

CITY OF
ISSAQUAH

"A Special Place Where People Care"



"The Blue Door" - Donated by Sister City Chefchauouen, Morocco

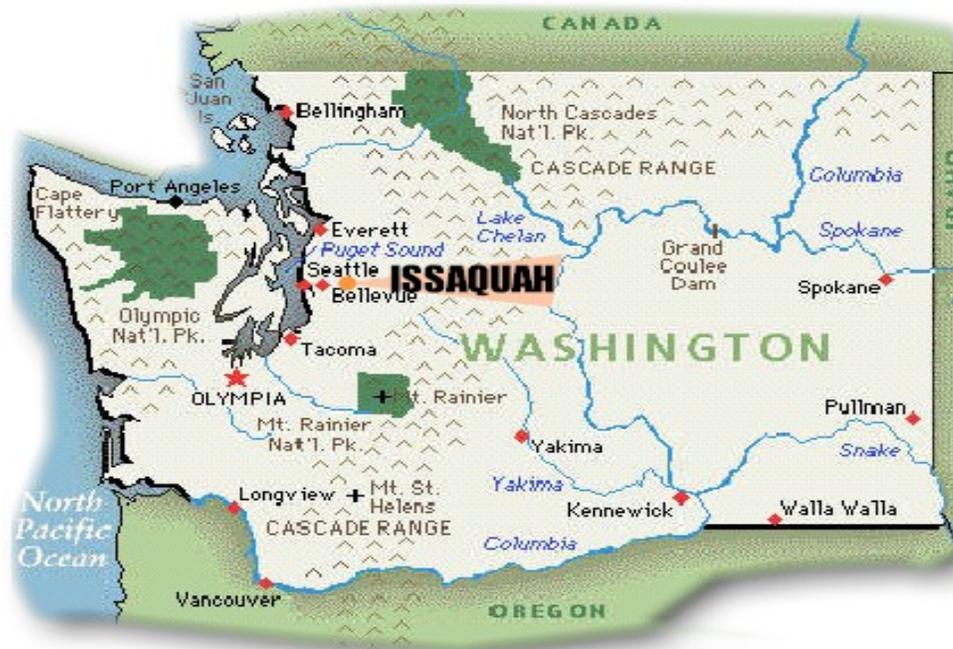
2007 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2007

CITY OF ISSAQUAH, WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007



State of Washington

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.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2007

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INTRODUCTION



May 30, 2008

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, 2007 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.

Profile of the Government

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 \$2.7 million. There were investments as of December 31, 2007: \$2.0 million in the General Fund and \$1.0 million in the Capital Improvement Fund.

OTHER INFORMATION

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 2007.

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

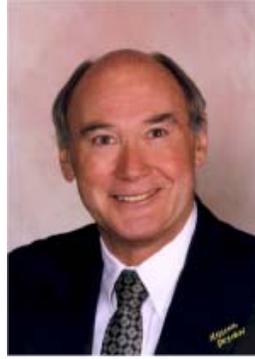
**CITY OFFICIALS
ELECTED OFFICIALS**



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

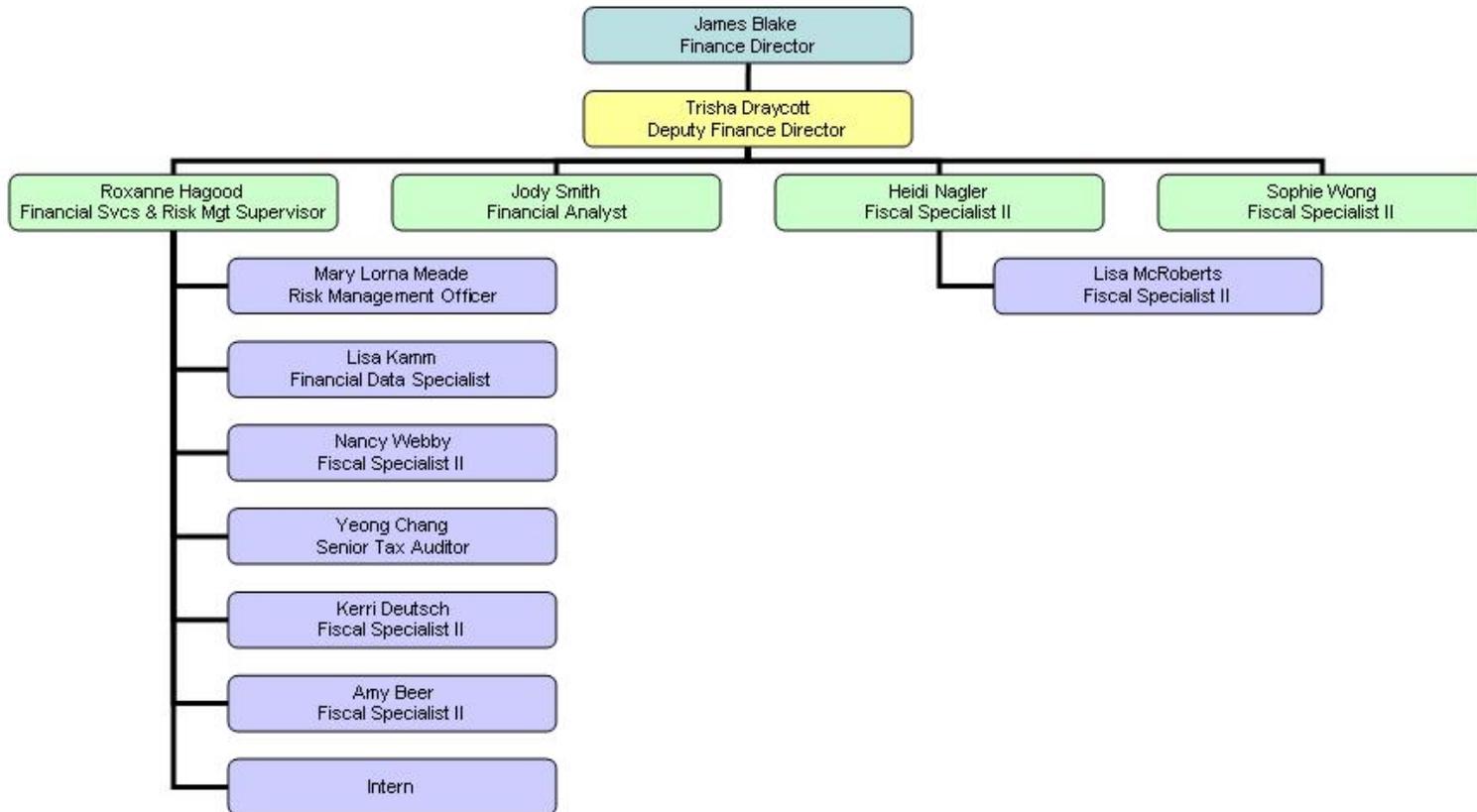
Photos © Hilling Design – used with permission

EXECUTIVE STAFF

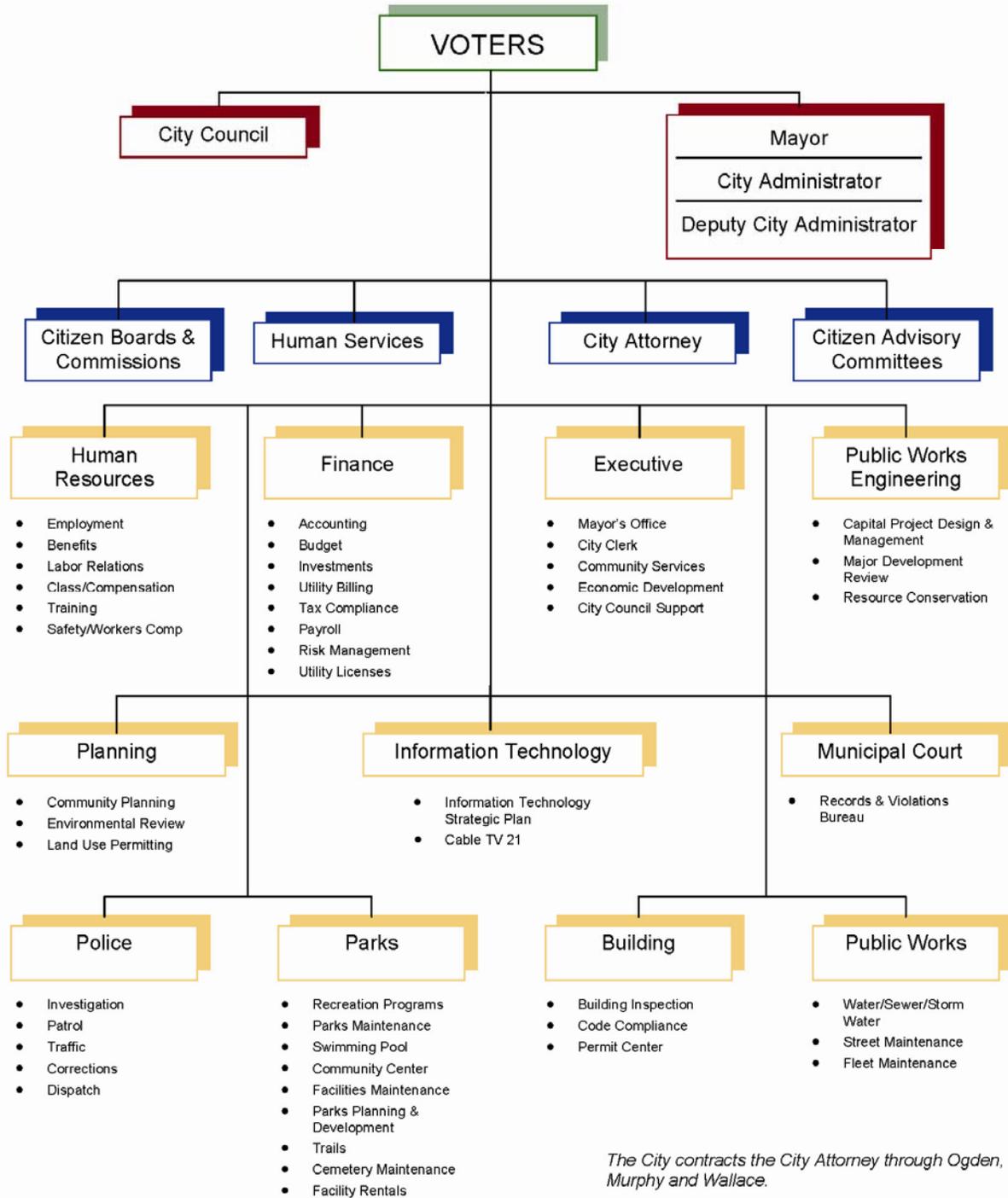
City Administrator	Leon Kos
Deputy City Administrator.....	Joe Meneghini
Chief of Police	Paul Ayers
Finance Director	James R. Blake
Parks & Recreation Director.....	Anne McGill
Planning Director.....	Mark Hinthorne
Building Official	John Minato
Human Resources Director.....	Ruben Nieto
Public Works Engineering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

City of Issaquah Finance Department

as of 12/31/07



CITY OF ISSAQUAH ORGANIZATIONAL STRUCTURE



Revised 6/25/2007

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

Eastside Fire and Rescue provides fire services.



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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, 2007. 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 2007 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 \$575 million. A total of 91%, or \$525 million, of total net assets is invested in capital such as land and buildings. Of the remaining net assets, \$25 million is restricted for debt service, capital projects, etc. \$24 million is available to meet the government's ongoing activities and obligations.

Governmental fund balances at year-end were \$36 million. Of this amount, a total of \$35 million or 97% of the governmental fund balance is unreserved and available to fund ongoing activities with \$18 million being earmarked for capital project activities.

Unreserved fund balance in the general fund was \$12 million, an increase of \$3 million from the prior year.

In 2007 the City issued \$5.1 million new debt. \$8.4 million of debt was retired. Total debt at year-end was \$51.1 million, not including compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Issaquah's basic financial statements. The City of Issaquah's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Issaquah's financial condition, in a manner similar to a private-sector business.

The government-wide financial statements distinguish Governmental Activities that are primarily supported by taxes and intergovernmental revenues, from Business-type Activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities of the City include general government (finance, executive, and human resources), security (police and fire), physical and economic environment, transportation, mental/physical health, and culture and recreation. The City's business-type activities are limited to water, wastewater and stormwater utilities.

The *Statement of Net Assets* presents information on all of the City of Issaquah's assets and liabilities, highlighting the difference between the two reported as net assets. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net assets may 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 most recent fiscal 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 the statement of activities 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 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. 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 demonstrate compliance with finance-related legal requirements. All the funds of the City of Issaquah's can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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, governmental versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Issaquah maintains 24 individual governmental funds. The City's five major governmental funds, the general fund, street special revenue fund, limited debt service fund, capital improvement fund and the street improvement fund are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the remaining governmental funds are combined into a single column labeled Other Governmental Funds. Individual fund data for each of these non-major governmental funds can be found in the form of *combining statements* presented 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 has been provided for the general fund and major special revenue funds, if any, to demonstrate compliance with this budget.

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

The City of Issaquah uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial 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 of Issaquah uses internal service funds to account for its fleet of vehicles and equipment, unemployment insurance, insurance premiums, 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. Fiduciary funds account for resources 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 the sources of these funds are *not* available to support the City of Issaquah's own programs.

At year-end, the City maintains 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 essential 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.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements.

Statistical Section. This section includes un-audited trend information and demographics.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. The City of Issaquah's net assets at December 31, 2007 total \$575 million. The following is a condensed version of the government-wide statement of net assets.

City of Issaquah's Net Assets (in thousands)

	Governmental Activities		Business Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$ 43,400	\$ 49,262	\$ 10,628	\$ 11,775	\$ 54,028	\$ 61,037
Capital assets, net of depreciation	80,870	470,229	97,814	106,144	178,684	576,373
Total Assets	124,270	519,491	108,442	117,919	232,712	637,410
Current liabilities	4,872	4,258	463	141	5,335	4,399
Liabilities payable from restricted assets	3,255	4,002	-	-	3,255	4,002
Noncurrent liabilities	43,712	41,319	13,294	12,456	57,006	53,775
Total liabilities	51,839	49,579	13,757	12,597	65,596	62,176
Net Assets:						
Invested in capital assets net of debt	39,600	431,402	84,648	93,899	124,248	525,301
Restricted	19,883	19,790	5,241	5,504	25,124	25,294
Unrestricted	12,947	18,720	4,796	5,919	17,743	24,639
Total net assets	\$ 72,431	\$ 469,912	\$ 94,685	\$ 105,322	\$ 167,116	\$ 575,234

The largest component of the City's net assets, 91% or \$525 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. For 2007, the City implemented the GASB 34 reporting to include all general infrastructure of the City.

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

With the implementation of the infrastructure portion of GASB 34, the City of Issaquah's net assets increased approximately \$408 million in 2007. The increase was \$397 million (97%) in the governmental activities and \$11 million (3%) in the business-type activities. The following table shows the revenues, expenses and related changes in net assets for the governmental activities separate from the business-type activities.

City of Issaquah Statement of Activities (in thousands)

	Governmental Activities		Business Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program Revenues						
Charges for services	\$ 8,590	\$ 7,498	\$ 13,161	\$ 14,796	\$ 21,751	\$ 22,294
Operating grants & contributions	1,303	2,271	-	402	1,303	2,673
Capital grants & contributions	7,156	18,785	6,068	2,694	13,224	21,479
General revenues:						
Property taxes	5,530	6,905	-	-	5,530	6,905
Sales taxes	11,719	12,725	-	-	11,719	12,725
Business taxes	5,563	5,898	-	-	5,563	5,898
Other taxes	4,429	4,154	-	-	4,429	4,154
Investment earnings	1,737	2,220	430	486	2,167	2,706
Total revenues	46,028	60,456	19,659	18,378	65,686	78,834
Expenses:						
Judicial	265	342	-	-	265	342
General government	6,881	7,675	-	-	6,881	7,675
Public safety	9,835	9,725	-	-	9,835	9,725
Physical environment	709	729	-	-	709	729
Transportation	5,575	12,192	-	-	5,575	12,192
Health and human services	86	114	-	-	86	114
Economic environment	3,092	3,290	-	-	3,092	3,290
Culture and recreation	4,483	4,813	-	-	4,483	4,813
Interest on long term debt	1,556	1,994	-	-	1,556	1,994
Water	-	-	4,963	5,571	4,963	5,571
Sewer	-	-	4,711	4,879	4,711	4,879
Storm Water	-	-	2,897	3,378	2,897	3,378
Total expenses	32,479	40,874	12,571	13,828	45,050	54,702
Increase (decrease) in net assets before transfers	13,549	19,582	9,397	4,550	22,946	24,132
Transfers, net	3	317	(3)	(317)	-	-
Miscellaneous Revenue	917	998	11	(441)	928	557
Increase (decrease) in net assets	14,469	20,897	7,097	3,792	21,566	24,689
Net Assets - beginning	57,963	72,431	88,107	94,685	146,070	167,116
Prior period adjustment & Infrastructure	-	376,584	(519)	6,845	(519)	383,429
Net Assets - ending	\$ 72,432	469,912	\$ 94,685	105,322	\$ 167,117	\$ 575,234

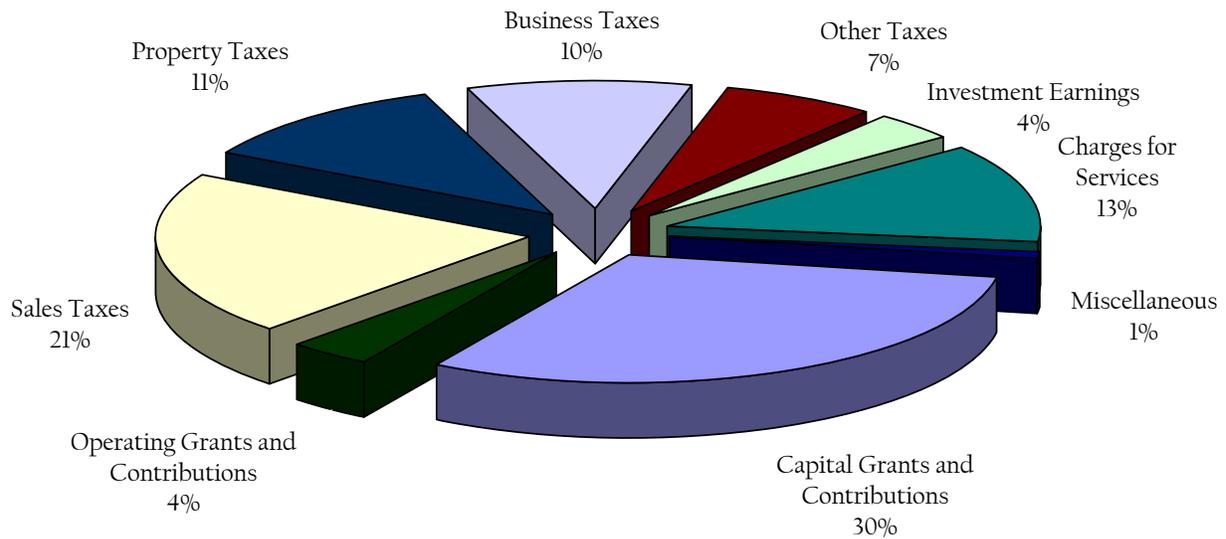
Governmental activities. Governmental activities contributed \$397 million of the total change in net assets of \$408 million. Key elements of the increase are as follows:

- Governmental revenues increased \$14 million.
- Charges for services decreased \$1 million, resulting primarily from a significant decrease in permitting activity.
- Operating grants and contributions increased almost \$1 million.
- Capital Grants and contributions increase \$11.6 million due to partnerships with State and Federal agencies for construction of several major capital projects.
- Overall tax revenue increased \$2.4 million.

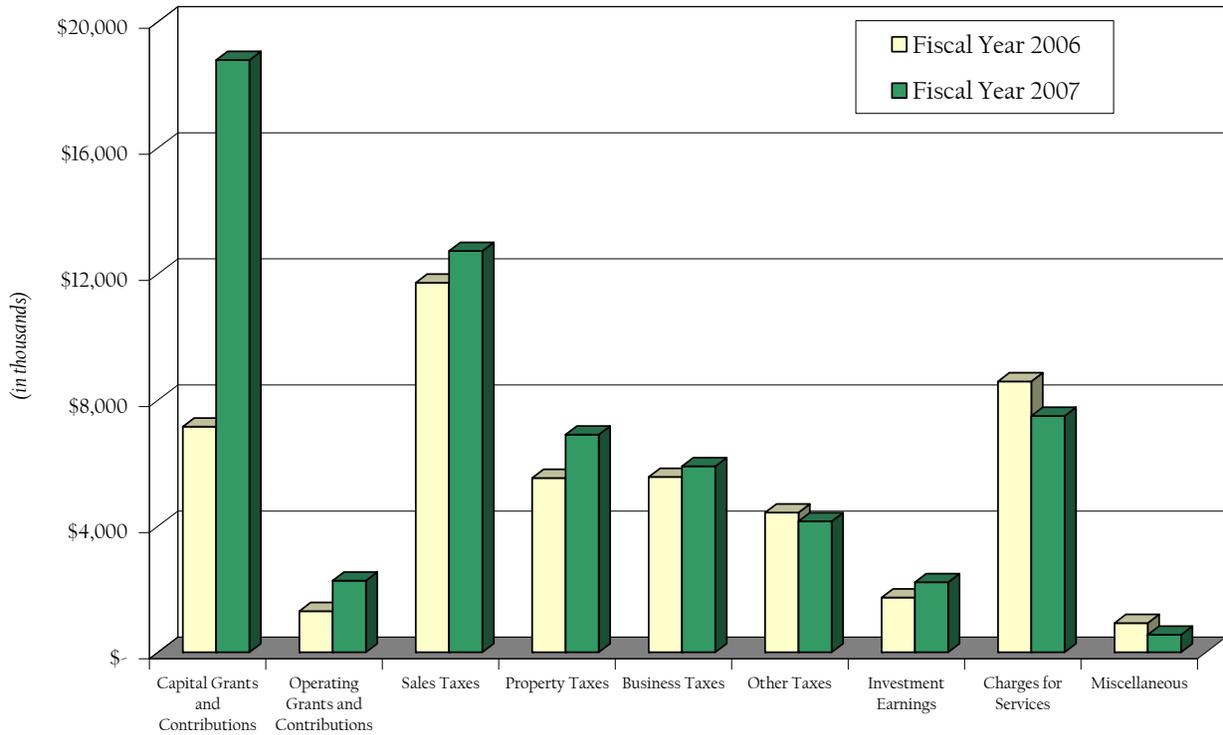
In 2007, the City of Issaquah focused on environmental sustainability with a variety of programs and projects, including support for green building, commute trip reduction and, new for 2007, a zero-energy single-family home project. In addition to a commitment to environmental projects and programs, the City implemented improvements to public safety, transportation and quality of life improvements, along with a number of technology investment projects aimed at efficiency and higher services levels.

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

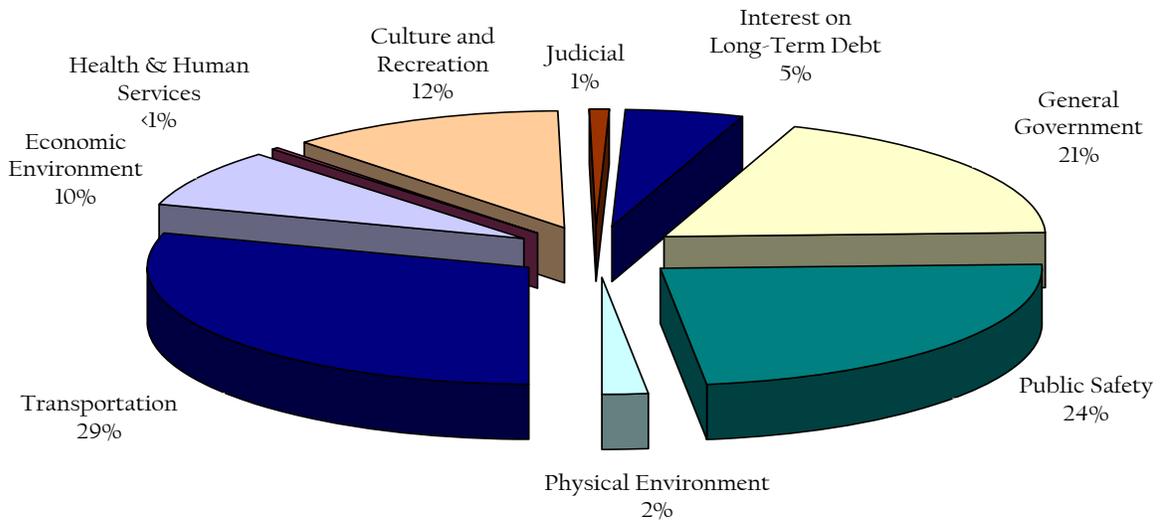
Revenues by Source - Government Activities



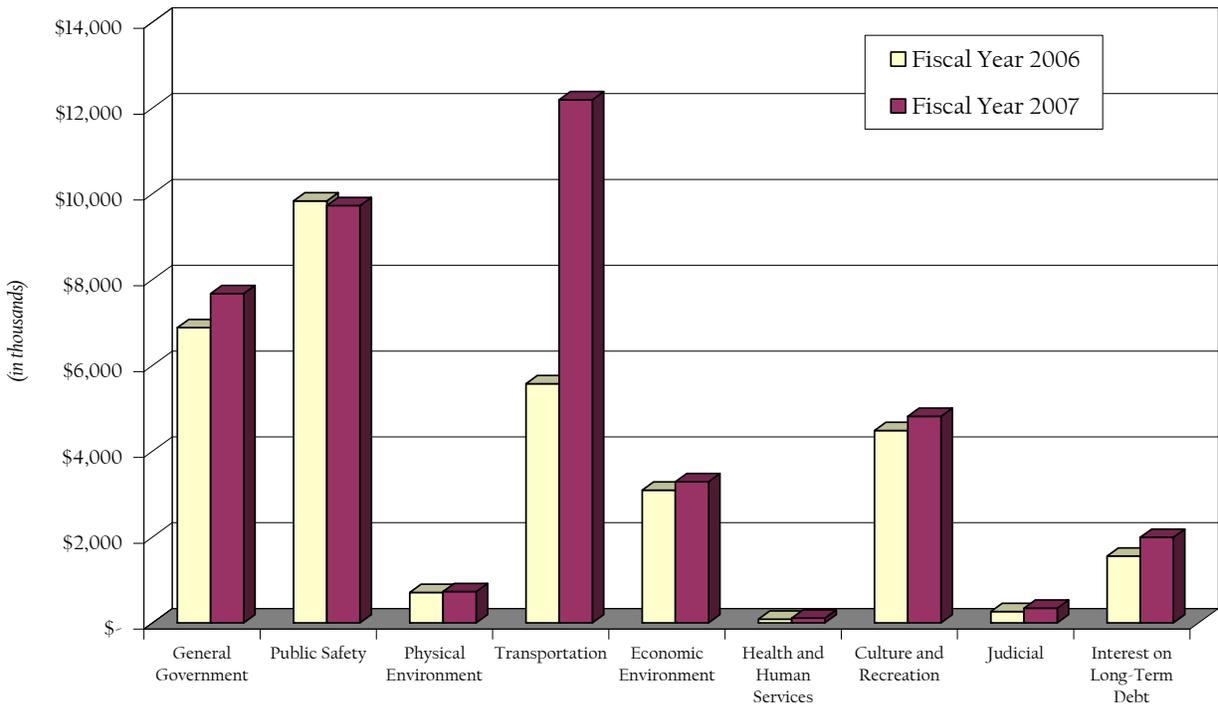
Revenues by Source Comparison - Governmental Activities



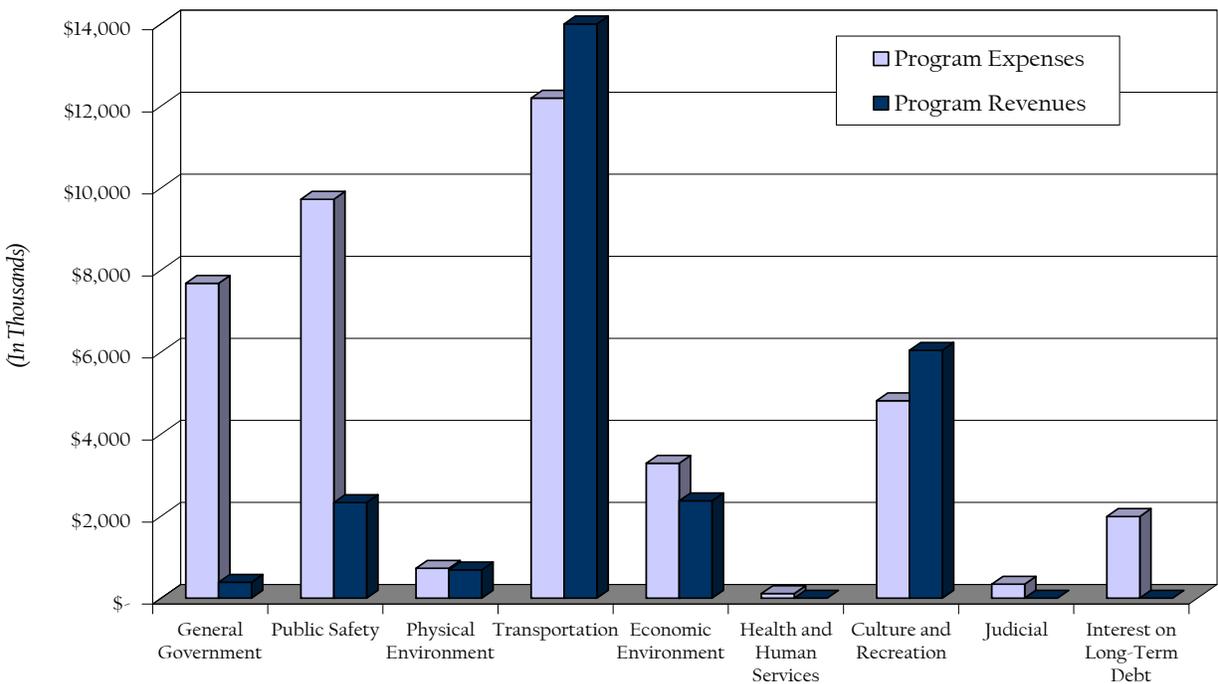
Program Expenses - Governmental Activities



Expenditure Comparison by Program - Governmental Activities

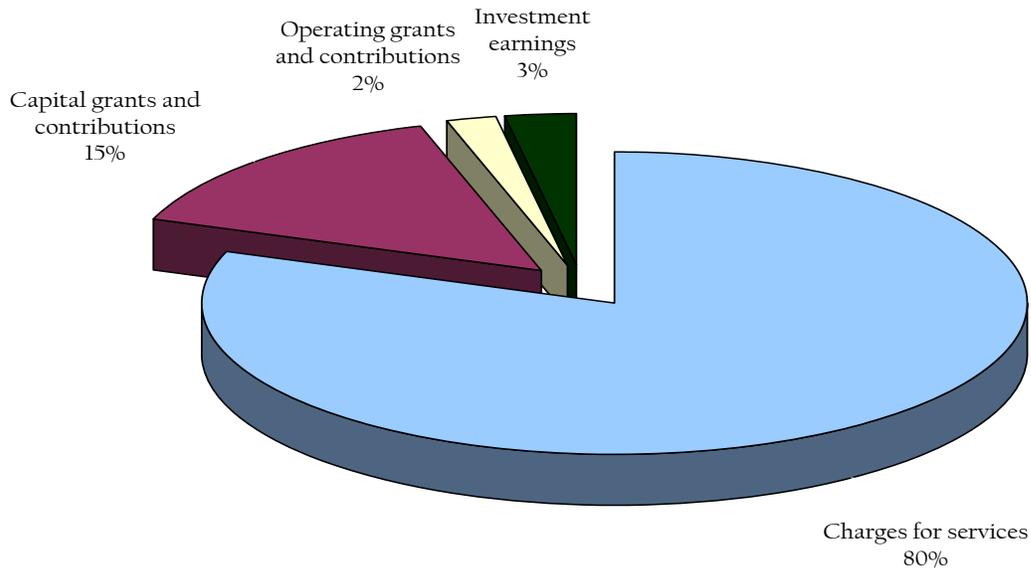


Program Expenses vs. Revenues - Governmental Activities

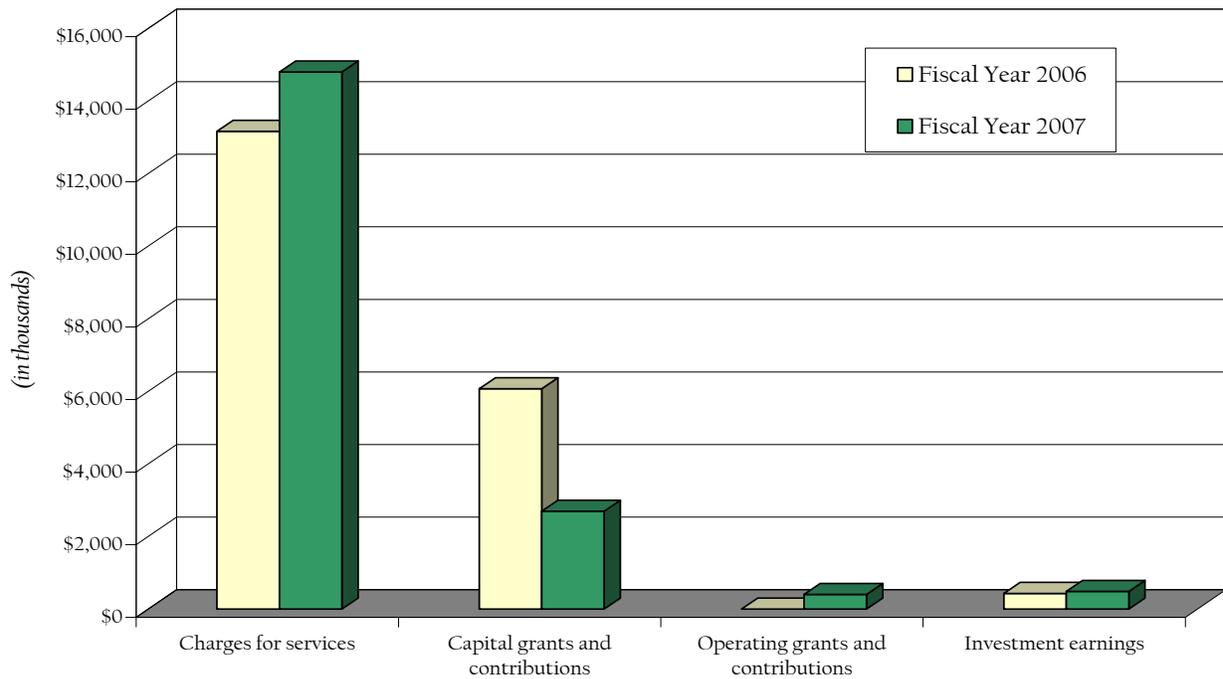


Business-type activities the City's utilities increased the City of Issaquah's net assets by \$3.8 million.

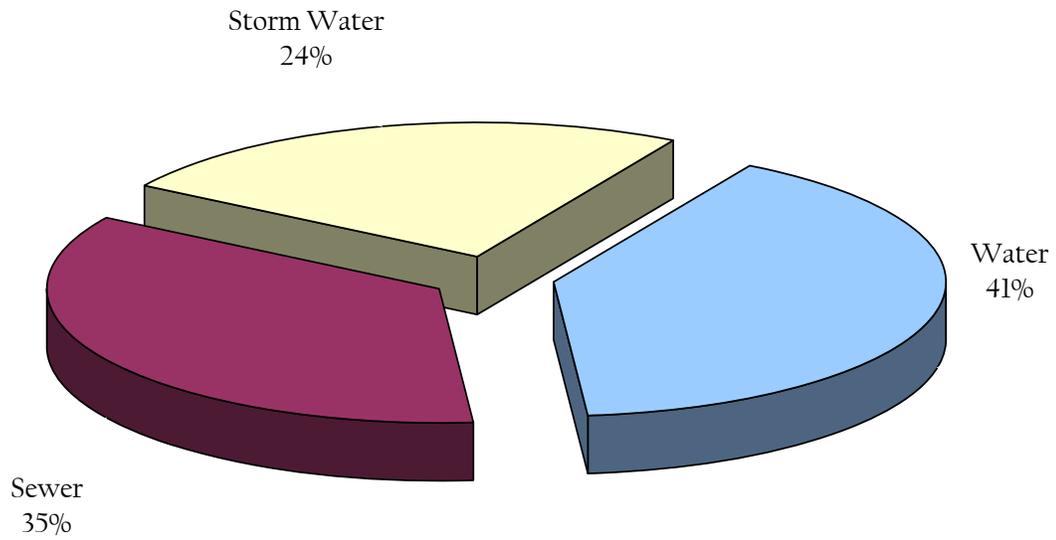
Revenues by Source - Business Type Activities



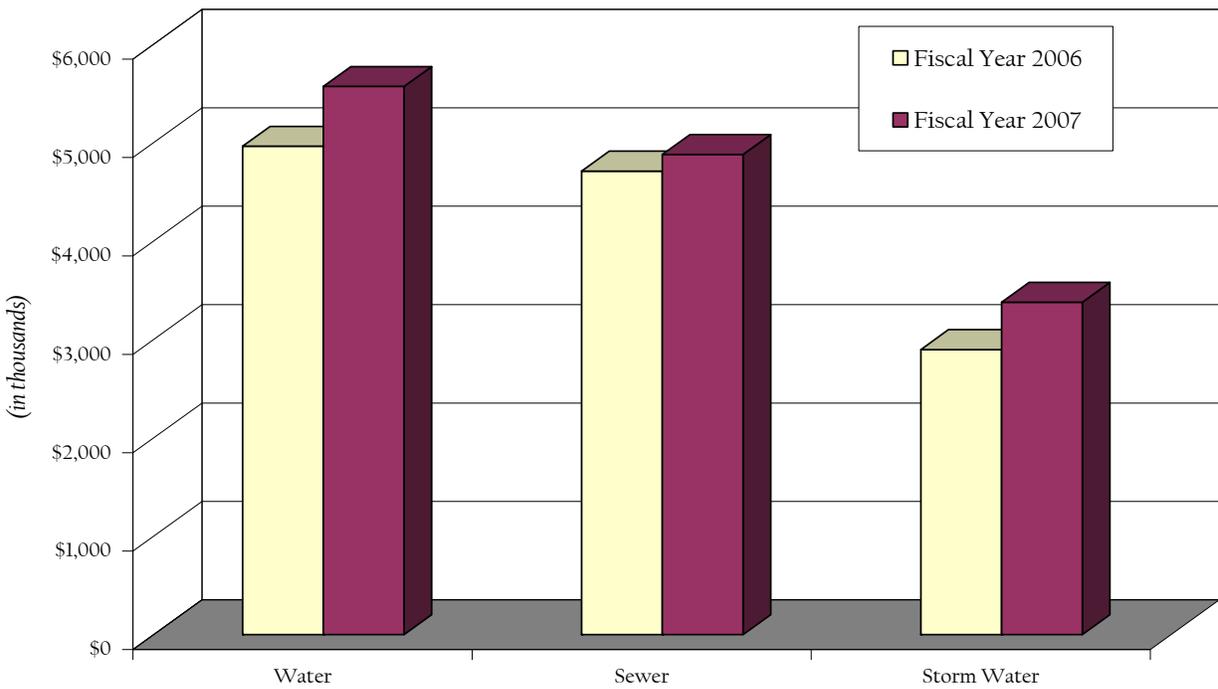
Revenues by Source Comparison - Business Type Activities



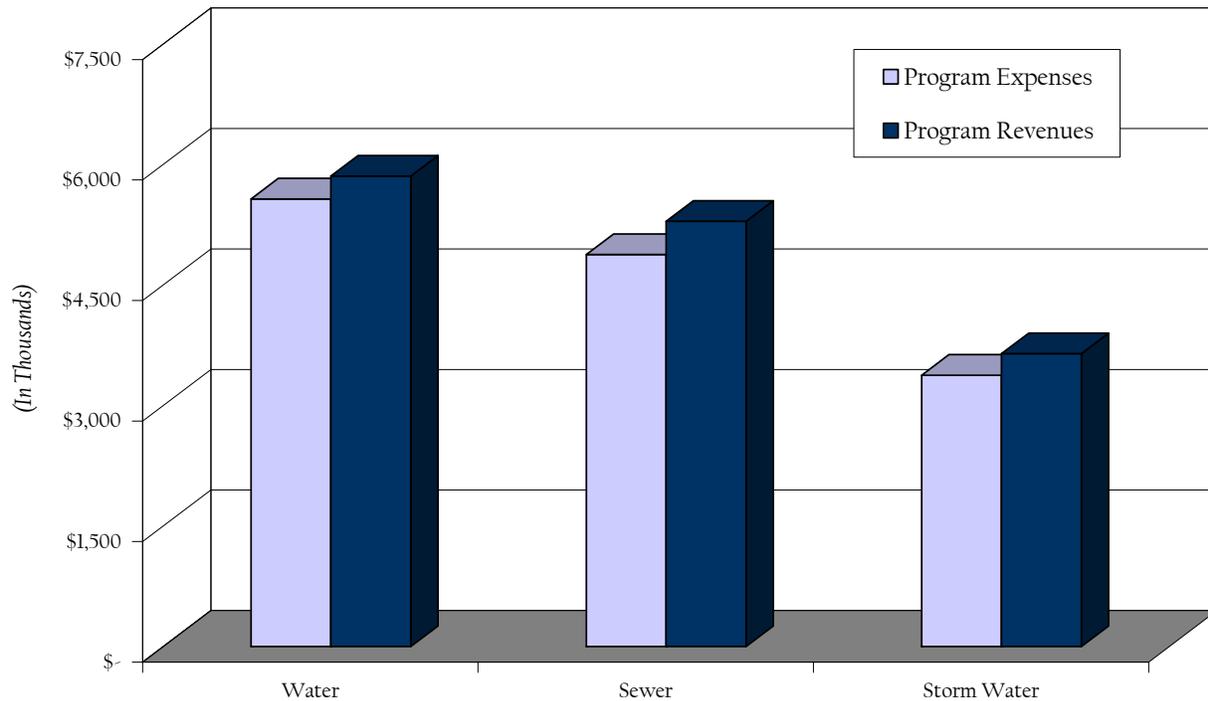
Program Expenses Including Depreciation - Business Type Activities



Expenditure Comparison by Program - Business Type Activities



Program Expenses vs. Revenues - Business Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'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 of Issaquah's governmental funds is to report on near term revenues/financial resources and expenditures basis. 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 2007 the City's combined ending governmental fund balance was \$36 million. Of the total ending fund balance, \$1 million is reserved for debt service. Of the remaining fund balance, \$18.7 million is earmarked for capital construction projects and \$4 million resides with special revenue funds. Additionally, Internal Service Funds have \$9.6 million Net Assets with \$2.5 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 2007 of the general fund was \$12.5 million. As a measure of the fund's liquidity, the ending fund balance is 52% of the fund's 2007 expenditures.

The general fund balance increased \$3 million from the prior year. Revenues increased from prior year by \$1.7 million, while expenditures increased by \$1.3 million. In the current year, revenues exceeded expenditures in the general fund by \$5 million. Net transfers out of the general fund totaled \$2.1 million, primarily to the street 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 annual debt payment for councilmanic bonds. The general capital improvements fund ending fund balance was \$4.6 million, an increase of over \$1.1 million from 2006. In 2007, \$2.5 million was transferred for debt service. Capital construction in progress for 2007 was \$14.8 million.

The street improvement fund was established in 1991 to account for revenues received from the additional 0.25% Real Estate Excise Tax, which was authorized by the 1990 Growth Management Act. Proceeds from this additional real estate tax are to be used solely for financing capital projects related to streets. Both revenues and expenditures were up in 2007 due to the increase of major projects.

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 \$2.1 million or 8%. Charges for services and Licenses and permits were lower than budgeted revenues by over \$1.0 and \$0.5 million respectively while Intergovernmental revenues were \$1.2 million greater than budgeted revenues. Total expenditures were below budgeted expenditures by close to \$1.0 million or 4%.

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, 2007 amounts to over \$576 million (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, construction in progress, infrastructure and utility transmission/distribution systems.

Major capital assets changes during 2007 included the following:

- Water, sewer and storm drainage infrastructure improvement projects totaling over \$2 million were in progress during 2007. Developers donated capital of over \$2 million in utility infrastructure during 2007.
- At December 31, \$15 million construction was under way.
- The City added over \$238 million previously not reported land.
- Implementation of GASB 34 requirement to report infrastructure resulted in the addition of \$135 million assets net depreciation.

The following table shows the increases/decreases by category for governmental activities, business-type activities and the City as a whole:

City of Issaquah's Capital Assets
(net of depreciation – in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land & other nondepreciables	\$ 25,117	\$ 272,010	\$ 11,541	\$ 12,104	\$ 36,658	\$ 284,114
Infrastructure	12,520	143,610	-	-	12,520	143,610
Buildings & improvements	33,629	36,858	85,538	91,156	119,167	128,014
Machinery & equipment	2,903	2,913	249	271	3,152	3,184
Construction in progress	6,702	14,838	487	2,613	7,189	17,451
Total	\$ 80,871	\$ 470,229	\$ 97,815	\$ 106,144	\$ 178,686	\$ 576,373

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, with full infrastructure, for the fiscal year ended December 31, 2007.

Additional information on the City of Issaquah's capital assets can be found in Note 7.

Long-Term Debt. At the end of 2007, the City of Issaquah had total bonded debt outstanding of \$45 million and other long-term debt of \$6 million. The total debt is distributed as follows.

City of Issaquah's Outstanding Debt
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
General obligation bonds	\$ 35,670	\$ 33,575	\$ -	\$ -	\$ 35,670	\$ 33,575
Revenue bonds	-	-	12,380	11,615	12,380	11,615
Special assessments	-	-	51	38	51	38
Interlocal agreements	5,600	5,250	-	-	5,600	5,250
Installment contracts	-	-	735	674	735	674
Total	\$ 41,270	\$ 38,825	\$ 13,166	\$ 12,327	\$ 54,436	\$ 51,152

The City of Issaquah enjoys 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 2007 was \$5,847,242,294 and the total amount of debt the City may issue is \$405,389. Remaining debt capacity is as follows:

City of Issaquah's Debt Capacity
(in thousands)

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic (Non-Voted)	Excess Levy (Voted-In)	Parks & Open Space (Voted-In)	Utility Purpose (Voted-In)	
December 31, 2007 Assessed Value*:					\$ 5,847,242
2.50 % of Assessed Value	\$ -	\$ 146,181	\$ 146,181	\$ 146,181	\$ 438,543
1.50% of Assessed Value	87,709	(87,709)	-	-	-
Statutory Debt Limit	\$ 87,709	\$ 58,472	\$ 146,181	\$ 146,181	\$ 438,543
Less Debt Outstanding (General Obligation Bonds)	\$ (21,990)	\$ (5,560)	\$ (6,025)	\$ -	\$ (33,575)
Add Amount Available in Debt Service Fund	81	309	31	-	421
Remaining Debt Capacity	\$ 65,800	\$ 53,221	\$ 140,187	\$ 146,181	\$ 405,389

Additional information on the City of Issaquah's long-term debt can be found in *Note 12* and in the Notes to the Basic Financial Statements section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Governmental Activities. In 2008, General Fund budgeted expenditures total \$31,117,540, which represents a 15.2% increase over year 2007 operating levels. The majority of this increase is due to the increased cost of Fire Services, the addition of 5.375 FTE positions, increased funding for the Park Maintenance and Information Technology. In addition, cash reserve transfers from the General Fund to the Street Fund have increased by \$258,000. For all City Departments, a 3.5% cost-of-living adjustment (COLA) has been included.

In 2007, the voted-in excess property tax rate was \$0.34 per \$1,000 of assessed valuation. The excess property tax rate is expected to drop by at least \$0.05 per \$1,000 in 2008 to below \$0.30 per \$1,000. What this means is that the City will have the lowest debt service ratio in years.

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:

- \$1,160,000 for Squak Valley Park
- \$350,000 Fire Station #72 (Design, Preliminary Engineering)
- \$165,000 Senior Center/Community Center Generators
- \$75,000 Swamp and Big Tree Trail Improvements

Road projects budgeted in the capital funds include:

- \$4,050,000 SR900 Pedestrian Improvement (Contingent on receiving grants)
- \$3,446,890 Southeast Bypass (Contingent on receiving grants)
- \$2,483,000 I-90 Undercrossing
- \$700,000 Street Maintenance Program
- \$594,000 E. Lake Sammamish Pkwy/43rd Roundabout
- \$525,000 Newport/Sunset Signal
- \$500,000 Complete Streets Program
- \$448,000 Providence Point Safety Improvements
- \$350,000 North Spar Road (to King County)
- \$341,000 Highpoint Trail Expansion
- \$317,000 NW Juniper Street Improvements
- \$280,000 E. Lake Sammamish Pkwy & SE 56th St Intersection Improvements
- \$250,000 NW Sammamish/W. Lake Sammamish Improvement

Business-Type Activities. This budget also includes a number of water, sewer and stormwater improvement projects. No utility rate increases were proposed for this budget.

Water Capital Projects budgeted in 2008 include:

- \$1,400,000 Cougar Ridge Reservoir Replacement
- \$855,000 Wildwood Pump Station Upgrade
- \$500,000 Annual Rehab Program
- \$500,000 Water Blending Modifications
- \$75,000 Mountain Park Pump Station Upgrade
- \$51,000 Risdon Well Electrical Upgrade
- \$40,000 Water Main Looping

Sewer. Capital projects budgeted in 2008 include:

- \$350,000 Sewer Main Rehabilitation
- \$100,000 Manhole Rehabilitation

Major Stormwater projects budgeted in 2008 include:

- \$440,000 Fish Hatchery Intake Dam
- \$350,000 Storm Drainage Rehabilitation and Improvements
- \$250,000 Southeast Downtown Drainage Improvements
- \$150,000 Habitat Preservation/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.

BASIC
FINANCIAL
STATEMENTS



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Statement of Net Assets
December 31, 2007

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets:			
Cash and cash equivalents	\$ 34,575	\$ 9,755	\$ 44,330
Restricted cash	4,002		4,002
Investments	3,000	-	3,000
Receivables	7,778	1,227	9,005
Internal balances	(362)	362	-
Interest receivable	96	-	96
Inventory	81	341	422
Premium/Discount/Prepaid items	92	90	182
Capital Assets (net of accumulated depreciation):			
Land	271,814	12,104	283,918
Infrastructure	143,610	-	143,610
Other assets	196	-	196
Buildings	28,318	8,672	36,990
Improvements other than buildings	8,540	-	8,540
Plant in service	-	82,484	82,484
Machinery and equipment	2,913	271	3,184
Construction in progress	14,838	2,613	17,451
Total assets	<u>519,491</u>	<u>117,919</u>	<u>637,410</u>
Liabilities:			
Accounts payable	820	86	906
Accrued interest	290	55	345
Unearned revenue	3,148	-	3,148
Liabilities payable from restricted assets	4,002	-	4,002
Noncurrent liabilities:			
Due within one year	2,720	874	3,594
Due in more than one year	38,206	11,453	49,659
Other	393	129	522
Total liabilities	<u>49,579</u>	<u>12,597</u>	<u>62,176</u>
Net assets:			
Invested in capital assets, net of related debt	431,402	93,899	525,301
Restricted for:			
Debt service	994	800	1,794
Capital projects	18,796	4,704	23,500
Unrestricted	18,720	5,919	24,639
Total net assets	<u>\$ 469,912</u>	<u>\$ 105,322</u>	<u>\$ 575,234</u>

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

Statement of Activities
For the Fiscal Year Ended December 31, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Judicial	\$ 342	\$ -	\$ -	\$ -	\$ (342)	\$ -	\$ (342)
General government	7,675	369	9	10	(7,287)	-	(7,287)
Public safety	9,725	2,309	289	136	(6,991)	-	(6,991)
Physical environment	729	271	18	130	(310)	-	(310)
Transportation	12,192	431	1,927	13,233	3,399	-	3,399
Health and human services	114	-	-	-	(114)	-	(114)
Economic environment	3,290	2,374	-	-	(916)	-	(916)
Culture and recreation	4,813	1,744	28	5,276	2,235	-	2,235
Interest on long-term debt	1,994	-	-	-	(1,994)	-	(1,994)
Total governmental activities:	<u>40,874</u>	<u>7,498</u>	<u>2,271</u>	<u>18,785</u>	<u>(12,320)</u>	<u>-</u>	<u>(12,320)</u>
Business-type activities:							
Water	5,571	5,856	-	1,081	-	1,366	1,366
Sewer	4,879	5,294	-	398	-	813	813
Storm Water	3,378	3,646	402	1,215	-	1,885	1,885
Total business-type activities:	<u>13,828</u>	<u>14,796</u>	<u>402</u>	<u>2,694</u>	<u>-</u>	<u>4,064</u>	<u>4,064</u>
Total primary government	<u>\$ 54,702</u>	<u>\$ 22,294</u>	<u>\$ 2,673</u>	<u>\$ 21,479</u>	<u>\$ (12,320)</u>	<u>\$ 4,064</u>	<u>\$ (8,256)</u>
			General revenues:				
			Property taxes	\$ 6,905	\$ -	\$ 6,905	
			Sales taxes	12,725	-	12,725	
			B&O taxes	5,898	-	5,898	
			Other taxes	4,154	-	4,154	
			Investment earnings	2,220	486	2,706	
			Rents and miscellaneous	998	(441)	557	
			Transfers	317	(317)	-	
			Total general revenues and transfers	<u>33,217</u>	<u>(272)</u>	<u>32,945</u>	
			Change in net assets	20,897	3,792	24,689	
			Net assets - beginning	72,431	94,685	167,116	
			Prior period adjustments & infrastructure	376,584	6,845	383,429	
			Net assets - ending	<u>\$ 469,912</u>	<u>\$ 105,322</u>	<u>\$ 575,234</u>	

Balance Sheet
Governmental Funds
As of December 31, 2007
(in thousands)

	General Fund	Street Fund	Limited Debt Service	Capital Improve- ments	Street Improve- ment	Other Govern- mental Funds	Total Governmental Funds
Assets:							
Cash & cash equivalents	\$ 7,611	\$ 2,170	\$ 81	\$ 3,234	\$ 2,510	\$ 11,575	\$ 27,181
Investments	2,000		-	1,000	-	-	3,000
Receivables (net)	3,296	838	-	833	1,108	1,633	7,708
Interest receivable	56		-	39	-	-	95
Other non current assets	-		92	-	-	-	92
Total assets	\$ 12,963	\$ 3,008	\$ 173	\$ 5,106	\$ 3,618	\$ 13,208	\$ 38,076
Liabilities:							
Accounts payable	334	337	-	28	-	26	725
Matured bond	-		70	-	-	73	143
Accrued interest payable	-		249	-	-	41	290
Deferred revenue	97		-	440	-	25	562
Other noncurrent liabilities	-		-	-	-	81	81
Total liabilities	431	337	319	468	-	246	1,801
Fund balances:							
Reserved for:							
Debt service	-		(146)	-	-	1,140	994
Unreserved, reported in:							
General fund	12,532		-	-	-	-	12,532
Special revenue funds	-	2,671	-	-	-	1,284	3,955
Capital project funds	-		-	4,638	3,618	10,538	18,794
Total fund balances	12,532	2,671	(146)	4,638	3,618	12,962	36,275
Total liabilities and fund balance	\$ 12,963	\$ 3,008	\$ 173	\$ 5,106	\$ 3,618	\$ 13,208	\$ 38,076
Total fund balances							\$ 36,275
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.							467,712
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.							(40,926)
Less liability reported in Governmental Activities							143
Earned but not available revenue is reported in the Statement of Net Assets.							252
Internal service funds - used by management to charge the costs of certain activities to individual funds.						9,623	
Plus compensated absences included with long-term liabilities above						343	
Internal service funds.							9,966
Permit fees collected; service not performed							(3,148)
Internal balance liability with asset in Enterprise Funds for services provided by Internal Service Funds							(362)
Net assets of governmental activities							\$ 469,912

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Twelve Months Ending December 31, 2007
(in thousands)

	General Fund	Street Fund	Limited Debt Service	Capital Improve- ments	Street Improve- ment	Other Govern- mental Funds	Total Governmental Funds
Revenues:							
Taxes:							
Property	\$ 5,381		\$ -	\$ -	\$ -	\$ 1,402	\$ 6,783
Sales	9,080		-	3,645	-	-	12,725
B&O	5,897		-	-	-	1	5,898
Other	326		-	1,794	1,794	240	4,154
Licenses and permits	1,935	137	-	-	-	330	2,402
Intergovernmental	325	1,499	-	412	2,089	3,646	7,971
Charges for services	4,195	21	-	-	-	810	5,026
Investment earnings	967	25	2	172	240	508	1,914
Rents and leases	615		-	168	-	-	783
Contributions and donations	3	2,750	-	20	-	-	2,773
Miscellaneous revenues	5		-	-	-	20	25
Total revenues	<u>28,729</u>	<u>4,432</u>	<u>2</u>	<u>6,211</u>	<u>4,123</u>	<u>6,957</u>	<u>50,454</u>
Expenditures:							
Current:							
General government	6,131		-	1,352	-	66	7,549
Judicial	342		-	-	-	-	342
Public safety	9,240		-	10	-	133	9,383
Physical environment	170		-	7	-	535	712
Transportation	-	5,609	-	811	108	-	6,528
Economic environment	3,318		-	-	-	-	3,318
Health and human services	117		-	-	-	-	117
Culture and recreation	4,420		-	(13)	-	171	4,578
Debt service:							
Principal	-		1,349	-	350	852	2,551
Interest and other debt costs	-		1,451	33	-	510	1,994
Capital outlay:							
Public safety	-		-	116	-	325	441
Transportation	-		-	150	3,570	1,196	4,916
Culture and recreation	-		-	225	-	4,001	4,226
Total expenditures	<u>23,738</u>	<u>5,609</u>	<u>2,800</u>	<u>2,691</u>	<u>4,028</u>	<u>7,789</u>	<u>46,655</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,991</u>	<u>(1,177)</u>	<u>(2,798)</u>	<u>3,520</u>	<u>95</u>	<u>(832)</u>	<u>3,799</u>
Other financing sources (uses):							
Transfers in	110	2,100	2,450	-	245	402	5,307
(Transfers out)	(2,132)	(31)	-	(2,524)	-	(550)	(5,237)
Payments to refunded bond escrow	-		(4,950)	-	-	-	(4,950)
Premium on bonds sold	-		55	-	-	-	55
Proceeds refunding bond	-		5,100	-	-	-	5,100
Sale of right of way	-		-	146	-	-	146
Total other financing sources (uses)	<u>(2,022)</u>	<u>2,069</u>	<u>2,655</u>	<u>(2,378)</u>	<u>245</u>	<u>(148)</u>	<u>421</u>
Net change in fund balances	<u>2,969</u>	<u>892</u>	<u>(143)</u>	<u>1,142</u>	<u>340</u>	<u>(980)</u>	<u>4,220</u>
Fund balance - beginning	9,563	1,779	(3)	3,476	3,278	13,942	32,035
Prior period adjustment	-		-	20	-	-	20
Fund balance - ending	<u>\$ 12,532</u>	<u>\$ 2,671</u>	<u>\$ (146)</u>	<u>\$ 4,638</u>	<u>\$ 3,618</u>	<u>\$ 12,962</u>	<u>\$ 36,275</u>

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

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2007
(in thousands)**

Net changes in fund balances for governmental funds	\$	4,220
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.		122
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This consists of:		
Capital assets	9,584	
Depreciation	<u>(6,728)</u>	2,856
Developers construct and then donate infrastructure to the government. Infrastructure is not reported in the governmental funds.		
This is comprised of:		
Developer donated infrastructure current year	<u>9,752</u>	9,752
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. This consists of:		
Debt issued	(5,100)	
Debt retired	<u>7,500</u>	2,400
Some revenue reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.		
In current year services were performed that were previously collected.	<u>626</u>	626
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. This consists of:		
Compensated absences	<u>(143)</u>	(143)
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. This consists of:		
Internal service fund allocation of profits and losses	516	
Non-operating revenues from outside sources	303	
Intergovernmental transfers	<u>245</u>	1,064
Change in net assets of governmental activities	\$	<u><u>20,897</u></u>

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended December 31, 2007
(in thousands – Budget is Cash Basis)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues:				
Taxes:				
Property	\$ 4,961	\$ 4,961	\$ 5,385	\$ 424
Sales	7,550	7,550	8,953	1,403
Business	5,910	5,910	5,736	(174)
Other	380	380	326	(54)
Licenses and permits	2,452	2,452	1,950	(502)
Intergovernmental	348	348	1,576	1,228
Charges for services	3,410	3,410	2,391	(1,019)
Judicial (government wide)	405	405	543	138
Investment income	618	618	931	313
Miscellaneous	233	233	633	400
Total revenues	<u>26,267</u>	<u>26,267</u>	<u>28,424</u>	<u>2,157</u>
Expenditures:				
Current:				
General government services	6,574	6,574	6,209	365
Security of persons and property	9,669	9,669	9,517	152
Utilities and environment	159	159	157	2
Economic environment	3,446	3,446	3,329	117
Health and human services	364	364	359	5
Culture and recreation	4,695	4,695	4,412	283
Total expenditures	<u>24,907</u>	<u>24,907</u>	<u>23,983</u>	<u>924</u>
Excess(deficiency) of revenues over (under) expenditures	<u>1,360</u>	<u>1,360</u>	<u>4,441</u>	<u>3,081</u>
Other financing sources (uses):				
Transfers in	625	625	110	(515)
Transfers out	(2,100)	(3,800)	(2,132)	1,668
Total other financing sources and uses	<u>(1,475)</u>	<u>(3,175)</u>	<u>(2,022)</u>	<u>1,153</u>
Net change in fund balances	<u>(115)</u>	<u>(1,815)</u>	<u>2,419</u>	<u>4,234</u>
Fund balances-beginning	6,875	6,875	7,160	285
Fund balances-ending	<u>\$ 6,760</u>	<u>\$ 5,060</u>	<u>\$ 9,579</u>	<u>\$ 4,519</u>

Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the fiscal year ended December 31, 2007
(in thousands – Budget is Cash Basis)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Licenses and permits	\$ 65	\$ 65	\$ 134	\$ 69
Intergovernmental	1,222	1,286	1,530	244
Charges for services	42	42	16	(26)
Investment income	25	25	25	-
Contributions and donations	2,549	2,649	2,459	(190)
Total revenues	<u>3,903</u>	<u>4,067</u>	<u>4,164</u>	<u>97</u>
Expenditures:				
Transportation (highways and streets)	5,716	5,930	5,537	393
Total expenditures	<u>5,716</u>	<u>5,930</u>	<u>5,537</u>	<u>393</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(1,813)</u>	<u>(1,863)</u>	<u>(1,373)</u>	<u>490</u>
Other financing sources (uses):				
Transfers in	2,100	2,100	2,100	-
Transfers out	(31)	(31)	(31)	-
Total other financing sources and uses	<u>2,069</u>	<u>2,069</u>	<u>2,069</u>	<u>-</u>
Net change in fund balances	256	206	696	490
Fund balances - beginning	1,222	1,222	1,473	251
Fund balances - ending	<u>\$ 1,478</u>	<u>\$ 1,428</u>	<u>\$ 2,169</u>	<u>\$ 741</u>

Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2007
(in thousands)

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Storm</u>	<u>Totals</u>	<u>Activities</u> <u>Internal Service</u> <u>Funds</u>
Assets:					
Current assets:					
Cash and cash equivalents	\$ 6,001	\$ 2,420	\$ 1,334	\$ 9,755	\$ 7,393
Accounts receivable	350	370	425	1,145	70
Due from other funds	-	-	-	-	-
Other receivables	81	-	1	82	-
Inventory	265	21	54	340	81
Total current assets	6,697	2,811	1,814	11,322	7,544
Noncurrent assets:					
Restricted assets:					
Unamortized debt issue costs	81	-	9	90	-
Capital assets:					
Land and land rights	9,186	-	2,918	12,104	-
Buildings and improvements	8,672	-	-	8,672	122
Plant in service	36,873	15,476	30,135	82,484	-
Machinery and equipment	144	127	-	271	2,261
Construction in progress	1,262	259	1,092	2,613	134
Total capital assets, net depreciation	56,137	15,862	34,145	106,144	2,517
Total noncurrent assets	56,218	15,862	34,154	106,234	2,517
Total net assets	62,915	18,673	35,968	117,556	10,061
Liabilities:					
Current liabilities:					
Accounts payable	40	5	42	87	96
Bonds payable	635	-	165	800	-
Special assessment debt with governmental commitment	-	17	-	17	-
Public works trust current payable	-	-	61	61	-
Matured interest	41	1	13	55	-
Total current liabilities	716	23	281	1,020	96
Noncurrent liabilities					
Compensated absences	64	31	33	128	342
Revenue bonds payable	8,455	-	2,360	10,815	-
Special assessment debt with governmental commitment	-	20	-	20	-
Public works trust fund debt	-	-	613	613	-
Total noncurrent liabilities	8,519	51	3,006	11,576	342
Total liabilities	9,235	74	3,287	12,596	438
Net assets:					
Invested in capital assets, net of related debt	47,128	15,824	30,947	93,899	2,517
Restricted for:					
Debt service	635	-	165	800	-
Capital assets	2,399	1,820	486	4,705	-
Unrestricted	3,518	955	1,083	5,556	7,106
Total net assets	\$ 53,680	\$ 18,599	\$ 32,681	\$ 104,960	\$ 9,623
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				362	
Net assets of business-type activities				\$ 105,322	

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

Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended December 31, 2007
(in thousands)

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Storm</u>	<u>Totals</u>	
Operating revenues:					
Charges for services	\$ 5,856	\$ 5,294	\$ 3,646	\$ 14,796	\$ 5,810
Total operating revenues	<u>5,856</u>	<u>5,294</u>	<u>3,646</u>	<u>14,796</u>	<u>5,810</u>
Operating expenses:					
Maintenance and operation	3,987	4,314	\$ 2,345	10,646	1,728
Administrative and general	186	42	9	237	2,809
Depreciation	1,464	591	1,061	3,116	588
Total operating expenses	<u>5,637</u>	<u>4,947</u>	<u>3,415</u>	<u>13,999</u>	<u>5,125</u>
Operating Income (loss)	<u>219</u>	<u>347</u>	<u>231</u>	<u>797</u>	<u>685</u>
Nonoperating revenues (expenses):					
Intergovernmental	-	-	402	402	-
Investment earnings	305	114	67	486	306
Interest expense	(451)	(2)	(147)	(600)	-
Debt Issue costs and amortizations	(6)	-	-	(6)	-
Gain (loss) on disposition of assets	-	-	-	-	(2)
Other nonoperating revenues	4	24	138	166	-
Other nonoperating expenses	(1)	-	-	(1)	-
Total nonoperating revenue (expenses)	<u>(149)</u>	<u>136</u>	<u>460</u>	<u>447</u>	<u>304</u>
Income (loss) before contributions and transfers	70	483	691	1,244	989
Capital contributions	1,081	398	1,215	2,694	-
Transfers in	2,028	540	1,078	3,646	244
Transfers out	<u>(2,195)</u>	<u>(565)</u>	<u>(1,202)</u>	<u>(3,962)</u>	<u>-</u>
Change in net assets	984	856	1,782	3,622	1,233
Total net assets - beginning	52,696	17,743	24,054	94,493	8,390
Prior period adjustment	-	-	6,845	6,845	-
Total net assets - ending	<u>\$ 53,680</u>	<u>\$ 18,599</u>	<u>\$ 32,681</u>	<u>\$ 104,960</u>	<u>\$ 9,623</u>
Change in net assets	\$ 984	\$ 856	\$ 1,782	\$ 3,622	\$ 1,213
reflect the consolidation of internal service fund activities to enterprise				<u>171</u>	
Adjusted change in net assets of business-type activities				<u>\$ 3,793</u>	

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2007
(in thousands)

Page 1 of 2

	Business-type Activities - Enterprise Funds				Governmental
	Water	Sewer	Storm	Totals	Activities Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 5,626	\$ 5,098	3,456	\$ 14,180	\$ 124
Cash received from interfund services	-	-	-	-	5,665
Cash payments to suppliers	(1,705)	(313)	(340)	(2,358)	(1,719)
Cash payments to employees	(1,039)	(362)	(771)	(2,172)	(2,764)
Cash (payments) receipts to other governments	(202)	(3,224)	(10)	(3,436)	-
Cash for other operating	(1,196)	(727)	(1,214)	(3,137)	1
Net cash provided (used) by operating activities	1,484	472	1,121	3,077	1,307
Cash flows from noncapital financing activities:					
Operating transfers in	-	-	-	-	244
Operating transfers (out)	(2,195)	-	-	(2,195)	-
Forfeited deposits	1	-	136	137	-
Net cash provided (used) by noncapital financing activities	(2,194)	-	136	(2,058)	244
Cash flows from capital and related financing activities:					
Intergovernmental	-	-	416	416	1
Investments	27	24	-	51	-
Interfund loan interest	-	-	-	-	59
Capital expenditures (paid)	(992)	(247)	(1,004)	(2,243)	(835)
Principal repaid	(610)	(13)	(216)	(839)	-
Interest and other debt service	(447)	(2)	(148)	(597)	-
Capital cash contributions from private sources	136	120	77	333	-
Proceeds from insurance claims	-	-	-	-	55
Proceeds from retirement of capital assets and scrap	4	-	2	6	-
Capital transfers in	2,028	540	1,078	3,646	-
Capital transfers out	-	(565)	(1,202)	(1,767)	-
Net cash provided (used) by capital related financing activities	146	(143)	(997)	(994)	(720)
Cash flows from investment activities:					
Net decrease (increase) in investments	-	-	-	-	2,013
Interest received on investment	305	114	67	486	246
Net cash provided (used) by investing activities	305	114	67	486	2,259
Net increase (decrease) in cash balance	(259)	443	327	511	3,090
Cash balance at beginning of year	6,260	1,977	1,007	9,244	4,303
Cash balance at end of year	\$ 6,001	\$ 2,420	\$ 1,334	\$ 9,755	\$ 7,393

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2007
(in thousands)

Page 2 of 2

	<u>Business Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Storm</u>	<u>Totals</u>	<u>Activities</u> <u>Internal Service</u> <u>Funds</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$ 219	\$ 347	\$ 231	\$ 797	\$ 685
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,464	591	1,062	3,117	588
Decrease (increase) in accounts receivable	(229)	(196)	(191)	(616)	(20)
Decrease (increase) in inventory	90	-	12	102	2
Increase (decrease) in accounts payable	(62)	(267)	6	(323)	(2)
Increase (decrease) in employee benefits	2	(3)	1	-	54
Net cash provided by operating activities	<u>\$ 1,484</u>	<u>\$ 472</u>	<u>\$ 1,121</u>	<u>\$ 3,077</u>	<u>\$ 1,307</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers and annexations	\$ 944	\$ 279	\$ 1,137	\$ 2,361	-

Statement of Fiduciary Net Assets
Agency Fund
As of December 31, 2007

	Agency Fund Total
Assets:	
Restricted cash & investments	\$ 4,001,947
Total assets	4,001,947
Liabilities:	
Liabilities payable from restricted assets	4,001,947
Total liabilities	4,001,947
Net assets:	
Unreserved/unrestricted equity	-
Permanent/Fiduciary funds	-
Total net assets	\$ -

NOTES
TO
THE
FINANCIAL
STATEMENTS



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City of Issaquah
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year ended December 31, 2007

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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 is a municipal government 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, sewer and storm water 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. GOVERNMENT-WIDE AND FUND 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.

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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The governmental major fund statements in the fund financial statement are presented on *current financial resources measurement focus* 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 *limited debt service fund* provides payment for non-voted bonds

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.

Additionally, the government reports the following fund type:

The *internal service funds* account for operations that provide services to other departments or funds of the government on a cost reimbursement basis.

The *agency fund* is a clearing mechanism for cash resources that 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.

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, if any, 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.

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.

D. BUDGET AND BUDGETARY ACCOUNTING

1. Scope of the Budget

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 25th 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.

2. Amending the 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 budgets and supplementary appropriation adjustments adopted during the year are presented in *Note 4*.

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

1. Cash and Cash Equivalents

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.

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).

2. Investments

It is the City's policy to invest all temporary cash surplus. At December 31, 2007, the treasurer was holding \$44,866,132 in short-term deposits with the State Investment Pool. The interest on this deposit is prorated to the various funds. (*See Note 5*)

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.

3. 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 6*)

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.

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.

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.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

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, if any, are reported in *Note 11*.

5. 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.

6. Restricted Assets and Liabilities

Net assets are segregated into three categories on the government-wide statement of net assets: investment in capital assets, net of related debt; restricted; and 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.

7. 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.

Per GASB 34, in 2007 the City capitalized retro-active "infrastructure" owned prior to 2003, such as roads, bridges, curbs and gutters, streets and sidewalks, bridges, and lighting systems.

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 estimated useful lives as follows:

Asset Class	Estimated Service Life (Years)
Buildings	30-50 years
Improvements Other Than Buildings and Infrastructure	20-50 years
Equipment	5-20 years

The Equipment Replacement Fund contains resources held for future equipment purchases for the Enterprise Funds.

Additional information on capital assets is provided in *Note 7*.

8. Compensated Absences

Eligible employees accumulate 12 to 28 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.

The City accrues the maximum dollar amount payable, when incurred, in the government-wide and proprietary fund financial statements.

Sick leave accumulates at the rate of 8 to 12 days per year for employees. The maximum number of sick hours employees are allowed to accrue is 1280. However, starting in 1994, some contracts allow employees to convert a portion of unused sick leave earned in a calendar year to pay.

9. 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.

Additional information on long-term debt is provided in *Note 12*.

10. Deferred/Unearned Revenue

The deferred revenue account is used to offset receivables established in the governmental fund financial statement for certain revenues that are measurable but not considered available to finance payment of current obligations and, therefore, not susceptible to accrual on the modified accrual basis. When the receivable amounts are collected in future periods, this liability account is reduced and corresponding revenue is recorded. Deferred revenues presented in this manner on the accompanying financial statements are uncollected property taxes levied and an interlocal cooperation agreement between King County and the City for construction of a park-and-ride facility.

11. Fund Reserves and Designations

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.

12. Revenues, Expenditures and Expenses

Program Revenues. Amounts reported as program revenues include: Charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and 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.

13. 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:
BUDGET TO GAAP RECONCILIATION**

The City's budget is prepared primarily on the cash basis of accounting. Therefore, the *Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual* for the General Fund and Major Special Revenue Funds, if any, report revenues when received and expenditures when paid for governmental funds budgeted on an annual basis, instead of revenue and expenditure amounts as defined under the modified accrual basis of accounting required by GAAP. For the General Fund and the Major Special Revenue funds, if any, the following schedule outlines adjustments made to revenues and expenditures on the budgetary basis to arrive at revenues and expenditures on the GAAP basis as reported on the *Statement of Revenues, Expenditures, and Changes in Fund Balances*.

(In Thousands)

	General Fund	Street Fund
Revenue on the Budgetary Basis	\$ 28,424	\$ 4,165
Increase (Decrease) due to accruals	305	267
Revenue on the GAAP Basis	28,729	4,432
Expenditures on the Budgetary Basis	23,983	5,537
Increase (Decrease) due to accruals	(245)	72
Expenditures on the GAAP Basis	23,738	5,609
Other Financing Sources (Uses)		
On the Budgetary Basis	(2,022)	2,069
Increase (Decrease) due to accruals	-	-
Other Sources (Uses) on the GAAP Basis	(2,022)	2,069
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses		
On the Budgetary Basis	2,419	697
Increase (Decrease) due to accruals	550	195
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses		
On the GAAP Basis	2,969	892
Beginning Fund Balance on the Budgetary Basis	7,160	1,473
Increase (Decrease) due to accruals	2,403	306
Beginning Fund Balance on the GAAP Basis	9,563	1,779
Ending Fund Balance on the Budgetary Basis	9,579	2,170
Increase (Decrease) due to accruals	2,953	501
Ending Fund Balance on the GAAP Basis	\$ 12,532	\$ 2,671

**NOTE 3:
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.

**NOTE 4:
SUPPLEMENTAL APPROPRIATIONS**

The City Council annually adopts a budget by Ordinance establishing appropriations for City funds, and during the year, may authorize supplemental appropriations. Amounts shown in the accompanying financial statements represent the original budgeted amounts plus all supplemental appropriations.

Amounts are presented here *in thousands*:

	<u>2007 Original Budget</u>	<u>Supplemental Appropriations</u>	<u>2007 Final Budget</u>
General fund	\$ 27,007	\$ 1,700	\$ 28,707
Special revenue funds:			
Street	5,746	214	5,960
Arterial street	440	-	440
Cemetery	62	-	62
Municipal art	179	37	216
Resource conservation	698	-	698
Communications	264	-	264
Lodging tax	56	-	56
Debt Service Funds:			
Voted G.O. debt	904	458	1,362
Non-voted G.O. debt	2,511	-	2,511
L.I.D.s	-	-	-
L.I.D. guaranty	500	-	500
Capital projects funds:			
Capital improvements	6,544	1,825	8,369
Mitigation	1,817	(1,250)	567
Newport Way Improvement	587	-	587
Street improvement	11,268	(2,500)	8,768
ITS traffic system	1,107	100	1,207
Highlands fire station	-	10	10
Highlands park	118	-	118
2006 Park Bond	-	6,627	6,627
Total	<u>\$ 59,808</u>	<u>\$ 7,221</u>	<u>\$ 67,029</u>

NOTE 5: DEPOSITS 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, 2007, the carrying amount of the City's cash/cash equivalents was \$51,332,196 (including the State Investment Pool) and the bank balance was \$3,453,089. This includes cash on hand totaling \$2,975 and \$10,000 being held by the City of Bellevue for use by the Eastside Narcotics force.

Custodial Credit Risk. 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.

Cash and equity in pooled investments are comprised of government and business-type activities. The balances as of December 31, 2007 are as follows (*in thousands*):

		Carrying Amounts
From statement of net assets:		
Cash and cash equivalents	\$	44,330
Investments		3,000
Restricted assets:		
Cash and cash equivalents		4,002
Total all cash, deposits, and investments from balance sheet	\$	51,332
Summary by type:		
Cash and cash equivalents:		
Cash in bank (bank balance)	\$	3,453
Cash on hand		3
Cash with other government		10
Cash with state investment pool		44,866
	\$	48,332
Investments at market		3,000
Total all cash, deposits, and investments	\$	51,332

NOTE 6: RECEIVABLES

PROPERTY TAXES

The King 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.

PROPERTY TAX CALENDAR

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.

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.

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

1. Chapter 84.55 of the State RCW as amended most recently by Initiative No. 747 (which was passed by voters on November 6, 2001), limits the total dollar amount of regular property taxes levied by the City to the amount of such taxes levied in the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and State-assessed property at the previous year's rate. As amended by Initiative No. 747, the limit factor is the lesser of 101% or 100% plus the percent change in the Implicit Price Deflator, unless a greater amount is approved by a simple majority of the voters; and
2. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation, or \$10 per \$1,000 of assessed value. If the combined taxes of all districts exceed this amount, each levy is proportionately reduced until the total is at or below the 1% limit.

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

The City's regular levy for 2007 was \$1.23 per \$1,000 of assessed valuation of \$4,416,915,927 for a total regular levy of \$5,431,730. Additionally, special levies for voter-approved General Obligation Bonds were \$0.34 per \$1,000 for an excess levy of \$1,415,000.

**NOTE 7:
CAPITAL ASSETS^{1,2}**

Minor gains or losses occasionally occur on disposal of capital assets. When such minor gains or losses occur the City reports them as miscellaneous revenues or expenditures. Governmental Activities Capital Asset activity for the year ended December 31, 2007 was as follows (*in thousands*):

	Primary Government				Ending Balance 12/31/2007
	Beginning Balance 01/01/2007	Adjustments and Infrastructure	2007 Increases	2007 Decreases	
Governmental activities:					
Capital assets not being depreciated					
Land ¹	\$ 24,968	\$ 238,017	\$ 8,828	\$ -	\$ 271,813
Other assets	148	-	48	-	196
Construction in progress	6,702	2,868	9,094	(3,967)	14,697
Construction in progress ISF	-	-	134	-	134
Total capital assets not being depreciated	<u>31,818</u>	<u>240,885</u>	<u>18,104</u>	<u>(3,967)</u>	<u>286,840</u>
Capital assets, being depreciated:					
Buildings	35,935	-	64	-	35,999
Infrastructure ²	12,520	199,866	1,073	-	213,459
Improvements	5,745	-	4,075	-	9,820
Improvements ISF	144	-	-	-	144
Machinery and equipment	3,197	-	118	-	3,315
Machinery and equipment ISF	6,843	-	701	(108)	7,436
Total capital assets being depreciated	<u>64,384</u>	<u>199,866</u>	<u>6,031</u>	<u>(108)</u>	<u>270,173</u>
Less accumulated depreciation for:					
Building	(6,954)	-	(727)	-	(7,681)
Infrastructure ²	-	(64,187)	(5,662)	-	(69,849)
Improvements	(1,222)	-	(174)	-	(1,396)
Building and improvements ISF	(19)	-	(3)	-	(22)
Machinery and equipment	(2,497)	-	(165)	-	(2,662)
Machinery and equipment ISF	(4,640)	-	(585)	49	(5,176)
Total capital assets, being depreciated, net	<u>(15,332)</u>	<u>(64,187)</u>	<u>(7,316)</u>	<u>49</u>	<u>(86,786)</u>
Governmental activities capital assets, net	<u>\$ 80,870</u>	<u>\$ 376,564</u>	<u>\$ 16,819</u>	<u>\$ (4,026)</u>	<u>\$ 470,227</u>

¹ Prior Period Adjustment: land under streets not previously included and annexed parks

² Citywide Infrastructure added from prior years due to GASB 34.

Depreciation expense was charged to function/programs of the primary government as follows (*in thousands*):

Governmental activities:

Governmental funds:

Judicial	\$	5
General government		201
Public safety		445
Physical environment		15
Transportation		5,749
Economic environment		7
Culture & recreation		306

Total depreciation expense - governmental funds 6,728

Internal service funds:

Total depreciation expense - internal service funds 588

Total depreciation expense - governmental activities \$ 7,316

Business-Type Activities Capital Asset activity for the year ended December 31, 2007 was as follows (*in thousands*):¹

	Primary Government				
	Beginning Balance 01/01/2007	Prior Period Adjustment ¹	2007 Increases	2007 Decreases	Ending Balance 12/31/2007
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 11,541	\$ -	\$ 563	\$ -	\$ 12,104
Construction in progress	487	-	2,211	(85)	2,613
Total capital assets not being depreciated	12,028	-	2,774	(85)	14,717
Capital assets, being depreciated:					
Buildings	9,321	-	-	-	9,321
Plant in service	92,486	12,915	1,873	-	107,274
Equipment	664	-	40	-	704
Total capital assets, being depreciated	102,471	12,915	1,913	-	117,299
Less accumulated depreciation for:					
Buildings	(463)	-	(186)	-	(649)
Plant in service	(15,712)	(6,070)	(2,913)	-	(24,695)
Equipment	(511)	-	(18)	-	(529)
Total accumulated depreciation	(16,686)	(6,070)	(3,117)	-	(25,873)
Total capital assets, being depreciated, net	85,785	6,845	(1,204)	-	91,426
Business-type activities capital assets, net	\$ 97,813	\$ 6,845	\$ 1,570	\$ (85)	\$ 106,143

¹ Prior period adjustment for annexed storm water facilities not previously recorded.

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

Business-type activities:			
Water			\$ 1,464
Sewer			591
Storm			1,062
Total depreciation - business-type activities			\$ 3,117

NOTE 8: PENSION PLANS

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

The report is also available online at the following address:

<http://www.drs.wa.gov/Administration/>

The following disclosures are made in accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Employees.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLANS 1, 2 AND 3

Plan Description. The Public Employees' Retirement System (PERS) was established by the state legislature in 1947 under the Revised Code of Washington (RCW) Chapter 41.40. PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes. Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials, state employees, employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system), employees of legislative committees, community and technical colleges, college and university employees (not in national higher education retirement programs), judges of district and municipal courts, and employees of local governments.

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

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

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with 5 years of service, or at 55 with 20 years of service, with an allowance of 2 percent per year of service of the average final compensation. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive

reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise, an actuarial reduction will apply. There is no cap on years of service credit; and a cost of living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60 month period. Plan 3 members become eligible for retirement if they have at least ten years of service or five years including twelve months that were earned after age 44 or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit and Plan 3 provides the same cost of living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other authorized options authorized by the Employee Retirement Benefits Board.

There are 1,181 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Number of Participating Members in PERS 1, 2 or 3:

Retirees and beneficiaries receiving benefits	70,201
Terminated plan members entitled to but not yet receiving	25,610
Active plan members vested	105,215
Active plan members non-vested	49,812
Total	250,838

Funding Policy. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of Plan 3 do not contribute to the defined benefit portion of the Plan. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates are expressed as a percentage of covered payroll, as of December 31, 2007 were:

	PERS Plan 1			PERS Plan 2			PERS Plan 3 ³		
	1/1/07 - 6/30/07	7/1/07 - 8/31/07	9/1/07 - 12/31/07	1/1/07 - 6/30/07	7/1/07 - 8/31/07	9/1/07 - 12/31/07	1/1/07 - 6/30/07	7/1/07 - 8/31/07	9/1/07 - 12/31/07
Employer ^{1,2}	0.0546%	0.0612%	.0613%	0.0546%	0.0612%	.0613%	0.0546%	0.0612%	.0613%
Employee	6.000%	6.000%	6.000%	0.0350%	0.0415%	.0415%	5 - 15% ⁴	5 - 15% ⁴	5 - 15% ⁴

¹The employer rates include the employer administration expense fee currently at .18%

²The employer rate for state elected officials is 5.44%; the employee rate for state elected officials is 7.5%

³Plan 3 defined benefit portion only

⁴Variable from 5% to 15% maximum based on rate selected by the PERS 3 member

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31, 2007 were:

	PERS Plan 1			PERS Plan 2			PERS Plan 3 ¹		
	1/1/07 - 6/30/07	7/1/07 - 8/31/07	9/1/07 - 12/31/07	1/1/07 - 6/30/07	7/1/07 - 8/31/07	9/1/07 - 12/31/07	1/1/07 - 6/30/07	7/1/07 - 8/31/07	9/1/07 - 12/31/07
2007	\$ 15,811	\$ 5,266	\$ 10,246	\$ 313,592	\$ 76,007	\$ 224,699	\$ 46,079	\$ 16,821	\$ 35,238
2006 ²	n/a	n/a	17,725	n/a	n/a	317,084	n/a	n/a	43,053
2005 ³	n/a	n/a	12,086	n/a	n/a	182,447	n/a	n/a	96,961

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF) PLANS 1 AND 2

Plan Description. LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF is comprised primarily of non-state employees, with the exception of the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003. Participants who joined the system by September 30, 1977, are Plan I members. Those joining thereafter are enrolled in Plan 2. Effective January 1, 2003 firefighter emergency medical technicians (EMTs) may transfer Public Employees' Retirement System (PERS) Plan 1 or Plan 2 service credit to LEOFF Plan 2 if while employed for a city, town, county or district, the EMT's job was relocated to a fire department from another city, town, county or district. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan. LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employee and employer contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 participants are eligible to retire with five years of service at age 50. The benefit per year of service is as follows, with a cost-of-living allowance granted, capped at three percent annually:

<u>Term of Service</u>	<u>Percent of Final Average Salary</u>
20 + years	2.0%
10 - 20 years	1.5%
5 - 10 years	1.0%

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

Plan 2 members are eligible to retire at the age of 50 with 20 years of service or at 53 with five 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 consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced by 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

¹Plan 3 defined benefit portion only.

²Dollar amounts presented in 9/1/07 - 12/31/07 column reflect employer contributions for the entire 2006 fiscal year

³Dollar amounts presented in 9/1/07 - 12/31/07 column reflect employer contributions for the entire 2005 fiscal year

There are 379 participating employers in LEOFF 2. Membership in LEOFF 2 consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Number of Participating Members in LEOFF 2:

Retirees and beneficiaries receiving benefits	779
Terminated plan members entitled to but not yet receiving benefits	597
Active plan members vested	12,116
Total	<u>13,492</u>

Funding Policy. Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.46 and 41.45 RCW.

The required contribution rates expressed as a percentage of covered payroll, as of December 31, 2007 were:

	LEOFF Plan 2		
	1/1/2007 - 6/30/2007	07/01/2007 - 8/31/2007	9/1/2007 - 12/31/2007
Employer ¹	0.0490%	0.0535%	0.0535%
Employee	0.0785%	0.0860%	0.0864%

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31, 2007 were:

	LEOFF Plan 2		
	1/1/2007 - 6/30/2007	07/01/2007 - 8/31/2007	9/1/2007 - 12/31/2007
2007	\$ 59,514	\$ 20,862	\$ 49,296
2006 ²	n/a	n/a	113,788
2005 ³	n/a	n/a	81,784

PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS) PLAN 2

Plan Description. PSERS was created by the 2004 legislature and became effective July 1, 2006. PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees hired on or after July 1, 2006 by a covered employer who meet at least one of the PSERS eligibility criteria.

¹ The employer rates include the employer administration expense fee currently at .18%

² Dollar amount presented in 9/1/07 - 12/31/07 column reflect employer contributions for the entire 2006 fiscal year

³ Dollar amount presented in 9/1/07 - 12/31/07 column reflect employer contributions for the entire 2005 fiscal year

A *covered employer* is one that participates in PSERS. Covered employers include State of Washington agencies: Department of Corrections, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; OR
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; OR
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; OR
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service and attains the age of 65. PSERS Plan 2 members may retire at age 53 after 20 years, or at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of 2% of the average final compensation per year of service. The average final compensation is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age of retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 69 participating employers in PSERS 2. Membership in PSERS 2 consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Number of Participating Members in PSERS 2:

Retirees and beneficiaries receiving benefits	-
Terminated plan members entitled to but not yet receiving	-
Active plan members vested	-
Active plan members non-vested	2,073
Total	2,073

Funding Policy. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2007 were as follows:

	PSERS Plan 2		
	1/1/2007 - 6/30/2007	07/01/2007 - 8/31/2007	9/1/2007 - 12/31/2007
Employer ¹	0.0853%	0.0854%	0.0855%
Employee	0.0657%	0.0657%	0.0657%

¹ The employer rates include the employer administration expense fee currently at .18%

Both the City and the employees made the required contributions. The City's required contributions for the year ended December 31, 2007 were as follows:²

	PSERS Plan 2		
	1/1/2007 - 6/30/2007	07/01/2007 - 8/31/2007	9/1/2007 - 12/31/2007
2007	\$ 6,971	\$ 1,563	\$ 3,192
2006 ¹	n/a	n/a	4,599
2005 ²	n/a	n/a	n/a

¹ Dollar amount presented in 9/1/07 - 12/31/07 column reflect employer contributions for the entire 2006 fiscal year

² The City did not participate in PSERS in 2005

NOTE 9: 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 126 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and \$12 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$15 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

**NOTE 10:
LEASES AND OTHER CONTRACTUAL COMMITMENTS**

SIGNIFICANT CONSTRUCTION COMMITMENTS

At December 31, 2007 the City had the following significant contractual obligations on construction projects (*in thousands*):

Contracting Entity	Project Name	Balance on 12/31/2007
Washington State Department of Transportation	SR 900 Regional Trail	\$ 1,450
Berger/Abam Engineers Inc.	SR900 Regional Trail	221
Jacobs Engineering Group Inc.	NW Juniper Street Improvements - Professional Services	203
Insituform Technologies, Inc.	2007 Sewer Rehabilitation	147
Washington State Department of Ecology	Rainier Boulevard North Improvements	140
Washington State Interagency Committee for Outdoor Recreation (IAC)	High Point Regional Trail Connector	109
	Total Significant Contracts	<u>\$ 1,671</u>

**NOTE II:
INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

INTERFUND LOANS

No interfund loans existed at 12/31/2007.

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 Interfund Transfers were recorded in 2007 presented in *thousands*:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 110	\$ 2,132
Street	2,100	31
Arterial Street	-	440
Cemetery	-	25
Resource Conservation	207	-
Communications	-	85
Limited Debt Service	2,449	-
Capital Improvement	-	2,524
Newport Way	195	
Street Improvement	245	-
Water	2,028	2,193
Sewer	540	565
Storm Water	1,078	1,202
Unemployment Insurance	32	-
Equipment Rental	213	-
	<hr/>	<hr/>
Total	<u>\$ 9,198</u>	<u>\$ 9,198</u>

**NOTE 12:
LONG-TERM DEBT**

The various categories of long-term debt reflected on the City's financial statements are briefly described in the following paragraphs.

General obligation bonds are backed by the City's full faith and credit. Proceeds are typically used for the acquisition or construction of major capital facilities, or to refund debt previously issued for those purposes. "Councilmanic Bonds" are general obligation bonds issued by the City Council without voter approval. Under state law, repayment of these bonds must be paid from general City revenues. General obligation bonds approved by the voters are typically repaid through an annual voted property tax levy authorized for this purpose. Predominantly, general obligation bonds of the City have been issued for general governmental activity purposes. The general obligation bond issues are recorded under governmental activities in the statement of net assets.

Revenue bonds are payable from revenues generated by the City's various enterprise activities. Under the economic resources measurement focus used by the enterprise funds, debt for these bonds is recorded as a liability by the individual fund responsible for the related debt repayment.

Special assessment bonds are issued to finance construction of local improvement district (LID) and utility local improvement district (ULID) projects and are repaid through assessments collected from property owners benefiting from related improvements. The City is required under state law to establish a guaranty fund to provide a means of paying LID bond debt service obligations in the event there are insufficient resources in the LID Control Fund.

Other long-term debt incurred by the enterprise includes State Department of Community Development Public Works Trust Fund loans, which have been made to finance designated capital project construction costs.

In January of 2007 the City Council adopted an ordinance approving the issuance and sale of \$5,100,000 Limited Tax General Obligation Refunding Bonds, 2007, to carry out the refunding of certain of the City's outstanding Limited Tax General Obligation Bonds, 1999, and to pay the costs of issuance of the Bonds. The 2007 Refunding is projected to save the City \$265,428.

The following schedules detail the long term debt activity and balances of the City. Please note, the following schedules are prepared on cash basis and are presented in thousands.

Long Term Debt – Governmental Activities
For the Fiscal Year Ended December 31, 2007
(in thousands)

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Average Coupon Interest Rate %</u>	<u>Amount Authorized</u>	<u>Debt Outstanding 1/1/2007</u>	<u>Debt Issued in 2007</u>	<u>Debt Retired in 2007</u>	<u>Amount Outstanding 12/31/2007</u>
GENERAL OBLIGATION BONDS								
1998 Refunding Bond (Voted)	12/01/1998	12/01/2008	4.24%	\$ 2,235	\$ 515	\$ -	\$ 250	\$ 265
2001 Senior Center Construction (Voted)	12/15/2001	12/01/2021	4.42%	1,500	1,235	-	60	1,175
2005 ITS & Police Refunding Bond (Voted)	12/19/2005	12/01/2025	4.34%	4,745	4,435	-	315	4,120
2006 Parks Bond (Voted)	12/19/2006	12/01/2026	3.91%	6,250	6,250	-	225	6,025
1995 Community Center	12/01/1995	12/01/2010	5.17%	3,460	1,170	-	270	900
1997 Pickering Barn	08/01/1997	09/01/2007	4.80%	2,750	150	-	150	-
1999 Police Station & Jail	¹ 07/15/1999	01/01/2009	4.86%	7,950	6,010	-	5,285	725
2000 Police Station & Capital Projects	12/21/2000	01/01/2011	5.00%	2,660	555	-	100	455
2001 Fire Station/Police Station/CIF	12/15/2001	12/01/2021	4.38%	10,100	8,315	-	400	7,915
2004 Highland Park Facilities	12/15/2004	12/01/2024	4.14%	3,820	3,550	-	140	3,410
2006 Refunding Bonds	12/19/2006	01/01/2021	4.05%	3,485	3,485	-	-	3,485
2007 Refunding Bonds	² 01/18/2007	01/01/2019	3.98%	5,100	-	5,100	-	5,100
Total General Obligation Bonds				<u>54,055</u>	<u>35,670</u>	<u>5,100</u>	<u>7,195</u>	<u>33,575</u>
INTERLOCAL AGREEMENTS								
KC North SPAR Interlocal Agreement	1/1/2003	12/31/2023	0.00%	7,000	5,600	-	350	5,250
Total Interlocal Agreements				<u>7,000</u>	<u>5,600</u>	<u>-</u>	<u>350</u>	<u>5,250</u>
TOTAL GOVERNMENTAL ACTIVITIES				<u>\$ 61,055</u>	<u>\$ 41,270</u>	<u>\$ 5,100</u>	<u>\$ 7,545</u>	<u>\$ 38,825</u>

¹ \$725,000 Unrefunded Portion Remaining 12/31/2007

² Refunding LTGO referred to above

Long Term Debt – Business-Type Activities
For the Fiscal Year Ended December 31, 2007
(in thousands)

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Average Coupon Interest Rate %</u>	<u>Amount Authorized</u>	<u>Debt Outstanding 1/1/2007</u>	<u>Debt Issued in 2007</u>	<u>Debt Retired in 2007</u>	<u>Amount Outstanding 12/31/2007</u>
REVENUE BONDS								
2003 Water Revenue Bonds	11/15/2003	12/01/2013	3.50%	\$ 2,205	\$ 1,605	\$ -	\$ 210	\$ 1,395
1998 Water Revenue Bonds	12/01/1998	12/01/2017	5.38%	750	515	-	35	480
2001 Water Revenue Bonds	12/15/2001	12/01/2021	4.85%	9,200	7,580	-	365	7,215
1998 Storm Water Revenue Bonds	12/01/1998	12/01/2017	5.38%	2,000	1,360	-	95	1,265
2001 Storm Water Revenue Bonds	12/15/2001	12/01/2021	5.25%	1,600	1,320	-	60	1,260
Total Revenue Bonds				<u>15,755</u>	<u>12,380</u>	<u>-</u>	<u>765</u>	<u>11,615</u>
SPECIAL ASSESSMENTS								
ULID #22	10/01/2003	10/01/2013	5.00%	156	51	-	13	38
Total Special Assessments				<u>156</u>	<u>51</u>	<u>-</u>	<u>13</u>	<u>38</u>
INSTALLMENT CONTRACTS								
PW Trust Fund - Newport Way Bridge	11/01/1998	10/31/2018	1.00%	1,143	735	-	61	674
Total Installment Contracts				<u>1,143</u>	<u>735</u>	<u>-</u>	<u>61</u>	<u>674</u>
TOTAL BUSINESS-TYPE ACTIVITIES				<u>\$ 17,054</u>	<u>\$ 13,166</u>	<u>\$ -</u>	<u>\$ 839</u>	<u>\$ 12,327</u>

GENERAL OBLIGATION BONDS

General Obligation Bonds outstanding at December 31, 2007, totaled \$33,575,000. 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 Bonds outstanding as of December 31, 2007 are as follows (*in thousands*):

Purpose	Interest Rate	Amount Outstanding
1998 Refunding Bond (Voted)	4.24%	\$ 265
2001 Senior Center Construction (Voted)	4.42%	1,175
2005 ITS & Police Refunding Bond (Voted)	4.34%	4,120
2006 Parks Bond (Voted)	3.84%	6,025
1995 Community Center	5.17%	900
1999 Police Station & Jail	4.86%	725
2000 Police Station & Capital Projects	5.00%	455
2001 Fire Station/Police Station/CIF	4.38%	7,915
2004 Highland Park Facilities	4.14%	3,410
2006 Refunding Bonds	4.05%	3,485
2007 Refunding Bonds	3.84%	5,100
Total outstanding General Obligation Bonds		\$ 33,575

The annual debt service requirements to maturity for general obligation are as follows (*in thousands*):

Year Ending December 31	Governmental Activities	
	Principal	Interest
2008	\$ 2,370	\$ 1,449
2009	2,180	1,346
2010	2,270	1,251
2011	2,050	1,152
2012	2,130	1,066
2013-2017	11,415	3,849
2018-2022	8,610	1,472
2023-2027	2,550	232
Total	\$ 33,575	\$ 11,817

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, 2007, the Water Fund's outstanding bond totaled \$9,090,000. The Stormwater Fund outstanding bond total is \$2,525,000.

Revenue Bonds outstanding as of December 31, 2007 are as follows (*in thousands*):

Purpose	Average Coupon Rate	Amount Outstanding
Water Revenue Bonds		
2003 Water Refunding	3.50%	\$ 1,395
1998 Water	5.38%	480
2001 Water	4.85%	7,215
Total Outstanding Water Revenue Bonds		9,090
Storm Water Revenue Bonds		
1998 Storm Water	5.38%	1,265
2001 Storm Water	5.25%	1,260
Total Outstanding Storm Water Revenue Bonds		2,525
Total Outstanding Revenue Bonds		\$ 11,615

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

Year Ending December 31	Business - Type Activities	
	Principal	Interest
2008	\$ 800	\$ 559
2009	820	527
2010	855	494
2011	905	456
2012	935	415
2013-2017	4,265	1,441
2018-2021	3,035	396
Total	\$ 11,615	\$ 4,287

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. There were no outstanding LID Special Assessment bonds as of December 31, 2007. A new LID Assessment is anticipated for the year 2008.

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, 2007, outstanding assessments totaled \$37,938 and are as follows (*in thousands*):

Purpose	Interest Rate	Amount Outstanding
ULID #22	5.00%	\$ 38
Total outstanding Special Assessment Bonds		\$ 38

The annual debt service requirements to maturity for special assessment bonds are as follows (*in thousands*):

Year Ending December 31	Governmental Activities	
	Principal	Interest
2008	\$ 13	\$ 2
2009	13	1
2010	12	1
Total	\$ 38	\$ 4

INSTALLMENT AGREEMENTS

In 1998, the City was awarded a Public Works Trust Fund Loan not to exceed \$1,143,103. The City received \$171,465 in 1998, \$857,327 in 1999, and the balance of \$114,311 in 2002. As of December 31, 2007, the balance owing on the Trust Fund Loan is \$674,206 as illustrated below (*in thousands*):

Purpose	Interest Rate	Amount Outstanding
P.W. Trust Fund Loan/Newport	1.00%	\$ 674
Total Outstanding Installment Contracts		\$ 674

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, 2007 was \$5,250,000. 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, 2007 are as follows (*in thousands*):

Purpose	Interest Rate	Amount Outstanding
King County North Spar FUND 355	n/a	\$ 5,250
Total Outstanding Interlocal Agreements		<u>\$ 5,250</u>

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of all long-term debt transactions for the year ended December 31, 2007 (*in thousands*):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 35,670	\$ 5,100	\$ 7,195	\$ 33,575	\$ 2,370
Interlocal agreements	5,600	-	350	5,250	350
Compensated absences-Gov	1,615	1,302	1,159	1,758	-
Compensated absences-ISF	289	255	201	343	-
Total governmental activity - long-term liabilities	<u>43,174</u>	<u>6,657</u>	<u>8,905</u>	<u>40,926</u>	<u>2,720</u>
Business-type activities:					
Revenue bonds	12,380	-	765	11,615	800
Special assessments	51	-	13	38	13
Installment contracts	735	-	61	674	61
Compensated absences-Bus	128	143	143	128	-
Total business-type activities long-term liabilities	<u>13,294</u>	<u>143</u>	<u>982</u>	<u>12,455</u>	<u>874</u>
Total long-term liabilities	<u>\$ 56,468</u>	<u>\$ 6,800</u>	<u>\$ 9,887</u>	<u>\$ 53,381</u>	<u>\$ 3,594</u>

Item	Public Works						Total
	G.O. Bonds	Revenue Bonds	Special Assessments	Trust Fund Installment	Interlocal Agreements	Compensated Absences	
Payable 01/01/07	\$ 35,670	\$ 12,380	\$ 51	\$ 735	\$ 5,600	\$ 2,032	\$ 56,468
Added	5,100	-	-	-	-	1,700	6,800
Retired	(7,195)	(765)	(13)	(61)	(350)	(1,503)	(9,887)
Payable 12/31/07	<u>\$ 33,575</u>	<u>\$ 11,615</u>	<u>\$ 38</u>	<u>\$ 674</u>	<u>\$ 5,250</u>	<u>\$ 2,229</u>	<u>\$ 53,381</u>

SHORT-TERM LIABILITIES

The City had no short-term liabilities at December 31, 2007.

**NOTE 13:
CONTINGENCIES AND LITIGATION**

As of December 31, 2007, 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 14:
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, 2007, the weighted vote was as follows:

Bellevue	51.98%
Kirkland	18.01%
Redmond	17.85%
Mercer Island	6.53%
Issaquah	5.63%
Total	<u><u>100.00%</u></u>

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:

<u>Year</u>	<u>Service Fees</u>
2003	\$ 27,200
2004	28,406
2005	30,594
2006	31,312
2007	32,852

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 \$739,288 as of December 31, 2007 are, upon dissolution, to be apportioned among the Principals, the City's share in 2007 of \$41,622 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, 2006 (most recently audited), the equity percentage was as follows:

Fire District 10	48.05%
Fire District 38	5.44%
City of Issaquah	18.73%
City of North Bend	4.66%
City of Sammamish	23.13%
Total	<u>100.00%</u>

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.

<u>Agency</u>	<u>Number of Board Members</u>
Fire District 10	2
Fire District 38	1
City of Issaquah	2
City of North Bend	1
City of Sammamish	2
Total	<u>8</u>

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 2007 are as follows (*in thousands*):²⁰

<u>Year</u>	<u>Service Fees</u>
1999	\$ 2,031
2000	1,990
2001	2,300
2002	2,461
2003	2,401
2004	2,952
2005	3,026
2006	3,140 ¹
2007	3,278

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, 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 prioritizes 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:

²⁰ 2006 restated

<u>Year</u>	<u>Budget</u>	<u>City's Share</u>	<u>Percentage</u>
2003	\$ 365,411	\$ 10,763	2.95%
2004	378,024	11,194	2.96%
2005	398,508	11,810	2.96%
2006	417,984	12,400	2.97%
2007	441,043	13,582	3.08%

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:

Bellevue	51.00%
Redmond	14.70%
Kirkland	14.70%
Mercer Island	14.70%
Issaquah	4.90%
	<u>100.00%</u>

Total revenues for 2007 were \$1,374,053 of which \$67,329 was the City of Issaquah's share. Total expenditures for 2007 were \$468,692 of which \$22,966 was the City of Issaquah's share. The total increase in revenue for 2007 was \$955,616 of which \$46,825 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 2007 membership dues totaling

\$1,139,258, of which Issaquah's share was \$70,897. Issaquah also paid the Alliance \$1,459,357 in 2007 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 Steven Call, 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 Mollie Purcell, 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 2007 were \$549,015. Revenues consist of annual membership fees from the member jurisdictions of the E-Gov Alliance and are as follows:

	<u>City's Share</u>	<u>Percentage</u>
Seattle (enterprise)	\$ 25,000	30.7%
City of Burien	18,000	22.1%
Snohomish County (Paine Field)	7,500	9.2%
Snohomish County Planning & Development	7,500	9.2%
City of Redmond	4,700	5.8%
City of Everett	4,500	5.5%
Snohomish County EDC	4,000	4.9%
City of Gig Harbor	2,250	2.8%
City of Mountlake Terrace	2,000	2.5%
City of Mukilteo	2,000	2.5%
City of Tukwila	1,500	1.8%
Shoreline Fire Department	1,500	1.8%
City of Snohomish	1,000	1.2%
	<hr/> <hr/>	<hr/> <hr/>
Total	\$ 81,450	100%

**NOTE 15:
RECLASSIFICATIONS, RESTATEMENTS, PRIOR-PERIOD ADJUSTMENTS AND
CHANGES IN ACCOUNTING PRINCIPLES**

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

As of December 31, 2007 the City implemented the infrastructure portion of GASB 34 requiring the City to report in the Governmental Activities of the Statement of Net Assets the net value of the infrastructure owned by the City. In the Statement of Activities, infrastructure, net of depreciation, previously not reported, consists of \$ \$135,679 thousand dollar prior period adjustment & infrastructure. Additionally in the same line \$238,017 thousand dollars of land under streets, acquired after 1980 as required by GASB 34, and previously annexed parks/open space is reported. Also, \$2,868 thousand of infrastructure in progress was reclassified to Construction in Progress.

In the Business-type activities there were two annexed storm water assets reported as prior period adjustments. In 2000 the City annexed an area referred to as "North Issaquah" and at January 1, 2007 the estimated cost was \$7,078 thousand. In 2003 the City annexed an area referred to as "Providence Point" and at January 1, 2007 the estimated cost was \$5,837, for a total Prior Period Adjustment cost for Storm Plant in Service Asset of \$12,915 thousand. Further, it was estimated that the average life of these Storm assets was 50 years with a remaining life of 26.5 years at January 1, 2007 for a net asset value of \$6,845 thousand.

**NOTE 16:
SUBSEQUENT EVENTS**

SUBSEQUENT EVENTS

There are no subsequent events to report.



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NON-MAJOR
GOVERNMENTAL
FUNDS



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

The **Arterial Street Fund** accounts for the construction and improvement of arterial streets from earmarked fuel taxes and other miscellaneous income, primarily grants.

The **Cemetery Fund** accounts for the care, improvement and use of the cemetery property.

The **Municipal Art Fund** was established to account for the revenue and expenditures for the fine and performing arts.

The **Resource Conservation Fund** was developed to account for the recycling program and make sure the program generates enough fees and grants to cover the expenditures.

The **Communications 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.

The **Lodging Tax 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.

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

The **Unlimited Debt Service Fund** provides payment on both Councilmanic and voted bond issues. The voter-approved general obligation bonds are supported by special levies.

The **L.I.D. Debt Service Fund** receives assessment payments to redeem outstanding Local Improvement District (L.I.D.) bonds.

The **L.I.D. Guaranty 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.

The **Arbitrage Rebate 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:

The **Mitigation 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).

The **Newport Way Construction 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.

The **Centralized ITS Traffic Signal System Construction 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.

The **Fire Station 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.

The **Highlands Park Facilities 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.

The **2006 Park Bond 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.



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Combining Balance Sheet
Non-major Governmental Funds
As of December 31, 2007

Page 1 of 5

	Special Revenue Funds		
	Arterial Streets	Cemetery	Municipal Art
Assets:			
Cash & cash equivalents	\$ -	\$ 259,322	\$ 153,593
Receivables (net)	-	9,291	33,388
Total assets	-	268,613	186,981
Liabilities:			
Accounts payable and accrued expenses	-	9,004	95
Total liabilities	-	9,004	95
Net assets:			
Special revenue funds	-	259,609	186,886
Total fund balance	-	259,609	186,886
Total liabilities and fund balance	\$ -	\$ 268,613	\$ 186,981

Combining Balance Sheet
Non-major Governmental Funds
As of December 31, 2007

Page 2 of 5

	Special Revenue Funds			
	RCO	Communications	Lodging	Total Special Revenue Funds
Assets:				
Cash & cash equivalents	\$ 506,363	\$ 266,056	\$ 47,920	\$ 1,233,254
Receivables (net)	18,847	-	14,386	75,912
Total assets	525,210	266,056	62,306	1,309,166
Liabilities:				
Accounts payable and accrued expenses	6,257	1,351	9,000	25,707
Total liabilities	6,257	1,351	9,000	25,707
Net assets:				
Special revenue funds	518,953	264,705	53,306	1,283,459
Total fund balance	518,953	264,705	53,306	1,283,459
Total liabilities and fund balance	\$ 525,210	\$ 266,056	\$ 62,306	\$ 1,309,166

Combining Balance Sheet
Non-major Governmental Funds
As of December 31, 2007

Page 3 of 5

	Debt Service Funds				Total Debt Service Funds
	Unlimited Debt Service	LID Debt Service	LID Guaranty	Arbitrage Rebate	
Assets:					
Cash & cash equivalents	\$ 340,446	\$ -	\$ 932,602	\$ 58,544	\$ 1,331,592
Receivables (net)	28,265	-	-	-	28,265
Total assets	<u>368,711</u>	<u>-</u>	<u>932,602</u>	<u>58,544</u>	<u>1,359,857</u>
Liabilities:					
Matured bond	72,917	-	-	-	72,917
Accrued interest payable	40,762	-	-	-	40,762
Deferred revenue	25,022	-	-	-	25,022
Other noncurrent liabilities	80,871	-	-	-	80,871
Total liabilities	<u>219,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,572</u>
Net assets:					
Debt Service	149,139	-	932,602	58,544	1,140,285
Total fund balance	<u>149,139</u>	<u>-</u>	<u>932,602</u>	<u>58,544</u>	<u>1,140,285</u>
Total liabilities and fund balance	<u>\$ 368,711</u>	<u>\$ -</u>	<u>\$ 932,602</u>	<u>\$ 58,544</u>	<u>\$ 1,359,857</u>

**Combining Balance Sheet
Non-major Governmental Funds
As of December 31, 2007**

Page 4 of 5

	Capital Improvement Funds			
	Mitigation	Newport Way Construction	Centralized ITS Traffic Signal System	2006 Park Bond
Assets:				
Cash & cash equivalents	\$ 3,966,335	\$ 596,435	\$ 391,282	\$ 3,878,204
Receivables (net)	-	-	527,705	1,000,000
Total assets	3,966,335	596,435	918,987	4,878,204
Liabilities:				
Accounts payable and accrued expenses	-	-	-	-
Matured bond	-	-	-	-
Accrued interest payable	-	-	-	-
Deferred revenue	-	-	-	-
Other noncurrent liabilities	-	-	-	-
Total liabilities	-	-	-	-
Net assets:				
Debt Service	-	-	-	-
Special revenue funds	-	-	-	-
Capital project funds	3,966,335	596,435	918,987	4,878,204
Total fund balance	3,966,335	596,435	918,987	4,878,204
Total liabilities and fund balance	\$ 3,966,335	\$ 596,435	\$ 918,987	\$ 4,878,204

Combining Balance Sheet
Non-major Governmental Funds
As of December 31, 2007

Page 5 of 5

	Capital Improvement Funds			Total Nonmajor Governmental Funds
	Fire Station	Highland Park Facilities	Total Nonmajor Capital Improvement Funds	
Assets:				
Cash & cash equivalents	\$ 63,754	\$ 114,708	\$ 9,010,718	\$ 11,575,564
Receivables (net)	-	-	1,527,705	1,631,882
Total assets	63,754	114,708	10,538,423	13,207,446
Liabilities:				
Accounts payable and accrued expenses	-	-	-	25,707
Matured bond	-	-	-	72,917
Accrued interest payable	-	-	-	40,762
Deferred revenue	-	-	-	25,022
Other noncurrent liabilities	-	-	-	80,871
Total liabilities	-	-	-	245,279
Net assets:				
Debt Service	-	-	-	1,140,285
Special revenue funds	-	-	-	1,283,459
Capital project funds	63,754	114,708	10,538,423	10,538,423
Total fund balance	63,754	114,708	10,538,423	12,962,167
Total liabilities and fund balance	\$ 63,754	\$ 114,708	\$ 10,538,423	\$ 13,207,446

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Twelve Months Ending December 31, 2007

Page 1 of 5

	Special Revenue Funds		
	Arterial Streets	Cemetery	Municipal Art
Revenues:			
Taxes			
Property	\$ -	\$ -	\$ -
Business & Occupations	-	-	-
Other	-	-	147,623
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	44,800	-
Fines and penalties	-	-	-
Investment earnings	-	12,721	9,939
Contributions and donations	-	-	-
Miscellaneous revenues	-	9,291	-
Total revenues	<u>-</u>	<u>66,812</u>	<u>157,562</u>
Expenditures:			
General government	-	-	-
Public Safety	-	-	-
Physical environment	-	34,972	-
Transportation	-	-	-
Culture & recreation	-	-	158,260
Capital outlay:			
Culture & recreation	-	-	48,216
Total expenditures	<u>-</u>	<u>34,972</u>	<u>206,476</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>31,840</u>	<u>(48,914)</u>
Other financing sources (uses):			
Transfers in	-	-	-
(Transfers out)	(440,028)	(25,000)	-
Total other financing sources (uses)	<u>(440,028)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balances	(440,028)	6,840	(48,914)
Fund balance - beginning	440,028	252,769	235,800
Fund balance - ending	<u>\$ -</u>	<u>\$ 259,609</u>	<u>\$ 186,886</u>

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Twelve Months Ending December 31, 2007

Page 2 of 5

	Special Revenue Funds			Total Special Revenue Funds
	Resource Conservation	Communications	Lodging Tax	
Revenues:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Business & Occupations	1,144	-	-	1,144
Other	-	-	92,290	239,913
Licenses and permits	-	329,888	-	329,888
Intergovernmental	147,263	-	-	147,263
Charges for services	202,758	-	-	247,558
Fines and penalties	5,000	-	-	5,000
Investment earnings	22,951	9,715	-	55,326
Contributions and donations	500	-	-	500
Miscellaneous revenues	-	-	-	9,291
Total revenues	<u>379,616</u>	<u>339,603</u>	<u>92,290</u>	<u>1,035,883</u>
Expenditures:				
General government	-	-	56,000	56,000
Public Safety	-	132,572	-	132,572
Physical environment	499,604	-	-	534,576
Transportation	-	-	-	-
Culture & recreation	-	-	-	158,260
Capital outlay:				
Culture & recreation	-	-	-	48,216
Total expenditures	<u>499,604</u>	<u>132,572</u>	<u>56,000</u>	<u>929,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(119,988)</u>	<u>207,031</u>	<u>36,290</u>	<u>106,259</u>
Other financing sources (uses):				
Transfers in	206,750	-	-	206,750
(Transfers out)	-	(85,000)	-	(550,028)
Total other financing sources (uses)	<u>206,750</u>	<u>(85,000)</u>	<u>-</u>	<u>(343,278)</u>
Net change in fund balances	86,762	122,031	36,290	(237,019)
Fund balance - beginning	<u>432,191</u>	<u>142,674</u>	<u>17,016</u>	<u>1,520,478</u>
Fund balance - ending	<u>\$ 518,953</u>	<u>\$ 264,705</u>	<u>\$ 53,306</u>	<u>\$ 1,283,459</u>

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Non-major Governmental Funds
 For the Twelve Months Ending December 31, 2007

Page 3 of 5

	Debt Service Funds				Total Debt Service Funds
	Debt Service	LID Debt Service	LID Guarantee	Arbitrage Rebate	
Revenues:					
Taxes:					
Property	\$ 1,402,124	\$ -	\$ -	\$ -	\$ 1,402,124
Investment earnings	19,163	-	-	55,493	74,656
Bond issue costs and amortization	4,204	-	-	-	4,204
Total revenues	<u>1,425,491</u>	<u>-</u>	<u>-</u>	<u>55,493</u>	<u>1,480,984</u>
Expenditures:					
Debt Service:					
Principal	852,500	-	-	-	852,500
Interest and other debt costs	510,195	-	-	-	510,195
Total expenditures	<u>1,362,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,362,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,796</u>	<u>-</u>	<u>-</u>	<u>55,493</u>	<u>118,289</u>
Net change in fund balances	62,796	-	-	55,493	118,289
Fund balance - beginning	<u>86,343</u>	<u>-</u>	<u>932,602</u>	<u>3,051</u>	<u>1,021,996</u>
Fund balance - ending	<u>\$ 149,139</u>	<u>\$ -</u>	<u>\$ 932,602</u>	<u>\$ 58,544</u>	<u>\$ 1,140,285</u>

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Twelve Months Ending December 31, 2007

Page 4 of 5

	Capital Improvement Funds			
	Mitigation	Newport Way Construction	Centralized ITS Traffic Signal System	2006 Park Bond
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Business & Occupations	-	-	-	-
Other	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	1,170,521	2,328,160
Charges for services	562,625	-	-	-
Fines and penalties	-	-	-	-
Investment earnings	178,097	19,582	14,663	159,720
Contributions and donations	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	<u>740,722</u>	<u>19,582</u>	<u>1,185,184</u>	<u>2,487,880</u>
Expenditures:				
General government	9,704	-	-	-
Public safety	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	-
Culture & recreation	12,695	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
Public safety	315,297	-	-	-
Transportation	-	10,148	1,186,034	-
Culture & recreation	88,722	-	-	3,861,846
Total expenditures	<u>426,418</u>	<u>10,148</u>	<u>1,186,034</u>	<u>3,861,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>314,304</u>	<u>9,434</u>	<u>(850)</u>	<u>(1,373,966)</u>
Other financing sources (uses)				
Transfers in	-	194,851	-	-
(Transfers out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>194,851</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	314,304	204,285	(850)	(1,373,966)
Fund Balance - Beginning	3,652,031	392,150	919,837	6,252,170
Fund Balance - Ending	<u>\$ 3,966,335</u>	<u>\$ 596,435</u>	<u>\$ 918,987</u>	<u>\$ 4,878,204</u>

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Twelve Months Ending December 31, 2007

Page 5 of 5

	Capital Improvement Funds			Total Nonmajor Capital Improvement Funds	Total Nonmajor Governmental Funds
	Fire Station	Highland Park Facilities			
Revenues:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ 1,402,124
Business & Occupations	-	-	-	-	1,144
Other	-	-	-	-	239,913
Licenses and permits	-	-	-	-	329,888
Intergovernmental	-	-	3,498,681	-	3,645,944
Charges for services	-	-	562,625	-	810,183
Fines and penalties	-	-	-	-	5,000
Investment earnings	-	5,702	377,764	-	507,746
Contributions and donations	-	-	-	-	500
Miscellaneous revenues	-	1,500	1,500	-	14,995
Total revenues	-	7,202	4,440,570	-	6,957,437
Expenditures:					
General government	-	-	9,704	-	65,704
Public safety	-	-	-	-	132,572
Physical environment	-	-	-	-	534,576
Transportation	-	-	-	-	-
Culture & recreation	-	-	12,695	-	170,955
Debt service:					
Principal	-	-	-	-	852,500
Interest	-	-	-	-	510,195
Capital outlay:					
Public safety	10,000	-	325,297	-	325,297
Transportation	-	-	1,196,182	-	1,196,182
Culture & recreation	-	2,590	3,953,158	-	4,001,374
Total expenditures	10,000	2,590	5,497,036	-	7,789,355
Excess (deficiency) of revenues over (under) expenditures	(10,000)	4,612	(1,056,466)	-	(831,918)
Other financing sources (uses)					
Transfers in	-	-	194,851	-	401,601
(Transfers out)	-	-	-	-	(550,028)
Total Other Financing Sources (Uses)	-	-	194,851	-	(148,427)
Net Change in Fund Balances	(10,000)	4,612	(861,615)	-	(980,345)
Fund Balance - Beginning	73,754	110,096	11,400,038	-	13,942,512
Fund Balance - Ending	\$ 63,754	\$ 114,708	\$ 10,538,423	-	\$ 12,962,167

Arterial Street Fund²¹
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 For the fiscal year ended December 31, 2007
 (budget is cash basis)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Total expenditures	-	-	-	-
Excess(deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(440,028)	(440,028)	(440,028)	-
Total other financing sources and uses	(440,028)	(440,028)	(440,028)	-
Net change in fund balances	(440,028)	(440,028)	(440,028)	-
Fund balances-beginning	440,028	440,028	440,028	-
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

²¹ 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. In 2007 fund balance was transferred to Street Fund.

Cemetery Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 For the fiscal year ended December 31, 2007
 (budget is cash basis)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Charges for services	\$ 40,000	\$ 40,000	\$ 44,800	\$ 4,800
Investment income	10,000	10,000	12,721	2,721
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>57,521</u>	<u>7,521</u>
Expenditures:				
Utilities and environment	36,560	36,560	25,995	10,565
Total expenditures	<u>36,560</u>	<u>36,560</u>	<u>25,995</u>	<u>10,565</u>
Excess(deficiency) of revenues over (under) expenditures	<u>13,440</u>	<u>13,440</u>	<u>31,526</u>	<u>18,086</u>
Other financing sources (uses):				
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	(11,560)	(11,560)	6,526	18,086
Fund balances-beginning	<u>255,043</u>	<u>255,043</u>	<u>252,795</u>	<u>(2,248)</u>
Fund balances-ending	<u>\$ 243,483</u>	<u>\$ 243,483</u>	<u>\$ 259,321</u>	<u>\$ 15,838</u>

Municipal Art Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the fiscal year ended December 31, 2007
(budget is cash basis)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes:				
Business taxes	\$ 160,000	\$ 160,000	\$ 151,069	\$ (8,931)
Contributions and donations	5,000	5,000	-	(5,000)
Investment income	5,000	5,000	9,939	4,939
Total revenues	<u>170,000</u>	<u>170,000</u>	<u>161,008</u>	<u>(8,992)</u>
Expenditures:				
Culture and recreation	161,000	161,000	158,164	2,836
Capital outlay:				
Culture and recreation	18,477	55,730	48,217	7,513
Total expenditures	<u>179,477</u>	<u>216,730</u>	<u>206,381</u>	<u>10,349</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(9,477)</u>	<u>(46,730)</u>	<u>(45,373)</u>	<u>1,357</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(9,477)	(46,730)	(45,373)	1,357
Fund balances-beginning	<u>201,690</u>	<u>201,690</u>	<u>198,965</u>	<u>(2,725)</u>
Fund balances-ending	<u>\$ 192,213</u>	<u>\$ 154,960</u>	<u>\$ 153,592</u>	<u>\$ (1,368)</u>

Resource Conservation Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 For the fiscal year ended December 31, 2007
 (budget is cash basis)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
Revenues:				
Taxes:				
Business taxes	\$ -	\$ -	\$ 6,504	\$ 6,504
Intergovernmental	123,235	123,235	212,717	89,482
Charges for services	203,500	203,500	202,758	(742)
Investment income	18,000	18,000	22,952	4,952
Donations	-	-	500	500
Miscellaneous	-	-	5,000	5,000
Total revenues	<u>344,735</u>	<u>344,735</u>	<u>450,431</u>	<u>105,696</u>
Expenditures:				
Utilities and environment	698,254	698,254	530,175	168,079
Total expenditures	<u>698,254</u>	<u>698,254</u>	<u>530,175</u>	<u>168,079</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(353,519)</u>	<u>(353,519)</u>	<u>(79,744)</u>	<u>273,775</u>
Other financing sources (uses)				
Transfers in	206,750	206,750	206,750	-
Total other financing sources and uses	<u>206,750</u>	<u>206,750</u>	<u>206,750</u>	<u>-</u>
Net change in fund balances	(146,769)	(146,769)	127,006	273,775
Fund balances-beginning	355,187	355,187	379,357	24,170
Fund balances-ending	<u>\$ 208,418</u>	<u>\$ 208,418</u>	<u>\$ 506,363</u>	<u>\$ 297,945</u>

Cable TV Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the fiscal year ended December 31, 2007
(budget is cash basis)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Licenses and permits	\$ 225,000	\$ 225,000	\$ 329,888	\$ 104,888
Investment interest	-	-	9,715	9,715
Total revenues	<u>225,000</u>	<u>225,000</u>	<u>339,603</u>	<u>114,603</u>
Expenditures:				
Securities of persons and property	178,926	178,926	131,848	47,078
Total expenditures	<u>178,926</u>	<u>178,926</u>	<u>131,848</u>	<u>47,078</u>
Excess(deficiency) of revenues over (under) expenditures	<u>46,074</u>	<u>46,074</u>	<u>207,755</u>	<u>161,681</u>
Other financing sources (uses):				
Transfers out	(85,000)	(85,000)	(85,000)	-
Total other financing sources and uses	<u>(85,000)</u>	<u>(85,000)</u>	<u>(85,000)</u>	<u>-</u>
Net change in fund balances	(38,926)	(38,926)	122,755	161,681
Fund balances-beginning	<u>126,012</u>	<u>126,012</u>	<u>143,301</u>	<u>17,289</u>
Fund balances-ending	<u>\$ 87,086</u>	<u>\$ 87,086</u>	<u>\$ 266,056</u>	<u>\$ 178,970</u>

Lodging Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the fiscal year ended December 31, 2007
(budget is cash basis)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes:				
Hotel/motel tax	\$ 56,000	\$ 56,000	\$ 85,329	\$ 29,329
Total revenues	<u>56,000</u>	<u>56,000</u>	<u>85,329</u>	<u>29,329</u>
Expenditures:				
Other general government services	56,000	56,000	47,000	9,000
General government services	56,000	56,000	47,000	9,000
Total expenditures	<u>56,000</u>	<u>56,000</u>	<u>47,000</u>	<u>9,000</u>
Excess(deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>38,329</u>	<u>38,329</u>
Net change in fund balances	-	-	38,329	38,329
Fund balances-beginning	<u>3,488</u>	<u>3,488</u>	<u>9,592</u>	<u>6,104</u>
Fund balances-ending	<u>\$ 3,488</u>	<u>\$ 3,488</u>	<u>\$ 47,921</u>	<u>\$ 44,433</u>

INTERNAL

SERVICE

FUNDS



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

All local governments were brought under the State employment tax coverage in 1978. The City chose to self-insure and created the **Unemployment Insurance 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.

This purpose of the **Insurance 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.

The **Equipment Rental 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.

The **Public Works Engineering Operations 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.



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Internal Service Funds
Combining Statement of Net Assets
As of December 31, 2007

	Internal Service Funds				Total
	Unemployment	Insurance	Equipment Rental	PW Engineering	
Assets:					
Cash & cash equivalents	\$ 117,405	\$ 225,673	\$ 5,937,942	\$ 1,112,424	\$ 7,393,444
Receivable	-	-	38,191	31,763	69,954
Interest Receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories	-	-	80,614	-	80,614
Total current assets	<u>117,405</u>	<u>225,673</u>	<u>6,056,747</u>	<u>1,144,187</u>	<u>7,544,012</u>
Capital assets:					
In progress, not depreciated	-	-	134,402	-	134,402
Buildings and equipment, net	-	-	2,375,613	7,102	2,382,715
Total Assets	<u>117,405</u>	<u>225,673</u>	<u>8,566,762</u>	<u>1,151,289</u>	<u>10,061,129</u>
Liabilities:					
Current liabilities					
expenses	1,331	-	43,858	50,363	95,552
Due to other funds	-	-	-	-	-
Matured bond	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Other current liabilities	-	-	-	-	-
Non current liabilities:					
Compensated absences	-	-	32,075	310,466	342,541
governmental commitment	-	-	-	-	-
Bonds, notes, and loans payable	-	-	-	-	-
Miscellaneous noncurrent	-	-	-	-	-
Total liabilities	<u>1,331</u>	<u>-</u>	<u>75,933</u>	<u>360,829</u>	<u>438,093</u>
Net Assets:					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Capital assets	-	-	-	-	-
Unrestricted	<u>116,074</u>	<u>225,673</u>	<u>8,490,829</u>	<u>790,460</u>	<u>9,623,036</u>
Total net assets	<u>\$ 116,074</u>	<u>\$ 225,673</u>	<u>\$ 8,490,829</u>	<u>\$ 790,460</u>	<u>\$ 9,623,036</u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Twelve Months Ending December 31, 2007

	Internal Service Funds				Total
	Unemployment	Insurance	Equipment Rental	PW Engineering	
Operating revenues:					
Charges for services	\$ -	\$ 666,112	\$ 2,095,524	\$ 3,048,678	\$ 5,810,314
Total operating revenues	-	666,112	2,095,524	3,048,678	5,810,314
Operating expenses:					
Maintenance & operations	10,956	577,265	1,139,978	-	1,728,199
Administrative & general	-	-	-	2,808,418	2,808,418
Depreciation	-	-	582,062	5,943	588,005
Total operating expenses	10,956	577,265	1,722,040	2,814,361	5,124,622
Operating income (loss)	(10,956)	88,847	373,484	234,317	685,692
Nonoperating revenues (expenses)					
Investment Earnings	5,203	10,638	243,814	45,799	305,454
Interest (expense)	-	-	-	-	-
Gain (loss) on disposition of asset:	-	-	(4,866)	-	(4,866)
Other non-operating revenues	-	-	2,018	-	2,018
Total non-operating income (expense)	5,203	10,638	240,966	45,799	302,606
Income before contributions & transfer	(5,753)	99,485	614,450	280,116	988,298
Contributions and transfers:					-
Transfers in	32,400	-	212,100	-	244,500
Change in net assets	26,647	99,485	826,550	280,116	1,232,798
Net assets - beginning	89,427	126,188	7,664,279	510,344	8,390,238
Net assets - ending	\$ 116,074	\$ 225,673	\$ 8,490,829	\$ 790,460	\$ 9,623,036



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Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2007

Page 1 of 2

	Internal Service Funds				Total Governmental Activities
	Un- employment	Insurance	Equipment	Engineering	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ -	\$ -	\$ -	\$ 124,556	\$ 124,556
Cash received from interfund services	-	665,316	2,095,524	2,903,928	5,664,768
Cash payments to suppliers	-	(577,265)	(726,182)	(415,228)	(1,718,675)
Cash payments to employees	(12,118)	-	(410,625)	(2,341,406)	(2,764,149)
Cash (payments) receipts to other governments	-	-	-	-	-
Cash for other operating	-	796	-	-	796
Net cash provided (used) by operating activities	(12,118)	88,847	958,717	271,850	1,307,296
Cash flows from noncapital financing activities:					
Operating transfers in	32,400	-	212,100	-	244,500
Net cash provided (used) by noncapital financing activities:	32,400	-	212,100	-	244,500
Cash flows from capital & related financing activities:					
Intergovernmental	-	-	502	-	502
Interfund loan interest	-	-	59,111	-	59,111
Capital expenditures paid	-	-	(835,165)	-	(835,165)
Proceeds from insurance claims on capital assets	-	-	54,664	-	54,664
Net cash used by capital and related financing activities:	-	-	(720,888)	-	(720,888)
Cash flows from investment activities:					
Net decrease (increase) in investments	-	-	2,012,786	-	2,012,786
Interest received on investment	5,203	10,638	184,703	45,799	246,343
Net cash provided by investment activities	5,203	10,638	2,197,489	45,799	2,259,129
Net increase (decrease) in cash balance	25,485	99,485	2,647,418	317,649	3,090,037
Cash at beginning of year	91,920	126,188	3,290,524	794,775	4,303,407
Cash at end of year	\$ 117,405	\$ 225,673	\$ 5,937,942	\$ 1,112,424	\$ 7,393,444

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2007

Page 2 of 2

	Internal Service Funds				Total
	Unemployment	Insurance	Equipment	Engineering	Governmental Activities Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ (10,956)	\$ 88,847	\$ 373,484	\$ 234,317	\$ 685,692
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	-	-	582,062	5,943	588,005
Decrease (increase) in accts receivable	-	-	-	(20,195)	(20,195)
Decrease (increase) in inventory	-	-	1,538	-	1,538
Increase (decrease) in accts payable	(1,162)	-	(8,848)	8,403	(1,607)
Increase (decrease) in employee benefit	-	-	10,481	43,382	53,863
Net cash provided by operating activities	<u>\$ (12,118)</u>	<u>\$ 88,847</u>	<u>\$ 958,717</u>	<u>\$ 271,850</u>	<u>\$ 1,307,296</u>



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AGENCY

FUNDS



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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:

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



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Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the fiscal year ended December 31, 2007

	01/01/2007 Balance	Additions	Deletions	12/31/2007 Balance
Agency/deposit fund				
Assets:				
Cash and equivalents	\$ 3,255,299	\$ 5,529,983	\$ (4,783,335)	\$ 4,001,947
Total assets	<u>\$ 3,255,299</u>	<u>\$ 5,529,983</u>	<u>\$ (4,783,335)</u>	<u>\$ 4,001,947</u>
Liabilities:				
Deposits payable	\$ 3,255,299	\$ 10,124,312	\$ (9,377,664)	\$ 4,001,947
Total liabilities	<u>\$ 3,255,299</u>	<u>\$ 10,124,312</u>	<u>\$ (9,377,664)</u>	<u>\$ 4,001,947</u>



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STATISTICAL SECTION

STATISTICAL SECTION

December 31, 2007

This part of the City of Issaquah's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health. The following are the categories of the various schedules that are included in this section:

<i>Statistical Section</i>	<i>Page</i>
Financial Trends	1
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	7
These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property taxes.	
Debt Capacity	13
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	18
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	20
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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Schedule 1
City of Issaquah
Net Assets by Component^a
Last Five Fiscal Years
(dollars expressed in thousands; accrual basis of accounting)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 25,290	\$ 26,934	\$ 35,544	\$ 39,594	\$ 431,402
Restricted	6,677	12,653	13,233	20,874	19,790
Unrestricted	6,271	8,272	9,185	11,936	18,720
Total governmental activities net assets	<u>\$ 38,238</u>	<u>\$ 47,859</u>	<u>\$ 57,962</u>	<u>\$ 72,404</u>	<u>\$ 469,912</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 63,605	\$ 71,734	\$ 79,215	\$ 84,648	\$ 93,899
Restricted	811	4,122	4,771	5,241	5,504
Unrestricted	3,475	3,040	4,121	4,796	5,919
Total business-type activities net assets	<u>\$ 67,891</u>	<u>\$ 78,896</u>	<u>\$ 88,107</u>	<u>\$ 94,685</u>	<u>\$ 105,322</u>
Primary government					
Invested in capital assets, net of related debt	\$ 88,895	\$ 98,668	\$ 114,759	\$ 124,242	\$ 525,301
Restricted	7,488	16,775	18,004	26,115	25,294
Unrestricted	9,746	11,312	13,306	16,732	24,639
Total primary government net assets	<u>\$ 106,129</u>	<u>\$ 126,755</u>	<u>\$ 146,069</u>	<u>\$ 167,089</u>	<u>\$ 575,234</u>

^a 2003 is the first year of Net Assets by Component

Schedule 2
City of Issaquah
Changes in Net Assets
Last Five Fiscal Years
(dollars expressed in thousands; accrual basis of accounting)

Page 1 of 2

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental activities					
Judicial	\$ -	\$ 85	\$ 317	\$ 264	\$ 342
General government	5,957	5,950	6,420	6,881	7,675
Public safety	7,736	8,398	8,505	9,835	9,725
Physical environment	480	409	687	709	729
Transportation	5,306	5,438	4,382	5,574	12,192
Health and human services	-	227	31	86	114
Economic environment	2,502	2,728	3,097	3,092	3,290
Culture and recreation	4,097	4,130	4,075	4,483	4,813
Interest on long-term debt	1,650	1,405	1,562	1,574	1,994
Total governmental activities expenses	<u>27,728</u>	<u>28,770</u>	<u>29,076</u>	<u>32,498</u>	<u>40,874</u>
Business-type activities					
Water	3,423	4,165	4,349	4,963	5,571
Sewer	3,217	3,410	4,136	4,711	4,879
Storm water	1,979	2,119	2,207	2,897	3,378
Total business-type activities expenses	<u>8,619</u>	<u>9,694</u>	<u>10,692</u>	<u>12,571</u>	<u>13,828</u>
Total primary government expenses	<u>\$ 36,347</u>	<u>\$ 38,464</u>	<u>\$ 39,768</u>	<u>\$ 45,069</u>	<u>\$ 54,702</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Judicial	\$ 120	\$ 89	\$ 218	\$ -	\$ -
General government	1,070	961	592	386	369
Public safety	1,774	1,296	877	2,239	2,309
Physical environment	180	256	417	355	271
Transportation	43	250	171	221	431
Health and human services	-	-	-	-	-
Economic environment	850	1,779	908	3,361	2,374
Culture and recreation	1,380	1,892	1,628	2,028	1,744
Operating grants and contributions	249	761	1,094	1,303	2,271
Capital grants and contributions	4,357	6,878	8,738	7,156	18,785
Total governmental activities program revenues	<u>10,023</u>	<u>14,162</u>	<u>14,643</u>	<u>17,049</u>	<u>28,554</u>
Business-type activities:					
Charges for services:					
Water	4,680	5,376	5,047	5,651	5,856
Sewer	3,205	3,838	4,037	4,550	5,294
Storm	2,339	2,406	2,572	2,960	3,646
Operating grants and contributions	(49)	-	-	-	402
Capital grants and contributions	1,666	9,347	8,229	6,069	2,694
Total business-type activities program revenues	<u>11,841</u>	<u>20,967</u>	<u>19,885</u>	<u>19,230</u>	<u>17,892</u>
Total primary government program revenues	<u>\$ 21,864</u>	<u>\$ 35,129</u>	<u>\$ 34,528</u>	<u>\$ 36,279</u>	<u>\$ 46,446</u>
Net (expense)/revenue					
Governmental activities	(17,705)	(14,608)	(14,433)	(15,449)	(12,320)
Business-type activities	3,222	11,273	9,193	6,659	4,064
Total primary government net expense	<u>\$ (14,483)</u>	<u>\$ (3,335)</u>	<u>\$ (5,240)</u>	<u>\$ (8,790)</u>	<u>\$ (8,256)</u>

Schedule 2
City of Issaquah
Changes in Net Assets
Last Five Fiscal Years
(dollars expressed in thousands; accrual basis of accounting)

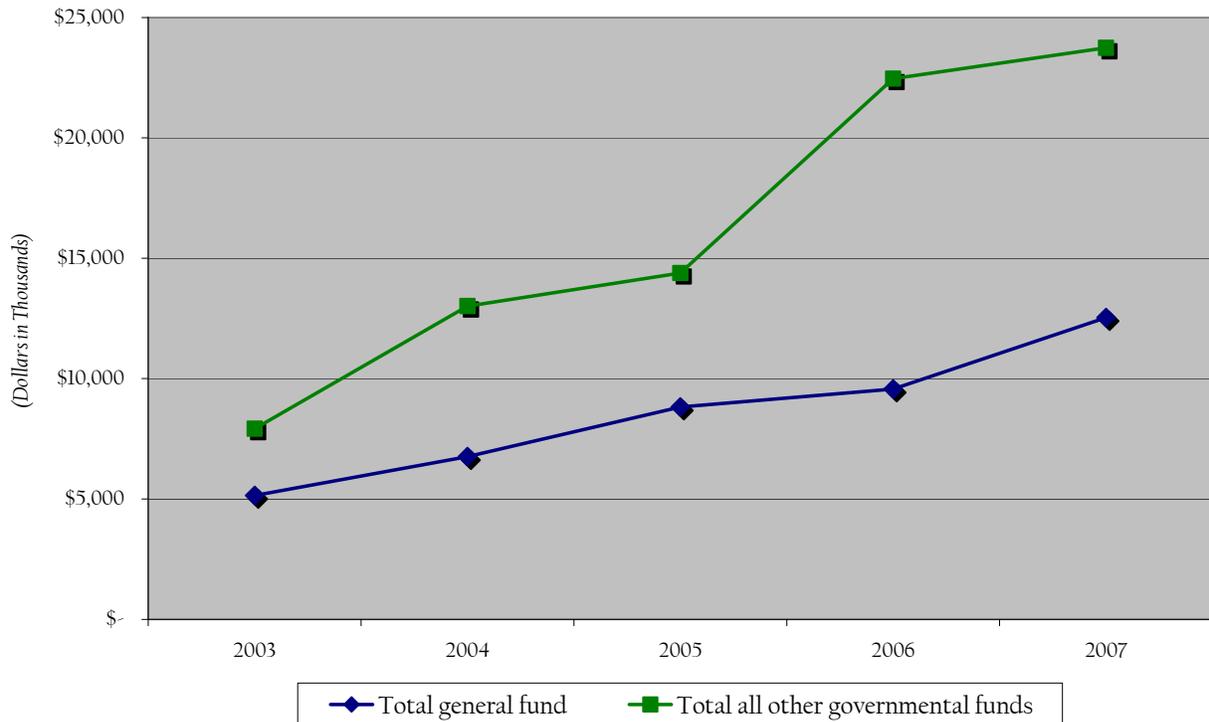
Page 2 of 2

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 4,044	\$ 4,713	\$ 5,078	\$ 5,530	\$ 6,905
Sales taxes	9,251	9,608	10,485	11,719	12,725
Business and occupational taxes	3,761	4,948	5,121	5,563	5,898
Other taxes	1,911	3,165	3,915	4,429	4,154
Investment earnings	442	361	978	1,737	2,220
Rents and miscellaneous	18	357	535	910	998
Transfers	(78)	318	263	3	317
Total governmental activities	<u>19,349</u>	<u>23,470</u>	<u>26,375</u>	<u>29,891</u>	<u>33,217</u>
Business-type activities:					
Investment earnings	38	51	203	430	486
Miscellaneous	-	-	77	11	(441)
Transfers	78	(318)	(263)	(3)	(317)
Total business-type activities	<u>116</u>	<u>(267)</u>	<u>17</u>	<u>438</u>	<u>(272)</u>
Total primary government	<u>\$ 19,465</u>	<u>\$ 23,203</u>	<u>\$ 26,392</u>	<u>\$ 30,329</u>	<u>\$ 32,945</u>
Change in Net Assets					
Governmental activities	\$ 1,644	\$ 8,863	\$ 11,941	\$ 14,442	\$ 20,897
Prior period adjustments	-	758	(1,837)	-	376,584
Business-type activities	3,339	11,005	9,210	7,097	3,792
Prior period adjustments	-	(1)	-	(519)	6,845
Total primary government	<u>\$ 4,983</u>	<u>\$ 20,625</u>	<u>\$ 19,314</u>	<u>\$ 21,020</u>	<u>\$ 408,118</u>

Schedule 3
 City of Issaquah
 Fund Balances, Governmental Funds
 Last Five Fiscal Years
 (dollars expressed in thousands; modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,147	6,759	8,818	9,563	12,532
Total general fund	<u>\$ 5,147</u>	<u>\$ 6,759</u>	<u>\$ 8,818</u>	<u>\$ 9,563</u>	<u>\$ 12,532</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	1,241	2,292	2,704	3,299	3,955
Debt service funds	943	943	942	1,005	994
Capital projects funds	5,734	9,780	10,738	18,154	18,794
Total all other governmental funds	<u>\$ 7,918</u>	<u>\$ 13,015</u>	<u>\$ 14,384</u>	<u>\$ 22,458</u>	<u>\$ 23,743</u>

Governmental Fund Balances Comparison



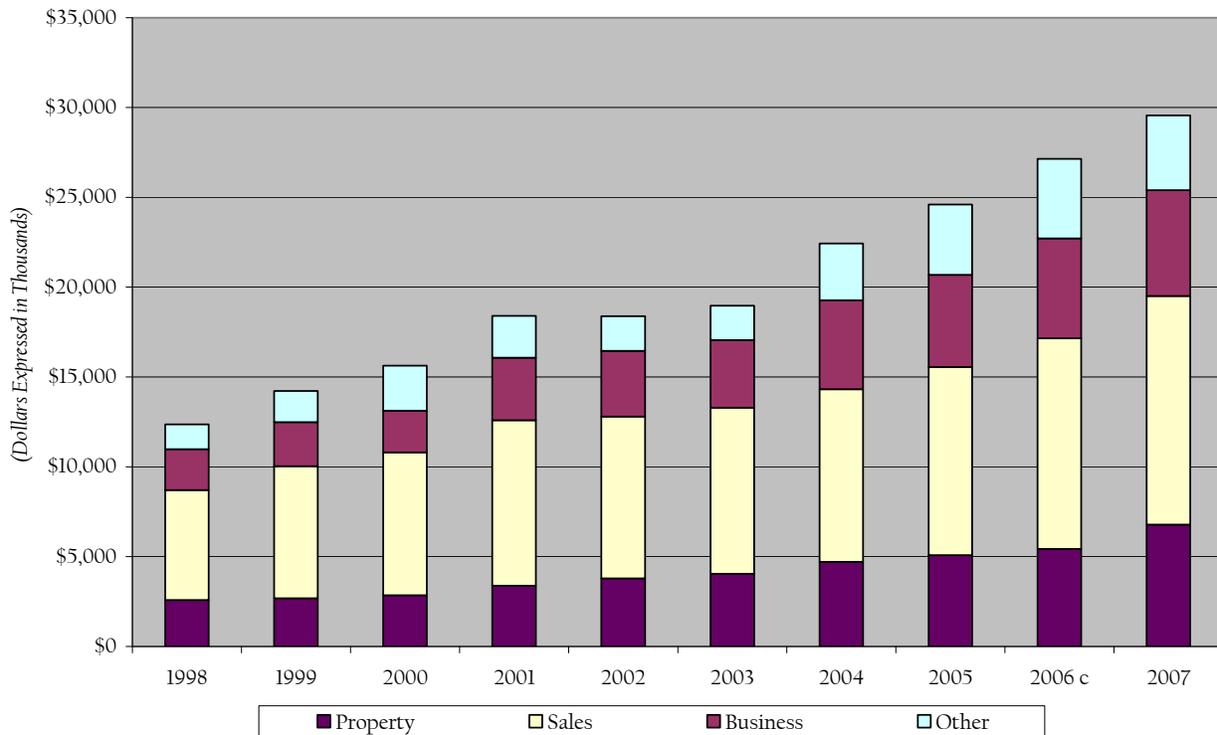
Schedule 4
City of Issaquah
Changes in Fund Balances, Governmental Funds
Last Five Fiscal Years
(dollars expressed in thousands; modified accrual basis of accounting)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues:					
Taxes	\$ 18,967	\$ 22,434	\$ 24,598	\$ 27,142	\$ 29,560
Licenses and permits	2,283	2,900	3,434	2,848	3,709
Intergovernmental	6,302	8,916	2,921	3,115	6,664
Charges for services	2,014	2,631	3,596	5,162	5,026
Investment earnings	413	334	840	1,481	1,914
Rents and leases	618	510	315	737	783
Contributions and donations	-	-	3,110	2,587	2,773
Miscellaneous revenues	230	341	312	155	25
Total revenues	<u>30,827</u>	<u>38,066</u>	<u>39,126</u>	<u>43,227</u>	<u>50,454</u>
Expenditures:					
General government	5,746	5,805	6,238	6,729	7,549
Judicial	-	83	316	262	342
Public safety	7,224	8,086	8,240	9,459	9,383
Physical environment	453	457	681	695	712
Transportation	5,129	5,142	4,211	5,557	6,528
Health and human services	-	228	31	87	3,318
Economic environment	2,391	2,632	3,102	3,103	117
Culture and recreation	3,778	3,935	3,902	4,243	4,578
Capital outlay	6,714	5,130	6,657	6,368	9,583
Debt service					
Principal	2,335	2,882	2,853	2,311	2,551
Interest	1,467	1,398	1,553	1,441	1,994
Other charges	63	7	8	-	-
Total expenditures	<u>35,300</u>	<u>35,785</u>	<u>37,792</u>	<u>40,255</u>	<u>46,655</u>
Excess (deficiency) of revenues over (under) expenditures	(4,473)	2,281	1,334	2,972	3,799
Other financing sources (uses)					
Transfers in	4,239	4,784	5,651	5,400	5,307
Transfers out	(4,317)	(4,675)	(5,522)	(7,661)	(5,237)
Refunding bonds issued	-	-	-	-	5,100
Bonds issued	-	3,820	1,735	6,254	-
Premium on bonds issued	-	-	-	-	55
Discount on bonds issued	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	(110)	-	(4,950)
Interfund loan in	-	-	-	1,934	-
Sale of capital assets	-	339	-	-	146
Total other financing sources (uses)	<u>(78)</u>	<u>4,268</u>	<u>1,754</u>	<u>5,927</u>	<u>421</u>
Net change in fund balances	<u>\$ (4,551)</u>	<u>\$ 6,549</u>	<u>\$ 3,088</u>	<u>\$ 8,899</u>	<u>\$ 4,220</u>
Debt service as a percentage of noncapital expenditures	15%	16%	16%	12%	14%

Schedule 5
 City of Issaquah
 Tax Revenue by Source, Governmental Funds
 Last ten Fiscal Years^a
 (dollars expressed in thousands; modified accrual basis of accounting^b)

Fiscal Year	Property Tax	Sales Tax	Business and Occupation Taxes	Other Taxes	Total Taxes
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 ^c	5,431	11,719	5,563	4,429	27,142
2007	6,783	12,725	5,898	4,154	29,560

Tax Revenues by Source



^a Fiscal Years prior to 2003 on cash basis of accounting

^b Fiscal Years 2003 forward on modified accrual basis of accounting

^c 2006 Restated

Schedule 6
City of Issaquah
Assessed Value and Estimated Actual Value of Taxable Property^a
Last Nine Fiscal Years
(dollars expressed in thousands)

Fiscal Year	Assessed and Estimated Actual Value					Total Assessed Value	Total Direct Tax Rate	Total Tax	New Construction ^b
	Real Property	Personal Property	State Public Service Property	Omitted Assessments					
1999	\$ 1,164,920	\$ 70,192	\$ 20,705	\$ 12,959	\$ 1,268,776	\$ 2.139	\$ 2,706	\$ 60,177	
2000	1,301,855	75,689	33,968	222	1,411,734	2.021	2,839	87,606	
2001	1,847,734	121,992	36,286	437	2,006,449	1.792	3,426	135,367	
2002	2,215,870	98,372	52,523	471	2,367,236	1.748	3,886	246,775	
2003	2,359,724	123,486	51,461	8,049	2,542,720	1.703	4,078	117,194	
2004	2,865,643	122,155	46,805	433	3,035,036	1.638	4,736	220,503	
2005	3,159,544	144,129	41,325	449	3,345,447	1.598	5,127	283,568	
2006	3,566,957	141,015	39,437	326	3,747,735	1.563	5,610	298,794	
2007	4,216,472	179,343	37,214	51,883	4,484,912	1.566	6,931	344,655	

Notes: These figures represent Issaquah's total assessed valuations as of December 31 for the last nine fiscal years. Breakout of residential/commercial real property and motor vehicle/other personal property valuations are not available.

Source: King County Assessor's Office

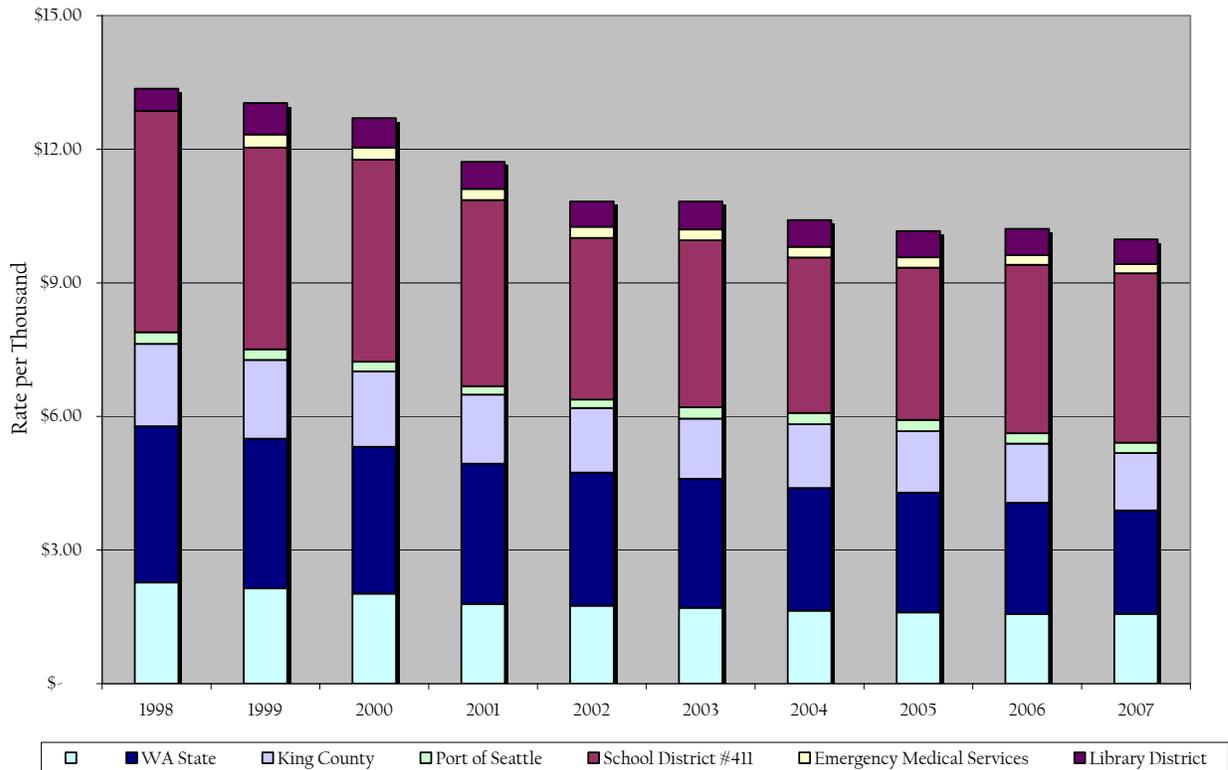
^a Real, personal and state public service property have been assessed at 100% of the estimated value

^b For informational purposes only. New construction value is already included in other values listed.

Schedule 7
 City of Issaquah
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per \$1,000 of assessed value)

Fiscal Year	City	Overlapping Rates ^a							Total
		WA State	King County	Port of Seattle	School District #411	Emergency Medical Services	Library District		
1998	\$ 2.27	\$ 3.51	\$ 1.85	\$ 0.26	\$ 4.97	\$ -	\$ 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	
2007	1.57	2.33	1.29	0.23	3.80	0.21	0.55	9.98	

Direct and Overlapping Property Tax Rates



Source King County Assessor's Office

^a Overlapping rates are those of local and county governments that apply to property owners within the City of Issaquah. Not all overlapping rates apply to all Issaquah property owners.

Schedule 8
City of Issaquah
Principal Property Tax Payers
Current Year and Ten Years Ago
(dollars expressed in thousands)

Taxpayer	Type of Business	2007			1998		
		Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
COSTCO	Headquarters & Warehouse/Retail	\$ 174,143	1	3.94%	\$ 63,520	1	5.62%
Avalon Bay Communities Inc.	Apartments	59,340	2	1.34%			
Madison Marquette Retail	Commercial Property	48,707	3	1.10%			
Rowley Enterprises	Commercial Developer	44,830	4	1.01%	33,380	2	2.95%
Puget Sound Energy (Gas/Electric)	Gas & Electric Utilities	28,152	5	0.64%	11,057	8	0.98%
Pickering Square LLC	Retail Mall	21,362	6	0.48%			
John Hancock Real Estate (Town & Country Square)	Commercial Property Apartments	20,552	7	0.47%			
Meadows Investment	Commercial Property Apartments	19,859	8	0.45%	14,039	4	1.24%
Lowe's HIW Inc. (Formerly Eagle Hardware)	Home & Garden Supplies	16,324	9	0.37%	13,721	5	1.21%
Target Corporation	Retail/Department Store	13,578	10	0.31%			
Spencer Retirement Group	Retirement Services	9,357	11	0.21%	6,600	9	0.58%
Qwest Corporation Inc.	Telecommunications	3,602	12	0.08%			
CWO/TCEP II	Business Park				22,155	3	1.96%
Issaquah Associates	Retail Complex				12,722	6	1.13%
Schroeder Properties	Commercial Property				11,276	7	1.00%
Us West Communications	Telecommunications				5,456	10	0.48%
Total for Principal Tax Payers		459,806		10.41%	193,927		17.17%
All Others		3,957,110		89.59%	935,802		82.83%
Total Assessed Valuation for City ^a		\$ 4,416,916		100.00%	\$ 1,129,729		100.00%

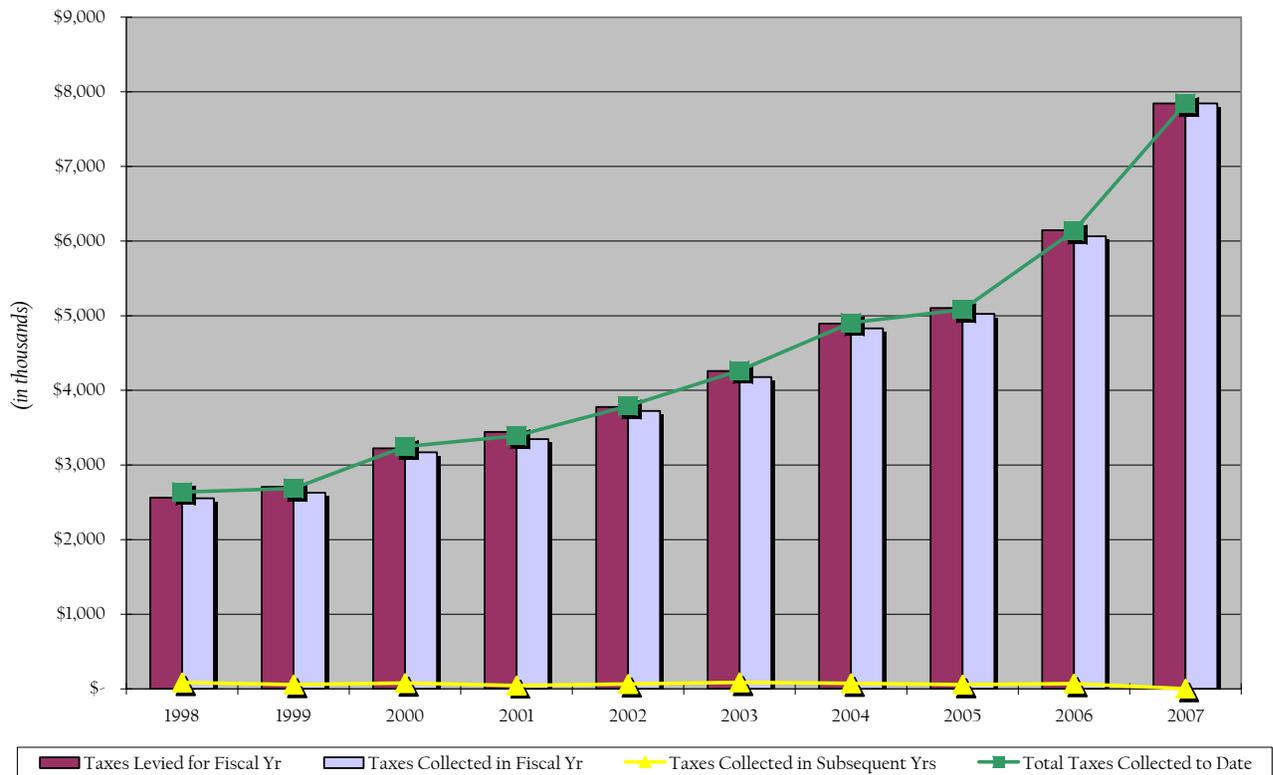
Source: King County Assessor's Office

^a 2007 assessed value for 2008 taxes.

Schedule 9
 City of Issaquah
 Property Tax Levies and Collections
 Last ten Fiscal Years
 (dollars expressed in thousands)

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
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 ^a	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 ^b	4,259	4,178	98.1%	87	4,265	100.1%
2004 ^b	4,895	4,831	98.7%	75	4,906	100.2%
2005	5,104	5,024	98.4%	57	5,081	99.5%
2006 ^c	6,145	6,064	98.7%	70	6,134	99.8%
2007 ^d	7,846	7,844	100.0%	1	7,845	100.0%

Levies vs. Collections



Source: King County Assessor's Office

^a 2000 includes property taxes - annexed streets (\$380,645)
^b 2003 updated to include annexed streets (\$189,850) and 2004 (\$178,544)
^c 2006 includes property taxes - annexed streets (\$537,119)
^d 2007 includes property taxes - annexed streets (\$1,042,854)

Schedule 10
City of Issaquah
Sales Tax Collections by Sector
Last ten Fiscal Years
(dollars expressed in thousands)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Retail Trade Categories										
Building Materials	\$ 45,321	\$ 46,674	\$ 43,112	\$ 64,308	\$ 73,815	\$ 81,567	\$ 90,190	\$ 95,737	\$ 119,703	\$ 117,339
General Merchandise	118,964	134,144	148,023	168,295	184,067	196,060	218,666	245,622	272,890	318,609
Food & Beverage Stores	13,932	14,464	17,471	22,450	22,819	23,803	23,189	20,954	23,251	24,661
Automotive/Gas	63,587	73,951	71,721	75,722	108,531	104,678	94,806	90,826	99,712	100,418
Apparel	14,547	20,262	24,197	24,533	21,184	21,909	24,722	20,791	23,242	24,453
Furniture	19,786	19,968	23,959	15,866	12,625	18,679	20,839	22,293	25,838	24,572
Electronics & Appliances	25,862	27,042	26,196	20,450	17,545	8,623	10,931	14,717	14,294	15,185
Health & Personal Care	10,650	9,067	8,558	7,819	7,395	9,100	8,688	10,214	10,957	14,597
Sporting Goods, Hobby & Books	18,098	19,269	22,666	23,508	22,557	21,847	21,821	21,474	21,806	26,632
Nonstore Retailers	4,775	4,915	5,902	2,734	3,690	4,111	5,317	7,877	8,716	5,725
Misc Retail Trade	25,245	27,679	30,493	36,957	36,926	39,974	41,576	51,679	59,224	66,758
Subtotal - Retail Trade	\$ 360,768	\$ 397,437	\$ 422,297	\$ 462,643	\$ 511,153	\$ 530,351	\$ 560,745	\$ 602,185	\$ 679,633	\$ 738,949
Other Categories										
Services	\$ 137,965	\$ 155,419	\$ 205,489	\$ 202,915	\$ 161,480	\$ 166,481	\$ 183,967	\$ 202,598	\$ 213,367	\$ 233,884
Construction	125,867	195,748	171,090	209,363	186,481	162,056	188,276	194,894	217,636	248,458
Manufacturing	8,401	7,932	8,512	13,133	11,984	15,981	17,594	18,808	21,552	23,602
Transportation	1,973	2,276	1,809	1,495	1,285	1,514	1,261	1,373	1,647	1,466
Wholesaling	56,169	48,543	92,751	104,849	110,578	129,522	109,299	127,786	130,461	126,258
Agriculture, Forestry & Fishing	1,227	1,452	1,541	1,576	1,723	1,821	2,311	2,494	2,644	3,016
Mining & Utilities	461	636	752	438	402	468	515	299	293	403
Other Business	-	-	-	-	-	77	-	-	-	513
Subtotal - Other Sectors	\$ 332,063	\$ 412,005	\$ 481,943	\$ 533,769	\$ 473,932	\$ 477,920	\$ 503,222	\$ 548,251	\$ 587,600	\$ 637,601
GRAND TOTAL	\$ 692,831	\$ 809,442	\$ 904,241	\$ 996,412	\$ 985,085	\$ 1,008,271	\$ 1,063,967	\$ 1,150,436	\$ 1,267,234	\$ 1,376,549

Source: Washington State Department of Revenue

Schedule II
 City of Issaquah
 Overlapping Sales Tax Rates
 Last Ten Fiscal Years

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	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
OVERLAPPING SALES TAX RATES										
Basic Sales Tax Rate										
City direct sales tax rate	1.7%	1.7%	1.7%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%
Regional Transit Authority ^a	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Washington State tax rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Total Basic Sales Tax Rate	8.6%	8.6%	8.6%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.9%
Special Sales Tax Rates										
King County Food & Beverage ^b	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Special Hotel/Motel ^c	-	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Convention & Trade Center ^d	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%

Source: Washington State Department of Revenue

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

^b King County Food & Beverage (KCF&B) tax is in addition to state and local sales tax for restaurants, taverns and bars

^c Special Hotel/Motel tax is in addition to state and local sales tax for businesses that provide lodging

^d 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^{a, b}
 (dollars expressed in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-type Activities					Total Primary Government	Population ^a	Per Capita ^b
	General Obligation Bonds	Special Assessment Bonds	Interlocal Agreement	Installment Contracts	Water Revenue Bonds	Sewer Revenue Bonds	Stormwater Revenue Bonds	Special Assessments	Installment Contracts			
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
2007	33,575	-	5,250	-	9,090	-	2,525	38	674	51,152	24.71	2,070

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a Population data can be found in Schedule 17

^b Per Capita data can be found in Schedule 17

Schedule 13
 City of Issaquah
 Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 (dollars expressed in thousands, except per capita)

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Fiscal Year	Population ^a	Assessed Value of Taxable Property ^b	Net Bonded Debt ^c	Bonded Debt to Assessed Value	Debt Per Capital
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
2007	24,710	5,847,242	33,153	0.57%	1,342

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^a See Schedule 17 for population statistics.

^b 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. See Schedule 6 for property value statistics.

^c Gross bonded debt less amount available in debt service funds.

Schedule 14
City of Issaquah
Direct and Overlapping Governmental Activities Debt
As of December 31, 2007
(dollars expressed in thousands, except per capita)^b

Assessed Valuation: \$	5,847,242	Population:	24,710
Jurisdiction	Gross General Obligation Debt Outstanding ^a	Percent Applicable to Issaquah ^b	Amount Applicable to Issaquah
City of Issaquah Direct Debt:			
Unlimited Tax Gen. Obligation Debt	\$ 11,585	100.00%	\$ 11,585
Limited Tax Gen. Obligation Debt	21,990	100.00%	21,990
Less Amount in Debt Service Funds	422		422
Total City of Issaquah Direct Debt	<u>\$ 33,153</u>		<u>\$ 33,153</u>
Overlapping Debt:			
King County	\$ 1,100,812	1.73%	\$ 19,044
Port of Seattle	397,835	1.73%	6,883
Issaquah School District #411	282,875	31.43%	88,908
Fire District #10	735	6.56%	48
King County Library/Issaquah Library Capital	80,425	72.95%	58,670
Total Other Jurisdictions	1,862,682		173,552
Total Direct and Overlapping Debt	<u>\$ 1,895,835</u>		<u>\$ 206,706</u>
BONDED DEBT RATIOS			
Net Direct to Assessed Valuation			0.57
Net Direct and Overlapping Debt to Assessed Valuation			3.54
Per Capita Assessed Valuation		\$	236,635
Per Capita Net Direct Debt		\$	1,342

Sources: King County Assessor's office and the Port of Seattle.

^a Total general obligation bonds outstanding on December 31, 2007 exclusive of refunded bonds.

^b Determined by ratio of 2008 assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

Schedule 15
 City of Issaquah
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (dollars expressed in thousands)

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 94,059	\$ 105,530	\$ 150,132	\$ 177,220	\$ 189,881	\$ 227,052	\$ 250,266	\$ 280,062	\$ 331,269	\$ 438,543
Total net debt applicable to limit	<u>14,383</u>	<u>21,429</u>	<u>22,869</u>	<u>33,214</u>	<u>31,420</u>	<u>29,589</u>	<u>31,233</u>	<u>30,878</u>	<u>35,282</u>	<u>33,154</u>
Legal Debt Margin	<u>\$ 79,676</u>	<u>\$ 84,101</u>	<u>\$ 127,263</u>	<u>\$ 144,006</u>	<u>\$ 158,461</u>	<u>\$ 197,463</u>	<u>\$ 219,033</u>	<u>\$ 249,184</u>	<u>\$ 295,987</u>	<u>\$ 405,389</u>
Total net debt applicable to the limit as a percentage of debt limit	15.29%	20.31%	15.23%	18.74%	16.55%	13.03%	12.48%	11.03%	10.65%	7.56%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2007

Assessed Value ^a	\$ 5,847,242
Statutory Debt Limit	
2.5% of general purpose limit, voted and non-voted	146,181
2.5% of utility purpose limit, voted	146,181
2.5% of Open space, Park and Capital facilities, voted	146,181
Total Statutory Debt Limit	<u>438,543</u>
Debt applicable to limit:	
General obligation bonds	33,575
Less: Amount set aside for repayment of general obligation bonds	(421)
Total net debt applicable to limit	<u>33,154</u>
Legal Debt Margin	<u>\$ 405,389</u>

^a This figure represents the City's final assessed valuation for 2007 which will be used to determine the 2008 property Tax level.

Schedule 16
 City of Issaquah
 Pledged-Revenue Coverage
 Last Ten Fiscal Years
 (dollars expressed in thousands)

Fiscal Year	Utility Revenue Bonds							Special Assessments				
	Allowable Revenue	Less: Allowable Expenses	Net Available Revenue	Debt Service		Total	Coverage	Special Assessment Collections	Debt Service		Total	Coverage
				Principal	Interest				Principal	Interest		
1998	n/a	n/a	\$ 1,168	\$ 185	\$ 208	\$ 393	2.97	\$ -	n/a	n/a	\$ -	n/a
1999	n/a	n/a	1,006	255	303	558	1.80	-	n/a	n/a	-	n/a
2000	n/a	n/a	1,171	240	285	525	2.23	671	855	170	1,025	0.83
2001	n/a	n/a	2,173	250	274	524	4.15	623	515	125	640	0.80
2002	n/a	n/a	2,935	605	743	1,348	2.18	774	835	1,166	2,001	0.42
2003	n/a	n/a	3,720	645	738	1,383	2.69	487	410	59	469	0.87
2004	11,671	7,589	4,082	665	712	1,377	2.96	528	672	23	695	0.97
2005	11,937	8,024	3,913	715	639	1,354	2.89	409	16	7	23	0.69
2006 ^a	13,667	9,365	4,302	735	615	1,350	3.19	179	52	4	56	0.93
2007	15,850	10,883	4,967	765	588	1,353	3.67	29	13	3	15	0.83

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.

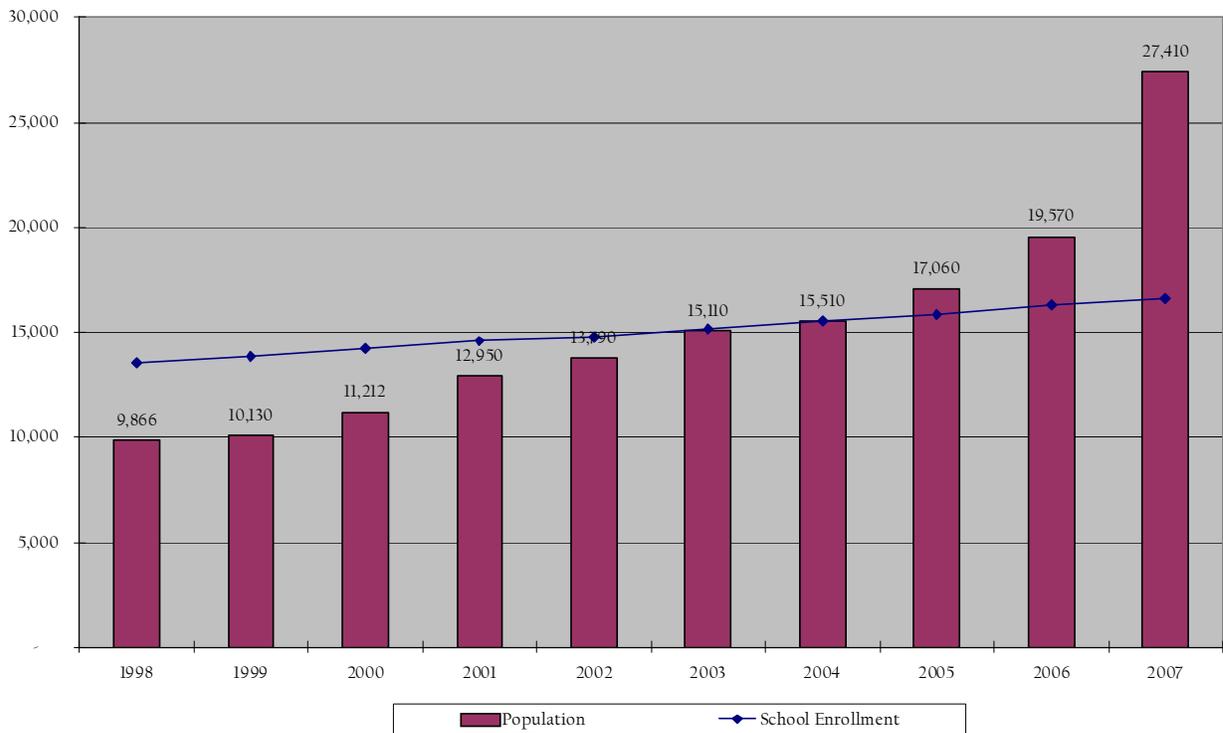
In this schedule n/a refers to detailed data that is not available.

^a 2006 restated.

Schedule 17
 City of Issaquah
 Demographic and Economic Statistics
 Last Ten Fiscal Years abcdefghijklmnop

Fiscal Year	ISSAQUAH			KING COUNTY					
	Population ^a	Total Jobs ^g	School Enrollment ^b	Population ^a	Personal Income (thousands of dollars) ^c	Per Capita Personal Income ^c	Median Income ^a	Median Age ^a	Unemployment Rate ^d
1998	9,866	10,855	13,566	1,702,140	\$ 65,485,103	\$ 38,241	\$ 51,178	35.26	4.0%
1999	10,130	12,083	13,846	1,720,098	72,997,198	42,218	53,157	35.50	3.8%
2000	11,212	14,611	14,259	1,737,046	77,271,598	44,429	56,417	35.70	4.1%
2001	12,950	15,518	14,588	1,758,312	76,883,017	43,800	56,750	35.92	5.1%
2002	13,790	15,506	14,759	1,774,312	77,940,608	44,250	57,374	36.13	6.1%
2003	15,110	16,275	15,146	1,779,300	79,199,166	44,821	58,135	36.38	6.2%
2004	15,510	16,614	15,558	1,788,300	87,417,911	49,118	62,041	36.60	5.2%
2005	17,060	n/a ^f	15,872 ^e	1,808,300	86,746,632	48,216	63,742	36.83	4.7%
2006	19,570	18,668	16,296 ^e	1,834,194	96,579,228	52,655	66,055	36.93	4.2%
2007	27,410	n/a ^f	16,642 ^e	1,861,300	n/a ^f	n/a ^f	67,338	36.97	3.7%

Population and School Enrollment Trends
 Last Ten Fiscal Years



^a Washington State Office of Financial Management

^b National Center for Education Statistics

^c U.S. Bureau of Economic Analysis

^d Washington State Employment Security Department

^e Washington State Office of the Superintendent of Public Instruction

^f n/a means statistic is not available at time of publication

^g King County Annual Growth report

Schedule 18
 City of Issaquah
 Principal Employers ^b

<u>Employer</u>	<u>Services/Product</u>	<u>2005^a</u>		<u>1998^b</u>	
		<u># of Employees</u>	<u>Rank</u>	<u># of Employees</u>	<u>Rank</u>
Costco Wholesale World Headquarters	Corporate Headquarters and Store	3,384	1	1607	1
Microsoft Corporation Sammamish Park Place	Computer Software	3,000	2		
Issaquah School District	Education	1,700	3	1600	2
Alltel Corporation Call Center	Wireless Customer Service	900	4	463	4
Spacelabs Medical Inc.	Healthcare Information Systems/Devices	456	5		
Siemens Medical Solutions USA, Inc.	Ultrasound Equipment	400	6	470	3
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	186	5
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

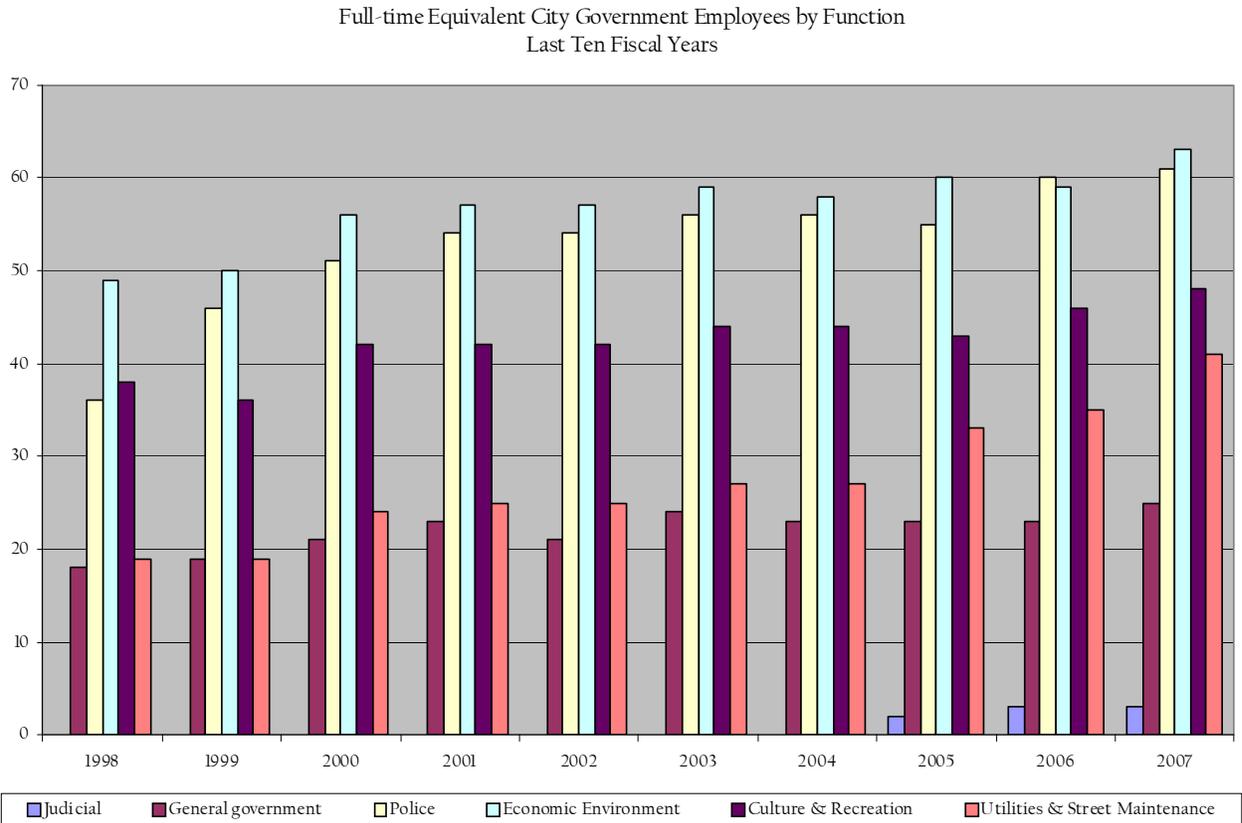
^a 2005 is the most recent data available

^b Limited employee count information 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Judicial	0	0	0	0	0	0	0	2	3	3
General government	18	19	21	23	21	24	23	23	23	25
Police	36	46	51	54	54	56	56	55	60	61
Economic Environment	49	50	56	57	57	59	58	60	59	63
Culture & Recreation	38	36	42	42	42	44	44	43	46	48
Utilities & Street Maintenance	19	19	24	25	25	27	27	33	35	41
Total FTEs	160	170	194	201	199	210	208	216	226	241

Note: For consistency, years 1998-1999 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.



Schedule 20
 City of Issaquah
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Judicial ^a										
Criminal Filings	n/a	n/a	n/a	n/a	n/a	n/a	n/a	594	822	859 ^b
Infraction Filings	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,412	3,191	3,137 ^b
General Government										
Passports Processed	1,357	1,047	1,161	1,151	1,952	1,643	1,278	1,456	1,601	1,003 ^b
Contracts/Agreements Processed	179	194	193	217	312	480	389	498	506	575 ^c
Invoices Processed	12,123	11,550	11,761	12,713	12,129	12,503	14,609	12,610	14,400	14,233 ^c
Police										
Traffic Citations	3,862	5,385	4,704	4,337	4,623	3,961	3,890	4,000	3,540	5,300 ^c
Calls for Service	n/a	n/a	n/a	9,500	11,595	12,005	12,680	13,650	14,200	15,066 ^c
Prisoners in Jail	0	0	974 ^d	1,447	1,930	2,921	2,233	2,540	3,144	4,163
Economic environment										
Building Permits Issued	1,216	1,107	1,029	1,181	1,311	2,221	2,353	2,797	1,937	1,762
Culture and recreation										
Trail Miles	8	8	9	10	10	12	13	14	14	14 ^c
Baseball/Softball Fields	n/a	n/a	n/a	n/a	6	6	6	7	9	9 ^c
Parks and Playground Acres	n/a	n/a	n/a	n/a	n/a	63	63	78	87	91 ^c
Irrigation Systems	40	41	43	39	41	43	44	47	49	49 ^c
Utilities and street maintenance										
Streets										
Miles of Asphaltic Plant or Road Mix	47	47	47	47	132	132	175	180	175	179.58
Water										
Number of Customers	3,407	3,995	4,110	4,144	4,534	4,089	4,731	5,008	5,497	5,609
Sewer										
Number of Customers	2,674	2,743	2,860	2,690	3,129	3,121	3,738	4,728	5,163	5,274
Stormwater										
Number of Customers	3,183	3,183	3,214	3,668	4,205	4,623	4,993	5,722	6,907	7,223

^a Issaquah Municipal Court was not fully operational until 2005.

^b Statistics are for a partial year, January – May 31st.

^c Statistics are estimates based on Actuals for the time period 1/1/07 – 8/31/07

^d First (partial) year in new jail

Schedule 21
 City of Issaquah
 Capital Asset Statistics by Function/Program ^{60 61 62 63}
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
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	3	3	3	3
Police Station	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	7	8	8	15	15	16	12	13	21	9
Motorcycles	1	1	2	2	2	2	2	1	1	2
Economic environment										
Culture and recreation										
Basketball Courts	1.5	1.5	1.5	1.5	1.5	1.5	2.5	2.5	2.5	4
Bike/Walk Paths(miles)	n/a	5	5	51 ^b						
Community Centers	5	5	5	5	5	5	5	5	5	5
Parks	12	14	15	17	17	17	18	19	19	23 ^c
Parks and Open Space (Approximate Acreage)	710.24	860.97	912.23	912.6	1293.9	1296.2	1312.5	1334.4	1336	1197
Play Fields	10	11	11	12	12	12	14	14	14	19 ^d
Public Art Pieces	3	3	4	5	5	6	7	9	11	13
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	4	6	6	6	6	6	8	8	8	9
Utilities and street maintenance										
Street										
Paved Streets (miles)	n/a	n/a	n/a	56.9	n/a	n/a	n/a	91	n/a	113
Sidewalks (miles)	n/a	73.5	n/a	51						
Traffic Signals	16	17	24	28	28	40	40	40	41	41
Water										
Water main (miles)	n/a	100	n/a	1.1						
Service Connections	n/a	5,200	5497	5609						
Sewer										
Sanitary Sewer (miles)	n/a	61	n/a	9.4						
Service Connections	n/a	6619	n/a	5274						
Storm										
Storm Sewers (miles)	n/a	80	n/a	n/a						

⁶⁰ In this schedule n/a means that the information is not available

⁶¹ Includes paved and unpaved trails

⁶² Consists of baseball/softball and soccer fields as well as tot lot play areas

⁶³ Includes developed and undeveloped parks

