital Asset records.

SINGLE AUDIT SECTION



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CITY OF EDMONDS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2008

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		2,173	2,173	
Washington State Traffic Safety Commission/U.S. DOT	State and Community Highway Safety	20.600	N/A	3,724		3,724	
Washington State Traffic Safety Commission/U.S. DOT	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Program (DUI Traffic Safety)	20.601	N/A	2,671		5,730	
			N/A Subtotal	<u>3,059</u> 5,730			
Washington State Traffic Safety Commission/U.S. DOT	Occupant Protection	20.602	N/A	8,393		8,393	
Washington State Department of Transportation/U.S. DOT	Highway Planning and Construction (Multi Modal)	20.205	STPU0104 (019)	335,376		335,376	
Washington Association of Sheriffs and Police Chiefs/U.S. DOT	State and Community Highway Safety	20.600	N/A	993		993	
Federal Highway Agency/U.S. DOT	Highway Planning and Construction	20.205		25,000		25,000	
Federal Highway Agency/U.S. DOT	Highway Planning and Construction	20.205	ER-0801(045)	316,886		316,886	
Federal Highway Agency/U.S. DOT	Highway Planning and Construction	20.205	ER-0801(044)	179,327		179,327	
WA Department of Justice/U.S. Department of Justice	Edward Bryne Memorial Justice Assistance Grant Program	16.738	N/A	9,999		9,999	
Snohomish County Department of Housing and Urban Development	2004 Community Development Block Grants	14.228	CDBG-F 2004 #01	26,003		26,003	
National Park Service/Department of the Interior	Historic Preservation Fund Grants-In-Aid	15.904	N/A	11,614		11,614	
Washington State Military Department/Department of Homeland Security	Flood Mitigation Assistance	97.029	EMS-2006-PC-0006	507,225		507,225	
Total Federal Awards Expended				\$1,430,270	\$2,173	\$1,432,443	

City of Edmonds
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2008

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	G0800225	\$21,037
NPDES Stormwater Grant	G0800081	26,696
Lake Ballinger Watershed	G0900058	94,870
TOTAL DEPARTMENT OF ECOLOGY		142,603
<u>WA State Traffic Safety Commission</u>		
School Zone Speeding Infractions	11504	4,287
TOTAL WASHINGTON STATE TRAFFIC		4,287
<u>WA State Administration of the Courts</u>		
Interpreter Reimbursement		656
TOTAL WA STATE ADMIN OF COURTS		656
<u>WA State Department of Health</u>		
EMS Pre-hospital Participation Grant	64901450	1,644
North Region EMS & Trauma Care Council		212
TOTAL DEPARTMENT OF HEALTH		1,856
<u>WA State Department of Veterans Affairs</u>		
Memorial Bench Grant		1,000
TOTAL WA ST DEPT OF VETERANS		1,000
TOTAL STATE AND LOCAL ASSISTANCE		\$150,402

CITY OF EDMONDS, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FINANCIAL ASSISTANCE
For the Year Ended December 31, 2008

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

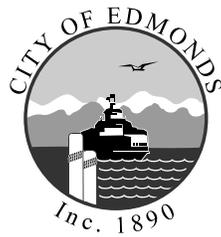
The City does not have any revolving loans.

NOTE 4 – FEDERAL LOANS

The City does not have any federal loans.

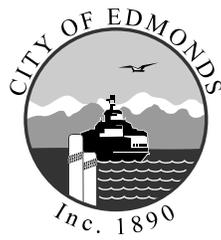
NOTE 5 – NONCASH AWARDS – EQUIPMENT

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, 2008

General Obligation Debt

ID. NUMBER	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/08	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/08
251.12	08/01/96	12/01/16	330,000	0			330,000	591.520	001	0
251.10	12/01/98	12/01/14	3,145,001	0			430,000	591.790	001/111/126	2,715,001
251.10	09/01/01	12/01/21	2,370,000	0			125,000	591.790 591.230	411 001	2,245,000
251.10	12/15/01	12/01/21	1,780,000	0			90,000	582.000 591.010	414 126	1,690,000
251.10	11/13/02	12/01/26	6,595,000	0			125,000	591.730	234	6,470,000
251.12	07/01/03	12/01/16	6,565,000	0			265,000	591.520	001	6,300,000
251.10	02/23/05	12/01/10	109,235	0			34,927	591.730	001	74,308
251.10	03/15/07	03/15/26	5,100,000	0			190,000	591.191 591.420 591.190 582.340 582.350 582.380	001 111 126 411 411 411/414	4,910,000
263.81	01/06/03	06/30/22	272,149	0			18,143	591.950	112	254,006
263.81	09/13/04	06/30/24	360,000	0			21,176	591.900	112	338,824
263.81	05/24/06	05/24/26	593,513	31,238	391.800	112.200	32,882	591.000	112	591,869
263.80	01/01/96	01/01/15	504,655	0			60,907	591.780	001	443,748
263.80	06/01/05	12/01/19	1,349,047	0			90,367	591.220	001	1,258,680
			<u>\$29,073,599</u>	<u>\$31,238</u>			<u>\$1,813,402</u>			<u>\$27,291,436</u>

Revenue Debt

ID. NUMBER	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/08	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/08
252.10	03/01/98	12/01/13	\$1,530,000	\$0			\$220,000	582.200	411	1,310,000
252.10	04/01/03	12/01/22	2,895,000	0			585,000	582.300 582.300	411 414	2,310,000
263.81	07/17/02	06/30/22	1,069,875	0			71,325	582.100	411/414	998,550
263.81	06/08/04	06/30/24	73,011	0			4,295	582.100	411	68,716
263.81	06/08/04	06/30/24	514,781	30,281	382.820	412.200	32,062	582.100	411	513,000
263.81	05/23/05	06/30/25	230,571	304,226	382.820	412.300	12,810	582.350	411	521,987
			<u>\$6,313,238</u>	<u>\$334,507</u>			<u>\$925,492</u>			<u>\$5,722,253</u>

Special Assessment Debt

ID. NUMBER	DATE OF ORIGINAL ISSUE	DATE OF FINAL MATURITY	BALANCE 01/01/08	ISSUED IN CURRENT YEAR	BARS CODE FOR RECEIPT	RECEIVING FUND NUMBER	REDEEMED IN CURRENT YEAR	BARS CODE FOR REDEMPTION	REDEEMING FUND NUMBER	BALANCE 12/31/08
253.11	12/01/01	12/01/16	\$190,000	\$0			\$90,000	582.10	211	\$100,000
			<u>\$190,000</u>	<u>\$0</u>			<u>\$90,000</u>			<u>\$100,000</u>

SCHEDULE OF LIMITATION OF INDEBTEDNESS
As of December 31, 2008

Total Taxable Property Value	\$ 7,709,209,490	
(1) 2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted	192,730,237	
(2) <i>Up to 1.5% debt without a vote (councilmanic)</i>		115,638,142
(3) Less: outstanding debt		(18,104,309)
(4) Less: contracts payable		(7,224,306)
(5) Less: excess of debt with a vote		0
(6) Add: available assets		267,469
(7) Equals: remaining debt capacity without a vote		90,576,997
(8) <i>1% general purposes debt with a vote</i>		77,092,095
(9) Less: outstanding debt		(6,300,000)
(10) Less: contracts payable		0
(11) Add: available assets		0
(12) Equals: remaining debt capacity with a vote		70,792,095
(13) 2.5% Utility purpose limit, voted	192,730,237	
(14) Less: outstanding debt		0
(15) Less: contracts payable		0
(16) Add: available assets		0
(17) Equals: remaining debt capacity - utility purposes, voted		192,730,237
(18) 2.5% Open space, park and capital facilities, voted	192,730,237	
(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		192,730,237

**LIMITATION ON PUBLIC WORKS PROJECTS PERFORMED BY PUBLIC EMPLOYEES
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Total current public work construction budget as amended (annual or biennial as applicable)	<u>\$16,835,306</u>
2. Allowable portion of total public works (10 percent of line 1)	<u>1,683,531</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>1,683,531</u>
5. Total public works projects performed by public employees during the current year (include work performed by a county)	<u>179,770</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>\$1,503,760</u>

LABOR RELATIONS CONSULTANTS
For the year ended December 31, 2008

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

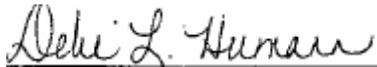
Amount Paid to Consultant During Fiscal Year: \$11,900

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 30th day of January, 2009 to the best of my knowledge and belief:



Debi L. Humann
Human Resources Director

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

Deb Sharp
Lori Cress

Thank You!
Kathleen Junglov