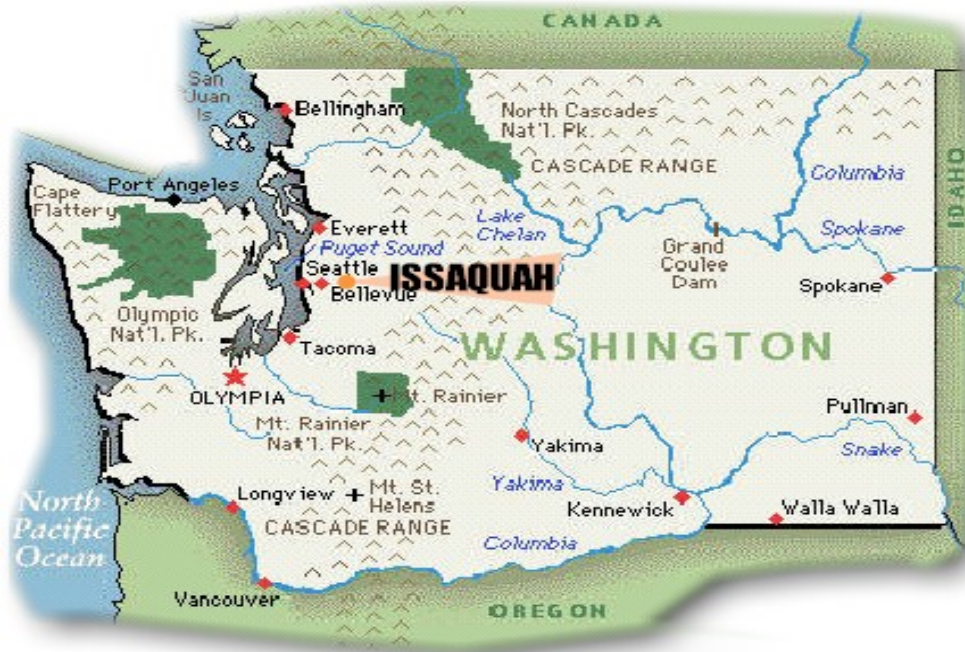


# CITY OF ISSAQUAH, WASHINGTON

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



### State of Washington

**FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2006**

**PREPARED BY THE FINANCE DEPARTMENT**

James R. Blake, Director

Patrisha S. Draycott, Deputy Director

# ***VISION STATEMENT***

The City of Issaquah is committed to quality living through preservation and enhancement of the community's unique human and natural resources.

## ***GUIDING PRINCIPLES AND GOALS***

### **Environmental Excellence**

Establish and implement measures to preserve Issaquah's unique natural beauty.

Prevent degradation of the environment while promoting responsible utilization of Issaquah's natural resources.

Acknowledge the fact of development and work to ensure that impacts are properly mitigated.

### **Innovative and Integrated Planning**

Utilize a regional approach.

Encourage coordination of short- and long-range planning efforts.

Incorporate financial implications into the planning and decision making process.

### **Community Involvement**

Actively pursue opportunities for public involvement.

Emphasize and promote two-way communication and understanding between the City and community.

### **A People Place**

Work toward preserving the hometown feeling of Issaquah.

Promote pedestrian-oriented facilities.

Acknowledge the importance of cultural activities.

Actively promote a sense of community pride.

Support a wide variety of recreational opportunities consistent with Issaquah's natural setting.

### **A Balanced Community**

Preserve and encourage viable neighborhoods.

Preserve the historical aspects of Issaquah.

Pursue a balanced mix of land uses that provides for a full-service community (single and multi-family residential, commercial, recreational, and open space).

Balance environmental concerns with developmental pressures.

### **Excellence in Governmental Services**

Commit to a level of service that is responsive to community needs.

Maintain a concept of government that respects the individual and works toward the good of the community.

Develop and maintain unified, high-quality employees devoted to serving the public.

Promote and maintain high ethical standards among employees.

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# INTRODUCTORY SECTION







May 30, 2007

Honorable Mayor and City Council Members  
City of Issaquah  
Issaquah, WA 98027

The City of Issaquah Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2006 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and agencies of the City. All disclosures necessary to enable the reader to gain an understanding of Issaquah's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organization chart, and a list of principal officials. The financial section includes the State Auditor's report on the financial statements and schedules, Management's Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements and Other Required Supplemental Information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This report includes all funds and agencies of the City.

As an aid to the reader, the major sections of this report have been segregated by divider pages, which provide introductions for the sections. Similarly, divider pages have been used to separate the various components of the financial section. Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A immediately follows the report of the independent auditors.

## **CITY OF ISSAQUAH AND SERVICES PROVIDED**

The City of Issaquah was incorporated in 1892 and operates as a Non-Charter Optional Code City with a Mayor-Council form of government. The Council is comprised of seven members, elected at large by the citizens of Issaquah, each serving a four-year term. They are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The Mayor, an elected official, is the Chief Executive Officer of the City. The Mayor is assisted by a full-time City Administrator. The City Administrator and other officers and department directors are appointed by the Mayor with Council confirmation.

The City of Issaquah provides a full range of municipal services, including parks and recreation facilities/activities, streets, planning, zoning, and general administrative services. The City also

operates water, sewer, and stormwater utility systems. The City of Issaquah is experiencing intense growth and development.

## **FINANCIAL MANAGEMENT AND CONTROLS**

City of Issaquah management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of the relative costs and benefits of the control system requires estimates and judgments by management.

## **CASH MANAGEMENT**

It is the City's policy to invest all temporary cash surpluses with maturities planned to coincide with cash needs. Cash was invested in demand deposits, time deposits, banker's acceptances, and with the State Treasurer's Investment Pool. Net investment earnings for the year were \$2,167,039. There were investments as of December 31, 2006: \$2,000,000 in the General Fund and \$1,000,000 in the Capital Improvements Fund,

## **INDEPENDENT AUDIT**

Washington State law requires an annual audit by the State Auditor, an independently elected state official. The State Auditor has broad legal authority to inquire into all financial and legal compliance matters. The audits are made in conformance with generally accepted auditing standards, cover the financial statements of all City funds, and account groups. The City was given an unqualified opinion for 2005.

## **ACKNOWLEDGEMENTS**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. The advice and support of the examiners from the Office of the State Auditor was very helpful. I would also like to express my appreciation to the Mayor and City Council for their interest and support in planning and conducting the financial operations for the City in a responsible and progressive manner.

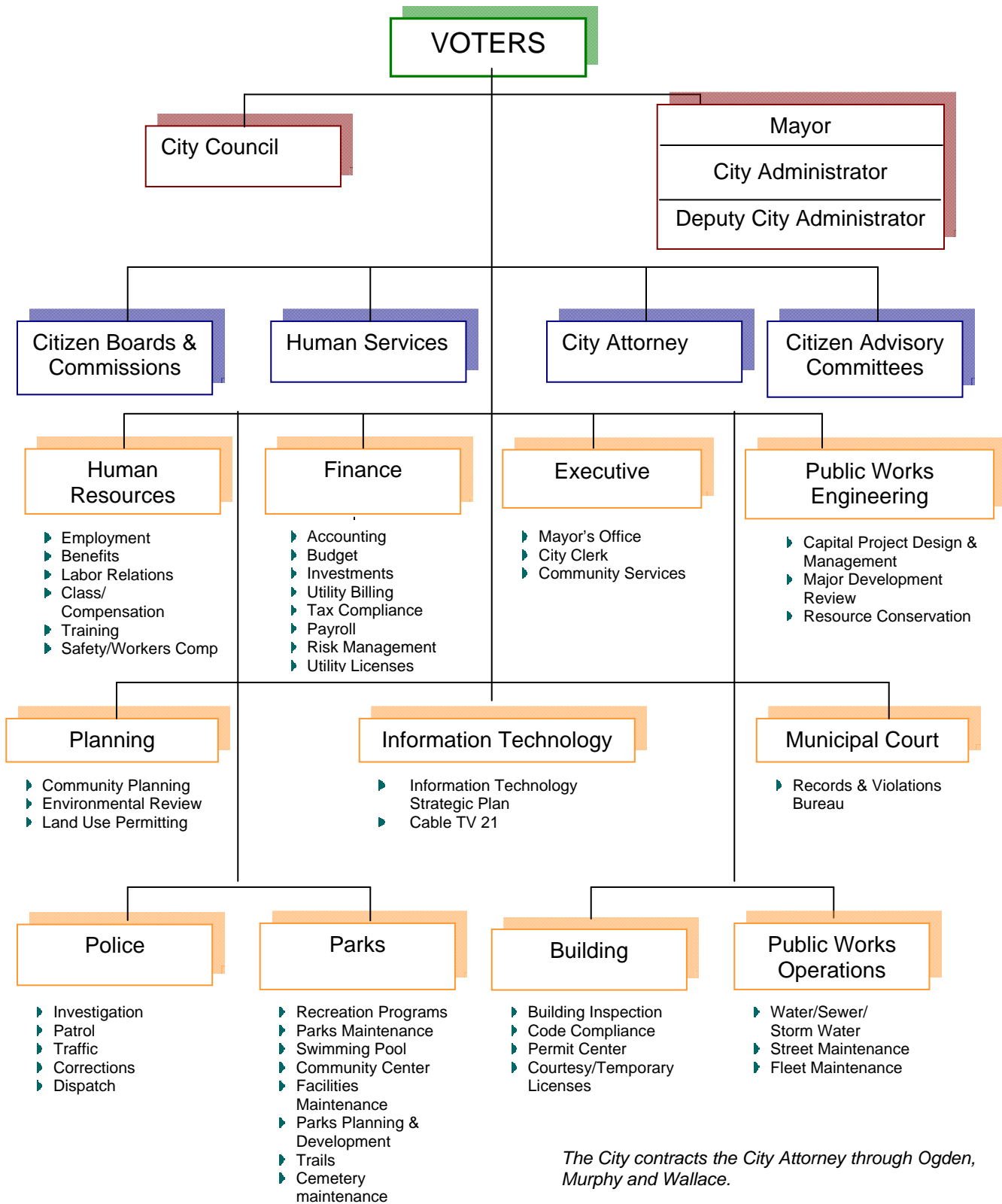
Respectfully submitted,

James R Blake

Finance Director

JB:ikk

# CITY OF ISSAQUAH ORGANIZATIONAL STRUCTURE



*The City contracts the City Attorney through Ogden, Murphy and Wallace.*

*Eastside Fire and Rescue provides fire services.*

**ELECTED OFFICIALS**



**Ava Frisinger,**  
Mayor



**John Rittenhouse,**  
Position #1



**Fred Butler,**  
Deputy President  
Position #2



**Eileen Barber,**  
Position #3



**Russell Joe,**  
Position #4



**Maureen McCarry,**  
Position #5



**David Kappler,**  
Council President,  
Position #6



**Joe Forkner,**  
Position #7

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**EXECUTIVE STAFF**

City Administrator .....	Leon Kos
Deputy City Administrator .....	Joe Meneghini
Chief of Police .....	Dave Draveling
Finance Director .....	James R. Blake
Parks & Recreation Director .....	Anne McGill
Planning Director .....	Mark Hinthorne
Building Official .....	John Minato
Human Resources Director.....	Ruben Nieto
Public Works Engineering Director .....	Bob Brock
Public Works Operations Director.....	Bret Heath

# FINANCIAL SECTION



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management discussion and analysis section of the City of Issaquah's annual financial report provides a narrative overview of the City's financial activities for and financial position at the end of December 31, 2006. This information should be read in conjunction with the preceding letter of transmittal and the financial statements and notes to the financial statements that follow.

## FINANCIAL HIGHLIGHTS

Overall, at the end of 2006 the City is in better shape than it was at the beginning of the year.

Net assets, the amount by which total assets exceeded total liabilities, equal \$167 million. A total of 74%, or \$124 million, of total net assets is invested in capital such as land and buildings. Of the remaining net assets, \$26 million is restricted for debt service, capital projects, etc. \$16.7 million is available to meet the governments' ongoing activities and obligations.

Governmental fund balances at year-end were \$72.4 million. Of this amount, a total of \$11.9 million or 16% of the governmental fund balance is unreserved and available to fund ongoing activities with \$18.6 million being earmarked for capital project activities.

Unreserved fund balance in the general fund was \$9.56 million, an increase of \$.745 million from the prior year.

In 2006 the City issued \$9,735,000 new debt. \$6,250,000 new debt relates to voted in bonds for park expansions and \$3,485,000 is for refunding parts of 2000 Police Station and Construction Bonds and 1997 Pickering Farm debt. \$6,508,679 of debt was retired. Total debt at year-end was \$54,436,220.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are presented in three parts:

- (1) government-wide financial statements,
- (2) fund financial statements, and
- (3) notes to the financial statements.

Other supplementary information in addition to the basic financial statements is also contained in this report. This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to give the reader a picture of the financial condition and activities of the city as a whole. This broad overview is similar to the financial reporting of private-sector businesses. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the city include general government (finance, executive, and human resources), security (police and fire), physical environment, economic environment, transportation, mental/physical health, and culture and recreation. The City's business-type activities are limited to water, wastewater and stormwater utilities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are primarily self-supporting through user fees and charges.

The **statement of net assets** presents information on all of the City of Issaquah's assets and liabilities, highlighting the difference between the two as net assets. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net assets may be one indicator of improvement or deterioration in the City's overall financial health.

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 from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions 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 revenue and expenses even though no cash has changed hands.

### **FUND FINANCIAL STATEMENTS**

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Issaquah, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions as are reported as governmental activities in the government-wide financial statements. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on near term revenues/financial resources and expenditures while the government-wide financial statements include both near term and long term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near term financial requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

The City of Issaquah maintains nineteen individual governmental funds. The City's five major governmental funds, the general fund, street fund, capital improvements fund, street improvement fund, and 2006 park fund are presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column labeled other governmental funds. Individual fund data for each of the other governmental funds can be found in combining statements later in this report.

The City maintains budgetary control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement is presented for the General Fund as a basic financial statement. Other budgetary



comparison schedules are included following the other governmental funds' combining statements in this report.

**Proprietary funds** are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City of Issaquah 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.

Enterprise funds of the City are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's water, wastewater and stormwater utilities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and City equipment, unemployment insurance, insurance premiums and claims, and Public Works Engineering operations fund. Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities. Internal service fund assets and liabilities are predominantly governmental and have been included in the governmental activities column of the government-wide statement of net assets.

**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 the City of Issaquah's activities.

At year-end, the City has an agency/deposits fund. The *agency/deposits fund* is a clearing mechanism for cash resources that are collected by the City, held for a brief period, and then disbursed to authorized recipients.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is important to a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

## **OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain **required supplementary information (RSI)** located immediately following the notes to the financial statements.

The combining statements for other governmental funds, internal service funds, and agency-type fiduciary funds are presented immediately following the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### STATEMENT OF NET ASSETS

The statement of net assets can serve as a useful indicator of the City's financial position. The City of Issaquah's net assets at December 31, 2006 total \$167 million excluding existing transportation infrastructure assets acquired before 2003 that are not reported in this financial report. The following is a condensed version of the government-wide statement of net assets.

	Governmental Activities		Business Type Activities		Total	
	2005	2006	2005	2006	2005	2006
<b>ASSETS</b>						
Current and other assets	\$ 33,382,630	\$ 43,400,169	\$ 9,190,620	\$ 10,628,045	\$ 42,573,250	54,028,214
Capital assets, net of depreciation	72,713,659	80,870,488	93,229,480	97,814,296	165,943,139	178,684,784
Total Assets	106,096,289	124,270,657	102,420,100	108,442,341	208,516,389	232,712,998
<b>LIABILITIES</b>						
Current liabilities	4,993,875	4,872,448	170,439	463,120	5,164,314	5,335,568
Liabilities payable from restricted assets	3,624,248	3,255,229	-	-	3,624,248	3,255,229
Noncurrent liabilities	39,515,502	43,712,097	14,143,147	13,294,101	53,658,649	57,006,198
Total liabilities	48,133,625	51,839,774	14,313,586	13,757,221	62,447,211	65,596,995
<b>NET ASSETS</b>						
Invested in capital assets net of debt	35,544,079	39,600,488	79,214,582	84,648,077	114,758,661	124,248,565
Restricted	13,233,487	19,883,045	4,770,733	5,240,888	18,004,220	25,123,933
Unrestricted	9,185,098	12,947,350	4,121,199	4,796,155	13,306,297	17,743,505
Total Net Assets	\$ 57,962,664	\$ 72,430,883	\$ 88,106,514	\$ 94,685,120	\$ 146,069,178	\$ 167,116,003

Table 1 City of Issaquah's Net Assets – Condensed Version

The largest component of the City's net assets, 74% or \$124 million is its investment in capital assets, net of related debt. These capital assets such as streets, trails, parks, and police vehicles are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. The City has not yet elected the GASB 34 reporting option to include all general infrastructure of the City acquired or substantially renovated since 1980, but has included that acquired beginning in 2003. An analysis and valuation of general infrastructure acquired or substantially renovated since 1980 is underway.

At the end of the fiscal year, the City of Issaquah 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.

### CHANGES IN NET ASSETS

The changes in net assets table illustrates the increases or decreases in net assets of the City resulting from its operating activities. The City of Issaquah's net assets increased approximately \$21 million in 2006. The increase was \$14.4 million (69%) in the governmental activities and \$7.1 million (34%) in the business-type activities. The following table shows the revenues, expenses and related changes in net assets in tabular form for the governmental activities separate from the business-type activities.

	Governmental Activities		Business Type Activities		Total	
	2005	2006	2005	2006	2005	2006
<b>Revenues:</b>						
Program Revenues						
Charges for services	\$ 4,810,624	\$ 8,589,584	\$ 11,656,079	\$ 13,161,306	\$ 16,466,703	\$ 21,750,890
Operating grants & contributions	1,094,552	1,302,911			1,094,552	1,302,911
Capital grants & contributions	8,737,618	7,156,307	8,228,721	6,068,516	16,966,339	13,224,823
General revenues:						
Property taxes	5,077,521	5,530,089			5,077,521	5,530,089
Sales taxes	10,485,352	11,719,395			10,485,352	11,719,395
Business taxes	5,121,025	5,563,259			5,121,025	5,563,259
Other taxes	3,914,552	4,428,638			3,914,552	4,428,638
Investment earnings	977,495	1,737,376	203,312	429,663	1,180,807	2,167,039
Gain/(loss) disposal assets	(89,171)				(89,171)	-
<b>Total revenues</b>	<b>40,129,568</b>	<b>46,027,559</b>	<b>20,088,112</b>	<b>19,659,485</b>	<b>60,217,680</b>	<b>65,687,044</b>
<b>Expenses:</b>						
Judicial	317,345	264,657			317,345	264,657
General government	6,420,038	6,880,712			6,420,038	6,880,712
Public safety	8,505,178	9,834,676			8,505,178	9,834,676
Physical environment	687,327	708,783			687,327	708,783
Transportation	4,382,187	5,574,610			4,382,187	5,574,610
Health and human services	31,052	85,785			116,837	85,785
Economic environment	3,096,522	3,091,728			3,096,522	3,091,728
Culture and recreation	4,075,033	4,482,900			4,075,033	4,482,900
Interest on long term debt	1,561,619	1,555,617			1,561,619	1,555,617
Water			4,348,902	4,963,210	4,348,902	4,963,210
Sewer			4,135,750	4,710,543	4,135,750	4,710,543
Storm Water			2,206,859	2,896,861	2,206,859	2,896,861
<b>Total expenses</b>	<b>29,076,301</b>	<b>32,479,468</b>	<b>10,691,511</b>	<b>12,570,614</b>	<b>39,767,812</b>	<b>45,050,082</b>
Increase (decrease) in net assets before transfers	11,053,267	13,548,091	9,396,601	9,396,601	20,449,868	22,944,692
Transfers, net	263,370	2,716	(263,370)	(2,716)	-	-
Miscellaneous Revenue	624,615	917,412	77,212	11,007	701,827	928,419
<b>Increase (decrease) in net assets</b>	<b>11,941,252</b>	<b>14,468,219</b>	<b>9,210,443</b>	<b>7,097,162</b>	<b>21,151,695</b>	<b>21,565,381</b>
Net Assets - beginning	47,858,813	57,962,664	78,896,071	88,106,514	126,754,884	146,069,178
Prior period adjustment	(1,837,401)	-		(518,556)	(1,837,401)	(518,556)
<b>Net Assets - ending</b>	<b>\$ 57,962,664</b>	<b>\$ 72,430,883</b>	<b>\$ 88,106,514</b>	<b>\$ 94,685,120</b>	<b>\$ 146,069,178</b>	<b>\$ 167,116,003</b>

Table 2 City of Issaquah's Changes in Net Assets

**Governmental activities** contributed \$14.4 million of the total change in net assets of \$21 million. Key elements of the increase are as follows:

Governmental revenues increased \$6 million. Charges for services increased \$3.78 million, partially (\$.56 million) resulting from an increase in revenues from prisoners in the jail and dispatch services. Recognition of unearned revenue contributed \$.58 million resulting from completed permits paid in prior years. Operating grants and contributions increased over \$200,000. Capital Grants and contributions decreased \$1.58 million due to the completion of major projects. Overall Tax Revenue increased \$2.6 million.

The City aggressively monitored hiring, expenditures, and evaluated programs, thereby limiting its operating expenses for 2006 when faced with these revenues for governmental activities. The net result was that the City was able to maintain adequate reserves and meet contingencies.

The graphs that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities.

**Governmental Activities - Revenues**

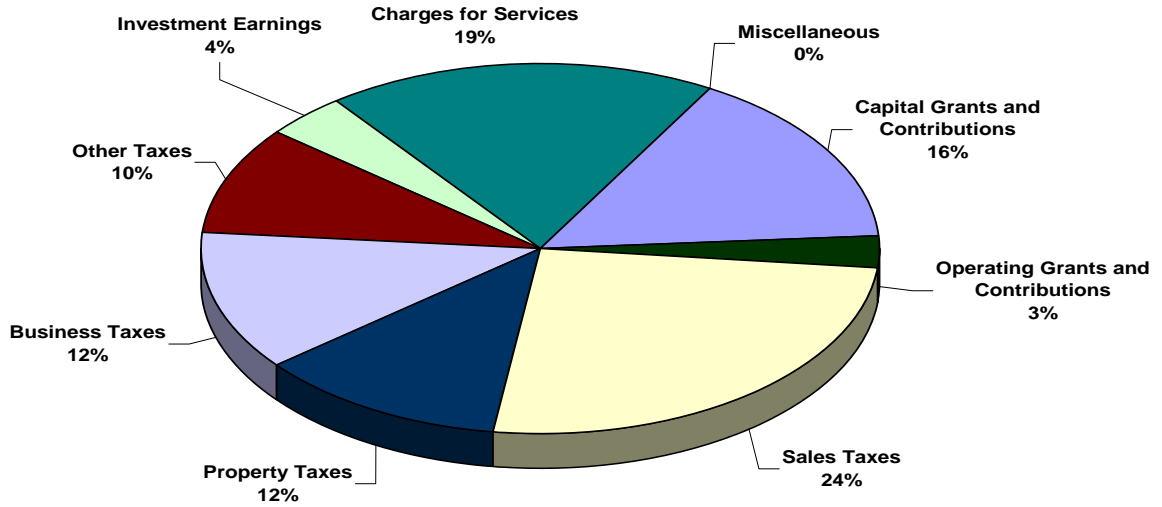


Figure 1 Governmental Activities - Revenues Chart

**Governmental Activities - Expenditures**

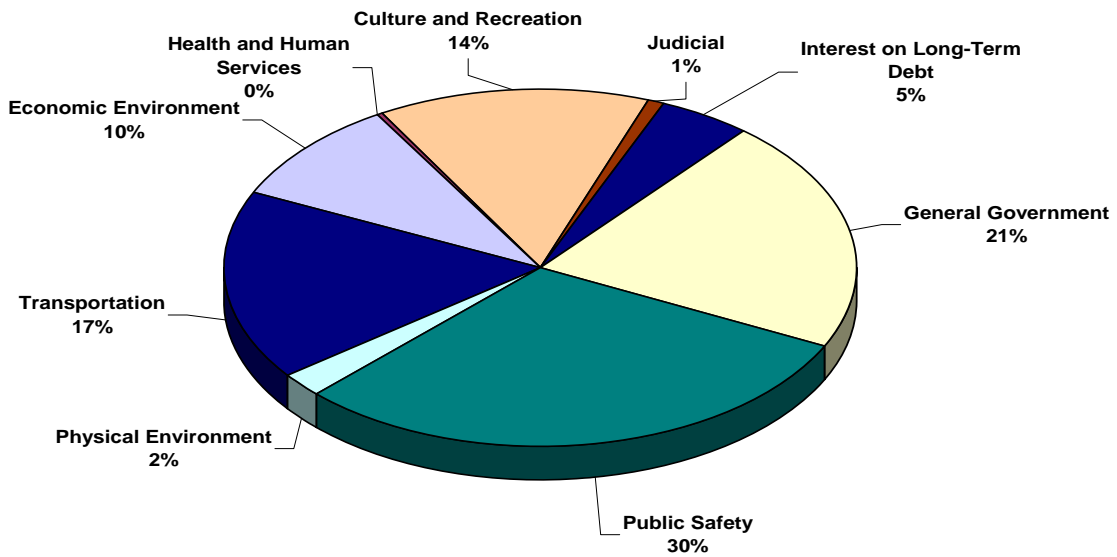


Figure 2 Governmental Activities - Expenditures Chart

**Business-type activities** the City's utilities increased the City of Issaquah's net assets by \$7.1 million.

**Business Type Activities - Revenue**

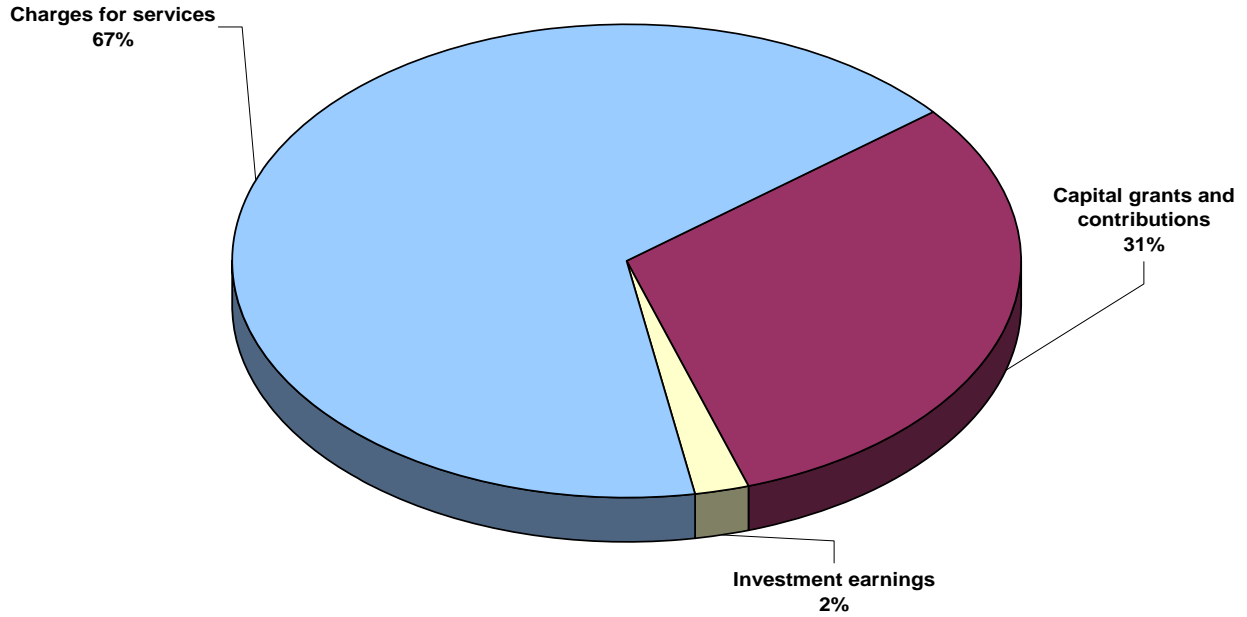


Figure 3 Business-Type Activities - Revenues Chart

**Business Type Activities - Expenses**

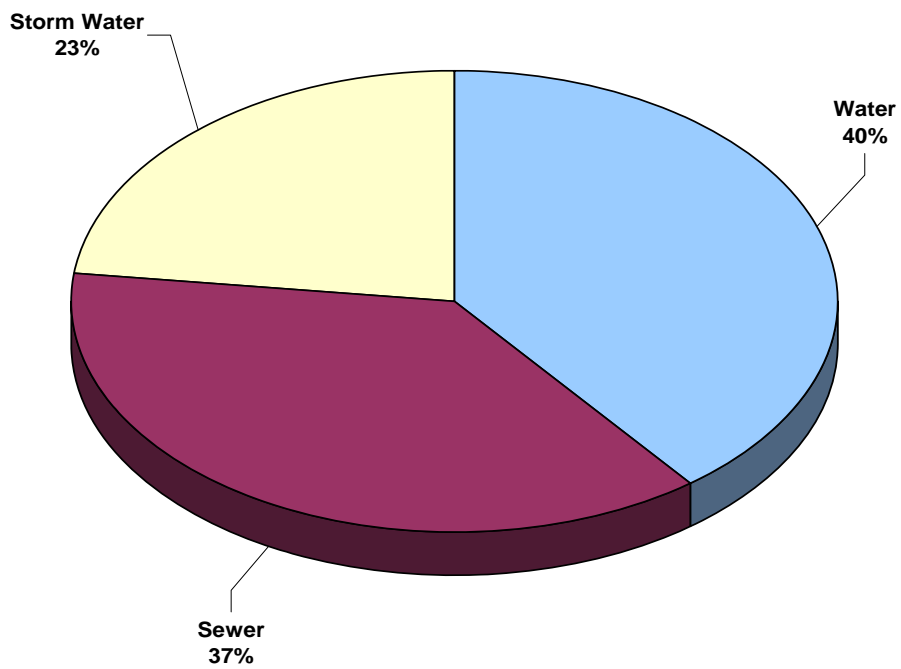


Figure 4 Business-Type Activities - Expenditures Chart

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### GOVERNMENTAL FUNDS

The purpose of the City's governmental funds is to report on near term revenues/financial resources and expenditures. This information helps determine the City's financial requirements in the near future. In particular, unreserved fund balance is a good indicator of the City's resources available for spending at the end of the year.

At the end of the current year the City's combined ending governmental fund balance was \$32 million. Of the total ending fund balance, over \$1 million is reserved for debt service. Of the remaining fund balance, \$18 million is earmarked for capital construction projects and \$3.3 million resides with special revenue funds. Additionally, Internal Service Funds have \$8.4 million Net Assets with \$2.3 million invested in capital assets, net of depreciation.

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. The fund balance at the end of 2006 of the general fund was \$9.56 million. As a measure of the fund's liquidity, the ending fund balance is 42% of the fund's 2006 expenditures.

The general fund balance increased \$745 thousand from the prior year. Revenues increased by \$2.6 million, while expenditures increased by \$1.88 million. Revenues exceeded expenditures in the general fund by \$4.5 million in 2006. Net transfers out of the general fund totaled \$3.9 million, primarily to the street fund.

The street special revenue fund has a fund balance of \$1.78 million, an increase of over \$536,000 from 2006. The purpose of this fund is to provide street maintenance from designated state-shared fuel taxes and tax revenues transferred from the General Fund.

The capital improvements fund was created to account for major city capital improvement projects not budgeted under specific funds. Primary revenue sources are the one-quarter percent excise tax on real estate sales and the portion of sales tax (30%) dedicated to capital improvements by Council policy. Excise tax proceeds are to be used solely for financing capital projects specified in a Capital Improvement Plan and such funds are intended to be in addition to other funds that may be reasonably available for such capital projects. Currently excise taxes are dedicated to paying off the debt incurred for the Community Center and Pickering Barn. The general capital improvements fund ending fund balance was \$3.4 million, an increase of over \$45,000 from 2005. In 2006, \$2.6 million was transferred for debt service. Capital construction in progress additions for 2006 was \$7.5 million for the City; of which \$4 million was for infrastructure and \$853 thousand was in the Enterprise Funds.

The street improvement fund was established in 1991 to account for revenues received from the additional 0.25% Real Estate Excise Tax. Proceeds are to be used solely for financing capital projects related to streets. Both revenues and expenditures were down in 2006 due to the near completion of major projects.

The Park Improvement Fund was established for the construction and improvements of parks.

**PROPRIETARY FUNDS**

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

**BUDGETARY HIGHLIGHTS**

The City of Issaquah budgets annually on a cash basis. A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that total revenues were greater than budgeted by \$2.5 million or 10%. Licenses and permits and Intergovernmental revenues were respectively over \$588,000 and over \$370,000 greater than budgeted revenues. Total expenditures were below budgeted by over \$295,000 or 5%

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The City of Issaquah's investment in capital assets for its governmental and business-type activities as of December 31, 2006 amounts to over \$178 million (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, construction in progress, infrastructure beginning in 2003, and utility transmission/distribution systems.

Major capital assets changes during 2006 included the following:

- Water, sewer and storm drainage infrastructure improvement projects totaling over \$487,000 were in progress during 2006. Developers donated capital of \$6 million in utility infrastructure during 2006.
- General capital improvement projects for improvement and expansion general governmental activities including City streets and traffic corridors \$12.5 million, other general governmental assets totaling \$6.7 million were under way.

City of Issaquah's Capital Assets (net of depreciation)

	Governmental Activities 2006	Business-Type Activities 2006	Total 2006
Land and other non depreciables	\$ 25,116,628	\$ 11,541,010	\$ 36,657,638
Infrastructure in progress	12,519,962		12,519,962
Buildings and improvements	33,628,980	85,537,550	119,166,530
Machinery and equipment	2,902,881	248,545	3,151,426
Construction in progress	6,702,037	487,191	7,189,228
<b>Total</b>	<b>\$ 80,870,488</b>	<b>\$ 97,814,296</b>	<b>\$ 178,684,784</b>

Table 3 Capital Assets (Net of Depreciation)

GASB 34 permits an optional four-year delay in full reporting of the City's infrastructure. The city has elected to implement financial reporting under GASB 34, without full infrastructure, for the fiscal year ended December 31, 2006. As allowed by GASB, the City has elected not to report its transportation infrastructure acquired prior to 2003 in 2006.

Additional information on the City of Issaquah's capital assets can be found in Note 5 and the required supplemental information (RSI) at the end of the notes.

**LONG-TERM DEBT**

At the end of 2006, the City of Issaquah had total bonded debt outstanding of \$48 million and other long-term debt of \$6.4 million. The total debt is distributed as follows.

**City of Issaquah's Long-Term Debt**

	<b>Governmental Activities 2006</b>	<b>Business-Type Activities 2006</b>	<b>Total 2006</b>
General Obligation Bonds	\$ 35,670,000		\$ 35,670,000
Revenue Bonds		12,380,000	12,380,000
Special Assessments		50,723	50,723
Interlocal Agreement	5,600,000		5,600,000
Installment Contracts		735,497	735,497
<b>Total</b>	<b>\$ 41,270,000</b>	<b>\$ 13,166,220</b>	<b>\$ 54,436,220</b>

Table 4 City of Issaquah's Long-Term Debt

The City of Issaquah received an AA rating from Standard and Poor's for both its limited and unlimited general obligation debt.

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. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and the combination of voted and non-voted general purpose indebtedness cannot exceed 2.5% of assessed valuation.

The City's assessed valuation for 2006 was \$4,416,915,927 and the total amount of debt the City may issue is \$295,986,282. Remaining debt capacity is as follows:

	<b>General Capacity</b>		<b>Special Purpose Capacity</b>		<b>Total Capacity</b>
	<b>Councilmanic (Non-Voted)</b>	<b>Excess Levy (Voted-In)</b>	<b>Parks &amp; Open Space (Voted-In)</b>	<b>Utility Purpose (Voted-In)</b>	
December 31, 2006 Assessed Value*:					<b>\$ 4,416,915,927</b>
2.50 % of Assessed Value	\$ -	\$ 110,422,898	\$ 110,422,898	\$ 110,422,898	\$ 331,268,694
1.50% of Assessed Value	66,253,738	(66,253,738)	-	-	-
<b>Statutory Debt Limit</b>	<b>\$ 66,253,738</b>	<b>\$ 44,169,160</b>	<b>\$ 110,422,898</b>	<b>\$ 110,422,898</b>	<b>\$ 331,268,694</b>
Less Debt Outstanding (General Obligation Bonds)	\$ (23,235,000)	\$ (6,085,966)	\$ (6,349,034)	\$ -	\$ (35,670,000)
Add Amount Available in Debt Service Fund	68,946	155,950	162,692	-	387,588
<b>Remaining Debt Capacity</b>	<b>\$ 43,087,684</b>	<b>\$ 38,239,144</b>	<b>\$ 104,236,556</b>	<b>\$ 110,422,898</b>	<b>\$ 295,986,282</b>

\* Property assessed at 100% of the estimated value.

Table 5 Legal Debt Margin

Additional information on the City of Issaquah's long-term debt can be found in Note 9 and in the Statistical Section of this report.



## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Over the past years, the City has been consistently prudent with spending and has built up a very strong reserve. 2007 will continue in this direction. The Final Budget represents a 9.0% increase in expenditures which is primarily for Police, Fire and Parks services. Revenues continue to grow with a 9.1% increase over 2006.

However, inflation costs are up 4.2%, and to maintain Police, Fire and other vital services, and to offset inflation's impact, the 2007 Annual Budget includes a 1% increase in property tax collection over that levied in 2006. During the past eight years, the City property tax rate has gone down from \$2.37/\$1,000 of assessed valuation to \$1.56/\$1,000, which represents a decrease of 34% (almost a third). This budget also includes a number of water, sewer and stormwater improvement projects. Proposed utility rate increases include a 3% increase in water, a METRO sewer pass-through monthly increase of \$2.35 per residential equivalent unit, and a \$2.00 per month increase in stormwater rates.

### GOVERNMENTAL ACTIVITIES:

In 2007, General Fund budgeted expenditures total \$26,892,360, which represents a 9.0% increase over year 2006 operating levels. The majority of this increase is due to the addition of 6.275 FTE positions, increased funding for the Park Department Divisions, Police and Fire services and Planning Department consultant contracts. In addition, cash reserve transfers from the General Fund to the Street Fund have increased by \$150,000 for a total of \$2,100,000 for Street improvements. For all City Departments, a 4.2% cost-of-living adjustment (COLA) has been included.

In 2006, the voted-in excess property tax rate was \$0.31 per \$1,000 of assessed valuation. The excess property tax rate is expected to drop by at least \$0.11 per \$1,000 in 2007, though it will go up to about \$0.34 per \$1,000 in 2007 after including the voter-approved \$6.25 million Parks Bond. This represents an increase of 10%.

A large share of capital expenditures in the capital projects fund are prior commitments, including debt payments of \$2,449,484 for six councilmanic bonds.

Major non-bond funded capital projects budgeted include:

- \$660,000 for the Road Overlay Program;
- \$347,000 Fire Station 71 Improvements;
- \$244,000 for the Sidewalk Improvement Plan;
- \$50,000 Information Technology Strategic Plan.

Road projects budgeted in the capital funds include:

- \$3,037,000 for the ITS Traffic System Improvements;
- \$2,450,000 for the I-90 Undercrossing;
- \$1,700,000 for the E. Lake Sammamish/43<sup>rd</sup> Roundabout;
- \$1,122,709 for SE 56<sup>th</sup> / E. Lake Sammamish Intersection Improvements;
- \$1,107,496 for Highpoint Trail Extension;
- \$700,000 for Rainier Boulevard N. Improvements;
- \$613,000 for Providence Point – Sight Distance Safety;

- \$450,000 for SR-900 Pedestrian Improvements;
- \$350,000 for North Spar Contribution;
- \$247,000 for NW Juniper Street Improvements.

### **BUSINESS-TYPE ACTIVITIES:**

A 3% increase in water rates is included in the 2007 Budget. Water Capital Projects budgeted in 2007 include:

- \$780,000 Westside Reservoir Refurbishment;
- \$680,000 Wildwood Pump Station Upgrade;
- \$415,000 Annual Watermain Rehabilitation Program;
- \$335,000 Cougar Ridge Reservoir;
- \$200,000 Water System Seismic Retrofits;
- \$75,000 Mt. Park Pump Station Upgrade;
- \$51,000 Risdon Well Electrical Upgrades;
- \$50,000 Ground Water to Regional Modifications.

No increase in the City's portion of sewer rate is included in the 2007 annual budget. Capital projects budgeted in 2007 include:

- \$600,000 for 7<sup>th</sup> Avenue Trunk Main;
- \$350,000 Annual Sewer Main Rehabilitation Program;
- \$100,000 for Manhole Rehabilitation;

A 19.34% increase (equates to \$2 per month) in stormwater rates is included in the 2007 annual budget. Major Stormwater projects budgeted in 2007 include:

- \$795,000 on Tributary 0170 Drainage Improvements;
- \$160,000 Storm Drainage Rehabilitation and Improvements (Annual Program);
- \$100,000 for Habitat Preservation & Stream Restoration;
- \$25,000 for North Fork Restoration;
- \$25,000 for Squak Valley Stream Restoration.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Issaquah's finances for readers with an interest in the government's finances. Questions concerning any of the information provided in this report, or request for additional information, may be addressed to the Finance Director, City of Issaquah, P.O. Box 1307, Issaquah, WA 98027-1307.

**STATEMENT OF NET ASSETS**  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	Total
	12/31/2006	12/31/2006	12/31/2006
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash & cash equivalents	\$ 31,265,316	\$ 9,244,224	\$ 40,509,540
Restricted cash	3,255,229		3,255,229
Investments	3,000,000		3,000,000
Receivables (net)	5,797,326	651,525	6,448,851
Internal balances	(191,302)	191,302	-
Interest receivable	92,479		92,479
Inventory	82,152	443,621	525,773
Premium/Discount/Prepaid items	98,969	97,373	196,342
<i>Capital Assets (net of accumulated depreciation):</i>			
Land	24,968,141	11,541,010	36,509,151
Infrastructure	12,519,962		12,519,962
Other assets	148,487		148,487
Buldings	29,125,306	8,858,558	37,983,864
Improvements other than buildings	4,503,674		4,503,674
Plant and service	-	76,678,992	76,678,992
Machinery and equipment	2,902,881	248,545	3,151,426
Construction in progress	6,702,037	487,191	7,189,228
<b>Total Assets</b>	<b>124,270,657</b>	<b>108,442,341</b>	<b>232,712,998</b>
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts payable	1,001,759	409,781	1,411,540
Accrued interest	96,873	53,339	150,212
Unearned revenue	3,773,816		3,773,816
<i>Current Liabilities Payable from Restricted Assets:</i>			
Liabilities payable from restricted assets	3,255,229		3,255,229
<i>Noncurrent Liabilities:</i>			
Due within one year	2,595,000	841,852	3,436,852
Due in more than one year	40,578,313	12,452,249	53,030,562
Other	538,784		538,784
<b>Total Liabilities</b>	<b>51,839,774</b>	<b>13,757,221</b>	<b>65,596,995</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	39,600,488	84,648,077	124,248,565
Restricted for:			
Debt service	1,019,097	841,873	1,860,970
Capital projects	18,594,163	4,399,015	22,993,178
Other	269,785		269,785
Unrestricted	12,947,350	4,796,155	17,743,505
<b>Total Net Assets</b>	<b>\$ 72,430,883</b>	<b>\$ 94,685,120</b>	<b>\$ 167,116,003</b>

Table 6 Statement of Net Assets

**STATEMENT OF ACTIVITIES**  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>FUNCTIONS/PROGRAMS</b>						
<i>Governmental Activities:</i>						
Judicial	\$ 264,657				\$ (264,657)	\$ (264,657)
General Government	6,880,712	385,646	244,799		(6,250,267)	(6,250,267)
Public Safety	9,834,676	2,239,213	101,146	38,056	(7,456,261)	(7,456,261)
Physical Environment	708,783	355,258	122,015		(231,510)	(231,510)
Transportation	5,574,610	220,654	824,951	7,086,808	2,557,803	2,557,803
Health and Human Services	85,785				(85,785)	(85,785)
Economic Environment	3,091,728	3,361,112			269,384	269,384
Culture & Recreation	4,482,900	2,027,701	10,000	31,443	(2,413,756)	(2,413,756)
Interest on long-term debt	1,555,617				(1,555,617)	(1,555,617)
<i>Total Governmental Activities:</i>	32,479,468	8,589,584	1,302,911	7,156,307	(15,430,666)	(15,430,666)
<i>Business-type Activities:</i>						
Water	4,963,210	5,650,947		1,106,694		1,794,431
Sewer	4,710,543	4,550,160		544,968		384,585
Storm Water	2,896,861	2,960,199		4,416,854		4,480,192
<i>Total Business-type Activities:</i>	12,570,614	13,161,306	-	6,068,516	-	6,659,208
<b>Total Primary Government</b>	<b>\$ 45,050,082</b>	<b>\$ 21,750,890</b>	<b>\$ 1,302,911</b>	<b>\$ 13,224,823</b>	<b>\$ (15,430,666)</b>	<b>\$ 6,659,208</b>
<b>GENERAL REVENUES:</b>						
Property Taxes				\$ 5,530,089		\$ 5,530,089
Sales Taxes				11,719,395		11,719,395
B&O Taxes				5,563,259		5,563,259
Other Taxes				4,428,638		4,428,638
Investment Earnings				1,737,376	429,663	2,167,039
Miscellaneous Revenue				917,412	11,007	928,419
<b>Transfers</b>				2,716	(2,716)	-
<b>Total General Revenues &amp; Transfers</b>				<b>29,898,885</b>	<b>437,954</b>	<b>30,336,839</b>
<b>Change in Net Assets</b>				<b>14,468,219</b>	<b>7,097,162</b>	<b>21,565,381</b>
<b>Net Assets - Beginning</b>				<b>57,962,664</b>	<b>88,106,514</b>	<b>146,069,178</b>
<b>Prior period adjustments</b>					(518,556)	(518,556)
<b>Net Assets - Ending</b>				<b>\$ 72,430,883</b>	<b>\$ 94,685,120</b>	<b>\$ 167,116,003</b>

Table 7 Statement of Activities

The notes to the financial statements are an integral part of this statement

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	General Fund	Street	Capital Improve- ments	Street Improve- ment	2006 Park Bond	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
<i>Current Assets:</i>							
Cash & cash equivalents	\$ 5,160,218	\$ 1,472,523	\$ 2,103,734	\$ 4,955,405	\$ 6,252,170	\$ 7,017,859	\$ 26,961,909
Investments	2,000,000		1,000,000			-	3,000,000
Receivables (net)	2,992,378	544,930	812,856	327,863		156,998	4,835,025
Interest Receivable	53,079		39,400			-	92,479
Other non current assets						98,969	98,969
Due from other governments	18,509	26,471				855,030	900,010
<b>Total assets</b>	<b>\$ 10,224,184</b>	<b>\$ 2,043,924</b>	<b>\$ 3,955,990</b>	<b>\$ 5,283,268</b>	<b>\$ 6,252,170</b>	<b>\$ 8,128,856</b>	<b>\$ 35,888,392</b>
<b>LIABILITIES</b>							
<i>Current Liabilities:</i>							
Accounts payable	581,151	265,073		5,161		53,215	904,600
Matured bond						187,084	187,084
Accrued interest payable						96,873	96,873
Due to other funds				2,000,000		-	2,000,000
Deferred revenue	79,916		480,000			19,166	579,082
Other noncurrent liabilities						85,075	85,075
<b>Total liabilities</b>	<b>661,067</b>	<b>265,073</b>	<b>480,000</b>	<b>2,005,161</b>	<b>-</b>	<b>441,413</b>	<b>3,852,714</b>
<b>NET ASSETS</b>							
<i>Reserved for:</i>							
Debt service						1,019,097	1,019,097
<i>Unreserved, reported in</i>							
General Fund	9,563,117						9,563,117
Special revenue funds		1,778,851				1,520,478	3,299,329
Capital project funds			3,475,990	3,278,107	6,252,170	5,147,868	18,154,135
<b>Total fund balance</b>	<b>9,563,117</b>	<b>1,778,851</b>	<b>3,475,990</b>	<b>3,278,107</b>	<b>6,252,170</b>	<b>7,687,443</b>	<b>32,035,678</b>
<b>Total liabilities and fund balance</b>	<b>\$ 10,224,184</b>	<b>\$ 2,043,924</b>	<b>\$ 3,955,990</b>	<b>\$ 5,283,268</b>	<b>\$ 6,252,170</b>	<b>\$ 8,128,856</b>	<b>\$ 35,888,392</b>

Total fund balance	\$ 32,035,678
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 78,542,263
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(43,167,022)
Less liability reported in Governmental Activities	187,084
Earned but not available revenue is reported in the Statement of Net Assets.	119,082
Internal service funds - used by management to charge the costs of certain activities to individual funds.	8,390,238
Plus compensated absences included with long-term liabilities above	288,678
Internal service funds.	8,678,916
Permit fees collected; service not performed	(3,773,816)
Internal balance liability with asset in Enterprise Funds for services provided by Internal Service Funds	(191,302)
Net assets of governmental activities	\$ 72,430,883

Table 8 Governmental Funds Balance Sheet

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	General Fund	Street Fund	Capital Improve-ments	Street Improve-ment	2006 Park Bond	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
<i>Taxes:</i>							
Property	\$ 4,541,571					\$ 889,436	\$ 5,431,007
Sales	8,337,342		3,382,053			-	11,719,395
B&O	5,413,048					150,211	5,563,259
Other	120,587		2,128,522	2,128,522		51,007	4,428,638
Licenses and Permits	2,633,086	31,927				183,419	2,848,432
Intergovernmental	348,965	824,951	225,500	738,536		976,823	3,114,775
Charges for Services	4,270,308	54,297				837,145	5,161,750
Investment Earnings	811,885	24,530	148,908	198,182	8,461	288,717	1,480,683
Rents and Leases	504,683		232,495			-	737,178
Contributions and Donations	7,204	2,548,684				31,443	2,587,331
Miscellaneous Revenues	1,326			132		161,264	162,722
<b>Total Revenues</b>	<b>26,990,005</b>	<b>3,484,389</b>	<b>6,117,478</b>	<b>3,065,372</b>	<b>8,461</b>	<b>3,569,465</b>	<b>43,235,170</b>
<b>EXPENDITURES</b>							
General Government	5,446,314		1,221,557			60,926	6,728,797
Judicial	261,970					-	261,970
Public Safety	9,288,853		40,716			129,608	9,459,177
Physical Environment	150,250		2,986			541,616	694,852
Transportation		4,866,927	674,427			15,735	5,557,089
Economic Environment	3,103,416					-	3,103,416
Health and Human Services	86,436					-	86,436
Culture & Recreation	4,073,232		49,050			120,455	4,242,737
<i>Debt Service:</i>							
Principal				350,000		1,960,834	2,310,834
Interest						1,441,295	1,441,295
Interest and Bond Issue Costs						65,792	65,792
Interest and Costs for Refinance						48,530	48,530
<i>Capital Outlay:</i>							
General Government			185,269			20,000	205,269
Public Safety			1,073,972			36,746	1,110,718
Physical Environment			50,547				50,547
Transportation			30,934	1,295,543		1,096,279	2,422,756
Culture & Recreation			2,024,240			554,815	2,579,055
<b>Total Expenditures</b>	<b>22,410,471</b>	<b>4,866,927</b>	<b>5,353,698</b>	<b>1,645,543</b>	<b>-</b>	<b>6,092,631</b>	<b>40,369,270</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,579,534</b>	<b>(1,382,538)</b>	<b>763,780</b>	<b>1,419,829</b>	<b>8,461</b>	<b>(2,523,166)</b>	<b>2,865,900</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	119,000	1,950,000		463,353		2,867,422	5,399,775
(Transfers out)	(3,953,103)	(30,750)	(2,652,611)	(6,287)		(1,017,411)	(7,660,162)
Interfund loan in			1,934,103				1,934,103
Payments to Refunded Bond Escrow						(3,380,000)	(3,380,000)
Debt Proceeds					6,243,709	3,485,000	9,728,709
<b>Total Other Financing Sources (Uses)</b>	<b>(3,834,103)</b>	<b>1,919,250</b>	<b>(718,508)</b>	<b>457,066</b>	<b>6,243,709</b>	<b>1,955,011</b>	<b>6,022,425</b>
<b>Net Change in Fund Balances</b>	<b>745,431</b>	<b>536,712</b>	<b>45,272</b>	<b>1,876,895</b>	<b>6,252,170</b>	<b>(568,155)</b>	<b>8,888,325</b>
<b>Fund Balance - Beginning</b>	<b>8,817,686</b>	<b>1,242,139</b>	<b>3,430,718</b>	<b>1,401,212</b>	<b>-</b>	<b>8,255,598</b>	<b>23,147,353</b>
<b>Fund Balance - Ending</b>	<b>\$ 9,563,117</b>	<b>\$ 1,778,851</b>	<b>\$ 3,475,990</b>	<b>\$ 3,278,107</b>	<b>\$ 6,252,170</b>	<b>\$ 7,687,443</b>	<b>\$ 32,035,678</b>

Table 9 Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO  
THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

Net changes in fund balances for governmental funds		\$	8,888,325
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds reported Modified Accrual do not report taxes levied but not available in Deferred Revenue whereas in the statement of activities they are reported as revenue.			119,082
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.			
Comprised of:			
	Capital assets	6,368,345	
	Depreciation	<u>(960,725)</u>	
			5,407,620
Developers construct and then donate infrastructure to the government. Infrastructure is not reported in the governmental funds.			
	Developer donated infrastructure current year	<u>2,757,112</u>	
			2,757,112
The issuance of long-term debt (e.g., bonds) is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets.			
	Debt issued	(9,728,710)	
	Debt retired	<u>5,690,835</u>	
			(4,037,875)
Some revenue reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.			
	Permit center collected for services not yet performed	<u>579,402</u>	
			579,402
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 government funds.			
	Compensated absences	<u>(116,889)</u>	
			(116,889)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities.			
	Internal service fund allocation of profits and losses	288,237	
	Non-operating revenues from outside sources	254,205	
	Intergovernmental transfers	<u>329,000</u>	
			<u>871,442</u>
Change in net assets of governmental activities		\$	<u><u>14,468,219</u></u>

Table 10 Reconciliation of Statements – Governmental Funds

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET & ACTUAL**  
**GENERAL FUND**  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual Budgetary Basis	Budget to GAAP Differences Over(Under)	Actual GAAP Basis
<b>REVENUES</b>					
<i>Taxes:</i>					
Property	\$ 4,525,000	\$ 4,525,000	\$ 4,536,563	\$ 5,008	\$ 4,541,571
Sales	7,272,000	7,272,000	8,305,239	32,103	8,337,342
Business Taxes	5,355,500	5,355,500	5,317,520	95,528	5,413,048
Other Taxes	200,000	200,000	120,558	29	120,587
Licenses and Permits	2,030,000	2,030,000	2,618,305	14,781	2,633,086
Intergovernmental	1,142,000	1,142,000	1,512,943	(1,163,978)	348,965
Charges for Services	2,305,000	2,305,000	2,556,690	1,713,618	4,270,308
Judicial (Government Wide)	226,160	226,160	284,479	(284,479)	
Investment Income	440,000	440,000	799,006	12,879	811,885
Rents & Leases	402,000	402,000	423,111	11,572	434,683
Interfund Office Rental	70,000	70,000	70,000	-	70,000
Contributions and Donations	17,000	17,000	7,204	-	7,204
Miscellaneous	42,183	42,183	8,249	(6,923)	1,326
<b>TOTAL REVENUES</b>	<b>24,026,843</b>	<b>24,026,843</b>	<b>26,559,867</b>	<b>430,138</b>	<b>26,990,005</b>
<b>EXPENDITURES</b>					
General Government Services	6,003,928	6,003,928	5,708,527	(243)	5,708,284
Security of persons and property	9,180,477	9,180,477	8,998,983	289,870	9,288,853
Utilities and environment	148,904	148,904	151,127	(877)	150,250
Economic environment	2,999,169	2,999,169	3,173,193	(69,777)	3,103,416
Health and human services	3,800	3,800	4,022	82,414	86,436
Culture and recreation	4,357,315	4,357,315	4,063,142	10,090	4,073,232
Total Expenditures	<b>22,693,593</b>	<b>22,693,593</b>	<b>22,098,994</b>	<b>311,477</b>	<b>22,410,471</b>
Excess(deficiency) of revenues over (under) expenditures	1,333,250	1,333,250	4,460,873	118,661	4,579,534
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	620,000	620,000	119,000	-	119,000
Transfers Out	(3,953,103)	(3,953,103)	(3,953,103)	-	(3,953,103)
Total Other financing sources and uses	(3,333,103)	(3,333,103)	(3,834,103)	-	(3,834,103)
Net change in fund balances	(1,999,853)	(1,999,853)	626,770	118,661	745,431
Fund Balances-beginning	4,826,036	4,826,036	6,533,450	2,284,236	8,817,686
Fund balances-ending	<b>\$ 2,826,183</b>	<b>\$ 2,826,183</b>	<b>\$ 7,160,220</b>	<b>\$ 2,402,897</b>	<b>\$ 9,563,117</b>

Table 11 General Fund Statement of Revenues, Expenditures &amp; Changes in Fund Balance – Budget &amp; Actual

Note: Budget is Cash Basis



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET & ACTUAL  
STREET FUND**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual on Budgetary Basis	Budget to GAAP Differences Over(Under)	Actual GAAP Basis
<b>REVENUES</b>					
Licenses and Permits	\$ 71,000	\$ 71,000	\$ 60,635	\$ (28,708)	\$ 31,927
Intergovernmental	895,500	895,500	793,980	30,971	824,951
Charges for Services	38,000	38,000	53,562	735	54,297
Investment Income	5,000	5,000	24,530	-	24,530
Contributions and Donations	2,453,430	2,453,430	2,239,253	309,431	2,548,684
<b>TOTAL REVENUES</b>	<b>3,462,930</b>	<b>3,462,930</b>	<b>3,171,960</b>	<b>312,429</b>	<b>3,484,389</b>
<b>EXPENDITURES</b>					
Transportation (Highways and Streets)	5,243,363	5,243,363	4,748,951	117,976	4,866,927
Total Expenditures	5,243,363	5,243,363	4,748,951	117,976	4,866,927
Excess(deficiency) of revenues over (under) expenditures	(1,780,433)	(1,780,433)	(1,576,991)	194,453	(1,382,538)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	1,950,000	1,950,000	1,950,000	-	1,950,000
Transfers Out	(30,750)	(30,750)	(30,750)	-	(30,750)
Total Other financing sources and uses	1,919,250	1,919,250	1,919,250	-	1,919,250
Net change in fund balances	138,817	138,817	342,259	194,453	536,712
Fund Balances-beginning	719,591	719,591	1,130,264	111,875	1,242,139
Fund balances-ending	\$ 858,408	\$ 858,408	\$ 1,472,523	\$ 306,328	\$ 1,778,851

Table 12 Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget & Actual

Note: Budget is Cash Basis

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Business-type Activities			Totals	Governmental
	Water	Enterprise Funds			Internal Service
		Sewer	Storm		Funds
<b>ASSETS</b>					
<i>Current Assets:</i>					
Cash & Cash Equivalents	\$ 6,259,932	\$ 1,977,119	\$ 1,007,173	\$ 9,244,224	\$ 4,303,407
Accounts Receivable	120,951	173,956	249,447	544,354	62,291
Due from Other Funds					2,000,000
Other Receivables	107,171	-	-	107,171	
Inventory	354,532	22,700	66,389	443,621	82,152
Total Current Assets	<u>6,842,586</u>	<u>2,173,775</u>	<u>1,323,009</u>	<u>10,339,370</u>	<u>6,447,850</u>
<i>Noncurrent Assets</i>					
<i>Restricted Assets:</i>					
Unamortized Debt Issue Costs	87,250	-	10,123	97,373	
Land and Land Rights	8,958,052	-	2,582,958	11,541,010	
Buildings and Improvements	8,858,558	-	-	8,858,558	125,321
Plant in Service	37,328,570	15,801,727	23,548,695	76,678,992	
Machinery and Equipment	134,779	113,766	-	248,545	2,202,904
Construction in Progress	386,909	11,497	88,785	487,191	-
Total Capital Assets, net depreciation	<u>55,666,868</u>	<u>15,926,990</u>	<u>26,220,438</u>	<u>97,814,296</u>	<u>2,328,225</u>
Total Noncurrent Assets	<u>55,754,118</u>	<u>15,926,990</u>	<u>26,230,561</u>	<u>97,911,669</u>	<u>2,328,225</u>
Total Net Assets	<u>62,596,704</u>	<u>18,100,765</u>	<u>27,553,570</u>	<u>108,251,039</u>	<u>8,776,075</u>
<b>LIABILITIES</b>					
<i>Current Liabilities:</i>					
Accounts Payable	101,161	271,972	36,648	409,781	97,159
Bonds Payable	610,000	-	155,000	765,000	
Special assessment debt with governmental commitment	-	-	-	-	15,561
Public Works Trust Current Payable	-	-	61,291	61,291	
Matured Interest	37,282	634	15,423	53,339	
Total Current Liabilities	<u>748,443</u>	<u>288,167</u>	<u>268,362</u>	<u>1,304,972</u>	<u>97,159</u>
<i>Noncurrent Liabilities</i>					
Compensated Absences	61,850	34,321	31,710	127,881	288,678
Revenue Bonds Payable	9,090,000	-	2,525,000	11,615,000	
Special assessment debt with governmental commitment	-	35,162	-	35,162	
Public Works Trust Fund Debt	-	-	674,206	674,206	
Total Noncurrent Liabilities	<u>9,151,850</u>	<u>69,483</u>	<u>3,230,916</u>	<u>12,452,249</u>	<u>288,678</u>
<b>TOTAL LIABILITIES</b>	<u>9,900,293</u>	<u>357,650</u>	<u>3,499,278</u>	<u>13,757,221</u>	<u>385,837</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, net of related debt	45,966,869	15,876,267	22,804,941	84,648,077	
Restricted for:	-	-	-	-	
Debt Service	765,000	15,581	61,292	841,873	
Capital Assets	2,587,125	1,552,268	259,622	4,399,015	
Unrestricted	3,377,417	298,999	928,437	4,604,853	8,390,238
TOTAL NET ASSETS	<u>\$ 52,696,411</u>	<u>\$ 17,743,115</u>	<u>\$ 24,054,292</u>	<u>\$ 94,493,818</u>	<u>\$ 8,390,238</u>

Adjustment to reflect the consolidation of internal service fund activities related to  
 enterprise funds: 191,302

**Net assets of business-type activities** \$ 94,685,120

Table 13 Proprietary Funds Statement of Net Assets

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS****PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Business-type Activities Enterprise Funds			Totals	Governmental Activities Internal Service
	Water	Sewer	Storm		Funds
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 5,650,947	\$ 4,550,160	\$ 2,960,199	\$ 13,161,306	\$ 5,029,231
<b>TOTAL OPERATING REVENUES</b>	<b>5,650,947</b>	<b>4,550,160</b>	<b>2,960,199</b>	<b>13,161,306</b>	<b>5,029,231</b>
<b>OPERATING EXPENSES</b>					
Maintenance and Operation	2,936,830	4,191,315	\$ 2,060,149	9,188,294	1,726,530
Administrative & General	176,982	-	-	176,982	2,394,274
Depreciation	1,407,696	554,817	700,827	2,663,340	530,611
<b>TOTAL OPERATING EXPENSES</b>	<b>4,521,508</b>	<b>4,746,132</b>	<b>2,760,976</b>	<b>12,028,616</b>	<b>4,651,415</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,129,439</b>	<b>(195,972)</b>	<b>199,223</b>	<b>1,132,690</b>	<b>377,816</b>
<b>NONOPERATING REVENUES(EXPENSES)</b>					
Intergovernmental	-	-	65,000	65,000	-
Investment Earnings	255,538	108,815	65,310	429,663	256,693
Interest (Expense)	(465,046)	(4,501)	(154,991)	(624,538)	-
Debt Issue Costs and amortizations	(6,440)	-	(599)	(7,039)	-
Gain (loss) on disposition of assets	-	-	-	-	(5,377)
Other nonoperating revenues	-	11,007	-	11,007	2,889
Other nonoperating (Expense)	-	-	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(215,948)</b>	<b>115,321</b>	<b>(25,280)</b>	<b>(125,907)</b>	<b>254,205</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>913,491</b>	<b>(80,651)</b>	<b>173,943</b>	<b>1,006,783</b>	<b>632,021</b>
Capital Grants	-	-	-	-	-
Capital Contributions	1,106,694	544,968	4,351,854	6,003,516	-
Transfer In	2,424,004	540,000	630,920	3,594,924	329,000
Transfer (Out)	(2,465,431)	(540,000)	(592,209)	(3,597,640)	-
<b>CHANGES IN NET ASSETS</b>	<b>1,978,758</b>	<b>464,317</b>	<b>4,564,508</b>	<b>7,007,583</b>	<b>961,021</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<b>50,336,256</b>	<b>17,755,650</b>	<b>19,912,885</b>	<b>88,004,791</b>	<b>7,429,217</b>
<b>1</b> Prior Period Adjustment resulting from reallocation of revenue.	(7,132)	4,702	2,430	-	-
<b>2</b> Prior Period Adjustment resulting from change in capital asset software.	388,529	(481,554)	(425,531)	(518,556)	-
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 52,696,411</b>	<b>\$ 17,743,115</b>	<b>\$ 24,054,292</b>	<b>\$ 94,493,818</b>	<b>\$ 8,390,238</b>

Adjustment to reflect the consolidation of internal service fund activities to enterprise funds: 89,579  
**Change in net assets of business-type activities** \$ 7,097,162

Table 14 Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006  
 Page 1 of 2

	Business Type Activities - Enterprise Funds				Internal Service Funds
	Water	Sewer	Storm	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received From Customers	\$ 4,941,114	\$ 4,307,423	2,734,185	\$ 11,982,722	
Cash Received From Interfund Services	852,592	-	-	852,592	5,044,761
Cash Payments to Suppliers	(1,923,297)	(851,376)	(1,318,483)	(4,093,156)	(1,455,011)
Cash Payments to Employees	(992,662)	(354,263)	(712,317)	(2,059,242)	(2,558,880)
Cash (Payments) Receipts to Other Gvmts	(159,311)	(2,742,291)	-	(2,901,602)	-
Cash for Other Operating	-	-	-	-	4,193
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 2,718,436</b>	<b>\$ 359,493</b>	<b>\$ 703,385</b>	<b>\$ 3,781,314</b>	<b>\$ 1,035,063</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Operating Transfers In	\$ 1,224,004	\$ -	\$ 289,980	\$ 1,513,984	24,000
Operating Transfers (Out)	(2,465,431)	(540,000)	(592,209)	(3,597,640)	-
Forfeited Deposits	-	-	-	-	-
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>\$ (1,241,427)</b>	<b>\$ (540,000)</b>	<b>\$ (302,229)</b>	<b>\$ (2,083,656)</b>	<b>\$ 24,000</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Intergovernmental	\$ 80,767	\$ -	\$ 65,000	\$ 145,767	\$ -
Investments	(107,171)	11,007	-	(96,164)	-
Revenue Bond Proceeds	-	-	-	-	-
Revenue Bond Interest	-	-	-	-	-
Interfund Loans-Principle (Paid)	-	-	-	-	-
Interfund Loan Interest	-	-	-	-	70,000
Interfund Loan Interest (Expense)	-	-	-	-	-
Capital Expenditures Paid	(748,760)	(793,590)	(562,274)	(2,104,624)	(560,427)
Principal Repaid	(585,000)	(52,387)	(211,291)	(848,678)	-
Interest and Other Debt Service	(466,643)	(5,155)	(159,556)	(631,354)	-
Capital Cash Contributions from Developers	77,526	108,938	62,867	249,331	-
Proceeds from insurance claims	-	-	-	-	2,889
Proceeds from retirement of Capital Assets	-	-	-	-	32,342
Capital Transfer In	1,200,000	540,000	340,940	2,080,940	305,000
Capital Transfer Out	-	-	-	-	-
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (549,281)</b>	<b>\$ (191,187)</b>	<b>\$ (464,314)</b>	<b>\$ (1,204,782)</b>	<b>\$ (150,196)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>					
Net Decrease (Increase) in Investments	\$ -	\$ -	-	\$ -	\$ 52,387
Rental Fees on Investments	-	-	-	-	-
Interest Received on Investment	255,538	108,815	65,309	429,662	186,693
<b>NET CASH PROVIDED BY INVESTMENT ACTIVITIES</b>	<b>\$ 255,538</b>	<b>\$ 108,815</b>	<b>\$ 65,309</b>	<b>\$ 429,662</b>	<b>\$ 239,080</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,183,266</b>	<b>(262,879)</b>	<b>2,151</b>	<b>922,538</b>	<b>1,147,947</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>5,083,798</b>	<b>2,235,296</b>	<b>1,002,592</b>	<b>8,321,686</b>	<b>3,155,460</b>
Prior Period Adjustment resulting from reallocation of revenue.	(7,132)	4,702	2,430	-	-
<b>CASH AT END OF YEAR</b>	<b>\$ 6,259,932</b>	<b>\$ 1,977,119</b>	<b>\$ 1,007,173</b>	<b>\$ 9,244,224</b>	<b>\$ 4,303,407</b>

Table 15 Proprietary Funds Statement of Cash Flows, page 1

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006  
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Page 2 of 2  
 Governmental  
 Activities

	Business Type Activities - Enterprise Funds				Internal Service Funds
	Water	Sewer	Storm	Totals	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 1,129,439	\$ (195,972)	\$ 199,223	\$ 1,132,690	\$ 377,816
Adjustment to Reconcile Operating Income to Net Cash Provided by Oper. Activities:					
Depreciation	1,407,696	554,817	700,827	\$ 2,663,340	\$ 530,611
Decrease (Increase) in Accts Receivable	142,220	(242,737)	(226,014)	(326,531)	19,723
Decrease (Increase) in Inventory	26,238	(5,962)	(3,921)	16,355	26,726
Increase (Decrease) in Accts Payable	13,841	250,238	31,749	295,828	44,987
Increase (Decrease) in Employee Benefits	(998)	(891)	1,521	(368)	35,200
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,718,436</b>	<b>\$ 359,493</b>	<b>\$ 703,385</b>	<b>\$ 3,781,314</b>	<b>\$ 1,035,063</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>					
Contributions of capital assets from developers	948,400	436,007	4,288,949	5,673,356	-

Table 16 Proprietary Funds Statement of Cash Flows, page 2

**STATEMENT OF NET ASSETS**  
**AGENCY FUNDS**  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<b>Agency Fund Total</b>
<b>ASSETS</b>	
Restricted cash & investments:	\$ 3,255,299
<b>Total Assets</b>	<b>3,255,299</b>
<b>LIABILITIES</b>	
Liabilities payable from restricted assets	3,255,299
<b>Total Liabilities</b>	<b>3,255,299</b>
<b>NET ASSETS</b>	
<i>Unreserved/unrestricted Equity</i>	
Permanent/Fiduciary funds	-
<b>Total Net Assets</b>	<b>\$ -</b>

Table 17 Trust & Agency Funds – Statement of Net Assets

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ending December 31, 2006

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## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Issaquah have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

### **A. REPORTING ENTITY**

The City of Issaquah incorporated on April 27, 1892, and operates under the laws of the State of Washington as a non-charter Mayor-Council form of government. In this form, the at large elected Mayor serves as the City's chief administrative officer, and an at large elected seven member council serves as the City's legislative body. The City provides a full range of municipal services and operates water and sewer utilities.

As required by GAAP the City's financial statements present the City of Issaquah – the primary government. There are no component units (either blended or discretely presented) included in these statements.

### **B. BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund and internal service fund activity has been removed from these statements. *Governmental 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. Both the governmental and business-type activities are reported on full accrual, economic resource measurement focus basis of accounting, which recognized all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues in the governmental activities and net cost or revenue of each business activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The City of Issaquah does not allocate indirect costs to a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

### **C. BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS**

In the fund financial statements, the financial transactions are recorded in individual funds, each accounted for by a separate set of self-balancing accounts that comprise assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major combined enterprise funds are reported as separate columns in the fund financial statements.

The governmental major fund statements in the fund financial statement are presented on current financial resources and modified accrual basis of accounting. Since governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, reconciliation is presented at the end of the statement, which briefly explains the adjustments necessary to transform the fund statements into the government-wide presentation.

Internal service funds are presented in summary form as part of the proprietary fund financial statements. Financial statements for internal service funds are consolidated into the governmental column and the proprietary column based on usage when presented at the government-wide level.

Interfund activity has been eliminated from the government-wide financial statements. Exceptions are revenue and expense for interest or services provided which would distort the direct cost and program revenues for these functions.

The City reports the following **major governmental** funds:

- The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **street fund** accounts for street maintenance.
- The **capital improvement fund** accounts for major City Capital Improvement Projects not budgeted under specific funds.
- The **street improvement fund** received revenues from the additional 0.25% real Estate Excise Tax and proceeds are to be used solely for financing capital projects related to streets.

The City reports the following **non-major governmental fund types**:

- **Special revenue funds** account for the proceeds and expenditures of specific revenue sources intended for specified purposes.
- **Debt service funds** account for resources set aside to meet current and future debt service requirements on debt.
- **Capital improvement funds** account for resources to be used for the acquisition or construction of major capital facilities.

The government reports the following **major proprietary** funds:

- The **water funds** account for the operations, capital improvement and debt service activity of the government's water department.
- The **sewer funds** account for the operations, capital improvement and debt service activity of the government's sewer department.
- The **storm water funds** account for the operations, capital improvement and debt service activity of the government's storm water department.
- The **Internal service funds** account for operations which provide services to other departments or funds of the government on a cost reimbursement basis.

Additionally, the government reports the following **fund type**:

- **Fiduciary Fund-Agency/Deposits fund** is a clearing mechanism for cash resources which are collected by the government, held a brief period, and then disbursed to authorized recipients. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

## D. BASIS OF ACCOUNTING

**Accrual Basis of Accounting** - The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the **proprietary fund and fiduciary fund financial statements**. Revenues are recorded when earned and expenses are 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Accounting - Governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## E. ASSETS, LIABILITIES, AND NET ASSETS AND FUND BALANCES

### CASH AND INVESTMENTS

The City pools cash resources of its various funds with the State Investment Pool in order to facilitate the management of cash. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they have a maturity date no longer than three months.

It is the City's policy to invest all temporary cash surplus. At December 31, 2006, the treasurer was holding \$27,174,000 in short-term deposits with the State Investment Pool. The interest on this deposit is prorated to the various funds. Also see Note 3.

The City's deposits are entirely covered by Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Depository Protection Commission (PDPC).

Investments are reported at fair market value in accordance with GASB Statement 21 and are held separately by each fund with interest earned directly for benefit of each fund.

### RECEIVABLES

The government recognized receivables in its financial statements based on the accounting requirements for that statement. Receivables are as follows:

- Property Taxes - Property taxes received within 60 days of year end are reported as receivable at year-end. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected; therefore no allowance for uncollectible taxes is recorded. (See Note 4)
- Sales Taxes - Taxes collected for November and December but not remitted by the state to the government until January and February of the following year are reported as receivables at year-end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the state.

- Investment Interest - Interest receivable consists of interest earned on investments at the end of the year, accrued interest on investments purchased between interest dates, and accrued interest and penalties on special assessments receivable. In proprietary funds and the government-wide statement of net assets investment interest is recorded as receivable, regardless of its payment date. In the governmental fund statements and schedules investment interest is recorded as receivable if it will be paid to the government within 60 days of year end.
- Due From Other Funds and Other governments - Amounts due from other funds reported in the financial statements, represent outstanding billings to other funds for services provided in the current year. None existed at year-end in. Amounts due from other governments represent outstanding balances due from granting agencies for cost-reimbursement grants and billings to other jurisdictions for intergovernmental services provided in the current year. In the entity-wide Statement of Net Assets, Due From Other Funds is not reported, but is eliminated in internal balances. Internal balances represent quasi-external transactions between governmental and business activities.
- Interfund Loans Receivable – The Finance Director may authorize loans between funds. Interfund loans outstanding at 12/31 are reported in Note 11.
- Special Assessments – Special assessments are levied against certain property owners and become liens against the property benefited by the improvement. At year end all are current.
- Accounts Receivable – Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided. Uncollectible amounts are considered immaterial and the direct write-off method is used.

### **INVENTORIES AND PREPAID ITEMS**

Inventory amounts in governmental funds are not recorded because inventory amounts are immaterial. Inventories in Proprietary Funds are valued at the FIFO (first in, first out) method, which approximates the market value.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **RESTRICTED ASSETS AND LIABILITIES**

Net assets are segregated into three categories on the government-wide statement of net assets:

- 1) investment in capital assets, net of related debt;
- 2) restricted; and
- 3) unrestricted.

The flow assumption of the City is to use restricted assets before unrestricted assets. Restricted assets are usually set aside in a separate fund, specifically used for the purpose of debt service or capital replacement.

### **CAPITAL ASSETS AND DEPRECIATION**

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. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

Capital assets are defined by the government as land, buildings capital improvements machinery, equipment, software and other improvements with an original cost of \$5,500 or more each and an estimated useful life of more than one year; and all vehicles, artwork, transportation and utility infrastructure, regardless of their initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The City elected to not capitalize retro-active “infrastructure” and art capital assets owned prior to 2003, such as roads, bridges, curbs and gutters, streets and sidewalks, bridges, and lighting systems. It is anticipated that the City will capitalize the above retroactive “infrastructure” and art capital assets by 2007. The City is currently conducting an inventory and valuation of these capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Contributed assets are reported at donor cost or appraised value at the date of acquisition. The donor cost or appraised value of contributed fixed assets is included in contributed capital.

Land, construction in progress, and works of art are not depreciated. Property, plant, and equipment of the city are depreciated using the straight line method over the following estimated useful lives:

	<b>Estimated Service Life</b>
Buildings	30-50 years
Improvements Other Than Buildings	20-50 years
Equipment	5-20 years

Table 18 Depreciation Rates

**OTHER ASSETS AND DEBITS**

This account contains resources held in the Equipment Replacement Fund for future equipment purchases for the Enterprise Funds.

**ACCUMULATED COMPENSATED ABSENCES**

Eligible employees accumulate 10 to 23 days of vacation for each anniversary year, depending upon the employee’s length of service, but they do not accumulate more than two-year’s vacation. All outstanding vacation leave is payable upon resignation, retirement, or death. In accordance with NCGA Statement 4, the City accrues vacation pay. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

In 1985, the City required all departments to record compensatory time in the payroll system as part of the Fair Labor Standards Act implementation. This includes compensatory time in lieu of overtime pay, earned by police and other City employees under law or union contracts.

Sick leave accumulates at the rate of 8 hours per month for all employees. The maximum number of sick hours employees are allowed to accrue is 960. However, starting in 1994, some contracts allow employees to convert a portion of unused sick leave earned in a calendar year to pay. The City accrues the maximum dollar amount payable, when incurred, in the government-wide and proprietary fund financial statements.

### **LONG-TERM DEBT**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **DEFERRED/ UNEARNED REVENUE**

Deferred revenues are receivables that are measurable but not yet available. The balance sheet records the receivables with deferred revenue as its offset.

### **FUND BALANCE DESIGNATIONS AND RESERVATIONS**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **F. REVENUES, EXPENDITURES & EXPENSES**

### **PROGRAM REVENUES**

Amounts reported as *program revenues* include:

- 1) charges to customers or applicants for goods, services, or privileges provided,
- 2) operating grants and contributions, and
- 3) capital grants and contributions, including special assessments.

### **GENERAL REVENUES**

In governmental funds amounts reported as *general revenues* include taxes, interest and investment earnings. In the governmental funds' statements debt proceeds are shown as other financing sources.

### **TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the government-wide statements all interfund transfers between individual governmental funds have been eliminated.

**EXPENDITURES/EXPENSES**

Expenses in the governmental funds are reported by function or as interest on long-term debt. In the governmental funds' statements debt issue costs are shown as other financing use.

**OPERATING AND NON-OPERATING REVENUES AND EXPENSES**

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's utility funds and internal service funds are charges to customers for sales and services, vehicle replacement, and insurance. The government 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 system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses..



**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

There have been no material violations of Finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City.

**Budgets and Budgetary Accounting** - The City budgets all funds in accordance with the Revised Code of Washington 35A.33. In compliance with the code, budgets for all funds are established with the exception of the L.I.D. Debt Service Funds, and the L.I.D. Guaranty Debt Service Funds, and agency funds. Budgets established for Proprietary Funds are “management budgets” and, as such, are not required to be reported. The budget as adopted constitutes the legal authority for expenditures. It is adopted at the fund level so that expenditures may not legally exceed appropriations at that level of detail.

Budgetary accounts are integrated in fund ledgers for all budgeted funds.

Appropriations for general and special revenue funds lapse at year-end. The City of Issaquah’s budget procedures are in compliance with the Revised Code of Washington, Chapter 35A.33. The City follows the procedure outlined below to establish its annual budget.

- 1) By the second Monday in September, the Mayor requests all Department Heads to prepare detailed estimates of revenues and expenditures for next fiscal year.
- 2) By the fourth Monday in September, budget estimates are filed with the Finance Director.
- 3) By the first business day in October, estimates are presented to the Mayor.
- 4) At least 60 days before the ensuing fiscal year, the Mayor prepares preliminary budget and budget message and files with the City Clerk.
- 5) No later than the first two weeks in November, the City Clerk publishes notice of filing of preliminary budget with city clerk and publishes notice of public hearing on final budget once a week for two consecutive weeks.
- 6) No later than six weeks before January 1, copies of proposed (preliminary) budget is made available to the public.
- 7) On or before the first Monday of December, and may be continued from day-to-day but no later than the 25<sup>th</sup> day prior to next fiscal year, final hearings are commenced.
- 8) Following the public hearing and prior to beginning of the ensuing fiscal year, the City Council adopts the final budget.

The City budget is adopted at the fund level. Amendments to the final budget must be adopted by the Council through an Ordinance, which is usually done mid-year and year-end.

The budgetary basis is substantially the same as the basis of accounting in all governmental fund types.

Transfers or revisions within budgeted funds are allowed; however, any revision which alters the total expenditures of a fund, or which affect the number of authorized employee positions or salary ranges must be approved by Ordinance of the City Council following public hearings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.



	ORIGINAL BUDGETED INFLOWS	REVISIONS	BUDGETED INFLOWS
<b>General Fund</b>	\$24,646,843		\$24,646,843
<b>Special Revenue Funds:</b>			
Street	5,412,930		5,412,930
Arterial Street	-		-
Cemetery	39,000		39,000
Municipal Art	164,085		164,085
Resource Conservation	578,643		578,643
Communications	210,000		210,000
Lodging Tax	46,500		46,500
SUBTOTAL	6,451,158		6,451,158
<b>Debt Service Funds:</b>			
Voted G.O. Debt	959,000		959,000
Non-Voted G.O. Debt	2,455,691		2,455,691
L.I.D.s	225,000		225,000
L.I.D. Guaranty	225,000		225,000
SUBTOTAL	3,864,691		3,864,691
<b>Capital Projects Funds:</b>			
Capital Improvements	4,944,200		4,944,200
Mitigation	10,000		10,000
Street Improvement	4,016,101		4,016,101
ITS Traffic System	1,923,000		1,923,000
Highlands Fire Station	-		-
Highlands Park	-		-
SUBTOTAL	10,893,301		10,893,301
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>\$45,855,993</b>	<b>\$0</b>	<b>\$45,855,993</b>

Table 19 Council-Approved Budgetary Inflows

	BUDGETED OUTFLOWS	REVISIONS	BUDGETED OUTFLOWS
<b>General Fund</b>	\$24,664,993	\$ 1,981,703	\$26,646,696
<b>Special Revenue Funds:</b>			
Street	5,274,113	-	5,274,113
Cemetery	60,200		60,200
Municipal Art	187,185		187,185
Resource Conservation	636,079	51,600	687,679
Communications	220,689		220,689
Lodging Tax	60,120		60,120
SUBTOTAL	6,438,386	51,600	6,489,986
<b>Debt Service Funds:</b>			
Voted G.O. Debt	943,190		943,190
Non-Voted G.O. Debt	2,495,197		2,495,197
L.I.D.s	225,000		225,000
L.I.D. Guaranty	500,000		500,000
SUBTOTAL	4,163,387	-	4,163,387
<b>Capital Projects Funds:</b>			
Capital Improvements	5,439,661	2,934,103	8,373,764
Mitigation	1,097,289	90,000	1,187,289
Street Improvement	4,859,594	2,112,700	6,972,294
ITS Traffic System	3,037,000		3,037,000
Highlands Fire Station	10,000	-	10,000
Highlands Park	290,000	121,000	411,000
SUBTOTAL	14,733,544	5,257,803	19,991,347
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>\$50,000,310</b>	<b>\$7,291,106</b>	<b>\$57,291,416</b>

Table 20 Council-Approved Budgetary Outflows

### **NOTE 3: CASH AND INVESTMENTS**

The City maintains a cash and investment pool available for use by all funds. Investments are also held separately by several funds, with interest earned directly for the benefit of each fund.

As of December 31, 2006, the carrying amount of the City's cash/cash equivalents was \$46,764,839 (including the State Investment Pool) and the bank balance was \$765,632. This includes cash on hand totaling \$925 and \$10,000 being held by the City of Bellevue for use by the Eastside Narcotics force. The FDIC insures the first \$100,000 of the City's demand deposits and separately insures the first \$100,000, in the aggregate, of the City's time deposits and savings deposits. The remaining deposit balances are insured by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is a multiple financial institution collateral pool. State statute permits additional amounts to be assessed on a pro rata basis to members of the pool in the event the pool's collateral should be insufficient to cover a loss.

City investments were categorized as risk Category 1 or 2, as described in GASB Statement 3. Category 1 is defined to include those investments that are either insured, registered or held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which these securities are held by the counterparty's trust department or agent in the City's name. All of the City's investments at year-end were held by the City's depository bank Trust Department, as the City's agent, or held by the City. Investments purchased through the City's depository bank investment division and held by the same bank's trust department are in Category 2. All other investments held by the trust department are Category 1.

	<b>CARRYING AMOUNTS</b>
<hr/>	
From Statement of Net Assets	
Cash and Cash Equivalents	\$ 40,509,540
Investments	3,000,000
<i>Restricted Assets:</i>	
Cash and Cash Equivalents	3,255,299
Total All Cash, Deposits, and Investments from Balance Sheet	\$ 46,764,839
Summary by Type:	
Cash and Cash Equivalents:	
Cash in Bank (bank balance)	\$ 765,632
Cash on Hand	925
Cash with Other Government	10,000
Cash with State Investment Pool	42,988,282
	\$ 43,764,839
Investments at Market	3,000,000
Total All Cash, Deposits, and Investments	\$ 46,764,839

Table 21 Reconciliation of All Cash, Deposits, and Investments

**NOTE 4: RECEIVABLES****PROPERTY TAXES**

The County Treasurer acts as agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed after the end of the month.

<b>PROPERTY TAX CALENDAR</b>	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Table 22 Property Tax Calendar

During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections to be distributed by the County treasurer in January. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The City may levy up to \$3.10 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

- 1) Washington State law in RCW 84.55.010 limits the growth of regular property taxes to six percent per year, after adjustments for new construction. If the assessed valuation increases by more than six percent due to revaluation, the levy rate will be decreased.
- 2) The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

Special levies approved by the voters are not subject to the above limitations.

The City's regular levy for 2006 was \$1.25 per \$1,000 of assessed valuation of \$3,734,157,054 for a total regular levy of \$4,665,900. Additionally, special levies for voter-approved General Obligation Bonds were \$0.31 per \$1,000 for an excess levy of \$943,190.

**NOTE 5: CAPITAL ASSETS AND DEPRECIATION**

Minor gains or losses occasionally occur on disposal of capital assets. When such minor gain or loss occur the City reports them as miscellaneous revenues or expenditures.

Governmental Activities Capital Asset activity for the year ended December 31, 2006 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decrease	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 23,033,992	\$ 1,934,149		\$ 24,968,141
Infrastructure in Progress	8,505,363	4,014,599		12,519,962
Other Assets	115,817	32,670		148,487
Construction in Progress	4,226,918	2,643,632	(168,513)	6,702,037
Construction in Progress ISF	11,317		(11,317)	0
Total capital assets not being depreciated	<u>35,893,407</u>	<u>8,625,050</u>	<u>(179,830)</u>	<u>44,338,627</u>
Capital Assets, being depreciated:				
Buildings	35,752,755	182,160		35,934,915
Improvements	5,452,298	292,338		5,744,636
Improvements ISF	107,865	36,415		144,280
Machinery and Equipment	3,002,369	194,422		3,196,791
Machinery and Equipment ISF	6,382,772	535,328	(75,107)	6,842,993
Total capital assets being depreciated	<u>50,698,059</u>	<u>1,240,663</u>	<u>(75,107)</u>	<u>51,863,615</u>
Less accumulated depreciation for:				
Building	(6,244,250)	(709,639)		(6,953,889)
Improvements	(1,107,605)	(114,398)		(1,222,003)
Building and Improvements ISF	(17,401)	(1,558)		(18,959)
Machinery and Equipment	(2,360,126)	(136,688)		(2,496,814)
Machinery and Equipment ISF	(4,148,425)	(529,052)	37,388	(4,640,089)
Total capital assets, being depreciated, net	<u>(13,877,807)</u>	<u>(1,491,335)</u>	<u>37,388</u>	<u>(15,331,754)</u>
Governmental activities capital assets, net	<u>\$ 72,713,659</u>	<u>\$ 8,374,378</u>	<u>\$ (217,549)</u>	<u>\$ 80,870,488</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
Judicial	\$ 3,298
General government	181,412
Public Safety	415,463
Physical Environment	14,248
Transportation	77,071
Economic environment	7,365
Culture & recreation	<u>261,868</u>
Total Depreciation Expense - Governmental Funds	960,725
<b>Internal service funds:</b>	
Total Depreciation Expense - Internal Service Funds	<u>530,610</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<u>\$ 1,491,335</u>

Table 23 Depreciation Expense – Governmental Activities

Business-Type Activities Capital Asset activity for the year ended December 31, 2006 was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Prior Period Adjustment and Reclass	Increases	Decrease	
<b>Business-type activities:</b>					
Capital assets not being depreciated					
Land	9,189,052	1,870,458	481,500	-	11,541,010
Construction in Progress	440,244	-	852,981	(806,034)	487,191
Total capital assets not being depreciated	9,629,296	1,870,458	1,334,481	(806,034)	12,028,201
Capital assets, being depreciated:					
Buildings	11,191,617	(1,870,458)	-	-	9,321,159
Plant in service	85,248,209	10	7,238,257	-	92,486,476
Equipment	663,959	(2)	-	-	663,957
Total capital assets, being depreciated	97,103,785	(1,870,450)	7,238,257	-	102,471,592
Less accumulated depreciation for:					
Buildings	(197,223)	(82,412)	(182,965)	-	(462,600)
Plant in service	(12,964,882)	(287,306)	(2,459,317)	-	(15,711,505)
Equipment	(341,496)	(148,838)	(21,057)	-	(511,391)
Total accumulated depreciation	(13,503,601)	(518,556)	(2,663,339)	-	(16,685,496)
Total capital assets, being depreciated, net	83,600,184	(2,389,006)	4,574,918	-	85,786,096
Business-type activities capital assets, net	\$ 93,229,480	\$ (518,548)	\$ 5,909,399	\$ (806,034)	\$ 97,814,297

NOTE: Prior Period Adjustments and Reclasses primarily result from change in software and reclass of assets.

Table 24 Property, Plant & Equipment – Business-Type Activities

Depreciation expense was charged to Business-Type functions based on their usage of the assets as illustrated below:

Water	\$ 1,407,709
Sewer	554,817
Storm	700,813
Total Depreciation	<u>\$ 2,663,339</u>

Table 25 Depreciation Expense – Business-Type Activities

**NOTE 6: JOINT VENTURES****EASTSIDE PUBLIC SAFETY COMMUNICATIONS AGENCY (EPSCA)**

In May 1992, the cities of Bellevue, Redmond, Kirkland, and Mercer Island (Principals) established the Eastside Public Safety Communications Agency (EPSCA). The agreement was amended in 1993 to include the City of Issaquah.

The purpose of EPSCA is to develop, own, operate, and manage an Eastside radio communications system to be integrated with a regional radio communications network. Its capital budget is funded by a voter-approved county-wide property tax levy.

EPSCA is governed by an Executive Board composed of the chief executive officer of each Principal. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters.

The agreement provides for a weighted vote proportionate to each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2006, the weighted vote was as follows:

<b>Weighted Vote</b>	
Bellevue	51.93%
Kirkland	18.14%
Redmond	17.79%
Mercer Island	6.51%
Issaquah	5.64%
<b>TOTAL</b>	<b>100.01%</b>

Table 26 Note 8 – Joint Ventures: EPSCA Weighted Vote

These percentages are reviewed and adjusted annually on January 1 based on the number of radios on the system in use by current Principals as of June 30 of the preceding year.

Operating revenues derive from assessments for start up costs and fees for communications services. The first full year of operations was 1997. Service fees for the last five years were as follows:

<b>Year</b>	<b>Service Fees</b>	
2002	\$	27,804
2003		27,200
2004		28,406
2005		30,594
2006		31,312
<b>TOTAL</b>	<b>\$</b>	<b>145,316</b>

Table 27 Note 8 – Joint Ventures: EPSCA Service Fees

Upon dissolution, the Interlocal agreement provides for distribution of net assets among the Principals based on the weighted voting percentages in force at the time of dissolution.

In August 1993, EPSCA entered into an Interlocal cooperation agreement (Agreement 2), with the subregions of King County, Seattle, and Valley Communications. Agreement 2 governs the development, acquisition, and installation of the emergency radio communication system funded by the King County Levy.

Agreement 2 provides that upon voluntary termination of any subregion's participation in the system, it surrenders its radio frequencies, relinquishes its equipment, and transfers any unexpended levy proceeds and equipment replacement reserves to another subregion or a consortium of subregions. Thus, in accordance with Agreement 2, the Principals of EPSCA have no equity interest in EPSCA's contributed capital (\$10.0 million from King County levy proceeds).

While Agreement 1 provides that EPSCA's retained earnings of \$501,728 as of December 31, 2006 are, upon dissolution, to be apportioned among the Principals, the City's share in 2006 of \$28,297 is deemed immaterial and thus is not reflected in the financial statements. Compiled financial statements for EPSCA can be obtained from EPSCA, c/o Alan Komenski, 16100 NE 8th Street, Bellevue, WA 98008.

## EASTSIDE FIRE AND RESCUE

In 1999, through an Interlocal agreement as provided by RCW Title 39.34, the consolidation of several agencies created a new Fire and Emergency Medical Services agency called Eastside Fire and Rescue (EF&R). The agencies (principals) joining in this consolidation included King County Washington Fire Districts 10 and 38, and the Cities of Issaquah and North Bend, with the City of Sammamish joining in January 2000. The current Interlocal Agreement is in effect through December 31, 2007 and shall be renewed automatically thereafter for successive one-year terms. Any party may terminate this agreement at the end of the first term or any at the end of any one-year term by filing with the other parties a notice of termination three years prior to the termination date.

EF&R is a joint venture partnership. The entities retain an equity interest in EF&R based on their support of EF&R operations. As of December 31, 2005 (most recently audited), the equity percentage was as follows:

Agency Shares at 12/31/2005	
Fire District 10	48.78%
Sammamish	22.85%
Issaquah	18.61%
Fire District 38	5.20%
North Bend	4.56%
<b>TOTAL</b>	<b>100.00%</b>

Table 28 Agency Shares for EF&R Joint Venture

Eastside Fire and Rescue is governed by a Regional Board. The Regional Board is made up of representatives from each of the partner agencies that comprise EF&R. The Regional Board meets on the second Tuesday of each month at the Headquarters Offices in Issaquah.

Agency	Number of Board Members
Fire District 10	2
Sammamish	2
Issaquah	2
Fire District 38	1
North Bend	1
<b>TOTAL</b>	<b>8</b>

Table 29 Number of Board Members per Agency for EF&R

The Districts shall levy regular real property and emergency medical service taxes at the maximum rate allowed by law. The Districts shall deposit taxes, as agreed upon and approved by the Directors with the Board of Directors in June and December.



The amount of annual contribution for the Cities, and the amount of additional services contribution, if any, shall be determined by the respective legislative bodies, after recommendation by the Board of Directors. Annually, Cities contribute financially according to a revenue formula developed on or before June 30 of each year. The revenue formula is based on certain criteria including: day/night population call volume, assessed valuation, service area, response time and number of equivalent residential units. Cities also annually contribute all emergency medical service taxes, together with all other designated fire service or fire department revenues which may include fire and emergency services related fees, mitigation and charges for building and land development.

The City's contributions through 2006 are as follows:

Year	Service Fees
1999	\$ 2,031,000
2000	1,989,624
2001	2,300,004
2002	2,460,996
2003	2,401,035
2004	2,952,204
2005	3,025,632
2006	3,278,418
<b>TOTAL</b>	<b>\$ 20,438,913</b>

Table 30 City's Contribution to EF&R

All real and personal property acquired prior to the Agreement remains property of the acquiring member, with exclusive access and control over the property by EF&R. All property acquired pursuant to the Agreement shall be identified by the Board upon acquisition as joint or separate property. Upon termination of the Agreement, all separate property shall be returned to the owner; the net value of all jointly owned property shall be calculated, and each party shall receive or pay, as applicable, the total net amount to the other, in cash or jointly owned property. The City records the capital assets in the Governmental Funds.

Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member. The City's remaining share of net assets is deemed immaterial and thus is not reflected in the financial statement.

Audited financial information can be obtained from Dave Gray, Eastside Fire and Rescue, 175 NW Newport Way, Issaquah, WA 98027.

## **ARCH – HOUSING COALITION**

In November 1992, the cities of Bellevue of Redmond and Kirkland and King County joined to establish A Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 to add clarifying language regarding responsibility and dissolution. Subsequently, the Cities of Bothell, Issaquah, Mercer Island, Newcastle, Beaux Arts, Clyde Hill, Hunts Point, Medina, Yarrow Point and Woodinville joined ARCH.

The purpose of ARCH is to cooperatively formulate affordable housing goals and policies and to foster efforts to . provide affordable housing by combining public funding with private-sector resources. Operating funding is provided by the member cities. ARCH identifies and prioritize projects which the member cities fund directly through their own grants, Community Development Block Grants, and HOD grants.

ARCH is governed by an Executive Board composed of the chief executive officer from each member. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff and a Citizen Advisory Board.

Each member city is responsible for contributing operating revenues as determined from the ARCH annual budget. Contributions from the member cities are based on each member's population. The City's contributions for the last five years were as follows:

Year	Budget	City's Share	Percentage
2002	\$ 351,902	\$ 10,500	0.03%
2003	365,411	10,763	0.03%
2004	378,024	11,194	0.03%
2005	398,508	11,810	0.03%
2006	417,984	12,400	0.03%

Table 31 Note 8 – Joint Ventures - ARCH Contributions

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement, as amended, provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member. The City's share of net assets is deemed immaterial and thus is not reflected in the financial statement.

## **EASTSIDE NARCOTICS TASK FORCE:**

In August 1998, the cities of Bellevue, Redmond, Kirkland, Mercer Island, and Issaquah (Principals) restructured the Eastside Narcotics Task Force. The purpose of the task force is to provide for the collaborative efforts of participants' detective staffs and to equitably benefit from asset forfeitures.

An Executive Board consisting of the Police Chiefs and Directors of Public Safety governs the task force. The Executive Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. A Commander who is responsible for the operation of the task force and the accomplishment of the goals and objectives of the task force manages the Task Force.

Upon termination of the Task Force, equipment and proceeds will be divided equitably as determined by the board. Member agencies share in the costs and proceeds of the operation of the Task Force on a percentage basis. The member agency's shares are:

<b>Agency Shares</b>	
Bellevue	51.00%
Redmond	14.70%
Kirkland	14.70%
Mercer Island	14.70%
Issaquah	4.90%
	100.00%

Table 32 Note 8 – Joint Ventures – Eastside Narcotics Task Force Agency Shares

Total revenues for 2006 were \$418,438 of which \$20,503 was the City of Issaquah's share. Total expenditures for 2006 were \$263,497 of which \$12,911 was the City of Issaquah's share. The total increase in revenue for 2006 was \$154,316 of which \$7,561 was the City of Issaquah's share. The City's share of the net assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from Eastside Narcotics Task Force, c/o Carl Krikorian, Police Finance Manager, Bellevue Police Department, 11511 Main Street, Bellevue, WA 98004.

## **CASCADE WATER ALLIANCE**

In April 1999, the City of Issaquah entered into an Interlocal agreement with eight other water providers in the region to create the Cascade Water Alliance.

The purpose of the Alliance is to provide water supply to meet current and future needs of the Alliance's Members in a cost-effective and environmentally responsible manner.

The Alliance is governed by a Board of Directors consisting of one individual representative appointed by resolution of the Member's legislative authority. Each Member entity must pay annual dues based on the number of residential units served by the water system within their jurisdiction. The Alliance collected 2006 membership dues totaling \$715,781, of which Issaquah's share was \$42,687. Issaquah also paid the Alliance \$2,198,017 in 2006 for Regional Capital Facilities Charges for new residential hookups to the water distribution system.

A Member may withdraw from the Alliance with a resolution of its legislative authority expressing such intent. The Board will then determine the withdrawing Member's obligations to the Alliance, as well as the withdrawing Member's allocable share of the Alliance's then-existing obligations. The Member's withdrawal shall be effective upon payment of obligations. Members do not hold legal ownership rights in any assets owned by the Alliance.

On April 26, 2006, the Alliance issued Water System Revenue Bonds, 2006 for \$55.2 million. The proceeds of the Bonds will be used to finance transmission and treatment facility planning and design, make payments to the City of Tacoma under the wholesale water purchase agreement, make payments to Puget Sound Energy, Inc. relating to acquisition of assets at Lake Tapps, and repay a loan from the Sammamish Plateau Water & Sewer District. The bonds are payable solely from the Alliance's revenues and are not guaranteed by the City's assets or revenues.

Audited financial information can be obtained from Pamela Higbee, Cascade Water Alliance, 1400 112th Avenue SE, Suite 220, Bellevue, WA 98004.

## **E-GOV ALLIANCE**

On March 25, 2002, the City of Bellevue Council unanimously adopted a resolution establishing the E-Gov Alliance between the City of Bellevue and the cities of Bothell, Burien, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish, and Woodinville. Since March, additional cities have joined the Alliance. The Alliance establishes on-line services through a jointly operated internet portal. Additionally, the Alliance has established a partnership with Microsoft to help define the E-Gov architecture, provide consulting services, offer training, and donated software.

The Interlocal agreement may be terminated if Principals holding at least sixty (60%) of the weighted vote of all of the Principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor; (2) all property purchased after the effective date of the Interlocal agreement shall be distributed to the Principals based upon each Principal's proportional ownership interest at the time of the sale of the property. The City's share of the net assets is deemed immaterial and thus not reflected in the financial statements.

Budget monitoring information may be obtained from Nina Dennis, City of Bellevue, Information Technology Department, P.O. Box 90012, Bellevue, WA 98009-9012.

Expenditures consist of capital and operations costs, per the budget adopted by the E-Gov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Expenditures in 2006 were \$389,679. Revenues consist of annual membership fees from the member jurisdictions of the E-Gov Alliance and are as follows:

Bellevue	\$	132,609	24.2%
Snohomish Co		77,000	14.1%
Kirkland		52,515	9.6%
Sammamish		44,364	8.1%
Bothell		35,592	6.5%
Burien		25,000	4.6%
Mercer Island		24,926	4.6%
Kenmore		22,010	4.0%
Issaquah		19,587	3.6%
Shoreline		17,500	3.2%
Kent		13,600	2.5%
Mill Creek		13,000	2.4%
Woodinville		11,384	2.1%
Duvall		11,000	2.0%
Lynnwood		9,750	1.8%
Auburn		8,700	1.6%
Snoqualmie		8,500	1.6%
Redmond		7,700	1.4%
Des Moines		4,900	0.9%
Sea Tac		4,900	0.9%
Renton		3,100	0.6%
Total	\$	<u>547,637</u>	<u>100%</u>

Table 33 Agency Membership Fees for E-Gov Alliance

**NOTE 7: PENSION PLANS**

Substantially, all City full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Department of Retirement Systems, under cost-sharing, multiple-employee public employee retirement systems.

Historical trend information showing each system's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington's June 30, 2002, comprehensive annual financial report. Please refer to said report for a detailed 10-year trend information summary.

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) AND PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

The State legislature established PERS in 1947 under Chapter 41.40 RCW. PERS is a cost-sharing, multiple-employer system. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; non-certificated employees of school districts; and, employees of local government. Approximately 52 percent of PERS members are state employees.

PERS contains three plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2.

Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service.

Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual pension is two percent per year of service of the average of the last two years' salary.

Plan 2 members may retire at age of 65 with 5 years of service, or at the age of 55 with 20 years of service, with an allowance of two percent per year of service of the final average salary of the member's last five years of service. Plan 2 retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, 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 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have:

- at least ten years of service; or
- five years including 12 months that were earned after age 54; or
- five service credit years earned in PERS Plan 2 prior to June 1, 2003.

Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise, an actuarial reduction will apply. There is no cap on years of service credit; and Plane 3 provides the same cost-of-living allowance as Plan 2.

The City's total current-year payroll for all participating PERS employees was just over \$12.4 million.

Eligible members of the Public Employees' Retirement System (PERS) Plan 2 and PERS Plan 3 had an opportunity to become a member of PSERS during the election period of July 1, 2006 through September 30, 2006.

After the election period, PERS members are not be able to become members of PSERS unless they became employed in another PSERS position on or after July 1, 2006.

Employees hired into eligible PSERS positions on or after July 1, 2006 automatically become members of PSERS. The major difference between PERS and PSERS is that PSERS will provide full retirement benefits at age 65 with at least five years of service credit or at age 60 with 10 years of PSERS service. For those with at least 20 years of service, early retirement will be available at age 53, with a benefit reduction of three percent per year from age 60.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plane 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from five- to fifteen-percent; two of the options are graduated rates dependent on the employee's age.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2006 were as follows:

	PLAN 1		PLAN 2		PLAN 3		PSERS	
	Required	Actual	Required	Actual	Required	Actual	Required	Actual
Employer	3.69%	2.95%	3.69%	3.05%	3.69% *	3.04%	6.76% *	6.76%
Employee	6.00%	5.99%	3.50%	2.86%	**	6.80%	6.57%	6.57%
Total	9.69%	8.94%	7.19%	5.91%	3.69%	9.85%	13.33%	13.33%

Table 34 PERS Contribution Rates as a Percentage Covered Payroll

The City's actuarially determined contribution requirement and actual contribution for the year ended December 31, 2006, were:

	PLAN 1		PLAN 2		PLAN 3		PSERS	
	Required	Actual	Required	Actual	Required	Actual	Required	Actual
Employer	\$ 22,193	\$ 17,725	\$ 383,441	\$ 317,084	\$ 52,195 *	\$ 43,053	\$ 4,599 *	\$ 4,599
Employee	36,086	36,028	363,698	297,069	**	96,257	4,470	4,470
Total	\$ 58,279	\$ 53,754	\$ 747,139	\$ 614,153	\$ 52,195	\$ 139,310	\$ 9,069	\$ 9,069

\*Plan 3 defined benefit portion only.

\*\* Variable from 5% to 15% based on rate selected by the Employee

Table 35 PERS Contribution Actual

**LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS RETIREMENT SYSTEM (LEOFF)**

LEOFF was established in 1970 by the legislature under Chapter 41.26 RCW. LEOFF is a cost-sharing, multiple-employer retirement system. Membership includes all full-time, fully compensated, local law enforcement officers and firefighters. Retirement benefits are financed by employee and employer contributions, investment earnings, and legislative appropriation. LEOFF is comprised solely of non-state employees.

LEOFF system contains two plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined thereafter are enrolled in Plan 2. Retirement benefits are vested after completion of five years of eligible service. Plan 1 participants are eligible to retire with five years of service at age 50.

The benefits per years of service is as shown:

Benefits Per Years of Service	
Term of Service	% of Final Average
20+ Years	2.0%
10-19 Years	1.5%
5-9 Years	1.0%

Table 36 LEOFF Benefits Per Years of Service

The final average salary is based on salary received during the last two years of service. Substantial disability and death benefits are provided by the Plan. Retirement benefits are indexed to the Seattle area consumer price index.

Plan 2 participants are eligible to retire at the age of 50 with 20 years of service or at 53 with 5 years of service. Retirement benefits prior to age 53 are actuarially reduced. The benefit is two percent of average salary per year of service. The average salary is based on the highest five-year period. Retirement benefits are indexed to the consumer price index with a cap of three percent annually. Death and disability benefits are also provided. These benefit provisions were established under the authority of legislative statute.

Employer and employee contribution rates for Plan 2 are developed by the Office of State Actuary to fully fund the system. Plan 2 employers and employees are required to pay at the level established by the legislature.

Plan 1 employers and employees are required to contribute at a rate of six percent and the state is responsible for the balance of the funding. The methods used to determine the contribution requirements were established under the authority of legislative statute. During 2006 the City had no active LEOFF 1 employees.

The City’s total current-year payroll for all participating LEOFF employees was \$2.453 million. The City had no Plan 1 participants employed in 2006.

The City’s contribution rates expressed as a percentage-covered payroll for the year ended December 31, 2006, were:

	PLAN 2	
	Required	Actual
Employer	4.90%	4.64%
Employee	7.85%	7.41%
Total	12.75%	12.04%

Table 37 LEOFF Contribution Rates Expressed as a Percentage

The City's actuarially determined contribution requirement and actual contributions for the year ended December 31, 2006, were:

	<b>PLAN 2</b>	
	<b>Required</b>	<b>Actual</b>
Employer	\$ 120,215	\$ 113,788
Employee	192,589	181,714
<b>Total</b>	<b>\$ 312,803</b>	<b>\$ 295,502</b>

Table 38 LEOFF Actuarially-Determined Contributions

## **VOLUNTEER FIRE FIGHTERS' RELIEF AND PENSION FUND**

The Volunteer Firefighter's Relief and Pension Fund System is a cost-sharing, multiple-employer retirement system that was created by the legislature in 1945 under RCW Chapter 41.16. It provides pension, disability, and survivor benefits.

Membership in the system requires service with a fire department of an electing municipality of Washington State, except those covered by LEOFF. The system is funded through member contributions of \$30 per year, employee contributions of \$30 per year, and 40 percent of the Fire Insurance Premium Tax. Members do not earn interest on their contributions; however, they may elect to withdraw their contribution upon termination.



**NOTE 8: RISK MANAGEMENT**

The City of Issaquah is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 118 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and \$12 million per occurrence in the re-insured excess layer with no annual aggregate except \$10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$15 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

**NOTE 9: LONG-TERM DEBT**

The City's bonded long-term debt consists of General Obligation Bonds (voted-in), Limited General Obligation Bonds (non-voted), Revenue Bonds and Special Assessment Bonds. Other long-term debt obligations include Interlocal Agreements and Installment Contracts. NOTE: The following schedules are prepared on cash basis.

In December of 2006 the City Council approved the issuance and sale of 2006 Limited Tax General Obligation Bonds for \$6,250,000 per voter approval in November of 2006 to be used for park projects. Additionally, the Council approved the issuance and sale of \$3,485,000 for two refunding issues saving the City a projected \$451,814. The refunding consisted of \$1,670,000 of 2000 LTGO and \$1,710,000 of 1997 LTGO.

As of December 31, 2006, the City's Outstanding Long-Term Debt is as follows:

	Amount Authorized	Coupon Interest Rate %	Maturity Date	Amount Outstanding 12/31/2006
<b>GENERAL OBLIGATION BONDS</b>				
1998 REFUNDING BOND	\$ 2,235,000	4.24%	2008	\$ 515,000
2001 SENIOR CENTER CONSTRUCTION	1,500,000	4.42%	2021	1,235,000
2005 ITS & POLICE REFUNDING BOND	4,745,000	4.34%	2025	4,435,000
1995 COMMUNITY CENTER (lmtd.)	3,460,000	5.17%	2010	1,170,000
1997 PICKERING BARN (lmtd.) <sup>1</sup>	2,750,000	4.80%	2007	150,000
1999 POLICE STATION & JAIL (lmtd.)	7,950,000	4.86%	2019	6,010,000
2000 POLICE STATION & CAPITAL PROJECTS (lmt) <sup>2</sup>	2,660,000	4.17%	2011	555,000
2001 FIRE STATION/POLICE STATION/CIF (lmtd.)	10,100,000	4.38%	2021	8,315,000
2004 HIGHLAND PARK FACILITIES (lmtd.)	3,820,000	4.14%	2024	3,550,000
2006 REFUNDING BONDS (lmtd.) <sup>3</sup>	3,485,000	3.84%	2021	3,485,000
2006 PARKS BOND (lmtd.)	6,250,000	3.84%	2026	6,250,000
<b>TOTAL GENERAL OBLIGATION BONDS</b>	<b>\$ 48,955,000</b>			<b>\$ 35,670,000</b>
<b>REVENUE BONDS</b>				
2003 WATER REVENUE BONDS	2,205,000	3.50%	2013	1,605,000
1998 WATER REVENUE BONDS	750,000	5.38%	2017	515,000
2001 WATER REVENUE BONDS	9,200,000	4.85%	2021	7,580,000
1998 STORM WATER REVENUE BONDS	2,000,000	5.38%	2017	1,360,000
2001 STORM WATER REVENUE BONDS	1,600,000	5.25%	2021	1,320,000
<b>TOTAL REVENUE BONDS</b>	<b>\$ 15,755,000</b>			<b>\$ 12,380,000</b>
<b>SPECIAL ASSESSMENT</b>				
ULID #22	155,811	5.00%	2013	50,723
<b>TOTAL SPECIAL ASSESSMENT</b>	<b>\$ 155,811</b>			<b>\$ 50,723</b>
<b>INTERLOCAL AGREEMENT</b>				
KC NORTH SPAR INTERLOCAL AGREEMENT	7,000,000	0.00%	2023	5,600,000
<b>TOTAL INTERLOCAL AGREEMENT</b>	<b>\$ 7,000,000</b>			<b>\$ 5,600,000</b>
<b>INSTALLMENT CONTRACTS</b>				
PW TRUST FUND - NEWPORT WAY BRIDGE	1,143,103	1.00%	2018	735,497
<b>TOTAL INSTALLMENT CONTRACTS</b>	<b>\$ 1,143,103</b>			<b>\$ 735,497</b>
<b>COMPENSATED ABSENCES PAYABLE</b>				<b>\$ 2,031,195</b>
<b>TOTAL OUTSTANDING LONG-TERM DEBT</b>				<b>\$ 56,467,415</b>

Table 39 Total Outstanding Long-Term Debt

<sup>1</sup> \$150,000 Unrefunded Portion Remaining 12/31/2006 & \$1,710,000 refund included in 2006 Refunding LTGO with total debt of \$3,485,000

<sup>2</sup> \$555,000 Unrefunded Portion Remaining 12/31/2006 & \$1,670,000 refund included in 2006 Refunding LTGO with total debt of \$3,485,000

<sup>3</sup> \$3,485,000 Refunding LTGO referred to above

## GENERAL OBLIGATION BONDS

General Obligation Bonds outstanding at December 31, 2006, totaled \$35,670,000. Debt service is paid from the General Obligation Debt Service Fund with special property tax levies for the voter-approved bond issues.

Debt Service for City Council-authorized issues is funded from other City taxes. Before 1981, the City's bond issues were not rated. Bonds issued subsequent to 1981 carry a Moody's A-1 rating until November of 2006 when the City changed to Standard and Poor's and received a AA rating on both unlimited and limited General Obligation Bonds.

General Obligation Bond outstanding as of December 31, 2006 are as follows:

<b>Purpose</b>	<b>Interest Rate</b>	<b>Amount Outstanding</b>
1998 REFUNDING BOND	4.24%	\$ 515,000
2001 SENIOR CENTER CONSTRUCTION	4.42%	1,235,000
2005 ITS & POLICE REFUNDING BOND	4.34%	4,435,000
1995 COMMUNITY CENTER (lmtd.)	5.17%	1,170,000
1997 PICKERING BARN (lmtd.)	4.80%	150,000
1999 POLICE STATION & JAIL (lmtd.)	4.86%	6,010,000
2000 POLICE STATION & CAPITAL PROJECTS (lmtd.)	4.17%	555,000
2001 FIRE STATION/POLICE STATION/CIF (lmtd.)	4.38%	8,315,000
2004 HIGHLAND PARK FACILITIES (lmtd.)	4.14%	3,550,000
2006 REFUNDING BONDS (lmtd.)	3.84%	3,485,000
2006 PARKS BOND (lmtd.)	3.84%	6,250,000
<b>Total outstanding General Obligation Bonds</b>		<b>\$ 35,670,000</b>

The annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year Ending</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
<b>December 31</b>		
2007	\$ 2,245,000	\$ 1,569,862
2008	2,335,000	1,502,123
2009	2,155,000	1,399,651
2010	2,245,000	1,303,999
2011	2,025,000	1,202,226
2012-2016	11,215,000	4,543,253
2017-2021	10,165,000	1,943,987
2022-2026	3,285,000	365,871
<b>Total</b>	<b>\$ 35,670,000</b>	<b>\$ 13,830,971</b>

Table 40 Outstanding General Obligation Bonds

## REVENUE BONDS

Revenue Bonds are payable from pledged revenues generated by the respective Enterprise Funds. The City's revenue bonds are rated A3.

As of December 31, 2006, the Water Fund's outstanding bond totaled \$9,700,000. The Stormwater Fund outstanding bond total is \$2,685,000.

Revenue Bonds outstanding as of December 31, 2006 are as follows:

Purpose	Interest Rate	Amount Outstanding
<b>Water Revenue Bonds</b>		
2003 Water Refunding	3.50%	\$ 1,605,000
1998 Water	5.38%	515,000
2001 Water	4.85%	7,580,000
<b>Total Outstanding Water Revenue Bonds</b>		<b>\$ 9,700,000</b>
<b>Storm Water Revenue Bonds</b>		
1998 Storm Water	5.38%	\$ 1,360,000
2001 Storm Water	5.25%	1,320,000
<b>Total Outstanding Storm Water Revenue Bonds</b>		<b>\$ 2,680,000</b>
<b>Total Outstanding Revenue Bonds</b>		<b>\$ 12,380,000</b>

The annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31	Business - Type Activities	
	Principal	Interest
2007	\$ 765,000	\$ 587,775
2008	800,000	559,245
2009	820,000	526,940
2010	855,000	493,629
2011	905,000	455,819
2012-2016	4,315,000	1,652,509
2017-2021	3,920,000	599,085
<b>Total</b>	<b>\$ 12,380,000</b>	<b>\$ 4,875,002</b>

Table 41 Outstanding Revenue Bonds

**SPECIAL ASSESSMENT BONDS**

LID Special Assessment Bonds were transferred in 1987 to a debt service fund. LID Bonds are not a direct responsibility of the City, but are paid through the collection of assessments levied against property owners. The assessments are liens against the property and are subject to foreclosure.

ULID #22 was issued October 2003 and is paid through the collection of assessments levied against the NW Goode Place property owners. At December 31, 2006, outstanding assessments totaled \$50,723 and are as follows:

Purpose		Interest Rate	Amount Outstanding
ULID #22	ULID #22	5.00%	\$ 50,723
<b>Total outstanding Special Assessment Bonds</b>			<b>\$ 50,723</b>

The annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2007	\$ 15,581	\$ 2,536
2008	15,581	1,757
2009	15,581	978
2010	3,980	199
<b>Total</b>	<b>\$ 50,723</b>	<b>\$ 5,470</b>

Table 42 Outstanding Special Assessment Bonds

**INTERLOCAL AGREEMENTS**

During 2002 the City entered into an Interlocal Agreement with King County for funds for the North Spar. No interest accrues and the outstanding amount at December 31, 2006 was \$5,600,000. The liability is reported in the Street Fund and the City pays King County \$350,000 per year.

Interlocal Agreements outstanding as of December 31, 2006 are as follows:

Purpose	Interest Rate	Amount Outstanding
P.W. Trust Fund Loan/Newport	1.00%	\$ 735,497
<b>Total Outstanding Installment Contracts</b>		<b>\$ 735,497</b>

Table 43 Interlocal Agreements

### CHANGES IN LONG-TERM LIABILITIES

The following is a summary of all long-term debt transactions for the year ended December 31, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 31,245,000	\$ 9,735,000	\$ 5,310,000	\$ 35,670,000	\$ 2,245,000
Interlocal Agreements	5,950,000		350,000	5,600,000	350,000
Compensated Absences-Gov	1,497,746	1,237,456	1,120,566	1,614,636	
Compensated Absences-ISF	253,478	219,465	184,265	288,678	
Long-Term Liabilities	<b>\$ 38,946,224</b>	<b>\$ 11,191,921</b>	<b>\$ 6,964,831</b>	<b>\$ 43,173,314</b>	<b>\$ 2,595,000</b>
<b>Business-type Activities:</b>					
Revenue Bonds	\$ 13,115,000		\$ 735,000	\$ 12,380,000	\$ 765,000
Special Assessments	103,110		52,387	50,723	15,581
Installment Contracts	796,789		61,292	735,497	61,292
Compensated Absences-Bus	128,249	135,206	135,574	127,881	
Long-Term Liabilities	<b>\$ 14,143,148</b>	<b>\$ 135,206</b>	<b>\$ 984,253</b>	<b>\$ 13,294,101</b>	<b>\$ 841,873</b>
<b>Total Long-Term Liabilities Activity</b>	<b>\$ 53,089,372</b>	<b>\$ 11,327,127</b>	<b>\$ 7,949,084</b>	<b>\$ 56,467,415</b>	<b>\$ 3,436,873</b>

Table 44 Changes in Long-Term Debt (Detail)

ITEM	G.O. BONDS	REVENUE BONDS	SPECIAL ASSESSMENTS	PUBLIC WORKS TRUST FUND LOANS			TOTAL
				(INSTALLMENT CONTRACTS)	INTERLOCAL AGREEMENTS	COMPENSATED ABSENCES	
<b>Payable</b>							
01/01/06	\$ 31,245,000	\$ 13,115,000	\$ 103,110	\$ 796,789	\$ 5,950,000	\$ 1,879,473	\$ 53,089,372
<b>Added</b>							
	9,735,000	-				1,592,127	11,327,127
<b>Retired</b>							
	(5,310,000)	(735,000)	(52,387)	(61,292)	(350,000)	(1,440,405)	(7,949,084)
<b>Payable</b>							
12/31/06	<b>\$ 35,670,000</b>	<b>\$ 12,380,000</b>	<b>\$ 50,723</b>	<b>\$ 735,497</b>	<b>\$ 5,600,000</b>	<b>\$ 2,031,195</b>	<b>\$ 56,467,415</b>

Table 45 Changes in Long-Term Debt (Summary)

### SHORT-TERM LIABILITIES

The City had no short-term liabilities at December 31, 2006.

***NOTE 10: CLAIMS, CONTINGENCIES, AND LITIGATION***

As of December 31, 2006, there were several damage claims and lawsuits pending against the City. It is the opinion of management and the City Attorney that the disposition of these claims is not presently expected to have a material adverse effect on the City's financial statements.

**NOTE 11: INTERFUND TRANSACTIONS**

**INTERFUND LOANS**

Amount of Loan	Purpose	From	To	Term
\$2,000,000	Acquisition of Right-of-Way Property for I-90 Undercrossing Project	Equipment Rental Fund	Street Improvement Fund	Due 12/31/2008

Table 46 Interfund Loan Schedule

**INTERFUND TRANSFERS**

Transfers are legally authorized transfers of resources from funds receiving the resources to the funds through which the resources are to be expended. Such transfers are classified as “Other Financing Sources or Uses.”

The following transfers were recorded in 2006:

Fund	Transfers In	Transfers Out
General	\$ 119,000	\$ 3,953,103
Street	1,950,000	30,750
Cemetery		25,000
Municipal Art	9,307	14,000
Resource Conservation	239,402	
Communications		80,000
Limited Debt Service	2,455,690	163,021
LID Guarantee	163,022	
Capital Improvement	1,934,103	2,652,611
Mitigation		735,389
Street Improvement	463,353	6,287
ITS		
Water	2,424,004	2,465,431
Sewer	540,000	540,000
Storm Water	630,920	592,209
Unemployment Insurance	24,000	
Equipment Rental	305,000	
<b>Total</b>	<b>\$ 11,257,802</b>	<b>\$ 11,257,802</b>

Table 47 Interfund Transactions



**NOTE 12: SIGNIFICANT CONSTRUCTION COMMITMENTS****SIGNIFICANT CONSTRUCTION COMMITMENTS**

At December 31, 2006 the City had the following significant contractual obligations on construction projects:

<b>Contracting Entity</b>	<b>Project Name</b>	<b>12/31/2006</b>
Transpo Group, Inc., The	Centralized ITS	\$ 129,003
Signal Electric	ITS Traffic Signal System	643,845
	<b>Total Significant Contracts</b>	<b>\$ 772,848</b>

Table 48 Significant Construction Commitments

***NOTE 13: RECLASSIFICATIONS, RESTATEMENTS, PRIOR-PERIOD ADJUSTMENTS, AND CHANGES IN ACCOUNTING PRINCIPLES***

**RECLASSIFICATIONS, RESTATEMENTS, PRIOR-PERIOD ADJUSTMENTS, AND CHANGES IN ACCOUNTING PRINCIPLES**

Under governmental activities, the City made prior-period adjustments in the Governmental Fund Statements reporting bond premiums, discounts, and unamortized cost assets and liabilities in Government Wide Statements only; requiring no change in the Governmental Wide Statements. In the Business-type Activities there were two changes. The first, a reallocation of revenue resulted from customer's payments reallocated between Enterprise Funds. The second resulted from a change in the City's accounting software related to depreciation of Capital Assets in the Enterprise Funds.

In October of 2006, the City partnered with the Washington State Department of Licensing Master License Program to transfer the responsibility for issuance and renewal of City of Issaquah business licenses to the State. The City Building Department retains responsibility to pursue businesses who do not renew their City licenses on or before the renewal date. The State transfers license activity (new businesses, renewals, address changes and closures) to the City of Issaquah Finance Department for collection of Business and Occupation Taxes.

***NOTE 14: SUBSEQUENT EVENTS*****SUBSEQUENT EVENTS**

In January of 2007, the City issued \$5,100,000 Limited Tax General Obligation (LTGO) Refunding Bonds replacing all but \$725,000 of 1999 LTGO Bonds.



## **NON-MAJOR GOVERNMENTAL FUNDS**

**Descriptions of the non-major **Special Revenue funds** included in the City's Comprehensive Annual Financial Report are provided below:**

### **ARTERIAL STREET FUND**

This fund accounts for the construction and improvement of arterial streets from earmarked fuel taxes and other miscellaneous income, primarily grants.

### **CEMETERY FUND**

This fund accounts for the care, improvement and use of the cemetery property.

### **MUNICIPAL ART FUND**

This fund was established to account for the revenue and expenditures for the fine and performing arts.

### **RESOURCE CONSERVATION FUND**

This fund was developed to account for the recycling program and make sure the program generates enough fees and grants to cover the expenditures.

### **COMMUNICATIONS FUND**

This fund was set up to separately account for transactions associated with the City's government communications channel, Cable TV franchise-related activities, and the Cable TV commission.

### **LODGING TAX FUND**

This fund was created in 1999 to account for transactions associated with the City's share of the hotel/motel tax. The City of Issaquah's 1% tax is currently collected by two motels and one bed and breakfast inn. Per State law, proceeds from this tax can only be used to pay all or any part of the cost of tourism promotion, acquisition of tourism-related facilities, or the operation of tourism-related facilities.

### **KEROLA TRUST FUND**

This fund was created in 1997 to account for funds received from the Kerola family to make park improvements at Tibbetts Valley Park. Kerola Trust Fund closed in 2006.

### **ROWLEY TRUST FUND**

This fund was created in 1998 to make improvements at the Issaquah Community Center. Rowley Trust Fund closed in 2006.

**Descriptions of the non-major **Debt Service funds** included in the City's Comprehensive Annual Financial Report are provided below:**

### **UNLIMITED DEBT SERVICE FUND**

This fund provides payment on both Councilmanic and voted bond issues. The voter-approved general obligation bonds are supported by special levies.

### **LIMITED DEBT SERVICE FUND**

This fund provides payment on non-voted bonds

### **L.I.D. DEBT SERVICE FUND**

This fund receives assessment payments to redeem outstanding Local Improvement District (L.I.D.) bonds.

### **L.I.D. GUARANTY FUND**

This fund was established to guarantee the payment of L.I.D. bonds, notes, and warrants. The money comes from completed L.I.D. bond funds, and excess general property tax levies.

### **ARBITRAGE REBATE FUND**

This fund was established to build up reserves to rebate the United States Internal Revenue Service for interest earned in excess of the maximum yield rate set for each bond issue.

**Descriptions of the non-major Capital Improvements funds included in the City's Comprehensive Annual Financial Report are provided below:**

**MITIGATION FUND**

This fund accounts for revenue received from outside sources (e.g., developers for the express purpose of expending on a specific capital item/project in the Police, Fire Control, Parks, and General Services Area).

**NEWPORT WAY CONSTRUCTION FUND**

This fund was created in 2001 to account for Street Impact Fees and Bond Proceeds used for the purpose of improving Newport Way between Maple Street and West Sunset Way. Improvements include: reconstructing two travel lanes with a center turn lane, a sidewalk on one side with a multi-use trail on the other side, a pedestrian signal, landscaping, lighting, and stormwater facilities for water drainage.

**CENTRALIZED ITS TRAFFIC SIGNAL SYSTEM CONSTRUCTION FUND**

This fund was established in 2005 to account for voted-in bond proceeds issued to cover costs associated with phased implementation of state of the art centralized traffic signal system.

**FIRE STATION FUND**

This fund was established in 2001 to account for bond proceeds issued to cover costs associated with construction of Fire Station #73 in the Issaquah Highlands and acquisition of a Medical Aid car.

**HIGHLANDS PARK FACILITIES FUND**

This fund was established in 2002 to account for bond proceeds issued to cover costs associated with constructing park facilities including Tot Lots, Ballfields, Tennis Courts, Picnic Areas, Basketball Courts, and Soccer Fields in the Issaquah Highlands.

**2006 PARK BOND FUND**

This fund was established in 2006 to account for voter-approved bond proceeds issued to cover costs associated with: (a) acquiring and developing neighborhood and community parks; (b) constructing and improving hiking, biking and walking trails; (c) undertaking additional capital projects to protect water quality in local creeks and streams and to preserve and protect natural areas, open space and wildlife habitat; and (d) bond issuance costs.

**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 Page 1 of 5

	<b>Special Revenue Funds</b>			
	<b>Arterial</b>			
	<b>Street</b>	<b>Cemetery</b>	<b>Municipal Art</b>	<b>RCO</b>
<b>ASSETS</b>				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 440,028	\$ 252,795	\$ 198,966	\$ 379,357
Investments				
Receivables (net)			36,834	89,661
Interest Receivable				
Due from other governments				
<b>Total assets</b>	<b>\$ 440,028</b>	<b>\$ 252,795</b>	<b>\$ 235,800</b>	<b>\$ 469,018</b>
<b>LIABILITIES</b>				
<i>Current Liabilities:</i>				
Accounts payable and accrued exp.		26		36,827
Matured bond				
Accrued interest payable				
Due to other funds				
Other noncurrent liabilities				
<b>Total liabilities</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>36,827</b>
<b>NET ASSETS</b>				
Debt Service				
Special revenue funds	440,028	252,769	235,800	432,191
Capital project funds				
<b>Total fund balance</b>	<b>440,028</b>	<b>252,769</b>	<b>235,800</b>	<b>432,191</b>
<b>Total liabilities and fund balance</b>	<b>\$ 440,028</b>	<b>\$ 252,795</b>	<b>\$ 235,800</b>	<b>\$ 469,018</b>

Table 49 Non-major Governmental Funds - Combining Balance Sheet, Page 1

**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 Page 2 of 5

	<b>Special Revenue Funds</b>				<b>Total Special Revenue Funds</b>
	<b>Commun- ications</b>	<b>Lodging</b>	<b>Kerola Trust</b>	<b>Rowley Trust</b>	
<b>ASSETS</b>					
<i>Current Assets:</i>					
Cash & cash equivalents	\$ 143,301	\$ 9,592	\$ -	\$ -	\$ 1,424,039
Investments					-
Receivables (net)		7,424			133,919
Interest Receivable					-
Due from other governments					-
<b>Total assets</b>	<b>\$ 143,301</b>	<b>\$ 17,016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,557,958</b>
<b>LIABILITIES</b>					
<i>Current Liabilities:</i>					
Accounts payable and accrued exp.	627				37,480
Matured bond					-
Accrued interest payable					-
Due to other funds					-
Other noncurrent liabilities					-
<b>Total liabilities</b>	<b>627</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,480</b>
<b>NET ASSETS</b>					
General Fund					
Special revenue funds	142,674	17,016		-	1,520,478
Capital project funds					-
<b>Total fund balance</b>	<b>142,674</b>	<b>17,016</b>	<b>-</b>	<b>-</b>	<b>1,520,478</b>
<b>Total liabilities and fund balance</b>	<b>\$ 143,301</b>	<b>\$ 17,016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,557,958</b>

Table 50 Non-Major Governmental Funds Combining Balance Sheet, Page 2



**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 Page 3 of 5

	Debt Service Funds					
	Unlimited Debt Service	Limited Debt Service	LID Debt Service	LID Guaranty	Arbitrage Rebate	Total Debt Service Funds
<b>ASSETS</b>						
<i>Current Assets:</i>						
Cash & cash equivalents	\$ 280,648	\$ 68,946	\$ -	\$ 932,602	\$ 3,051	\$ 1,285,247
Investments						-
Receivables (net)	23,079					23,079
Interest Receivable						-
Other noncurrent assets		98,969				98,969
<b>Total assets</b>	<b>\$ 303,727</b>	<b>\$ 167,915</b>	<b>\$ -</b>	<b>\$ 932,602</b>	<b>\$ 3,051</b>	<b>\$ 1,407,295</b>
<b>LIABILITIES</b>						
<i>Current Liabilities:</i>						
Matured bond	70,417	116,667				187,084
Accrued interest payable	42,726	54,147				96,873
Due to other funds						-
Deferred revenue	19,166					19,166
Other noncurrent liabilities	85,075					85,075
<b>Total liabilities</b>	<b>217,384</b>	<b>170,814</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>388,198</b>
<b>NET ASSETS</b>						
Debt Service	86,343	(2,899)	-	932,602	3,051	1,019,097
Special revenue funds						-
Capital project funds						-
<b>Total fund balance</b>	<b>86,343</b>	<b>(2,899)</b>	<b>-</b>	<b>932,602</b>	<b>3,051</b>	<b>1,019,097</b>
<b>Total liabilities and fund balance</b>	<b>\$ 303,727</b>	<b>\$ 167,915</b>	<b>\$ -</b>	<b>\$ 932,602</b>	<b>\$ 3,051</b>	<b>\$ 1,407,295</b>

Table 51 Non-major Governmental Funds - Combining Balance Sheet, Page 3

**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 Page 4 of 5

	<u>Capital Improvement Funds</u>		
		Newport Way	Centralized ITS
	<u>Mitigation</u>	<u>Const.</u>	<u>Traffic Signal System</u>
<b>ASSETS</b>			
<i>Current Assets:</i>			
Cash & cash equivalents	\$ 3,652,031	\$ 392,150	\$ 80,542
Investments			
Receivables (net)			
Interest Receivable			
Due from other governments			855,030
<b>Total assets</b>	<u>\$ 3,652,031</u>	<u>\$ 392,150</u>	<u>\$ 935,572</u>
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts payable and accrued exp.			15,735
Matured bond			
Accrued interest payable			
Due to other funds			
Deferred revenue			
Other noncurrent liabilities			
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>15,735</u>
<b>NET ASSETS</b>			
Debt Service			
Special revenue funds			
Capital project funds	3,652,031	392,150	919,837
<b>Total fund balance</b>	<u>3,652,031</u>	<u>392,150</u>	<u>919,837</u>
<b>Total liabilities and fund balance</b>	<u>\$ 3,652,031</u>	<u>\$ 392,150</u>	<u>\$ 935,572</u>

Table 52 Non-Major Governmental Funds Combining Balance Sheet, Page 4

**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 Page 5 of 5

	<b>Capital Improvement Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Fire Station</b>	<b>Highland Park Facilities</b>	<b>Total Capital Improvement Funds</b>	
<b>ASSETS</b>				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 73,754	\$ 110,096	\$ 4,308,573	\$ 7,017,859
Investments			-	-
Receivables (net)			-	156,998
Interest Receivable			-	-
Other noncurrent assets			-	98,969
Due from other governments			855,030	855,030
<b>Total assets</b>	<b>\$ 73,754</b>	<b>\$ 110,096</b>	<b>\$ 5,163,603</b>	<b>\$ 8,128,856</b>
<b>LIABILITIES</b>				
<i>Current Liabilities:</i>				
Accounts payable and accrued exp.			15,735	53,215
Matured bond			-	187,084
Accrued interest payable			-	96,873
Due to other funds				-
Deferred revenue				19,166
Other noncurrent liabilities			-	85,075
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>15,735</b>	<b>441,413</b>
<b>NET ASSETS</b>				
Debt Service			-	1,019,097
Special revenue funds			-	1,520,478
Capital project funds	73,754	110,096	5,147,868	5,147,868
<b>Total fund balance</b>	<b>73,754</b>	<b>110,096</b>	<b>5,147,868</b>	<b>7,687,443</b>
<b>Total liabilities and fund balance</b>	<b>\$ 73,754</b>	<b>\$ 110,096</b>	<b>\$ 5,163,603</b>	<b>\$ 8,128,856</b>

Table 53 Non-major Governmental Funds - Combining Balance Sheet, Page 5

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

Page 1 of 5

	Special Revenue Funds			
	Arterial Streets	Cemetery	Municipal Art	Resource Conservation
<b>REVENUES</b>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
B&O			147,816	2,395
Other				
Licenses and Permits				
Intergovernmental				121,793
Charges for Services		40,775		215,213
Investment Earnings		12,265	9,768	19,164
Contributions and Donations				
Miscellaneous Revenues				125
<b>Total Revenues</b>	<b>-</b>	<b>53,040</b>	<b>157,584</b>	<b>358,690</b>
<b>EXPENDITURES</b>				
General Government				
Public Safety				
Physical Environment		28,834		512,782
Culture & Recreation			115,388	
<i>Debt Service:</i>				
Principal				
Interest				
<i>Capital Outlay:</i>				
General Government				
Public Safety				
Physical Environment				
Culture & Recreation			32,670	
<b>Total Expenditures</b>	<b>-</b>	<b>28,834</b>	<b>148,058</b>	<b>512,782</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>24,206</b>	<b>9,526</b>	<b>(154,092)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			9,307	239,402
(Transfers out)		(25,000)	(14,000)	
Bond Proceeds				
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(25,000)</b>	<b>(4,693)</b>	<b>239,402</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(794)</b>	<b>4,833</b>	<b>85,310</b>
<b>Fund Balance - Beginning</b>	<b>440,028</b>	<b>253,563</b>	<b>230,967</b>	<b>346,881</b>
<b>Fund Balance - Ending</b>	<b>\$ 440,028</b>	<b>\$ 252,769</b>	<b>\$ 235,800</b>	<b>\$ 432,191</b>

Table 54 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures &amp; Changes in Fund Balance, Page 1

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Page 2 of 5

	Special Revenue Funds				
	Commun- ications	Lodging Tax	Kerola Expendable Trust	Rowley Expendable Trust	Total Special Revenue Funds
<b>REVENUES</b>					
<i>Taxes:</i>					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
B&O					150,211
Other		51,007			51,007
Licenses and Permits	183,419				183,419
Intergovernmental					121,793
Charges for Services					255,988
Investment Earnings	554				41,751
Contributions and Donations					-
Miscellaneous Revenues					125
<b>Total Revenues</b>	<b>183,973</b>	<b>51,007</b>	<b>-</b>	<b>-</b>	<b>804,294</b>
<b>EXPENDITURES</b>					
General Government		58,120			58,120
Public Safety	125,858				125,858
Physical Environment					541,616
Culture & Recreation			272	1,153	116,813
<i>Debt Service:</i>					
Principal					-
Interest					-
<i>Capital Outlay:</i>					
General Government					-
Public Safety					
Physical Environment					
Culture & Recreation					32,670
<b>Total Expenditures</b>	<b>125,858</b>	<b>58,120</b>	<b>272</b>	<b>1,153</b>	<b>875,077</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>58,115</b>	<b>(7,113)</b>	<b>(272)</b>	<b>(1,153)</b>	<b>(70,783)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					248,709
(Transfers out)	(80,000)				(119,000)
Bond Proceeds					
<b>Total Other Financing Sources (Uses)</b>	<b>(80,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129,709</b>
<b>Net Change in Fund Balances</b>	<b>(21,885)</b>	<b>(7,113)</b>	<b>(272)</b>	<b>(1,153)</b>	<b>58,926</b>
<b>Fund Balance - Beginning</b>	<b>164,559</b>	<b>24,129</b>	<b>272</b>	<b>1,153</b>	<b>1,461,552</b>
<b>Fund Balance - Ending</b>	<b>\$ 142,674</b>	<b>\$ 17,016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,520,478</b>

Table 55 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures &amp; Changes in Fund Balance, Page 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2006

Page 3 of 5

	<b>Debt Service Funds</b>					
	<b>Debt Service</b>	<b>Limited Debt Service</b>	<b>LID Debt Service</b>	<b>LID Guarantee</b>	<b>Arbitrage Rebate</b>	<b>Total Debt Service Funds</b>
<b>REVENUES</b>						
<i>Taxes:</i>						
Property	\$ 889,436	\$ -	\$ -	\$ -	\$ -	\$ 889,436
Intergovernmental						-
Investment Earnings	21,896	1,226	9,743		3,051	35,916
Miscellaneous Revenues	7,860		153,279			161,139
<b>Total Revenues</b>	<b>919,192</b>	<b>1,226</b>	<b>163,022</b>	<b>-</b>	<b>3,051</b>	<b>1,086,491</b>
<b>EXPENDITURES</b>						
<i>Debt Service:</i>						
Principal	629,584	1,331,250				1,960,834
Interest	310,910	1,130,385				1,441,295
Bond Issue Costs and Amortization		65,792				65,792
Interest and Costs for Refinance		48,530				48,530
<b>Total Expenditures</b>	<b>940,494</b>	<b>2,575,957</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,516,451</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(21,302)</b>	<b>(2,574,731)</b>	<b>163,022</b>	<b>-</b>	<b>3,051</b>	<b>(2,429,960)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in		2,455,691		163,022		2,618,713
(Transfers out)			(163,022)			(163,022)
Payments- Refunded Bond Escrow		(3,380,000)				(3,380,000)
Bond Proceeds		3,485,000				3,485,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>2,560,691</b>	<b>(163,022)</b>	<b>163,022</b>	<b>-</b>	<b>2,560,691</b>
<b>Net Change in Fund Balances</b>	<b>(21,302)</b>	<b>(14,040)</b>	<b>-</b>	<b>163,022</b>	<b>3,051</b>	<b>130,731</b>
<b>Fund Balance - Beginning</b>	<b>107,645</b>	<b>11,141</b>	<b>-</b>	<b>769,580</b>	<b>-</b>	<b>888,366</b>
<b>Fund Balance - Ending</b>	<b>\$ 86,343</b>	<b>\$ (2,899)</b>	<b>\$ -</b>	<b>\$ 932,602</b>	<b>\$ 3,051</b>	<b>\$ 1,019,097</b>

Table 56 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures &amp; Changes in Fund Balance, Page 3

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

Page 4 of 5

	<b>Capital Improvement Funds</b>		
	<b>Mitigation</b>	<b>Newport Way Const.</b>	<b>Centralized ITS Traffic Signal System</b>
<b>REVENUES</b>			
<i>Taxes:</i>			
Property	\$ -	\$ -	\$ -
B&O			
Other			
Licenses and Permits			
Intergovernmental			855,030
Charges for Services	581,157		
Investment Earnings	171,505		28,534
Contributions and Donations	13,220		
Miscellaneous Revenues			
<b>Total Revenues</b>	<b>765,882</b>	<b>-</b>	<b>883,564</b>
<b>EXPENDITURES</b>			
General Government	2,806		
Public Safety	3,750		
Physical Environment			
Transportation			15,735
Culture & Recreation	3,642		
<i>Debt Service:</i>			
Principal			
Interest			
Interest and Bond Issue Costs			
Interest and Costs for Refinance			
<i>Capital Outlay:</i>			
General Government	20,000		
Public Safety	36,746		
Transportation			1,096,279
Culture & Recreation	219,928		
<b>Total Expenditures</b>	<b>286,872</b>	<b>-</b>	<b>1,112,014</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>479,010</b>	<b>-</b>	<b>(228,450)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			
(Transfers out)	(735,389)		
Payments to Refunded Bond Escrow			
Debt Proceeds			
<b>Total Other Financing Sources (Uses)</b>	<b>(735,389)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(256,379)</b>	<b>-</b>	<b>(228,450)</b>
<b>Fund Balance - Beginning</b>	<b>3,908,410</b>	<b>392,150</b>	<b>1,148,287</b>
<b>Fund Balance - Ending</b>	<b>\$ 3,652,031</b>	<b>\$ 392,150</b>	<b>\$ 919,837</b>

Table 57 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures &amp; Changes in Fund Balance, Page 4

The notes to the financial statements are an integral part of this statement

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****NON-MAJOR GOVERNMENTAL FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2006  
PAGE 5 OF 5

	Capital Improvement Funds			Total Nonmajor Governmental Funds
	Fire Station	Highland Park Facilities	Total Nonmajor Capital Improvement Funds	
<b>REVENUES</b>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ 889,436
B&O				150,211
Other				51,007
Licenses and Permits				183,419
Intergovernmental			855,030	976,823
Charges for Services			581,157	837,145
Investment Earnings		11,011	211,050	288,717
Contributions and Donations		18,223	31,443	31,443
Miscellaneous Revenues				161,264
<b>Total Revenues</b>	<b>-</b>	<b>29,234</b>	<b>1,678,680</b>	<b>3,569,465</b>
<b>EXPENDITURES</b>				
General Government			2,806	60,926
Public Safety			3,750	129,608
Physical Environment				541,616
Transportation			15,735	15,735
Culture & Recreation			3,642	120,455
<i>Debt Service:</i>				
Principal				1,960,834
Interest				1,441,295
Interest and Bond Issue Costs				65,792
Interest and Costs for Refinance				48,530
<i>Capital Outlay:</i>				
General Government			20,000	20,000
Public Safety			36,746	36,746
Transportation			1,096,279	1,096,279
Culture & Recreation		302,217	522,145	554,815
<b>Total Expenditures</b>	<b>-</b>	<b>302,217</b>	<b>1,701,103</b>	<b>6,092,631</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>(272,983)</b>	<b>(22,423)</b>	<b>(2,523,166)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				2,867,422
(Transfers out)			(735,389)	(1,017,411)
Payments to Refunded Bond Escrow				(3,380,000)
Bond Proceeds				3,485,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(735,389)</b>	<b>1,955,011</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(272,983)</b>	<b>(757,812)</b>	<b>(568,155)</b>
<b>Fund Balance - Beginning</b>	<b>73,754</b>	<b>383,079</b>	<b>5,905,680</b>	<b>8,255,598</b>
<b>Fund Balance - Ending</b>	<b>\$ 73,754</b>	<b>\$ 110,096</b>	<b>\$ 5,147,868</b>	<b>\$ 7,687,443</b>

Table 58 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures &amp; Changes in Fund Balance, Page 5



**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
ARTERIAL STREET FUND<sup>1</sup>**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual on Budgetary Basis	Budget to GAAP Differences Over(Under)	Actual GAAP Basis
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL REVENUES</b>	-	-	-	-	-
<b>EXPENDITURES</b>					
<i>Debt Service</i>	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess(deficiency) of revenues over (under) expenditures	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund Balances-beginning	434,994	434,994	440,028	-	440,028
Fund balances-ending	\$ 434,994	\$ 434,994	\$ 440,028	\$ -	\$ 440,028

Table 59 Arterial Street Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Note: Budget is Cash Basis

<sup>1</sup> The Arterial Street Fund was established to account for construction and improvements to arterial streets. A portion of the motor vehicle fuel tax had been dedicated to the Arterial Street Fund. As of 2006, as allowed by State law, all of the motor vehicle fuel tax distributed to the City will be accounted for in the Street Fund.

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
CEMETERY FUND**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual on Budgetary Basis	Budget to GAAP Differences Over(Under)	Actual GAAP Basis
<b>REVENUES</b>					
Charges for Services	\$ 36,000	\$ 36,000	\$ 40,775	\$ -	\$ 40,775
Investment Income	3,000	3,000	12,265	-	12,265
<b>TOTAL REVENUES</b>	<b>39,000</b>	<b>39,000</b>	<b>53,040</b>	<b>-</b>	<b>53,040</b>
<b>EXPENDITURES</b>					
Utilities and environment	35,200	35,200	29,088	(254)	28,834
Total Expenditures	35,200	35,200	29,088	(254)	28,834
Excess(deficiency) of revenues over (under) expenditures	3,800	3,800	23,952	254	24,206
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	(25,000)	(25,000)	(25,000)	-	(25,000)
Total Other financing sources and uses	(25,000)	(25,000)	(25,000)	-	(25,000)
Net change in fund balance	(21,200)	(21,200)	(1,048)	254	(794)
Fund Balances-beginning	260,924	260,924	253,843	(280)	253,563
Fund balances-ending	\$ 239,724	\$ 239,724	\$ 252,795	\$ (26)	\$ 252,769

Table 60 Cemetery Fund Schedule Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget & Actual

Note: Budget is Cash Basis

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
MUNICIPAL ART FUND**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual on Budgetary Basis	Budget to GAAP Differences Over(Under)	Actual GAAP Basis
<b>REVENUES</b>					
<i>Taxes:</i>					
Business Taxes	\$157,000	\$ 157,000	\$ 157,536	\$ (9,720)	\$ 147,816
Contributions and Donations	5,085	5,085	5,085	(5,085)	
Investment Income	2,000	2,000	9,768	-	9,768
<b>TOTAL REVENUES</b>	<b>164,085</b>	<b>164,085</b>	<b>172,389</b>	<b>(14,805)</b>	<b>157,584</b>
<b>EXPENDITURES</b>					
Culture and Recreation	187,185	187,185	169,277	(53,889)	115,388
<i>Capital outlay:</i>					
Culture and Recreation		-	-	32,670	32,670
Total Expenditures	187,185	187,185	169,277	(21,219)	148,058
Excess(deficiency) of revenues over (under) expenditures	(23,100)	(23,100)	3,112	6,414	9,526
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In			9,307	-	9,307
Transfers Out			(14,000)	-	(14,000)
Total Other financing sources and uses	-	-	(4,693)	-	(4,693)
Net change in fund balances	(23,100)	(23,100)	(1,581)	6,414	4,833
Fund Balances-beginning	187,369	187,369	200,546	30,421	230,967
Fund balances-ending	<b>\$ 164,269</b>	<b>\$ 164,269</b>	<b>\$ 198,965</b>	<b>\$ 36,835</b>	<b>\$ 235,800</b>

Table 61 Municipal Art Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Note: Budget is Cash Basis

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL****RESOURCE CONSERVATION FUND**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual on Budgetary Basis	Budget to GAAP Differences Over(Under)	Actual GAAP Basis
<b>REVENUES</b>					
<i>Taxes:</i>					
Business Taxes	\$ -	\$ -	\$ 5,483	\$ (3,088)	\$ 2,395
Intergovernmental	159,360	159,360	55,502	66,291	121,793
Charges for Services	228,981	228,981	215,213	-	215,213
Investment Income	2,500	2,500	19,164	-	19,164
Miscellaneous	-	-	125	-	125
<b>TOTAL REVENUES</b>	<b>390,841</b>	<b>390,841</b>	<b>295,487</b>	<b>63,203</b>	<b>358,690</b>
<b>EXPENDITURES</b>					
Utilities and environment	687,679	687,679	498,430	14,352	512,782
Total Expenditures	687,679	687,679	498,430	14,352	512,782
Excess(deficiency) of revenues over (under) expenditures	(296,838)	(296,838)	(202,943)	48,851	(154,092)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	239,402	239,402	239,402	-	239,402
Total Other financing sources and uses	239,402	239,402	239,402	-	239,402
Net change in fund balances	(57,436)	(57,436)	36,459	48,851	85,310
Fund Balances-beginning	189,094	189,094	342,899	3,982	346,881
Fund balances-ending	\$ 131,658	\$ 131,658	\$ 379,358	\$ 52,833	\$ 432,191

Table 62 Resource Conservation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Note: Budget is Cash Basis

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
CABLE TV FUND<sup>2</sup>**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual on Budgetary Basis	Budget to GAAP Differences Over(Under)	Actual GAAP Basis
<b>REVENUES</b>					
Licenses and Permits	\$ 210,000	\$ 210,000	\$ 229,872	\$ (46,453)	\$ 183,419
Investment Interest			553	1	554
<b>TOTAL REVENUES</b>	<b>210,000</b>	<b>210,000</b>	<b>230,425</b>	<b>(230,425)</b>	
<b>EXPENDITURES</b>					
Securities of Persons and Property	140,689	140,689	125,441	417	125,858
Total Expenditures	140,689	140,689	125,441	(125,441)	
Excess(deficiency) of revenues over (under) expenditures	69,311	69,311	104,984	(104,984)	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	(80,000)	(80,000)	(80,000)	-	(80,000)
Total Other financing sources and uses	(80,000)	(80,000)	(80,000)	80,000	
Net change in fund balances	(10,689)	(10,689)	24,984	(24,984)	
Fund Balances-beginning	116,634	116,634	118,316	46,243	164,559
Fund balances-ending	<b>\$ 105,945</b>	<b>\$ 105,945</b>	<b>\$ 143,300</b>	<b>\$ (626)</b>	<b>\$ 142,674</b>

Table 63 Communications Fund<sup>1</sup> Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Note: Budget is Cash Basis

<sup>2</sup> In previous years this fund was known as the Communications Fund

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
LODGING TAX FUND**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Budget to GAAP Differences Over(Under)</b>	<b>Actual GAAP Basis</b>
<b>REVENUES</b>					
<i>Taxes:</i>					
Hotel/Motel Tax	\$ 46,500	\$ 46,500	\$ 50,103	\$ 904	\$ 51,007
<b>TOTAL REVENUES</b>	<b>46,500</b>	<b>46,500</b>	<b>50,103</b>	<b>904</b>	<b>51,007</b>
<b>EXPENDITURES</b>					
Other General Government Services	60,120	60,120	58,120	-	58,120
General Government Services	60,120	60,120	58,120	-	58,120
Total Expenditures	60,120	60,120	58,120	-	58,120
Excess(deficiency) of revenues over (under) expenditures	(13,620)	(13,620)	(8,017)	904	(7,113)
Net change in fund balances	(13,620)	(13,620)	(8,017)	904	(7,113)
Fund Balances-beginning	14,863	14,863	17,609	6,520	24,129
Fund balances-ending	\$ 1,243	\$ 1,243	\$ 9,592	\$ 7,424	\$ 17,016

Table 64 Lodging Tax Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Note: Budget is Cash Basis

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
KEROLA EXPENDABLE TRUST FUND**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual on Budgetary Basis	Budget to GAAP Differences Over(Under)	Actual GAAP Basis
<b>REVENUES</b>					
Investment Income	\$ 50	\$ 50	\$ -	\$ -	\$ -
<b>TOTAL REVENUES</b>	<b>50</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>					
Culture and Recreation	2,050	2,050	272	-	272
Total Expenditures	2,050	2,050	272	-	272
Excess(deficiency) of revenues over (under) expenditures	(2,000)	(2,000)	(272)	-	(272)
Net change in fund balances	(2,000)	(2,000)	(272)	-	(272)
Fund Balances-beginning	2,000	2,000	272	-	272
Fund balances-ending	\$ -	\$ -	\$ -	\$ -	\$ -

Table 65 Kerola Expendable Trust Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Note: Budget is Cash Basis

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL****ROWLEY EXPENDABLE TRUST FUND**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Budget to GAAP Differences Over(Under)</b>	<b>Actual GAAP Basis</b>
<b>REVENUES</b>					
Investment Income	\$ 50	\$ 50	\$ -	\$ -	\$ -
<b>TOTAL REVENUES</b>	<b>50</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>					
Culture and Recreation	2,050	2,050	1,153	-	1,153
Total Expenditures	2,050	2,050	1,153	(1,153)	
Excess(deficiency) of revenues over (under) expenditures	(2,000)	(2,000)	(1,153)	1,153	
Net change in fund balances	(2,000)	(2,000)	(1,153)	1,153	
Fund Balances-beginning	2,000	2,000	1,153	-	1,153
Fund balances-ending	\$ -	\$ -	\$ -	\$ -	\$ -

Table 66 Rowley Expendable Trust Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Note: Budget is Cash Basis



## **INTERNAL SERVICE FUNDS**

**Descriptions of the Internal Service funds included in the City's Comprehensive Annual Financial Report are provided below:**

### **UNEMPLOYMENT INSURANCE FUND**

All local governments were brought under the State employment tax coverage in 1978. The City chose to self-insure and created this fund to administer the program. The City reimburses claims processed through the Employment Security Department from revenue that is derived from the transfer made from operating funds.

### **INSURANCE FUND**

This purpose of this fund is to segregate out the insurance transactions of the City into a single fund. This fund will charge other funds for their appropriate share of insurance premiums and uncovered claims. Over the years, it is hoped that this fund will be able to build up an

adequate reserve to serve as a buffer against any unanticipated insurance claims.

### **EQUIPMENT RENTAL FUND**

This fund handles the maintenance, repair, and replacement of equipment necessary to serve the needs of the City Street Department. In addition, this fund accounts for all City vehicles and City equipment that has been prioritized to build up replacement reserves.

### **PUBLIC WORKS ENGINEERING OPERATIONS FUND**

This fund was set up in 1999 to consolidate engineering activities in the various utility and capital project funds. Engineering costs are charged to the Street, Water, Sewer, and Stormwater funds on a percentage allocation and to capital projects, in the appropriate funds, based on actual hours worked on those projects.



**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	INTERNAL SERVICE FUNDS				
	Unemployment	Insurance	Equipment Rental	PW Engineering	Total
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ 91,920	\$ 126,188	\$ 3,290,524	\$ 794,775	\$ 4,303,407
Receivable			50,723	11,568	62,291
Due from other funds			2,000,000		2,000,000
Inventories			82,152		82,152
Total current assets	91,920	126,188	5,423,399	806,343	6,447,850
Capital assets:					
Buildings and equipment, net			2,315,180	13,045	2,328,225
Total Assets	91,920	126,188	7,738,579	819,388	8,776,075
<b>LIABILITIES</b>					
<i>Current liabilities</i>					
Accounts payable and accrued expenses	2,493		52,706	41,960	97,159
<i>Non current liabilities:</i>					
Compensated absences			21,594	267,084	288,678
<b>Total Liabilities</b>	2,493	-	74,300	309,044	385,837
<b>NET ASSETS</b>					
Unrestricted	89,427	126,188	7,664,279	510,344	8,390,238
<b>Total net assets</b>	\$ 89,427	\$ 126,188	\$ 7,664,279	\$ 510,344	\$ 8,390,238

Table 67 Internal Service Funds – Combining Statement of Net Assets

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS****INTERNAL SERVICE FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2006

	INTERNAL SERVICE FUNDS				
	Unemployment	Insurance	Equipment Rental	PW Engineering	Total
<b>OPERATING REVENUES</b>					
Charges for Services	\$ -	\$ 589,500	\$ 1,958,180	\$ 2,481,551	\$ 5,029,231
<b>Total operating revenues</b>	-	589,500	1,958,180	2,481,551	5,029,231
<b>OPERATING EXPENSES</b>					
Maintenance & operations	24,099	527,130	1,175,301		1,726,530
Administrative & general				2,394,274	2,394,274
Depreciation			526,218	4,393	530,611
<b>Total operating expenses</b>	24,099	527,130	1,701,519	2,398,667	4,651,415
<b>Operating income (loss)</b>	(24,099)	62,370	256,661	82,884	377,816
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest (expense)	4,422	5,977	211,588	34,706	256,693
Gain (loss) on disposition of assets			(5,377)		(5,377)
Other non-operating revenues (expenses)			2,889		2,889
<b>Total non-operating income (expense)</b>	4,422	5,977	209,100	34,706	254,205
<b>Income before contributions &amp; transfers</b>	(19,677)	68,347	465,761	117,590	632,021
Transfers in	24,000		305,000		329,000
(Transfers out)					-
<b>Change in net assets</b>	4,323	68,347	770,761	117,590	961,021
<b>Net assets - beginning</b>	85,104	57,841	6,893,518	392,754	7,429,217
<b>Net assets - ending</b>	\$ 89,427	\$ 126,188	\$ 7,664,279	\$ 510,344	\$ 8,390,238

Table 68 Internal Service Funds – Statement of Revenues, Expenses, &amp; Changes in Fund Net Assets

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 Page 1 of 2

	INTERNAL SERVICE FUNDS				Total Governmental Activities Internal Service Funds
	Unemployment	Insurance	Equipment	Engineering	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received From Customers	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Received From Interfund Services		589,500	1,976,887	2,478,374	5,044,761
Cash Payments to Suppliers		(527,130)	(739,264)	(188,617)	(1,455,011)
Cash Payments to Employees	(25,898)		(386,627)	(2,146,355)	(2,558,880)
Cash (Payments) Receipts to Other Gvmts					-
Cash for Other Operating				4,193	4,193
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(25,898)</b>	<b>62,370</b>	<b>850,996</b>	<b>147,595</b>	<b>1,035,063</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Operating Transfers In	24,000				24,000
Operating Transfers (Out)					-
Forfeited Deposits					-
<b>NET CASH PROVIDED BY NON- CAPITAL FINANCING ACTIVITIES</b>	<b>24,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,000</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Intergovernmental					-
Investments					-
Revenue Bond Proceeds					-
Revenue Bond Interest					-
Interfund Loans-Principle (Paid)					-
Interfund Loan Interest			70,000		70,000
Interfund Loan Interest (Expense)					-
Capital Expenditures Paid			(560,427)		(560,427)
Principal Repaid					-
Interest and Other Debt Service					-
Capital Cash Contributions from Developers					-
Proceeds from insurance claims on Capital Assets			2,889		2,889
Proceeds from retirement of Capital Assets			32,342		32,342
Capital Transfer In			305,000		305,000
Capital Transfer Out					-
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(150,196)</b>	<b>-</b>	<b>(150,196)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>					
Net Decrease (Increase) in Investments			52,387		52,387
Rental Fees on Investments					-
Interest Received on Investment	4,422	5,977	141,588	34,706	186,693
<b>NET CASH PROVIDED BY INVESTMENT ACTIVITIES</b>	<b>4,422</b>	<b>5,977</b>	<b>193,975</b>	<b>34,706</b>	<b>239,080</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>2,524</b>	<b>68,347</b>	<b>894,775</b>	<b>182,301</b>	<b>1,147,947</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>89,396</b>	<b>57,841</b>	<b>2,395,749</b>	<b>612,474</b>	<b>3,155,460</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 91,920</b>	<b>\$ 126,188</b>	<b>\$ 3,290,524</b>	<b>\$ 794,775</b>	<b>\$ 4,303,407</b>

Table 69 Internal Service Funds – Combining Statement of Cash Flows, Page 1

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2006  
 Page 2 of 2

	INTERNAL SERVICE FUNDS				Total Governmental Activities
	Unemployment	Insurance	Equipment	Engineering	Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (24,099)	\$ 62,370	\$ 256,661	\$ 82,884	\$ 377,816
Adjustment to Reconcile Operating Income to Net Cash Provided by Oper. Activities:					
Depreciation			526,218	4,393	530,611
Decrease (Increase) in Accts Receivable	-	-	18,707	1,016	19,723
Decrease (Increase) in Inventory	-	-	26,726	-	26,726
Increase (Decrease) in Accts Payable	(1,799)		20,298	26,488	44,987
Increase (Decrease) in Employee Benefits	-	-	2,386	32,814	35,200
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (25,898)</b>	<b>\$ 62,370</b>	<b>\$ 850,996</b>	<b>\$ 147,595</b>	<b>\$ 1,035,063</b>

Table 70 Internal Service Funds – Combining Statement of Cash Flows, Page 2

## **AGENCY FUNDS**

Fiduciary Funds account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not measure the results of operations.

**Description of the Agency Funds included as supplementary information in the City's**

**Comprehensive Annual Financial Report is provided below:**

### **AGENCY/DEPOSITS FUND**

This is a clearing mechanism for cash resources which are collected by the City, held a brief period, and then disbursed to authorized recipients.





**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****ALL AGENCY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2006

	01/01/2006			12/31/2006
	Balance	Additions	Deletions	Balance
<b>AGENCY/DEPOSIT FUND</b>				
<b>ASSETS</b>				
Cash and equivalents	\$ 3,624,248	\$ 4,391,033	\$ (4,759,982)	\$ 3,255,299
<b>TOTAL ASSETS</b>	<b>\$ 3,624,248</b>	<b>\$ 4,391,033</b>	<b>\$ (4,759,982)</b>	<b>\$ 3,255,299</b>
<b>LIABILITIES</b>				
Deposits Payable	\$ 3,624,248	\$ (9,341,753)	\$ 8,972,804	\$ 3,255,299
<b>TOTAL LIABILITIES</b>	<b>\$ 3,624,248</b>	<b>\$ (9,341,753)</b>	<b>\$ 8,972,804</b>	<b>\$ 3,255,299</b>

Table 71 Agency Funds – Combining Statement of Fiduciary Net Assets

**COMPARATIVE SCHEDULE BY SOURCE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
 FOR THE YEARS ENDED DECEMBER 31, 2006

	<b>Governmental Fund Capital Assets Adjusted 1/1/2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Governmental Fund Capital Assets 12/31/2006</b>
Judicial	\$ 20,811			\$ 20,811
Public safety	19,915,743	1,285,554	(75,107)	21,126,190
Transportation	17,790,616	4,188,612		21,979,228
Utilities and environment	287,810	1,355,022	(179,830)	1,463,002
Culture and recreation	19,927,388	2,679,286		22,606,674
Economic Environment	58,136			58,136
Subtotal:	<u>58,000,504</u>	<u>9,508,474</u>	<u>(254,937)</u>	<u>67,254,041</u>
General Government				
Executive	6,040			6,040
Financial	19,984			19,984
IAS	122,829			122,829
Other general government	21,936,971	357,239		22,294,210
Human resources	3,185			3,185
Internal Service	6,501,953			6,501,953
Total governmental funds capital assets:	<u>\$ 86,591,466</u>	<u>\$ 9,865,713</u>	<u>\$ (254,937)</u>	<u>\$ 96,202,242</u>

Table 72 Governmental Funds Capital Assets Comparative Schedule by Source

Note: Schedule includes Governmental and Internal Service Funds Assets.

**COMPARATIVE SCHEDULE BY FUNCTION AND ACTIVITY**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Land	Art	Buildings & Improvements	Machinery and Equipment	Infra-structure	Construction in Progress	Total
Judicial	\$ -	\$ -	\$ -	\$ 20,811	\$ -	\$ -	\$ 20,811
Public safety			18,046,470	2,064,456		1,023,264	21,134,190
Transportation	6,644,714		1,804,120	439,836	12,519,962	4,000	21,412,632
Utilities & Environment			232,038	146,001		1,664,928	2,042,967
Culture & Recreation	3,910,150	148,487	14,151,356	386,840		4,009,845	22,606,678
Economic Environment				58,136			58,136
Subtotal:	10,554,864	148,487	34,233,984	3,116,080	12,519,962	6,702,037	67,275,414
General Government							
Executive				6,040			6,040
Financial				19,984			19,984
IAS				122,829			122,829
Other	14,413,277		7,481,982	388,895			22,284,154
Human Resources				3,185			3,185
Internal Service			107,865	6,382,771			6,490,636
Total Governmental Funds							
Capital Assets:	\$ 24,968,141	\$ 148,487	\$ 41,823,831	\$ 10,039,784	\$ 12,519,962	\$ 6,702,037	\$ 96,202,242

Table 73 Governmental Funds Capital Assets Comparative Schedule by Function and Activity



**STATISTICAL**

**SECTION**



**SCHEDULE 1**  
**CITY OF ISSAQUAH**  
**NET ASSETS BY COMPONENT**  
**LAST FOUR FISCAL YEARS**  
*(ACCRUAL BASIS OF ACCOUNTING)*

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 25,290,680	\$ 26,934,764	\$ 35,544,079	\$ 39,594,368
Restricted	6,676,723	12,652,499	13,233,487	20,874,354
Unrestricted	6,270,932	8,271,550	9,185,098	11,935,856
Total governmental activities net assets	<u>\$ 38,238,335</u>	<u>\$ 47,858,813</u>	<u>\$ 57,962,664</u>	<u>\$ 72,404,578</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 63,605,297	\$ 71,734,290	\$ 79,214,582	\$ 84,648,077
Restricted	811,273	4,122,372	4,770,733	5,240,888
Unrestricted	3,474,872	3,039,409	4,121,199	4,796,155
Total business-type activities net assets	<u>\$ 67,891,442</u>	<u>\$ 78,896,071</u>	<u>\$ 88,106,514</u>	<u>\$ 94,685,120</u>
Primary government				
Invested in capital assets, net of related debt	\$ 88,895,977	\$ 98,669,054	\$ 114,758,661	\$ 124,242,445
Restricted	7,487,996	16,774,871	18,004,220	26,115,242
Unrestricted	9,745,804	11,310,959	13,306,297	16,732,011
Total primary government net assets	<u>\$ 106,129,777</u>	<u>\$ 126,754,884</u>	<u>\$ 146,069,178</u>	<u>\$ 167,089,698</u>

Note: 2003 is the first year of Net Assets by Component.

**SCHEDULE 2**  
**CITY OF ISSAQUAH**  
**CHANGES IN NET ASSETS**  
**LAST FOUR FISCAL YEARS**  
*(ACCRUAL BASIS OF ACCOUNTING)*  
**Page 1 of 2**

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>EXPENSES</b>				
Governmental activities				
Judicial	\$ -	\$ 85,029	\$ 317,345	\$ 264,657
General government	5,957,499	5,949,918	6,420,038	6,880,712
Public safety	7,736,486	8,398,617	8,505,178	9,834,676
Physical environment	480,186	408,881	687,327	708,783
Transportation	5,306,036	5,437,885	4,382,187	5,574,610
Health and human services	-	226,847	31,052	85,785
Economic environment	2,501,909	2,727,974	3,096,522	3,091,728
Culture and recreation	4,096,617	4,130,015	4,075,033	4,482,900
Interest on long-term debt	1,649,808	1,405,015	1,561,619	1,574,062
Total governmental activities expenses	<u>27,728,541</u>	<u>28,770,181</u>	<u>29,076,301</u>	<u>32,497,913</u>
Business-type activities				
Water	3,422,486	4,165,418	4,348,902	4,963,210
Sewer	3,217,292	3,409,732	4,135,750	4,710,543
Storm water	1,979,108	2,119,090	2,206,859	2,896,861
Total business-type activities expenses	<u>8,618,886</u>	<u>9,694,240</u>	<u>10,691,511</u>	<u>12,570,614</u>
Total primary government expenses	<u>\$ 36,347,427</u>	<u>\$ 38,464,421</u>	<u>\$ 39,767,812</u>	<u>\$ 45,068,527</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
<i>Charges for services:</i>				
Judicial	\$ 119,489	\$ 89,321	\$ 217,950	
General government	1,070,438	961,190	592,282	385,646
Public safety	1,774,204	1,296,485	876,782	2,239,213
Physical environment	180,395	255,944	416,640	355,258
Transportation	43,204	250,219	170,661	220,654
Health and human services		-	-	
Economic environment	849,986	1,778,513	908,014	3,361,112
Culture and recreation	1,379,828	1,891,918	1,628,295	2,027,701
Operating grants and contributions	248,882	760,868	1,094,552	1,302,911
Capital grants and contributions	4,356,998	6,878,060	8,737,618	7,156,307
Total governmental activities program revenues	<u>10,023,424</u>	<u>14,162,518</u>	<u>14,642,794</u>	<u>17,048,802</u>
Business-type activities:				
<i>Charges for services:</i>				
Water	4,680,296	5,376,233	5,047,050	5,650,947
Sewer	3,204,729	3,837,648	4,037,045	4,550,160
Storm	2,338,613	2,406,077	2,571,984	2,960,199
Operating grants and contributions	(48,769)	-	-	
Capital grants and contributions	1,666,019	9,347,067	8,228,721	6,068,516
Total business-type activities program revenues	<u>11,840,888</u>	<u>20,967,025</u>	<u>19,884,800</u>	<u>19,229,822</u>
Total primary government program revenues	<u>\$ 21,864,312</u>	<u>\$ 35,129,543</u>	<u>\$ 34,527,594</u>	<u>\$ 36,278,624</u>
Net (expense)/revenue				
Governmental activities	(17,705,117)	(14,607,663)	(14,433,507)	(15,449,111)
Business-type activities	3,222,002	11,272,785	9,193,289	6,659,208
Total primary government net expense	<u>\$ (14,483,115)</u>	<u>\$ (3,334,878)</u>	<u>\$ (5,240,218)</u>	<u>\$ (8,789,903)</u>

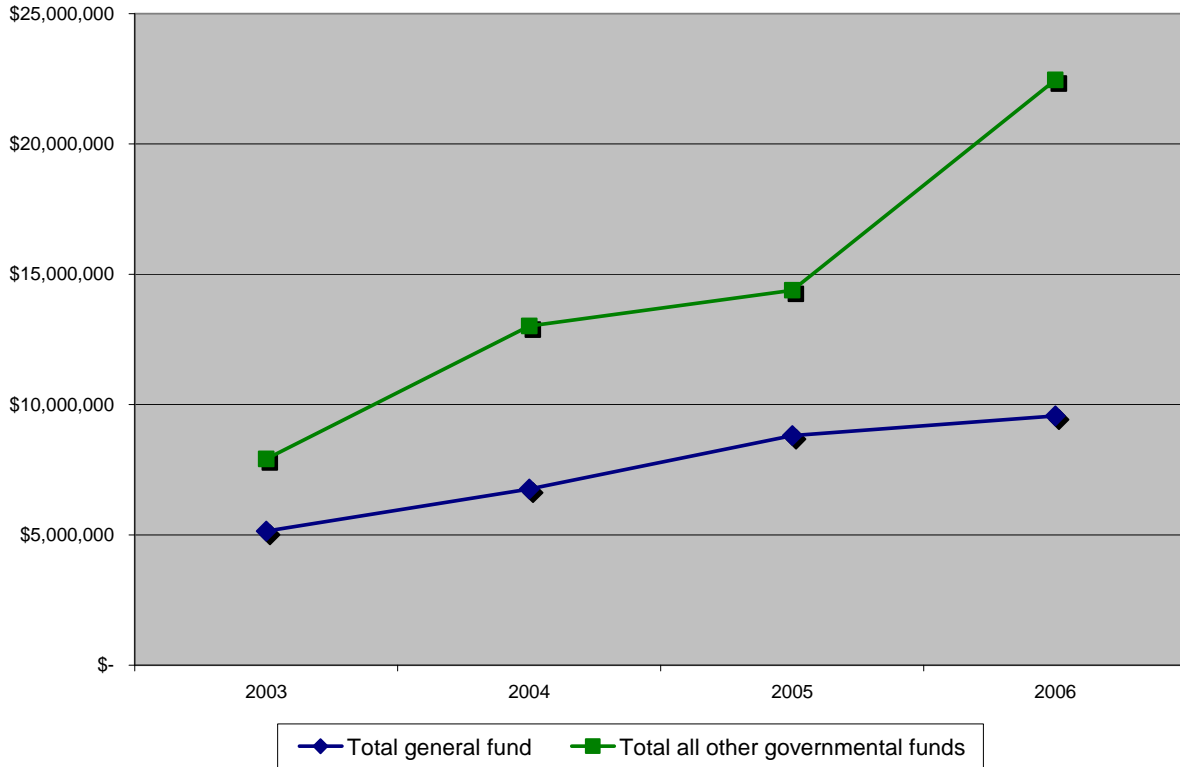
Table 74 Schedule 2 Changes in Net Assets, Page 1



**SCHEDULE 2**  
**CITY OF ISSAQUAH**  
**CHANGES IN NET ASSETS**  
**LAST FOUR FISCAL YEARS**  
*(ACCRUAL BASIS OF ACCOUNTING)*  
**Page 2 of 2**

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>				
Governmental activities:				
<i>Taxes</i>				
Property taxes	\$ 4,044,066	\$ 4,713,174	\$ 5,077,521	\$ 5,530,089
Sales taxes	9,250,608	9,608,164	10,485,352	11,719,395
Business and occupational taxes	3,761,120	4,947,733	5,121,025	5,563,259
Other taxes	1,911,006	3,164,595	3,914,552	4,428,638
Investment earnings	442,400	361,386	977,495	1,737,376
Miscellaneous	18,331	356,875	535,444	909,552
Transfers	(78,200)	318,371	263,370	2,716
Total governmental activities	<u>19,349,331</u>	<u>23,470,298</u>	<u>26,374,759</u>	<u>29,891,025</u>
Business-type activities:				
Investment earnings	38,300	50,893	203,312	429,663
Miscellaneous			77,212	11,007
Transfers	78,200	(318,371)	(263,370)	(2,716)
Total business-type activities	<u>116,500</u>	<u>(267,478)</u>	<u>17,154</u>	<u>437,954</u>
Total primary government	<u>\$ 19,465,831</u>	<u>\$ 23,202,820</u>	<u>\$ 26,391,913</u>	<u>\$ 30,328,979</u>
<b>CHANGE IN NET ASSETS</b>				
Governmental activities				
Prior period adjustments	\$ 1,644,214	\$ 8,862,635	\$ 11,941,252	\$ 14,441,914
Business-type activities	3,338,502	11,005,307	9,210,443	7,097,162
Prior period adjustments		(678)	-	(518,556)
Total primary government	<u>\$ 4,982,716</u>	<u>\$ 20,625,107</u>	<u>\$ 19,314,294</u>	<u>\$ 21,020,520</u>

**SCHEDULE 3  
CITY OF ISSAQUAH  
FUND BALANCE OF GOVERNMENT FUNDS  
LAST FOUR FISCAL YEARS**  
*(MODIFIED ACCRUAL BASIS OF ACCOUNTING)*



	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	5,146,943	6,759,284	8,817,686	9,563,117
<b>Total general fund</b>	<b>\$ 5,146,943</b>	<b>\$ 6,759,284</b>	<b>\$ 8,817,686</b>	<b>\$ 9,563,117</b>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	1,241,521	2,292,214	2,703,691	3,299,329
Debt Service Funds	942,658	942,658	942,658	1,005,203
Capital projects funds	5,734,065	9,780,000	10,737,610	18,154,135
<b>Total all other governmental funds</b>	<b>\$ 7,918,244</b>	<b>\$ 13,014,872</b>	<b>\$ 14,383,959</b>	<b>\$ 22,458,667</b>

**SCHEDULE 4**  
**CITY OF ISSAQUAH**  
**CHANGES IN FUND BALANCES, GOVERNMENT FUNDS**  
**LAST FOUR FISCAL YEARS**  
*(MODIFIED ACCRUAL BASIS OF ACCOUNTING)*

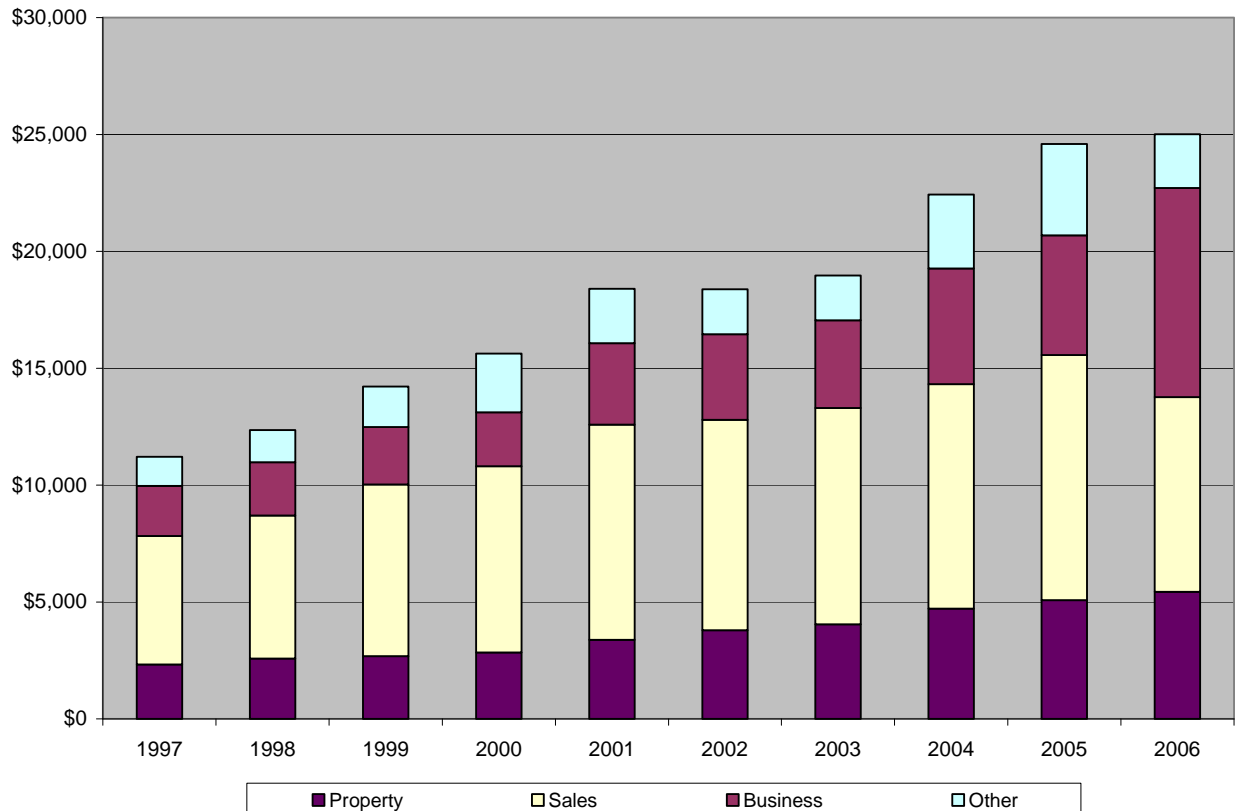
	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>REVENUES</b>				
Taxes	\$ 18,966,800	\$ 22,433,666	\$ 24,598,450	\$ 27,142,299
Licenses and permits	2,282,762	2,900,193	3,434,071	2,848,432
Intergovernmental	6,301,644	8,916,508	2,921,199	3,114,775
Charges for services	2,014,166	2,630,988	3,595,721	5,161,750
Investment earnings	413,554	333,910	839,946	1,480,683
Rents and leases	617,992	509,812	315,405	737,178
Contributions and donations			3,110,056	2,587,331
Miscellaneous revenues	230,435	341,093	311,638	154,862
Total revenues	<u>30,827,353</u>	<u>38,066,170</u>	<u>39,126,486</u>	<u>43,227,310</u>
<b>EXPENDITURES</b>				
General government	5,746,055	5,805,038	6,237,468	6,728,797
Judicial		82,865	316,368	261,970
Public safety	7,223,842	8,086,138	8,240,349	9,459,177
Physical environment	453,174	456,779	680,815	694,852
Transportation	5,129,086	5,142,066	4,210,497	5,557,089
Health and human services		228,494	30,988	86,436
Economic environment	2,390,871	2,632,189	3,102,446	3,103,416
Culture and recreation	3,778,387	3,935,127	3,902,391	4,242,737
Capital outlay	6,713,747	5,129,620	6,656,455	6,368,345
<i>Debt service</i>				
Principal	2,335,120	2,881,622	2,853,160	2,310,834
Interest	1,466,638	1,397,844	1,553,304	1,441,295
Other charges	63,465	7,171	8,315	
Total expenditures	<u>35,300,385</u>	<u>35,784,953</u>	<u>37,792,556</u>	<u>40,254,948</u>
Excess of revenues over (under) expenditures	(4,473,032)	2,281,217	1,333,930	2,972,362
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,239,065	4,783,731	5,651,290	5,399,775
Transfers out	(4,317,265)	(4,674,834)	(5,521,920)	(7,660,162)
Refunding bonds issued				
Bonds issued		3,820,000	1,735,086	6,253,773
Premium on bonds issued				
Discount on bonds issued				
Payments to refunded bond escrow agent			(110,098)	
Interfund loan in				1,934,103
Sale of capital assets		339,054		
Total other financing sources (uses)	<u>(78,200)</u>	<u>4,267,951</u>	<u>1,754,358</u>	<u>5,927,489</u>
Net change in fund balances	<u>\$ (4,551,232)</u>	<u>\$ 6,549,168</u>	<u>\$ 3,088,288</u>	<u>\$ 8,899,851</u>
Debt service as a percentage of noncapital expenditures	0.15	0.16	0.16	0.12

**SCHEDULE 5  
CITY OF ISSAQUAH  
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
AMOUNTS EXPRESSED IN THOUSANDS**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Business and Occupation Taxes</u>	<u>Other Taxes</u>	<u>Total Taxes</u>
1997	\$ 2,326	\$ 5,502	\$ 2,142	\$ 1,242	\$ 11,212
1998	2,582	6,121	2,282	1,372	12,357
1999	2,684	7,349	2,453	1,732	14,218
2000	2,849	7,961	2,312	2,508	15,630
2001	3,384	9,210	3,477	2,333	18,404
2002	3,791	9,004	3,665	1,924	18,384
2003	4,044	9,251	3,761	1,911	18,967
2004	4,713	9,608	4,948	3,165	22,434
2005	5,078	10,485	5,121	3,915	24,599
2006	5,431	8,337	8,945	2,300	25,013

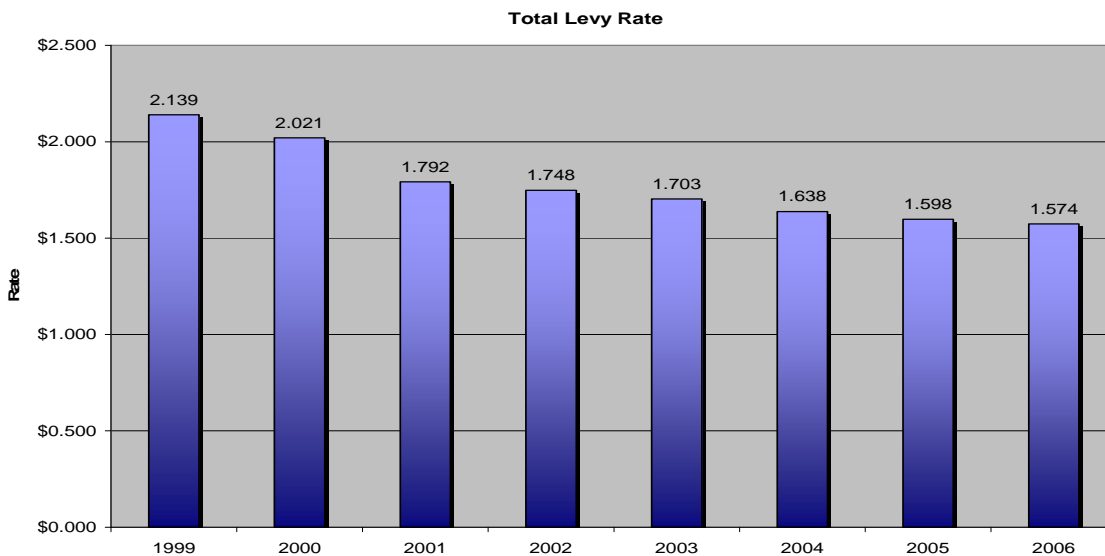
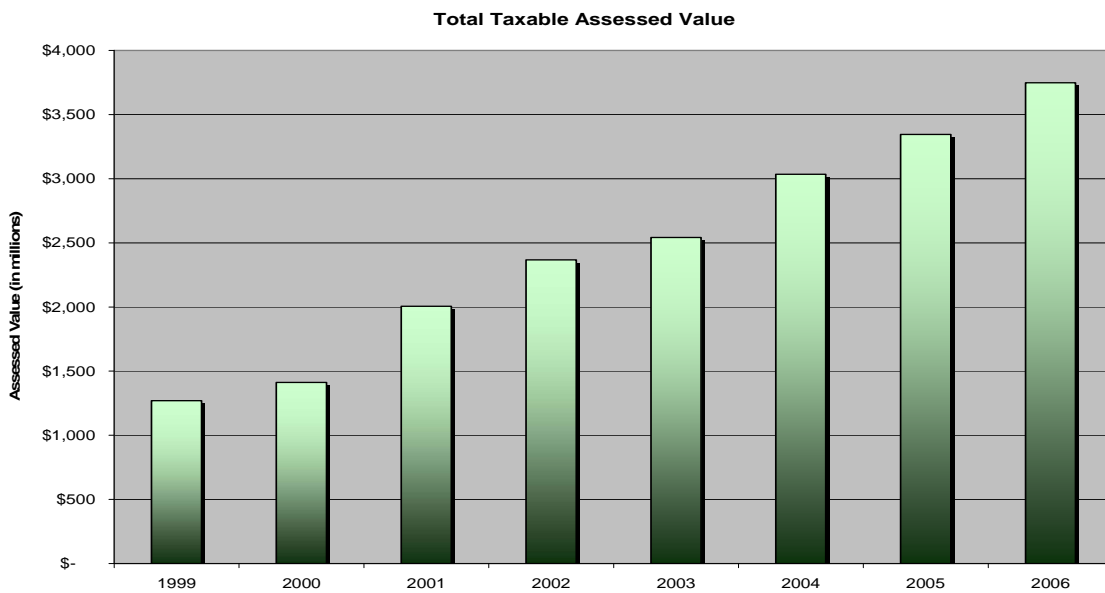
Fiscal Years prior to 2003 on cash basis of accounting  
 Fiscal Years 2003 forward on modified accrual basis of accounting

**TAX REVENUES BY SOURCE  
1997 - 2006**



**SCHEDULE 6  
CITY OF ISSAQUAH  
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST EIGHT FISCAL YEARS  
AMOUNTS EXPRESSED IN THOUSANDS**

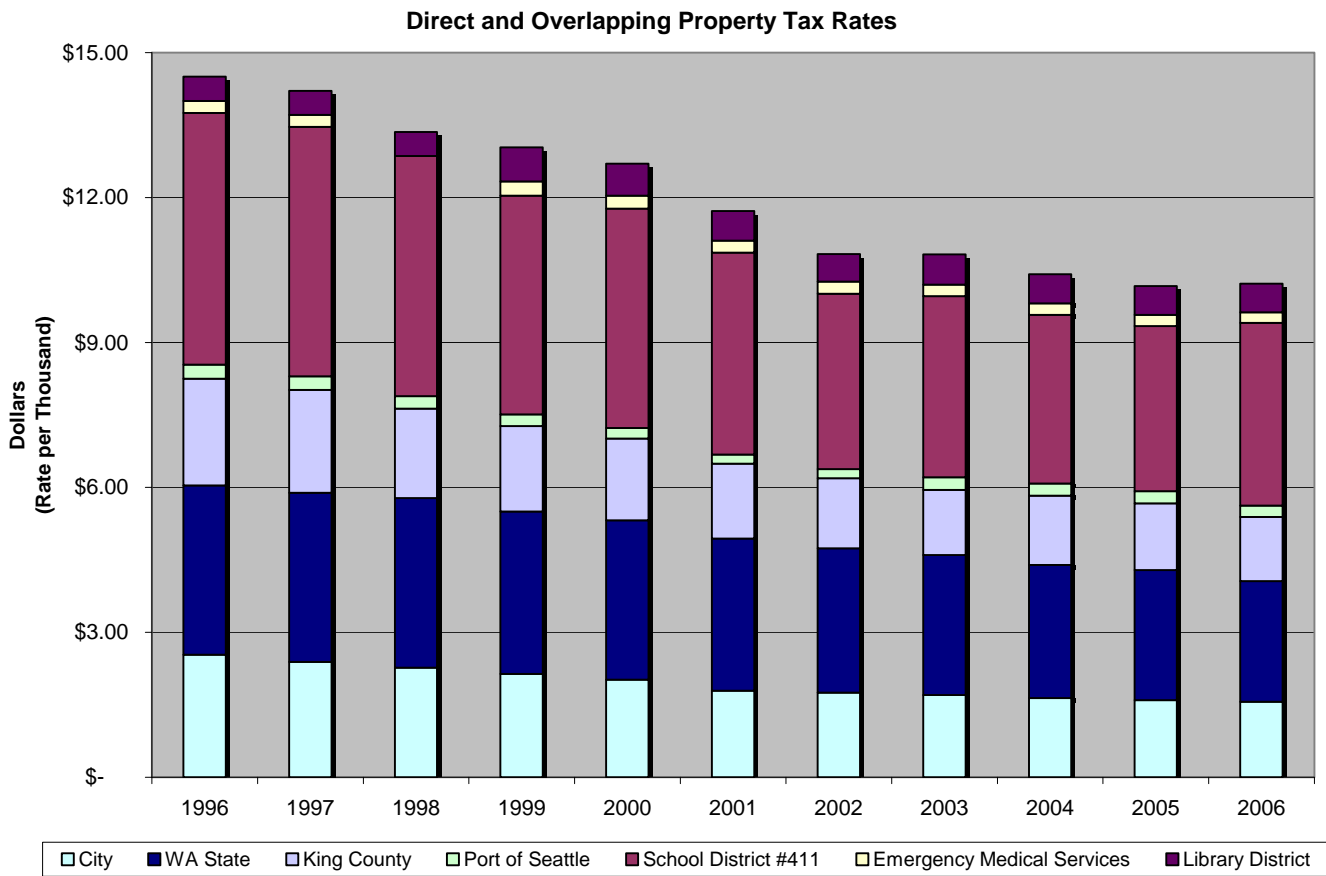
Fiscal Year Ended December 31	ASSESSED VALUATIONS		Total Assessed Value	Total Levy Rate	Total Tax
	Real Property	Personal Property			
1999	\$ 1,179,963	\$ 88,813	\$ 1,268,776	2.139	\$ 2,706
2000	1,303,922	107,812	1,411,734	2.021	2,839
2001	1,849,827	156,622	2,006,449	1.792	3,426
2002	2,226,467	140,769	2,367,236	1.748	3,886
2003	2,368,854	173,866	2,542,720	1.703	4,078
2004	2,868,832	166,204	3,035,036	1.638	4,736
2005	3,163,223	182,224	3,345,447	1.598	5,127
2006	3,570,061	177,674	3,747,735	1.574	5,610



**SCHEDULE 7  
CITY OF ISSAQUAH  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>City</u>	<u>WA State</u>	<u>King County</u>	<u>Port of Seattle</u>	<u>School District #411</u>	<u>Emergency Medical Services</u>	<u>Library District</u>	<u>Total</u>
1996	\$ 2.54	\$ 3.50	\$ 2.21	\$ 0.29	\$ 5.21	\$ 0.25	\$ 0.50	\$ 14.50
1997	2.39	3.50	2.13	0.28	5.16	0.25	0.50	14.21
1998	2.27	3.51	1.85	0.26	4.97	0.00	0.50	13.36
1999	2.14	3.36	1.77	0.24	4.53	0.29	0.71	13.04
2000	2.02	3.30	1.69	0.22	4.54	0.27	0.66	12.70
2001	1.79	3.15	1.55	0.19	4.18	0.25	0.61	11.72
2002	1.75	2.99	1.45	0.19	3.63	0.25	0.57	10.83
2003	1.70	2.90	1.35	0.26	3.75	0.24	0.63	10.83
2004	1.64	2.76	1.43	0.25	3.49	0.24	0.60	10.41
2005	1.60	2.69	1.38	0.25	3.42	0.23	0.59	10.17
2006	1.56	2.50	1.33	0.23	3.78	0.22	0.59	10.21

Source: King County Assessor's Office



**SCHEDULE 8  
CITY OF ISSAQUAH  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO**

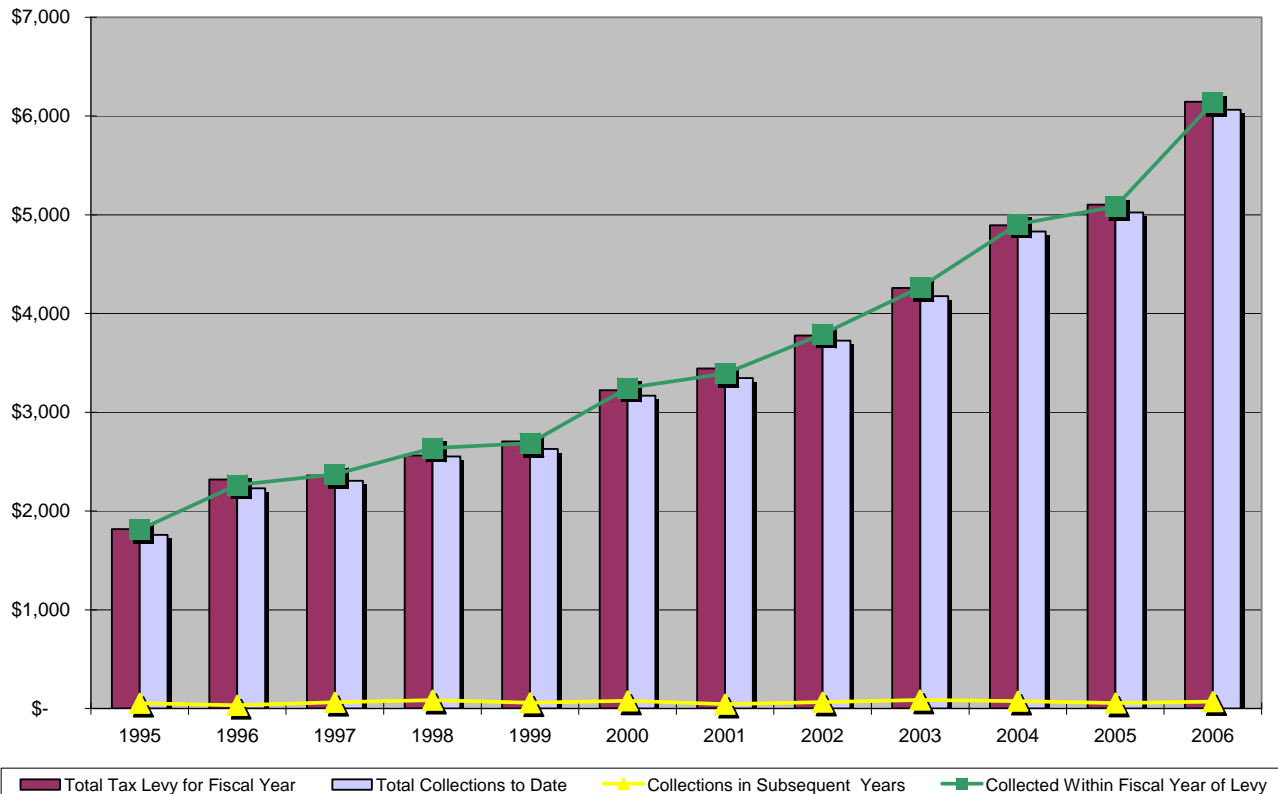
Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Price/COSTCO	\$ 145,353,656	1	3.24%	\$ 51,873,176	1	4.59%
Avalon Bay Communities Inc.	44,876,000	2	1.00%			
Commons at Issaquah Inc. (Madison Marquette Retail)	44,532,200	3	0.99%			
Rowley Enterprises	40,165,226	4	0.90%	38,137,580	2	3.38%
Puget Sound Energy (Puget Sound Power & Light)	23,208,109	5	0.52%	9,873,388	8	0.87%
Pickering Square LLC	20,708,000	6	0.46%			
John Hancock Real Estate (Town & Country Square)	17,883,400	7	0.40%			
Meadows Investments	16,103,900	8	0.36%	14,039,300	4	1.24%
Lowe's HIW (formerly Eagle Hardware)	14,314,400	9	0.32%	13,721,316	5	1.21%
Target Corporation (formerly Dayton Hudson)	13,055,399	10	0.29%			
Qwest (formerly US West Communications)	3,439,081	11	0.08%	5,861,011	10	0.52%
CWO/TCEP II				22,154,900	3	1.96%
Issaquah Associates				12,722,300	6	1.13%
Schroeder Properties				11,275,600	7	1.00%
Heritage Square Associates				5,954,600	9	0.53%
Total for Principal Tax Payers	383,639,371		8.55%	185,613,171		16.43%
All Others	4,101,272,683		91.45%	944,115,523		83.57%
Total Assessed Valuation for City	\$ 4,484,912,054		100.00%	\$ 1,129,728,694		100.00%

**SCHEDULE 9  
CITY OF ISSAQUAH  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**  
*AMOUNTS EXPRESSED IN THOUSANDS*

Fiscal Year Ended <u>December 31</u>	Total Tax Levy for <u>Fiscal Year</u>	Collected within the Fiscal Year of the Levy		Collections in Subsequent <u>Years</u>	Total Collections to Date	
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
1995	\$ 1,818	\$ 1,758	96.7%	\$ 54	\$ 1,812	99.7%
1996	2,321	2,231	96.1%	33	2,264	97.5%
1997	2,361	2,307	97.7%	64	2,371	100.4%
1998	2,563	2,553	99.6%	85	2,638	102.9%
1999	2,706	2,629	97.2%	58	2,687	99.3%
2000	3,223	3,169	98.3%	77	3,246	100.7%
2001	3,443	3,347	97.2%	44	3,391	98.5%
2002	3,777	3,725	98.6%	66	3,791	100.4%
2003	4,259	4,178	98.1%	87	4,265	100.1%
2004	4,895	4,831	98.7%	75	4,906	100.2%
2005	5,104	5,024	98.4%	57	5,081	99.5%
2006	6,145	6,064	98.7%	70	6,134	99.8%

2000 includes property taxes - annexed streets (\$380,645)  
 2003 updated to include annexed streets (\$189,850) and 2004 (\$178,544).  
 2006 includes property taxes - annexed streets (\$537,119)

**Levies vs. Collections**





**SCHEDULE 10**  
**CITY OF ISSAQUAH**  
**SALES TAX COLLECTIONS BY SECTOR**  
**LAST TEN FISCAL YEARS**  
*AMOUNTS EXPRESSED IN THOUSANDS*

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>RETAIL TRADE SECTOR</b>										
Building Materials	\$ 36,953	\$ 42,638	\$ 45,321	\$ 46,674	\$ 43,112	\$ 64,308	\$ 73,815	\$ 81,567	\$ 90,190	\$ 95,737
General Merchandise	93,345	105,231	118,964	134,144	148,023	168,295	184,067	196,060	218,666	245,622
Food & Beverage Stores	14,009	14,522	13,932	14,464	17,471	22,450	22,819	23,803	23,189	20,954
Automotive/Gas	48,236	54,207	63,587	73,951	71,721	75,722	108,531	104,678	94,806	90,826
Apparel	12,237	13,485	14,547	20,262	24,197	24,533	21,184	21,909	24,722	20,791
Furniture	8,547	16,351	19,786	19,968	23,959	15,866	12,625	18,679	20,839	22,293
Electronics & Appliances	14,126	21,663	25,862	27,042	26,196	20,450	17,545	8,623	10,931	14,717
Health & Personal Care	10,136	9,681	10,650	9,067	8,558	7,819	7,395	9,100	8,688	10,214
Sporting Goods, Hobby & Books	11,803	15,573	18,098	19,269	22,666	23,508	22,557	21,847	21,821	21,474
Nonstore Retailers	3,459	3,491	4,775	4,915	5,902	2,734	3,690	4,111	5,317	7,877
Misc Retail Trade	15,397	22,857	25,245	27,679	30,493	36,957	36,926	39,974	41,576	51,679
Subtotal - Retail Trade	\$ 268,247	\$ 319,699	\$ 360,768	\$ 397,437	\$ 422,297	\$ 462,643	\$ 511,153	\$ 530,351	\$ 560,745	\$ 602,185
<b>OTHER SECTORS</b>										
Services	\$ 108,802	\$ 126,312	\$ 137,965	\$ 155,419	\$ 205,489	\$ 202,915	\$ 161,480	\$ 166,481	\$ 183,967	\$ 202,598
Construction	110,575	103,297	125,867	195,748	171,090	209,363	186,481	162,056	188,276	194,894
Manufacturing	7,616	7,997	8,401	7,932	8,512	13,133	11,984	15,981	17,594	18,808
Transportation	963	1,646	1,973	2,276	1,809	1,495	1,285	1,514	1,261	1,373
Wholesaling	47,858	53,890	56,169	48,543	92,751	104,849	110,578	129,522	109,299	127,786
Agriculture, Forestry & Fishing	593	85	1,227	1,452	1,541	1,576	1,723	1,821	2,311	2,494
Mining & Utilities	192	276	461	636	752	438	402	468	515	299
Other Business	-	-	-	-	-	-	-	77	-	-
Subtotal - Other Sectors	\$ 276,600	\$ 293,503	\$ 332,063	\$ 412,005	\$ 481,943	\$ 533,769	\$ 473,932	\$ 477,920	\$ 503,222	\$ 548,251
<b>GRAND TOTAL</b>	<b>\$ 544,847</b>	<b>\$ 613,202</b>	<b>\$ 692,831</b>	<b>\$ 809,442</b>	<b>\$ 904,241</b>	<b>\$ 996,412</b>	<b>\$ 985,085</b>	<b>\$ 1,008,271</b>	<b>\$ 1,063,967</b>	<b>\$ 1,150,436</b>

Source: Washington State Office of Financial Management

**SCHEDULE 11  
CITY OF ISSAQUAH  
OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>OVERLAPPING SALES TAX RATES</b>										
Basic Sales Tax Rate										
City direct sales tax rate	0.017	0.017	0.017	0.017	0.017	0.019	0.019	0.019	0.019	0.019
Regional Transit Authority*	-	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Washington State tax rate	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.065	0.065
<b>Total Basic Sales Tax Rate</b>	<b>0.082</b>	<b>0.086</b>	<b>0.086</b>	<b>0.086</b>	<b>0.086</b>	<b>0.088</b>	<b>0.088</b>	<b>0.088</b>	<b>0.088</b>	<b>0.088</b>
Special Sales Tax Rates										
King County Food & Beverage <sup>1</sup>	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005
Special Hotel/Motel <sup>2</sup>	-	-	-	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Convention & Trade Center <sup>3</sup>	0.028	0.028	0.028	0.028	0.028	0.028	0.028	0.028	0.028	0.028

Source: State of Washington

\* The additional .004 (RTA) may not be applicable based on location within Issaquah

<sup>1</sup> King County Food & Beverage (KCF&B) tax is in addition to state and local sales tax for restaurants, taverns and bars

<sup>2</sup> Special Hotel/Motel tax is in addition to state and local sales tax for businesses that provide lodging

<sup>3</sup> Convention and trade center taxes apply to lodging businesses in King County with 60 or more lodging units and is in addition to state and local sales taxes

**SCHEDULE 12**  
**CITY OF ISSAQUAH**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
*DOLLARS EXPRESSED IN THOUSANDS, EXCEPT PER CAPITA*

Fiscal Year	Governmental Activities				Business-type Activities						Total Primary Government	Population	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Interlocal Agreement	Installment Contracts	Water Revenue Bonds	Sewer Revenue Bonds	Stormwater Revenue Bonds	Special Assessments	Installment Contracts				
1997	\$ 15,420	\$ 4,895	\$ -	\$ 198	\$ 3,090	\$ 140	\$ -	\$ -	\$ -	\$ 23,743	9.61	\$ 2,471	
1998	14,705	3,800	-	180	3,700	115	1,980	-	171	24,651	9.91	2,487	
1999	21,805	3,085	-	163	3,535	90	1,915	-	1,029	31,622	10.13	3,122	
2000	23,320	2,240	-	145	3,365	-	1,845	-	1,029	31,944	11.21	2,849	
2001	33,735	1,725	-	127	12,390	-	3,370	-	975	52,322	12.95	4,040	
2002	32,000	1,045	-	110	11,910	-	3,245	-	866	49,176	13.79	3,566	
2003	30,190	635	6,650	92	11,410	-	3,110	156	919	53,162	15.11	3,518	
2004	32,120	-	6,300	-	10,855	-	2,975	119	858	53,227	15.51	3,432	
2005	31,245	-	5,950	-	10,285	-	2,830	103	797	51,210	17.06	3,002	
2006	35,670	-	5,600	-	9,700	-	2,680	51	735	54,436	19.57	2,782	

**SCHEDULE 13**  
**CITY OF ISSAQUAH**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
*DOLLARS EXPRESSED IN THOUSANDS, EXCEPT PER CAPITA*

<b>Fiscal Year</b>	<b>Population</b>	<b>Assessed Value*</b>	<b>Net Bonded Debt**</b>	<b>Bonded Debt to Assessed Value</b>	<b>Debt Per Capital</b>
1996	9,255	\$ 992,727	\$ 14,940	1.50%	\$ 1,614
1997	9,610	1,129,729	15,435	1.37%	1,606
1998	9,866	1,254,126	14,383	1.15%	1,458
1999	10,130	1,407,065	21,429	1.52%	2,115
2000	10,260	2,001,756	22,869	1.14%	2,229
2001	13,790	2,362,934	33,214	1.41%	2,409
2002	13,790	2,531,753	31,420	1.24%	2,278
2003	15,110	3,027,362	29,589	0.98%	1,958
2004	15,510	3,336,876	31,233	0.94%	2,014
2005	17,060	3,734,157	30,878	0.83%	1,810
2006	19,570	4,416,916	35,252	0.80%	1,803

\* Assessed value provided by King County, Washington, which is the City's tax collection and distribution agency. This is the assessed value used to determine the following year's taxes.

\*\* Gross bonded debt less amount available in debt service funds.

**SCHEDULE 14**  
**CITY OF ISSAQUAH**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**LAST TEN FISCAL YEARS**  
*DOLLARS IN THOUSANDS*

**Assessed Valuation:** \$ 4,416,915,927

Population: 19,570

**NET DIRECT AND OVERLAPPING DEBT**

	<u>Net Debt</u>	<u>Percent Applicable</u>	<u>Amount Applicable</u>
Direct Debt			
Unlimited Tax Gen. Obligation Debt	\$ 12,435,000	100.00%	\$ 12,435,000
Limited Tax Gen. Obligation Debt	23,235,000	100.00%	23,235,000
Less Amount in Debt Service Funds	<u>387,588</u>		<u>387,588</u>
Total Direct Debt	<u>\$ 35,282,412</u>		<u>\$ 35,282,412</u>
Overlapping Debt			
King County	\$ 849,789,000	1.39%	\$ 11,812,067
Port of Seattle	416,645,000	1.39%	5,791,366
Issaquah School District #411	228,085,000	25.50%	58,161,675
Fire District #10	1,430,000	6.25%	89,375
King County Library/Issaquah Library Capital	87,690,000	63.66%	55,823,454
Estimated Net Overlapping Debt			<u>131,677,937</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>			<u><u>\$ 166,960,349</u></u>

**BONDED DEBT RATIOS**

Net Direct to Assessed Valuation	0.80
Net Direct and Overlapping Debt to Assessed Valuation	3.78
Per Capita Assessed Valuation	\$ 225,698
Per Capita Net Direct Debt	\$ 1,803
Per Capita Net Direct and Overlapping Debt	\$ 8,531

See accompanying notes to financial statements.

**SCHEDULE 15  
CITY OF ISSAQUAH  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
Page 1 of 2**

	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 84,729,651	\$ 94,059,483	\$ 105,529,887	\$ 150,131,709	\$ 177,220,071	\$ 189,881,481	\$ 227,052,150	\$ 250,265,673	\$ 280,061,778	\$ 331,268,694
Total net debt applicable to limit	15,237,570	14,382,857	21,429,258	22,869,009	33,213,791	31,419,730	29,589,022	31,232,734	30,878,264	35,282,412
Legal debt margin	69,492,081	79,676,626	84,100,629	127,262,700	144,006,280	158,461,751	197,463,128	219,032,939	249,183,514	295,986,282
Total net debt applicable to the limit as a percentage of debt limit	17.98%	15.29%	20.31%	15.23%	18.74%	16.55%	13.03%	12.48%	11.03%	10.65%

**SCHEDULE 15  
CITY OF ISSAQUAH  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
Page 2 of 2**

**LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2006**

Assessed Value	\$ 4,416,915,927
Debt Limit	
2.5% of general purpose limit, voted and non-voted	110,422,898
2.5% of utility purpose limit, voted	110,422,898
2.5% of Open space, Park and Capital facilities, voted	<u>110,422,898</u>
Total Debt Limit	331,268,694
Debt applicable to limit:	
General obligation bonds	35,670,000
Less: Amount set aside for repayment of general obligation bonds	<u>(387,588)</u>
Total net debt applicable to limit	<u>35,282,412</u>
Legal Debt Margin	<u>\$ 295,986,282</u>

**SCHEDULE 16  
CITY OF ISSAQUAH  
PLEGDED-REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year	Net Available For Debt Service		Debt Service Requirements		Total	Coverage
			Principal	Interest		
2006	\$ 10,229,209	*	\$ 735,000	\$ 614,553	\$ 1,349,553	7.58
2005	3,912,565	*	715,000	638,626	1,353,626	2.89
2004	4,082,063	*	665,000	712,007	1,377,007	2.96
2003	3,719,687	*	645,000	737,797	1,382,797	2.69
2002	2,935,415	*	605,000	742,528	1,347,528	2.18
2001	2,173,309	*	250,000	273,528	523,528	4.15
2000	1,171,357	*	240,000	284,711	524,711	2.23
1999	1,005,536	*	255,000	302,681	557,681	1.80
1998	1,167,800	*	185,000	207,611	392,611	2.97
1997	903,232	*	155,000	170,745	325,745	2.77

**WATER REVENUE BONDS**

Fiscal Year	Net Available For Debt Service		Debt Service Requirements		Total	Coverage
			Principal	Interest		
2006	\$ 3,899,367		\$ 585,000	\$ 466,643	\$ 1,051,643	3.71
2005	2,498,232		570,000	484,088	1,054,088	2.37
2004	2,583,813		530,000	551,423	1,081,423	2.39
2003	2,734,827		510,000	571,485	1,081,485	2.53
2002	2,019,320	*	480,000	573,897	1,053,897	1.92
2001	701,985	*	175,000	176,200	351,200	2.00
2000	443,870	*	170,000	183,593	353,593	1.26
1999	520,052	*	165,000	190,863	355,863	1.46
1998	795,034	*	140,000	168,257	308,257	2.58
1997	552,613	*	130,000	161,365	291,365	1.90

**SEWER REVENUE BONDS**

Fiscal Year	Net Available For Debt Service		Debt Service Requirements		Total	Coverage
			Principal	Interest		
2006	\$ 1,012,628		\$ -	\$ -	\$ -	n/a
2005	394,975		-	-	-	n/a
2004	685,279		-	-	-	n/a
2003	283,789		-	-	-	n/a
2002	260,779		-	-	-	n/a
2001	597,833		-	-	-	n/a
2000	444,813		-	-	-	n/a
1999	225,351		25,000	6,480	31,480	7.16
1998	254,453		25,000	7,955	32,955	7.72
1997	350,619		25,000	9,380	34,380	10.20

**STORMWATER REVENUE BONDS**

Fiscal Year	Net Available For Debt Service		Debt Service Requirements		Total	Coverage
			Principal	Interest		
2006	\$ 5,317,214		\$ 150,000	\$ 147,910	\$ 297,910	17.85
2005	1,019,358		145,000	154,538	299,538	3.40
2004	812,971		135,000	160,584	295,584	2.75
2003	701,071		135,000	166,312	301,312	2.33
2002	655,316		125,000	168,631	293,631	2.23
2001	873,491		75,000	97,328	172,328	5.07
2000	282,674		70,000	101,118	171,118	1.65
1999	260,133		65,000	105,338	170,338	1.53
1998	118,313		20,000	31,399	51,399	2.30
1997	n/a		n/a	n/a	n/a	n/a

\* Includes rental income which has been dedicated toward debt service.



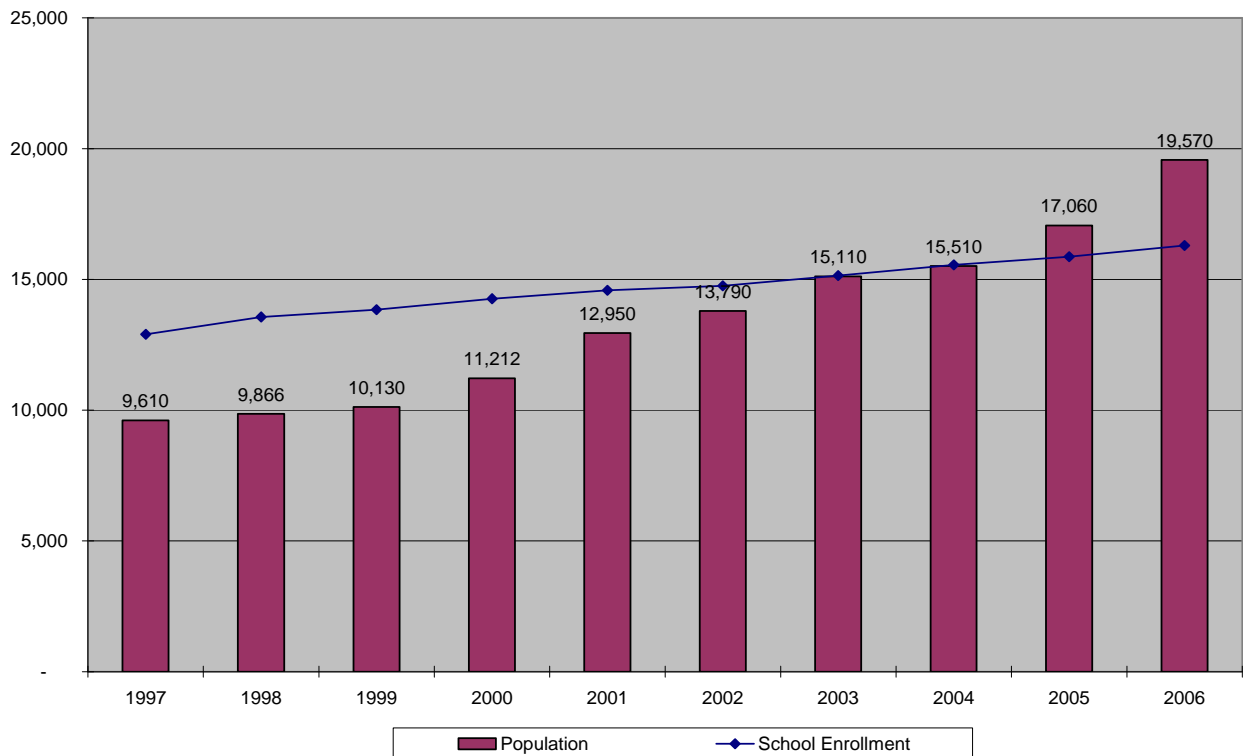
**SCHEDULE 17  
CITY OF ISSAQUAH  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

Fiscal Year	ISSAQUAH		KING COUNTY					
	Population <sup>a</sup>	School Enrollment <sup>b</sup>	Population <sup>a</sup>	Personal Income (thousands of dollars) <sup>c</sup>	Per Capita Personal Income <sup>c</sup>	Median Income <sup>a</sup>	Median Age <sup>a</sup>	Un-employment Rate <sup>d</sup>
1997	9,610	12,904	1,679,516	\$ 57,707,202	\$ 34,253	\$ 48,234	35.00	4.1%
1998	9,866	13,566	1,702,140	65,485,103	38,241	51,178	35.26	4.0%
1999	10,130	13,846	1,720,098	72,997,198	42,218	53,157	35.50	3.8%
2000	11,212	14,259	1,737,046	77,271,598	44,429	56,417	35.70	4.1%
2001	12,950	14,588	1,758,312	76,883,017	43,800	56,750	35.92	5.1%
2002	13,790	14,759	1,774,312	77,940,608	44,250	57,374	36.13	6.1%
2003	15,110	15,146	1,779,300	79,199,166	44,821	58,135	36.38	6.2%
2004	15,510	15,558	1,788,300	87,417,911	49,118	62,041	36.60	5.2%
2005	17,060	15,872 <sup>e</sup>	1,808,300	86,746,632	48,216	63,742	36.83	4.7%
2006	19,570	16,296 <sup>e</sup>	1,835,300	n/a	n/a	65,940	36.93	4.2%

**Sources**

- <sup>a</sup> Washington State Office of Financial Management
- <sup>b</sup> National Center for Education Statistics
- <sup>c</sup> U.S. Bureau of Economic Analysis
- <sup>d</sup> Washington State Employment Security Department
- <sup>e</sup> Washington State Office of Superintendent of Public Instruction

**Population and School Enrollment Trends  
Last Ten Fiscal Years**



**SCHEDULE 18  
CITY OF ISSAQUAH  
PRINCIPAL EMPLOYERS**

<u>Employer</u>	<u>Services/Product</u>	<u>2005 *</u>	
		<u># of Employees</u>	<u>Rank</u>
Costco Wholesale World Headquarters	Corporate Headquarters and Store	3,384	1
Microsoft Corporation Sammamish Park Place	Computer Software	3,000	2
Issaquah School District	Education	1,700	3
Alltel Corporation Call Center	Wireless Customer Service	900	4
Spacelabs Medical Inc.	Healthcare Information Systems/Devices	456	5
Siemens Medical Solutions USA, Inc.	Ultrasound Equipment	400	6
Providence Marianwood	Retirement Living/Assisted Living	300	7
The Boeing Company	Eastpoint Corporate Center	234	8
City of Issaquah City Hall	City Government	225	9
The Highridge Corporation	Commercial Development	200	10
King County Library Systems Public Service Center	Library	197	11

Source: Issaquah Chamber of Commerce and the City of Issaquah Resource Conservation Office

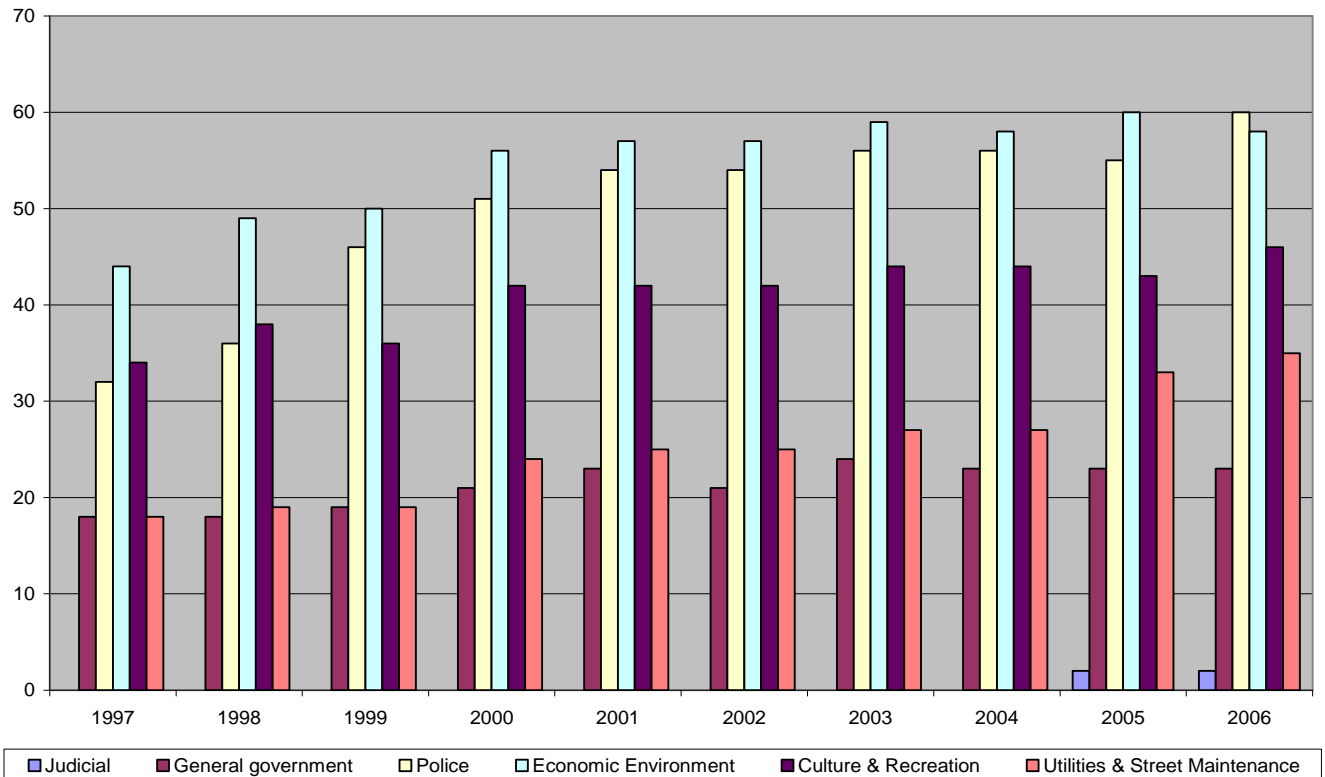
\* 2005 is the most recent data available

**SCHEDULE 19  
CITY OF ISSAQUAH  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	Budgeted Full-time Employees									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Judicial	0	0	0	0	0	0	0	0	2	2
General government	18	18	19	21	23	21	24	23	23	23
Police	32	36	46	51	54	54	56	56	55	60
Economic Environment	44	49	50	56	57	57	59	58	60	58
Culture & Recreation	34	38	36	42	42	42	44	44	43	46
Utilities & Street Maintenance	18	19	19	24	25	25	27	27	33	35
<b>Total FTEs</b>	<b>146</b>	<b>160</b>	<b>170</b>	<b>194</b>	<b>201</b>	<b>199</b>	<b>210</b>	<b>208</b>	<b>216</b>	<b>224</b>

Note: For consistency, years 1997-1999 do not include Fire as beginning in 2000 the City Fire Department formed Eastside Fire and Rescue along with four other jurisdictions. Refer to Note 6, Joint Ventures for additional information.

**Full-time Equivalent City Government Employees by Function  
Last Ten Fiscal Years**



**SCHEDULE 20  
CITY OF ISSAQUAH  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Judicial ***										
Criminal Filings	*	*	*	*	*	*	*	*	594	822
Infraction Filings	*	*	*	*	*	*	*	*	3,412	3,191
General Government										
Passports Processed		1,357	1,047	1,161	1,151	1,952	1,643	1,278	1,456	1,601
Contracts/Agreements Processed	73	179	194	193	217	312	480	389	498	506
Invoices Processed	11,646	12,123	11,550	11,761	12,713	12,129	12,503	14,609	12,610	14,400
Police										
Traffic Citations	2,929	3,862	5,385	4,704	4,337	4,623	3,961	3,890	4,000	3,540
Calls for Service	*	*	*	*	9,500	11,595	12,005	12,680	13,650	14,200
Prisoners in Jail	92	0	0	**974	1,447	1,930	2,921	2,233	2,540	3,144
Economic environment										
Building Permits Issued	1,040	1,216	1,107	1,029	1,181	1,311	2,221	2,353	2,797	1,937
Culture and recreation										
Trail Miles	7	8	8	9	10	10	12	13	14	14
Baseball/Softball Fields	*	*	*	*	*	6	6	6	7	9
Parks and Playground Acres	*	*	*	*	*	*	63	63	78	87
Irrigation Systems	33	40	41	43	39	41	43	44	47	49
Utilities and street maintenance										
Streets										
Miles of Asphaltic Plant or Road Mix	47	47	47	47	47	132	132	175	180	175
Water										
Number of Customers	3,263	3,407	3,995	4,110	4,144	4,534	4,089	4,731	5,008	5,497
Sewer										
Number of Customers	2,604	2,674	2,743	2,860	2,690	3,129	3,121	3,738	4,728	5,163
Stormwater										
Number of Customers	*	3,183	3,183	3,214	3,668	4,205	4,623	4,993	5,722	6,907

\* Not Available

\*\* First (partial) year in new jail

\*\*\* Issaquah Municipal Court was not fully operational until 2005.

**SCHEDULE 21  
CITY OF ISSAQUAH  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government										
City Hall Buildings	3	3	3	3	3	3	3	3	3	3
Public Safety/Police										
Fire Stations	2	2	2	2	2	2	2	3	3	3
Police Station	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	8	7	8	8	15	15	16	12	13	21
Motorcycles	0	1	1	2	2	2	2	2	1	1
Economic environment										
Culture and recreation										
Basketball Courts	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.5	2.5	2.5
Bike/Walk Paths(miles)									5	5
Community Centers	5	5	5	5	5	5	5	5	5	5
Parks	11	12	14	15	17	17	17	18	19	19
Parks and Open Space <i>(Approximate Acreage)</i>	708.69	710.24	860.97	912.23	912.6	1293.9	1296.19	1312.53	1334.38	1336
Play Fields	9	10	11	11	12	12	12	14	14	14
Public Art Pieces	3	3	3	4	5	5	6	7	9	11
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	4	4	6	6	6	6	6	8	8	8
Utilities and street maintenance										
Street										
Paved Streets (miles)	x	x	x	x	56.9	x	x	x	91	x
Sidewalks (miles)	x	x	x	x	x	x	x	x	73.5	x
Traffic Signals	16	16	17	24	28	28	40	40	40	41
Water										
Water main (miles)	x	x	x	x	x	x	x	x	100	x
Service Connections	x	x	x	x	x	x	x	x	5,200	x
Sewer										
Sanitary Sewer (miles)	x	x	x	x	x	x	x	x	61	x
Service Connections	x	x	x	x	x	x	x	x	6619	x
Storm										
Storm Sewers (miles)	x	x	x	x	x	x	x	x	80	x

x Information not available

**SCHEDULE 22  
CITY OF ISSAQUAH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1 Federal Agency Name / Pass-Through Agency	2 Federal Program Name	3 CFDA Number	4 Other I.D. Number	5 Expenditures			6 Footnote Reference
				From Pass-Through Awards	From Direct Awards	Total	
U. S. Department of Transportation / Pass-Through from WA DOT	Highway Planning and Construction	20.205	LA-5662 Juniper Bridge	\$ 831		\$ 831	Note 2
			LA-5686 Front & Gilman Intersection	1,388		1,388	Note 3
			LA-5908 High Point Trail	68,610		68,610	Note 4
			LA-5982 SE 229th Signal	204,015		204,015	Note 5
			LA-6099 Centralized ITS	393,000		393,000	Note 6
			Subtotal	\$ 667,844		\$ 667,844	
Office of Justice Programs, U.S. Department of Justice	Bulletproof Vest Partnership Grant	16.607			5,447	5,447	
USDA Forest Service / Pass-Through from State of Washington Department of Natural Resources	Cooperative Forestry Assistance	10.664	FY06-301/K244-03-004(2) MDRT Tree Grant	10,051		10,051	Note 7
US Department of Homeland Security/pass through	Equipment Support	97.004	Domestic Preparedness Equipment	30,056		30,056	Note 8
United States Department of Homeland Security (DHS) / Pass-Through from Washington State Military Department, Emergency Management Division (EMD)	FFY05 State Homeland Security Grant Program / Zone 1 Planner	97.067	State Contract #E06-14	66,175		66,175	
Safety Administration/WA Traffic Safety Commission	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	Overtime for Traffic Safety	15,478		15,478	
<b>Total Federal Awards Expended</b>				<b>\$ 789,604</b>	<b>\$ 5,447</b>	<b>\$ 795,051</b>	

**NOTES**

Note 1: Basis of Accounting - This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting.

Note 2: Costs are 100% reimbursable

Note 3: Costs are 90% reimbursable, with 10 City match. Eligible expenditures for project in 2006 total \$1,542.20

Note 4: Costs are 86.5% reimbursable, with a 13.5% City match. Eligible expenditures for project in 2006 total \$79,317.39.

Note 5: Costs are 86.5% reimbursable, with 13.5% City match. Eligible expenditures for project in 2006 total \$243,134.10 which computes to a reimbursable amount of \$210,311.00; however, only \$204,014.53 remained in the grant balance.

Note 6: This project has a federal indirect grant for \$393,000 which was totally expended in 2006. The grant has a 13.5% matching requirement so \$454,335 of the total eligible project expenditures support this grant. There is also a State grant for \$1,500,000, which is listed on the State & Local Schedule.

Note 7: Costs are 50% reimbursable, with a 50% City match. Eligible expenditures for project in 2006 total \$10,051.28

Note 8: Noncash awards - Equipment received that were purchased with federal Homeland Security funds. The amount reported is the value of the property on the date received.

**SCHEDULE 23  
CITY OF ISSAQUAH  
SCHEDULE OF EXPENDITURES OF STATE & LOCAL AWARDS**

1	2	3	4
Grantor/Program Title	Identification Number	Current Year Expenditures	Footnote Reference
WSDOT/Commute Trip Reduction	GCA4834	\$ 13,941	
WSDOT/Commute Trip Reduction	GCA4568	11,735	Note 2
WSDOE/Coordinated Prevention Grant	G0600201	18,319	Note 3
Seattle-King County Dept of Public Health / Local Hazardous Waste Program	D32777D	7,399	Note 4
King County/Waste Reduction and Recycling	D36027D	23,186	Note 5
King Conservation District & King County Waterworks	253671 Sycamore Restoration Project Phase II	63,595	Notes 6 & 7
King Conservation District	Habitat Restoration	15,999	Note 8
King County/Road Services	D306490D	197,269	
State of Washington TPA Funds	Funding Agreement # CM-HLP-9917(011)	462,795	Note 9
State of Washington Department of Labor Master Licensing Service	DOL Grant No. 8276	34,684	
<b>Total State and Local Assistance</b>		<b>\$ 848,922</b>	

**NOTES**

Note 1: Basis of Accounting - This schedule is prepared on the same basis of accounting as the City of Issaquah's financial statements. The City uses the modified accrual basis of accounting.

Note 2: Amount billable to grant for 2006 is \$11,735.47. Total project expenditures in 2006 are \$18,465.41.

Note 3: Grant award for 2006 is \$18,319.00. Eligible expenditures in 2006 totaled \$33,004.60.

Note 4: Grant award for 2006 is \$7,399.31. Eligible expenditures in 2006 totaled \$11,052.32.

Note 5: Grant award for 2006 is \$23,186.00. Eligible expenditures in 2006 totaled \$25,397.42.

Note 6: For the King County Waterworks grant, \$106,285 must be expended on the project to earn the \$25,000 Grant. The payments of this grant are also scheduled to be made to the City of Issaquah in specific increments and at specific dates without reference to the amount of match at these intervals. In January 2007, the City billed for the \$15,000 scheduled for 2006. Additional expenditures will occur in 2007.

Note 7: For the King Conservation District grant, \$100,000 must be expended on the project to earn the \$50,000 grant. The entire \$50,000 was received in August 2006 as an advance. In 2006, the City expended \$97,190.58 on the project, which is sufficient to earn \$48,595.29 as 2006 revenue. The grant end date was extended from December 31, 2006 to March 31, 2007 to allow completion of the project.

Note 8: Grant award for 2006 is \$15,999. Eligible expenditures in 2006 totaled \$44,206.21.

Note 9: This State award grant is \$1,500,000. Eligible costs in 2006 totaled \$462,795.05. This project has a federal indirect grant for \$393,000 which was totally expended in 2006 and is also listed on the SEFA Schedule.