

City of Issaquah, Washington

COMPREHENSIVE ANNUAL FINANCIAL REPORT



State of Washington

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

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

1) 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.

2) 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.

3) Community Involvement

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

4) 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.

5) 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.

6) Excellence in Governmental Services

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

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INTRODUCTORY SECTION





FINANCE DEPARTMENT
PO BOX 1307, ISSAQUAH, WA 98027

May 30, 2005

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, 2004 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 can be found immediately following 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. Investment earnings for the year were \$412,279. There were investments as of December 31, 2004: \$1,000,000 in the General Fund, \$1,000,000 in the Capital Improvements Fund, and \$1,000,000 in the Agency Fund (reported as restricted cash).

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 2003.

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.

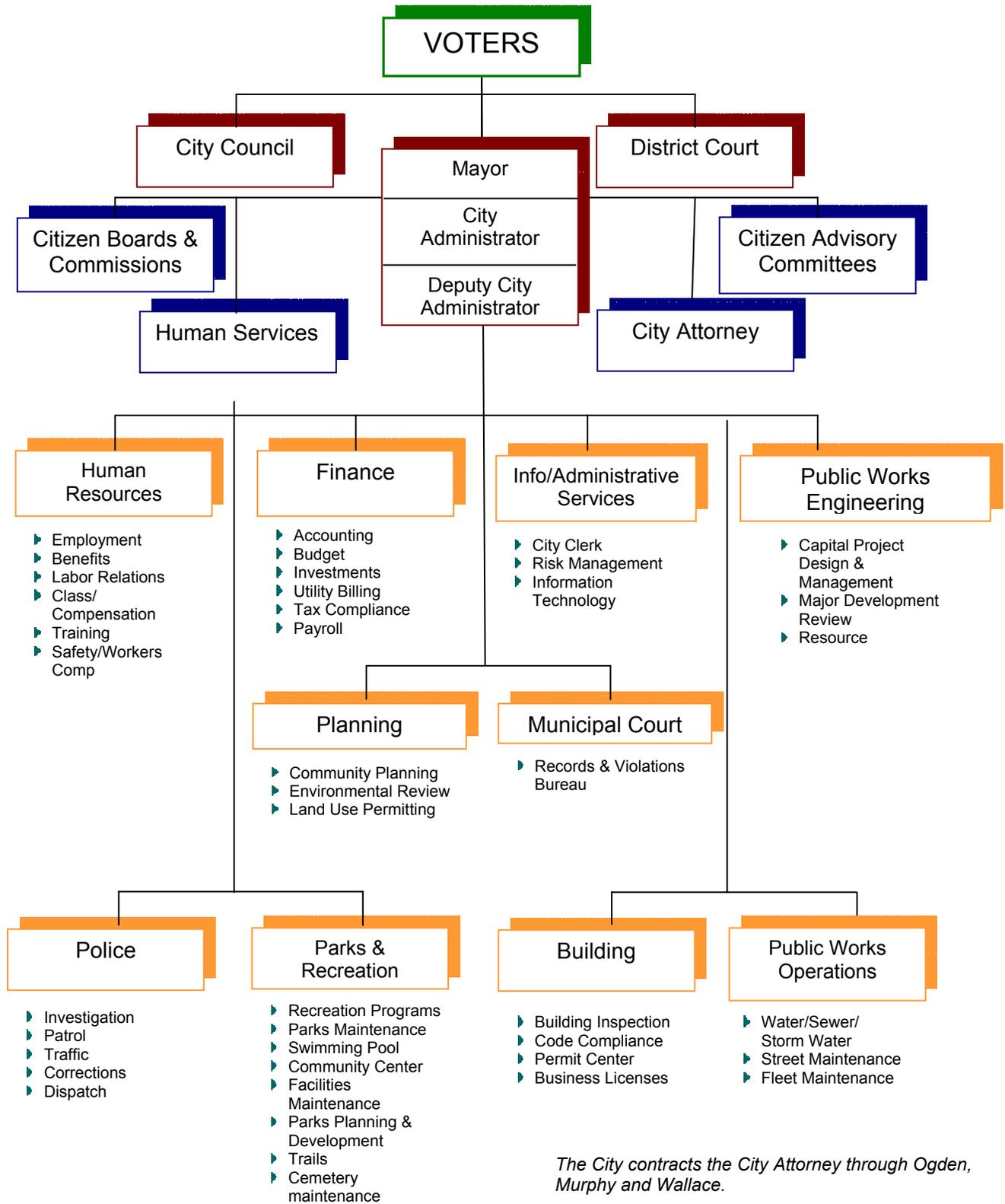
Respectfully submitted,

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 9/29/2004

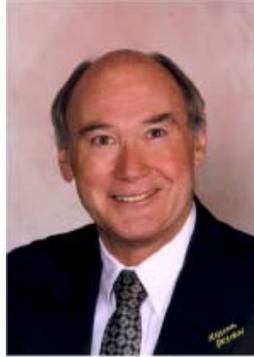
ELECTED OFFICIALS



Ava Frisinger,
Mayor



Joe Forkner,
Position #1



Fred Butler,
Deputy President
Position #2



Bill Conley,
Position #3



Russell Joe,
Position #4



Hank Thomas,
Position #5



David Kapler,
Position #6



Nancy Davidson,
Council President
Position #7

Photos © Hilling Design - used with permission

Photo 1 City Council Members

EXECUTIVE STAFF

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

FINANCIAL SECTION



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management discussion and analysis section of the City of Issaquah's annual financial report provides a narrative overview of the city's financial activities for and financial position at the end of December 31, 2004. 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 2004 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 \$126,754,884. A total of 78%, or \$98,669,054, of total net assets is invested in capital such as land and buildings. Of the remaining net assets, \$13,444,794 is restricted for debt service, \$13,717,999 capital projects, etc. \$11,310,959 is available to meet the government's ongoing activities and obligations.

Governmental fund balances at year end were \$19,998,682. Of this amount, a total of \$18,831,498 or 94% of the governmental fund balance is unreserved and available to fund ongoing activities with \$9,780,000 being earmarked for capital project activities.

Unreserved fund balance in the general fund was \$6,759,284, an increase of \$1,612,341 from the prior year.

Total City debt increased \$5,326,347. \$3,820,000 new debt relates to parks at The Highlands. \$5,111,821 of debt was paid down. Total debt at year end was \$55,013,864.

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.

The Government-Wide Financial Statement can be found immediately following Management Discussion & Analysis (MD&A).

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 twenty one 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 Nonmajor 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. Deposits include custodial, retainage, plan, developer and flex accounts.

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.

CITY OF ISSAQUAH

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, 2004 total \$124,055,302 excluding existing transportation infrastructure assets that are not reported in this financial report. The following is a condensed version of the government-wide statement of net assets.

	Governmental Activities 12/31/2004	Governmental Activities 12/31/2003	Business-type Activities 12/31/2004	Business-type Activities 12/31/2003	Total 12/31/2004	Total 12/31/2003
ASSETS						
Current and other assets	28,618,573	21,870,936	7,422,716	5,366,945	36,041,289	27,237,881
Capital assets, net of depreciation	65,210,931	61,572,467	86,429,804	78,330,698	151,640,735	139,903,165
Total Assets	\$ 93,829,504	\$ 83,443,403	\$ 93,852,520	\$ 83,697,643	\$ 187,682,024	\$ 167,141,046
LIABILITIES						
Current liabilities	2,754,363	3,378,466	145,444	121,996	2,899,807	3,500,462
Liabilities payable from restricted assets	2,768,753	2,769,976	-	751,291	2,768,753	3,521,267
Noncurrent liabilities	40,447,575	39,056,626	14,811,005	14,932,914	55,258,580	53,989,540
Total Liabilities	\$ 45,970,691	\$ 45,205,068	\$ 14,956,449	\$ 15,806,201	\$ 60,927,140	\$ 61,011,269
NET ASSETS						
Invested in capital assets, net of related debt	26,934,764	25,290,680	71,734,290	63,605,297	98,669,054	88,895,977
Restricted	12,652,499	6,676,723	4,122,372	811,273	16,774,871	7,487,996
Unrestricted	8,271,550	6,270,932	3,039,409	3,474,872	11,310,959	9,745,804
Total Net Assets	\$ 47,858,813	\$ 38,238,335	\$ 78,896,071	\$ 67,891,442	\$ 126,754,884	\$ 106,129,777

Table 1 City of Issaquah's Net Assets

The largest component of the City's net assets, 78% or \$98,669,054 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. 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 \$ 19,867,942 in 2004. The increase was \$8,862,635 (45%) in the governmental activities and \$11,005,307 (55%) in the business-type activities. The following table shows the

CITY OF ISSAQUAH

revenues, expenses and related changes in net assets in tabular form for the governmental activities separate from the business-type activities.

City of Issaquah's Changes in Net Assets

	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
Revenues:						
Program Revenues						
Charges for services	\$ 6,523,590	\$ 5,417,544	\$ 11,619,957	\$ 10,223,638	\$ 18,143,547	\$ 15,641,182
Operating grants & contribution	760,868	248,882	-	(48,769)	760,868	200,113
Capital grants & contributions	6,878,060	4,356,998	9,347,067	1,666,019	16,225,127	6,023,017
General revenues:						
Property taxes	4,713,174	4,044,066			4,713,174	4,044,066
Sales taxes	9,608,164	9,250,608			9,608,164	9,250,608
Business taxes	4,947,733	3,761,120			4,947,733	3,761,120
Other taxes	3,164,595	1,911,006			3,164,595	1,911,006
Investment earnings	361,386	442,400	50,893	38,300	412,279	480,700
Miscellaneous	-	18,331			-	18,331
Total revenues	\$ 36,957,570	\$ 29,450,955	\$ 21,017,917	\$ 11,879,188	\$ 57,975,487	\$ 41,330,143
Expenses:						
Judicial	85,029				85,029	-
General government	5,949,918	5,957,499			5,949,918	5,957,499
Public safety	8,398,617	7,736,486			8,398,617	7,736,486
Physical environment	408,881	480,186			408,881	480,186
Transportation	5,437,885	5,306,036			5,437,885	5,306,036
Economic environment	2,727,974	2,501,909			2,727,974	2,501,909
Health	226,847				226,847	-
Culture and recreation	4,130,015	4,096,617			4,130,015	4,096,617
Interest on long term debt	1,405,015	1,649,808			1,405,015	1,649,808
Water			4,165,418	3,422,486	4,165,418	3,422,486
Sewer			3,409,732	3,217,292	3,409,732	3,217,292
Storm Water			2,119,090	1,979,108	2,119,090	1,979,108
Total expenses	\$ 28,770,181	\$ 27,728,541	\$ 9,694,239	\$ 8,618,886	\$ 38,464,420	\$ 36,347,427
Increase (decrease) in net assets before transfers	8,187,389	1,722,414	11,323,678	3,260,302	19,511,067	4,982,716
Transfers, net	318,371	(78,200)	(318,371)	78,200	-	-
Miscellaneous Revenue	356,875					
Increase (decrease) in net ass	8,862,635	1,644,214	11,005,307	3,338,502	19,867,942	4,982,716
Net Assets - beginning	38,238,335	43,306,859	67,891,442	64,552,940	106,129,777	107,859,799
Prior period adjustment	757,843	(6,712,738)	(678)		757,165	(6,712,738)
Net Assets - ending	\$ 47,858,813	\$ 38,238,335	\$ 78,896,071	\$ 67,891,442	\$ 126,754,884	\$ 106,129,777

Table 2 City of Issaquah's Changes in Net Assets

Governmental activities contributed \$8.9 million of the total change in net assets of \$19.9 million. Key elements of the increase are as follows:

- Governmental revenues increased \$7.5 million. Charges for services increased \$1.1 million, in part due to increase in recreation fees at the pool and community center. Operating grants and contributions increased \$511,986. Tax Revenue increased \$3.5 million. Property taxes increased \$669,108, primarily from new construction. Sales tax increased \$357,556, business taxes increased \$1,186,613 and other taxes increased \$1,253,589. 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 2004 when faced with these revenues for

CITY OF ISSAQUAH

governmental activities. The net result was that the City was able to maintain adequate reserves and meet contingencies.

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

Governmental Activities - Revenues

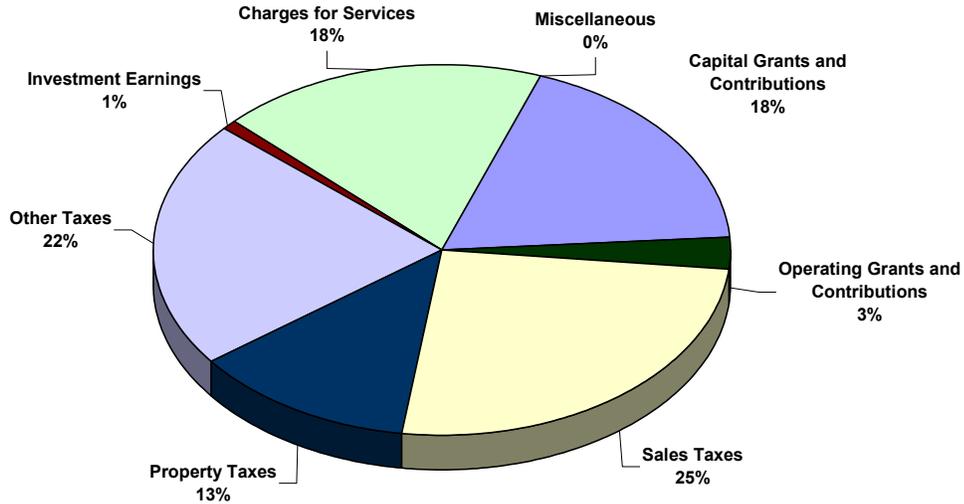


Figure 1 Governmental Activities - Revenues Chart

Governmental Activities - Expenditures

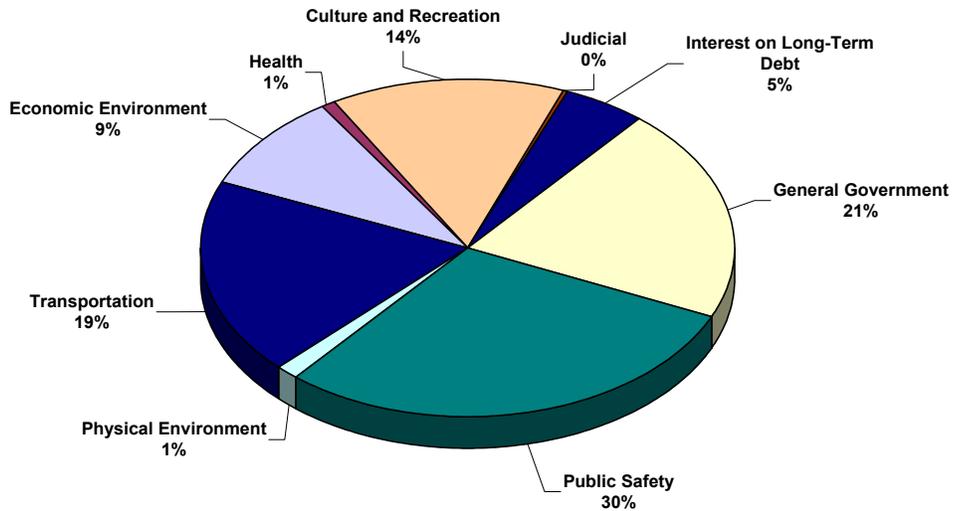


Figure 2 Governmental Activities - Expenditures Chart

Business-type activities of the City's utilities increased the City of Issaquah's net assets by \$11.0 million. Growth of \$9.2 million consists of contributed capital including utility infrastructure by the developers of The Highlands and Talus.

Business Type Activities - Revenues

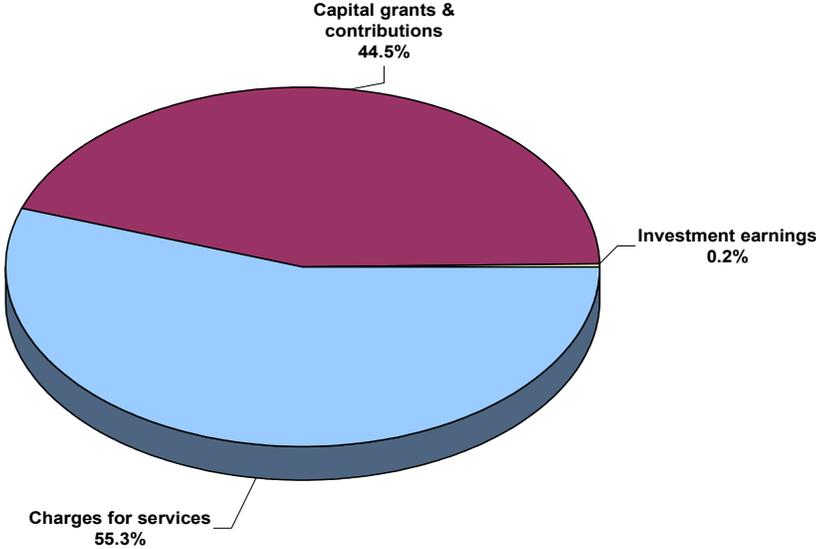


Figure 3 Business-Type Activities - Revenues Chart

Business Type Activities - Expenses

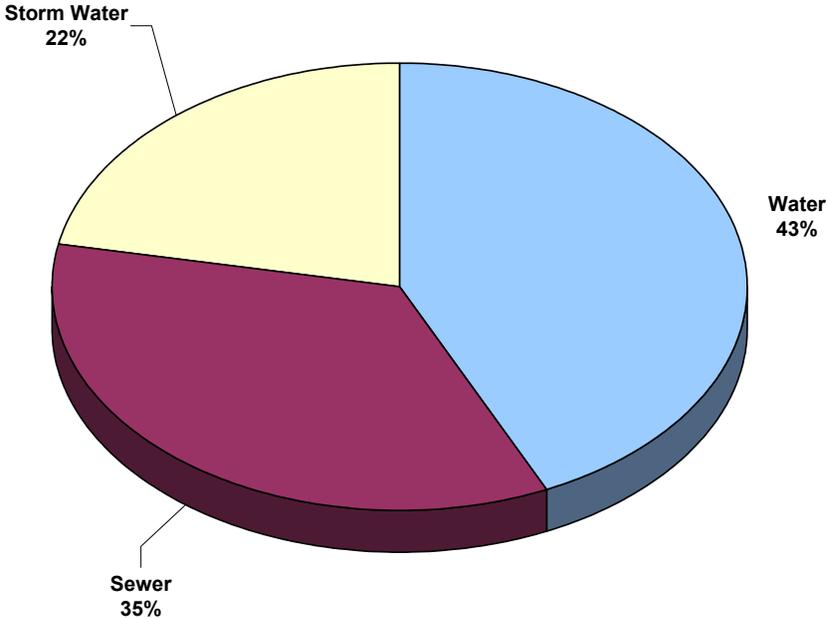


Figure 4 Business-Type Activities - Expenditures Chart

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 \$20.0 million. Of the total ending fund balance, \$1.2 million is reserved for debt service. Of the remaining fund balance, \$9.8 million is earmarked for capital construction projects and \$2.3 million resides with special revenue funds. Additionally, Internal Service Funds have \$6.7 million Net Assets with \$2.2 invested in capital assets.

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. At the end of 2004 the fund balance of the general fund was \$ 6.8 million. As a measure of the fund's liquidity, the ending fund balance is 35% of the fund's 2004 expenditures.

The general fund balance increased \$1.6 million from the prior year. Revenues increased by \$2.5 million, while expenditures increased by \$1.6 million. Revenues exceeded expenditures in the general fund by \$1.6 million in 2004. Net transfers out of the general fund totaled \$1.5 million, primarily to the street fund.

The street special revenue fund has a fund balance of \$1.2 million an increase of \$492,417 from 2003. 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 \$2.4 million, an increase of \$422,533 from 2003. In 2004, \$2.5 million was transferred for debt service. Capital construction in progress additions for 2004 was \$2.5 million, of which \$1 million was for the Sunset Interchange and \$1.4 million was for parks in the Highlands.

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 \$1.1million or 6%. Licenses and permits and Intergovernmental revenues were respectively \$869,907 and \$579,401 greater than budgeted revenues. Total expenditures were below budgeted by \$835,506 or 5%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Issaquah’s investment in capital assets for its governmental and business-type activities as of December 31, 2004 amounts to \$150 million (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, construction in progress, and utility transmission/distribution systems.

Major capital assets changes during 2004 included the following:

Water, sewer and storm drainage infrastructure improvement projects totaling \$2 million were in progress during 2004. Developers donated capital of \$418,216 in utility infrastructure during 2004.

General capital improvement projects for improvement and expansion general governmental activities including City streets and traffic corridors, and parks land acquisitions totaling \$5.3 million were under way.

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

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Land and other non depreciables	\$ 22,896,171	\$ 8,958,052	\$ 31,854,223
Buildings and improvements	34,132,031	75,078,682	109,210,713
Machinery and equipment	2,876,698	336,074	3,212,772
Construction in progress	5,306,031	2,056,996	7,363,027
Total	\$ 65,210,931	\$ 86,429,804	151,640,735

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, 2004. As allowed by GASB, the City has elected not to report its transportation infrastructure in 2004 except for that added in 2004 (\$2.million).

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.

Long-Term Debt

At the end of 2004, the City of Issaquah had total bonded debt outstanding of \$46 million and other long-term debt of \$7.3 million.

CITY OF ISSAQUAH

New Bonds Issued: On December 6, 2004 the City Council approved the issuance and sale of Limited Tax General Obligation Bonds for \$3,850,000. The bonds are for general City purposes to provide funds with which to pay for or reimburse itself for a part of the cost of construction, acquisition of capital equipment and or other improvements to Issaquah Highlands Park, and of reconstruction and leasehold improvements to City Hall.

The total debt is distributed as follows.

City of Issaquah's Long-Term Debt

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
General Obligation Bonds	\$ 32,120,000	\$ -	\$ 32,120,000
Revenue Bonds	-	13,830,000	13,830,000
Special Assessments		118,885	118,885
Interlocal Agreement	6,300,000	0	6,300,000
Installment Contracts	-	858,080	858,080
Total	\$ 38,420,000	\$ 14,806,965	\$ 53,226,965

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 2004 was \$ 3,336,875,663 and the total amount of debt the City may issue is \$250,265,673. Remaining debt capacity is as follows:

CITY OF ISSAQUAH

COMPUTATION OF LEGAL DEBT MARGIN
AS OF DECEMBER 31, 2004

	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, 2004 Assessed Value*:					
\$	3,336,875,663				
2.50 % of Assessed Value	\$ -	\$ 83,421,891	\$ 83,421,891	\$ 83,421,891	\$ 250,265,673
1.50% of Assessed Value	50,053,134	(50,053,134)	-	-	-
Statutory Debt Limit	\$ 50,053,134	\$ 33,368,757	\$ 83,421,891	\$ 83,421,891	\$ 250,265,673
Less Debt Outstanding (General Obligation Bonds)	\$ (25,890,000)	\$ (6,039,623)	\$ (190,377)	\$ -	\$ (32,120,000)
Add Amount Available in Debt Service Fund	60,644	826,622	-	-	887,266
Remaining Debt Capacity	\$ 24,223,778	\$ 28,155,756	\$ 83,231,514	\$ 83,421,891	\$ 219,032,939

* 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 few years the City has aggressively pursued expenditure controls so as to not exceed a revenue base that has been weakened by a slow economy. While we have seen a modest increase in revenues occurring in 2004, the Administration remains conservative on the expenditure side for 2005. Non-salary expenditure lines have been held at the 2004 base level, with the exception of some uncontrollable costs, such as utility charges and insurance premiums. The only major additions on the operating side are costs related to starting a Municipal Court, and costs associated with water chlorination activities, stormwater functions at the Providence Point facilities, and the addition of maintenance personnel to Public Works Operations.

The 2005 Annual Budget includes a 1% increase in property tax collection over that levied in 2004. This amounts to \$37,734. While this one-year effect is relatively small, it is fiscally prudent to attempt minimally to keep up with inflation, which continues to drive up our operating costs.

Governmental Activities:

In 2005, General Fund budgeted expenditures total \$23,478,561, which represents a 7.8% increase over year 2004 operating levels. The majority of this increase (\$1,700,976) is due to the increase in the Street Fund subsidy (\$500,000), providing a Budget for the newly created Municipal Court (\$255,800), insurance premium increases (\$100,000), and salary and benefit cost increases, which include a 2% cost-of-living adjustment (COLA) for City employees.

In 2004, the voted-in excess property tax rate was \$0.37 per \$1,000 of assessed valuation. Due to the dilutive effect of the growth in the overall City assessed valuation, and the calling-in of an outstanding bond (from reserves built up over the past several years), the excess property tax rate is expected to drop to at least \$0.32 per \$1,000 of assessed valuation. This represents a decrease of 13.5%.

A large share of capital expenditures in the capital projects fund are prior commitments, including debt payments of \$2,710,849 for eight councilmanic bonds.

Major non-bond funded capital projects budgeted include:

- ▶ \$1,000,000 to meet City commitment to Sound Transit for a Fire Station site at the Issaquah Park and Ride Lot;
- ▶ \$250,000 for the Road Overlay Program;
- ▶ \$50,000 for the Sidewalk Improvement Plan;

Road projects budgeted in the capital funds include:

- ▶ \$3,630,000 for the ITS Traffic System Improvements;
- ▶ \$2,000,000 for Juniper Bridge Replacement;
- ▶ \$552,322 for the proposed SE Bypass;
- ▶ \$253,000 to continue with work on the I-90 Crossing;
- ▶ \$445,609 for SE 56th / E. Lake Sammamish Intersection Improvements;
- ▶ \$420,000 for Front Street/Gilman Boulevard Intersection Improvements;
- ▶ \$350,090 for SE 229th Traffic Signal;
- ▶ \$260,000 for Highpoint Trail Extension;
- ▶ \$142,140 for NW Dogwood Street Improvements;
- ▶ \$56,228 for NW Juniper Street Improvements.

Business-Type Activities:

No increase in water rates is included in the 2005 Budget.

Water Capital Projects budgeted in 2005 include:

- ▶ \$500,000 for the Citywide Watermain Replacement Program;
- ▶ \$32,000 for Plan Specs on Water System Seismic Retrofits;
- ▶ \$10,000 for a Lakemont Emergency Water Connection.

No increase in the City's portion of sewer rate is proposed. A King County METRO pass-through increase of 9.4% is included in the 2005 annual budget.

Capital projects budgeted in 2005 include:

- ▶ \$350,000 to reline 5,000 to 6,000 feet of sewer line;
- ▶ \$30,000 to continue design on replacement of the West Downtown Sewer Trunk Main II;
- ▶ \$15,000 to continue design on replacement of the West Downtown Sewer Trunk Main I;

- ▶ \$27,000 for manhole sealing on NW Sammamish Parkway.

No increase in stormwater rates is included.

Major Stormwater projects budgeted include:

- ▶ \$1,593,000 for Squak Valley Park and Issaquah Creek Stream Restoration;
- ▶ \$165,000 for the Citywide Retrofit and Reline Program;
- ▶ \$150,000 for Eastlake Sammamish Road Drainage Improvements;
- ▶ \$15,000 for pre-design work to replace Tributary 0170 Culvert at NW Sammamish Road;
- ▶ \$5,000 for pre-design work on Tributary 0170 Drainage Improvements (NW Sammamish Road/SR900);
- ▶ \$5,000 for pre-construction work to replace Dogwood Bridge.

REQUESTS FOR INFORMATION

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

**BASIC
FINANCIAL
STATEMENTS**

CITY OF ISSAQUAH

STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Activities 12/31/2004	Business-type Activities 12/31/2004	Total 12/31/2004
ASSETS			
<i>Current Assets:</i>			
Cash & cash equivalents	\$ 18,959,105	\$ 6,688,450	\$ 25,647,555
Restricted cash	2,768,753	-	2,768,753
Investments	2,000,000	-	2,000,000
Receivables (net)	4,564,358	446,022	5,010,380
Internal balances	8,020	(8,020)	-
Interest receivable	53,932	-	53,932
Interfund loans	160,000	(160,000)	-
Inventories	104,405	456,264	560,669
<i>Capital Assets (net of accumulated depreciation):</i>			
Land	20,772,023	8,958,052	29,730,075
Infrastructure	2,038,331	-	2,038,331
Other assets	85,817	-	85,817
Buldings	29,403,877	11,184,417	40,588,294
Improvements other than buildings	4,728,154	-	4,728,154
Plant and service	-	63,894,265	63,894,265
Machinery and equipment	2,876,698	336,074	3,212,772
Construction in progress	5,306,031	2,056,996	7,363,027
Total Assets	93,829,504	93,852,520	187,682,024
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts payable	505,739	85,875	591,614
Accrued interest	114,574	59,569	174,143
Unearned revenue	2,134,050	-	2,134,050
<i>Current Liabilities Payable from Restricted Assets:</i>			
Liabilities payable from restricted assets	2,768,753	-	2,768,753
<i>Noncurrent Liabilities:</i>			
Due within one year	2,265,000	791,872	3,056,872
Due in more than one year	37,826,408	14,130,584	51,956,992
Other	356,167	(111,451)	244,716
Total Liabilities	45,970,691	14,956,449	60,927,140
NET ASSETS			
Invested in capital assets, net of related debt	26,934,764	71,734,290	98,669,054
Restricted for:			
Debt service	2,265,000	791,872	3,056,872
Capital projects	10,114,294	3,330,500	13,444,794
Other	273,205	-	273,205
Unrestricted	8,271,550	3,039,409	11,310,959
Total Net Assets	\$ 47,858,813	\$ 78,896,071	\$ 126,754,884

Table 6 Statement of Net Assets

CITY OF ISSAQUAH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<i>Governmental Activities:</i>							
Judicial	\$ 85,029	\$ 89,321	\$ -	\$ -	\$ 4,292		\$ 4,292
General Government	5,949,918	961,190	-	-	(4,988,728)		(4,988,728)
Public Safety	8,398,617	1,296,485	31,142	-	(7,070,990)		(7,070,990)
Physical Environment	408,881	255,944	535,996	4,937	387,996		387,996
Transportation	5,437,885	250,219	137,703	6,140,418	1,090,455		1,090,455
Human Services	-	-	13,577	-	13,577		13,577
Economic Environment	2,727,974	1,778,513	17,000	-	(932,461)		(932,461)
Health	226,847	-	-	-	(226,847)		(226,847)
Culture & Recreation	4,130,015	1,891,918	25,450	732,705	(1,479,942)		(1,479,942)
Interest on long-term debt	1,405,015	-	-	-	(1,405,015)		(1,405,015)
<i>Total Governmental Activities:</i>	<i>28,770,181</i>	<i>6,523,590</i>	<i>760,868</i>	<i>6,878,060</i>	<i>(14,607,663)</i>	<i>-</i>	<i>(14,607,663)</i>
<i>Business-type Activities:</i>							
Water	4,165,418	5,376,233	-	2,371,413		3,582,228	3,582,228
Sewer	3,409,732	3,837,648	-	3,420,519		3,848,435	3,848,435
Storm Water	2,119,090	2,406,077	-	3,555,135		3,842,122	3,842,122
<i>Total Business-type Activities:</i>	<i>9,694,240</i>	<i>11,619,958</i>	<i>-</i>	<i>9,347,067</i>	<i>-</i>	<i>11,272,785</i>	<i>11,272,785</i>
Total Primary Government	\$ 38,464,421	\$ 18,143,548	\$ 760,868	\$ 16,225,127	\$ (14,607,663)	\$ 11,272,785	\$ (3,334,878)
GENERAL REVENUES:							
					\$ 4,713,174	\$ -	\$ 4,713,174
					9,608,164		9,608,164
					4,947,733		4,947,733
					3,164,595		3,164,595
					361,386	50,893	412,279
					356,875		356,875
Transfers					318,371	(318,371)	-
Total General Revenues & Transfers					23,470,298	(267,478)	23,202,820
Change in Net Assets					8,862,635	11,005,307	19,867,942
Net Assets - Beginning					38,238,335	67,891,442	106,129,777
Prior period adjustments					757,843	(678)	757,165
Net Assets - Ending					\$ 47,858,813	\$ 78,896,071	\$ 126,754,884

Table 7 Statement of Activities

CITY OF ISSAQUAH

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General Fund	Street	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
<i>Current Assets:</i>					
Cash & cash equivalents	\$ 3,578,972	\$ 572,336	\$ 1,026,950	\$ 9,365,792	\$ 14,544,050
Investments	1,000,000	-	1,000,000	-	2,000,000
Receivables (net)	2,338,654	694,998	815,418	568,076	4,417,146
Interest Receivable	50,711	352	-	2,869	53,932
Due from other funds	-	-	100,000	-	100,000
Total assets	\$ 6,968,337	\$ 1,267,686	\$ 2,942,368	\$ 9,936,737	\$ 21,115,128
LIABILITIES					
<i>Current Liabilities:</i>					
Accounts payable and accrued exp.	209,053	95,009	15,000	158,553	477,615
Matured bond	-	-	-	168,090	168,090
Accrued interest payable	-	-	-	114,574	114,574
<i>Noncurrent Liabilities</i>	-	-	500,000	(143,833)	356,167
Total liabilities	209,053	95,009	515,000	297,384	1,116,446
FUND BALANCE					
<i>Reserved for:</i>					
Debt service	-	-	-	1,167,184	1,167,184
<i>Unreserved, reported in</i>					
General Fund	6,759,284	-	-	-	6,759,284
Special revenue funds	-	1,172,677	-	1,327,935	2,292,214
Capital project funds	-	-	2,427,368	7,352,632	9,780,000
Total fund balance	6,759,284	1,172,677	2,427,368	9,847,751	19,998,682
Total liabilities and fund balance	\$ 6,968,337	\$ 1,267,686	\$ 2,942,368	\$ 10,145,135	\$ 21,115,128
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.					65,210,931
Long-term liabilities are not due and payable in the current period and therefore are not reported in				(40,091,408)	
Less noncurrent liabilities reported in Governmental Activities				<u>168,090</u>	
Total difference in noncurrent liabilities reported in Government-wide Statements					(39,923,318)
Internal service funds are used by management to charge the costs of certain activities to individuals				4,460,302	
Plus compensated absences included with long-term liabilities above				<u>238,246</u>	
					4,698,548
Permit fees collected in current year; service not performed					(2,134,050)
Internal balance asset with liability in Enterprise Funds for services provided by Internal Service Funds					8,020
Net assets of governmental activities					<u>\$ 47,858,813</u>

Table 8 Governmental Funds Balance Sheet

CITY OF ISSAQUAH

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

FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Street	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
<i>Taxes:</i>					
Property	\$ 3,830,520	\$ -	\$ -	\$ 882,654	\$ 4,713,174
Sales	6,770,121	-	2,785,735	52,308	9,608,164
B&O	4,737,283	-	-	210,450	4,947,733
Other	165,208	-	1,499,376	1,500,011	3,164,595
Licenses & Permits	2,644,407	76,670	-	179,116	2,900,193
Intergovernmental	1,045,633	4,085,533	204,969	3,213,373	8,916,508
Charges for Services	2,328,004	46,310	-	167,353	2,541,667
Fines & Forfeitures	89,321	-	-	-	89,321
Investment Earnings	243,434	3,128	16,373	70,975	333,910
Rents & Leases	509,812	-	-	-	509,812
Miscellaneous Revenues	95,765	150	243,459	1,719	341,093
Total revenues	<u>22,459,508</u>	<u>4,211,791</u>	<u>4,749,912</u>	<u>6,277,959</u>	<u>38,066,170</u>
EXPENDITURES					
Judicial	82,865	-	-	-	82,865
General Government	4,764,631	-	970,060	70,347	5,805,038
Public Safety	7,956,597	-	16,007	113,534	8,086,138
Physical Environ	-	-	-	456,779	456,779
Transportation	-	4,693,466	349,242	99,358	5,142,066
Health & Human Services	228,494	-	-	-	228,494
Economic Environment	2,632,189	-	-	-	2,632,189
Culture & Recreation	3,795,915	-	1,034	138,178	3,935,127
<i>Debt Service:</i>					
Principal	-	-	-	2,881,622	2,881,622
Interest	-	-	-	1,397,844	1,397,844
Other	-	-	-	7,171	7,171
<i>Capital Outlay:</i>					
General government	17,080	-	-	459,299	476,379
Judicial	-	-	-	20,811	20,811
Public safety	4,122	-	-	146,276	150,398
Physical environment	-	-	-	16,669	16,669
Transportation	-	6,158	1,060,810	1,942,019	3,008,987
Culture & recreation	-	-	-	1,456,376	1,456,376
Total expenditures	<u>19,481,893</u>	<u>4,699,624</u>	<u>2,397,153</u>	<u>9,206,283</u>	<u>35,784,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,977,615</u>	<u>(487,833)</u>	<u>2,352,759</u>	<u>(2,928,324)</u>	<u>2,281,217</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	102,200	1,378,000	-	3,303,531	4,783,731
Transfers out	(1,467,474)	(30,750)	(2,497,226)	(679,384)	(4,674,834)
Debt proceeds	-	-	200,000	3,620,000	3,820,000
Disposition of capital assets	-	-	-	339,054	339,054
Total other financing sources (uses)	<u>(1,365,274)</u>	<u>1,347,250</u>	<u>(2,297,226)</u>	<u>6,583,201</u>	<u>4,267,951</u>
Net change in fund balances	1,612,341	859,417	55,533	3,654,877	6,549,168
Fund balances--beginning	<u>5,146,943</u>	<u>313,260</u>	<u>1,964,835</u>	<u>5,640,149</u>	<u>13,065,187</u>
Restate			407,000	(22,673)	384,327
Fund balances--ending	<u>\$ 6,759,284</u>	<u>\$ 1,172,677</u>	<u>\$ 2,427,368</u>	<u>\$ 9,639,353</u>	<u>\$ 19,998,682</u>

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

CITY OF ISSAQUAH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2004

Net changes in fund balances for governmental funds \$ 6,549,168

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.

This is comprised of:

	Capital outlays	5,129,620	
	Depreciation	(1,132,116)	
	Change in assets due to sales	<u>(325,059)</u>	
			3,672,445

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	(3,820,000)	
	Debt Retired	<u>2,881,622</u>	
			(938,378)

Some revenues 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>(854,474)</u>	
			(854,474)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

	Compensated absences	<u>(147,611)</u>	
			(147,611)

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	283,251	
	Grants and donations	61,284	
	Intergovernmental transfers	209,474	
	Outside interest revenue	<u>27,476</u>	
			581,485

Change in net assets of governmental activities \$ 8,862,635

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 YEAR ENDED DECEMBER 31, 2004

	GENERAL FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Taxes:				
Property	\$ 3,750,000	\$ 3,750,000	\$ 3,838,279	\$ 88,279
Sales	6,825,000	6,825,000	6,786,149	(38,851)
Business Taxes	4,150,000	4,150,000	4,430,844	280,844
Other Taxes	295,000	295,000	182,025	(112,975)
Licenses and Permits	1,774,500	1,774,500	2,644,407	869,907
Intergovernmental	480,442	480,442	1,059,843	579,401
Charges for Services	2,973,500	2,973,500	2,372,670	(600,830)
Fines and Forfeits	134,000	134,000	89,321	(44,679)
Investment Income	295,000	295,000	195,538	(99,462)
Contributions and Donations		-	10,769	10,769
Miscellaneous	254,558	254,558	470,617	216,059
TOTAL REVENUES	20,932,000	20,932,000	22,080,462	1,148,462
EXPENDITURES				
Current:				
General Government:				
Council	72,260	72,260	73,211	951
Court	37,000	37,000	78,154	41,154
Executive	508,179	508,179	497,059	(11,120)
Human Resources	455,596	455,596	438,585	(17,011)
City Clerk	479,507	479,507	477,464	(2,043)
Information and Admin Services	597,623	597,623	548,075	(49,548)
Financial Services	535,096	535,096	516,145	(18,951)
Legal	304,000	304,000	335,669	31,669
Community Services	206,193	206,193	147,538	(58,655)
Facility Services	1,503,908	1,503,908	1,363,932	(139,976)
Other General Government Services	446,525	446,525	536,752	90,227
General Government Services	5,145,887	5,145,887	5,012,584	(133,303)
Securities of Persons and Property	8,475,863	8,475,863	7,961,636	(514,227)
Utilities and environment	80,779	80,779	92,217	11,438
Economic environment	2,613,242	2,613,242	2,638,930	25,688
Mental and physical health	93,335	93,335	79,706	(13,629)
Culture and Recreation	3,901,005	3,901,005	3,689,532	(211,473)
Total Expenditures	20,310,111	20,310,111	19,474,605	(835,506)
Excess(deficiency) of revenues over (under) expenditures	621,889	621,889	2,605,857	1,983,968
OTHER FINANCING SOURCES (USES)				
Transfers In	446,000	446,000	102,200	(343,800)
Transfers Out	(1,467,474)	(1,467,474)	(1,467,474)	-
Total Other financing sources and uses	(1,021,474)	(1,021,474)	(1,365,274)	(343,800)
Net change in fund balances	(399,585)	(399,585)	1,240,583	1,640,168
Fund Balances-beginning	2,850,000	2,850,000	3,377,001	527,001
Fund balances-ending	\$ 2,450,415	\$ 2,450,415	\$ 4,617,584	\$ 2,167,169

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 YEAR ENDED DECEMBER 31, 2004

	STREET FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Licenses and Permits	\$ 86,000	\$ 86,000	\$ 73,817	\$ (12,183)
Intergovernmental	212,000	212,000	390,578	178,578
Charges for Services	38,000	38,000	32,609	(5,391)
Investment Income	4,000	4,000	2,703	(1,297)
Contributions and Donations	3,382,630	3,382,630	3,016,511	(366,119)
Miscellaneous	102,000	102,000	223	(101,777)
TOTAL REVENUES	3,824,630	3,824,630	3,516,441	(308,189)
EXPENDITURES				
Transportation (Highways and Streets)	5,408,425	5,428,544	4,701,955	726,589
Total Expenditures	5,408,425	5,428,544	4,701,955	726,589
Excess(deficiency) of revenues over (under) expenditures	(1,583,795)	(1,603,914)	(1,185,514)	418,400
OTHER FINANCING SOURCES (USES)				
Transfers In	1,378,000	1,378,000	1,378,000	-
Transfers Out	(30,750)	(30,750)	(30,750)	-
Net change in fund balances	(236,545)	(256,664)	161,736	418,400
Fund Balances-beginning	444,832	444,832	410,654	(34,178)
Fund balances-ending	\$ 208,287	\$ 188,168	\$ 572,390	\$ 384,222

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 YEAR ENDED DECEMBER 31, 2004**

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Svc Funds
	Water	Sewer	Storm	Total	
ASSETS					
<i>Current assets:</i>					
Cash & cash equivalents	\$ 4,070,375	\$ 1,733,148	\$ 884,927	\$ 6,688,450	\$ 4,415,055
Receivables (net)	276,118	131,195	38,709	446,022	147,212
Due from other funds	-	-	-	-	60,000
Inventories	387,186	17,514	51,564	456,264	104,405
<i>Capital assets net:</i>					
Land and other nondepreciable assets	8,958,052	-	-	8,958,052	-
Buildings and improvements	9,321,159	-	1,863,258	11,184,417	48,027
Plant and service	33,020,178	13,781,860	17,092,227	63,894,265	-
Machinery and equipment	309,728	24,118	2,228	336,074	2,143,589
Construction in progress	231,058	117,565	1,708,373	2,056,996	-
Total assets	\$ 56,573,854	\$ 15,805,400	\$ 21,641,286	\$ 94,020,540	\$ 6,918,288
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable & accrued exp.	74,145	7,652	4,078	85,875	28,124
Due to other funds	-	-	160,000	160,000	-
Matured bond	570,000	15,581	206,291	791,872	-
Accrued interest payable	40,341	1,753	17,475	59,569	-
Other current liabilities	-	-	-	-	-
<i>Noncurrent liabilities:</i>					
Compensated absences	53,914	25,710	35,867	115,491	238,246
Special assesment debt with governmental commitment	-	103,304	-	103,304	-
Bonds, notes, loans payable	10,285,000	-	3,626,789	13,911,789	-
Other current liabilities	(100,130)	-	(11,321)	(111,451)	-
Total liabilities	\$ 10,923,270	\$ 154,000	\$ 4,039,179	\$ 15,116,449	\$ 266,370
NET ASSETS					
Invested in cap. assets, net of related debt	40,993,322	13,907,962	16,833,006	71,734,290	2,191,616
Restricted for:					
Debt service	570,000	15,581	206,291	791,872	-
Capitla assets	975,550	422,000	1,933,000	3,330,550	-
Unrestricted	3,111,712	1,305,857	(1,370,190)	3,047,379	4,460,302
TOTAL net assets	\$ 45,650,584	\$ 15,651,400	\$ 17,602,107	\$ 78,904,091	\$ 6,651,918
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				(8,020)	
Net assets of business-type activities				\$ 78,896,071	

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, 2004

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Stormwater	Total	
OPERATING REVENUES					
Charges for Services	\$ 5,272,151	\$ 3,817,811	\$ 2,406,132	\$ 11,496,094	\$ 3,932,977
Total operating revenues	<u>5,272,151</u>	<u>3,817,811</u>	<u>2,406,132</u>	<u>11,496,094</u>	<u>3,932,977</u>
OPERATING EXPENSES					
Maintenance & operations	2,692,825	3,170,281	1,608,412	7,471,518	2,739,066
Administrative & general	117,342	-	-	117,342	450,583
Depreciation	872,517	260,937	331,899	1,465,353	469,435
Total operating expenses	<u>3,682,684</u>	<u>3,431,218</u>	<u>1,940,311</u>	<u>9,054,213</u>	<u>3,659,084</u>
Operating income (loss)	<u>1,589,467</u>	<u>386,593</u>	<u>465,821</u>	<u>2,441,881</u>	<u>273,893</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	-	-	-	-	-
Investment earnings	17,747	17,895	15,251	50,893	111,119
Interest (expense)	(503,799)	(9,544)	(193,923)	(707,266)	
Debt issuance costs	(6,440)	-	(599)	(7,039)	
Gain (loss) on disposition of assets	-	-	-	-	-
Other nonoperating revenues (expenses)	104,082	19,837	(55)	123,864	-
Total non-operating income (expense)	<u>(388,410)</u>	<u>28,188</u>	<u>(179,326)</u>	<u>(539,548)</u>	<u>111,119</u>
Income before contributions & transfers	<u>1,201,057</u>	<u>414,781</u>	<u>286,495</u>	<u>1,902,333</u>	<u>385,012</u>
Capital grants	7,239	-	180,500	187,739	
Capital contributions	2,364,172	3,420,519	3,374,635	9,159,326	61,284
<i>Transfers</i>					
Transfers in	1,891,853	457,393	1,002,533	3,351,779	209,474
(Transfers out)	(2,015,423)	(512,393)	(1,142,333)	(3,670,149)	-
Change in net assets	<u>3,448,898</u>	<u>3,780,300</u>	<u>3,701,830</u>	<u>10,931,028</u>	<u>655,770</u>
Net assets--beginning	<u>42,201,686</u>	<u>11,871,100</u>	<u>13,900,955</u>	<u>67,973,741</u>	<u>5,996,148</u>
Restate			(678)	(678)	
Net assets--ending	<u>\$ 45,650,584</u>	<u>\$ 15,651,400</u>	<u>\$ 17,602,107</u>	<u>\$ 78,904,091</u>	<u>\$ 6,651,918</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				74,279	
Change in net assets of business-type activities				<u>\$ 11,005,307</u>	

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, 2004

Page 1 of 2

	Business Type Activities - Enterprise Funds				Governmental
	Water	Sewer	Storm	Totals	Internal
					Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received From Customers	\$ 4,415,988	\$ 3,736,175	2,467,090	\$ 10,619,253	\$ -
Cash Received From Interfund Services	720,000	-	-	720,000	3,910,115
Cash Payments to Suppliers	(1,994,868)	(2,941,098)	(1,008,729)	(5,944,695)	(842,837)
Cash Payments to Employees	(740,514)	(238,721)	(586,069)	(1,565,304)	(2,162,847)
Cash (Payments) Receipts to Other Gvmts	(117,342)	-	-	(117,342)	(130,218)
Cash for Other Operating	-	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,283,264	556,356	872,292	3,711,912	774,213
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating Transfers In					209,474
Operating Transfers (Out)	-	-	-	-	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	-	-	-	-	209,474
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Intergovernmental	7,241	-	180,498	187,739	60,000
Investments	5,291	19,854	-	25,145	1,284
Revenue Bond Interest	(504,035)	-	(160,584)	(664,619)	-
Interfund Loans-Principle (Paid)	(420,000)	-	(460,000)	(880,000)	2,780,000
Interfund Loan Interest (Expense)	(1,426)	-	(24,649)	(26,075)	-
Capital Expenditures Paid	(288,022)	(61,476)	(474,534)	(824,032)	(435,454)
Principal Repaid	(555,000)	(36,926)	(196,291)	(788,217)	(700,000)
Interest and Other Debt Service	-	(7,791)	(9,194)	(16,985)	-
Capital Cash Contributions from Developers	142,595	154,404	121,217	418,216	-
Capital Transfer In	1,891,853	457,393	1,002,533	3,351,779	-
Capital Transfer Out	(2,015,423)	(512,393)	(1,142,333)	(3,670,149)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,736,926)	13,065	(1,163,337)	(2,887,198)	1,705,830
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Rental Fees on Investments	98,791	-	-	98,791	-
Interest Received on Investment	15,752	16,282	14,427	46,461	106,709
NET CASH PROVIDED BY INVESTMENT ACTIVITIES	114,543	16,282	14,427	145,252	106,709
NET INCREASE (DECREASE) IN CASH	660,881	585,703	(276,618)	969,966	2,796,226
CASH AT BEGINNING OF YEAR	3,409,494	1,147,445	1,161,545	5,718,484	1,618,829
CASH AT END OF YEAR	\$ 4,070,375	\$ 1,733,148	\$ 884,927	\$ 6,688,450	\$ 4,415,055

Table 15 Proprietary Funds Statement of Cash Flows, page 1

CITY OF ISSAQUAH

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

Page 2 of 2

	Business Type Activities - Enterprise Funds				Governmental Activities
	Water	Sewer	Storm	Totals	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 1,589,467	\$ 386,593	\$ 465,821	\$ 2,441,881	\$ 273,893
Adjustment to Reconcile Operating Income to Net Cash Provided by Oper. Activities:					-
Depreciation	872,517	260,937	331,899	\$ 1,465,353	\$ 469,435
Decrease (Increase) in Accts Receivable	(136,163)	(81,636)	60,958	(156,841)	14,064
Decrease (Increase) in Inventory	15,424	9,663	4,591	29,678	(4,444)
Increase (Decrease) in Accts Payable	(34,755)	5,598	(6,963)	(36,120)	(13,244)
Increase (Decrease) in Employee Benefits	(23,226)	(24,799)	15,986	(32,039)	34,509
Net Cash Provided by Operating Activities	\$ 2,283,264	\$ 556,356	\$ 872,292	\$ 3,711,912	\$ 774,213

Table 16 Proprietary Funds Statement of Cash Flows, page 2

CITY OF ISSAQUAH

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	Fiduciary Fund Total
ASSETS	
<i>Current Assets:</i>	
Cash & cash equivalents	\$ 2,768,753
Total Assets	\$ 2,768,753
LIABILITIES	
Liabilities payable from restricted assets	2,768,753
Total Liabilities	\$ 2,768,753
NET ASSETS	
<i>Unreserved/unrestricted Equity</i>	
Permanent/Fiduciary funds	-
Total Net Assets	\$ -

Table 17 Trust & Agency Funds – Statement of Fiduciary Net Assets

NOTES TO FINANCIAL STATEMENTS

For the Year Ending December 31, 2004

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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 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.
- ▶ *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.

CITY OF ISSAQUAH

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 inter fund 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 surpluses. At December 31, 2004, the treasurer was holding \$18,432,878 in short-term deposits with the State Investment Pool. For reporting purposes, the City reported the \$32,878 as interest receivable and the principal of \$18,400,000 as Investment. 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** - Uncollected property taxes levied for the current year 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 2004. 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 12/31/2004 three owners were outstanding for a total amount of \$7,741.02. If necessary the City will take legal steps to collect the outstanding amounts.
- ▶ **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, and capital improvements with an original cost of \$5,000 or more each, machinery, equipment, software and other improvements with an original cost of \$1,000 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 2002, 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 2006. 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 capital assets is included in contributed capital.

When the City sells assets that fall below the value of capitalization or are fully depreciated then, for reporting purposes, the City records the revenue as miscellaneous revenue rather than sale of capital asset.

Land, infrastructure, 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 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 REVENUE

Deferred revenues are receivables which 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. After accruals, the Limited Debt Service Fund reflects a negative balance of \$27,256.

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 Improvement Fund
Revenue on the Budgetary Basis	\$ 22,080,462	\$ 3,516,441
Increase (Decrease) due to accruals	379,046	695,350
Revenue on the GAAP Basis	22,459,508	4,211,791
Expenditures on the Budgetary Basis	19,474,605	4,701,955
Increase (Decrease) due to accruals	7,288	(2,331)
Expenditures on the GAAP Basis	19,481,893	4,699,624
Other Financing Sources (Uses) On the Budgetary Basis	(1,365,274)	1,347,250
Increase (Decrease) due to accruals	-	-
Other Sources (Uses) on the GAAP Basis	(1,365,274)	1,347,250
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses On the Budgetary Basis	1,240,583	161,736
Increase (Decrease) due to accruals	371,758	697,681
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses On the GAAP Basis	1,612,341	859,417
Beginning Fund Balance on the Budgetary Basis	3,377,001	410,654
Increase (Decrease) due to accruals	1,769,942	(97,394)
Beginning Fund Balance on the GAAP Basis	5,146,943	313,260
Ending Fund Balance on the Budgetary Basis	4,617,584	572,390
Increase (Decrease) due to accruals	2,141,700	600,287
Ending Fund Balance on the GAAP Basis	<u>\$ 6,759,284</u>	<u>\$ 1,172,677</u>

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:

	2004 ORIGINAL BUDGET	2004 REVISIONS	AMENDED FINAL BUDGET
General Fund	\$21,777,585		\$21,777,585
Special Revenue Funds:			
Street	5,560,025	(120,850)	5,439,175
Arterial Street	21,137	92,344	113,481
Cemetery	31,700	22,500	54,200
Municipal Art	185,100		185,100
Resource Conservation	616,171	(90,367)	525,804
Communications	184,980		184,980
Lodging Tax	55,220	5,000	60,220
SUBTOTAL	6,654,333	(91,373)	6,562,960
Debt Service Funds:			
Voted G.O. Debt	880,196		880,196
Non-Voted G.O. Debt	2,582,227		2,582,227
L.I.D.s	808,510		808,510
L.I.D. Guaranty	565,000		565,000
SUBTOTAL	4,835,933	-	4,835,933
Capital Projects Funds:			
Capital Improvements	6,170,001	(252,000)	5,918,001
Mitigation	1,742,151	(275,000)	1,467,151
Street Improvement	4,093,615	(936,615)	3,157,000
Senior Center	312,994		312,994
Highlands Fire Station	-	134,000	134,000
Highlands Park	4,421,000	(10,000)	4,411,000
SUBTOTAL	16,739,761	(1,339,615)	15,400,146
TOTAL GOVERNMENTAL FUNDS	\$50,007,612	(\$1,430,988)	\$48,576,624

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, 2004, the carrying amount of the City's cash/cash equivalents was \$17,950,181 (including the State Investment Pool) and the bank balance was \$244,186. 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	\$ 25,647,555
Investments	2,000,000
Restricted Assets:	
Cash and Cash Equivalents	2,768,753
Total All Cash, Deposits, and Investments from Balance Sheet	<u>\$ 30,416,308</u>
Summary by Type:	
Cash and Cash Equivalents:	
Cash in Bank (bank balance)	\$ 10,003,433
Cash on Hand	2,875
Cash with Other Government	10,000
Cash with State Investment Pool	18,400,000
	\$ 28,416,308
Investments at Market	2,000,000
Total All Cash, Deposits, and Investments	<u>\$ 30,416,308</u>

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

Property taxes are recorded as a receivable when levied, offset by deferred revenue. 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:

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.

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 2004 was \$1.27 per \$1,000 of assessed valuation of \$3,027,362,027 for a total regular levy of \$3,786,877. Additionally, special levies for voter-approved General Obligation Bonds were \$0.37 per \$1,000 for an excess levy of \$886,000.

CITY OF ISSAQUAH

NOTE 7: PROPERTY, PLANT, AND EQUIPMENT

Governmental Activities Capital Asset activity for the year ended December 31, 2004 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decrease	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 20,533,715	\$ 561,580	\$ (323,272)	\$ 20,772,023
Infrastructure		2,038,331		2,038,331
Other Assets	85,817			85,817
Construction in Progress	9,800,885	2,512,688	(7,007,542)	5,306,031
Total capital assets not being depreciated	30,420,417	5,112,599	(7,330,814)	28,202,202
Capital Assets, being depreciated:				
Buildings	28,878,015	6,157,078		35,035,093
Improvements	4,666,840	766,399		5,433,239
Improvements EQR	63,866			63,866
Machinery and Equipment	2,913,985	101,086	(7,961)	3,007,110
Machinery and Equipment EQR	5,493,910	435,455	(34,377)	5,894,988
Total capital assets being depreciated	42,016,616	7,460,018	(42,338)	49,434,296
Less accumulated depreciation for:				
Building	(4,995,393)	(635,823)		(5,631,216)
Improvements	(403,668)	(349,444)		(753,112)
Improvements EQR	(14,817)	(1,022)		(15,839)
Machinery and Equipment	(2,133,326)	(146,849)	6,174	(2,274,001)
Machinery and Equipment EQR	(3,317,363)	(468,413)	34,377	(3,751,399)
Total capital assets, being depreciated, net	(10,864,567)	(1,601,551)	40,551	(12,425,567)
Governmental activities capital assets, net	\$ 61,572,466	\$ 10,971,066	\$ (7,332,601)	\$ 65,210,931

Table 23 Property, Plant and Equipment – Government Activities

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

Governmental activities:	
Judicial	\$ 2,081
General government	180,174
Public Safety	374,127
Physical Environment	(61,423)
Transportation	307,999
Economic environment	79,582
Culture & recreation	249,576
Total Depreciation Expense - Governmental Funds	1,132,116
Internal service funds:	
Total Depreciation Expense - Internal Service Funds	469,435
Total Depreciation Expense - Governmental Activities	\$ 1,601,551

Table 24 Depreciation Expense – Governmental Activities

CITY OF ISSAQUAH

Business-Type Activities Capital Asset activity for the year ended December 31, 2004 was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Prior Period Adjustment and Reclass	Increases	Decrease	
Business-type activities:					
Capital assets not being depreciated					
Land	10,828,510	(1,870,458)	-	-	8,958,052
Construction in Progress	15,621,728		686,165	(14,250,897)	2,056,996
Total capital assets not being depreciated	<u>26,450,238</u>	<u>(1,870,458)</u>	<u>686,165</u>	<u>(14,250,897)</u>	<u>11,015,048</u>
Capital assets, being depreciated:					
Buildings	-	1,870,458	9,321,159	-	11,191,617
Plant and service	61,273,103	-	13,670,848	-	74,943,951
Equipment	529,154	-	137,866	(3,061)	663,959
Total capital assets, being depreciated	<u>61,802,257</u>	<u>1,870,458</u>	<u>23,129,873</u>	<u>(3,061)</u>	<u>86,799,527</u>
Less accumulated depreciation for:					
Buildings	-	(3,600)	(3,600)	-	(7,200)
Plant and service	(9,601,780)		(1,447,906)	-	(11,049,686)
Equipment	(320,018)	2,919	(13,847)	3,061	(327,885)
Total accumulated depreciation	<u>(9,921,798)</u>	<u>(681)</u>	<u>(1,465,353)</u>	<u>3,061</u>	<u>(11,384,771)</u>
Total capital assets, being depreciated, net	<u>51,880,459</u>	<u>1,869,777</u>	<u>21,664,520</u>	<u>-</u>	<u>75,414,756</u>
Business-type activities capital assets, net	<u>\$ 78,330,697</u>	<u>\$ (681)</u>	<u>\$ 22,350,685</u>	<u>\$ (14,250,897)</u>	<u>\$ 86,429,804</u>

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	872,517
Sewer	260,937
Storm	331,899
Total Depreciation	<u>1,465,353</u>

Table 26 Depreciation Expense – Business-Type Activities

NOTE 8: JOINT VENTURES

The Eastside Public Safety Communications Agency (EPSCA) was established May 26, 1992 by an Interlocal Agreement (Agreement 1), pursuant to the Interlocal Cooperation Act, Chapter 39.34 RCW, among the cities of Bellevue, Redmond, Kirkland, and Mercer Island (Principals), municipal corporations organized under the laws of the State of Washington. Agreement 1 was amended June 10, 1993, to include the City of Issaquah as an additional Principal in EPSCA's governance. The duration of this agreement was for 10 years, and under the terms set forth in Resolution R-18 as approved by majority vote of the Executive Board in regular open meeting on April 1, 2002 it was extended for a subsequent five (5) year period until May 18, 2007.

EPSCA is governed by an Executive Board (Board), which is composed of the Chief Executive Officers of the Principals. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters.

An Operations Committee (Committee) reports to the Board. The Committee oversees budget preparation, rates, revenues, expenditures, policies, and other operational issues. The Committee is composed of the Chief of Police and Fire Chief of each Principal. The Committee also includes representation from non-Principal EPSCA user agencies

EPSCA has developed an Eastside radio communications system which is integrated with a regional radio communications network. Its capital funding derives from a September 15, 1992, voter-approved King County excise property tax levy of \$57,016,764. EPSCA has developed an Eastside radio communication system which is integrated with a regional radio communications network. Its capital funding derives from a September 15, 1992 voter-approved King County excess property tax levy of \$57,016,764. EPSCA's portion of the levy was \$10,004,469.

Agreement 1 provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2004, the weighted vote was as follows:

Weighted Vote	
Bellevue	53.05%
Kirkland	17.66%
Redmond	18.02%
Mercer Island	6.11%
Issaquah	5.16%
TOTAL	100.00%

Table 27 Note 8 – Joint Ventures: EPSCA Weighted Vote

These percentages are reviewed and adjusted annually at 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 fees charges to the User Agencies for communications services. The City of Issaquah's General Fund remitted its pro rata share of EPSCA's total budget assessment of \$550,498 as follows: 2004 – \$28,406.

A complete audited financial statement for EPSCA can be obtained from EPSCA, c/o Alan Komenski, 16100 N.E. 8th Street, Bellevue, Washington 98008.

CITY OF ISSAQUAH

Upon dissolution, Agreement 1 provides for distribution of retained earnings among the Principals based on the weighted voting percentages in force at the time of dissolution. Any property contributed without charge would revert to the contributing Principal.

In August 1993, EPSCA entered into an Interlocal Cooperation Agreement (Agreement 2), pursuant to Chapter 39.34 RCW, with the sub-regions of King County, Seattle, and Valley Communications. Agreement 2 governs the development, acquisition and installation of the regional emergency radio communication system (System).

Agreement 2 provides that upon voluntary termination of any sub-region'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 sub-region or a consortium of sub-regions.

Thus, in accordance with Agreement 2, the Principals of EPSCA have no equity interest in EPSCA's contributed capital (King County Levy proceeds) of \$6,028,127, as of December 31, 2004.

While Agreement 1 provides that EPSCA's retained earnings of \$567,571 as of December 31, 2004, are to be apportioned among the Principals, Issaquah's pro rata share (\$29,287) is deemed immaterial and thus is not reflected in its financial statements in the Capital Assets.

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 Plane 3 provides the same cost-of-living allowance as Plan 2.

The City's total current-year payroll for all participating PERS employees was \$10,773,741 .

CITY OF ISSAQUAH

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

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

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2004 were as follows:

	PLAN 1		PLAN 2		PLAN 3	
	Required	Actual	Required	Actual	Required	Actual
Employer	1.38%	1.45%	1.38%	1.40%	1.38% *	1.40%
Employee	6.00%	6.00%	1.18%	1.18%	**	7.40%
Total	7.38%	7.45%	2.56%	2.59%	1.38%	8.80%

Table 28 PERS Contribution Rates as a Percentage Covered Payroll

The City's actuarially determined contribution requirement and actual contribution for the year ended December 31, 2004, were:

	PLAN 1		PLAN 2		PLAN 3	
	Required	Actual	Required	Actual	Required	Actual
Employer	\$ 7,836	\$ 8,207	\$ 125,124	\$ 127,228	15,717 *	15,936
Employee	34,071	34,071	106,990	107,339	**	84,254
Total	\$ 41,907	\$ 42,278	\$ 232,115	\$ 234,567	\$ 15,717	\$ 100,190

*Plan 3 defined benefit portion only.

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

Table 29 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.

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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 30 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 55 with 5 years of service. Retirement benefits prior to age 55 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 \$2,082,361. The City had no Plan 1 participants in 2004.

The City's contribution rates expressed as a percentage-covered payroll for the year ended December 31, 2004, were:

	PLAN 1		PLAN 2	
	Required	Actual	Required	Actual
Employer	0.19%	0.00%	3.25%	3.26%
Employee	0.00%	0.00%	5.09%	5.07%
Total	0.19%	0.00%	8.34%	8.33%

Table 31 LEOFF Contribution Rates Expressed as a Percentage

CITY OF ISSAQUAH

The City's actuarially determined contribution requirement and actual contributions for the year ended December 31, 2004, were:

	PLAN 1		PLAN 2	
	Required	Actual	Required	Actual
Employer	\$ -	\$ -	\$ 67,677	\$ 67,795
Employee	-	-	105,992	105,664
Total	\$ -	\$ -	\$ 173,669	\$ 173,459

Table 32 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 110 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.

CITY OF ISSAQUAH

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.

New Bonds Issued: On December 6, 2004 the City Council approved the issuance and sale of Limited Tax General Obligation Bonds for \$3,820,000. The bonds are for general City purposes to provide funds with which to pay for or reimburse itself for a part of the cost of construction, acquisition of capital equipment and or other improvements to Issaquah Highlands Park, and of reconstruction and leasehold improvements to City Hall.

As of December 31, 2004, the City's Outstanding Long-Term Debt is as follows:

	Amount Authorized	Interest Rate	Maturity	Amount Outstanding
General Obligation Bonds				
1994 Fire Equipment	\$ 990,000	5.28%	2113	\$ 560,000
1996 Police Station Construction	5,000,000	5.11%	2015	3,335,000
1998 Refunding Bond	2,235,000	4.24%	2008	990,000
2001 Senior Center Construction	1,500,000	5.25%	2021	1,345,000
1991 Park/Land/Shop (lmtd)	900,000	6.33%	2006	175,000
1994 Kerola Property (lmtd)	-	5.05%	2004	-
1995 Community Center (lmtd)	3,460,000	5.17%	2010	1,675,000
1997 Pickering Barn (lmtd)	2,750,000	5.16%	2017	2,100,000
1999 Police Stn & Cap. Proj. (lmtd)	7,950,000	4.90%	2019	6,635,000
2000 Police Stn & Cap. Proj. (lmtd)	2,660,000	5.00%	2021	2,415,000
2001 Fire Station Construction (lmtd)	10,100,000	4.38%	2021	9,070,000
2004 Highlands Park Facilities (lmtd)	<u>3,820,000</u>	4.14%	2024	<u>3,820,000</u>
	<u>\$ 41,365,000</u>			<u>\$ 32,120,000</u>
Revenue Bonds				
1994 Water	\$ 3,600,000	5.20%	2013	\$ 2,005,000
1998 Water	750,000	5.38%	2017	8,270,000
2001 Water	9,200,000	5.38%	2021	580,000
1998 Storm Water	2,000,000	5.38%	2017	1,535,000
2001 Storm Water	<u>1,600,000</u>	5.38%	2021	<u>1,440,000</u>
	<u>\$ 17,150,000</u>			<u>\$ 13,830,000</u>
Special Assessment Debt Service				
L.I.D. #20	\$ 3,222,433	5.90%	2006	\$ -
L.I.D. #21	2,627,861	5.13%	2005	-
U.L.I.D. #22	<u>155,811</u>	5.00%	2013	<u>118,885</u>
	<u>\$ 6,006,105</u>			<u>\$ 118,885</u>
Interlocal Agreement				
King County North Spar Interlocal	\$ 7,000,000	none	2023	\$ 6,300,000
	<u>\$ 7,000,000</u>			<u>\$ 6,300,000</u>
Installment Contracts				
P.W. Trust Fund Loan/Front Street	\$ 121,937	1.00%	2007	\$ -
P.W. Trust Fund Loan/Wildwood	210,000	5.00%	2009	-
P.W. Trust Fund Loan/Newport	<u>1,143,103</u>	1.00%	2019	<u>858,080</u>
	<u>\$ 1,475,040</u>			<u>\$ 858,080</u>
Compensated Absences Payable				<u>1,786,900</u>
Total Outstanding Long-Term Debt				<u>\$ 55,013,864</u>

Table 33 Total Outstanding Long-Term Debt

CITY OF ISSAQUAH

GENERAL OBLIGATION BONDS

General Obligation Bonds outstanding at December 31, 2004, totaled \$32,120,000. 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 regular property 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
1994 Fire Equipment	5.28%	\$ 560,000
1996 Police Station Construction	5.11%	3,335,000
1998 Refunding Bond	4.24%	990,000
2001 Senior Center Construction	5.25%	1,345,000
1991 Park/Land/Shop (lmtd)	6.33%	175,000
1994 Kerola Property (lmtd)	5.05%	-
1995 Community Center (lmtd)	5.17%	1,675,000
1997 Pickering Barn (lmtd)	5.16%	2,100,000
1999 Police Stn & Cap. Proj. (lmtd)	4.90%	6,635,000
2000 Police Stn & Cap. Proj. (lmtd)	5.00%	2,415,000
2001 Fire Station Construction (lmtd)	4.38%	9,070,000
2004 Highlands Park Facilities (lmtd)	4.14%	3,820,000
Total outstanding General Obligation Bonds		\$ 32,120,000

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2005	1,915,000	1,544,541
2006	2,010,000	1,407,618
2007	2,015,000	1,375,409
2008	2,095,000	1,283,090
2009	1,910,000	1,185,434
2010-2113	22,175,000	6,920,188
Total	\$ 32,120,000	\$ 13,716,279

Table 34 Outstanding General Obligation Bonds

CITY OF ISSAQUAH

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, 2004, the Water Fund's outstanding bond totaled \$10,855,000. The Stormwater Fund outstanding bond total is \$2,975,000.

Revenue Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount Outstanding
Water Revenue Bonds		
2003 Water Refunding	3.50%	\$ 2,005,000
2001 Water	5.38%	8,270,000
1998 Water	5.38%	580,000
Total Outstanding Water Revenue Bonds		\$ 10,855,000
Storm Water Revenue Bonds		
1998 Storm Water	5.38%	1,535,000
2001 Storm Water	5.38%	1,440,000
Total Outstanding Storm Water Revenue Bonds		\$ 2,975,000
Total Outstanding Revenue Bonds		\$ 13,830,000

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

Year Ending December 31	Business - Type Activities	
	Principal	Interest
2005	715,000	638,626
2006	735,000	614,553
2007	765,000	588,315
2008	800,000	559,245
2009	820,000	526,940
2010-2113	9,995,000	3,201,047
Total	\$ 13,830,000	\$ 6,128,726

Table 35 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.

LID #20 was issued August 1996 with an original amount issued of \$3,222,433. LID #21 was issued December 1995 with an original issuance amount of \$2,627,862. Both LID #20 and LID #21 were paid in full in 2004. 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, 2004, outstanding assessments totaled \$118,885.

CITY OF ISSAQUAH

Special Assessment Bonds currently outstanding are as follows:

Purpose		Interest Rate	Amount Outstanding
LID #20	L.I.D. #20		\$ -
LID #21	L.I.D. #21		-
ULID #22	UL.I.D. #22	5.00%	118,885
Total outstanding Special Assessment Bonds			118,885

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

Year Ending December 31	Governmental Activities	
	Principal	Interest
2005	-	-
2006	9,817	6,232
2007	15,581	5,453
2008	15,581	4,673
2009	15,581	3,895
2010-2013	62,325	7,791
Total	\$ 118,885	\$ 28,044

Table 36 Outstanding Special Assessment Bonds

INSTALLMENT CONTRACTS

In 1988, the City was awarded a Public Works Trust Fund Loan not to exceed \$121,937. Of this authorized amount, \$91,453 was received as loan proceeds in 1987. The City received the balance of \$30,484 in 1989. In 1989, the City was awarded a second Public Works Trust Fund Loan not to exceed \$210,000. The City received \$157,500 in 1989, and received the balance of \$52,500 in 1990. Both the first and the second P.W. Trust Fund Loans were paid in full in 2004. In 1998, the City was awarded a third Public Works Trust Fund Loan not to exceed \$1,143,103. The City received \$171,465 in 1998, \$857,327 in 1999, and the balance of \$114,311 in 2002. As of December 31, 2004, the balance owing on the third loan is \$858,080.

Installment contracts currently outstanding are as follows:

Purpose	Interest Rate	Amount Outstanding
P.W. Trust Fund Loan/Front Street	1.00%	\$ -
P.W. Trust Fund Loan/Wildwood	5.00%	-
P.W. Trust Fund Loan/Newport	1.00%	858,080
Total Outstanding Installment Contracts		\$ 858,080

Table 37 Outstanding Installment Contracts

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, 2004 was \$6,300,000. The liability is reported in the Street Fund and the City pays King County \$350,000 per year.

CITY OF ISSAQUAH

Interlocal Agreements currently outstanding are as follows:

Purpose	Interest Rate	Amount Outstanding
King County North Spar FUND 355	n/a	\$ 6,300,000
Total Outstanding Interlocal Agreements		\$ 6,300,000

Table 38 Interlocal Agreements

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of all long-term debt transactions for the year ended December 31, 2004:

	Changes in Long Term Liabilities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 30,190,000	\$ 3,820,000	\$ 1,890,000	\$ 32,120,000	\$ 1,915,000
Special Assessments	635,000	-	635,000	-	-
Installment Contracts	92,338	-	92,338	-	-
Interlocal Agreements	6,650,000	-	350,000	6,300,000	350,000
Compensated Absences-Gov	1,285,551	1,217,105	1,069,494	1,433,162	
Compensated Absences-ISF	203,737	187,321	152,812	238,246	
Long-Term Liabilities	\$ 39,056,626	\$ 5,224,426	\$ 4,189,644	\$ 40,091,408	\$ 2,265,000
Business-type Activities:					
Revenue Bonds	\$ 14,520,000	\$ -	\$ 690,000	\$ 13,830,000	\$ 715,000
Special Assessments	155,811	-	36,926	118,885	15,581
Installment Contracts	919,371	-	61,291	858,080	61,291
Compensated Absences-Bus	147,531	101,921	133,960	115,491	
Long-Term Liabilities	\$ 15,742,713	\$ 101,921	\$ 922,177	\$ 14,922,456	\$ 791,872
Total Long-Term Liabilities Activity	\$ 54,799,338	\$ 5,326,347	\$ 5,111,821	\$ 55,013,864	\$ 3,056,872

Table 39 Changes in Long-Term Debt (Detail)

ITEM	G.O. BONDS	REVENUE BONDS	SPECIAL ASSESSMENTS	PUBLIC WORKS TRUST FUND LOANS			TOTAL
				(INSTALLMENT CONTRACTS)	INTERLOCAL AGREEMENTS	COMPENSATED ABSENCES	
Payable 01/01/04	\$ 30,190,000	\$ 14,520,000	\$ 790,811	\$ 1,011,708	\$ 6,650,000	\$ 1,636,819	\$ 54,799,338
Added	3,820,000					1,506,347	5,326,347
Retired	1,890,000	690,000	671,926	153,629	350,000	1,356,267	5,111,821
Payable 12/31/04	\$ 32,120,000	\$ 13,830,000	\$ 118,885	\$ 858,080	\$ 6,300,000	\$ 1,786,900	\$ 55,013,864

Table 40 Changes in Long-Term Debt (Summary)

SHORT-TERM LIABILITIES

The City had no short term liabilities at December 31, 2004.

NOTE 12: CLAIMS, CONTINGENCIES, AND LITIGATION

As of December 31, 2004, 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
\$100,000	Tibbetts Greenway	Capital Improvement Fund	Stormwater Capital Fund	12/31/05
\$60,000	Stormwater's share of Hillery Property Acquisition	Equipment Rental Fund	Stormwater Capital Fund	12/31/05 \$60,000/yr

Table 41 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 2004:

Fund	Transfers In	Transfers Out
General	\$ 102,200	\$ 1,467,474
Street	1,378,000	30,750
Cemetery		18,000
Municipal Art	20,630	16,200
Resource Conservation	229,120	
Communications		68,000
Lodging Tax		
Debt Service	267,180	
Limited Debt Service	2,497,227	
LID Debt Service	199,223	
LID Guarantee		199,223
Capital Improvement		2,497,227
Mitigation		90,151
Street Improvement	90,151	3,975
Senior Center		267,180
Highlands Park Facilities		16,655
Water	1,891,853	1,715,423
City Shop		300,000
Sewer	457,393	512,393
Storm Water	1,002,533	1,142,333
Unemployment Insurance	44,474	
Equipment Rental	165,000	
	<u>\$ 8,344,984</u>	<u>\$ 8,344,984</u>

Table 42 Interfund Transactions

NOTE 14 - SIGNIFICANT CONSTRUCTION COMMITMENTS

SIGNIFICANT CONSTRUCTION COMMITMENTS

At December 31, 2004 the City had the following significant contractual obligations on construction projects

Contracting Entity	Project Name	12/31/2004
Transpo Group, Inc., The	Centralized ITS	\$ 652,000
VJM Construction	2005 Water Main Replacement	435,929
King County Water & Land Services	Groundwater Plan (King County for Issaquah Creek)	110,000
C.A. Carey Corporation	Juniper Bridge Replacement	130,000
Parsons Brinkerhoff	SE Bypass	198,879
	Total Significant Contracts	\$ 1,526,808

Table 43 Significant Construction Commitments

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

Under governmental activities, prior-period adjustments were made for the following; matured bond was over reported \$253,811 increasing net assets, debt issue costs were misstated \$22,673 decreasing net assets, accrued interest was overstated by \$119,705 increasing net assets. Intergovernmental revenue in the Capital Improvements Fund was understated by \$367,000 and also deferred revenue was not recognized for 2 years for a \$40,000 increase to net assets.

Under business activities, depreciation was over stated by \$678, reducing Net Assets for 1/1/2004.

NOTE 16: SUBSEQUENT EVENTS

SUBSEQUENT EVENTS

Municipal Court– The Issaquah Municipal Court opened its doors for the first time on January 3, 2005, with all construction costs transforming City Hall South to accommodate the new court occurring in 2004. The Court processes all civil traffic infractions, misdemeanors and gross misdemeanors that occur in the city limits. About 4,500 cases are expected during the first year of operation.

Since 1973 the City has been filing its cases with the King County District Court. King County notified the City in 2002 the court services contract would be terminated as of January 1, 2005. Council conducted a feasibility study evaluating the formation of a Municipal Court and determined it was a cost-effective alternative to a new agreement with King County.

Intelligent Transportation System (ITS) – ITS or Intelligent Transportation System Traffic Signal Modernization, Coordination, and Travel Enhancement Project, encompasses the design and installation, over a three-year period, of a state-of-the-art, coordinated traffic signal system. Funded by a citizen-approved bond passed in late 2004, this effort involves replacing outdated signal controllers, improving synchronization of traffic signals, installing closed circuit television (CCTV) cameras at critical intersections, dynamic message signs, data collection improvements and necessary monitors and equipment.

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.

STREET IMPROVEMENT FUND

This 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.

SENIOR CENTER CONSTRUCTION FUND

This fund was established in 2001 to account for bond proceeds issued to cover costs associated with modifications to the old Memorial Field Library Building into a Senior Center.

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 an 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, 2004**

Page 1 of 5

	Special Revenue Funds			
	Arterial Street	Cemetery	Municipal Art	RCO
ASSETS				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 334,294	\$ 226,424	\$ 163,019	\$ 134,086
Receivables (net)	-	-	44,487	29,365
Interest receivable	-	264	176	176
Total Assets	\$ 334,294	\$ 226,688	\$ 207,682	\$ 163,627
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable and accrued exp.	-	1,420	-	3,160
Matured bond & interest payable	-	-	-	-
Accrued interest payable	-	-	-	-
Other noncurrent Liabilities	-	-	-	-
Total Liabilities	\$ -	\$ 1,420	\$ -	\$ 3,160
NET ASSETS				
Debt service	-	-	-	-
Special revenue funds	334,294	225,268	207,682	160,466
Capital project funds	-	-	-	-
Total Fund Balances	334,294	225,268	207,682	160,467
Total Liabilities and Fund Balances	\$ 334,294	\$ 226,688	\$ 207,682	\$ 163,627

Table 44 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, 2004**

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	\$ 84,738	\$ 21,884	\$ 20,229	\$ 59,335	\$ 1,044,009
Receivables (net)	-	5,789	-	-	79,641
Receivables (net)	-	-	35	104	755
Total Assets	\$ 84,738	\$ 27,673	\$ 20,264	\$ 59,439	\$ 1,124,405
LIABILITIES					
<i>Current Liabilities:</i>					
Accounts payable and accrued exp.	288	-	-	-	4,868
Matured bond & interest payable	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Other noncurrent Liabilities	-	-	-	-	-
Total Liabilities	288	-	-	-	4,868
NET ASSETS					
Debt service	-	-	-	-	-
Special revenue funds	84,450	27,673	20,264	59,439	1,119,536
Capital project funds	-	-	-	-	-
Total Fund Balances	84,450	27,673	20,264	59,439	1,119,537
Total Liabilities and Fund Balances	\$ 84,738	\$ 27,673	\$ 20,264	\$ 59,439	\$ 1,124,405

Table 45 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, 2004**

Debt Service Funds					
Unlimited Debt Service	Limited Debt Service	LID Debt Service	LID Guarantee	Total Debt Service Funds	
\$ 826,623	\$ 60,644	\$ -	\$ 417,377	\$ 1,304,644	
1,371	-	-	-	1,371	
-	-	-	-	-	
\$ 827,994	\$ 60,644	\$ -	\$ 417,377	\$ 1,306,015	
-	-	-	-	-	
47,084	121,006	-	-	168,090	
25,968	88,606	-	-	114,574	
(22,121)	(121,712)	-	-	(143,833)	
50,931	87,900	-	-	138,831	
777,063	(27,256)	-	417,377	1,167,184	
-	-	-	-	-	
-	-	-	-	-	
777,063	(27,256)	-	417,377	1,167,184	
\$ 827,994	\$ 60,644	\$ -	\$ 417,377	\$ 1,306,015	

Table 46 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, 2004**

Page 4 of 5

	Capital Improvement Funds			
	Mitigation	Newport Way Const.	Street Improvement	Senior Center
ASSETS				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 3,211,283	\$ 392,150	\$ 1,865,898	\$ -
Receivables (net)	-	-	487,064	-
Receivables (net)	528	-	705	-
Total Assets	\$ 3,211,811	\$ 392,150	\$ 2,353,667	\$ -
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable and accrued exp.	3,044	-	150,641	-
Matured bond & interest payable	-	-	-	-
Accrued interest payable	-	-	-	-
Other noncurrent Liabilities	-	-	-	-
Total Liabilities	3,044	-	150,641	-
NET ASSETS				
Debt service	-	-	-	-
Special revenue funds	-	-	-	-
Capital project funds	3,208,767	392,150	2,203,026	-
Total Fund Balances	3,208,767	392,150	2,203,026	-
Total Liabilities and Fund Balances	\$ 3,211,811	\$ 392,150	\$ 2,353,667	\$ -

Table 47 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, 2004**

Capital Improvement Funds			
Fire Station	Highland Park Facilities	Total Capital Improvement Funds	Total Nonmajor Governmental Funds
\$ 73,754	\$ 1,474,054	\$ 7,017,139	\$ 9,365,792
-	-	487,064	568,076
-	881	2,114	2,869
<u>\$ 73,754</u>	<u>\$ 1,474,935</u>	<u>\$ 7,506,317</u>	<u>\$ 9,936,737</u>
-	-	-	-
-	-	153,685	158,553
-	-	-	168,090
-	-	-	114,574
-	-	-	(143,833)
-	-	153,685	297,384
-	-	-	-
-	-	-	1,167,184
-	-	-	1,119,536
73,754	1,474,935	7,352,632	7,352,632
<u>73,754</u>	<u>1,474,935</u>	<u>7,352,632</u>	<u>9,639,353</u>
<u>\$ 73,754</u>	<u>\$ 1,474,935</u>	<u>\$ 7,506,317</u>	<u>\$ 9,936,737</u>

Table 48 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, 2004

Page 1 of 5

	Special Revenue Funds			
	Arterial Streets	Cemetery	Municipal Art	Resource Conservation
DETAIL REVENUES	-	-	-	-
<i>Taxes:</i>	-	-	-	-
Property	-	-	-	-
Sales	-	-	-	-
B&O	-	-	203,624	6,826
Other	-	-	-	-
<i>Licenses & Permits:</i>	-	-	-	-
<i>Intergovernmental:</i>				
Op Grants & Contrib - Other Phys Environ	-	43,450	-	111,171
Op Grants & Contrib - Transport	99,140	-	-	-
Op Grants & Contrib - Culture & Rec	-	-	8,700	-
Cap Grants & Contrib - Other Phys Environ	-	-	-	4,937
Cap Grants & Contrib - Transport	-	-	-	-
Cap Grants & Contrib - Culture & Rec	-	-	-	-
Intergov Svc Chrgs - Gen Govt	-	-	-	-
Intergov Svc Chrgs - Public Safety	-	-	-	-
Intergov Svc Chrgs - Transport	-	-	-	-
<i>Charges for Services:</i>				
Phys Env	-	-	-	166,327
Transp.	-	-	-	-
<i>Miscellaneous:</i>				
Investm Earnings	-	2,173	1,375	1,305
Other Misc Rev	-	-	-	1,719
Total Revenues	99,140	45,623	213,699	292,285
DETAIL EXPENDITURES				
<i>Current:</i>				
Judicial	-	-	-	-
General Government	-	-	-	-
Public Safety	-	-	-	-
Physical Environ	-	22,070	-	434,709
Transportation	-	-	-	-
Culture & Recreation	-	-	138,062	-
<i>Debt Service:</i>				
Principal	74,782	-	-	-
Interest	2,984	-	-	-
Other	-	-	-	-
<i>Capital Outlay:</i>				
Judicial	-	-	-	-
General Government	-	-	-	-
Public Safety	-	-	-	-
Physical Environ	-	12,740	-	3,929
Transportation	-	-	-	-
Culture & Recreation	-	-	-	-
Total Expenditures	77,766	34,810	138,062	438,638
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	20,630	229,120
(Transfers out)	-	(18,000)	(16,200)	-
Debt Proceeds	-	-	-	-
Disposition of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	-	(18,000)	4,430	229,120
Net Change in Fund Equity	21,374	(7,187)	80,067	82,767
Fund Balance at the Beginning of year	312,920	232,455	127,615	286,098
Restate				
Fund Balance at the End of year	\$ 334,294	\$ 225,268	\$ 207,682	\$ 368,865

Table 49 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, 2004

Page 2 of 5

	Special Revenue Funds				
	Communi- cations	Lodging Tax	Kerola Expendable Trust	Rowley Expendable Trust	Total Special Revenue Funds
DETAIL REVENUES	-	-	-	-	-
<i>Taxes:</i>	-	-	-	-	-
Property	-	-	-	-	-
Sales	-	52,308	-	-	52,308
B&O	-	-	-	-	210,450
Other	-	-	-	-	-
<i>Licenses & Permits:</i>	179,116	-	-	-	179,116
<i>Intergovernmental:</i>	-	-	-	-	-
Op Grants & Contrib - Other Phys Environ	-	-	-	-	154,621
Op Grants & Contrib - Transport	-	-	-	-	99,140
Op Grants & Contrib - Culture & Rec	-	-	-	-	8,700
Cap Grants & Contrib - Other Phys Environ	-	-	-	-	4,937
Cap Grants & Contrib - Transport	-	-	-	-	-
Cap Grants & Contrib - Culture & Rec	-	-	-	-	-
Intergov Svc Chrgs - Gen Govt	-	-	-	-	-
Intergov Svc Chrgs - Public Safety	-	-	-	-	-
Intergov Svc Chrgs - Transport	-	-	-	-	-
<i>Charges for Services:</i>	-	-	-	-	-
Phys Env	-	-	-	-	166,327
Transp.	-	-	-	-	-
<i>Miscellaneous:</i>	-	-	-	-	-
Investm Earnings	-	-	283	829	5,965
Other Misc Rev	-	-	-	-	1,719
Total Revenues	179,116	52,308	283	829	883,283
DETAIL EXPENDITURES					
<i>Current:</i>					
Judicial	-	-	-	-	-
General Government	-	45,220	-	-	45,220
Public Safety	100,184	-	-	-	100,184
Physical Environ	-	-	-	-	456,779
Transportation	-	-	-	-	-
Culture & Recreation	-	-	116	-	138,178
<i>Debt Service:</i>					
Principal	-	-	-	-	74,782
Interest	-	-	-	-	2,984
Other	-	-	-	-	-
<i>Capital Outlay:</i>					
Judicial	-	-	-	-	-
General Government	-	-	-	-	-
Public Safety	4,760	-	-	-	4,760
Physical Environ	-	-	-	-	16,669
Transportation	-	-	-	-	-
Culture & Recreation	-	-	-	-	-
Total Expenditures	104,944	45,220	116	-	839,556
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	249,750
(Transfers out)	(68,000)	-	-	-	(102,200)
Debt Proceeds	-	-	-	-	-
Disposition of capital assets	-	-	-	-	-
Total Other Financing Sources (Uses)	(68,000)	-	-	-	147,550
Net Change in Fund Equity	6,172	7,088	167	829	191,277
Fund Balance at the Beginning of year	78,278	20,585	20,097	58,610	1,136,658
Restate					
Fund Balance at the End of year	\$ 84,450	\$ 27,673	\$ 20,264	\$ 59,439	\$ 1,327,935

Table 50 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, 2004**

Debt Service Funds				
Debt Service	Limited Debt Service	LID Debt Service	LID Guarantee	Total Debt Service Funds
882,654	-	-	-	882,654
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	381,375	-	381,375
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8	338	54,399	-	54,745
882,662	338	435,774	-	1,318,774
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
549,167	1,375,173	532,500	-	2,456,840
312,916	1,064,317	17,627	-	1,394,860
1,301	5,870	-	-	7,171
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
863,384	2,445,360	550,127	-	3,858,871
267,180	2,497,227	199,223	-	2,963,630
-	-	-	(199,223)	(199,223)
-	22,889	-	-	22,889
-	-	-	-	-
267,180	2,520,116	199,223	(199,223)	2,787,296
286,458	75,094	84,870	(199,223)	247,199
490,605	(79,677)	(84,870)	616,600	942,658
-	(22,673)	-	-	(22,673)
\$ 777,063	\$ (27,256)	\$ -	\$ 417,377	\$ 1,167,184

Table 51 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, 2004

Page 4 of 5

	Capital Improvement Projects			Senior Center Const.
	Mitigation	Newport Way Const.	Street Improve-ment	
DETAIL REVENUES				
<i>Taxes:</i>				
Property	-	-	-	-
Sales	-	-	-	-
B&O	-	-	-	-
Other	-	-	1,500,011	-
<i>Licenses & Permits:</i>				
	-	-	-	-
<i>Intergovernmental:</i>				
Op Grants & Contrib - Other Phys Environ	-	-	-	-
Op Grants & Contrib - Transport	-	-	-	-
Op Grants & Contrib - Culture & Rec	-	-	-	-
Cap Grants & Contrib - Other Phys Environ	-	-	-	-
Cap Grants & Contrib - Transport	-	-	1,827,195	-
Cap Grants & Contrib - Culture & Rec	657,407	-	-	-
Intergov Svc Chrgs - Gen Govt	15,005	-	-	-
Intergov Svc Chrgs - Public Safety	185,317	-	-	-
Intergov Svc Chrgs - Transport	171,378	-	-	-
<i>Charges for Services:</i>				
Phys Env	-	-	-	-
Transp.	-	-	1,026	-
<i>Miscellaneous:</i>				
Investm Earnings	3,982	-	5,402	-
Other Misc Rev	15,782	-	-	-
Total Revenues	1,048,871	-	3,333,634	-
DETAIL EXPENDITURES				
<i>Current:</i>				
Judicial				
General Government	25,127	-	-	-
Public Safety	13,350	-	-	-
Physical Environ	-	-	-	-
Transportation	3,044	-	-	-
Culture & Recreation	-	-	-	-
<i>Debt Service:</i>				
Principal	-	-	350,000	-
Interest	-	-	-	-
Other	-	-	-	-
<i>Capital Outlay:</i>				
Judicial	20,811	-	-	-
General Government	459,299	-	-	-
Public Safety	15,966	-	-	-
Physical Environ	-	-	-	-
Transportation	-	-	2,038,332	-
Culture & Recreation	32,280	-	-	-
Total Expenditures/Expenses	569,877	-	2,388,332	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	90,151	-
(Transfers out)	(90,151)	-	(3,975)	(267,180)
Debt Proceeds	-	-	-	-
Disposition of capital assets	-	-	323,272	-
Total Other Financing Sources (Uses)	(90,151)	-	409,448	(267,180)
Net Change in Fund Equity	388,843	-	1,354,750	(267,180)
Fund Balance at the Beginning of year	2,819,924	392,150	848,276	267,180
Restate				
Fund Balance at the End of year	\$ 3,208,767	\$ 392,150	\$ 2,203,026	\$ -

Table 52 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, 2004**

Capital Improvement Projects			Total Nonmajor Governmental Funds
Fire Station	Highland Park Facilities	Total Capital Improvement Funds	
-	-	-	882,654
-	-	-	52,308
-	-	-	210,450
-	-	1,500,011	1,500,011
-	-	-	179,116
-	-	-	535,996
-	-	-	99,140
-	-	-	8,700
-	-	-	4,937
-	-	1,827,195	1,827,195
-	75,298	732,705	732,705
-	-	15,005	15,005
-	-	185,317	185,317
-	-	171,378	171,378
-	-	-	166,327
-	-	1,026	1,026
-	881	10,265	70,975
-	-	15,782	17,501
-	76,179	4,458,684	6,660,741
-	-	-	-
-	-	25,127	70,347
-	-	13,350	113,534
-	-	-	456,779
-	-	3,044	3,044
-	-	-	138,178
-	-	350,000	2,881,622
-	-	-	1,397,844
-	-	-	7,171
-	-	20,811	20,811
-	-	459,299	459,299
125,550	-	141,516	146,276
-	-	-	16,669
-	-	2,038,332	2,038,332
-	1,424,096	1,456,376	1,456,376
125,550	1,424,096	4,507,855	9,206,282
-	-	90,151	3,303,531
-	(16,655)	(377,961)	(679,384)
-	3,597,111	3,597,111	3,620,000
-	-	323,272	323,272
-	3,580,456	3,632,573	6,567,419
(125,550)	2,232,539	3,583,402	4,021,878
199,304	(757,604)	3,769,230	5,640,148
-	-	-	(22,673)
\$ 73,754	\$ 1,474,935	\$ 7,352,632	\$ 9,639,353

Table 53 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures & Changes in Fund Balance, Page 5

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, 2004

	ARTERIAL STREET FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 99,140	\$ (860)
TOTAL REVENUES	100,000	100,000	99,140	(860)
EXPENDITURES				
Debt Service	113,481	113,481	95,919	17,562
Total Expenditures	113,481	113,481	95,919	17,562
Excess(deficiency) of revenues over (under) expenditures	(13,481)	(13,481)	3,221	16,702
Net change in fund balances	(13,481)	(13,481)	3,221	16,702
Fund Balances-beginning	324,742	324,742	331,073	6,331
Fund balances-ending	\$ 311,261	\$ 311,261	\$ 334,294	\$ 23,033

Note: Budget is Cash Basis

Table 54 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, 2004

	CEMETERY FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Charges for Services	\$ 26,000	\$ 26,000	\$ 43,450	\$ 17,450
Investment Income	2,600	2,600	1,909	(691)
TOTAL REVENUES	28,600	28,600	45,359	16,759
EXPENDITURES				
Utilities and environment	36,200	36,200	33,390	2,810
Total Expenditures	36,200	36,200	33,390	2,810
Excess(deficiency) of revenues over (under) expenditures	(7,600)	(7,600)	11,969	19,569
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out	(18,000)	(18,000)	(18,000)	-
Total Other financing sources and uses	(18,000)	(18,000)	(18,000)	-
Net change in fund balances	(25,600)	(25,600)	(6,031)	19,569
Fund Balances-beginning	243,548	243,548	232,455	(11,093)
Fund balances-ending	\$ 217,948	\$ 217,948	\$ 226,424	\$ 8,476

Note: Budget is Cash Basis

Table 55 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, 2004

	MUNICIPAL ART FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Taxes:				
Business Taxes	\$ 150,000	\$ 150,000	\$ 159,136	\$ 9,136
Intergovernmental	4,000	4,000	8,700	4,700
Contributions and Donations	5,000	5,000		(5,000)
Investment Income	1,200	1,200	1,200	-
TOTAL REVENUES	160,200	160,200	169,036	8,836
EXPENDITURES				
Culture and Recreation	185,100	185,100	138,486	46,614
Total Expenditures	185,100	185,100	138,486	46,614
Excess(deficiency) of revenues over (under) expenditures	(24,900)	(24,900)	30,550	55,450
OTHER FINANCING SOURCES (USES)				
Transfers In			20,630	20,630
Transfers Out			(16,200)	(16,200)
Total Other financing sources and uses	-	-	4,430	4,430
Net change in fund balances	(24,900)	(24,900)	34,980	59,880
Fund Balances-beginning	157,121	157,121	128,039	(29,082)
Fund balances-ending	\$ 132,221	\$ 132,221	\$ 163,019	\$ 30,798

Note: Budget is Cash Basis

Table 56 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, 2004

	RESOURCE CONSERVATION FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Taxes:				
Business Taxes	\$ 8,000	\$ 8,000	\$ 5,990	\$ (2,010)
Intergovernmental	88,020	88,020	82,642	(5,378)
Charges for Services	163,500	163,500	166,327	2,827
Investment Income	1,200	1,200	1,129	(71)
Contributions and Donations	25,000	25,000	6,656	(18,344)
TOTAL REVENUES	285,720	285,720	262,744	(22,976)
EXPENDITURES				
Utilities and environment	525,804	525,804	468,862	56,942
Total Expenditures	525,804	525,804	468,862	56,942
Excess(deficiency) of revenues over (under) expenditures	(240,084)	(240,084)	(206,118)	33,966
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	(10,964)	(10,964)	23,002	33,966
Fund Balances-beginning	96,354	96,354	111,084	14,730
Fund balances-ending	\$ 85,390	\$ 85,390	\$ 134,086	\$ 48,696

Note: Budget is Cash Basis

Table 57 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
COMMUNICATIONS FUND**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

	COMMUNICATIONS			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Licenses and Permits	\$ 150,000	\$ 150,000	\$ 179,116	\$ 29,116
TOTAL REVENUES	150,000	150,000	179,116	29,116
EXPENDITURES				
Current:				
Securities of Persons and Property	116,980	116,980	105,911	11,069
Total Expenditures	116,980	116,980	105,911	11,069
Excess(deficiency) of revenues over (under) expenditures	33,020	33,020	73,205	40,185
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	(34,980)	(34,980)	5,205	40,185
Fund Balances-beginning	96,055	96,055	79,533	(16,522)
Fund balances-ending	\$ 61,075	\$ 61,075	\$ 84,738	\$ 23,663

Note: Budget is Cash Basis

Table 58 Communications 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
LODGING TAX FUND**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

	LODGING TAX FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Taxes:				
Sales	\$ 36,000	\$ 36,000	\$ 46,519	\$ 10,519
TOTAL REVENUES	36,000	36,000	46,519	10,519
EXPENDITURES				
Current:				
Other General Government Services	45,220	45,220	45,220	-
Total Expenditures	45,220	45,220	45,220	-
Excess(deficiency) of revenues over (under) expenditures	(9,220)	(9,220)	1,299	10,519
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	10,000		(10,000)
Transfers Out	(10,000)	(10,000)		10,000
Total Other financing sources and uses	-	-	-	-
Net change in fund balances	(9,220)	(9,220)	1,299	10,519
Fund Balances-beginning	11,587	11,587	20,587	9,000
Fund balances-ending	\$ 2,367	\$ 2,367	\$ 21,886	\$ 19,519

Note: Budget is Cash Basis

Table 59 Communications 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, 2004

	KEROLA TRUST FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Investment Income	262	262	248	(14)
TOTAL REVENUES	262	262	248	(14)
EXPENDITURES				
Current:				
Capital outlay:				
Culture and Recreation	44,017	44,017	116	43,901
Total Expenditures	44,017	44,017	116	43,901
Excess(deficiency) of revenues over (under) expenditures	(43,755)	(43,755)	132	43,887
Net change in fund balances	(43,755)	(43,755)	132	43,887
Fund Balances-beginning	-	-	20,096	20,096
Fund balances-ending	\$ (43,755)	\$ (43,755)	\$ 20,228	\$ 63,983

Note: Budget is Cash Basis

Table 60 Communications 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, 2004

	ROWLEY TRUST FUND			
	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
REVENUES				
Investment Income	\$ 553	\$ 553	\$ 725	\$ 172
TOTAL REVENUES	553	553	725	172
EXPENDITURES				
Capital outlay:				-
Culture and Recreation	59,210	59,210	-	59,210
Total Expenditures	59,210	59,210	-	59,210
Excess(deficiency) of revenues over (under) expenditures	(58,657)	(58,657)	725	59,382
Net change in fund balances	(58,657)	(58,657)	725	59,382
Fund Balances-beginning	58,657	58,657	58,610	(47)
Fund balances-ending	\$ -	\$ -	\$ 59,335	\$ 59,335

Note: Budget is Cash Basis

Table 61 Lodging Tax 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, 2004**

	INTERNAL SERVICE FUNDS				
	Unemployment	Insurance	Equipment Rental	PW Engineering	Total
ASSETS					
Cash & Cash Equivalents	\$ 75,215	\$ 27,931	\$ 3,963,699	\$ 348,210	\$ 4,415,055
Receivable	-	-	118,885	22,862	141,747
Interest Receivable	132	48	5,285	-	5,465
Due from other funds	-	-	60,000	-	60,000
Inventories	-	-	104,405	-	104,405
Total current assets	<u>75,347</u>	<u>27,979</u>	<u>4,252,274</u>	<u>371,072</u>	<u>4,726,672</u>
Capital assets:					
Buildings and equipment, net	-	-	2,168,897	22,719	2,191,616
Total Assets	<u>\$ 75,347</u>	<u>\$ 27,979</u>	<u>\$ 6,421,171</u>	<u>\$ 393,791</u>	<u>\$ 6,918,288</u>
LIABILITIES					
Current liabilities					
Accounts Payable	-	-	22,685	5,439	28,124
Due to other funds	-	-	-	-	-
Compensated absences	-	-	28,743	209,503	238,246
Bonds, notes, and loans payable	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>51,428</u>	<u>214,942</u>	<u>266,370</u>
Non current liabilities					
Miscellaneous noncurrent	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>51,428</u>	<u>214,942</u>	<u>266,370</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	-	-	-	-
Unrestricted	75,347	27,979	6,369,743	178,849	6,651,918
Total net assets	<u>\$ 75,347</u>	<u>\$ 27,979</u>	<u>\$ 6,369,743</u>	<u>\$ 178,849</u>	<u>\$ 6,651,918</u>

Table 62 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, 2004

	INTERNAL SERVICE FUNDS				
	Unemployment	Insurance	Equipment Rental	PW Engineering	Total
OPERATING REVENUES					
Charges for services - internal	\$ -	\$ 343,500	\$ 1,423,943	\$ 2,165,534	\$ 3,932,977
Charges for services - external	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total operating revenues	-	343,500	1,423,943	2,165,534	3,932,977
OPERATING EXPENSES					
Personal services	35,583	-	-	-	35,583
Contractual services	-	415,000	-	1,917,998	2,332,998
Utilities	-	-	-	-	-
Repairs and maintenance	-	-	823,578	-	823,578
Other supplies and expenses	-	-	-	(2,510)	(2,510)
Insurance claims and expenses	-	-	-	-	-
Depreciation	-	-	465,950	3,485	469,435
Total operating expenses	35,583	415,000	1,289,528	1,918,973	3,659,084
Operating income (loss)	(35,583)	(71,500)	134,415	246,561	273,893
NONOPERATING REVENUES (EXPENSES)					
Earnings on investments	843	333	26,300	-	27,476
Earnings on investments-Internal	-	-	83,643	-	83,643
Intergovernmental	-	-	1,284	-	1,284
Miscellaneous revenue	-	-	-	-	-
Interest expense	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-
Total nonoperating revenues (expenses)	843	333	111,227	-	112,403
Income (loss) before transfers	(34,740)	(71,167)	245,642	246,561	386,296
Contributions	-	-	60,000	-	60,000
Transfers in	44,474	-	165,000	-	209,474
Transfers out	-	-	-	-	-
Change in net assets	9,734	(71,167)	470,642	246,561	655,770
Net assets - beginning	65,613	99,146	5,899,101	(67,712)	5,996,148
Restate	-	-	-	-	-
Net assets - ending	\$ 75,347	\$ 27,979	\$ 6,369,743	\$ 178,849	\$ 6,651,918

Table 63 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, 2004**

Page 1 of 2

	GOVERNMENTAL ACTIVITIES				Governmental
	INTERNAL SERVICE FUNDS				Activities
	Unemployment	Insurance	Equipment	Engineering	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received From Customers	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Received From Interfund Services		343,500	1,423,943	2,142,672	3,910,115
Cash (Payments) to Suppliers		(415,000)	(311,793)	(116,044)	(842,837)
Cash (Payments) to Employees	(35,583)		(365,440)	(1,761,824)	(2,162,847)
Cash (Payments) Receipts to Other Gvmts			(130,218)		(130,218)
Cash for Other Operating					-
NET CASH PROVIDED BY OPERATING ACTIVITIES	(35,583)	(71,500)	616,492	264,804	774,213
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating Transfers In	44,474		165,000		209,474
Operating Transfers (Out)			691	(691)	-
NET CASH PROVIDED BY NON- CAPITAL FINANCING ACTIVITIES	44,474	-	165,691	(691)	209,474
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Cash Contributions from Developers			60,000		60,000
Proceeds from Capital Grants			1,284		1,284
Revenue Bond Interest					-
Interfund Loans-Principle			2,780,000		2,780,000
Interfund Loan Interest (Expense)					-
Capital Expenditures Paid			(415,471)	(19,983)	(435,454)
Principal Repaid			(700,000)		(700,000)
Interest and Other Debt Service					-
Interest and Other Debt Service					-
Capital Transfer In					-
Capital Transfer Out					-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	1,725,813	(19,983)	1,705,830
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Rental Fees on Investments					-
Interest Received on Investment	775	367	105,567		106,709
NET CASH PROVIDED BY INVESTMENT ACTIVITIES	775	367	105,567	-	106,709
NET INCREASE (DECREASE) IN CASH	9,666	(71,133)	2,613,563	244,130	2,796,226
CASH AT BEGINNING OF YEAR	65,549	99,064	1,350,136	104,080	1,618,829
CASH AT END OF YEAR	\$ 75,215	\$ 27,931	\$ 3,963,699	\$ 348,210	\$ 4,415,055

Table 64 internal Service Funds – Combining Statement of Cash Flows, Page 1

CITY OF ISSAQUAH

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Page 2 of 2

	GOVERNMENTAL ACTIVITIES				Governmental
	INTERNAL SERVICE FUNDS				Activities
	Unemployment	Insurance	Equipment	Engineering	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	(35,583)	(71,500)	134,415	246,561	\$ 273,893
Adjustment to Reconcile Operating Income to Net Cash Provided by Oper. Activities:					
Depreciation			465,950	3,485	\$ 469,435
Decrease (Increase) in Accts Receivable	-	-	36,926	(22,862)	14,064
Decrease (Increase) in Inventory	-	-	(4,444)	-	(4,444)
Increase (Decrease) in Accts Payable	-		(10,734)	(2,510)	(13,244)
Increase (Decrease) in Employee Benefits	-	-	(5,621)	40,130	34,509
Net Cash Provided by Operating Activities	\$ (35,583)	\$ (71,500)	\$ 616,492	\$ 264,804	\$ 774,213

Table 65 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, 2004

	12/31/2003			12/31/2004
	Balance	Additions	Deletions	Balance
AGENCY/DEPOSIT FUND				
ASSETS				
Cash and equivalents	\$ 3,269,976	\$ 26,377,303	\$ 26,925,258	\$ 2,722,021
Prior period adjustment	3,592			3,592
TOTAL ASSETS	\$ 3,273,568	\$ 26,377,303	\$ 26,925,258	\$ 2,725,613
LIABILITIES				
Deposits Payable	\$ 3,269,976	\$ 6,612,539	\$ 6,064,584	\$ 2,722,021
Prior period adjustment	\$ 3,592			\$ 3,592
TOTAL LIABILITIES	\$ 3,273,568	\$ 6,612,539	\$ 6,064,584	\$ 2,725,613
 CLAIMS FUND				
ASSETS				
Cash	\$ 989,047	\$ 16,824,600	\$ 17,797,232	\$ 16,415
TOTAL ASSETS	\$ 989,047	\$ 16,824,600	\$ 17,797,232	\$ 16,415
LIABILITIES				
Warrants Payable	\$ 989,047	\$ 17,797,232	\$ 16,824,600	\$ 16,415
TOTAL LIABILITIES	\$ 989,047	\$ 17,797,232	\$ 16,824,600	\$ 16,415
 PAYROLL FUND				
ASSETS				
Cash	\$ 523,802		\$ 497,077	\$ 26,725
TOTAL ASSETS	\$ 523,802	\$ -	\$ 497,077	\$ 26,725
LIABILITIES				
Warrants Payable	\$ 523,802		\$ 497,077	\$ 26,725
TOTAL LIABILITIES	\$ 523,802	\$ -	\$ 497,077	\$ 26,725

Table 66 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, 2002 AND DECEMBER 31, 2004

	Governmental Fund Capital Assets Adjusted			Governmental Fund Capital Assets
	1/1/2004	Additions	Deletions	12/31/2004
Judicial	\$ -	\$ 20,811		\$ 20,811
Public safety	19,879,156	(3,641)		19,875,515
Transportation	7,905,823	3,145,645	(357,255)	10,694,213
Utilities & Environment	249,805	12,739	(1,741)	260,803
Culture & Recreation	17,282,866	1,473,031		18,755,897
Economic Environment	58,136	-		58,136
Physical Environment	6,680	3,929		10,609
Total general government sub	<u>45,382,466</u>	<u>4,652,514</u>	<u>(358,996)</u>	<u>49,675,984</u>
General Government				-
Executive	6,040			6,040
Financial	19,984			19,984
IAS	114,593	8,236		122,829
Other	21,354,386	495,237		21,849,623
Human Resources	1,788	1,397		3,185
Internal Service	5,557,776	435,455	(34,377)	5,958,853
Total governmental funds capital assets:	<u>\$ 72,437,033</u>	<u>\$ 5,592,839</u>	<u>\$ (393,373)</u>	<u>\$ 77,636,498</u>

Table 67 Governmental Funds Capital Assets Comparative Schedule by Source

CITY OF ISSAQUAH

**COMPARATIVE SCHEDULE BY FUNCTION AND ACTIVITY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

General government

	Land	Art	Buildings & Improvements	Machinery and Equipment
Judicial				\$ 20,811
Public safety			18,030,957	1,833,431
Transportation	2,341,466		3,057,369	267,767
Utilities & Environment			199,106	61,697
Culture & Recreation	3,910,150	85,817	12,127,116	327,190
Economic Environment				58,136
Physical Environment			5,909	4,700
Total General Government	6,251,616	85,817	33,420,457	2,573,732

General Government

Executive				6,040
Financial				19,984
IAS				122,829
Other	14,520,408		7,047,875	281,340
Human Resources				3,185
Internal Service			63,866	5,894,987
Total Governmental Funds				
Capital Assets:	\$ 20,772,024	\$ 85,817	\$ 40,532,198	\$ 8,902,097

Table 68 Governmental Funds Capital Assets Comparative Schedule by Source

CITY OF ISSAQUAH

COMPARATIVE SCHEDULE BY FUNCTION AND ACTIVITY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

Infrastructure	Construction in Progress	Total
		\$ 20,811
	11,127	19,875,515
2,038,331	2,989,280	10,694,213
		260,803
	2,305,624	18,755,897
		58,136
		10,609
2,038,331	5,306,031	49,675,984
		6,040
		19,984
		122,829
		21,849,623
		3,185
		5,958,853
\$ 2,038,331	\$ 5,306,031	\$ 77,636,498

Table 69 Governmental Funds Capital Assets Comparative Schedule Function and Activity



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
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
1994	5,619,891	967,715	1,158,436	761,436	153,275	948,774	9,609,527

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

Table 70 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
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
1994	1,801,145	2,753,547	1,082,439	1,439,178	1,168,981	1,074,823	9,320,113

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

** Excluding LID Guaranty Funds

Table 71 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		Total Taxes
					Excise Tax	Other Taxes*	Shared Taxes**		
2004	\$ 6,535,991	\$ 4,723,554	\$ 2,742,067	\$ 1,694,767	\$ 103,672	\$ 78,353	\$ 455,814	\$ 16,334,218	
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	
1994	2,777,905	1,618,820	1,080,364	497,177	582,637	221,454	438,909	7,217,266	

* 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 reported on budgetary (cash) basis of accounting.

Table 72 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		
						Tax Collections to Tax Levy	Outstanding Delinquent Taxes	% of Outstanding Delinquent to Tax Levy
2004	\$ 4,737,091	\$ 4,652,144	98.21%	\$ 75,102	\$ 4,727,246	99.79%	\$ 88,451	1.87%
2003	4,259,405	3,988,208	93.63	86,725	4,074,933	95.67	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
1994	1,674,474	1,604,433	95.82	33,978	1,638,411	97.85	66,554	3.97

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

Table 73 Property Tax Levies & Collection – Last Ten Fiscal Years

CITY OF ISSAQUAH

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

Year	Tax Based		% Increase From Prior Year	New Construction	Annexed Property	Property Tax Statutory Limit (3,375/1,000)	Regular Property Tax Levied With 101% Lid*
	Total Assessed Valuation	Total Assessed Valuation					
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	
1994	766,774,641	2.5%	24,990,400	-	2,407,672	1,100,474	

* 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	
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
1994	(1,307,198)	1.433	574,000	0.743	2.176	8,379

Table 74 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 District #411	Emergency Medical Services*	Library District	Total
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
1994	2.18	3.40	2.22	0.30	4.84	0.25	0.46	13.65

Source: King County Assessor's Office

Table 75 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
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
1994	103,684	162,120	156.4	461,413

* Includes delinquent collections and assessments paid off in full.

Table 76 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
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	12,950	2,362,934,287	33,213,791	1.41%	2,565
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
1994	8,379	868,228,274	7,712,298	0.89%	920

* 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 77 Ratio of Net General Bonded Debt

**COMPUTATION OF LEGAL DEBT MARGIN
AS OF DECEMBER 31, 2004**

	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, 2004 Assessed Value*:					
\$	3,336,875,663				
2.50 % of Assessed Value	\$	-	\$ 83,421,891	\$ 83,421,891	\$ 250,265,673
1.50% of Assessed Value		50,053,134	(50,053,134)	-	-
Statutory Debt Limit	\$	50,053,134	\$ 33,368,757	\$ 83,421,891	\$ 250,265,673
Less Debt Outstanding					
(General Obligation Bonds)	\$	(25,890,000)	\$ (6,039,623)	\$ (190,377)	\$ (32,120,000)
Add Amount Available in Debt Service Fund		60,644	826,622	-	887,266
Remaining Debt Capacity	\$	24,223,778	\$ 28,155,756	\$ 83,231,514	\$ 219,032,939

* Property assessed at 100% of the estimated value.

Table 78 Computation of Legal Debt Margin

CITY OF ISSAQUAH

STATEMENT OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2004

Assessed Valuation: \$ 3,336,875,663

Population: 15,510

NET DIRECT AND OVERLAPPING DEBT

	<u>Net Debt</u>	<u>Percent Applicable</u>	<u>Amount Applicable</u>
Direct Debt			
Unlimited Tax Gen. Obligation Debt	\$ 6,230,000	100.00%	\$ 6,230,000
Limited Tax Gen. Obligation Debt	25,890,000	100.00%	25,890,000
Less Amount in Debt Service Funds	<u>887,266</u>		<u>887,266</u>
Total Direct Debt	<u><u>\$ 31,232,734</u></u>		<u><u>\$ 31,232,734</u></u>
Overlapping Debt			
King County	\$ 925,169,965	1.29%	\$ 11,934,693
Port of Seattle	397,285,000	1.29%	5,124,977
Issaquah School District #411	201,150,000	24.25%	48,778,875
Fire District #10	2,695,000	6.10%	164,395
King County Library/Issaquah Library Capital	39,375,000	60.51%	<u>23,825,813</u>
Estimated Net Overlapping Debt			<u>89,828,752</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u><u>\$ 121,061,486</u></u>

BONDED DEBT RATIOS

Net Direct to Assessed Valuation	0.94
Net Direct and Overlapping Debt to Assessed Valuation	3.63
Per Capita Assessed Valuation	\$ 215,143
Per Capita Net Direct Debt	\$ 2,014
Per Capita Net Direct and Overlapping Debt	\$ 7,805

See accompanying notes to financial statements.

Table 79 Statement of Direct Overlapping Debt

CITY OF ISSAQUAH

DEBT SERVICE REQUIREMENTS TO MATURITY FOR GENERAL BONDED DEBT
DECEMBER 31, 2004

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures*	Ratio of Debt Service to General Expenditures
2004	\$ 1,890,000	\$ 1,487,420	\$ 3,377,420	\$ 21,950,028	15.4
2003	1,810,000	1,567,007	3,377,007	36,079,135	9.4
2002	1,710,000	1,619,980	3,329,980	34,999,979	9.5
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.

Table 80 Debt Service Requirements to Maturity of General Bonded Debt

CITY OF ISSAQUAH

REVENUE BOND SERVICE COVERAGE
LAST TEN FISCAL YEARS

	Fiscal Year	Net Available For Debt Service	Debt Service Requirements		Total	Coverage
			Principal	Interest		
WATER REVENUE BONDS	2004	\$ 4,677,030	\$ -	\$ -	\$ -	#DIV/0!
	2003	2,734,827	510,000	571,485	1,081,485	2.53
	2002	2,019,320 *	480,000	573,897	1,053,897	1.92
	2001	701,985 *	175,000	176,200	351,200	2.00
	2000	443,870 *	170,000	183,593	353,593	1.26
	1999	520,052 *	165,000	190,863	355,863	1.46
	1998	795,034 *	140,000	168,257	308,257	2.58
	1997	552,613 *	130,000	161,365	291,365	1.90
	1996	451,593 *	125,000	165,740	290,740	1.55
	1995	435,824 *	120,000	169,640	289,640	1.50
	1994	555,991 *	135,000	159,092	294,092	1.89

	Fiscal Year	Net Available For Debt Service	Debt Service Requirements		Total	Coverage
			Principal	Interest		
SEWER REVENUE BONDS	2004	\$ 3,729,904	\$ -	\$ -	\$ -	n/a
	2003	283,789	-	-	-	n/a
	2002	260,779	-	-	-	n/a
	2001	597,833	-	-	-	n/a
	2000	444,813	-	-	-	n/a
	1999	225,351	25,000	6,480	31,480	7.16
	1998	254,453	25,000	7,955	32,955	7.72
	1997	350,619	25,000	9,380	34,380	10.20
	1996	194,023	25,000	10,743	35,743	5.43
	1995	259,027	20,000	11,905	31,905	8.12
	1994	170,093	20,000	12,855	32,855	5.18

	Fiscal Year	Net Available For Debt Service	Debt Service Requirements		Total	Coverage
			Principal	Interest		
STORMWATER REVENUE BONDS	2004	\$ 2,287,461	\$ 135,000	\$ 160,584	\$ 295,584	7.74
	2003	701,071	135,000	166,312	301,312	2.33
	2002	655,316	125,000	168,631	293,631	2.23
	2001	873,491	75,000	97,328	172,328	5.07
	2000	282,674	70,000	101,118	171,118	1.65
	1999	260,133	65,000	105,338	170,338	1.53
	1998	118,313	20,000	31,399	51,399	2.30

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

Table 81 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)		
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 82 Property Value, Construction, and Bank Deposits

PRINCIPAL TAXPAYERS WITHIN THE CITY

Taxpayer Name	Business Type	2004 Assessed Value
COSTCO	Headquarters and warehouse	\$ 157,900,143
Rowley Enterprises	Apartments	48,677,800
Madison Marquette Retail (formerly Trammel Crow Company)	Commercial property	42,536,100
Avalon Bay Communities, Inc. (TCR0 #533 Issaquah Highlands)	Apartments	40,964,000
Puget Sound Energy (Gas/Electric)	Gas & electric utilities	22,975,196
Pickering Square LLC	Retail mall	22,490,500
John Hancock Real Estate (Town & Country Square)	Commercial property Apartments	17,948,300
Lowe's HIW Inc.	Home & garden supplies	16,667,806
Meadows Investment	Commercial property Apartments	14,982,200
Target Corporation (formerly Dayton Hudson)	Retail/Department Store	10,888,796
Quest Corporation Inc.	Telecommunication	9,651,525

Source: King County Assessor's Office

Table 83 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 84 Demographic Statistics

CITY OF ISSAQUAH

MISCELLANEOUS DATA

DECEMBER 31, 2004

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)	15,510	
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
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	Issaquah Bank Key Bank King County Credit Union Bank of America Columbia Bank U.S. Bank Wells Fargo Bank	
Savings and Loan Institutions	Cascade Savings Bank First Mutual Bank Washington Mutual	

Table 85 Miscellaneous Data

CITY OF ISSAQUAH

MISCELLANEOUS STATISTICS – PUBLIC WORKS DEPARTMENT
DECEMBER 31, 2004

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
2004	4,731	<i>The block rate structure for water was changed in 2002 -- current year structure can be found on the following page</i>					
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				
1994	2,747	4.50	1.85				

* 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 86 Miscellaneous Statistics – Water Utility 1994-2004

CITY OF ISSAQUAH

2004 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	
DUPLEX¹							
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 COURTS²							
Meter Size	Fixed Bimonthly	Block One	Block Two	Thresholds			
¾"	\$22.04	\$2.34	\$3.68				
1"	\$51.09	\$2.34	\$3.68	Meter Size	Block One	Block Two	
1-½"	\$99.52	\$2.34	\$3.68	¾"	0-8	>8	
2"	\$157.63	\$2.34	\$3.68	1"	0-20	>20	
3"	\$312.58	\$2.34	\$3.68	1-½"	0-40	>40	
4"	\$486.90	\$2.34	\$3.68	2"	0-64	>64	
COMMERCIAL / PUBLIC AUTHORITY²				3"	0-128	>128	
Meter Size	Fixed Bimonthly	Block One	Block Two	4"	0-200	>200	
¾"	\$26.38	\$3.25	\$4.59	6"	0-400	>400	
1"	\$61.94	\$3.25	\$4.59	8"	0-640	>640	
1-½"	\$121.21	\$3.25	\$4.59	Apartments/Trailer Courts/Commercial/Public Authority/Parks Irrigation			
2"	\$192.33	\$3.25	\$4.59				
3"	\$381.98	\$3.25	\$4.59				
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"	\$18.58	\$2.61	\$3.67
1-½"	\$36.36	\$2.61	\$3.67	1-½"	\$36.36	\$2.61	\$3.67

Table 87 2004 Water Rates

¹ Fixed Charges are per dwelling unit for this classification. Rate structure shown assumes tenant billing. If duplex has a single meter and is owner billed, then the duplex would be billed as a single family residence.

² Usage thresholds are per meter equivalent for this classification.

CITY OF ISSAQUAH

SEWER UTILITY RATES

Year	Number of Customers	Residential Rate Per Month		
		Metro Charge	City Charge	Total
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
1994	2,366	15.90	5.58	21.48

Table 88 Miscellaneous Statistics – Sewer Utility Rates

STORMWATER UTILITY RATES

Year	Number of Customers	Residential Rate Per Month
		City Charge
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
1994	n/a	7.09

Table 89 Miscellaneous Statistics - Stormwater Utility Rates

STREET UTILITY INFORMATION

Asphaltic Plant or Road Mix	78.10 road miles
Bituminous Surface Treatment	or
Gravel or Crushed Rock	174.95 lane miles

Table 90 Miscellaneous Statistics - Streets

CITY OF ISSAQUAH

PUBLIC WORKS OPERATIONS LABOR HOURS

Year	Street		Water		Sewer		Storm	
	Hours	Percent	Hours***	Percent	Hours	Percent	Hours	Percent
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 91 Miscellaneous Statistics – Labor Hours



SUPPLEMENTAL SCHEDULES

STATEMENT OF REAL AND PERSONAL PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Number	Fund Name	1/1/2004	\$/100	Levied	Collected	Increases	Decreases	12/31/2004
001	General	\$ 76,089	1.27209	\$ 3,850,891	\$ 4,019,592	\$162,158	\$ 3	\$ 69,543
200	G.O. Bonds	23,135	0.36625	886,200	886,198	(3,517)	712	18,908

Table 92 Statement of Real and Personal Property Taxes

COMBINED STATEMENT OF DELINQUENT TAXES RECEIVABLE BY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

Year	General Fund	G.O. Bond Fund	Total
2004	\$ 52,576	\$ 13,435	66,011
2003	13,621	4,449	18,070
2002	2,308	662	2,970
2001	795	270	1,065
2000	236	89	325
1999	7	3	10
	\$ 69,543	\$ 18,908	\$ 88,451

Table 93 Combined Statement of Deliquent Taxes Receivable By Funds

CITY OF ISSAQUAH

COMBINED SCHEDULE OF LONG - TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2004

Page 1 of 2

Bond Date and Description	ID #	Purpose	Issue Date	Maturity Date	Avg Coupon Interest Rate %	Amount Originally Issued
GENERAL OBLIGATION BONDS						
1994 FIRE EQUIPMENT	251.12	522.20.64	01/01/1994	12/01/2013	5.283	\$990,000
1996 POLICE STATION CONSTRUCTION	251.12	521.20.62	01/01/1996	12/01/2015	5.109	5,000,000
1998 REFUNDING BOND	251.12	541.33.65	12/01/1998	12/01/2008	4.240	2,235,000
2001 SENIOR CENTER	251.12	571.50.62	12/15/2001	12/01/2021	5.250	1,500,000
1991 PARK/LAND/SHOP (lmtd.)	251.11	519.10.62	10/10/1991	12/01/2006	6.327	900,000
1994 KEROLA PROPERTY (TIBBETTS) (lmtd.)	251.11	576.20.62	07/01/1994	07/01/2004	5.053	1,500,000
1995 COMMUNITY CENTER (lmtd.)	251.11	576.20.62	12/01/1995	12/01/2010	5.168	3,460,000
1997 PICKERING BARN (lmtd.)	251.11	519.10.62	08/01/1997	08/01/2017	5.164	2,750,000
1999 POLICE STATION & JAIL (lmtd.)	251.11	521.20.62	07/15/1999	07/01/2019	5.300	7,950,000
2000 POLICE STATION & CAPITAL PROJECTS (lmtd.)	251.11	521.20.62	12/21/2000	01/01/2021	5.550	2,660,000
2001 FIRE STATION/POLICE STATION/CIF (lmtd.)	251.11	522.50.62	12/15/2001	12/01/2021	5.500	10,100,000
2004 HIGHLAND PARK FACILITIES (lmtd.)	251.11	576.20.62	12/15/2004	12/01/2024	4.140	3,820,000
TOTAL GENERAL OBLIGATION BONDS						\$42,865,000
REVENUE BONDS						
2003 WATER REVENUE BONDS	252.11	501.34.63	11/15/2003	12/01/2013	3.500	2,205,000
1998 WATER REVENUE BONDS	252.11	501.34.63	12/01/1998	12/01/2017	5.380	750,000
2001 WATER REVENUE BONDS	252.11	501.34.63	12/15/2001	12/01/2021	4.850	9,200,000
1998 STORM WATER REVENUE BONDS	252.11	538.30.64	12/01/1998	12/01/2017	5.380	2,000,000
2001 STORM WATER REVENUE BONDS	252.11	538.30.64	12/15/2001	12/01/2021	5.700	1,600,000
TOTAL REVENUE BONDS						\$15,755,000
LID ASSESSMENT BONDS & NOTES						
LID #20	253.11	595.30.65	08/02/1996	08/20/2006	5.900	\$3,222,433
LID #21	253.11	595.30.65	12/01/1995	12/01/2005	5.130	2,627,861
ULID #22	253.12	595.30.65	10/01/2003	10/01/2013	5.000	155,811
TOTAL LID ASSESSMENT BONDS & NOTES						\$6,006,105
INTERLOCAL AGREEMENT						
KC NORTH SPAR INTERLOCAL AGREEMENT			1/1/2003	12/31/2023	0	\$7,000,000
TOTAL INTERLOCAL AGREEMENT						\$7,000,000
INSTALLMENT CONTRACTS						
PW TRUST FUND - FRONT STREET	263.81	595.30.65	07/01/1987	07/01/2007	1.000	\$121,937
PW TRUST FUND - WILDWOOD BLVD	263.81	595.30.65	09/08/1989	07/01/2009	5.000	210,000
PW TRUST FUND - NEWPORT WAY BRIDGE	263.81	595.30.65	11/01/1998			1,143,103
TOTAL INSTALLMENT CONTRACTS						\$1,475,040

See accompanying notes to financial statements.

Table 94 Combined Schedule of Long-Term Debt, Page 1

CITY OF ISSAQUAH

DEBT SERVICE REQUIREMENTS TO MATURITY FOR GENERAL BONDED DEBT
DECEMBER 31, 2004

Fiscal Year	Outstanding Principal	Voted Interest	Outstanding Principal	Councilmanic Interest	Total
2005	\$ 565,000	\$ 311,616	\$ 1,350,000	\$ 1,232,925	\$ 3,459,541
2006	600,000	286,348	1,410,000	1,121,270	3,417,618
2007	620,000	258,940	1,395,000	1,116,469	3,390,409
2008	655,000	229,945	1,440,000	1,053,145	3,378,090
2009	405,000	198,555	1,505,000	986,879	3,095,434
2010	430,000	178,245	1,575,000	856,156	3,039,401
2011	455,000	156,243	1,320,000	839,828	2,771,071
2012	475,000	132,705	1,380,000	777,461	2,765,166
2013	500,000	107,510	1,455,000	710,821	2,773,331
2014	450,000	80,760	1,515,000	639,360	2,685,120
2015	475,000	56,780	1,590,000	564,114	2,685,894
2016	90,000	31,275	1,680,000	485,056	2,286,331
2017	95,000	26,775	1,765,000	396,640	2,283,415
2018	95,000	21,788	1,635,000	303,251	2,055,039
2019	100,000	16,800	1,720,000	216,656	2,053,456
2020	105,000	11,550	1,155,000	145,974	1,417,524
2021	115,000	6,038	1,215,000	88,621	1,424,659
2022	0	0	250,000	34,344	284,344
2023	0	0	260,000	23,406	283,406
2024	0	0	275,000	12,031	287,031
\$ 6,230,000	\$ 2,111,871	\$ 25,890,000	\$ 11,604,408	\$ 45,836,279	

VOTED G.O. BONDS - OUTSTANDING PRINCIPAL

1994	Fire Equipment	\$ 560,000
1996	Police Station	3,335,000
1998	Refunding Bond	990,000
2001	Senior Center Construction	1,345,000
Total		6,230,000

COUNCILMANIC G.O. BONDS - OUTSTANDING PRINCIPAL

1991	Park/Land/Shop	175,000
1994	Kerola Property (Tibbetts Valley)	-
1995	Community Center	1,675,000
1997	Pickering Barn	2,100,000
1999	Police Stn & Capital Projects	6,635,000
2000	Police Stn & Capital Projects	2,415,000
2001	Fire Station Construction	9,070,000
2004	Highlands Park Facilities	3,820,000
Total		25,890,000

TOTAL GENERAL OBLIGATION BONDS

\$ 32,120,000

Table 96 Debt Service Requirements to Maturity for General Bonded Debt

CITY OF ISSAQUAH

DEBT SERVICE REQUIREMENTS TO MATURITY FOR REVENUE BONDS
DECEMBER 31, 2004

Fiscal Year	WATER REVENUE BONDS			STORM WATER REVENUE BONDS		
	Outstanding			Outstanding		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 570,000	\$ 484,088	\$ 1,054,088	\$ 145,000	\$ 154,538	\$ 299,538
2006	585,000	466,643	1,051,643	150,000	147,910	297,910
2007	610,000	447,380	1,057,380	155,000	140,935	295,935
2008	635,000	425,800	1,060,800	165,000	133,445	298,445
2009	650,000	401,670	1,051,670	170,000	125,270	295,270
2010	675,000	376,631	1,051,631	180,000	116,998	296,998
2011	715,000	347,756	1,062,756	190,000	108,063	298,063
2012	735,000	316,681	1,051,681	200,000	98,483	298,483
2013	775,000	284,248	1,059,248	210,000	88,203	298,203
2014	540,000	249,518	789,518	220,000	77,248	297,248
2015	570,000	223,543	793,543	230,000	65,580	295,580
2016	590,000	195,825	785,825	245,000	53,180	298,180
2017	625,000	163,375	788,375	260,000	39,800	299,800
2018	600,000	129,000	729,000	105,000	25,500	130,500
2019	630,000	99,000	729,000	110,000	19,725	129,725
2020	660,000	67,500	727,500	115,000	13,565	128,565
2021	690,000	34,500	724,500	125,000	7,125	132,125
	\$ 10,855,000	\$ 4,713,158	\$ 15,568,158	\$ 2,975,000	\$ 1,415,568	\$ 4,390,568

WATER REVENUE BONDS - OUTSTANDING PRINCIPAL

2003	Water Revenue Bond	\$ 2,005,000
1998	Water Revenue Bond	580,000
2001	Water Revenue Bond	8,270,000
	Total	10,855,000

STORM WATER REVENUE BONDS - OUTSTANDING PRINCIPAL

1998	Storm Water Revenue Bond	1,535,000
2001	Storm Water Revenue Bond	1,440,000
	Total	2,975,000

TOTAL REVENUE BONDS

\$ 13,830,000

Table 97 Debt Service Requirements to Maturity for Revenue Bonds

CITY OF ISSAQUAH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – SCHEDULE 16
FOR THE YEAR ENDED DECEMBER 31, 2004

Program Title	CFDA Number	Pass Through Agency	Pass Through Awards	Direct Awards	Total Awards
Community Development Block Grants / Small Cities Program (A)	14.218	KING COUNTY CDBG	\$ 17,338		\$ 17,338
Highway Planning and Construction	20.205	WA DOT	1,190,414		1,190,414
Intense Traffic Enforcement	20.604	WA Traffic Safety Commission	4,782		4,782
Kees Creek Culvert	15.200	Save Lake Sammamish	34,500		34,500
TOTAL FEDERAL ASSISTANCE			\$ 1,247,034	0	\$ 1,247,034

The accompanying Notes to The Schedule of Expenditures of Federal Awards are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - Issaquah Environmental Council

The City of Issaquah contracted with Save Lake Sammamish through Issaquah Environmental Council to assist King County with the 228th Way SE culvert replacement. The contract indicates that Save Lake Sammamish received funds from both US Fish and Wildlife and King County Waterworks. Issaquah received funds from Issaquah Environmental Council for less than the entire amount of the grant and can not ascertain how much came from USFW and how much came from King County Waterworks.

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, 2004

Grantor/Program Title	Other Identification Number	Current Year Expenditures
King County		
Interlocal Agreement for SE By-Pass Road	D30649D	\$ 223,128
King County Conservation District	623 & 629	17,434
Local Hazardous Waste Management Program	Teaching G.	7,429
Waterworks	Teaching G.	9,660
Waterworks	Restoration S	32,618
WW/R Comprehensive Solid Waste Management Plan	Recycling	18,667
Water & Land Res Div	Sycamore	67,445
Signal Timing	N/A	3,500
WRR	D333518D	6,562
WA Department of Community, Trade & Economic Development		
Growth Management Services	s02-63000-015	7,000
WA Department of Social and Health Services		
Developmental Disabilities	D31033D	14,500
WA Department of Transportation - TIB		
I-90 Front Street I/C Front Street to Sunset I/C	9-P-108(004)-2	169,983
I-Trip	CGA4113	5,564
CTR	CGA3654	17,664
WA Traffic Commission		
	School Zone Equipment Grant	6,122
IAC for Outdoor Recreation		
	N/A	226,184
	N/A	75,298
TOTAL STATE AND LOCAL ASSISTANCE		\$ 908,758

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 same basis of accounting as the City's financial statements. The City uses the modified accrual basis.

NOTE 2 - PROGRAM COSTS

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

Table 99 Schedule of Expenditures of State and Local Awards