



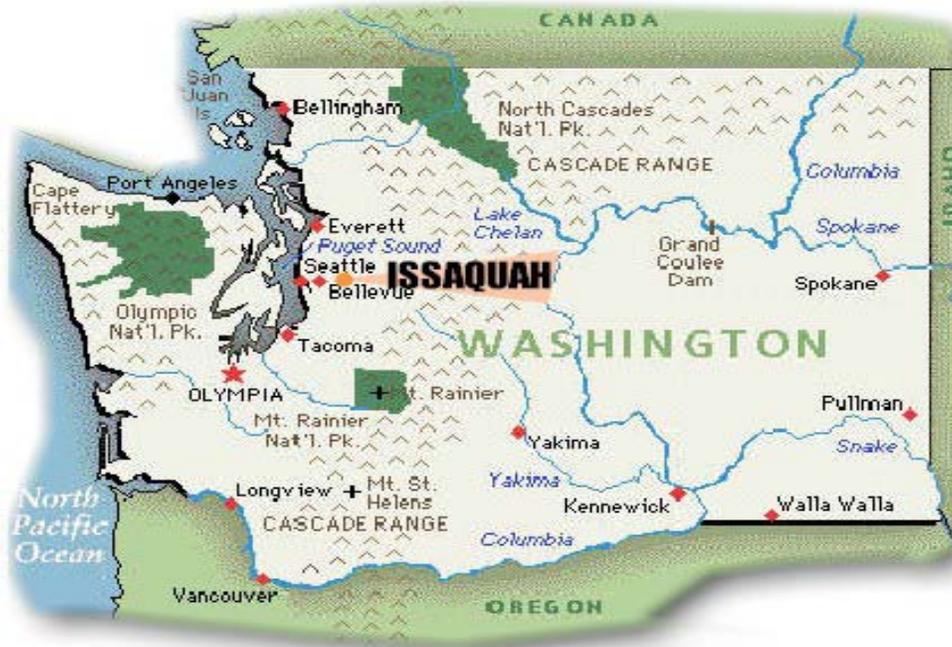
CITY OF ISSAQUAH

2005 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2005

CITY OF ISSAQUAH, WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT



State of Washington

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2005**

PREPARED BY THE FINANCE DEPARTMENT
James R. Blake, Director
Patrisha S. Draycott, Deputy Director

VISION STATEMENT

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

GUIDING PRINCIPLES AND GOALS

Environmental Excellence

- Establish and implement measures to preserve Issaquah's unique natural beauty.
- Prevent degradation of the environment while promoting responsible utilization of Issaquah's natural resources.
- Acknowledge the fact of development and work to ensure that impacts are properly mitigated.

Innovative and Integrated Planning

- Utilize a regional approach.
- Encourage coordination of short- and long-range planning efforts.
- Incorporate financial implications into the planning and decision making process.

Community Involvement

- Actively pursue opportunities for public involvement.
- Emphasize and promote two-way communication and understanding between the City and community.

A People Place

- Work toward preserving the hometown feeling of Issaquah.
- Promote pedestrian-oriented facilities.
- Acknowledge the importance of cultural activities.
- Actively promote a sense of community pride.
- Support a wide variety of recreational opportunities consistent with Issaquah's natural setting.

A Balanced Community

- Preserve and encourage viable neighborhoods.
- Preserve the historical aspects of Issaquah.
- Pursue a balanced mix of land uses that provides for a full-service community (single and multi-family residential, commercial, recreational, and open space).
- Balance environmental concerns with developmental pressures.

Excellence in Governmental Services

- Commit to a level of service that is responsive to community needs.
- Maintain a concept of government that respects the individual and works toward the good of the community.
- Develop and maintain unified, high-quality employees devoted to serving the public.
- Promote and maintain high ethical standards among employees.

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INTRODUCTION

INTRODUCTORY SECTION





May 30, 2006

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, 2005 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and agencies of the City. All disclosures necessary to enable the reader to gain an understanding of Issaquah's financial activities have been included.

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

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

CITY OF ISSAQUAH AND SERVICES PROVIDED

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

The City of Issaquah provides a full range of municipal services, including parks and recreation facilities/activities, streets, planning, zoning, and general administrative services. The City also operates water, sewer, and stormwater utility systems. The City of Issaquah is experiencing intense growth and development.

FINANCIAL MANAGEMENT AND CONTROLS

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

CASH MANAGEMENT

It is the City's policy to invest all temporary cash surpluses with maturities planned to coincide with cash needs. Cash was invested in demand deposits, time deposits, banker's acceptances, and with the State Treasurer's Investment Pool. Net investment earnings for the year were \$1,180,808. There were investments as of December 31, 2005: \$2,000,000 in the General Fund and \$1,000,000 in the Capital Improvements Fund,

INDEPENDENT AUDIT

Washington State law requires an annual audit by the State Auditor, an independently elected state official. The State Auditor has broad legal authority to inquire into all financial and legal compliance matters. The audits are made in conformance with generally accepted auditing standards, cover the financial statements of all City funds, and account groups. The City was given an unqualified opinion for 2004.

ACKNOWLEDGEMENTS

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

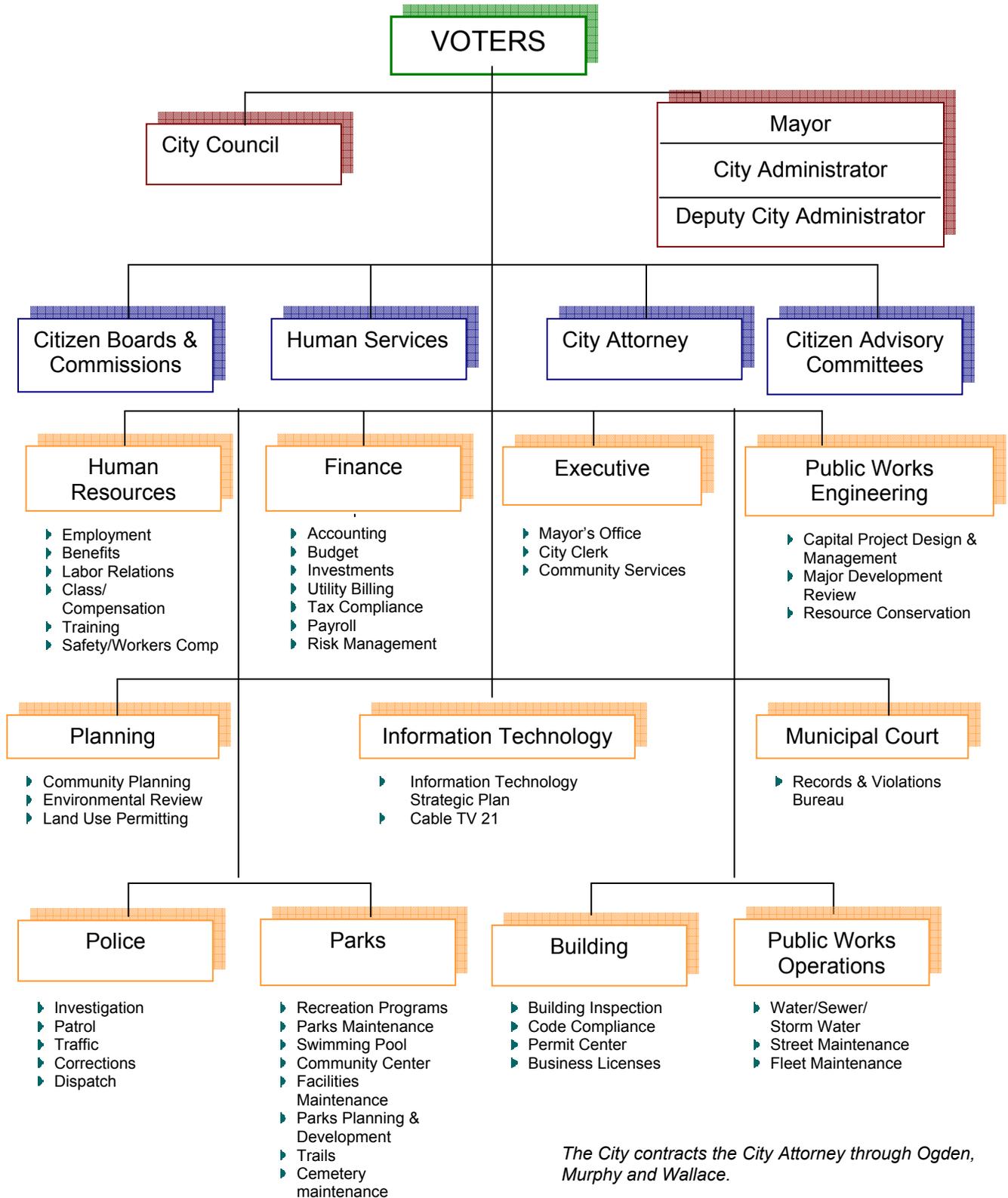
Respectfully submitted,

James R Blake

Finance Director

JB:ikk

CITY OF ISSAQUAH ORGANIZATIONAL STRUCTURE



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

Eastside Fire and Rescue provides fire services.

Revised 12/31/05

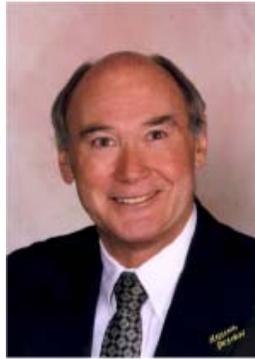
ELECTED OFFICIALS



Ava Frisinger,
Mayor



Joe Forkner,
Position #1



Fred Butler,
Council President
Position #2



Bill Conley,
Position #3



Russell Joe,
Position #4



Hank Thomas,
Position #5



David Kapler,
Position #6



Nancy Davidson,
Deputy President
Position #7

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EXECUTIVE STAFF

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



FINANCIAL SECTION

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, 2005. 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 2005 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 \$146,069,178. A total of 80%, or \$165,943,139, of total net assets is invested in capital such as land and buildings. Of the remaining net assets, \$2,585,972 is restricted for debt service, capital projects, etc. \$13,306,297 is available to meet the governments' ongoing activities and obligations.

Governmental fund balances at year-end were \$57,962,664. Of this amount, a total of \$9,185,098 or 16% of the governmental fund balance is unreserved and available to fund ongoing activities with \$11,177,638 being earmarked for capital project activities.

Unreserved fund balance in the general fund was \$8,817,686, an increase of \$1,998,019 from the prior year.

Total City debt increased \$6,202,652. \$4,745,000 new debt relates to the Centralized ITS Traffic Signal System and refunding of 1996 Police Station Construction Bond. \$8,127,145 of debt was retired. Total debt at year-end was \$53,089,371.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The **statement of net assets** presents information on all of the City of Issaquah's assets and liabilities, highlighting the difference between the two as net assets. This statement is similar to

the balance sheet of a private sector business. Over time, increases or decreases in net assets may be one indicator of improvement or deterioration in the City's overall financial health.

The **statement of activities** presents information designed to show how the City's net assets changed during the year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

FUND FINANCIAL STATEMENTS

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

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

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

The City maintains budgetary control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement is presented for the General Fund as a basic financial statement. Other budgetary comparison schedules are included following the other governmental funds' combining statements in this report.

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

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

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

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

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City of Issaquah's activities.

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET ASSETS

The statement of net assets can serve as a useful indicator of the City's financial position. The City of Issaquah's net assets at December 31, 2005 total \$146,069,178 excluding existing transportation infrastructure assets acquired before 2003 that are not reported in this financial report. The following is a condensed version of the government-wide statement of net assets.

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
ASSETS						
Current and other assets	\$ 33,382,630	\$ 28,618,573	\$ 9,190,620	\$ 7,422,716	\$ 42,573,250	\$ 36,041,289
Capital assets, net of depreciation	72,713,659	65,210,931	93,229,480	86,429,804	165,943,139	151,640,735
Total Assets	106,096,289	93,829,504	102,420,100	93,852,520	208,516,389	187,682,024
Liabilities payable from restricted assets						
Current liabilities	4,993,875	2,754,363	170,439	145,444	5,164,314	2,899,807
Liabilities payable from unrestricted assets						
Noncurrent liabilities	3,624,248	2,768,753	-	-	3,624,248	2,768,753
Total liabilities	48,133,625	45,970,691	14,313,586	14,956,449	62,447,211	60,927,140
NET ASSETS						
Invested in capital assets net of debt	35,544,079	26,934,764	79,214,582	71,734,290	114,758,661	98,669,054
Restricted	13,233,487	12,652,499	4,770,733	4,122,372	18,004,220	16,774,871
Unrestricted	9,185,098	8,271,550	4,121,199	3,039,409	13,306,297	11,310,959
Total Net Assets	\$ 57,962,664	\$ 47,858,813	\$ 88,106,514	\$ 78,896,071	\$ 146,069,178	\$ 126,754,884

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

The largest component of the City's net assets, 79% or \$114,758,661 is its investment in capital assets, net of related debt. These capital assets such as streets, trails, parks, and police vehicles are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. The City has not yet elected the GASB 34 reporting option to include all general infrastructure of the City acquired or substantially renovated since 1980, but has included that acquired beginning in 2003. An analysis and valuation of general infrastructure acquired or substantially renovated since 1980 is underway.

At the end of the fiscal year, the City of Issaquah reported positive balances in all three categories of net assets, for the government as a whole, as well as for the separate governmental and business-type activities.

CHANGES IN NET ASSETS

The changes in net assets table illustrates the increases or decreases in net assets of the City resulting from its operating activities. The City of Issaquah's net assets increased approximately \$21 million in 2005. The increase was \$11.9 million (56%) in the governmental activities and \$9.2 million (44%) in the business-type activities. The following table shows the revenues, expenses and related changes in net assets in tabular form for the governmental activities separate from the business-type activities.

CITY OF ISSAQUAH

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues						
Charges for services	\$ 4,810,624	\$ 6,523,590	\$ 11,656,079	\$ 11,619,957	\$ 16,466,703	\$ 18,143,547
Operating grants & contributions	1,094,552	760,868			1,094,552	760,868
Capital grants & contributions	8,737,618	6,878,060	8,228,721	9,347,067	16,966,339	16,225,127
General revenues:						
Property taxes	5,077,521	4,713,174			5,077,521	4,713,174
Sales taxes	10,485,352	9,608,164			10,485,352	9,608,164
Business taxes	5,121,025	4,947,733			5,121,025	4,947,733
Other taxes	3,914,552	3,164,595			3,914,552	3,164,595
Investment earnings	977,495	361,386	203,312	50,893	1,180,807	412,279
Gain/(Loss) on disposal of asset	(89,171)				(89,171)	
Total revenues	40,129,568	36,957,570	20,088,112	21,017,917	60,217,680	57,975,487
Expenses:						
Judicial	317,345	85,029			317,345	85,029
General government	6,420,038	5,949,918			6,420,038	5,949,918
Public safety	8,505,178	8,398,617			8,505,178	8,398,617
Physical environment	687,327	408,881			687,327	408,881
Transportation	4,382,187	5,437,885			4,382,187	5,437,885
Health and human services	31,052	226,847			257,899	226,847
Economic environment	3,096,522	2,727,974			3,096,522	2,727,974
Culture and recreation	4,075,033	4,130,015			4,075,033	4,130,015
Interest on long term debt	1,561,619	1,405,015			1,561,619	1,405,015
Water			4,348,902	4,165,417	4,348,902	4,165,417
Sewer			4,135,750	3,409,732	4,135,750	3,409,732
Storm Water			2,206,859	2,119,090	2,206,859	2,119,090
Total expenses	29,076,301	28,770,181	10,691,511	9,694,239	39,767,812	38,464,420
Increase (decrease) in net assets before transfers	11,053,267	8,187,389	9,396,601	11,323,678	20,449,868	19,511,067
Transfers, net	263,370	318,371	(263,370)	(318,371)	-	-
Miscellaneous Revenue	624,615	356,875	77,212		701,827	356,875
Increase (decrease) in net asset	11,941,252	8,862,635	9,210,443	11,005,307	21,151,695	19,867,942
Net Assets - beginning	47,858,813	38,238,335	78,896,071	67,891,442	126,754,884	106,129,777
Prior period adjustment	(1,837,401)	757,843		(678)	(1,837,401)	757,165
Net Assets - ending	\$ 57,962,664	\$ 47,858,813	\$ 88,106,514	\$ 78,896,071	\$ 146,069,178	\$ 126,754,884

Table 2 City of Issaquah's Changes in Net Assets

Governmental activities contributed \$11.9 million of the total change in net assets of \$21 million. Key elements of the increase are as follows:

Governmental revenues increased \$3 million. Charges for services decreased \$ 1.7million, primarily from an increase in unearned revenue of \$1.7 million resulting from permits paid and not completed. Operating grants and contributions increased over \$330,000. Capital Grants and contributions increased \$1.8 million, with \$1.6 million for the Juniper Bridge project. Tax Revenue increased \$2.2 million. Property taxes increased over \$360,000, primarily from new construction. Sales tax increased over \$875,000, business taxes increased over \$170,000 and other taxes increased almost \$750,000. Other tax increase results primarily from real estate excise tax on sale of real estate.

The City aggressively monitored hiring, expenditures, and evaluated programs, thereby limiting its operating expenses for 2005 when faced with these revenues for governmental activities. The net result was that the City was able to maintain adequate reserves and meet contingencies.

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

Government Activities - Revenues

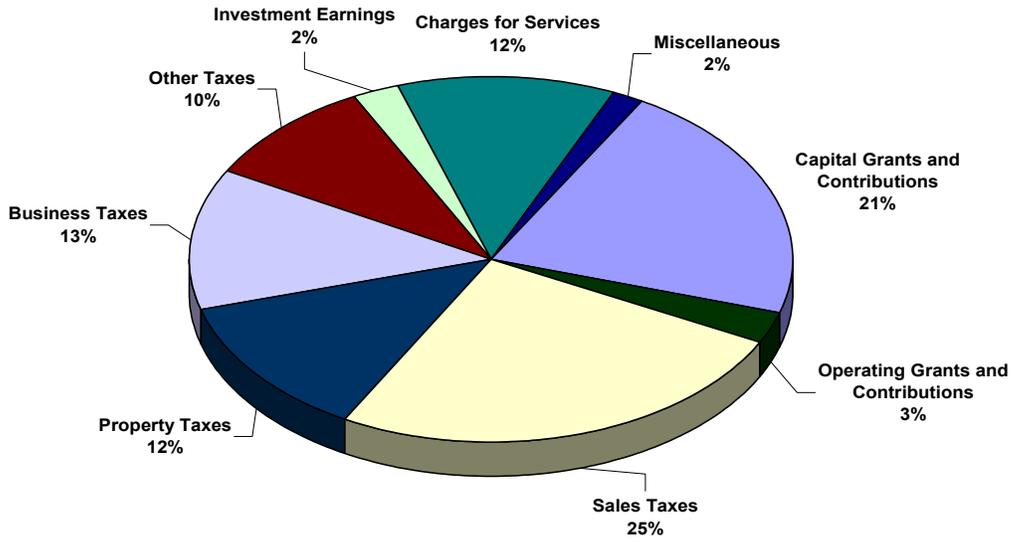


Figure 1 Governmental Activities - Revenues Chart

Governmental Activities - Expenditures

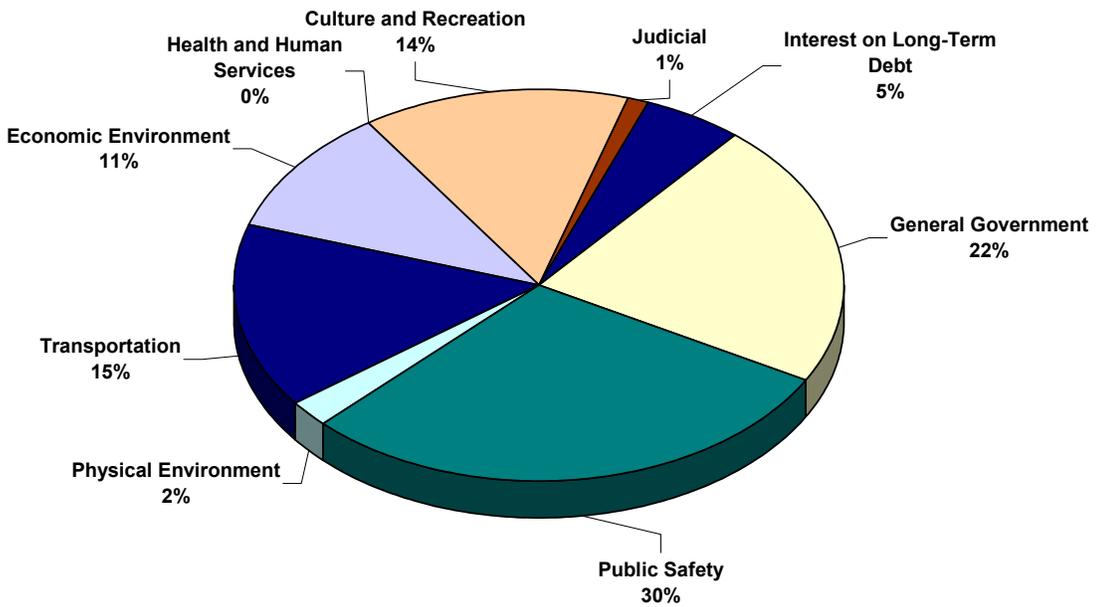


Figure 2 Governmental Activities - Expenditures Chart

Business-type activities of the City's utilities increased the City of Issaquah's net assets by \$9.2 million. Growth of \$9.3 million consists of capital grants and contributed capital including utility infrastructure by the developers of The Highlands and Talus.

Business Type Activities - Revenue

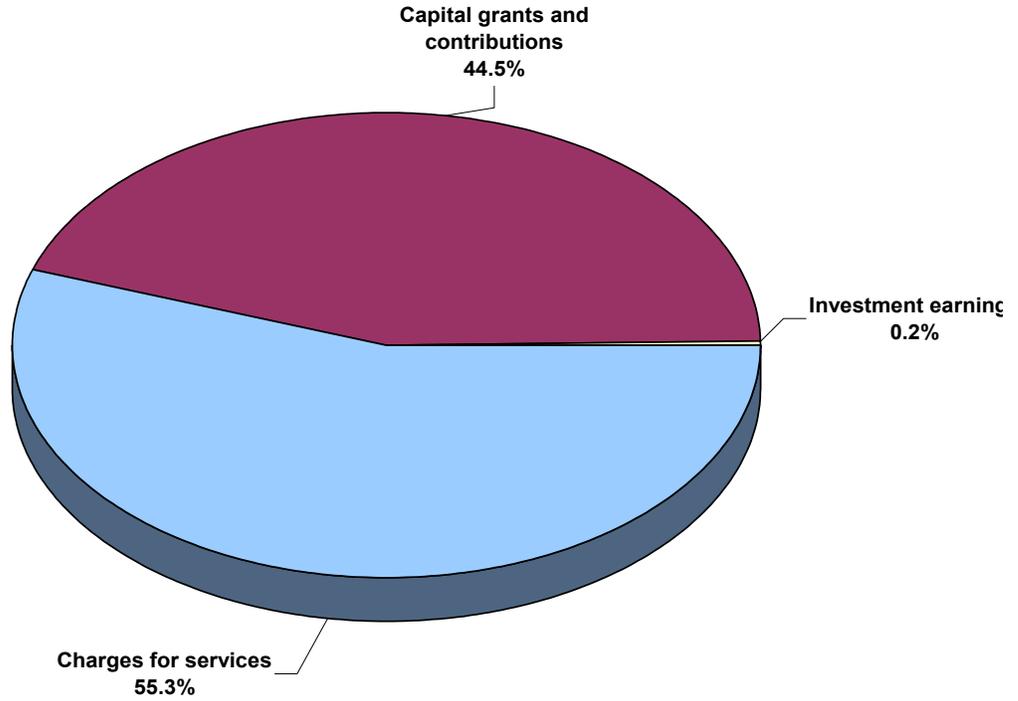


Figure 3 Business-Type Activities - Revenues Chart

Business Type Activities - Expenses

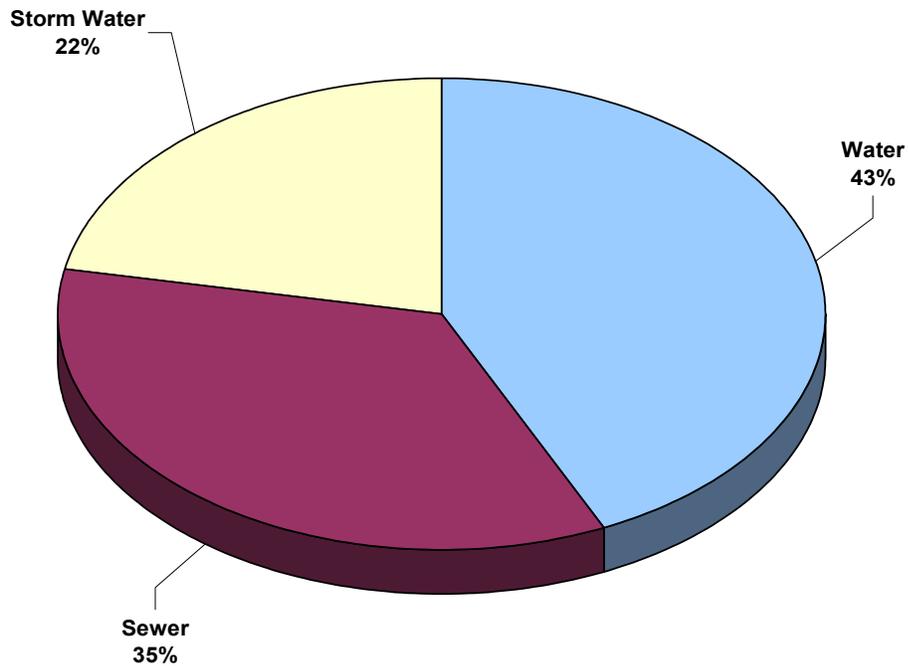


Figure 4 Business-Type Activities - Expenditures Chart

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

GOVERNMENTAL FUNDS

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

At the end of the current year the City's combined ending governmental fund balance was \$23.1 million. Of the total ending fund balance, over \$800,000 is reserved for debt service. Of the remaining fund balance, \$10.7 million is earmarked for capital construction projects and \$2.7 million resides with special revenue funds. Additionally, Internal Service Funds have \$7.4 million Net Assets with \$2.3 million invested in capital assets, net of depreciation.

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. The fund balance at the end of 2005 of the general fund was \$8.8million. As a measure of the fund's liquidity, the ending fund balance is 43% of the fund's 2005 expenditures.

The general fund balance increased almost \$2 million from the prior year. Revenues increased by \$1.9 million, while expenditures increased by \$1 million. Revenues exceeded expenditures in the general fund by \$3.8 million in 2005. Net transfers out of the general fund totaled \$1.9 million, primarily to the street fund.

The street special revenue fund has a fund balance of \$1.39million, an increase of over \$69,000 from 2004. The purpose of this fund is to provide street maintenance from designated state-shared fuel taxes and tax revenues transferred from the General Fund.

The capital improvements fund was created to account for major city capital improvement projects not budgeted under specific funds. Primary revenue sources are the one-quarter percent excise tax on real estate sales and the portion of sales tax (30%) dedicated to capital improvements by Council policy. Excise tax proceeds are to be used solely for financing capital projects specified in a Capital Improvement Plan and such funds are intended to be in addition to other funds that may be reasonably available for such capital projects. Currently excise taxes are dedicated to paying off the debt incurred for the Community Center and Pickering Barn. The general capital improvements fund ending fund balance was \$3.4 million, an increase of \$1 million from 2004. In 2005, \$2.7 million was transferred for debt service. Capital construction in progress additions for 2005 was \$8.4 million, of which \$6.5 million was for infrastructure and \$1.1 million was for parks in the Highlands.

The street improvement fund was established in 1991 to account for revenues received from the additional 0.25% Real Estate Excise Tax. Proceeds are to be used solely for financing capital projects related to streets. Revenues increased over \$345,000 in 2004 primarily from the increase in Real Estate Excise Tax from the sale of real estate in Issaquah. Capital outlay increased over \$2.5 million of which \$2 million purchased land for the I-90 crossing project.

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 \$1.6 million or 7%. Licenses and permits and Intergovernmental revenues were respectively almost \$978,000 and over \$755,000 greater than budgeted revenues. Total expenditures were below budgeted by over \$161,000 or 3%

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, 2005 amounts to almost \$166 million (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, construction in progress, infrastructure beginning in 2003, and utility transmission/distribution systems.

Major capital assets changes during 2005 included the following:

- Water, sewer and storm drainage infrastructure improvement projects totaling over \$440,000 were in progress during 2005. Developers donated capital of \$7.9 million in utility infrastructure during 2005.
- General capital improvement projects for improvement and expansion general governmental activities including City streets and traffic corridors \$8.5 million, and parks land totaling \$4 million were under way.

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

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
Land and other non depreciables	\$ 23,149,809	\$ 9,189,052	\$ 32,338,861
Infrastructure in progress	8,505,363		8,505,363
Buildings and improvements	33,943,662	83,277,721	117,221,383
Machinery and equipment	2,876,590	322,463	3,199,053
Construction in progress	4,238,235	440,244	4,678,479
Total	\$ 72,713,659	\$ 93,229,480	\$ 165,943,139

Table 3 Capital Assets (Net of Depreciation)

GASB 34 permits an optional four-year delay in full reporting of the city's infrastructure. The city has elected to implement financial reporting under GASB 34, without full infrastructure, for the fiscal year ended December 31, 2005. As allowed by GASB, the City has elected not to report its transportation infrastructure acquired prior to 2003 in 2005.

Additional information on the City of Issaquah's capital assets can be found in Note 7 and the required supplemental information (RSI) at the end of the notes.

CITY OF ISSAQUAH

LONG-TERM DEBT

At the end of 2005, the City of Issaquah had total bonded debt outstanding of \$44 million and other long-term debt of \$7 million. The total debt is distributed as follows.

City of Issaquah's Long-Term Debt

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
General Obligation Bonds	\$ 31,245,000	\$ -	\$ 31,245,000
Revenue Bonds	-	13,115,000	13,115,000
Special Assessments		103,110	103,110
Interlocal Agreement	5,950,000	0	5,950,000
Installment Contracts		796,788	796,788
Total	\$ 37,195,000	\$ 14,014,898	\$ 51,209,898

Table 4 City of Issaquah's Long-Term Debt

The City of Issaquah maintains an A1 rating from Moody's for its voter approved general obligation debt, an A1 rating for its councilmanic general obligation debt, and an A3 rating for its revenue bonds.

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 2005 was \$3,734,157,054 and the total amount of debt the City may issue is \$280,061,778. Remaining debt capacity is as follows:

COMPUTATION OF LEGAL DEBT MARGIN

AS OF DECEMBER 31, 2005

	General Capacity		Special Purpose Capacity		
	Councilmanic (Non-Voted)	Excess Levy (Voted-In)	Parks & Open Space (Voted-In)	Utility Purpose (Voted-In)	Total Capacity
December 31, 2005 Assessed Value*:					
\$ 3,734,157,054					
2.50 % of Assessed Value	\$ -	\$ 93,353,926	\$ 93,353,926	\$ 93,353,926	\$ 280,061,778
1.50% of Assessed Value	56,012,355	(56,012,355)	-	-	-
Statutory Debt Limit	\$ 56,012,355	\$ 37,341,571	\$ 93,353,926	\$ 93,353,926	\$ 280,061,778
Less Debt Outstanding					
(General Obligation Bonds)	\$ (24,450,000)	\$ (6,648,852)	\$ (146,148)	\$ -	\$ (31,245,000)
Add Amount Available in Debt Service Fund	100,817	265,919	-	-	366,736
Remaining Debt Capacity	\$ 31,663,172	\$ 30,958,638	\$ 93,207,778	\$ 93,353,926	\$ 249,183,514

* Property assessed at 100% of the estimated value.

Table 5 Legal Debt Margin

Additional information on the City of Issaquah's long-term debt can be found in Note 11 and in the Statistical Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Over the past years, the City has been consistently prudent with spending and has built up a very strong reserve. 2006 will continue in this direction. The Final Budget represents a 5% increase in expenditures which is primarily for the Police and Parks service improvements, and South Cove/Greenwood Point extensions service. Revenues continue to grow with a 7.0% increase over 2005.

However, inflation costs are up 2.3%, and to maintain Police, Fire and other vital services, and to offset inflation's impact, the 2006 Annual Budget includes a 1% increase in property tax collection over that levied in 2005. During the past eight years, the City property tax rate has gone down from \$2.37/\$1,000 of assessed valuation to \$1.60/\$1,000, which represents a decrease of 32.5% (almost a third). This budget also includes a number of water, sewer and stormwater improvement projects, but no utility rate increases are being proposed. The City has been innovative/creative in substantially reducing the cost of the main utility project for 2006, the West Downtown Trunk Sewer Line, cutting the cost nearly in half.

GOVERNMENTAL ACTIVITIES:

In 2006, General Fund budgeted expenditures total \$24,664,993, which represents a 5.1% increase over year 2005 operating levels. The majority of this increase (\$1,186,432) represents an increased investment in Parks and Recreation (\$413,000), insurance premium increases (\$75,000), and salary and benefit cost increases, which include a 2.3% cost-of-living adjustment (COLA) for City employees.

In 2005, the voted-in excess property tax rate was \$0.32 per \$1,000 of assessed valuation. Due to the dilutive effect of the growth in the overall City assessed valuation, and the addition of an outstanding bond (ITS Bonds), the excess property tax rate is expected to increase slightly to an estimated \$0.33 per \$1,000 of assessed valuation. This represents an increase of 3.0%.

A large share of capital expenditures in the capital projects fund are prior commitments, including debt payments of \$2,455,691 for six councilmanic bonds.

Major non-bond funded capital projects budgeted include:

- \$640,000 for the Road Overlay Program;
- \$155,000 for the Sidewalk Improvement Plan.

Road projects budgeted in the capital funds include:

- \$3,037,000 for the ITS Traffic System Improvements;
- \$1,117,962 for SE 56th / E. Lake Sammamish Intersection Improvements;
- \$1,257,496 for Highpoint Trail Extension;
- \$502,173 for NW Dogwood Street Improvements;
- \$350,000 for North Spar Contribution;
- \$339,000 for Eastside Bypass;

- ▶ \$335,000 for Rainier Boulevard N. Improvements;
- ▶ \$250,000 for Providence Point – Sight Distance Safety;
- ▶ \$162,873 for SE 229th Traffic Signal;
- ▶ \$112,500 for SE 58th St Shoulder Widening (SE 58th/Fall City Road).

BUSINESS-TYPE ACTIVITIES:

No increase in water rates is included in the 2006 Budget. Water Capital Projects budgeted in 2006 include:

- ▶ \$600,000 Westside Reservoir Refurbishment;
- ▶ 500,000 for the Citywide Watermain Replacement Program;
- ▶ \$158,513 Water System Seismic Retrofits;
- ▶ \$55,000 Wildwood Pump Station Upgrade;
- ▶ \$50,000 Ground Water to Regional Modifications;
- ▶ \$16,000 Telemetry Equipment – Well 6.

No increase in the City's portion of sewer rate is proposed in the 2006 annual budget. Capital projects budgeted in 2006 include:

- ▶ \$1,494,108 West Downtown Trunk Line;
- ▶ \$100,000 for Manhole Rehabilitation;
- ▶ \$25,000 for 7th Avenue Trunk Main.

No increase in stormwater rates is included. Major Stormwater projects budgeted in 2006 include:

- ▶ \$502,455 on Tributary 0170 Drainage Improvements
- ▶ \$200,000 Storm Drainage Rehabilitation and Improvements (Annual Program);
- ▶ \$75,000 for Acquisition and Restoration Plan for Open Space;
- ▶ \$31,086 for Hope Creek Restoration;
- ▶ \$5,000 for Squak Valley Stream Restoration.

REQUESTS FOR INFORMATION

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

CITY OF ISSAQUAH

STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
	12/31/2005	12/31/2005	12/31/2005
ASSETS			
<i>Current Assets:</i>			
Cash & cash equivalents	\$ 22,232,797	\$ 8,321,687	\$ 30,554,484
Restricted cash	3,624,248	-	3,624,248
Investments	3,000,000	-	3,000,000
Receivables (net)	4,054,323	202,823	4,257,146
Internal balances	(101,723)	101,723	-
Interest receivable	294,123	-	294,123
Interfund loans	40,000	-	40,000
Inventories	108,878	459,975	568,853
Premium/Discount/Prepaid items	114,698	-	114,698
<i>Noncurrent Assets:</i>			
Other	15,286	104,412	119,698
<i>Capital Assets (net of accumulated depreciation):</i>			
Land	23,033,992	9,189,052	32,223,044
Infrastructure	8,505,363	-	8,505,363
Other assets	115,817	-	115,817
Buldings	29,508,505	10,994,394	40,502,899
Improvements other than buildings	4,435,157	-	4,435,157
Plant and service	-	72,283,327	72,283,327
Machinery and equipment	2,876,590	322,463	3,199,053
Construction in progress	4,238,235	440,244	4,678,479
Total Assets	106,096,289	102,420,100	208,516,389
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts payable	517,320	113,953	631,273
Accrued interest	123,337	56,486	179,823
Unearned revenue	4,353,218	-	4,353,218
<i>Current Liabilities Payable from Restricted Assets:</i>			
Liabilities payable from restricted assets	3,624,248	-	3,624,248
<i>Noncurrent Liabilities:</i>			
Due within one year	2,280,000	806,109	3,086,109
Due in more than one year	36,666,224	13,337,038	50,003,262
Other	569,278	-	569,278
Total Liabilities	48,133,625	14,313,586	62,447,211
NET ASSETS			
Invested in capital assets, net of related debt	35,544,079	79,214,582	114,758,661
Restricted for:			
Debt service	1,776,732	809,240	2,585,972
Capital projects	11,177,638	3,961,493	15,139,131
Other	279,117	-	279,117
Unrestricted	9,185,098	4,121,199	13,306,297
Total Net Assets	\$ 57,962,664	\$ 88,106,514	\$ 146,069,178

Table 6 Statement of Net Assets

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

CITY OF ISSAQUAH

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
<i>Governmental Activities:</i>							
Judicial	\$ 317,345	\$ 217,950	\$ -	\$ -	\$ (99,395)		\$ (99,395)
General Government	6,420,038	592,282	-	40,696	(5,787,060)		(5,787,060)
Public Safety	8,505,178	876,782	206,215	132,965	(7,289,216)		(7,289,216)
Physical Environment	687,327	416,640	472,712	-	202,025		202,025
Transportation	4,382,187	170,661	297,246	7,866,012	3,951,732		3,951,732
Health and Human Services	31,052	-	33,655	-	2,603		2,603
Economic Environment	3,096,522	908,014	-	-	(2,188,508)		(2,188,508)
Culture & Recreation	4,075,033	1,628,295	84,724	697,945	(1,664,069)		(1,664,069)
Interest on long-term debt	1,561,619	-	-	-	(1,561,619)		(1,561,619)
<i>Total Governmental Activities:</i>	29,076,301	4,810,624	1,094,552	8,737,618	(14,433,507)	-	(14,433,507)
<i>Business-type Activities:</i>							
Water	4,348,902	5,047,050	-	4,032,721		4,730,869	4,730,869
Sewer	4,135,750	4,037,045	-	2,140,851		2,042,146	2,042,146
Storm Water	2,206,859	2,571,984	-	2,055,149		2,420,274	2,420,274
<i>Total Business-type Activities:</i>	10,691,511	11,656,079	-	8,228,721	-	9,193,289	9,193,289
Total Primary Government	\$ 39,767,812	\$ 16,466,703	\$ 1,094,552	\$ 16,966,339	\$ (14,433,507)	\$ 9,193,289	\$ (5,240,218)
GENERAL REVENUES:							
					\$ 5,077,521	\$ -	\$ 5,077,521
					10,485,352		10,485,352
					5,121,025		5,121,025
					3,914,552		3,914,552
					977,495	203,312	1,180,808
					624,615	77,212	701,827
					(89,171)		(89,171)
Transfers					263,370	(263,370)	-
Total General Revenues & Transfers					26,374,759	17,154	26,391,913
Change in Net Assets					11,941,252	9,210,443	21,151,695
Net Assets - Beginning					47,858,813	78,896,071	126,754,884
Prior period adjustments					(1,837,401)		(1,837,401)
Net Assets - Ending					\$ 57,962,664	\$ 88,106,514	\$ 146,069,178

Table 7 Statement of Activities

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

CITY OF ISSAQUAH

BALANCE SHEET
GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	General Fund	Street	Capital Improvements	Street Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
<i>Current Assets:</i>						
Cash & cash equivalents	\$ 4,533,450	\$ 1,130,264	\$ 1,974,999	\$ 3,035,325	\$ 8,403,299	\$ 19,077,337
Investments	2,000,000		1,000,000		-	3,000,000
Receivables (net)	2,498,432	29,938	915,016	325,887	150,650	3,919,923
Interest Receivable	40,310	229,033	24,780		-	294,123
Due from other governments	15,285			40,000	-	55,285
Total assets	\$ 9,087,477	\$ 1,389,235	\$ 3,914,795	\$ 3,401,212	\$ 8,553,949	\$ 26,346,668
LIABILITIES						
<i>Current Liabilities:</i>						
Accounts payable and accrued exp.	269,791	147,096	4,077		44,184	465,148
Matured bond					156,250	156,250
Accrued interest payable					123,337	123,337
Due to other funds				2,000,000		2,000,000
Other noncurrent liabilities					(25,420)	(25,420)
Deferred revenue			480,000			480,000
Total liabilities	269,791	147,096	484,077	2,000,000	298,351	3,199,315
NET ASSETS						
<i>Reserved for:</i>						
Debt service					888,366	888,366
<i>Unreserved, reported in</i>						
General Fund	8,817,686					8,817,686
Special revenue funds		1,242,139			1,461,552	2,703,691
Capital project funds			3,430,718	1,401,212	5,905,680	10,737,610
Total fund balance	8,817,686	1,242,139	3,430,718	1,401,212	8,255,598	23,147,353
Total liabilities and fund balance	\$ 9,087,477	\$ 1,389,235	\$ 3,914,795	\$ 3,401,212	\$ 8,553,949	\$ 26,346,668
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.						72,713,659
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.					(38,946,224)	
Less debt liabilities reported in Governmental Activities					156,250	
Total difference in noncurrent liabilities reported in Government-wide Statements						(38,789,974)
Internal service funds are used by management to charge the costs of certain activities to individual funds.					5,093,089	
Plus compensated absences included with long-term liabilities above					253,478	
						5,346,567
Permit fees collected; service not performed						(4,353,218)
Internal balance liability with asset in Enterprise Funds for services provided by Internal Service Funds						(101,723)
Net assets of governmental activities						<u>\$ 57,962,664</u>

Table 8 Governmental Funds Balance Sheet

CITY OF ISSAQUAH

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	General Fund	Street Fund	Capital Improvements Fund	Street Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
<i>Taxes:</i>						
Property	4,263,118				814,403	5,077,521
Sales	7,439,115		3,046,237			10,485,352
B&O	4,952,444				168,581	5,121,025
Other	180,820		1,845,128	1,845,128	43,476	3,914,552
Licenses and Permits	3,052,494	127,715			253,862	3,434,071
Intergovernmental	316,870	119,614	58,533	1,809,671	616,511	2,921,199
Charges for Services	3,178,668	42,939		7	374,107	3,595,721
Investment Earnings	578,882	13,728	72,838	43,006	131,492	839,946
Rents and Leases	315,405					315,405
Contributions and Donations		1,982,673		40,000	1,087,383	3,110,056
Miscellaneous Revenues	92,740	1,143	214,098		3,657	311,638
Total Revenues	24,370,556	2,287,812	5,236,834	3,737,812	3,493,472	39,126,486
EXPENDITURES						
General Government	5,208,954		978,156		50,358	6,237,468
Judicial	205,987				110,381	316,368
Public Safety	8,225,958		11,440		2,951	8,240,349
Physical Environment	146,053				534,762	680,815
Transportation	-	4,049,202	272,069	(107,730)	(3,044)	4,210,497
Economic Environment	3,102,446					3,102,446
Health and Human Services	-		30,988			30,988
Culture & Recreation	3,644,139		4,510		253,742	3,902,391
<i>Debt Service:</i>						
Principal				350,000	2,503,160	2,853,160
Interest					1,553,304	1,553,304
Other					8,315	8,315
<i>Capital Outlay:</i>						
General Government			189,629			189,629
Public Safety			35,843		9,237	45,080
Physical Environment		16,398				16,398
Transportation				4,624,624	568,649	5,193,273
Culture & Recreation					1,212,075	1,212,075
Total Expenditures	20,533,537	4,065,600	1,522,635	4,866,894	6,803,890	37,792,556
Excess (deficiency) of revenues over (under) expenditures	3,837,019	(1,777,788)	3,714,199	(1,129,082)	(3,310,418)	1,333,930
OTHER FINANCING SOURCES (USES)						
Transfers in	108,000	1,878,000		341,118	3,324,172	5,651,290
(Transfers out)	(1,947,000)	(30,750)	(2,710,849)	(13,850)	(819,471)	(5,521,920)
Debt Proceeds					1,735,086	1,735,086
Debt Issue costs					(110,098)	(110,098)
Total Other Financing Sources (Uses)	(1,839,000)	1,847,250	(2,710,849)	327,268	4,129,689	1,754,358
Net Change in Fund Balances	1,998,019	69,462	1,003,350	(801,814)	819,271	3,088,288
Fund Balance - Beginning	6,759,284	1,172,677	2,427,368	2,203,026	7,436,327	19,998,682
Restate	60,383					60,383
Fund Balance - Ending	\$ 8,817,686	\$ 1,242,139	\$ 3,430,718	\$ 1,401,212	\$ 8,255,598	\$ 23,147,353

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

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

CITY OF ISSAQUAH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

Net changes in fund balances for governmental funds		\$ 3,088,288
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Comprised of:		
	Capital outlays	6,656,455
	Depreciation	(1,094,235)
	Changes due to disposals	<u>(107,131)</u>
		5,455,089
Developers construct and then donate infrastructure to the government. Infrastructure is not reported in the governmental funds.		
	Developer donated infrastructure current year	<u>3,800,915</u>
		3,800,915
The issuance of long-term debt (e.g., bonds, leases) is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets.		
	Debt proceeds	(1,735,086)
	Debt retired	2,853,160
	Other debt issue	<u>95,082</u>
		1,213,156
Some revenue reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.		
	Permit center collected for services not yet performed	<u>(2,219,168)</u>
		(2,219,168)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the government funds.		
	Compensated absences	<u>(64,584)</u>
		(64,584)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities.		
	Internal service fund allocation of profits and losses	365,463
	Non-operating revenues from outside sources	168,093
	Intergovernmental transfers	<u>134,000</u>
		667,556
Change in net assets of governmental activities		<u>\$ 11,941,252</u>

Table 10 Reconciliation of Statements – Governmental Funds

CITY OF ISSAQUAH

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	GENERAL FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Taxes:				
Property	\$ 4,190,000	\$ 4,190,000	\$ 4,256,207	\$ 66,207
Sales	6,925,000	6,925,000	7,315,333	390,333
Business Taxes	4,765,000	4,765,000	4,830,367	65,367
Other Taxes	185,000	185,000	180,820	(4,180)
Licenses and Permits	2,074,500	2,074,500	3,052,494	977,994
Intergovernmental	320,711	320,711	311,894	(8,817)
Charges for Services	3,284,100	3,284,100	2,990,052	(294,048)
Judicial	254,400	254,400	217,950	(36,450)
Investment Income	270,000	270,000	496,957	226,957
Rents & Leases	139,000	139,000	376,365	237,365
Interfund Office Rental	70,000	70,000	70,000	-
Contributions and Donations	5,000	5,000	9,769	4,769
Miscellaneous	53,850	53,850	9,833	(44,017)
TOTAL REVENUES	22,536,561	22,536,561	24,118,041	1,581,480
EXPENDITURES				
General Government:				
Legislative	72,260	72,260	108,281	(36,021)
Judicial	255,800	255,800	211,351	44,449
Executive	535,525	535,525	513,460	22,065
Financial and record services	984,840	984,840	950,538	34,302
Legal	329,000	329,000	413,075	(84,075)
Personnel	489,819	489,819	474,860	14,959
Central services	2,242,913	2,242,913	1,921,518	321,395
Other general government services	628,750	628,750	784,202	(155,452)
General Government Services	<u>5,538,907</u>	<u>5,538,907</u>	<u>5,377,285</u>	<u>161,622</u>
Security of persons and property	8,663,292	8,663,292	8,210,216	453,076
Utilities and environment	146,310	146,310	145,251	1,059
Economic environment	2,913,815	2,913,815	3,069,752	(155,937)
Health and human services	323,395	323,395	3,541	319,854
Culture and recreation	3,945,842	3,945,842	3,663,616	282,226
Total Expenditures	<u>21,531,561</u>	<u>21,531,561</u>	<u>20,469,661</u>	<u>1,061,900</u>
Excess(deficiency) of revenues over (under) expenditures	<u>1,005,000</u>	<u>1,005,000</u>	<u>3,648,380</u>	<u>2,643,380</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	493,000	493,000	108,000	(385,000)
Transfers Out	(1,947,000)	(1,947,000)	(1,947,000)	-
Total Other financing sources and uses	<u>(1,454,000)</u>	<u>(1,454,000)</u>	<u>(1,839,000)</u>	<u>(385,000)</u>
Net change in fund balances	(449,000)	(449,000)	1,809,380	2,258,380
Fund Balances-beginning	3,600,000	3,600,000	4,617,584	1,017,584
Prior period adjustment			(50,002)	(50,002)
Fund balances-ending	<u>\$ 3,151,000</u>	<u>\$ 3,151,000</u>	<u>\$ 6,376,962</u>	<u>\$ 3,225,962</u>

Note: Budget is Cash Basis

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

CITY OF ISSAQUAH

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	STREET FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Licenses and Permits	\$ 61,000	\$ 61,000	\$ 100,630	\$ 39,630
Intergovernmental	218,000	218,000	225,602	7,602
Charges for Services	38,000	38,000	45,918	7,918
Investment Income	2,000	2,000	14,080	12,080
Contributions and Donations	3,422,510	3,422,510	2,336,818	(1,085,692)
Miscellaneous	7,000	7,000	1,143	(5,857)
TOTAL REVENUES	3,748,510	3,748,510	2,724,191	(1,024,319)
EXPENDITURES				
Transportation (Highways and Streets)	5,751,968	5,751,968	3,997,169	1,754,799
Capital outlay:				
Transportation (Highways and Streets)			16,398	(16,398)
Total Expenditures	5,751,968	5,751,968	4,013,567	1,738,401
Excess(deficiency) of revenues over (under) expenditures	(2,003,458)	(2,003,458)	(1,289,376)	714,082
OTHER FINANCING SOURCES (USES)				
Transfers In	1,878,000	1,878,000	1,878,000	-
Transfers Out	(30,750)	(30,750)	(30,750)	-
Total Other financing sources and uses	1,847,250	1,847,250	1,847,250	-
Net change in fund balances	(156,208)	(156,208)	557,874	714,082
Fund Balances-beginning	287,528	287,528	572,390	284,862
Fund balances-ending	\$ 131,320	\$ 131,320	\$ 1,130,264	\$ 998,944

Note: Budget is Cash Basis

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

CITY OF ISSAQUAH

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

	Business-type Activities			Totals	Governmental
	Water	Enterprise Funds			Internal Service
		Sewer	Storm		Funds
ASSETS					
Current Assets:					
Cash & Cash Equivalents	\$ 5,083,799	\$ 2,235,296	\$ 1,002,592	\$ 8,321,687	\$ 3,155,460
Accounts Receivable	263,171	(68,781)	8,433	202,823	134,401
Interfund Loans Receivable	-	-	-	-	2,000,000
Inventory	380,770	16,738	62,467	459,975	108,878
Total Current Assets	5,727,740	2,183,253	1,073,492	8,984,485	5,398,739
Noncurrent Assets					-
Restricted Assets:					
Unamortized Debt Issue Costs	93,690	-	10,722	104,412	
Land and Land Rights	8,958,052	-	231,000	9,189,052	
Buildings and Improvements	9,134,736	-	1,859,658	10,994,394	90,464
Plant in Service	36,343,751	15,697,456	20,242,120	72,283,327	
Machinery and Equipment	301,214	19,080	2,169	322,463	2,234,347
Construction in Progress	251,128	17,206	171,910	440,244	11,317
Total Capital Assets, net depreciation	54,988,881	15,733,742	22,506,857	93,229,480	2,336,128
Total Noncurrent Assets	55,082,571	15,733,742	22,517,579	93,333,892	2,336,128
Total Net Assets	60,810,311	17,916,995	23,591,071	102,318,377	7,734,867
LIABILITIES					
Current Liabilities:					
Accounts Payable	87,320	21,734	4,899	113,953	52,172
Bonds Payable	585,000	-	150,000	735,000	
Special assessment debt with governmental commitment	-	-	-	-	
	-	15,775	-	15,775	
Public Works Trust Current Payable	-	-	61,291	61,291	
Matured Interest	38,887	1,289	16,310	56,486	
Total Current Liabilities	711,207	38,798	232,500	982,505	52,172
Noncurrent Liabilities					
Compensated Absences	62,848	35,212	30,189	128,249	253,478
Revenue Bonds Payable	9,700,000	-	2,680,000	12,380,000	
Special assessment debt with governmental commitment	-	-	-	-	
	-	87,335	-	87,335	
Public Works Trust Fund Debt	-	-	735,497	735,497	
Total Noncurrent Liabilities	9,762,848	122,547	3,445,686	13,331,081	253,478
TOTAL LIABILITIES	10,474,055	161,345	3,678,186	14,313,586	305,650
NET ASSETS					
Invested in Capital Assets, net of related deb	44,703,881	15,733,742	18,776,959	79,214,582	2,336,128
Restricted for:					
Debt Service	599,112	52,845	157,283	809,240	
Capital Assets	1,967,098	381,094	1,613,301	3,961,493	
Unrestricted	3,066,165	1,587,969	(634,658)	4,019,476	5,093,089
TOTAL NET ASSETS	\$ 50,336,256	\$ 17,755,650	\$ 19,912,885	\$ 88,004,791	\$ 7,429,217
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				101,723	
				<u>\$ 88,106,514</u>	

Table 13 Proprietary Funds Statement of Net Assets

CITY OF ISSAQUAH

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Business-type Activities		Governmental
	Enterprise Funds		Activities
	Storm	Totals	Internal Service
			Funds
OPERATING REVENUES			
Charges for Services	\$ 2,546,984	\$ 11,586,729	\$ 4,567,738
TOTAL OPERATING REVENUES	2,546,984	11,586,729	4,567,738
OPERATING EXPENSES			
Maintenance and Operation	1,604,880	8,024,039	1,468,710
Administrative & General	-	-	2,151,618
Depreciation	460,096	2,118,830	472,204
TOTAL OPERATING EXPENSES	2,064,976	10,142,869	4,092,532
OPERATING INCOME (LOSS)	482,008	1,443,860	475,206
NONOPERATING REVENUES(EXPENSES)			
Intergovernmental	25,000	69,350	
Investment Earnings	37,254	203,313	137,549
Interest (Expense)	(163,234)	(651,347)	
Debt Issue Costs and amortizations	(599)	(7,039)	
Gain (loss) on disposition of assets	-	-	17,960
Other nonoperating revenues	15,000	77,212	
Other nonoperating (Expense)	-	-	
TOTAL NON-OPERATING REVENUES (EXPENSES)	(86,579)	(308,511)	155,509
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	395,429	1,135,349	630,715
Capital Grants	-	-	
Capital Contributions	2,055,149	8,228,721	12,584
Transfer In	978,744	4,058,536	134,000
Transfer (Out)	(1,118,544)	(4,321,906)	
CHANGES IN NET ASSETS	2,310,778	9,100,700	777,299
TOTAL NET ASSETS - BEGINNING	17,602,107	78,904,091	6,651,918
TOTAL NET ASSETS - ENDING	\$ 19,912,885	\$ 88,004,791	\$ 7,429,217
Reconciliation of internal service fund activities to enterprise funds:		109,743	
Change in net assets of business-type activities		\$ 9,210,443	

Table 14 Proprietary Fund

Statement of Revenues, Expenses, and Changes in Fund Net Assets

CITY OF ISSAQUAH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

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	\$ 4,292,652	\$ 4,234,688	2,575,763	\$ 11,103,103	\$ -
Cash Received From Interfund Services	720,000	-	-	720,000	4,519,379
Cash Payments to Suppliers	(1,796,225)	(3,426,716)	(1,077,889)	(6,300,830)	(638,523)
Cash Payments to Employees	(838,871)	(304,462)	(542,752)	(1,686,085)	(2,408,840)
Cash (Payments) Receipts to Other Gvmts	-	-	-	-	(538,158)
Cash for Other Operating	-	-	-	-	52,514
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,377,556	\$ 503,510	\$ 955,122	\$ 3,836,188	\$ 986,372
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating Transfers In	\$ 1,054,092	-	-	\$ 1,054,092	\$ 24,000
Operating Transfers (Out)	(2,654,092)	-	(1,118,544)	(3,772,636)	-
Forfeited Deposits	-	-	15,000	15,000	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$ (1,600,000)	\$ -	\$ (1,103,544)	\$ (2,703,544)	\$ 24,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Intergovernmental	\$ 44,350	\$ -	24,998	\$ 69,348	\$ -
Investments	-	47,899	-	47,899	-
Revenue Bond Proceeds	-	-	-	-	-
Revenue Bond Interest	(484,087)	-	(154,538)	(638,625)	-
Interfund Loans-Principle (Paid)	-	-	(160,000)	(160,000)	(2,500,000)
Interfund Loan Interest	-	-	-	-	-
Interfund Loan Interest (Expense)	-	-	-	-	8,313
Capital Expenditures Paid	(543,849)	(211,521)	(302,620)	(1,057,990)	(644,593)
Principal Repaid	(570,000)	(15,775)	(206,291)	(792,066)	560,000
Interest and Other Debt Service	-	(5,944)	(9,861)	(15,805)	-
Capital Cash Contributions from Developers	195,228	116,077	56,902	368,207	-
Proceeds from sale of Capital Assets	-	-	-	-	45,837
Capital Transfer In	1,600,000	425,700	978,744	3,004,444	110,000
Capital Transfer Out	(123,570)	(425,700)	-	(549,270)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 118,072	\$ (69,264)	\$ 227,334	\$ 276,142	\$ (2,420,443)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Net Decrease (Increase) in Investments	\$ -	\$ -	-	\$ -	\$ 15,775
Rental Fees on Investments	14,313	-	-	14,313	-
Interest Received on Investment	103,485	67,904	38,751	210,140	134,701
NET CASH PROVIDED BY INVESTMENT ACTIVITIES	\$ 117,798	\$ 67,904	\$ 38,751	\$ 224,453	\$ 150,476
NET INCREASE (DECREASE) IN CASH	1,013,426	502,150	117,663	1,633,239	(1,259,595)
CASH AT BEGINNING OF YEAR	4,070,373	1,733,146	884,929	6,688,448	4,415,055
CASH AT END OF YEAR	\$ 5,083,799	\$ 2,235,296	\$ 1,002,592	\$ 8,321,687	\$ 3,155,460

Table 15 Proprietary Funds Statement of Cash Flows, page 1

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

CITY OF ISSAQUAH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

Page 2 of 2

	Business Type Activities - Enterprise Funds				Activities
	Water	Sewer	Storm	Totals	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 1,106,441	\$ (144,589)	\$ 482,008	\$ 1,443,860	\$ 475,206
Adjustment to Reconcile Operating Income to Net Cash Provided by Oper. Activities:					-
Depreciation	1,232,638	426,096	460,096	\$ 2,118,830	\$ 472,204
Decrease (Increase) in Accts Receivable	9,952	197,643	28,779	236,374	4,155
Decrease (Increase) in Inventory	6,416	776	(10,903)	(3,711)	(4,473)
Increase (Decrease) in Accts Payable	13,175	14,082	820	28,077	24,048
Increase (Decrease) in Employee Benefits	8,934	9,502	(5,678)	12,758	15,232
Net Cash Provided by Operating Activities	\$ 2,377,556	\$ 503,510	\$ 955,122	\$ 3,836,188	\$ 986,372
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of capital assets from developers	4,032,721	2,140,851	2,055,149	8,228,721	-

Table 16 Proprietary Funds Statement of Cash Flows, page 2

CITY OF ISSAQUAH

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	<u>Fiduciary Fund Total</u>
ASSETS	
Restricted cash & investments:	3,624,248
Total Assets	<u>\$ 3,624,248</u>
LIABILITIES	
Liabilities payable from restricted assets	3,624,248
Total Liabilities	<u>\$ 3,624,248</u>
NET ASSETS	
<i>Unreserved/unrestricted Equity</i>	
Permanent/Fiduciary funds	-
Total Net Assets	<u>\$ -</u>

Table 17 Trust & Agency Funds – Statement of Net Assets

NOTES TO FINANCIAL STATEMENTS

For the Year Ending December 31, 2005

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Issaquah incorporated on April 27, 1892, and operates under the laws of the State of Washington as a non-charter Mayor/Council form of government. The City provides a full range of municipal services and operates water and sewer utilities.

The accounting policies of the City of Issaquah, which conform to generally accepted accounting principles for governments, are regulated by the Washington State Auditor's Office, Division of Municipal Corporations.

REPORTING ENTITY

This report includes all funds, agencies and boards controlled by or dependent on the City. Control by or dependence on the City was determined on the basis of financial accountability, budget adoption, taxing authority, outstanding debt service secured by revenues, or general obligations of the City, obligation of the City to finance any deficits which may occur, or receipt of significant subsidies from the City.

Based on the GASB Statement I, the following organizations, although operating within the City's boundaries, are excluded from the accompanying financial statements:

- Issaquah School District
- Eastside Fire and Rescue
- King County Metropolitan Services
- Issaquah District Court

The City has contractual arrangements with some of these organizations, but all are separate entities and financially independent from the City.

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 and its component units (if any). For the most part, the effect of interfund 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.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major combined enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **street fund** accounts for street maintenance.

The **capital improvement fund** accounts for major City Capital Improvement Projects not budgeted under specific funds.

The **street improvement fund** received revenues from the additional 0.25% real Estate Excise Tax and proceeds are to be used solely for financing capital projects related to streets.

The 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 types:

Internal service funds account for operations which provide services to other departments or funds of the government on a cost reimbursement basis.

Expendable trust funds are used to account for trusts where both principal and earnings on principal may be spent for the trust's intended purpose. The government has two expendable trust funds.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water, sewer and storm function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include:

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

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The City complies with all applicable GASB pronouncements. The City also complies with all applicable pronouncements of the Financial Accounting Standards Board (FASB), opinions of the Accounting Principles Board (APB), and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

In December 1998 GASB issued Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. Subsequently, in April 2000 GASB issued Statement No. 36, Recipient Reporting for Certain Shared Non-exchange Revenues, an Amendment of GASB Statement No. 33. The Statements establish accounting and financial reporting standards for state

and local governments to report the results of non-exchange transactions involving cash and other financial and capital resources. It requires the reporting of all non-exchange transactions in the financial statements as revenues effective for periods beginning after June 15, 2000. Capital fees, contributions and grants were reported by the proprietary funds as a component of equity as contributions in aid of construction prior to implementation of GASB Statements No. 33 and No. 36. Effective January 1, 2001, these capital fees, contributions, and grants are reported in the Statement of Revenues, Expenses and Changes in Fund Equity as a result of the adoption of the Statements. Additionally, the City's past practice has been to record as receivables all material applicable exchange and non-exchange transactions as defined by GASB Statements No. 33 and No. 36.

In June 1999 GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments. Subsequently, in June 2001 GASB issued Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments, an amendment of GASB Statements No. 21 and No. 34 and Statement No. 38, Certain Financial Note Disclosures. The objectives of the Statements is to enhance the understandability and usefulness of the general-purpose financial reports of state, local and special-purpose governments to the citizenry, legislative and oversight bodies, investors, and creditors. The City has implemented these statements with the 2003 CAFR.

BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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.

ASSETS, LIABILITIES, AND EQUITIES

CASH AND INVESTMENTS

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

It is the City's policy to invest all temporary cash surplus. At December 31, 2005, the treasurer was holding \$32,516,750 in short-term deposits with the State Investment Pool. The interest on this deposit is prorated to the various funds. Also see Note 5.

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

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

RECEIVABLES

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

- Property Taxes - Property taxes received within 60 days of year end are reported as receivable at year-end. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected, therefore no allowance for uncollectible taxes is recorded. (See Note 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.
- Investment Interest - Interest receivable consists of interest earned on investments at the end of the year, accrued interest on investments purchased between interest dates, and accrued interest and penalties on special assessments receivable. In proprietary funds and the government-wide statement of net assets investment interest is recorded as receivable, regardless of its payment date. In the governmental fund statements and schedules

investment interest is recorded as receivable if it will be paid to the government within 60 days of year end.

- Due From Other Funds and Other governments - Amounts due from other funds reported in the financial statements, represent outstanding billings to other funds for services provided in the current year. None existed at year-end in 2005. Amounts due from other governments represent outstanding balances due from granting agencies for cost-reimbursement grants and billings to other jurisdictions for intergovernmental services provided in the current year. In the entity-wide Statement of Net Assets, Due From Other Funds is not reported, but is eliminated in internal balances. Internal balances represent quasi-external transactions between governmental and business activities.
- Interfund Loans Receivable – The Finance Director may authorize loans between funds. Interfund loans outstanding at 12/31 are reported in Note 13.
- Special Assessments – Special assessments are levied against certain property owners and become liens against the property benefited by the improvement. At 12/31/2005 all are current.
- Accounts Receivable – Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided. Uncollectible amounts are considered immaterial and the direct write-off method is used.

INVENTORIES AND PREPAID ITEMS

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

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

RESTRICTED ASSETS AND LIABILITIES

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

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

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

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. The capital assets purchased or constructed by a governmental fund are recorded as expenditures in the fund at the time the related purchases are made. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

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

or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

	Estimated Service Life
Buildings	30-50 years
Improvements Other Than Buildings	20-50 years
Equipment	5-20 years

Table 18 Depreciation Rates

OTHER ASSETS AND DEBITS

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

ACCUMULATED COMPENSATED ABSENCES

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

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

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

LONG-TERM DEBT

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

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

DEFERRED/ UNEARNED REVENUE

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

FUND EQUITY

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.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

NOTE 3: 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 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, 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.

	General Fund	Street Fund
Revenue on the Budgetary Basis	\$ 24,108,272	\$ 2,724,191
Increase (Decrease) due to accruals	262,284	(436,379)
Revenue on the GAAP Basis	24,370,556	2,287,812
Expenditures on the Budgetary Basis	20,469,661	4,013,567
Increase (Decrease) due to accruals	63,876	52,033
Expenditures on the GAAP Basis	20,533,537	4,065,600
Other Financing Sources (Uses)		
On the Budgetary Basis	(1,454,000)	1,847,250
Increase (Decrease) due to accruals	(385,000)	-
Other Sources (Uses) on the GAAP Basis	(1,839,000)	1,847,250
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses		
On the Budgetary Basis	1,799,611	557,874
Increase (Decrease) due to accruals	198,408	(488,412)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses		
On the GAAP Basis	1,998,019	69,462
Beginning Fund Balance on the Budgetary Basis	3,600,000	572,390
Increase (Decrease) due to accruals	3,159,284	600,287
Beginning Fund Balance on the GAAP Basis	6,759,284	1,172,677
Ending Fund Balance on the Budgetary Basis	3,151,000	1,130,264
Increase (Decrease) due to accruals	5,666,686	111,875
Ending Fund Balance on the GAAP Basis	\$ 8,817,686	\$ 1,242,139

Table 19 Budget to GAAP Reconciliation

CITY OF ISSAQUAH

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.

Revisions made to the original budget are presented here:

	2005 ORIGINAL BUDGET	2005 REVISIONS	AMENDED FINAL BUDGET
General Fund	\$23,422,561	\$ 56,000	\$23,478,561
Special Revenue Funds:			
Street	5,782,718	-	5,782,718
Arterial Street	-	-	-
Cemetery	27,700	32,000	59,700
Municipal Art	147,100		147,100
Resource Conservation	599,886	-	599,886
Communications	181,976		181,976
Lodging Tax	46,020	6,000	52,020
SUBTOTAL	6,785,400	38,000	6,823,400
Debt Service Funds:			
Voted G.O. Debt	1,696,617	(310,000)	1,386,617
Non-Voted G.O. Debt	2,710,849		2,710,849
L.I.D.s	455,000		455,000
L.I.D. Guaranty	400,000		400,000
SUBTOTAL	5,262,466	(310,000)	4,952,466
Capital Projects Funds:			
Capital Improvements	5,074,497	200,000	5,274,497
Mitigation	364,118	-	364,118
Street Improvement	5,467,889	(56,228)	5,411,661
ITS Traffic System	4,162,425		4,162,425
Highlands Fire Station	-	-	-
Highlands Park	985,718	-	985,718
SUBTOTAL	16,054,647	143,772	16,198,419
TOTAL GOVERNMENTAL FUNDS	\$51,525,074	(\$72,228)	\$51,452,846

Table 20 Supplemental Appropriations

NOTE 5: CASH AND INVESTMENTS

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

As of December 31, 2005, the carrying amount of the City's cash/cash equivalents was \$37,178,732 (including the State Investment Pool) and the bank balance was \$1,649,107. This includes petty cash on hand totaling \$2,875 and \$10,000 being held by the City of Bellevue for use by the Eastside Narcotics force. The FDIC insures the first \$100,000 of the City's demand deposits and separately insures the first \$100,000, in the aggregate, of the City's time deposits and savings deposits. The remaining deposit balances are insured by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is a multiple financial institution collateral pool. State statute permits additional amounts to be assessed on a pro rata basis to members of the pool in the event the pool's collateral should be insufficient to cover a loss.

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

	CARRYING AMOUNTS
<hr/>	
From Statement of Net Assets	
Cash and Cash Equivalents	\$ 30,554,484
Investments	3,000,000
Restricted Assets:	
Cash and Cash Equivalents	3,624,248
Total All Cash, Deposits, and Investments from Balance Sheet	\$ 37,178,732
Summary by Type:	
Cash and Cash Equivalents:	
Cash in Bank (bank balance)	\$ 1,649,107
Cash on Hand	2,875
Cash with Other Government	10,000
Cash with State Investment Pool	32,516,750
	\$ 34,178,732
Investments at Market	3,000,000
Total All Cash, Deposits, and Investments	\$ 37,178,732

Table 21 Reconciliation of All Cash, Deposits, and Investments

NOTE 6: RECEIVABLES

PROPERTY TAXES

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

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.

Table 22 Property Tax Calendar

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

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

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

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

The City's regular levy for 2005 was \$1.29 per \$1,000 of assessed valuation of \$3,336,875,663 for a total regular levy of \$4,189,035. Additionally, special levies for voter-approved General Obligation Bonds were \$0.32 per \$1,000 for an excess levy of \$815,000.

NOTE 7: PROPERTY, PLANT, AND EQUIPMENT

Governmental Activities Capital Asset activity for the year ended December 31, 2005 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decrease	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 20,772,023	\$ 2,369,100	\$ (107,131)	\$ 23,033,992
Infrastructure in Progress	\$ 2,038,331	6,467,032		8,505,363
Other Assets	85,817	30,000		115,817
Construction in Progress	5,306,031	1,930,529	(3,009,642)	4,226,918
Construction in Progress ISF	0	11,317		11,317
Total capital assets not being depreciated	28,202,202	10,807,978	(3,116,773)	35,893,407
Capital Assets, being depreciated:				
Buildings	35,035,093	717,662		35,752,755
Improvements	5,433,239	19,059		5,452,298
Improvements ISF	63,866	43,999		107,865
Machinery and Equipment	3,007,110	35,842	(40,583)	3,002,369
Machinery and Equipment ISF	5,894,988	589,277	(101,493)	6,382,772
Total capital assets being depreciated	49,434,296	1,405,839	(142,076)	50,698,059
Less accumulated depreciation for:				
Building	(5,631,216)	(613,034)		(6,244,250)
Improvements	(753,112)	(354,493)		(1,107,605)
Improvements ISF	(15,839)	(1,562)		(17,401)
Machinery and Equipment	(2,274,001)	(126,708)	40,583	(2,360,126)
Machinery and Equipment ISF	(3,751,399)	(470,642)	73,616	(4,148,425)
Total capital assets, being depreciated, net	(12,425,567)	(1,566,439)	114,199	(13,877,807)
Governmental activities capital assets, net	\$ 65,210,931	\$ 10,647,378	\$ (3,144,650)	\$ 72,713,659

Table 23 Property, Plant and Equipment – Government Activities

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

Governmental activities:	
Judicial	\$ 4,162
General government	161,937
Public Safety	387,754
Physical Environment	11,229
Transportation	299,684
Economic environment	6,102
Culture & recreation	223,367
Total Depreciation Expense - Governmental Funds	1,094,235
Internal service funds:	
Total Depreciation Expense - Internal Service Funds	472,204
Total Depreciation Expense - Governmental Activities	\$ 1,566,439

NOTE: Previous ERF is renamed ISF to encompass all Internal Service Funds.

Table 24 Depreciation Expense – Governmental Activities

CITY OF ISSAQUAH

Business-Type Activities Capital Asset activity for the year ended December 31, 2005 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decrease	
Business-type activities:				
Capital assets not being depreciated				
Land	8,958,052	231,000	-	9,189,052
Construction in Progress	2,056,996	181,151	(1,797,903)	440,244
Total capital assets not being depreciated	11,015,048	412,151	(1,797,903)	9,629,296
Capital assets, being depreciated:				
Buildings	11,191,617	-	-	11,191,617
Plant in service	74,943,951	10,304,258	-	85,248,209
Equipment	663,959	-	-	663,959
Total capital assets, being depreciated	86,799,527	10,304,258	-	97,103,785
Less accumulated depreciation for:				
Buildings	(7,200)	(190,023)	-	(197,223)
Plant in service	(11,049,686)	(1,915,196)	-	(12,964,882)
Equipment	(327,885)	(13,611)	-	(341,496)
Total accumulated depreciation	(11,384,771)	(2,118,830)	-	(13,503,601)
Total capital assets, being depreciated, net	75,414,756	8,185,428	-	83,600,184
Business-type activities capital assets, net	\$ 86,429,804	\$ 8,597,579	\$ (1,797,903)	\$ 93,229,480

Table 25 Property, Plant & Equipment – Business-Type Activities

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

Water	\$ 1,232,638
Sewer	426,096
Storm	460,096
Total Depreciation	<u>\$ 2,118,830</u>

Table 26 Depreciation Expense – Business-Type Activities

NOTE 8: 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, 2005, the weighted vote was as follows:

Weighted Vote	
Bellevue	52.67%
Kirkland	18.20%
Redmond	17.56%
Mercer Island	6.17%
Issaquah	5.40%
TOTAL	100.00%

Table 27 Note 8 – Joint Ventures: EPSCA Weighted Vote

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

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

Year	Service Fees	
2005	\$	30,594
2004		28,406
2003		27,200
2002		27,804
2001		20,180
TOTAL	\$	134,184

Table 28 Note 8 – Joint Ventures: EPSCA Service Fees

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

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

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

While Agreement 1 provides that EPSCA's retained earnings of \$472,352 as of December 31, 2005 are, upon dissolution, to be apportioned among the Principals, the City's share in 2005 of \$25,507 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, 2004 (most recently audited), the equity percentage was as follows:

Agency Shares at 12/31/2004	
Fire District 10	50.54%
Sammamish	21.22%
Issaquah	18.50%
Fire District 38	5.12%
North Bend	4.62%
TOTAL	100.00%

Table 29 Agency Shares for EF&R Joint Venture

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

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

Table 30 Number of Board Members per Agency for EF&R

CITY OF ISSAQUAH

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 2005 are as follows:

Year	Service Fees
2005	\$ 3,025,632
2004	2,952,204
2003	2,401,035
2002	2,460,996
2001	2,300,004
2000	1,989,624
1999	2,031,000
TOTAL	\$ 17,160,495

Table 31 City's Contribution to EF&R

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

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

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

ARCH – HOUSING COALITION

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

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

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

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

Year	Budget	City's Share	Percentage
2005	\$ 398,508	\$ 11,810	0.03%
2004	378,024	11,194	0.03%
2003	365,411	10,763	0.03%
2002	351,902	10,500	0.03%
2001	293,764	6,469	0.02%

Table 32 Note 8 – Joint Ventures - ARCH Contributions

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

EASTSIDE NARCOTICS TASK FORCE:

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

The task force is governed by an Executive Board consisting of the Police Chiefs and Directors of Public Safety. The Executive Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. The Task Force is managed by a Commander who is responsible for the operation of the task force and the accomplishment of the goals and objectives of 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:

CITY OF ISSAQUAH

Agency Shares	
Bellevue	51.00%
Redmond	14.70%
Kirkland	14.70%
Mercer Island	14.70%
Issaquah	4.90%
100.00%	

Table 33 Note 8 – Joint Ventures – Eastside Narcotics Task Force Agency Shares

Total revenues for 2005 were \$264,122 of which \$12,942 was the City of Issaquah's share. Total expenditures for 2005 were \$348,168 of which \$17,060 was the City of Issaquah's share. The total decrease in revenue for 2005 was \$126,314 of which \$6,189 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 2005 membership dues totaling \$496,134, of which Issaquah's share was \$28,023. Issaquah also paid the Alliance \$1,696,495 in 2005 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.

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

E-GOV ALLIANCE

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

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

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

Expenditures consist of capital and operations costs, per the budget adopted by the E-Gov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Expenditures in 2005 were \$429,979. Revenues consist of annual membership fees from the member jurisdictions of the E-Gov Alliance and are as follows:

Bellevue	\$ 97,453	24.9%
Snohomish Cc	75,000	19.2%
Kirkland	41,544	10.6%
Sammamish	28,573	7.3%
Bothell	26,055	6.7%
Shoreline	21,500	5.5%
Mercer Island	19,939	5.1%
Kenmore	15,688	4.0%
Kent	13,200	3.4%
Issaquah	10,271	2.6%
Auburn	8,500	2.2%
Woodinville	7,788	2.0%
Redmond	7,500	1.9%
Snoqualmie	6,000	1.5%
Sea Tac	4,750	1.2%
Des Moines	4,750	1.2%
Renton	3,000	0.8%
Total	<u>\$ 391,511</u>	<u>100%</u>

Table 34 Agency Membership Fees for E-Gov Alliance

NOTE 9: PENSION PLANS

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

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

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

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

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

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

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

Plan 2 members may retire at age of 65 with 5 years of service, or at the age of 55 with 20 years of service, with an allowance of two percent per year of service of the final average salary of the member's last five years of service. Plan 2 retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have:

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

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

The City's total current-year payroll for all participating PERS employees was \$11,562,044.

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Eligible members of the Public Employees' Retirement System (PERS) Plan 2 and PERS Plan 3 will have an opportunity to become a member of PSERS during the election period of July 1, 2006 through September 30, 2006. If they are currently employed in a position that is eligible for PSERS membership, their employer will provide them with an election packet that contains information to help them make the decision to become a member of PSERS or remain a member of PERS.

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

Employees hired into eligible PSERS positions on or after July 1, 2006 will automatically become members of PSERS.

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

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

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2005 were as follows:

	PLAN 1		PLAN 2		PLAN 3	
	Required	Actual	Required	Actual	Required	Actual
Employer	2.44%	1.88%	2.44%	1.91%	2.44% *	1.89%
Employee	6.00%	6.00%	2.25%	1.71%	**	7.28%
Total	8.44%	7.88%	4.69%	3.61%	2.44%	9.17%

Table 35 PERS Contribution Rates as a Percentage Covered Payroll

The City's actuarially determined contribution requirement and actual contribution for the year ended December 31, 2005, were:

	PLAN 1		PLAN 2		PLAN 3	
	Required	Actual	Required	Actual	Required	Actual
Employer	\$ 15,668	\$ 12,086	\$ 233,540	\$ 182,447	32,504 *	25,242
Employee	38,528	38,528	215,354	163,375	**	96,961
Total	\$ 54,197	\$ 50,614	\$ 448,894	\$ 345,822	\$ 32,504	\$ 122,202

*Plan 3 defined benefit portion only.

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

Table 36 PERS Contribution Actual

LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS RETIREMENT SYSTEM (LEOFF)

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

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

The benefits per years of service is as shown:

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

Table 37 LEOFF Benefits Per Years of Service

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

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

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

Plan 1 employers and employees are required to contribute at a rate of six percent and the state is responsible for the balance of the funding. The methods used to determine the contribution requirements were established under the authority of legislative statute.

The City's total current-year payroll for all participating LEOFF employees was \$2,150,070. The City had no Plan 1 participants employed in 2005.

The City's contribution rates expressed as a percentage-covered payroll for the year ended December 31, 2005, were:

	PLAN 1		PLAN 2	
	Required	Actual	Required	Actual
Employer	0.19%	0.00%	4.39%	3.80%
Employee	0.00%	0.00%	6.99%	6.01%
Total	0.19%	0.00%	11.38%	9.82%

Table 38 LEOFF Contribution Rates Expressed as a Percentage

The City's actuarially determined contribution requirement and actual contributions for the year ended December 31, 2005, were:

	PLAN 1		PLAN 2	
	Required	Actual	Required	Actual
Employer	\$ -	\$ -	\$ 94,388	\$ 81,784
Employee	-	-	150,290	129,317
Total	\$ -	\$ -	\$ 244,678	\$ 211,100

Table 39 LEOFF Actuarially-Determined Contributions

VOLUNTEER FIRE FIGHTERS' RELIEF AND PENSION FUND

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

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

NOTE 10: 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 115 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 \$11 million per occurrence in the re-insured excess layer with no annual aggregate except \$10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$14 million per occurrence. 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 11: LONG-TERM DEBT

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

On December 5, 2005 the City Council approved the issuance and sale of Unlimited Tax General Obligation Improvement and Refunding Bonds for \$4,745,000. The bonds provided funds with which to pay part of the cost of carrying out improvements authorized by the qualified voters of the City at a special election held therein pursuant to Ordinance No. 2397 and to carry out a current refunding of the City's outstanding Unlimited Tax General Obligation Bonds, 1996, \$3,105,000.

During 2005 the City called 1994 Fire Equipment \$510,000 (unlimited) and 1991 Park/Land/shop \$90,000 (limited).

As of December 31, 2005, the City's Outstanding Long-Term Debt is as follows:

	Amount Authorized	Coupon Interest Rate %	Maturity Date	Amount Outstanding
GENERAL OBLIGATION BONDS				
1998 REFUNDING BOND	2,235,000	4.24%	2008	760,000
2001 SENIOR CENTER	1,500,000	4.42%	2021	1,290,000
2005 ITS & REFUNDING BOND	4,745,000	4.34%	2025	4,745,000
1995 COMMUNITY CENTER (lmtd.)	3,460,000	5.17%	2010	1,430,000
1997 PICKERING BARN (lmtd.)	2,750,000	5.16%	2017	1,980,000
1999 POLICE STATION & JAIL (lmtd.)	7,950,000	4.86%	2019	6,330,000
2000 POLICE STATION & CAPITAL PROJECTS (lmt)	2,660,000	4.38%	2021	2,320,000
2001 FIRE STATION/POLICE STATION/CIF (lmtd.)	10,100,000	4.38%	2021	8,700,000
2004 HIGHLAND PARK FACILITIES (lmtd.)	3,820,000	4.14%	2024	3,690,000
TOTAL GENERAL OBLIGATION BONDS	\$39,220,000			\$31,245,000
REVENUE BONDS				
2003 WATER REVENUE BONDS	2,205,000	3.50%	2013	1,805,000
1998 WATER REVENUE BONDS	750,000	5.38%	2017	550,000
2001 WATER REVENUE BONDS	9,200,000	4.85%	2021	7,930,000
1998 STORM WATER REVENUE BONDS	2,000,000	5.38%	2017	1,450,000
2001 STORM WATER REVENUE BONDS	1,600,000	5.25%	2021	1,380,000
TOTAL REVENUE BONDS	\$15,755,000			\$13,115,000
SPECIAL ASSESSMENT				
ULID #22	155,811	5.00%	2013	103,110
TOTAL SPECIAL ASSESSMENT	\$155,811			\$103,110
INTERLOCAL AGREEMENT				
KC NORTH SPAR INTERLOCAL AGREEMENT	\$7,000,000	0.00%	2023	5,950,000
TOTAL INTERLOCAL AGREEMENT	\$7,000,000			\$5,950,000
INSTALLMENT CONTRACTS				
PW TRUST FUND - NEWPORT WAY BRIDGE	1,143,103	1.00%	2018	796,788
TOTAL INSTALLMENT CONTRACTS	\$1,143,103			\$796,788
COMPENSATED ABSENCES PAYABLE				\$1,879,473
TOTAL OUTSTANDING LONG-TERM DEBT				\$53,089,371

Table 40 Total Outstanding Long-Term Debt

CITY OF ISSAQUAH

GENERAL OBLIGATION BONDS

General Obligation Bonds outstanding at December 31, 2005, totaled \$31,245,000. 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.

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount Outstanding
1998 Refunding Bond	4.24%	760,000
2001 Senior Center Construction	4.42%	1,290,000
2005 ITS and Refunding	4.22%	4,745,000
1995 Community Center (lmt)	5.17%	1,430,000
1997 Pickering Barn (lmt)	5.16%	1,980,000
1999 Police Stn & Cap. Proj. (lmt)	4.86%	6,330,000
2000 Police Stn & Cap. Proj. (lmt)	5.00%	2,320,000
2001 Fire Station Construction (lmt)	4.38%	8,700,000
2004 Highlands Park Facilities (lmt)	4.14%	3,690,000
Total outstanding General Obligation Bonds		\$ 31,245,000

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2006	1,930,000	1,467,760
2007	2,020,000	1,395,474
2008	2,095,000	1,305,865
2009	1,910,000	1,211,779
2010	1,995,000	1,124,726
2011-2114	21,295,000	6,348,074
Total	\$ 31,245,000	\$ 12,853,678

Table 41 Outstanding General Obligation Bonds

NOTE: In prior year there was an understatement of \$60,000 interest due in 2006.

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, 2005, the Water Fund's outstanding bond totaled \$10,285,000. The Stormwater Fund outstanding bond total is \$2,830,000.

Revenue Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount Outstanding
Water Revenue Bonds		
2003 Water Refunding	3.50%	\$ 1,805,000
1998 Water	5.38%	550,000
2001 Water	4.85%	7,930,000
Total Outstanding Water Revenue Bonds		\$ 10,285,000
Storm Water Revenue Bonds		
1998 Storm Water	5.38%	\$ 1,450,000
2001 Storm Water	5.25%	1,380,000
Total Outstanding Storm Water Revenue Bonds		\$ 2,830,000
Total Outstanding Revenue Bonds		\$ 13,115,000

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

Year Ending	Business - Type Activities	
	Principal	Interest
December 31		
2006	735,000	614,553
2007	765,000	587,775
2008	800,000	559,245
2009	820,000	526,940
2010	855,000	493,629
2011-2114	9,140,000	2,707,413
Total	\$ 13,115,000	\$ 5,489,555

Table 42 Outstanding Revenue Bonds

SPECIAL ASSESSMENT BONDS

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

ULID #22 was issued October 2003 and is paid through the collection of assessments levied against the NW Goode Place property owners. At December 31, 2005, outstanding assessments totaled \$103,110.

Special Assessment Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount Outstanding
ULID #22 ULID #22	5.00%	103,110
Total outstanding Special Assessment Bonds		\$ 103,110

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2006	9,817	5,156
2007	15,581	4,665
2008	15,581	3,886
2009	15,581	3,107
2010	15,581	2,327
2011-2014	30,969	2,317
Total	\$ 103,110	\$ 21,458

Table 43 Outstanding Special Assessment Bonds

INTERLOCAL AGREEMENTS

During 2002 the City entered into an Interlocal Agreement with King County for funds for the North Spar. No interest accrues and the outstanding amount at December 31, 2005 was \$5,950,000. The liability is reported in the Street Fund and the City pays King County \$350,000 per year.

Interlocal Agreements currently outstanding are as follows:

Purpose	Interest Rate	Amount Outstanding
King County North Spar FUND 355	n/a	\$ 5,950,000
Total Outstanding Interlocal Agreements		\$ 5,950,000

Table 44 Interlocal Agreements

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of all long-term debt transactions for the year ended December 31, 2005:

Changes in Long Term Liabilities					
	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Governmental Activities:					
General Obligation Bonds	\$ 32,120,000	\$ 4,745,000	\$ 5,620,000	\$ 31,245,000	\$ 1,930,000
Interlocal Agreements	6,300,000		350,000	5,950,000	350,000
Compensated Absences-Gov	1,433,162	1,147,041	1,082,457	1,497,746	
Compensated Absences-ISF	238,246	196,996	181,764	253,478	
Long-Term Liabilities	\$ 40,091,408	\$ 6,089,037	\$ 7,234,221	\$ 38,946,224	\$ 2,280,000
Business-type Activities:					
Revenue Bonds	\$ 13,830,000		\$ 715,000	\$ 13,115,000	\$ 735,000
Special Assessments	118,885		15,775	103,110	9,817
Installment Contracts	858,080		61,292	796,788	61,292
Compensated Absences-Bus	115,491	113,615	100,857	128,249	
Long-Term Liabilities	\$ 14,922,456	\$ 113,615	\$ 892,924	\$ 14,143,147	\$ 806,109
Total Long-Term Liabilities Activity	\$ 55,013,864	\$ 6,202,652	\$ 8,127,145	\$ 53,089,371	\$ 3,086,109

Table 45 Changes in Long-Term Debt (Detail)

ITEM	PUBLIC WORKS TRUST FUND LOANS						TOTAL
	G.O. BONDS	REVENUE BONDS	SPECIAL ASSESSMENTS	(INSTALLMENT CONTRACTS)	INTERLOCAL AGREEMENTS	COMPENSATED ABSENCES	
Payable 01/01/05	\$ 32,120,000	\$ 13,830,000	\$ 118,885	\$ 858,080	\$ 6,300,000	\$ 1,786,899	\$ 55,013,864
Added	4,745,000	-				1,457,652	6,202,652
Retired	(5,620,000)	(715,000)	(15,775)	(61,292)	(350,000)	(1,365,078)	(8,127,145)
Payable 12/31/05	\$ 31,245,000	\$ 13,115,000	\$ 103,110	\$ 796,788	\$ 5,950,000	\$ 1,879,473	\$ 53,089,371

Table 46 Changes in Long-Term Debt (Summary)

SHORT-TERM LIABILITIES

The City had no short-term liabilities at December 31, 2005.

NOTE 12: CLAIMS, CONTINGENCIES, AND LITIGATION

As of December 31, 2005, 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 13: INTERFUND TRANSACTIONS

INTERFUND LOANS

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

Table 47 Interfund Loan Schedule

INTERFUND TRANSFERS

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

The following transfers were recorded in 2005:

Fund	Transfers In	Transfers Out
General	\$ 108,000	\$ 1,947,000
Street	1,878,000	30,750
Cemetery		25,000
Municipal Art	32,000	15,000
Resource Conservation	229,120	
Communications		68,000
Limited Debt Service	2,710,849	
LID Guarantee	352,204	352,204
Capital Improvement		2,710,849
Mitigation		341,118
Street Improvement	341,118	13,850
ITS		18,150
Water	2,654,092	2,777,662
Sewer	425,700	425,700
Storm Water	978,744	1,118,544
Unemployment Insurance	24,000	
Equipment Rental	110,000	
Total	\$ 9,843,827	\$ 9,843,827

Table 48 Interfund Transactions

NOTE 14: SIGNIFICANT CONSTRUCTION COMMITMENTS

SIGNIFICANT CONSTRUCTION COMMITMENTS

At December 31, 2005 the City had the following significant contractual obligations on construction projects:

Contracting Entity	Project Name	12/31/2005
Transpo Group, Inc., The	Centralized ITS	\$ 619,041
King County Water & Land Services	Groundwater Plan (King County for Issaquah Creek)	100,862
Parsons Brinkerhoff	SE Bypass	140,808
	Total Significant Contracts	\$ 860,711

Table 49 Significant Construction Commitments

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

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

Under governmental activities, the City made prior-period adjustments for the following:

Beginning Fund Balance in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget & Actual – General Fund was decreased \$50,002 relating to a prior period entry related to Motor Vehicle Excise Tax (MVET).

Beginning Fund Balance in the Statement of Revenues, Expenditures, and Changes in Fund Balances increased by \$60,383. \$15,285 relates to a Due from other governments for Promissory Note from St. Andrew's Housing Group. The note is interest free and matures on September 10, 2017. The remainder, \$45,098 represents interest earned on CDs with Cascade Bank.

On the Government Wide Statement of Activities there is an additional Prior Period Adjustment relating to reclassification of capital assets. Fund Balance decreased \$2,846,208 related to the Sunset Interchange. Previously the City's expenses for the Interchange were capitalized as Infrastructure; however the Interchange belongs to the State of Washington and is not an asset of the city, reducing assets and fund balance. Additionally the fund balance decreased \$143,070 related to development costs recorded in construction in progress and should have been expensed. Further, fund balance increased by \$1,091,493 related to Infrastructure in Progress from 2003, the first year the City of Issaquah reported under GASB 34; therefore should have been capitalized.

NOTE 16: SUBSEQUENT EVENTS

SUBSEQUENT EVENTS

Annexation of Greenwood Point/South Cove Property – In December of 2005, effective March 2, 2006, the City annexed Greenwood Point/South Cove Property.

City of Issaquah v. Roth Hill – The City of Issaquah (“the City”) and C.A. Carey Corp. (“C.A. Carey”) entered into three agreements dated July 7, 2003, May 24, 2004 and May 31, 2005 (collectively the Joint Prosecution Agreements) concerning assignment of claims and prosecution of said claims against Roth Hill Engineering Partners, LLC, (“Roth Hill”) arising out of the 12th Street Pump Station Project (“Project”). In February of 2006 all parties signed a Settlement Agreement and Release of All Claims with the following payments; the City paid to Roth Hill \$125,000 and C.A. Carey paid Roth Hill \$10,000. Additionally, C.A. Carey entered into a Promissory Note promising to pay the City \$125,000 with interest at seven and twenty-five one hundredths percent (7.25%) per annum upon the unpaid balance commencing in February of 2006. The third agreement was a Guaranty by Christopher Carey to the City secured by a security interest in an airplane owned by Christopher Carey.

Interlocal Agreement - During 2006 the City is finalizing an Interlocal Agreement Between Sound Transit and the City of Issaquah requiring a \$1 million contribution from the City of Issaquah in exchange for development-ready fire station pad for Fire Station #72 located on SR-900 adjacent to NW Newport Way.



NON-MAJOR GOVERNMENTAL FUNDS

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

ARTERIAL STREET FUND

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

CEMETERY FUND

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

MUNICIPAL ART FUND

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

RESOURCE CONSERVATION FUND

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

COMMUNICATIONS FUND

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

LODGING TAX FUND

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

tourism-related facilities, or the operation of tourism-related facilities.

KEROLA TRUST FUND

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

ROWLEY TRUST FUND

This fund was created in 1998 to make improvements at the Issaquah Community Center.

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

UNLIMITED DEBT SERVICE AND LIMITED DEBT SERVICE FUNDS

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

LIMITED DEBT SERVICE FUND

This fund provides payment on non-voted bonds

L.I.D. DEBT SERVICE FUND

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

L.I.D. GUARANTY FUND

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

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

MITIGATION FUND

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

NEWPORT WAY CONSTRUCTION FUND

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

CENTRALIZED ITS TRAFFIC SIGNAL SYSTEM CONSTRUCTION FUND

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

FIRE STATION FUND

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

HIGHLANDS PARK FACILITIES FUND

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

CITY OF ISSAQUAH

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 1 of 5

	Special Revenue Funds			
	Arterial			
	Street	Cemetery	Municipal Art	RCO
ASSETS				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 440,028	\$ 253,844	\$ 200,547	\$ 342,898
Investments				
Receivables (net)			51,638	26,458
Interest Receivable				
Due from other governments				
Total assets	\$ 440,028	\$ 253,844	\$ 252,185	\$ 369,356
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable and accrued exp.		281	21,218	22,475
Matured bond				
Accrued interest payable				
Due to other funds				
Other noncurrent liabilities				
Total liabilities	-	281	21,218	22,475
NET ASSETS				
Debt Service				
Special revenue funds	440,028	253,563	230,967	346,881
Capital project funds				
Total fund balance	440,028	253,563	230,967	346,881
Total liabilities and fund balance	\$ 440,028	\$ 253,844	\$ 252,185	\$ 369,356

Table 50 Non-major Governmental Funds - Combining Balance Sheet, Page 1

CITY OF ISSAQUAH

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 2 of 5

	Special Revenue Funds				
	Commun- ications	Lodging	Kerola Trust	Rowley Trust	Total Special Revenue Funds
ASSETS					
<i>Current Assets:</i>					
Cash & cash equivalents	\$ 118,316	\$ 17,609	\$ 272	\$ 1,153	\$ 1,374,667
Investments					-
Receivables (net)	46,453	6,520			131,069
Interest Receivable					-
Due from other governments					-
Total assets	\$ 164,769	\$ 24,129	\$ 272	\$ 1,153	\$ 1,505,736
LIABILITIES					
<i>Current Liabilities:</i>					
Accounts payable and accrued exp.	210				44,184
Matured bond					-
Accrued interest payable					-
Due to other funds					-
Other noncurrent liabilities					-
Total liabilities	210	-	-	-	44,184
General Fund					-
Special revenue funds	164,559	24,129	272	1,153	1,461,552
Capital project funds					-
Total fund balance	164,559	24,129	272	1,153	1,461,552
Total liabilities and fund balance	\$ 164,769	\$ 24,129	\$ 272	\$ 1,153	\$ 1,505,736

Table 51 Non-Major Governmental Funds Combining Balance Sheet, Page 2

CITY OF ISSAQUAH

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 3 of 5

	Debt Service Funds			
	Unlimited Debt Service	Limited Debt Service	LID Guaranty	Total Debt Service Funds
ASSETS				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 265,920	\$ 100,817	\$ 769,580	\$ 1,136,317
Investments				-
Receivables (net)	6,216			6,216
Interest Receivable				-
Due from other governments				-
Total assets	\$ 272,136	\$ 100,817	\$ 769,580	\$ 1,142,533
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable and accrued exp.				-
Matured bond	50,833	105,417		156,250
Accrued interest payable	24,380	98,957		123,337
Due to other funds				
Other noncurrent liabilities	89,278	(114,698)		(25,420)
Total liabilities	164,491	89,676	-	254,167
NET ASSETS				
Debt Service	107,645	11,141	769,580	888,366
Special revenue funds				-
Capital project funds				-
Total fund balance	107,645	11,141	769,580	888,366
Total liabilities and fund balance	\$ 272,136	\$ 100,817	\$ 769,580	\$ 1,142,533

Table 52 Non-major Governmental Funds - Combining Balance Sheet, Page 3

CITY OF ISSAQUAH

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 4 of 5

	Capital Improvement Funds		
			Centralized ITS
	Mitigation	Newport Way Const.	Traffic Signal System
ASSETS			
<i>Current Assets:</i>			
Cash & cash equivalents	\$ 3,895,045	\$ 392,150	\$ 1,148,287
Investments			
Receivables (net)	13,365		
Interest Receivable			
Due from other governments			
Total assets	\$ 3,908,410	\$ 392,150	\$ 1,148,287
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts payable and accrued exp.			
Matured bond			
Accrued interest payable			
Due to other funds			
Other noncurrent liabilities			
Total liabilities	-	-	-
NET ASSETS			
Debt Service			
Special revenue funds			
Capital project funds	3,908,410	392,150	1,148,287
Total fund balance	3,908,410	392,150	1,148,287
Total liabilities and fund balance	\$ 3,908,410	\$ 392,150	\$ 1,148,287

Table 53 Non-Major Governmental Funds Combining Balance Sheet, Page 4

CITY OF ISSAQUAH

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 5 of 5

	<u>Capital Improvement Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Fire Station</u>	<u>Highland Park Facilities</u>	<u>Total Capital Improvement Funds</u>	
ASSETS				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 73,754	\$ 383,079	\$ 5,892,315	8,403,299
Investments			-	-
Receivables (net)			13,365	150,650
Interest Receivable			-	-
Due from other governments			-	-
Total assets	\$ 73,754	\$ 383,079	\$ 5,905,680	\$ 8,553,949
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable and accrued exp.			-	44,184
Matured bond			-	156,250
Accrued interest payable			-	123,337
Due to other funds				-
Other noncurrent liabilities			-	(25,420)
Total liabilities	-	-	-	298,351
NET ASSETS				
Debt Service			-	888,366
Special revenue funds			-	1,461,552
Capital project funds	73,754	383,079	5,905,680	5,905,680
Total fund balance	73,754	383,079	5,905,680	8,255,598
Total liabilities and fund balance	\$ 73,754	\$ 383,079	\$ 5,905,680	\$ 8,553,949

Table 54 Non-major Governmental Funds - Combining Balance Sheet, Page 5

CITY OF ISSAQUAH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 1 of 5

	Special Revenue Funds			
	Arterial Streets	Cemetery	Municipal Art	Resource Conservation
REVENUES				
<i>Taxes:</i>				
B&O			162,303	6,278
Other				
Licenses and Permits				
Intergovernmental	105,734			152,038
Charges for Services		73,875		300,232
Investment Earnings		6,278	3,817	6,011
Contributions and Donations			7,085	639
Total Revenues	105,734	80,153	173,205	465,198
EXPENDITURES				
General Government				
Judicial				
Physical Environment		26,858		507,904
Culture & Recreation			136,920	
Culture & Recreation			30,000	
Total Expenditures	-	26,858	166,920	507,904
Excess (deficiency) of revenues over (under) expenditures	105,734	53,295	6,285	(42,706)
OTHER FINANCING SOURCES (USES)				
Transfers in			32,000	229,120
(Transfers out)		(25,000)	(15,000)	
Total Other Financing Sources (Uses)	-	(25,000)	17,000	229,120
Net Change in Fund Balances	105,734	28,295	23,285	186,414
Fund Balance - Beginning	334,294	225,268	207,682	160,467
Restate				
Fund Balance - Ending	\$ 440,028	\$ 253,563	\$ 230,967	\$ 346,881

Table 55 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures & Changes in Fund Balance, Page 1

CITY OF ISSAQUAH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 2 of 5

	Special Revenue Funds				
	Commun- ications	Lodging Tax	Kerola Expendable Trust	Rowley Expendable Trust	Total Special Revenue Funds
REVENUES					
<i>Taxes:</i>					
B&O					168,581
Other		43,476			43,476
Licenses and Permits	253,862				253,862
Intergovernmental					257,772
Charges for Services					374,107
Investment Earnings			435	1,468	18,009
Contributions and Donations					7,724
Total Revenues	253,862	43,476	435	1,468	1,123,531
EXPENDITURES					
General Government		47,020			47,020
Judicial	105,753				105,753
Physical Environment					534,762
Culture & Recreation			20,427	59,754	217,101
Culture & Recreation					30,000
Total Expenditures	105,753	47,020	20,427	59,754	934,636
Excess (deficiency) of revenues over (under) expenditures	148,109	(3,544)	(19,992)	(58,286)	188,895
OTHER FINANCING SOURCES (USES)					
Transfers in					261,120
(Transfers out)	(68,000)				(108,000)
Total Other Financing Sources (Uses)	(68,000)	-	-	-	153,120
Net Change in Fund Balances	80,109	(3,544)	(19,992)	(58,286)	342,015
Fund Balance - Beginning	84,450	27,673	20,264	59,439	1,119,537
Restate					
Fund Balance - Ending	\$ 164,559	\$ 24,129	\$ 272	\$ 1,153	\$ 1,461,552

Table 56 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures & Changes in Fund Balance, Page 2

CITY OF ISSAQUAH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 3 of 5

	Debt Service Funds				
	Debt Service	Limited Debt Service	LID Debt Service	LID Guarantee	Total Debt Service Funds
REVENUES					
<i>Taxes:</i>					
Property	814,403				814,403
Intergovernmental			320,674		320,674
Investment Earnings	12,698	2,249	31,529		46,476
Miscellaneous Revenues	3,657				3,657
Total Revenues	830,758	2,249	352,203	-	1,185,210
EXPENDITURES					
<i>Debt Service:</i>					
Principal	1,078,749	1,424,411			2,503,160
Interest	310,028	1,243,276			1,553,304
Other	1,301	7,014			8,315
Total Expenditures	1,390,078	2,674,701	-	-	4,064,779
Excess (deficiency) of revenues over (under) expenditures	(559,320)	(2,672,452)	352,203	-	(2,879,569)
OTHER FINANCING SOURCES (USES)					
Transfers in		2,710,849		352,203	3,063,052
(Transfers out)			(352,203)		(352,203)
Debt Issue Premium/Discount	(110,098)				(110,098)
Total Other Financing Sources (Uses)	(110,098)	2,710,849	(352,203)	352,203	2,600,751
Net Change in Fund Balances	(669,418)	38,397	-	352,203	(278,818)
Fund Balance - Beginning	777,063	(27,256)	-	417,377	1,167,184
Restate					
Fund Balance - Ending	\$ 107,645	\$ 11,141	\$ -	\$ 769,580	\$ 888,366

Table 57 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures & Changes in Fund Balance, Page 3

CITY OF ISSAQUAH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Capital Improvement Funds</u>			
	Mitigation	Newport Way Const.	Centralized ITS Traffic Signal System
REVENUES			
<i>Taxes:</i>			
Property			
B&O			
Other			
Licenses and Permits			
Intergovernmental	13,365		
Charges for Services			
Investment Earnings	46,302		
Contributions and Donations	1,079,659		
Miscellaneous Revenues			
Total Revenues	1,139,326	-	-
EXPENDITURES			
General Government	3,338		
Judicial	4,628		
Public Safety	2,951		
Physical Environment			
Transportation	(3,044)		
Culture & Recreation	36,641		
<i>Debt Service:</i>			
Principal			
Interest			
Other			
<i>Capital Outlay:</i>			
Public Safety	9,237		
Transportation			568,649
Culture & Recreation	44,814		
Total Expenditures	98,565	-	568,649
Excess (deficiency) of revenues over (under) expenditures	1,040,761	-	(568,649)
OTHER FINANCING SOURCES (USES)			
Transfers in			
(Transfers out)	(341,118)		(18,150)
Debt Proceeds			1,735,086
Debt Issue Costs			
Total Other Financing Sources (Uses)	(341,118)	-	1,716,936
Net Change in Fund Balances	699,643	-	1,148,287
Fund Balance - Beginning	3,208,767	392,150	-
Fund Balance - Ending	\$ 3,908,410	\$ 392,150	\$ 1,148,287

Table 58 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures & Changes in Fund Balance, Page 4

CITY OF ISSAQUAH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 5 of 5

	Capital Improvement Funds			
	Fire Station	Highland Park Facilities	Total Nonmajor Capital Improvement Funds	Total Nonmajor Governmental Funds
REVENUES				
<i>Taxes:</i>				
Property			-	814,403
B&O			-	168,581
Other			-	43,476
Licenses and Permits			-	253,862
Intergovernmental		24,700	38,065	616,511
Charges for Services			-	374,107
Investment Earnings		20,705	67,007	131,492
Contributions and Donations			1,079,659	1,087,383
Miscellaneous Revenues			-	3,657
Total Revenues	-	45,405	1,184,731	3,493,472
EXPENDITURES				
General Government			3,338	50,358
Judicial			4,628	110,381
Public Safety			2,951	2,951
Physical Environment			-	534,762
Transportation			(3,044)	(3,044)
Culture & Recreation			36,641	253,742
<i>Debt Service:</i>				
Principal			-	2,503,160
Interest			-	1,553,304
Other			-	8,315
<i>Capital Outlay:</i>				
Public Safety			9,237	9,237
Transportation			568,649	568,649
Culture & Recreation		1,137,261	1,182,075	1,212,075
Total Expenditures	-	1,137,261	1,804,475	6,803,890
Excess (deficiency) of revenues over (under) expenditures	-	(1,091,856)	(619,744)	(3,310,418)
OTHER FINANCING SOURCES (USES)				
Transfers in			-	3,324,172
(Transfers out)			(359,268)	(819,471)
Debt Proceeds			1,735,086	1,735,086
Debt Issue Costs			-	(110,098)
Total Other Financing Sources (Uses)	-	-	1,375,818	4,129,689
Net Change in Fund Balances	-	(1,091,856)	756,074	819,271
Fund Balance - Beginning	73,754	1,474,935	5,149,606	7,436,327
Fund Balance - Ending	\$ 73,754	\$ 383,079	\$ 5,905,680	\$ 8,255,598

Table 59 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures & Changes in Fund Balance, Page 5

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

CITY OF ISSAQUAH

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	ARTERIAL STREET FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 102,000	\$ 102,000	\$ 105,734	\$ 3,734
TOTAL REVENUES	102,000	102,000	105,734	3,734
EXPENDITURES				
Debt Service	-	-	-	-
Total Expenditures	-	-	-	-
Excess(deficiency) of revenues over (under) expenditures	102,000	102,000	105,734	3,734
Net change in fund balances	102,000	102,000	105,734	3,734
Fund Balances-beginning	336,153	336,153	334,294	(1,859)
Fund balances-ending	\$ 438,153	\$ 438,153	\$ 440,028	\$ 1,875

Note: Budget is Cash Basis

Table 60 Arterial Street Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

CITY OF ISSAQUAH

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	CEMETERY FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Charges for Services	\$ 33,000	\$ 33,000	\$ 73,875	\$ 40,875
Investment Income	1,600	1,600	6,542	4,942
TOTAL REVENUES	34,600	34,600	80,417	45,817
EXPENDITURES				
Utilities and environment	34,700	34,700	27,998	6,702
Total Expenditures	34,700	34,700	27,998	6,702
Excess(deficiency) of revenues over (under) expenditures	(100)	(100)	52,419	52,519
OTHER FINANCING SOURCES (USES)				
Transfers Out	(25,000)	(25,000)	(25,000)	-
Total Other financing sources and uses	(25,000)	(25,000)	(25,000)	-
Net change in fund balances	(25,100)	(25,100)	27,419	52,519
Fund Balances-beginning	224,105	224,105	226,424	2,319
Fund balances-ending	\$ 199,005	\$ 199,005	\$ 253,843	\$ 54,838

Note: Budget is Cash Basis

Table 61 Cemetery Fund Schedule Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget & Actual

CITY OF ISSAQUAH

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	MUNICIPAL ART FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Taxes:				
Business Taxes	\$150,000	\$ 150,000	\$ 160,237	\$ 10,237
Contributions and Donations	4,500	4,500	2,000	(2,500)
Investment Income	1,000	1,000	3,993	2,993
TOTAL REVENUES	155,500	155,500	166,230	10,730
EXPENDITURES				
Culture and Recreation	147,100	147,100	115,702	31,398
Capital outlay:				
Culture and Recreation	30,000	30,000	30,000	-
Total Expenditures	177,100	177,100	145,702	31,398
Excess(deficiency) of revenues over (under) expenditures	(21,600)	(21,600)	20,528	42,128
OTHER FINANCING SOURCES (USES)				
Transfers In			32,000	32,000
Transfers Out			(15,000)	(15,000)
Total Other financing sources and uses	-	-	17,000	17,000
Net change in fund balances	(21,600)	(21,600)	37,528	59,128
Fund Balances-beginning	148,850	148,850	163,019	14,169
Fund balances-ending	\$ 127,250	\$ 127,250	\$ 200,547	\$ 73,297

Note: Budget is Cash Basis

Table 62 Municipal Art Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

CITY OF ISSAQUAH

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
RESOURCE CONSERVATION FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

RESOURCE CONSERVATION FUND				
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Taxes:				
Business Taxes	\$ 7,000	\$ 7,000	\$ 3,730	\$ (3,270)
Intergovernmental	123,010	123,010	157,493	34,483
Charges for Services	168,000	168,000	300,233	132,233
Investment Income	1,000	1,000	6,187	5,187
Contributions and Donations		-	639	639
TOTAL REVENUES	299,010	299,010	468,282	169,272
EXPENDITURES				
Utilities and environment	599,886	599,886	488,589	111,297
Total Expenditures	599,886	599,886	488,589	111,297
Excess(deficiency) of revenues over (under) expenditures	(300,876)	(300,876)	(20,307)	280,569
OTHER FINANCING SOURCES (USES)				
Transfers In	229,120	229,120	229,120	-
Total Other financing sources and uses	229,120	229,120	229,120	-
Net change in fund balances	(71,756)	(71,756)	208,813	280,569
Fund Balances-beginning	156,209	156,209	134,086	(22,123)
Fund balances-ending	\$ 84,453	\$ 84,453	\$ 342,899	\$ 258,446

Note: Budget is Cash Basis

Table 63 Resource Conservation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

CITY OF ISSAQUAH

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
CABLE TV FUND¹**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	CABLE TV			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Licenses and Permits	\$ 170,000	\$ 170,000	\$ 207,409	\$ 37,409
TOTAL REVENUES	170,000	170,000	207,409	37,409
EXPENDITURES				
Securities of Persons and Property	113,976	113,976	105,831	8,145
Total Expenditures	113,976	113,976	105,831	8,145
Excess(deficiency) of revenues over (under) expenditures	56,024	56,024	101,578	45,554
OTHER FINANCING SOURCES (USES)				
Transfers Out	(68,000)	(68,000)	(68,000)	-
Total Other financing sources and uses	(68,000)	(68,000)	(68,000)	-
Net change in fund balances	(11,976)	(11,976)	33,578	45,554
Fund Balances-beginning	63,128	63,128	84,738	21,610
Fund balances-ending	\$ 51,152	\$ 51,152	\$ 118,316	\$ 67,164

Note: Budget is Cash Basis

Table 64 Communications Fund¹ Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

¹ In previous years this fund was known as the Communications Fund

CITY OF ISSAQUAH

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	LODGING TAX FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Taxes:				
Hotel/Motel Tax	\$ 40,000	\$ 40,000	\$ 42,745	\$ 2,745
TOTAL REVENUES	40,000	40,000	42,745	2,745
EXPENDITURES				
Other General Government Services	52,020	52,020	47,022	4,998
General Government Services	52,020	52,020	47,022	4,998
Total Expenditures	52,020	52,020	47,022	4,998
Excess(deficiency) of revenues over (under) expenditures	(12,020)	(12,020)	(4,277)	7,743
Net change in fund balances	(12,020)	(12,020)	(4,277)	7,743
Fund Balances-beginning	14,364	14,364	21,886	7,522
Fund balances-ending	\$ 2,344	\$ 2,344	\$ 17,609	\$ 15,265

Note: Budget is Cash Basis

Table 65 Lodging Tax Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

CITY OF ISSAQUAH

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
KEROLA EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

	KEROLA TRUST FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Investment Income	100	100	470	370
TOTAL REVENUES	100	100	470	370
EXPENDITURES				
Culture and Recreation	20,288	20,288	20,427	(139)
Total Expenditures	20,288	20,288	20,427	(139)
Excess(deficiency) of revenues over (under) expenditures	(20,188)	(20,188)	(19,957)	231
Net change in fund balances	(20,188)	(20,188)	(19,957)	231
Fund Balances-beginning	20,188	20,188	20,228	40
Fund balances-ending	\$ -	\$ -	\$ 271	\$ 271

Note: Budget is Cash Basis

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

CITY OF ISSAQUAH

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
ROWLEY EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

	ROWLEY TRUST FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Investment Income	\$ 350	\$ 350	\$ 1,572	\$ 1,222
TOTAL REVENUES	350	350	1,572	1,222
EXPENDITURES				
Culture and Recreation	59,564	59,564	59,754	(190)
Total Expenditures	59,564	59,564	59,754	(190)
Excess(deficiency) of revenues over (under) expenditures	(59,214)	(59,214)	(58,182)	1,032
Net change in fund balances	(59,214)	(59,214)	(58,182)	1,032
Fund Balances-beginning	59,214	59,214	59,335	121
Fund balances-ending	\$ -	\$ -	\$ 1,153	\$ 1,153

Note: Budget is Cash Basis

Table 67 Rowley Expendable Trust Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

INTERNAL SERVICE FUNDS

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

UNEMPLOYMENT INSURANCE FUND

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

INSURANCE FUND

This purpose of this fund is to segregate out the insurance transactions of the City into a single fund. This fund will charge other funds for their appropriate share of insurance premiums and

uncovered claims. Over the years, it is hoped that this fund will be able to build up an adequate reserve to serve as a buffer against any unanticipated insurance claims.

EQUIPMENT RENTAL FUND

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

PUBLIC WORKS ENGINEERING OPERATIONS FUND

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

CITY OF ISSAQUAH

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	INTERNAL SERVICE FUNDS				
	Unemployment	Insurance	Equipment Rental	PW Engineering	Total
ASSETS					
Cash & Cash Equivalents	\$ 89,396	\$ 57,841	\$ 2,395,749	\$ 612,474	\$ 3,155,460
Receivable	-	-	121,817	12,584	134,401
Interest Receivable	-	-	-	-	-
Due from other funds	-	-	2,000,000	-	2,000,000
Inventories	-	-	108,878	-	108,878
Total current assets	89,396	57,841	4,626,444	625,058	5,398,739
Capital assets:					
Buildings and equipment, net	-	-	2,318,690	17,438	2,336,128
Total Assets	89,396	57,841	6,945,134	642,496	7,734,867
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	4,292	-	32,408	15,472	52,172
Due to other funds	-	-	-	-	-
Matured bond	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Other current liabilities	-	-	-	-	-
Non current liabilities:					
Compensated absences	-	-	19,208	234,270	253,478
Special assesment debt with governmental commitment	-	-	-	-	-
Bonds, notes, and loans payable	-	-	-	-	-
Miscellaneous noncurrent	-	-	-	-	-
Total Liabilities	4,292	-	51,616	249,742	305,650
NET ASSETS					
Invested in capital assets, net of related debt	-	-	-	-	-
Restricted for:					
Debt Service	-	-	-	-	-
Capital Assets	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total net assets	\$ 85,104	\$ 57,841	\$ 6,893,518	\$ 392,754	\$ 7,429,217

Table 68 Internal Service Funds – Combining Statement of Net Assets

CITY OF ISSAQUAH

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

FOR THE YEAR ENDED DECEMBER 31, 2005

	INTERNAL SERVICE FUNDS				
	Unemployment	Insurance	Equipment Rental	PW Engineering	Total
OPERATING REVENUES					
Charges for Services	\$ -	\$ 550,500	\$ 1,652,782	\$ 2,364,456	\$ 4,567,738
Total operating revenues	-	550,500	1,652,782	2,364,456	4,567,738
OPERATING EXPENSES					
Maintenance & operations	16,883	522,359	919,435	10,033	1,468,710
Administrative & general	-	-	-	2,151,618	2,151,618
Depreciation	-	-	466,923	5,281	472,204
Total operating expenses	16,883	522,359	1,386,358	2,166,932	4,092,532
Operating income (loss)	(16,883)	28,141	266,424	197,524	475,206
NONOPERATING REVENUES (EXPENSES)					
Interest (expense)	2,640	1,721	129,391	3,797	137,549
Gain (loss) on disposition of assets	-	-	17,960	-	17,960
Other non-operating revenues (expenses)	-	-	-	-	-
Total non-operating income (expense)	2,640	1,721	147,351	3,797	155,509
Income before contributions & transfers	(14,243)	29,862	413,775	201,321	630,715
Capital contributions	-	-	-	12,584	12,584
<i>Transfers</i>					
Transfers in	24,000	-	110,000	-	134,000
(Transfers out)	-	-	-	-	-
Change in net assets	9,757	29,862	523,775	213,905	777,299
Net assets - beginning	75,347	27,979	6,369,743	178,849	6,651,918
Restate					
Net assets - ending	\$ 85,104	\$ 57,841	\$ 6,893,518	\$ 392,754	\$ 7,429,217

Table 69 Internal Service Funds – Statement of Revenues, Expenses, & Changes in Fund Net Assets

CITY OF ISSAQUAH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

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	\$ 4,292,652	\$ 4,234,688	2,575,763	\$ 11,103,103	\$ -
Cash Received From Interfund Services	720,000	-	-	720,000	4,519,379
Cash Payments to Suppliers	(1,796,225)	(3,426,716)	(1,077,889)	(6,300,830)	(638,523)
Cash Payments to Employees	(838,871)	(304,462)	(542,752)	(1,686,085)	(2,408,840)
Cash (Payments) Receipts to Other Gvmts	-	-	-	-	(538,158)
Cash for Other Operating	-	-	-	-	52,514
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,377,556	\$ 503,510	\$ 955,122	\$ 3,836,188	\$ 986,372
CASH FLOWS FROM NON-CAPITAL					
FINANCING ACTIVITIES					
Operating Transfers In	\$ 1,054,092	-	-	\$ 1,054,092	\$ 24,000
Operating Transfers (Out)	(2,654,092)	-	(1,118,544)	(3,772,636)	-
Forfeited Deposits	-	-	15,000	15,000	-
NET CASH PROVIDED BY NON-					
CAPITAL FINANCING ACTIVITIES	\$ (1,600,000)	\$ -	\$ (1,103,544)	\$ (2,703,544)	\$ 24,000
CASH FLOWS FROM CAPITAL AND					
RELATED FINANCING ACTIVITIES					
Intergovernmental	\$ 44,350	\$ -	24,998	\$ 69,348	\$ -
Investments	-	47,899	-	47,899	-
Revenue Bond Proceeds	-	-	-	-	-
Revenue Bond Interest	(484,087)	-	(154,538)	(638,625)	-
Interfund Loans-Principle (Paid)	-	-	(160,000)	(160,000)	(2,500,000)
Interfund Loan Interest	-	-	-	-	-
Interfund Loan Interest (Expense)	-	-	-	-	8,313
Capital Expenditures Paid	(543,849)	(211,521)	(302,620)	(1,057,990)	(644,593)
Principal Repaid	(570,000)	(15,775)	(206,291)	(792,066)	560,000
Interest and Other Debt Service	-	(5,944)	(9,861)	(15,805)	-
Capital Cash Contributions from Developers	195,228	116,077	56,902	368,207	-
Proceeds from sale of Capital Assets	-	-	-	-	45,837
Capital Transfer In	1,600,000	425,700	978,744	3,004,444	110,000
Capital Transfer Out	(123,570)	(425,700)	-	(549,270)	-
NET CASH USED BY CAPITAL AND					
RELATED FINANCING ACTIVITIES	\$ 118,072	\$ (69,264)	\$ 227,334	\$ 276,142	\$ (2,420,443)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Net Decrease (Increase) in Investments	\$ -	\$ -	-	\$ -	\$ 15,775
Rental Fees on Investments	14,313	-	-	14,313	-
Interest Received on Investment	103,485	67,904	38,751	210,140	134,701
NET CASH PROVIDED BY INVESTMENT ACTIVITIES	\$ 117,798	\$ 67,904	\$ 38,751	\$ 224,453	\$ 150,476
NET INCREASE (DECREASE) IN CASH	1,013,426	502,150	117,663	1,633,239	(1,259,595)
CASH AT BEGINNING OF YEAR	4,070,373	1,733,146	884,929	6,688,448	4,415,055
CASH AT END OF YEAR	\$ 5,083,799	\$ 2,235,296	\$ 1,002,592	\$ 8,321,687	\$ 3,155,460

Table 70 Internal Service Funds – Combining Statement of Cash Flows, Page 1

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

CITY OF ISSAQUAH

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Page 2 of 2

	GOVERNMENTAL ACTIVITIES				Governmental Activities Internal Service Funds
	INTERNAL SERVICE FUNDS				
	Unemployment	Insurance	Equipment	Engineering	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	(16,883)	28,141	266,424	197,524	\$ 475,206
Adjustment to Reconcile Operating Income to Net Cash Provided by Oper. Activities:					
Depreciation			466,923	5,281	\$ 472,204
Decrease (Increase) in Accts Receivable	-	-	(18,707)	22,862	4,155
Decrease (Increase) in Inventory	-	-	(4,473)	-	(4,473)
Increase (Decrease) in Accts Payable	4,292		9,723	10,033	24,048
Increase (Decrease) in Employee Benefits	-	-	(9,535)	24,767	15,232
Net Cash Provided by Operating Activities	\$ (12,591)	\$ 28,141	\$ 710,355	\$ 260,467	\$ 986,372

Table 71 Internal Service Funds – Combining Statement of Cash Flows, Page 2



AGENCY FUNDS

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

Descriptions of the Agency Funds included as supplementary information in the City's Comprehensive Annual Financial Report are provided below:

AGENCY/DEPOSITS FUND

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

CLAIMS CLEARING FUND

The amounts necessary to support disbursements are transferred into this fund from the funds which record the expenditures. Claim Warrants are also redeemed through this fund.

PAYROLL CLEARING FUND

The amounts necessary to support disbursements are transferred into this fund from the funds which record the payroll expenditures. Payroll Warrants are also redeemed through this fund.

CITY OF ISSAQUAH

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	12/31/2004			12/31/2005		
	Balance	Additions	Deletions	Balance		
AGENCY/DEPOSIT FUND						
ASSETS						
Cash and equivalents	\$ 2,725,613	\$ 9,585,375	\$ 8,686,740	\$ 3,624,248		
TOTAL ASSETS	\$ 2,725,613	\$ 9,585,375	\$ 8,686,740	\$ 3,624,248		
LIABILITIES						
Deposits Payable	\$ 2,725,613	\$ 9,917,975	\$ 9,019,340	\$ 3,624,248		
TOTAL LIABILITIES	\$ 2,725,613	\$ 9,917,975	\$ 9,019,340	\$ 3,624,248		
CLAIMS FUND						
ASSETS						
Cash	\$ 16,415	\$ -	\$ 16,415	\$ -		
TOTAL ASSETS	\$ 16,415	\$ -	\$ 16,415	\$ -		
LIABILITIES						
Warrants Payable	\$ 16,415	\$ -	\$ 16,415	\$ -		
TOTAL LIABILITIES	\$ 16,415	\$ -	\$ 16,415	\$ -		
PAYROLL FUND						
ASSETS						
Cash	\$ 26,725		\$ 26,725	\$ -		
TOTAL ASSETS	\$ 26,725	\$ -	\$ 26,725	\$ -		
LIABILITIES						
Warrants Payable	\$ 26,725		\$ 26,725	\$ -		
TOTAL LIABILITIES	\$ 26,725	\$ -	\$ 26,725	\$ -		

Table 72 Agency Funds – Combining Statement of Fiduciary Net Assets

CITY OF ISSAQUAH

COMPARATIVE SCHEDULE BY SOURCE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2005

General government

	Governmental Fund Capital Assets Adjusted 1/1/2005	Additions	Deletions	Governmental Fund Capital Assets 12/31/2005
Judicial	\$ 20,811			\$ 20,811
Public safety	19,875,515	60,592	(20,364)	19,915,743
Transportation	10,694,213	10,085,681	(2,989,278)	17,790,616
Utilities & Environment	260,803	27,007		287,810
Culture & Recreation	18,755,897	1,212,074	(40,583)	19,927,388
Economic Environment	58,136			58,136
Physical Environment	10,609		(10,609)	-
				-
Total general government subtotal:	49,675,984	11,385,354	(3,060,834)	58,000,504
				-
General Government				-
				-
Executive	6,040			6,040
Financial	19,984			19,984
IAS	122,829			122,829
Other	21,849,623	194,479	(107,131)	21,936,971
Human Resources	3,185			3,185
Internal Service	5,958,853	644,593	(101,493)	6,501,953
				-
Total governmental funds capital assets:	\$ 77,636,498	\$ 12,224,426	\$ (3,269,458)	\$ 86,591,466

NOTE: Schedule includes Governmental and Internal Service Funds Assets.

Table 73 Governmental Funds Capital Assets Comparative Schedule by Source

NOTE: Physical Environment and Utilities & Environment are combined in 2005.

CITY OF ISSAQUAH

COMPARATIVE SCHEDULE BY FUNCTION AND ACTIVITY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

General government

	Land	Art	Buildings & Improvements	Machinery and Equipment	Infra-structure	Construction in Progress	Total
Judicial				\$ 20,811			\$ 20,811
Public safety			18,046,470	1,869,273			19,915,743
Transportation	4,710,566		3,738,271	267,767	8,505,363	568,649	17,790,616
Utilities & Environment			221,413	66,397			287,810
Culture & Recreation	3,910,150	115,817	12,127,116	286,609		3,487,696	19,927,388
Economic Environment				58,136			58,136
Total General Government Subtotal:	8,620,716	115,817	34,133,270	2,568,993	8,505,363	4,056,345	58,000,504
General Government							
Executive				6,040			6,040
Financial				19,984			19,984
IAS				122,829			122,829
Other	14,413,277		7,071,785	281,340		170,569	21,936,971
Human Resources				3,185			3,185
Internal Service			107,865	6,382,771		11,317	6,501,953
Total Governmental Funds Capital Assets:	\$ 23,033,993	\$ 115,817	\$ 41,312,920	\$ 9,385,142	\$ 8,505,363	\$ 4,238,231	\$ 86,591,466

Table 74 Governmental Funds Capital Assets Comparative Schedule by Function and Activity

NOTE: Physical Environment and Utilities & Environment are combined in 2005.



STATISTICAL SECTION

STATISTICAL

SECTION



CITY OF ISSAQUAH

GENERAL REVENUES BY SOURCES*

LAST TEN FISCAL YEARS

Year	Taxes	Licenses & Permits	Inter- Governmental	Charges For Services	Fines & Forfeits	Misc	Total
2005	\$ 17,598,925	\$ 3,360,533	\$ 1,565,012	\$ 2,645,787	\$ 217,951	\$ 9,015,380	\$ 34,403,588
2004	16,334,218	2,845,258	1,640,904	2,615,056	89,321	8,889,036	32,413,793
2003	14,677,913	2,291,057	2,007,455	1,893,822	119,590	3,403,655	24,393,492
2002	14,253,971	1,202,891	1,564,109	1,729,061	122,907	4,066,156	22,939,095
2001	14,111,777	1,324,362	1,793,188	1,953,649	88,352	4,246,971	23,518,299
2000	12,203,972	1,051,949	1,481,398	2,312,330	167,139	2,856,103	20,072,891
1999	11,453,885	1,044,935	932,570	2,894,321	189,902	1,867,843	18,383,456
1998	9,766,418	1,229,202	993,618	2,673,819	173,220	1,519,137	16,355,414
1997	8,674,457	748,139	999,903	1,302,377	133,969	1,896,920	13,755,765
1996	7,660,164	792,124	940,665	1,173,829	123,862	1,644,799	12,335,443
1995	6,925,318	777,065	837,495	666,756	126,259	1,202,996	10,535,889

* Includes General, Special Revenue, and Debt Service Funds reported on budgetary (cash) basis of accounting.

Table 75 General Revenues by Sources – Last 10 Fiscal Years

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTIONS**

LAST TEN FISCAL YEARS

Year	General Government	Public Safety	Highway & Street	Physical & Economic Environment	Culture & Recreation	Debt Service **	Total
2005	\$ 5,427,847	\$ 8,316,046	\$ 3,997,061	\$ 3,731,068	\$ 3,809,318	\$ 6,006,541	\$ 31,287,881
2004	5,037,554	8,069,946	4,692,745	3,301,858	3,828,017	4,144,800	29,074,920
2003	4,694,705	7,399,321	4,013,594	2,931,821	3,696,762	3,868,309	26,604,512
2002	4,439,317	7,095,443	4,222,575	2,719,713	5,777,981	4,129,357	28,384,386
2001	3,897,894	6,393,709	3,741,567	2,741,422	3,324,229	2,984,326	23,083,147
2000	3,021,121	5,780,317	3,037,166	2,521,346	3,464,514	3,252,704	21,077,168
1999	2,554,635	4,861,340	2,123,506	2,134,729	3,069,202	2,653,710	17,397,122
1998	3,309,518	4,734,241	2,138,539	1,892,298	2,982,543	2,979,065	18,036,204
1997	2,612,302	3,928,949	1,898,910	1,474,248	2,690,396	3,808,237	16,413,042
1996	2,509,603	3,349,607	1,505,537	1,281,614	2,303,086	2,530,973	13,480,420
1995	1,976,699	3,091,344	1,045,482	1,282,355	1,728,254	1,495,015	10,619,149

* Includes General, Special Revenue, and Debt Service Funds reported on budgetary (cash) basis of accounting.

** Excluding LID Guaranty Funds

Table 76 General Governmental Expenditures by Function

CITY OF ISSAQUAH

TAX REVENUE BY SOURCE – ALL CITY FUNDS
LAST TEN FISCAL YEARS

Fiscal Year	Sales Tax	Property Tax	Utility Tax	B&O Tax	Real Estate		State Shared Taxes**	Total Taxes
					Excise Tax	Other Taxes*		
2005	\$ 10,353,860	\$ 5,068,632	\$ 2,835,739	\$ 1,914,509	\$ 3,689,880	\$ 170,605	\$ 160,237	\$ 24,193,462
2004	9,567,351	4,723,554	2,625,798	1,694,767	2,852,235	471,419	369,665	22,304,789
2003	9,009,119	4,039,739	2,249,490	1,508,635	1,286,122	430,016	368,886	18,892,007
2002	9,004,352	3,790,959	2,208,817	1,455,867	1,085,113	402,793	436,155	18,384,056
2001	9,210,311	3,383,882	2,081,150	1,395,621	1,559,027	322,345	451,210	18,403,546
2000	7,960,550	2,849,026	1,697,056	1,156,307	1,204,763	377,603	385,114	15,630,419
1999	7,349,202	2,683,523	1,514,988	938,429	904,750	341,849	485,450	14,218,191
1998	6,121,280	2,581,686	1,378,260	904,212	665,803	251,152	454,939	12,357,332
1997	5,502,497	2,325,807	1,348,061	794,364	593,083	231,043	437,460	11,232,315
1996	4,925,948	2,256,276	1,352,765	742,261	439,849	219,492	431,740	10,368,331
1995	4,139,604	1,806,991	1,231,590	621,943	572,296	195,822	447,116	9,015,362

* Includes Franchise and Gambling Taxes

** Consists of the Motor Vehicle Excise Tax, Motor Vehicle Fuel Tax, Liquor Excise Tax, and the Mobile/Trailer/Camper Excise Tax; distribution of which are based on population figures.

*** Includes General, Special Revenue, and Debt Service Funds with Capital Improvement and Street Improvement Funds reported on budgetary (cash) basis of accounting.

Table 77 Tax Revenues by Source – All City Funds, Last 10 Fiscal Years

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Tax Levy	Current Tax Collection*	% of Levy Collected	Delinquent Tax Collections	Total Tax Collections	% of Total		% of Delinquent to Tax Levy
						Tax Collections to Tax Levy	Outstanding Delinquent Taxes	
2005	\$ 5,103,758	\$ 5,023,632	98.43%	\$ 57,070	\$ 5,080,702	99.55%	\$ 111,507	2.18%
2004	4,895,017	4,830,688	98.69	75,102	4,905,790	100.22	88,451	1.87
2003	4,259,405	4,178,058	98.09	86,725	4,264,783	100.13	99,224	2.33
2002	3,777,251	3,725,018	98.62	66,346	3,791,364	100.37	104,602	2.77
2001	3,442,516	3,347,483	97.24	43,890	3,391,373	98.51	118,715	3.45
2000	3,223,065	3,168,665	98.31	76,923	3,245,588	100.70	67,572	2.10
1999	2,705,531	2,629,442	97.19	57,916	2,687,358	99.33	90,097	3.33
1998	2,563,227	2,552,953	99.60	84,653	2,637,606	102.90	72,718	2.84
1997	2,361,411	2,307,453	97.72	63,810	2,371,263	100.42	102,677	4.35
1996	2,321,206	2,230,855	96.11	32,864	2,263,719	97.52	102,155	4.40
1995	1,817,522	1,758,249	96.74	53,602	1,811,851	99.69	50,021	2.75

*2000 includes property taxes - annexed streets (\$380,645)

*2003 updated to include annexed streets (\$189,850) and 2004 (\$178,544).

Table 78 Property Tax Levies & Collection – Last Ten Fiscal Years

T

CITY OF ISSAQUAH

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Year	Tax Based		New Construction	Annexed Property	Property Tax Statutory Limit (3,375/1,000)	Regular Property Tax Levied With 101% Lid*
	Total Assessed Valuation	% Increase From Prior Year				
2005	\$ 3,336,875,663	10.2%	\$ 283,568,494	\$ -	\$ 10,403,144	\$ 4,189,035
2004	3,027,362,027	19.6%	220,502,608	233,766,450	9,408,771	3,786,877
2003	2,531,753,104	7.1%	117,195,241	489,320	7,848,435	3,192,143
2002	2,362,934,287	18.0%	246,774,701	-	7,325,096	2,994,880
2001	2,001,756,127	42.3%	135,366,838	291,594,415	6,239,374	2,664,921
2000	1,407,065,148	12.2%	74,342,491	-	4,361,902	2,078,361
1999	1,254,126,426	11.0%	58,562,031	-	3,907,882	1,944,531
1998	1,129,728,694	13.8%	38,630,482	30,407,600	3,502,924	1,753,227
1997	992,726,833	7.9%	23,649,271	-	3,077,453	1,551,411
1996	919,745,374	5.9%	72,249,544	590,700	2,851,211	1,417,137
1995	868,228,274	13.2%	49,479,366	-	2,711,906	1,252,522

* Changed to 101% Lid in 2002

Year	Levied vs. Statutory Limit Variance	Regular Rate	Excess Property Tax (Voted)	Voted Rate	Total Rate	Population
		per \$1,000 Assessed Value		per \$1,000 Assessed Value	per \$1,000 Assessed Value	
2005	\$ (6,214,109)	1.292	\$ 815,000	0.306	1.598	17,100
2004	(5,621,894)	1.272	886,000	0.366	1.638	15,510
2003	(4,656,292)	1.257	886,000	0.446	1.703	15,110
2002	(4,330,216)	1.267	891,000	0.481	1.748	13,790
2001	(3,574,453)	1.331	761,000	0.461	1.792	12,950
2000	(2,283,541)	1.477	761,000	0.544	2.021	10,260
1999	(1,963,351)	1.532	761,000	0.607	2.139	10,130
1998	(1,749,697)	1.550	810,000	0.722	2.272	9,910
1997	(1,526,042)	1.555	810,000	0.816	2.371	9,610
1996	(1,434,074)	1.557	900,000	0.979	2.536	9,255
1995	(1,459,384)	1.442	565,000	0.657	2.099	9,025

Table 79 Assessed & Estimated Actual Value of Taxable Property

CITY OF ISSAQUAH

PROPERTY TAX RATES FOR ALL OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATION)
LAST TEN FISCAL YEARS

Fiscal Year	City	WA State	King County	Port of Seattle	School	Emergency	Library District	Total
					District #411	Medical Services*		
2005	\$ 1.60	\$ 2.69	\$ 1.38	\$ 0.25	\$ 3.42	\$ 0.23	\$ 0.59	\$ 10.17
2004	1.64	2.76	1.43	0.25	3.49	0.24	0.60	10.41
2003	1.70	2.90	1.35	0.26	3.75	0.24	0.63	10.83
2002	1.75	2.99	1.45	0.19	3.63	0.25	0.57	10.83
2001	1.79	3.15	1.55	0.19	4.18	0.25	0.61	11.72
2000	2.02	3.30	1.69	0.22	4.54	0.27	0.66	12.70
1999	2.14	3.36	1.77	0.24	4.53	0.29	0.71	13.04
1998	2.27	3.51	1.85	0.26	4.97	0.00	0.50	13.36
1997	2.39	3.50	2.13	0.28	5.16	0.25	0.50	14.21
1996	2.54	3.50	2.21	0.29	5.21	0.25	0.50	14.50
1995	2.10	3.42	2.25	0.29	4.93	0.25	0.49	13.73

Source: King County Assessor's Office

Table 80 Property Tax Rates for All Overlapping Governments

SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Current Assessments Due	Assessments Collected*	Ratio of Collections to Amounts Due	Total Outstanding Assessments
2005	\$ 325,842	\$ 368,573	113.1	\$ 175,718
2004	361,153	401,229	111.1	544,291
2003	361,457	346,457	95.9	945,520
2002	421,508	644,101	152.8	1,291,977
2001	435,049	467,531	107.5	1,936,078
2000	435,049	503,799	115.8	2,403,609
1999	864,878	969,829	112.1	2,907,408
1998	990,022	817,840	82.6	3,877,237
1997	881,169	1,034,175	117.4	4,695,077
1996	583,222	426,050	73.1	2,506,819
1995	102,862	156,803	152.4	304,610

* Includes delinquent collections and assessments paid off in full.

Table 81 Special Assessment Collections

CITY OF ISSAQUAH

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Assessed Value*	Net Bonded Debt**	Bonded Debt to Assessed Value	Debt Per Capital
2005	17,060	\$ 3,734,157,054	\$ 30,878,264	0.83%	\$ 1,810
2004	15,510	3,336,875,663	31,232,734	0.94%	2,014
2003	15,110	3,027,362,027	29,589,022	0.98%	1,958
2002	13,790	2,531,753,104	31,419,730	1.24%	2,278
2001	13,790	2,362,934,287	33,213,791	1.41%	2,409
2000	10,260	2,001,756,127	22,869,009	1.14%	2,229
1999	10,130	1,407,065,148	21,429,258	1.52%	2,115
1998	9,866	1,254,126,426	14,382,857	1.15%	1,458
1997	9,610	1,129,728,694	15,435,270	1.37%	1,606
1996	9,255	992,726,833	14,940,658	1.51%	1,614
1995	9,035	919,745,374	15,994,080	1.74%	1,770

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

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

Table 82 Ratio of Net General Bonded Debt

**COMPUTATION OF LEGAL DEBT MARGIN
AS OF DECEMBER 31, 2005**

	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, 2005 Assessed Value*:					
\$	3,734,157,054				
2.50 % of Assessed Value	\$	-	\$ 93,353,926	\$ 93,353,926	\$ 280,061,778
1.50% of Assessed Value		56,012,355	(56,012,355)	-	-
Statutory Debt Limit	\$	56,012,355	\$ 37,341,571	\$ 93,353,926	\$ 280,061,778
Less Debt Outstanding					
(General Obligation Bonds)	\$	(24,450,000)	\$ (6,648,852)	\$ (146,148)	\$ (31,245,000)
Add Amount Available in Debt Service Fund		100,817	265,919	-	366,736
Remaining Debt Capacity	\$	31,663,172	\$ 30,958,638	\$ 93,207,778	\$ 249,183,514

* Property assessed at 100% of the estimated value.

Table 83 Computation of Legal Debt Margin

CITY OF ISSAQUAH

STATEMENT OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2005

Assessed Valuation: \$ 3,734,157,054

Population: 17,060

NET DIRECT AND OVERLAPPING DEBT

	<u>Net Debt</u>	<u>Percent Applicable</u>	<u>Amount Applicable</u>
Direct Debt			
Unlimited Tax Gen. Obligation Debt	\$ 6,795,000	100.00%	\$ 6,795,000
Limited Tax Gen. Obligation Debt	24,450,000	100.00%	24,450,000
Less Amount in Debt Service Funds	<u>366,736</u>		<u>366,736</u>
Total Direct Debt	<u>\$ 30,878,264</u>		<u>\$ 30,878,264</u>
Overlapping Debt			
King County	\$ 895,983,000	1.34%	\$ 12,006,172
Port of Seattle	380,225,000	1.34%	5,095,015
Issaquah School District #411	198,075,000	25.10%	49,716,825
Fire District #10	2,080,000	6.39%	132,912
King County Library/Issaquah Library Capital	93,035,000	62.43%	<u>58,081,751</u>
Estimated Net Overlapping Debt			125,032,675
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 155,910,939</u>

BONDED DEBT RATIOS

Net Direct to Assessed Valuation	0.83
Net Direct and Overlapping Debt to Assessed Valuation	4.18
Per Capita Assessed Valuation	\$ 218,884
Per Capita Net Direct Debt	\$ 1,810
Per Capita Net Direct and Overlapping Debt	\$ 9,139

See accompanying notes to financial statements.

Table 84 Statement of Direct Overlapping Debt

CITY OF ISSAQUAH

DEBT SERVICE REQUIREMENTS TO MATURITY FOR GENERAL BONDED DEBT
DECEMBER 31, 2005

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures*	Ratio of Debt Service to General Expenditures
2005	\$ 5,620,000	\$ 1,561,619	\$ 7,181,619	\$ 31,795,755	22.6
2004	1,890,000	1,487,420	3,377,420	30,912,877	10.9
2003	1,810,000	1,567,007	3,377,007	28,251,822	12.0
2002	1,710,000	1,619,980	3,329,980	26,899,921	12.4
2001	1,210,000	1,107,095	2,317,095	25,167,923	9.2
2000	1,145,000	1,069,308	2,214,308	21,077,069	10.5
1999	850,000	732,566	1,582,566	17,216,697	9.2
1998	2,950,000	760,007	3,710,007	18,036,204	20.6
1997	1,875,000	839,033	2,714,033	16,413,042	16.5
1996	890,000	871,520	1,761,520	13,480,420	13.1
1995	760,000	526,955	1,286,955	10,619,149	12.1
1994	555,000	489,309	1,044,309	9,320,113	11.2
1993	480,000	478,853	958,853	7,363,231	13.0
1992	430,000	532,306	962,306	7,947,964	12.1

* Includes General, Special Revenue, and Debt Service Funds.
During 2005, \$3,105,000 was retired by refinance.
Excludes bond issuance and other costs and includes other financing uses.
Note: 2003-2004 Expenditures restated to include only funds listed above.

Table 85 Debt Service Requirements to Maturity of General Bonded Debt

REVENUE BOND SERVICE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Net Available For Debt Service	Debt Service Requirements	Total	Coverage
		Principal	Interest	
2005	\$ 3,254,179 *	\$ 715,000	\$ 638,625	2.40
2004	4,082,063 *	2,583,813	685,279	5.02
2003	3,719,687 *	645,000	737,797	2.69
2002	2,935,415 *	605,000	742,528	2.18
2001	2,173,309 *	250,000	273,528	4.15
2000	1,171,357 *	240,000	284,711	2.23
1999	1,005,536 *	255,000	302,681	1.80
1998	1,167,800 *	185,000	207,611	2.97
1997	903,232 *	155,000	170,745	2.77
1996	645,616 *	150,000	176,483	1.98
1995	694,851 *	140,000	181,545	2.16

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

Table 86 Revenue Bond Service Coverage – Water, Sewer & Stormwater

CITY OF ISSAQUAH

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction		Residential Construction		Bank Deposits (in Thousands)	Total Property Value*
	Number of Permits	Value (in Thousands)	Number of Permits	Value (in Thousands)		
2005	139	\$ 31,049	630	\$ 177,516	\$ 55,636	\$ 3,734,157,054
2004	105	34,915	809	171,927	56,727	3,336,876
2003	108	8,893	604	124,880	47,770	2,531,753
2002	138	19,029	233	48,371	37,990	2,362,934
2001	131	27,677	166	67,247	60,718	2,001,756
2000	101	35,383	170	20,724	39,519	1,407,065
1999	113	22,141	213	48,169	45,741	1,407,065
1998	92	16,656	284	77,246	32,154	1,254,126
1997	124	13,765	166	26,548	30,787	1,129,729
1996	123	19,985	176	22,837	38,559	992,727
1995	156	50,075	131	28,795	45,786	919,745
1994	82	36,882	252	40,651	33,936	868,228
1993	64	18,531	149	34,031	21,981	766,775

* King County Assessor's Office

Table 87 Property Value, Construction, and Bank Deposits

PRINCIPAL TAXPAYERS WITHIN THE CITY

Taxpayer Name	Business Type	2005
		Assessed Value
COSTCO	Headquarters and warehouse	\$ 154,846,937
Madison Marquette Retail (formerly Trammel Crow Company)	Commercial property	43,287,500
Avalon Bay Communities, Inc. (TCR0 #533 Issaquah Highlands)	Apartments	40,956,000
Rowley Enterprises	Apartments	35,556,433
Puget Sound Energy (Gas/Electric)	Gas & electric utilities	23,316,031
Pickering Square LLC	Retail mall	22,074,800
John Hancock Real Estate (Town & Country Square)	Commercial property Apartments	18,173,000
Lowe's HIW Inc.	Home & garden supplies	15,922,180
Meadows Investment	Commercial property Apartments	14,981,900
Target Corporation (formerly Dayton Hudson)	Retail/Department Store	11,466,786
Quest Corporation Inc.	Telecommunication	5,039,245

Source: King County Assessor's Office

Table 88 Principal Taxpayers Within the City

CITY OF ISSAQUAH

DEMOGRAPHIC STATISTICS

	<u>1990</u>		<u>2000</u>	
Total population	7,786		11,212	
Average persons per household	2.40		2.27	
Population 25 years and over	5,333	69%	7,927	71%
High school graduate or higher	4,765	89%	7,622	97%
Bachelor's degree or higher	1,750	33%	3,826	48%
Foreign born		6%		12%
Median household income (dollars)	\$ 35,422		\$ 57,892	
Median family income (dollars)	46,367		77,274	
Per capita income (dollars)	18,055		34,222	
Families below poverty level		3.7%		3.4%

*United States Census Bureau

Table 89 Demographic Statistics

CITY OF ISSAQUAH

MISCELLANEOUS DATA
DECEMBER 31, 2005

Date of Incorporation	April 27, 1892	
Form of Government	Mayor-Council (part-time) Non Charter Code City Congressional District: 8th Legislative District: 41st and 5th	
Area	10.85 Square Miles	
2004 Population (estimate)	17,060	
Parks and Playgrounds	Tibbetts Valley Park - 20 Acres Gibson Park - 1.5 Acres Gilman Boulevard Parkway - 11 Acres Greenwood - 20 Acres Issaquah Creek - 18 Acres Lake Tradition - 463 Acres Memorial Park - 4 Acres Pedestrian Park - 7 Acres Pickering Park - 4 Acres Squak Valley Park - 10 Acres Tibbetts Creek Manor - 5.5 Acres Walden Hill Park - 2 Acres	Community Center Park - 4 Acres Cornick Park - 1/4 Acre Depot Park - 3 Acres Mine Hill Park - 5 Acres Centennial Park - 1/2 Acre Lake Sammamish State Park - 435 Acres (Located adjacent to the City limits) Open Space - 20,000 Acres Cougar Mountain Squak Mountain Tiger Mountain Grand Ridge/Issaquah Highlands
Park/Recreation Indoors	Julius Boehm Swimming Pool Community Center	Tibbetts Creek Manor Pickering Barn
Library	King County Library	
Newspaper	The Issaquah Press - Weekly Distribution	
Issaquah School District	13 Elementary Schools* 4 Middle Schools** 3 High Schools** Tiger Mountain Community High School*** Echo Glen Children's Center ****	* 2 in the City ** 1 in the City *** in the City **** not in the City
Banks	Bank of America Columbia Bank Issaquah Bank Key Bank King County Credit Union U.S. Bank Wells Fargo Bank	
Savings and Loan Institutions	Cascade Savings Bank First Mutual Bank Washington Mutual	

Table 90 Miscellaneous Data

CITY OF ISSAQUAH

MISCELLANEOUS STATISTICS – PUBLIC WORKS DEPARTMENT
DECEMBER 31, 2005

WATER UTILITY

Year	Number of Customers	Residential Rate Per Month					
		-Minimum- Up to 500 Cubic Feet Usage	Overage Charge Per 100 cf	Block I 0-8 ccf	Block II 9-15 ccf	Block III 16-30 ccf	Block IV > 30 ccf
2005	5,008						
2004	4,731						
2003	3,961						
2002	4,534						
2001	4,144	\$7.51	*	\$0.85	\$1.57	\$2.56	\$3.63
2000	3,995	7.51	*	0.85	1.57	2.56	3.63
1999	3,221	7.08	*	0.81	1.48	2.42	3.43
1998	3,407	6.32	*	0.72	1.32	2.16	3.06
1997	3,052	5.89	*	0.64	1.18	1.93	2.73
1996	2,931	5.50	*	0.60	1.10	1.80	2.55
1995	2,817	4.50		1.85			

The block rate structure for water was changed in 2002 -- current year structure can be found on the following page

* Inverted water block rates were adopted in January 1996 as a result of a consultant re-evaluation of the City's water rate structure.

Table 91 Miscellaneous Statistics – Water Utility 1994-2004

CITY OF ISSAQUAH

2005 WATER RATES

SINGLE FAMILY RESIDENTIAL						
Meter Size	Fixed Bimonthly	Block One 0-4 ccf	Block Two 5-14 ccf	Block Three 15 - 30 ccf	Block Four 31-50 ccf	Block Five >50 ccf
¾"	\$20.05	\$1.14	\$3.00	\$5.00	\$7.35	\$9.21
1"	\$46.12	\$1.14	\$3.00	\$5.00	\$7.35	\$9.21
1-½"	\$89.56	\$1.14	\$3.00	\$5.00	\$7.35	\$9.21
2"	\$141.68	\$1.14	\$3.00	\$5.00	\$7.35	\$9.21
DUPLEX						
Meter Size	Fixed Bimonthly	Block One 0-8 ccf	Block Two 9-14 ccf	Block Three 15-40 ccf	Block Four >40 ccf	
¾"	\$18.70	\$1.81	\$3.00	\$4.68	\$7.48	
1"	\$42.74	\$1.81	\$3.00	\$4.68	\$7.48	
APARTMENTS / TRAILER COURTS						
Meter Size	Fixed Bimonthly	Block One	Block Two	Thresholds		
¾"	\$22.04	\$2.34	\$3.68			
1"	\$51.09	\$2.34	\$3.68			
1-½"	\$99.52	\$2.34	\$3.68			
2"	\$157.63	\$2.34	\$3.68	Meter Size	Block One	Block Two
3"	\$312.58	\$2.34	\$3.68	¾"	0-8	>8
4"	\$486.90	\$2.34	\$3.68	1"	0-20	>20
COMMERCIAL / PUBLIC AUTHORITY				1-½"	0-40	>40
Meter Size	Fixed Bimonthly	Block One	Block Two	2"	0-64	>64
¾"	\$26.38	\$3.25	\$4.59	3"	0-128	>128
1"	\$61.94	\$3.25	\$4.59	4"	0-200	>200
1-½"	\$121.21	\$3.25	\$4.59	6"	0-400	>400
2"	\$192.33	\$3.25	\$4.59	8"	0-640	>640
3"	\$381.98	\$3.25	\$4.59	Apartments/Trailer Courts/Commercial/Public Authority/Parks Irrigation		
4"	\$595.34	\$3.25	\$4.59			
6"	\$1,188.01	\$3.25	\$4.59			
PARKS IRRIGATION						
¾"	\$7.92	\$2.61	\$3.67			
1"	\$18.58	\$2.61	\$3.67			
1-½"	\$36.36	\$2.61	\$3.67			

Table 92 2005 Water Rates

CITY OF ISSAQUAH

SEWER UTILITY RATES

SEWER UTILITY		Residential Rate Per Month		
Year	Number of Customers	Metro Charge	City Charge	Total
2005	4,728	\$ 25.60	\$ 10.41	\$ 36.01
2004	3,738	23.40	14.00	37.40
2003	3,464	23.40	14.00	37.40
2002	3,129	23.40	11.72	35.12
2001	2,690	19.75	11.72	31.47
2000	2,860	19.50	11.72	31.22
1999	2,743	19.10	11.72	30.82
1998	2,674	19.10	10.46	29.56
1997	2,604	19.10	9.34	28.44
1996	2,408	19.10	8.73	27.83
1995	2,408	15.90	5.58	21.48

Table 93 Miscellaneous Statistics – Sewer Utility Rates

STORMWATER UTILITY RATES

Residential Rate Per Month		
Year	Number of Customers	City Charge
2005	5,722	\$ 10.34
2004	4,993	11.77
2003	4,623	11.77
2002	4,205	11.77
2001	3,668	10.95
2000	3,214	10.95
1999	3,183	9.95
1998	3,183	8.89
1997	n/a	7.94
1996	n/a	7.09
1995	n/a	7.09

Table 94 Miscellaneous Statistics - Stormwater Utility Rates

STREET UTILITY INFORMATION

STREETS

Asphaltic Plant or Road Mix	79.07 road miles
Bituminous Surface Treatment	or
Gravel or Crushed Rock	179.58 lane miles

Table 95 Miscellaneous Statistics - Streets

CITY OF ISSAQUAH

PUBLIC WORKS OPERATIONS LABOR HOURS

Year	Street		Water		Sewer		Storm	
	Hours	Percent	Hours***	Percent	Hours	Percent	Hours	Percent
2005	12,889	31.8%	16,195	40.0%	3,842	9.5%	7,588	18.7%
2004	12,975	34.4%	13,966	37.0%	3,117	8.3%	7,654	20.3%
2003	13,133	35.8%	12,614	34.4%	3,532	9.6%	7,429	20.2%
2002	11,808	33.4%	12,924	36.6%	3,405	9.6%	7,205	20.4%
2001	10,473	31.9%	12,949	39.4%	2,958	9.0%	6,481	19.7%
2000	11,737	34.4%	13,325	39.0%	3,517	10.3%	5,574	16.3%
1999	8,841	30.1%	13,041	44.3%	2,841	9.7%	4,696	16.0%
1998	9,071	31.4%	11,772	40.7%	2,825	9.8%	5,251	18.2%
1997	8,615	31.2%	11,562	41.9%	2,532	9.2%	4,870	17.7%
1996	8,359	32.4%	10,086	39.0%	2,585	10.0%	4,804	18.6%
1995	8,133	32.6%	10,212	41.0%	2,571	10.3%	3,999	16.1%
1994	7,363	32.0%	10,189	44.2%	2,088	9.1%	3,396	14.7%
1993	7,484	33.3%	8,972	39.9%	2,293	10.2%	3,714	16.5%
1992	7,226	32.1%	9,694	43.1%	1,973	8.8%	3,611	16.0%

** Labor hours of Public Works crews

*** Does not include standby hours

Table 96 Miscellaneous Statistics – Labor Hours

CITY OF ISSAQUAH

COMBINED SCHEDULE OF LONG - TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2005

ID #	Issue Date	Maturity Date	Avg Coupon Interest Rate %	Amount Authorized	Debt			Amount Outstanding	
					Outstanding g 1/1/2005	Debt Issued in 2005	Debt Retired in 2005		
GENERAL OBLIGATION BONDS									
1994 FIRE EQUIPMENT	251.12	01/01/1994	12/01/2013	5.28%	\$990,000	\$560,000	\$0	\$560,000	\$0
1996 POLICE STATION CONSTRUCTION	251.12	01/01/1996	12/01/2015	5.11%	5,000,000	3,335,000	0	3,335,000	0
1998 REFUNDING BOND	251.12	12/01/1998	12/01/2008	4.24%	2,235,000	990,000	0	230,000	760,000
2001 SENIOR CENTER	251.12	12/15/2001	12/01/2021	4.42%	1,500,000	1,345,000	0	55,000	1,290,000
2005 ITS & REFUNDING BOND	251.12	12/19/2005	12/01/2025	4.22%	4,745,000	0	4,745,000	0	4,745,000
1991 PARK/LAND/SHOP (lmtd.)	251.11	10/10/1991	12/01/2006	6.33%	900,000	175,000	0	175,000	0
1995 COMMUNITY CENTER (lmtd.)	251.11	12/01/1995	12/01/2010	5.17%	3,460,000	1,675,000	0	245,000	1,430,000
1997 PICKERING BARN (lmtd.)	251.11	08/01/1997	08/01/2017	5.16%	2,750,000	2,100,000	0	120,000	1,980,000
1999 POLICE STATION & JAIL (lmtd.)	251.11	07/15/1999	07/01/2019	4.86%	7,950,000	6,635,000	0	305,000	6,330,000
2000 POLICE STATION & CAPITAL PROJECTS (lmtd.)	251.11	12/21/2000	01/01/2021	5.00%	2,660,000	2,415,000	0	95,000	2,320,000
2001 FIRE STATION/POLICE STATION/CIF (lmtd.)	251.11	12/15/2001	12/01/2021	4.38%	10,100,000	9,070,000	0	370,000	8,700,000
2004 HIGHLAND PARK FACILITIES (lmtd.)	251.11	12/15/2004	12/01/2024	4.14%	3,820,000	3,820,000	0	130,000	3,690,000
TOTAL GENERAL OBLIGATION BONDS					\$46,110,000	\$32,120,000	\$4,745,000	\$5,620,000	\$31,245,000
REVENUE BONDS									
2003 WATER REVENUE BONDS	252.11	11/15/2003	12/01/2013	3.50%	2,205,000	2,005,000	0	200,000	1,805,000
1998 WATER REVENUE BONDS	252.11	12/01/1998	12/01/2017	5.38%	750,000	580,000	0	30,000	550,000
2001 WATER REVENUE BONDS	252.11	12/15/2001	12/01/2021	4.85%	9,200,000	8,270,000	0	340,000	7,930,000
1998 STORM WATER REVENUE BONDS	252.11	12/01/1998	12/01/2017	5.38%	2,000,000	1,535,000	0	85,000	1,450,000
2001 STORM WATER REVENUE BONDS	252.11	12/15/2001	12/01/2021	5.25%	1,600,000	1,440,000	0	60,000	1,380,000
TOTAL REVENUE BONDS					\$15,755,000	\$13,830,000	\$0	\$715,000	\$13,115,000
SPECIAL ASSESSMENT									
ULID #22	253.12	10/01/2003	10/01/2013	5.00%	155,811	118,885	0	15,775	103,110
TOTAL SPECIAL ASSESSMENT					\$155,811	\$118,885	\$0	\$15,775	\$103,110
INTERLOCAL AGREEMENT									
KC NORTH SPAR INTERLOCAL AGREEMENT		1/1/2003	12/31/2023	0.00%	\$7,000,000	\$6,300,000	\$0	\$350,000	\$5,950,000
TOTAL INTERLOCAL AGREEMENT					\$7,000,000	\$6,300,000	\$0	\$350,000	\$5,950,000
INSTALLMENT CONTRACTS									
PW TRUST FUND - NEWPORT WAY BRIDGE	263.81	11/01/1998	10/31/2018	1.00%	1,143,103	858,080	0	61,292	796,788
TOTAL INSTALLMENT CONTRACTS					\$1,143,103	\$858,080	\$0	\$61,292	\$796,788

Table 97 Combined Schedule of Long-Term Debt

CITY OF ISSAQUAH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – SCHEDULE 16
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Agency Name / Pass-Through Agency	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Footnote Reference
				Pass-Through Awards	Direct Awards	
U. S. Department of Transportation / Pass- Through from WA DOT	Highway Planning and Construction	20.205	LA-4608 Rainier Bridge	1,711		1,711
			LA-5662 Juniper Bridge	1,574,778		1,574,778
			LA-5686 Front & Gilman Intersection	217,491		217,491
			LA-5908 High Point Trail	73,855		73,855
			LA-5982 SE 229th Signal	4,758		4,758
			Subtotal - WA DOT			
U.S. Department of Transportation / Pass- Through from King County Metro	Federal Transit Formula Grants	20.507	WA-90-x254 Commute Trip Reduction (I- Trip)	30,663		30,663 Note 3
U.S. Department of Homeland Security through WA State Military Department, Emergency Management Division/ Pass-Through from King County Office of Emergency Management	FFY2003 Urban Areas Security Initiative	97.008	FFY03-UASI-020 Emergency Operation Center Equipment	2,690		2,690
			FFY03-UASI-021 Communications Interconnect Equipment	35,843		35,843
			FFY03-UASI-019 Issaquah Water System Security	44,350		44,350
Subtotal - KC Office of Emergency Management				82,883	-	82,883
Department of Housing and Urban Development/King county CDBG	Community Development Block Grants - Small Cities Program (A)	14.218	D31470D	16,317		16,317
Safety Administration/WA Traffic Safety Commission	Intense Traffic Enforcement	20.604	Overtime for Traffic Safety	17,314		17,314
Total Federal Awards Expended				2,019,770	-	2,019,770

The accompanying Notes to The Schedule of Expenditures of State and Local Awards are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the modified accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

NOTE 3 - THE COMMUTE TRIP REDUCTION (I-TRIP) PROJECT

The Commute Trip Reduction (I-Trip) Project was supported by two grants, one which is federal indirect funding passed through King County (shown on this schedule) and one which is a performance grant from Washington State Department of Transportation (shown on the state and local schedule). The \$30,633 in expenditures is included in both schedules. \$15,900 in federal indirect was received as an expenditure reimbursement for the \$30,633 in costs that was eligible for this funding. The total costs expended on the project (\$38,546) are included in the state and local schedule. State revenue of \$41,344 was received, based on performance, the achievement of specified project outcomes, not expenditure reimbursement.

Table 98 Schedule of Expenditures of Federal Awards

CITY OF ISSAQUAH

SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS – SCHEDULE 16
FOR THE YEAR ENDED DECEMBER 31, 2005

Grantor/Program Title	Identification Number	Current Year Expenditures	Footnote Reference
WSDOT/Commute Trip Reduction	GCA3654	11,013	
WSDOT/Commute Trip Reduction	GCA4568	6,520	
WSDOE/Coordinated Prevention Grant	G0400220	20,753	
WSDOT/Commute Trip Reduction Performance Grant (I-Trip)	GCA4113	38,546	Note 3
Seattle-King County Dept of Public Health / Local Hazardous Waste Program	D32777D	10,407	
King County/Waste Reduction and Recycling	D33518D	26,006	
King County/Road Services	D306490D	186,816	
State of Washington/Coalition of Small Police Agencies	MCTF	5,792	
WA Department of Social and Health Services/Developmental Disabilities	D34673G & D34673F	14,500	
	Elementary School Zones/Solar Powered Beacon		
WA Traffic Commission -2280		7,473	
IAC for Outdoor Recreation	IAC #03-1288D	24,702	
Total State and Local Assistance		352,528	

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NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS

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Table 99 Schedule of Expenditures of State and Local Awards

