

2007

Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2007

The City of Redmond, Washington



CityofRedmond
WASHINGTON

CITY OF REDMOND, WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

PREPARED BY THE FINANCE DEPARTMENT

LEND A CRAWFORD, CPA

DIRECTOR OF FINANCE AND INFORMATION SERVICES (JAN. – DEC. 2007)

MALISA FILES

INTERIM DIRECTOR OF FINANCE AND INFORMATION SERVICES (JAN. – MAY 2008)

MICHAEL E. BAILEY, CPA

DIRECTOR OF FINANCE AND INFORMATION SERVICES (MAY 2008)

CHRIS GIANINI, CPA

ACCOUNTING SERVICES MANAGER (JAN. 2007 – FEB. 2008)

JILL LONG, CPA

INTERIM ACCOUNTING SERVICES MANAGER (FEB. 2008)

KAREN BRANDON

ACCOUNTANT

STEPHANIE WOO

ACCOUNTANT

KELLEY WOOD

TREASURY MANAGER

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redmond
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF REDMOND ELECTED OFFICIALS



MAYOR
Rosemarie M. Ives



Rosemarie M. Ives

COUNCIL



Nancy McCormick
President



John "Pat" Vache
Vice President



Kim Allen



Richard Cole



John Marchione



Hank Margeson



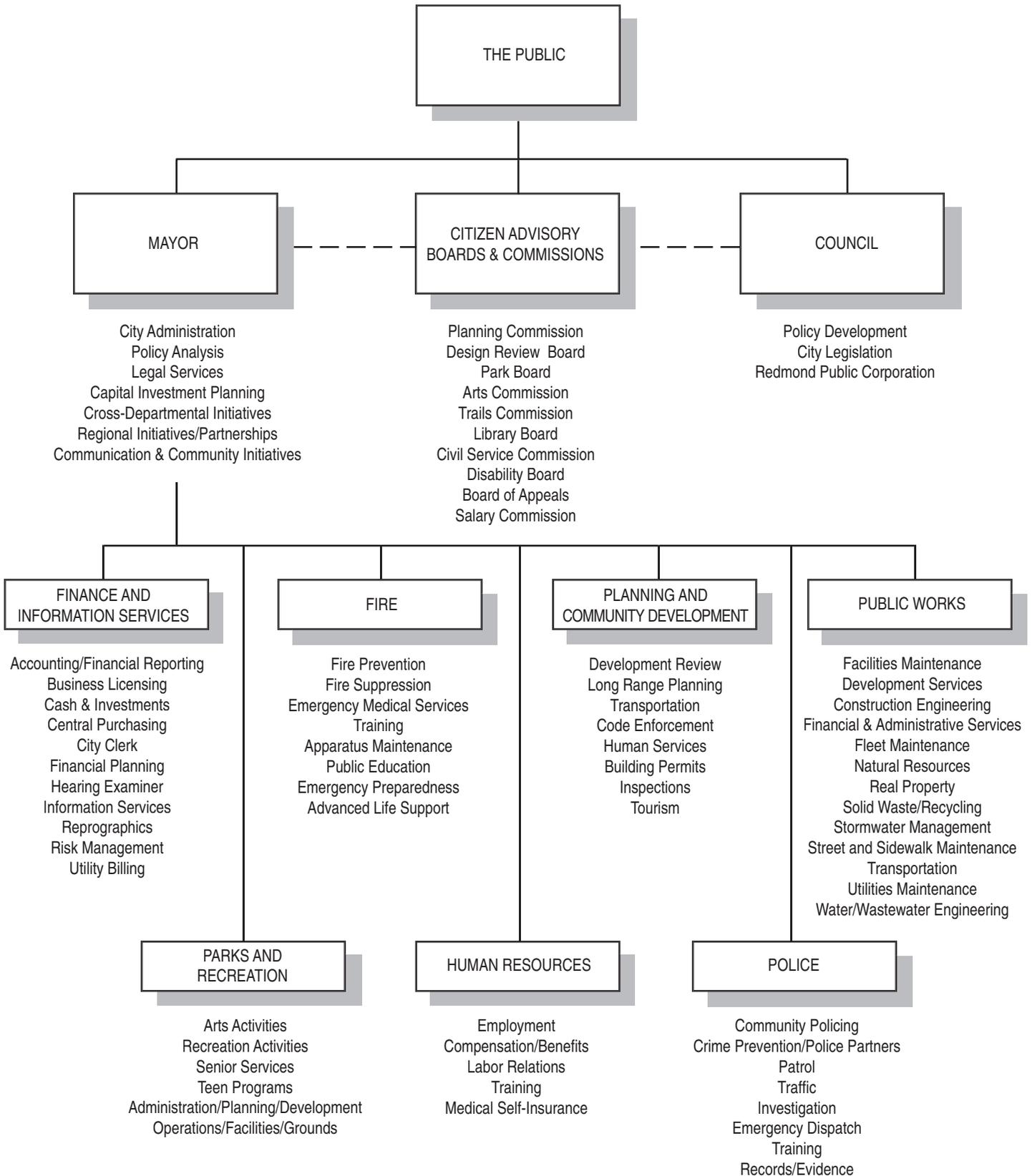
Jim Robinson

EXECUTIVE STAFF AND LEGAL COUNSEL

Assistant to the Mayor
Finance and Information Services Director
Fire Chief
Human Resources Director
Parks and Recreation Director
Planning and Community Development Director
Police Chief
Public Works Director
City Attorney
Bond Attorney
Prosecutor

Jane Christenson
Lenda Crawford
Tim K. Fuller
Kerry Sievers
Craig E. Larsen
Rob Odle
Steven R. Harris
William Campbell
James Haney, Ogden Murphy Wallace
Gottlieb, Fisher & Andrews
Richard L. Mitchell

CITY OF REDMOND ORGANIZATIONAL STRUCTURE





September 22, 2008

To the Honorable Mayor, the Redmond City Council, and Citizens of Redmond, Washington:

I am pleased to provide the Comprehensive Annual Financial Report of the City of Redmond for the fiscal year ended December 31, 2007. This report is published annually as the official annual financial report and complies with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the State Auditor's Office in a timely fashion.

As management for the City, we are responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all related disclosures. The City operates under a system of accounting internal controls that are concerned with the safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the Office of the State Auditor. State law provides for an annual independent audit to be conducted by the Office of the State Auditor.

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

GAAP requires that 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 letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Redmond's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

Incorporated in 1912, Redmond is the sixteenth largest city in the state of Washington encompassing an area of 16.94 square miles east of downtown Seattle on the east side of Lake Washington. Redmond has grown from a population of 1,453 in 1960 to a 2007 population of 50,680.

Redmond is a non-charter code city, operating under Section 35A of the Revised Code of Washington. It has a Mayor/Council form of government. The Mayor and the seven member City Council are elected for staggered four-year terms and are elected at-large, rather than by district. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the City.

The City of Redmond provides a full range of municipal services, including police and fire, emergency medical services, planning and zoning, street maintenance and construction, parks and recreation, and general administrative services. The City operates enterprise funds for water and wastewater services and stormwater management.

This report includes all funds, agencies, and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments. Included as part of the reporting entity are the Redmond Public Corporation and Redmond Community Properties. Additional information on these entities can be found in the Notes to the Financial Statements.

The City prepares budgets on the modified accrual basis in accordance with the Revised Code of Washington (RCW) 35A.34. Biennial budgets must be adopted by the City Council prior to the first of each odd numbered calendar year. Reviews are conducted at mid-biennium

and any changes for the second half of the biennium are adopted by the City Council.

The biennial budget serves as the foundation for the City of Redmond's financial planning and control. The budget is prepared by fund and department. A budget increase or decrease to a fund or a department within the general fund must be authorized by the City Council. Appropriation changes within a department of the general fund or within other funds may be authorized by the Mayor.

Local Economy

Redmond has evolved from a small town with logging and farming as its chief industries into a city of very diverse industries. Lead by the technology industry the local economy also includes light manufacturing, business parks, and a large outdoor mall adjacent to the downtown retail core. The largest employer in Redmond is Microsoft which has its world headquarters and about 40,000 employees located in the City. Other significant employers in our city include Genie Industries, Volt Technical Resources, AT&T Mobility, and Nintendo of America.

Redmond's economy continues to rebound from the economic recession that began in 2001, albeit at a modest rate. Sales tax revenues, employment growth, and development activity all increased as the economy continued to strengthen. Base sales tax revenues for 2007 grew a modest 0.5%, but were augmented by a one-time sales tax adjustment. Employment growth in the Puget Sound region was 3.2% in 2007 with an expected decline of 1.8% and 1.1%, respectively, in 2008 and 2009. Much of the employment growth in Redmond is led by Microsoft, adding 1,600 to 2,000 new jobs per year at its Redmond campus. Microsoft attracts other technology businesses to the area, contributing further to the employment growth. Development activity is also being pushed by Microsoft as they invest \$1 billion over the next three years adding 14 new buildings with 3.1 million square feet of office space. Microsoft has pledged \$35 million to support City infrastructure in conjunction with their development projects. Ongoing revenues such as property tax, sales tax, business license fees and utility taxes should increase as a result of this new development.

Two other significant projects in the downtown area are a large condominium development and a new transit oriented design development which is a multi-use development that combines residential, commercial and a downtown transit center is currently under construction.

To ensure the City keeps abreast of and incorporates economic conditions into its financial plans, revenues are projected for the next six years and the forecast is updated annually. Operating expenses are supported by ongoing revenues per City policy. From 2001 to 2007 cost cutting measures were implemented to keep City expenses in line with revenues.

Long-term Financial Planning and Relevant Financial Policies

In early 2006 the Redmond City Council adopted a 6-year financial plan to address existing service deficiencies. In line with the City's financial policy to maintain a diversified and stable revenue system, the financial strategy called for increases in four revenue sources. Three of these revenue sources, utility tax rate, business license fees, and developer fees, were increased by Council vote in 2006. In 2007 voters approved three Levy Lid Lifts to provide additional revenue in 2008. The Fire Levy provides additional firefighters to support fire and aid car operations at the Overlake Fire Station and the North Redmond Fire Station; the Police Levy provides additional police personnel to support police operations and programs; and the Park Levy provides operation and maintenance of park facilities and programs.

Beginning early in 2007, the Mayor and Council initiated a year long "Budgeting by Priorities" process. This process will align community priorities with efficient delivery of city services through the development of the 2009 / 2010 biennium budget. It will also include indicators to gauge the degree of success in addressing the community priorities with city resources. This process will provide a context for balancing future budgets.

City financial policies restrict the use of borrowed funds to capital improvements that can't be financed from current revenues. Debt is not used for current operations.

Redmond is in a continuous process of both short-term and long-term financial planning. Short-term financial planning is inherent in the development of the City's biennial budget. Concurrent with the biennial budget, the City's long-term capital needs and potential funding sources are assessed. During each biennial budget planning process, initiatives for the next two years are identified. The budget is developed with the goal of attaining these initiatives.

Major Initiatives

The City received several awards for excellence in 2007 including a National Arbor Day Foundation Tree City award; first annual John D. Spellman Safety Award from the Evergreen Safety Council; a Certificate of Merit Award from the Washington Recreation and Parks Association for the Evans Creek Trail; a Washington Recreation and Parks Spotlight Facility Award for the Idlywood Beach project; a Merit Award from the American Planning Association and the Planning Association of Washington for the Redmond Community Indicators report; and the City was named one of the 100 Best Communities for Young People by America's Promise Alliance.

The City continues its tradition of significant investments in capital facilities needed to provide services to our community. Construction projects completed in 2007 ranged from the Sammamish Bear Creek habitat restoration to improvements and renovations at the Old Redmond School House Community Center. A total of 1.3 miles of transit enhancements including sidewalk improvements were also completed on Redmond Way and the Luke McRedmond water quality facility was constructed. Property acquisitions included land for the Bear Creek Parkway extension, park land adjacent to Perrigo Park and Juel Park, and the Trinity building near the Maintenance Operations Center was purchased to provide additional space for Public Works. An addition to the Public Safety building is currently under construction with completion scheduled in 2008.

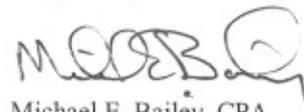
Two successful ongoing community events were featured in 2007, Derby Days and Redmond Lights. Derby Days, held in mid-July, celebrates the 4th of July holiday and Redmond's bicycling heritage. Community events for the whole family include a carnival, a criterium bicycle race, children's parade, live music for all musical tastes, and family entertainment from jugglers to reptiles. Redmond Lights is the City's annual year-end holiday celebration, running from early December through early January. This event celebrates holiday traditions from many countries and features music, lights, children's crafts, and a food and toy drive.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redmond for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2006. This was the twenty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the Finance Department. I would like to express my appreciation to the staff and other personnel from various departments and agencies who assisted in its preparation. Also, I would like to thank the Mayor and the City Council for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully submitted,



Michael E. Bailey, CPA
Finance Director



Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

September 5, 2008

Council
City of Redmond
Redmond, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redmond, King County, Washington, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redmond, King County, Washington, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Advance Life Support Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 11 through 24 and pension trust information on pages 75 through 76 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Combining and Individual Fund Statements and Schedules on pages 81 through 133 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory, Capital Assets Used in the Operation of Governmental Funds on pages 134 through 136 and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is written in a cursive, flowing style with a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management discussion and analysis section of the City of Redmond's Comprehensive Annual Financial Report provides an overview of the City's financial activities for the year ending December 31, 2007, and for the City's financial position at December 31, 2007. This information should be read in conjunction with the preceding letter of transmittal and the financial statements and notes to the financial statements that follow.

Financial Highlights

- Net assets, the amount by which total assets exceed total liabilities, equaled \$571,969,750 at the end of 2007. A total of 78% or \$444,335,955 of total net assets is invested in capital assets such as streets, land, buildings, and utility pipes. Of the remaining net assets of \$127,633,795, the majority are legally restricted, reserved by City policy for specific purposes, or are the net assets of business-type activities restricted for use by the City's utilities.

The City's net assets increased by \$66,309,855 in 2007. The overall increase was split between governmental activities and business-type activities at \$34,029,790 and \$32,280,065 respectively. The capital asset category of net assets increased \$40,923,271 including \$11.4 million contributed by developers. Net assets not invested in capital assets increased \$25.4 million between 2006 and 2007.

In the governmental activities category, net assets not invested in capital assets increased \$12,239,923 or 15.5% in 2007. Net assets restricted for Debt Service and Special Revenue Funds increased \$1,376,185 while net assets restricted for capital projects decreased \$484,349. Unrestricted net assets increased \$11,348,087. Net assets not invested in capital assets in the business-type activities category increased \$13,146,661 or 57.6% between 2006 and 2007.

- Governmental fund balances at year end were \$85,697,995, an increase of \$11,152,753 or 15% from the prior year. Of this amount, \$14,684,782 is unreserved and available to fund ongoing activities. \$1,607,976 is legally

restricted for debt service and the remaining \$69,405,237 is legally restricted or reserved by City policy for capital projects (\$37,124,886) or Special Revenue Fund purposes (\$32,280,351).

- Unreserved fund balance in the general fund was \$14,652,362, an increase of \$5,617,282 from the prior year. An additional fund balance of \$6,567,156 is available in the operating reserve fund to provide the capacity to offset significant downturns and revisions in any general municipal purpose fund in accordance with the City's operating reserve policy.
- Total City debt, excluding special assessment debt, decreased \$2,521,626 from 2006 to 2007. Outstanding bonded debt, loans, and long term contracts at year end totaled \$43,481,426.

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, 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. Business-type activities are self-supporting through user fees and charges.

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

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

Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Redmond, 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 financing 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 Redmond maintains twenty-nine individual governmental funds. The City's three major governmental funds, the general fund, the advanced life support fund, and the capital improvements program fund are presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column labeled other governmental funds. Individual fund data for each of the other governmental funds can be found in combining statements later on in this report.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the department level for the General Government and at the fund level for all other funds, according to state law. A budgetary comparison statement is presented for the general fund and the advanced life support fund as basic financial statements. 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 Redmond 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 utility, an Urban Planned Development (UPD) water/wastewater utility outside the city limits, and the City's stormwater utility.

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, insurance premiums and claims, medical self-insurance, workmen's compensation self-insurance program, information technology, and one blended component unit, Redmond Community Properties. 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 Redmond's activities.

The City has two types of fiduciary funds, a pension fund and agency funds. The accounting for the pension fund is on the accrual basis. Agency funds are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

Notes to the financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain **required supplementary information** concerning the City's progress in funding its obligation to provide pension benefits to certain retired firefighters and lifetime medical benefits to uniformed personnel hired before October 1, 1977. Required supplementary information may be found 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.

CITY OF REDMOND

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 Redmond's net assets at December 31, 2006 and 2007 total \$505,659,895 and \$571,969,750, respectively. Following is a condensed version of the government-wide statement of net assets for 2007 compared to 2006.

City of Redmond's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 115,454,508	\$ 95,472,626	\$ 39,724,521	\$ 30,753,671	\$ 155,179,029	\$ 126,226,297
Capital assets, net of accumulated depreciation	274,169,219	254,724,288	213,066,007	188,964,942	487,235,226	443,689,230
Total assets	\$ 389,623,727	\$ 350,196,914	\$ 252,790,528	\$ 219,718,613	\$ 642,414,255	\$ 569,915,527
Long-term liabilities	\$ 46,892,700	\$ 48,714,497	\$ 749,386	\$ 1,116,952	\$ 47,642,086	\$ 49,831,449
Other liabilities	19,314,162	12,095,342	3,488,257	2,328,841	22,802,419	14,424,183
Total liabilities	\$ 66,206,862	\$ 60,809,839	\$ 4,237,643	\$ 3,445,793	\$ 70,444,505	\$ 64,255,632
Net assets						
Invested in capital assets, net of related debt	\$ 231,770,778	\$ 209,980,911	\$ 212,565,177	\$ 193,431,773	\$ 444,335,955	\$ 403,412,684
Restricted	24,319,637	23,427,801	-	-	24,319,637	23,427,801
Unrestricted	67,326,450	55,978,363	35,987,708	22,841,047	103,314,158	78,819,410
Total net assets	\$ 323,416,865	\$ 289,387,075	\$ 248,552,885	\$ 216,272,820	\$ 571,969,750	\$ 505,659,895

As noted earlier, the statement of net assets can serve as one indicator of the City's overall financial health. The City of Redmond's assets exceeded liabilities by \$571,969,750 as of December 31, 2007 and by \$505,659,895 as of December 31, 2006.

The largest component of the City's net assets, 78% or \$444,335,955, is its investment in capital assets less any related outstanding debt issued to acquire those assets. These capital assets such as streets, trails, water pipes, parks, fire 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 elected the GASB 34 reporting option to include all general infrastructure of the City acquired or substantially renovated since 1980.

The remaining \$127,633,795 of net assets represents both restricted and unrestricted assets. Approximately 2.0% or \$11,422,032 of the total net assets of the City are legally restricted for general government construction projects such as renovation and construction of sports fields in City parks, and street additions/improvements. The City attempts to fund its capital construction projects on a pay as you go basis, aggressively pursuing transportation grant funding and cost sharing with developers wishing to construct large projects in the City that impact the transportation system. A total of \$1,607,976 (0.3% of total net assets) is restricted for debt service payments. Net assets of \$11,289,629 are restricted for special purposes and designated to fund activities such as advanced life support services, tourism activities, park maintenance and operation, and capital construction transfers.

A total of \$103,314,158 represents the unrestricted net assets of the City. The business-type activities portion of \$35,987,708 may only be spent on water/wastewater and stormwater utility activities. Maintenance of utility delivery systems (water lines, pump stations, wells), storm drain flushing, water meter reading, and capital construction projects such as well rehabilitation are examples of utility activities. Of the remaining \$67,326,450 in funds not subject to legal restrictions, \$52,674,088 is reserved for specific activities by City policy. Examples of the net assets reserved by City policy are funds earmarked for equipment replacement, rainy day funds, recreation activities, recycling, capital construction projects funded by general tax revenues, and transportation flow improvements. \$14,652,362 of the City's net assets are unreserved.

At the end of the fiscal year, the City of Redmond 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 Redmond's net assets increased approximately \$66.3 million in 2007. The increase was split between the government activities (\$34 million) and the business-type activities (\$32.3 million).

Following is a condensed version of the City's changes in net assets. The table shows the revenues, expenses, and related changes in net assets in tabular form for the governmental activities separate from the business-type activities for 2006 and 2007. The graphs that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities for 2007.

CITY OF REDMOND

City of Redmond's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 32,680,828	\$ 26,734,394	\$ 42,967,840	\$ 31,914,057	\$ 75,648,668	\$ 58,648,451
Operating grants and contributions	5,902,573	6,967,499	523,202	-	6,425,775	6,967,499
Capital grants and contributions	5,226,690	5,312,005	21,160,052	13,341,158	26,386,742	18,653,163
General revenues						
Property taxes	13,039,046	12,620,764	-	-	13,039,046	12,620,764
Sales taxes	24,420,352	20,070,662	-	-	24,420,352	20,070,662
Other taxes	27,404,221	22,174,191	-	-	27,404,221	22,174,191
Investment interest	5,134,692	3,664,879	1,667,790	1,298,037	6,802,482	4,962,916
Miscellaneous	3,818,571	588,763	142,507	149,333	3,961,078	738,096
Total revenues	\$ 117,626,973	\$ 98,133,157	\$ 66,461,391	\$ 46,702,585	\$ 184,088,364	\$ 144,835,742
Expenses:						
General government	\$ 13,390,052	\$ 14,024,271	\$ -	\$ -	\$ 13,390,052	\$ 14,024,271
Security	41,104,780	34,353,317	-	-	41,104,780	34,353,317
Physical environment	3,360,185	3,394,541	-	-	3,360,185	3,394,541
Economic environment	3,487,715	3,458,336	-	-	3,487,715	3,458,336
Transportation	10,616,039	9,533,011	-	-	10,616,039	9,533,011
Mental/physical health	97,622	98,479	-	-	97,622	98,479
Culture and recreation	9,550,896	8,907,741	-	-	9,550,896	8,907,741
Interest on long term debt	1,989,894	2,012,235	-	-	1,989,894	2,012,235
Water/wastewater	-	-	22,527,962	20,915,291	22,527,962	20,915,291
UPD water/wastewater	-	-	5,465,642	3,610,047	5,465,642	3,610,047
Stormwater	-	-	6,187,722	5,948,661	6,187,722	5,948,661
Total expenses	\$ 83,597,183	\$ 75,781,931	\$ 34,181,326	\$ 30,473,999	\$ 117,778,509	\$ 106,255,930
Increases in net assets						
before transfers	\$ 34,029,790	\$ 22,351,226	\$ 32,280,065	\$ 16,228,586	\$ 66,309,855	\$ 38,579,812
Transfers	-	29,137	-	(29,137)	-	-
Increase in net assets	34,029,790	22,380,363	32,280,065	16,199,449	66,309,855	38,579,812
Net assets - beginning	289,387,075	267,006,712	216,272,820	200,073,371	505,659,895	467,080,083
Net assets - ending	\$ 323,416,865	\$ 289,387,075	\$ 248,552,885	\$ 216,272,820	\$ 571,969,750	\$ 505,659,895

Governmental activities contributed \$34,029,790 of the total change in net assets of \$66,309,855. The increase in net assets in 2007 was higher than the change in net assets for 2006 by \$11.6 million. Key elements of the 2007 increase are as follows:

- The City's net investment in general government capital assets increased \$21,789,867 while net assets legally restricted or reserved by City policy for capital expenses decreased \$480,349 from 2006 to 2007. These two capital asset categories accounted for 62.6% of the total increase in governmental activities net assets. Revenues to fund capital asset purchases and construction are recorded as program or general revenues in the Statement of Activities. These revenues primarily include impact fees, business transportation taxes, developer contributions, and grants. The associated asset acquisition costs are not recorded as expenses in the year of acquisition but rather are included in the Statement of Net Assets as capital assets. The asset costs are allocated to expense over the lives of the assets through depreciation.
- Governmental revenues increased \$19.5 million or 19.9% from 2006 to 2007. Approximately \$5 million of this amount is available to fund increases in basic City operating costs. The remaining \$14.4 million is legally restricted or reserved by City policy for specific purposes such as capital improvement projects and funding advanced life support services.
- Sales, property, and utility taxes are the primary sources of tax revenue available to fund general city operations. Retail sales and use tax increased \$4,349,690 (21.7%) primarily from one-time audit adjustments with growth at a modest 0.5% increase. Property tax collections available for general use were flat. Utility tax revenue was \$2.5 million higher in 2007 than in 2006 due primarily to increases in Puget Sound Energy rates near the end of 2006 and cellular phone growth.
- Development fees, including permits, inspections, and plan review services, increased by 6.5% over 2006. Residential building activity contributed to this growth. Business license revenue available to fund general government activities increased just over \$794,000 as the employee base increased. Redmond's business license fee is based on the number of employees working in the City.
- Increases in contract revenues of \$500,000 from King County for advanced life support services and \$500,000 from other governments for fire services provided by the City were used to pay for the higher costs of these services. The result was no net change to the net assets of the City's governmental activities. Investment interest increased 40% over 2006 due to several increases in interest rates and more cash available to invest. The \$1.46 million increase in interest revenue was used to fund basic services.
- Capital grants and contributions decreased \$85,315. Revenue in this category is restricted for specific purposes by the granting agency or the donor with the majority funding transportation projects.
- Overall, governmental activities expenses increased in 2007 over 2006 by 10.4% at \$7,815,252. Personnel costs, which make up about 70% of the City's expenses, increased \$3.7 million or 0.8% from 2006. Approximately \$2.97 million of the increase was due to the firefighters' union settling their labor contract. \$539,189 was due to the City's self-insured health costs going up, and \$489,084 was due to a 25% increase in the rate charged to the City for retirement benefits by the State of Washington Department of Retirement Systems.
- Expenses in the general government function decreased \$634,219 in total. Legal fees were down almost \$300,000; the balance of the decrease was the result of careful monitoring of expenses.
- Other functions with notable increases for 2007 were security, encompassing police, fire, and inspections; transportation; and culture and recreation. Operating expenses for advanced life support services in the Fire Department increased approximately \$882,000 in 2007. These expenses were funded by additional revenue from King County per contract. Jail costs decreased by \$77,000 between 2006 and 2007. Included in security expenses in 2007 is an expense of \$398,641 for future medical costs for uniformed personnel accorded full lifetime

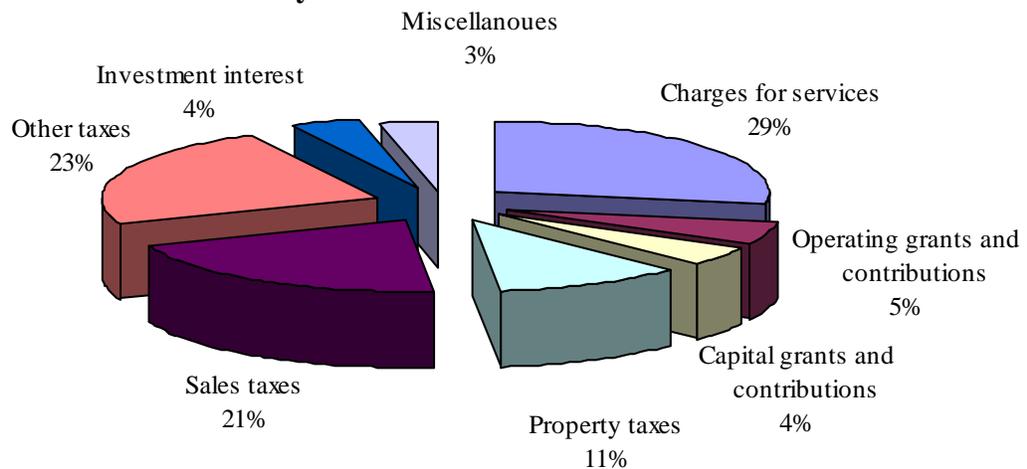
medical coverage by State law. Other expenses contributing to the increase in security expenses were personnel costs primarily due to the firefighters union settling their labor contract, start up costs for a new fire station, purchases of emergency response equipment, and higher fuel and energy costs.

- Transportation function expenses were up \$1,083,028 or about 11.4% in 2007. Personnel costs make up about 55% of this increase as salary and benefit costs rise throughout the City. Other contributing factors are increased depreciation as the City's transportation infrastructure grows and fluctuations from year to year in the cost of street maintenance activities such as repaving and road striping. 10% of the increase was due to fuel costs.
- Culture and recreation expenses increased 7.2% or \$643,155 in 2007. Popular recreation classes

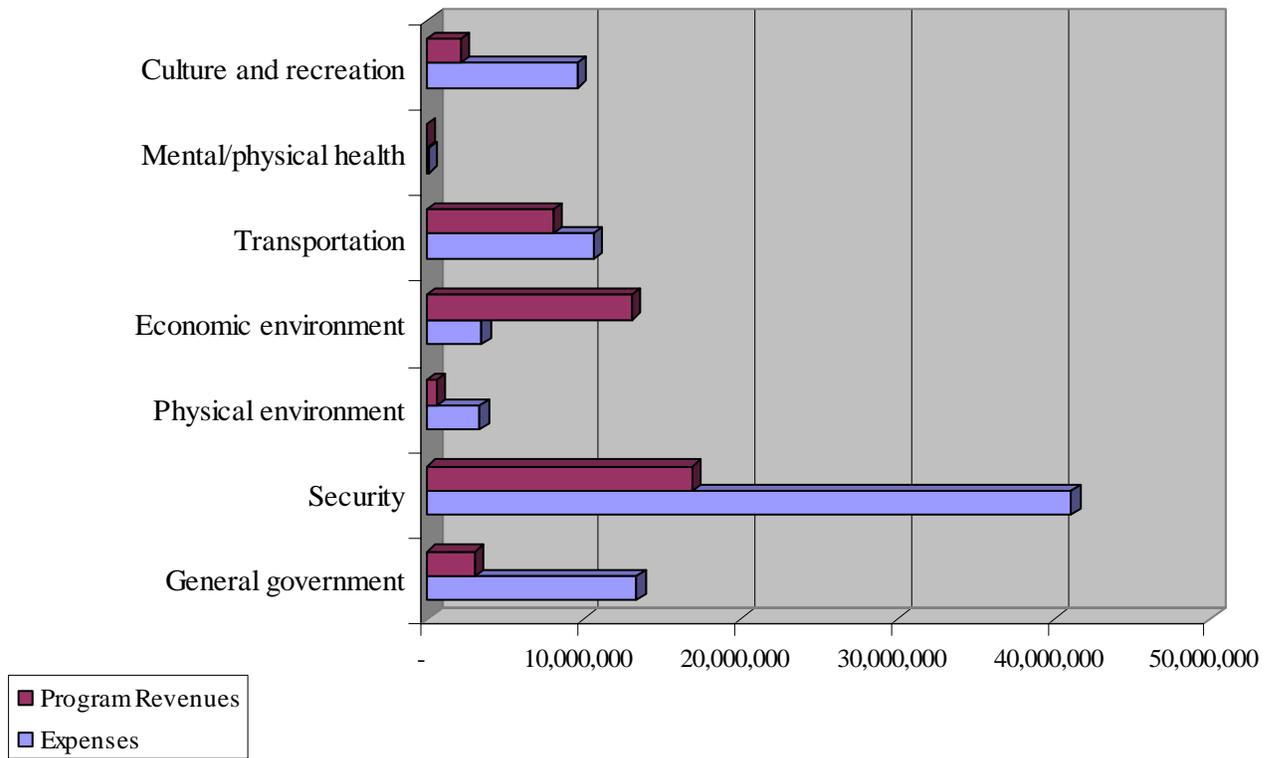
required additional supplemental staff to lead the classes, resulting in increased supplemental staff personnel costs. These costs are offset by an increase in recreation class fees. Maintenance and depreciation expenses for City parks increased more than \$300,000 over 2006 as the number of amenities and popularity of the parks continued to grow. The remaining two functional areas, physical environment and mental/physical health, decreased less than 1%. Their activities remain relatively stable.

- The City updates its revenue forecasts during the year and closely monitors incoming revenues to ensure sufficient funding will be available to maintain basic City functions. Should revenues fall short of expectations, immediate steps are taken to limit expenses to maintain the City's fiscal health. The City's fiscal prudence for the past several years enabled Redmond to end 2007 on a positive financial note.

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities



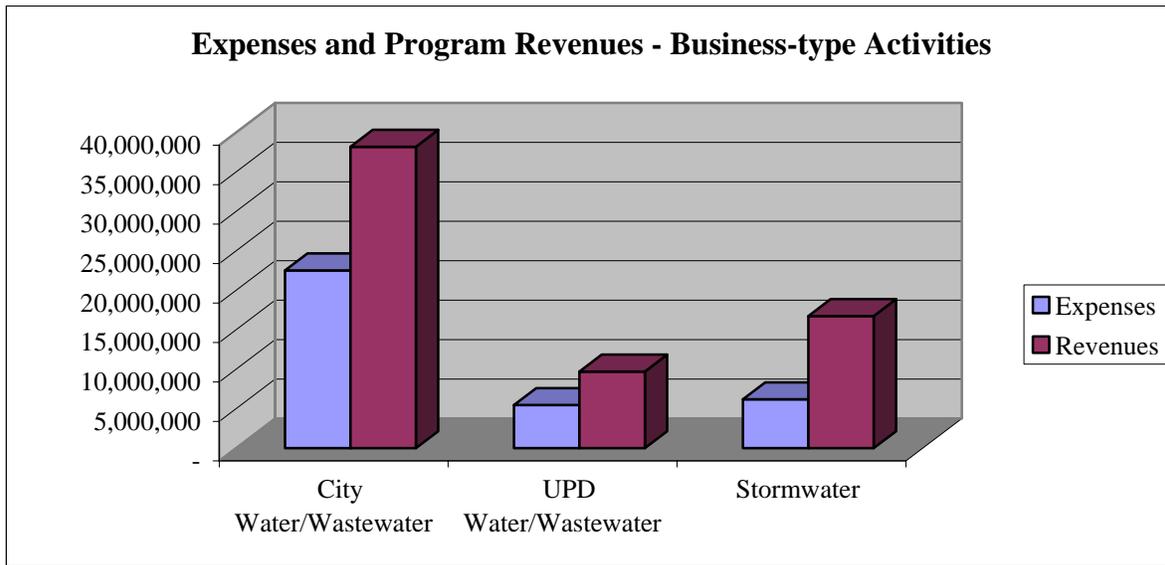
Business-type activities of the City’s utilities increased the City of Redmond’s net assets by \$32,280,065, accounting for 49% of the total growth in the government’s net assets.

Key elements of this increase are as follows:

- Water/wastewater operating revenues for 2007 were \$26,127,411, a 24% increase over 2006. This increase was due to growth, accrual of \$1.7 million in unbilled revenue, and rate increases. Water rates increased 12%, wastewater rates increased 19% and King County Wastewater Treatment fees increased 9.2%.
- UPD water/wastewater operating revenues for 2007 were \$5,525,293, a 64% increase from 2006. This increase was due to growth, accrual of \$192,061 in unbilled revenue, and a change in the rate tier structure. The structure changes increased water rates on average 9.6%. Growth

also brought in an additional \$1.4 million in regional capital facility charges, a 359% increase over 2006.

- Stormwater operating revenues for 2007 were \$11,315,136, a 52% increase over 2006 due to a 44% rate increase, \$704,435 of unbilled revenue being recognized, and a \$101,366 increase in engineering fees.
- Investment earnings for the business-type activities increased \$369,753, a 28% increase over 2006 due to higher interest rates and cash balances.



Financial Analysis of the Government’s Funds

As discussed earlier, the City of Redmond 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, fund balance is a good indicator of the City’s resources available at the end of the year.

At the end of the current year the City’s combined ending governmental fund balance was \$85,697,995. This was an increase of \$11,152,753 or 15% from the ending fund balance of the prior year. Of the \$85,697,995, a total of \$1,607,976 is reserved for debt service, \$37,124,886 is earmarked for capital construction projects and \$32,280,351 resides with special revenue funds. Significant special revenue fund balances include \$6,567,156 in the operating reserve fund, including general reserves and development reserves; \$6,806,744 in equipment reserve funds; \$9,812,370 in the real estate excise tax fund; and \$1,872,754 in the business license surcharge fund for future transportation projects. Special revenue fund balances are either legally restricted or reserved by City policy for particular purposes.

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 2007 the fund balance of the general fund was \$14,684,782. As a measure of the fund’s liquidity, the ending fund balance is 26% of the fund’s 2007 expenditures. This meets the City’s goal to have a balance sufficient to cover daily financial needs without carrying an excessive balance forward at year end.

The general fund balance increased \$5,626,262 from the prior year. Revenues rose faster than expenditures from 2006 to 2007, increasing 17.4% and 9.2% respectively. Revenues exceeded expenditures in the general fund by \$14,536,807 in 2007. In keeping with the City’s policy to fund capital projects on a pay-as-you-go basis, net transfers out of the general fund totaled \$8,910,545, primarily for capital activities.

Taxes are the primary source of revenue in the General Fund, at 67% of the fund’s 2007 revenues. Sales tax revenues, the City’s largest single revenue source, increased \$4,331,278 from 2006 to 2007 or 23%, up from an increase of 8% in 2006. \$4.1 million of this increase are one-time audit adjustments with remaining sales tax up a modest 0.5% over 2006.

Changes of note occurred in several other General Fund revenues. License and permit revenue was up, increasing by \$1,102,756 over 2006 with growth in both business licenses and building permit revenue. An increase in the

gas and electric rates by Puget Sound Energy brought in an additional \$1,500,000 in utility taxes in 2007.

Prudent management dictates that the City closely monitor expenditures to not exceed revenues and that the impact of any service adjustments be fully evaluated in light of community and organizational goals. The City's largest General Fund expenditure category, at 57% of total expenditures, is security encompassing Police and Fire services. Expenditures in this category were up 19.2%. Salaries and benefits rose significantly due to police and fire union settlements in 2007 that included back pay for 2005 and 2006.

The Advanced Life Support (ALS) Fund's purpose is to account for the cost of providing advanced life support services to several eastside cities and areas of East King County. These services are funded by an Emergency Medical Services property tax levy collected by King County. As Redmond incurs the costs of providing these services, King County is billed for the services by Redmond. Therefore revenues and expenditures in this fund are relatively equal each year with little or no year ending fund balance. Expenditures for ALS services were \$519,424 higher than in 2006 due to union contract settlement and higher salaries and benefits.

The Capital Improvements Program Fund ending fund balance was \$36,853,117, a decrease of \$2,570,309 from 2006. This was due to several factors. The sale of a street right-of-way brought in an additional \$3,164,850 and transfers-in increased \$2,693,895, with expenditures \$15,168,397 higher than 2006. Transportation projects accounted for \$13.9 million of the expenditure increase including \$4.6 million for the Bear Creek Parkway project and \$3.8 million for sidewalk improvements. Investment income was up \$413,005 from 2006 due to increasing interest rates and cash available to invest.

Proprietary funds

The City of Redmond's proprietary funds 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 in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City of Redmond budgets on a biennial basis with each budget beginning in an odd numbered year by state law. The difference between the 2007/2008 biennial

budget adopted at the end of 2006 and the final 2007/2008 biennial budget at December 31, 2007 amounts to \$17,592,931.

Revenues increased in the following categories:

- Beginning fund balance increased \$5,185,385 due to a higher than anticipated ending fund balance at December 31, 2006.
- Taxes \$5,096,974
- Contributions \$267,564
- Intergovernmental revenue \$829,100
- Charges for services \$5,283,158
- Miscellaneous \$368,391

Expenditure increases in the following areas were funded by the \$5,185,385 increase in beginning fund balances:

- Non-Departmental received \$4,762,623 with \$2,397,204 set aside in the Salary and Benefit Contingency to support unsettled labor contract, \$844,000 to fund capital equipment, \$444,774 for records management, \$325,000 to fund new police officers, \$60,000 for the Parks bond study, and \$691,645 also set aside for the Council's Economic Contingency.
- Planning received \$525,485 with \$365,584 to fund technology projects, \$100,000 toward the Comprehensive Plan and Development Guide, and \$60,000 for the Downtown Parking study.
- \$20,000 in funding was provided for security cameras at the Old Redmond School House Community Center.
- Fire received an additional \$3,400 toward the replacement and repair of fencing and an emergency potable water supply at Fire Station 11.
- Refurbishment of the Police crisis vehicle was funded at \$35,000.

The \$5,096,974 increase in taxes funded additional Fire, Police, and Park services with the recently approved Levy Lid Lifts.

The \$267,564 increase in contributions helped fund additional youth programs, the NE 40th Street Corridor Study, and East Lake Sammamish Parkway rehabilitation.

The \$829,100 increase in intergovernmental revenue consisted of grants to fund the following:

- \$249,900 for the Commute Reduction Program
- \$99,000 for the Air Quality Program
- \$3,500 for the Overlake Neighborhood Plan
- \$5,000 for a Historic Survey
- \$2,500 for restoration of the old school bell
- \$469,200 for Grass Lawn Park renovation

The \$5,283,158 increase in charges for services provided an additional \$6,678,307 funding for review and processing of a large development project in the City, while the Information Technology funding was reduced by \$925,949 to reflect Council's decisions on proposed technology programs.

Increases in miscellaneous revenue of \$368,391 provided additional funding for the Capital Improvement Program.

Capital Asset and Debt Administration

Capital Assets

The City of Redmond's investment in capital assets for its governmental and business-type activities as of December 31, 2007 amounts to \$487,235,226 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission/distribution systems, roads, and bridges.

- General government capital investment street projects were completed at a cost of \$9.9 million.
- General government capital investment projects currently under construction are valued at \$19,826,014. These include road work at Redmond Way and Highway 202, extension of Bear Creek Parkway, transportation projects in the Overlake area, 520 overpass at NE 36th, and an addition to the Public Safety Building.
- Capital assets totaling \$10.7 million were contributed to the City water/wastewater utility including water and sewer infrastructure for the

Quadrant Willows Corporate Center and the Safeco Redmond Campus valued at \$1,785,784 and \$1,121,356 respectively.

- Quadrant Corporation contributed capital assets valued at \$4 million to the UPD water/wastewater utility including Sewer Pump Station #56 valued at \$1,965,130.
- The stormwater utility received capital assets totaling \$1.3 million including the Whistler Ridge stormwater facilities valued at \$634,803.

Major capital assets changes during 2007 included the following:

- Commercial property adjacent to the Maintenance Operation Center was purchased to provide additional space for Public Works at a cost of \$2.6 million.
- Land was purchased for the Bear Creek Parkway extension for \$2.3 million.
- Improvements and renovations were made to the Old Redmond School House Community Center at a cost of \$1.1 million.
- The Old Redmond Road widening project, including curbs, gutters, sidewalks, and streetlights, was completed at a cost of \$1.9 million.
- Additional park land was purchased for a total cost of \$615,812. One parcel is adjacent to Perrigo Park and the other adjacent to Juel Park.
- 1.3 miles of transit enhancements including sidewalk improvements were completed for Redmond Way costing \$1.5 million.
- The Sammamish Bear Creek habitat restoration was completed at a cost of \$1.9 million.
- The Luke McRedmond water quality facility was completed at a cost of \$1.5 million.
- The Redmond Way stormwater stabilization was completed at a cost of \$1.4 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 53,841,445	\$ 49,591,117	\$ 7,292,365	\$ 6,757,847	\$ 61,133,810	\$ 56,348,964
Buildings/Building Improvements	55,810,300	54,222,366	18,746,910	17,774,019	74,557,210	71,996,385
Improvements other than buildings	16,401,787	17,143,163	176,610,985	155,454,420	193,012,772	172,597,583
Machinery and equipment	10,390,749	10,558,400	251,902	339,077	10,642,651	10,897,477
Construction in progress	19,826,014	14,526,408	10,163,845	8,639,579	29,989,859	23,165,987
Infrastructure	117,600,617	108,384,728	-	-	117,600,617	108,384,728
Art	298,307	298,106	-	-	298,307	298,106
Total	\$ 274,169,219	\$ 254,724,288	\$ 213,066,007	\$ 188,964,942	\$ 487,235,226	\$ 443,689,230

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

Long-term debt

At the end of the current fiscal year, the City of Redmond had total bonded debt outstanding of \$41,116,384. Of this amount, \$40,531,384 is general obligation bonds, and \$585,000 is special assessment debt with governmental commitment. The Business-Type Activities had no bonded debt outstanding at the end of the current fiscal year.

**City of Redmond's Outstanding Debt -
General Obligation Bonds**

	Governmental Activities	
	2007	2006
General obligation bonds	\$ 40,531,384	\$ 42,504,603
Special assessment debt with governmental commitment	585,000	780,000
Total	\$ 41,116,384	\$ 43,284,603

The City of Redmond maintains an AA rating from Standard & Poors and an AA2 rating from Moody's for general obligation debt. Special assessment bonds are unrated.

Washington State statutes limit the amount of general obligation 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 (limited tax) general

obligation indebtedness is limited to 1.5% of assessed valuation. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5% of assessed valuation. The City's assessed valuation for 2007 was \$11,180,532,223 and remaining debt capacity is as follows:

CITY OF REDMOND

General	\$ 239,225,819
Open Space/Park Facilities	279,513,306
Utilities	<u>279,513,306</u>
TOTAL	<u>\$ 798,252,431</u>

The total amount of unlimited tax and limited tax general obligation debt the City may issue is \$838,539,918. Additional information on the City of Redmond's long-term debt can be found in Note 12 of this report and in the Statistical Section of the report.

Economic Factors and the Next Year's Budget Rates

Several factors that affect the economic climate in Redmond were considered when preparing the City's 2007-2008 biennial budget. The outlook for the nation, state and region was weighed in relation to its expected impact on the City. The character of Redmond, including its current and future business activity and its attraction as a place to live, was also evaluated. Current financial position and the ability and the desire of the City to enhance revenues were also given consideration. Particular attention was paid to balancing the needs of a continually growing community with increasing service demands while at the same time remaining fiscally prudent. To that end, Redmond's elected officials solicited voter support to increase fire, police and parks maintenance services through a property tax levy lid lift in 2007. Residents approved the measures allowing the City to implement needed enhancements to those services.

Commercial and residential development remains strong in Redmond. Multi-family residences are being constructed downtown, and the City's largest employer, Microsoft Corporation, continues to accelerate the expansion of their campus. Growth that was expected to take place over a twenty-year period is now planned within the next three years. As a result, the City has increased staffing in the development review area, on a temporary basis, to handle the activities associated with reviewing and inspecting over seven million square feet of Microsoft office and garage space. In addition, the Overlake Neighborhood Plan is complete, which will guide the redevelopment of a significant commercial and residential area in the City.

Other businesses in Redmond continue to thrive, such as Redmond Town Center (a large open-air mall), Home Depot, Fred Meyer, and Target, and in late 2008 Costco will open along the City's eastern border. Overall job

growth in Redmond has averaged approximately 2% annually since 2000, and population growth is expected to continue at about 1,000 new residents per year.

Redmond has many attractions with parks and open spaces, beautiful landscapes and proximity to employment centers and continues to promote its amenities to residents, tourists and potential businesses through strategic marketing materials. Evidence of the City's attractiveness can be seen in the growth of residential and commercial development, which is expected to remain strong through 2008.

Redmond has a history of excellent financial management and prudent fiscal policies. To that end the City reviews its rates and fees on an annual or biennial basis depending on the rate. Business license fees were increased in 2007 for inflation. Water/wastewater and stormwater rates are reviewed annually to ensure the City's utilities will remain financially healthy. City water rates increased 12% for 2007 and will increase 6% for 2008. City wastewater rates increased 19% in 2007 and will increase 6% in 2008. Stormwater rates increased 44% in 2007, with no increase planned in 2008. UPD water rates also increased in 2007 due to a change in the tier structure. The rate increase averaged 9.6%, and no increase is planned in 2008.

Adherence to prudent financial management practices and policies has served the City well and set the stage for a community that will thrive for many years to come.

Requests for Information

This financial report is designed to provide a general overview of the City of Redmond's finances for readers with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, may be addressed to the Finance Director, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.

STATEMENT OF NET ASSETS
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 29,407,346	\$ 8,553,435	\$ 37,960,781
Cash with outside agencies	10,000	-	10,000
Investments (Note 4)	69,376,026	24,818,690	94,194,716
Receivables:			
Taxes	5,510,299	-	5,510,299
Accounts	797,525	3,632,943	4,430,468
Interest	1,596,605	507,372	2,103,977
Special assessments	490,906	-	490,906
Due from other governments	5,318,014	-	5,318,014
Due from Firemen's Pension Fund	435,292	-	435,292
Internal balances	(508,189)	508,189	-
Inventory	27,599	77,945	105,544
Deferred charges	11,166	588,590	599,756
Prepaid Insurance	394,801	-	394,801
Prepaid expense	326,834	-	326,834
Restricted assets:			
Deposit cash	175,274	-	175,274
Deposit investments	2,085,010	1,037,357	3,122,367
Capital assets (Note 7):			
Land, artwork, construction in progress	73,965,766	17,456,210	91,421,976
Depreciable capital assets, net	200,203,453	195,609,797	395,813,250
Total Assets	389,623,727	252,790,528	642,414,255
LIABILITIES			
Accounts/claims payable	7,450,495	2,060,742	9,511,237
Employee wages payable	2,276,106	224,188	2,500,294
Interest	50,034	2,846	52,880
Due to other governments	381,808	-	381,808
Unearned revenues	6,895,435	6,240	6,901,675
Customer deposits	2,260,284	1,037,357	3,297,641
Noncurrent liabilities (Note 12):			
Due within one year	4,869,080	517,701	5,386,781
Due in more than one year	41,438,620	388,569	41,827,189
Special assessment debt with governmental commitment	585,000	-	585,000
Total Liabilities	66,206,862	4,237,643	70,444,505
NET ASSETS			
Invested in capital assets net of related debt	231,770,778	212,565,177	444,335,955
Restricted for:			
Capital projects	11,422,032	-	11,422,032
Special revenue funds	11,289,629	-	11,289,629
Debt service	1,607,976	-	1,607,976
Unrestricted	67,326,450	35,987,708	103,314,158
Total Net Assets	\$ 323,416,865	\$ 248,552,885	\$ 571,969,750

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 13,390,052	\$ 3,040,040	\$ 4,448	\$ -	\$ (10,345,564)	\$ -	\$ (10,345,564)
Security	41,104,780	13,222,660	3,643,433	-	(24,238,687)	-	(24,238,687)
Physical environment	3,360,185	371,568	46,708	164,500	(2,777,409)	-	(2,777,409)
Economic environment	3,487,715	12,874,314	227,519	-	9,614,118	-	9,614,118
Transportation	10,616,039	1,397,973	1,657,783	4,984,463	(2,575,820)	-	(2,575,820)
Mental/physical health	97,622	-	-	-	(97,622)	-	(97,622)
Culture and recreation	9,550,896	1,774,273	322,682	77,727	(7,376,214)	-	(7,376,214)
Interest on long-term debt	1,989,894	-	-	-	(1,989,894)	-	(1,989,894)
Total governmental activities	<u>83,597,183</u>	<u>32,680,828</u>	<u>5,902,573</u>	<u>5,226,690</u>	<u>(39,787,092)</u>	<u>-</u>	<u>(39,787,092)</u>
Business-type activities							
Water/Wastewater	22,527,962	26,127,411	23,505	12,045,105	-	15,668,059	15,668,059
UPD Water/Wastewater	5,465,642	5,525,293	-	4,182,086	-	4,241,737	4,241,737
Stormwater	6,187,722	11,315,136	499,697	4,932,861	-	10,559,972	10,559,972
Total business-type activities	<u>34,181,326</u>	<u>42,967,840</u>	<u>523,202</u>	<u>21,160,052</u>	<u>-</u>	<u>30,469,768</u>	<u>30,469,768</u>
Total government	<u>\$ 117,778,509</u>	<u>\$ 75,648,668</u>	<u>\$ 6,425,775</u>	<u>\$ 26,386,742</u>	<u>(39,787,092)</u>	<u>30,469,768</u>	<u>(9,317,324)</u>
General revenues							
Taxes							
Property					13,039,046	-	13,039,046
Sales					24,420,352	-	24,420,352
Other					27,404,221	-	27,404,221
Unrestricted investment interest					5,134,692	1,667,790	6,802,482
Miscellaneous					4,202,712	142,507	4,345,219
Gain/Loss on sale of capital assets					(384,141)	-	(384,141)
Total general revenues and transfers					<u>73,816,882</u>	<u>1,810,297</u>	<u>75,627,179</u>
Change in net assets					34,029,790	32,280,065	66,309,855
Net assets-beginning					289,387,075	216,272,820	505,659,895
Net assets-ending					<u>\$ 323,416,865</u>	<u>\$ 248,552,885</u>	<u>\$ 571,969,750</u>

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

	General	Advanced Life Support Fund	Capital Improvements Program Fund	Other Governmental Funds	Governmental Funds Total
ASSETS					
Cash and cash equivalents	\$ 6,439,395	\$ -	\$ 10,197,795	\$ 9,266,219	\$ 25,903,409
Cash with outside agency	-	-	-	10,000	10,000
Investments	7,973,061	-	30,471,874	23,576,988	62,021,923
Receivables:					
Taxes	5,303,020	-	-	207,279	5,510,299
Accounts	58,599	-	727,148	-	785,747
Interest	125,477	-	210,459	300,209	636,145
Special assessments	-	-	-	490,906	490,906
Due from other funds	-	-	-	1,745,021	1,745,021
Due from other governments	832,837	1,625,617	2,666,834	192,726	5,318,014
Prepaid expense	-	-	326,834	-	326,834
Restricted assets:					
Deposit cash	-	-	128,718	46,556	175,274
Deposit investments	2,085,010	-	-	-	2,085,010
Total Assets	<u>\$ 22,817,399</u>	<u>\$ 1,625,617</u>	<u>\$ 44,729,662</u>	<u>\$ 35,835,904</u>	<u>\$ 105,008,582</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts/claims payable	\$ 3,722,591	\$ 18,522	\$ 1,902,219	\$ 436,646	\$ 6,079,978
Employee wages payable	1,846,242	167,492	47,648	112,973	2,174,355
Due to other funds	-	1,347,511	-	397,510	1,745,021
Due to other governments	322	-	381,486	-	381,808
Payable from restricted assets:					
Deposits payable	2,085,010	-	128,718	46,556	2,260,284
Unearned revenues	478,452	-	5,416,474	774,215	6,669,141
Total Liabilities	<u>8,132,617</u>	<u>1,533,525</u>	<u>7,876,545</u>	<u>1,767,900</u>	<u>19,310,587</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	1,607,976	1,607,976
Petty cash	32,420	-	-	-	32,420
Unreserved, reported in:					
General fund	14,652,362	-	-	-	14,652,362
Special revenue funds	-	92,092	-	32,188,259	32,280,351
Capital projects funds	-	-	36,853,117	271,769	37,124,886
Total Fund Balances	<u>14,684,782</u>	<u>92,092</u>	<u>36,853,117</u>	<u>34,068,004</u>	<u>85,697,995</u>
Total Liabilities and Fund Balances	<u>\$ 22,817,399</u>	<u>\$ 1,625,617</u>	<u>\$ 44,729,662</u>	<u>\$ 35,835,904</u>	

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 therefore not reported in the funds.	269,433,236
Net pension obligation paid in over required	(435,292)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Note 3)	1,562,449
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets.	14,451,363
Some liabilities, including bonds, loans, and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 3)	(47,292,886)
Net assets of governmental activities	<u>\$ 323,416,865</u>

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	General Fund	Advanced Life Support Fund	Capital Improvements Program Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 47,709,449	\$ -	\$ 1,100,000	\$ 15,461,919	\$ 64,271,368
Special assessments	-	-	-	244,988	244,988
Licenses and permits	8,741,959	-	-	1,178,562	9,920,521
Contributions from property owners	2,300	70,000	3,249,593	354,852	3,676,745
Intergovernmental	8,138,843	5,272,826	3,173,310	873,653	17,458,632
Charges for services	4,538,264	-	1,896,980	2,823,035	9,258,279
Fines and forfeitures	811,451	-	-	14,851	826,302
Investment income	1,258,786	-	1,867,944	1,278,989	4,405,719
Miscellaneous	200,830	-	544,486	265,573	1,010,889
Total Revenues	<u>71,401,882</u>	<u>5,342,826</u>	<u>11,832,313</u>	<u>22,496,422</u>	<u>111,073,443</u>
EXPENDITURES					
Current					
General government	10,579,249	-	1,497,611	307,071	12,383,931
Security of persons and property	32,405,319	5,218,448	895,208	1,636,439	40,155,414
Physical environment	2,766,444	-	34,784	581,228	3,382,456
Transportation	3,464,339	-	2,427,736	819,391	6,711,466
Economic environment	2,546,298	-	27,500	808,550	3,382,348
Mental/physical health	11,699	-	-	85,923	97,622
Culture and recreation	4,957,641	-	846,398	2,886,290	8,690,329
Capital outlay	134,086	51,499	23,203,415	476,063	23,865,063
Debt service:					
Principal	-	-	1,371,717	1,168,218	2,539,935
Interest and debt issue costs	-	-	1,870,128	170,723	2,040,851
Total Expenditures	<u>56,865,075</u>	<u>5,269,947</u>	<u>32,174,497</u>	<u>8,939,896</u>	<u>103,249,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,536,807</u>	<u>72,879</u>	<u>(20,342,184)</u>	<u>13,556,526</u>	<u>7,824,028</u>
OTHER FINANCING SOURCES (USES)					
Disposition of capital assets	-	28,000	3,164,850	3,100	3,195,950
Transfers in (Note 11)	19,789	-	15,945,194	7,328,487	23,293,470
Transfers out (Note 11)	(8,930,334)	(8,787)	(1,338,169)	(12,883,405)	(23,160,695)
Total other financing sources and uses	<u>(8,910,545)</u>	<u>19,213</u>	<u>17,771,875</u>	<u>(5,551,818)</u>	<u>3,328,725</u>
Net change in fund balances	5,626,262	92,092	(2,570,309)	8,004,708	11,152,753
Fund balances-beginning	9,058,520	-	39,423,426	26,063,296	74,545,242
Fund balances-ending	<u>\$ 14,684,782</u>	<u>\$ 92,092</u>	<u>\$ 36,853,117</u>	<u>\$ 34,068,004</u>	<u>\$ 85,697,995</u>

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, 2007

Page 2 of 2

Amounts reported for governmental funds in the statement of activities are different because:

Net change in fund balances-total governmental funds.	\$	11,152,753
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$23,540,462) exceeded depreciation (\$6,958,447) in the current period.		16,582,015
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Note 3)		3,097,570
Receipt of long-term debt proceeds increases the current financial resources of governmental funds and repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. (Note 3)		2,539,936
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		1,803,621
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 governmental funds. (Note 3)		<u>(1,146,105)</u>
Change in net assets of governmental activities.	\$	<u><u>34,029,790</u></u>

See accompanying notes to the financial statements.

CITY OF REDMOND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium-to-date Through <u>12/31/2007</u>	Variance with Final Budget Positive <u>(Negative)</u>
REVENUES				
Taxes				
Property	\$ 24,996,322	\$ 24,996,322	\$ 12,052,761	\$ (12,943,561)
Sales	40,937,026	40,937,026	23,025,364	(17,911,662)
Other	19,887,954	19,887,954	12,631,325	(7,256,629)
Licenses and permits	12,970,371	12,970,371	8,741,959	(4,228,412)
Intergovernmental	14,410,482	14,421,482	8,138,844	(6,282,638)
Charges for services	8,990,500	9,016,500	4,538,264	(4,478,236)
Fines and forfeitures	43,212	43,212	811,451	768,239
Investment income	990,348	990,348	1,258,786	268,438
Miscellaneous	<u>556,040</u>	<u>442,431</u>	<u>203,128</u>	<u>(239,303)</u>
Total Revenues	123,782,255	123,705,646	71,401,882	(52,303,764)
EXPENDITURES				
Current				
Executive Department:				
General government	2,221,846	2,227,618	1,105,534	1,122,084
Finance Department:				
General government	11,701,226	11,709,664	5,061,815	6,647,849
Fire Department:				
Security of persons and property	28,296,080	30,641,678	16,453,429	14,188,249
Capital outlay	-	100,700	23,501	77,199
Human Resources Department:				
General government	2,039,730	2,047,278	936,499	1,110,779
Legal Department:				
General government	1,598,719	1,601,653	961,771	639,882
Legislative Department:				
General government	308,964	308,964	114,230	194,734
Parks and Recreation Department:				
Culture and recreation	9,496,156	10,170,173	4,498,356	5,671,817
Capital outlay	8,400	8,400	2,916	5,484
Planning Department:				
Security of persons and property	4,782,806	5,025,486	2,229,005	2,796,481
Economic development	5,462,790	5,641,068	2,535,998	3,105,070
Capital outlay	-	150,000	105,070	44,930
Police Department:				
Security of persons and property	26,677,871	27,477,824	13,392,565	14,085,259
Capital outlay	-	-	2,599	(2,599)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	Actual Biennium-to-date Through 12/31/2007	Variance with Final Budget Positive (Negative)
Public Works Department:				
General government	\$ 2,987,907	\$ 3,006,579	\$ 883,185	2,123,394
Security of persons and property	-	-	309,070	(309,070)
Physical environment	5,916,136	5,924,197	2,731,107	3,193,090
Transportation	6,753,990	6,790,067	3,464,339	3,325,728
Economic development	-	-	10,300	(10,300)
Culture and recreation	-	-	359,286	(359,286)
Non Departmental:				
General government	1,022,354	3,441,698	1,516,214	1,925,484
Security of persons and property	40,359	40,359	21,250	19,109
Physical environment	61,399	61,399	35,337	26,062
Transportation	20,000	20,000	-	20,000
Mental and physical health	20,361	20,361	11,699	8,662
Culture and recreation	200,000	200,000	100,000	100,000
Total Expenditures	<u>109,617,094</u>	<u>116,615,166</u>	<u>56,865,075</u>	<u>59,750,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,165,161</u>	<u>7,090,480</u>	<u>14,536,807</u>	<u>7,446,327</u>
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	-	-
Transfers in	40,073	40,073	19,789	(20,284)
Transfers out				
Fire Department	(522,000)	(522,000)	(261,000)	261,000
Public Works Department	(600,000)	(600,000)	(300,000)	300,000
Non Departmental	(13,952,784)	(13,815,143)	(8,369,334)	5,445,809
Total other financing sources and uses	<u>(15,034,711)</u>	<u>(14,897,070)</u>	<u>(8,910,545)</u>	<u>5,986,525</u>
Net change in fund balance	(869,550)	(7,806,590)	5,626,262	13,432,852
Fund balance-beginning	3,497,604	9,058,520	9,058,520	-
Fund balance-ending	<u>\$ 2,628,054</u>	<u>\$ 1,251,930</u>	<u>\$ 14,684,782</u>	<u>\$ 13,432,852</u>

See accompanying notes to the financial statements.

CITY OF REDMOND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ADVANCED LIFE SUPPORT SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 9,805,746	\$ 9,805,746	\$ 5,272,826	\$ (4,532,920)
Charges for services	-	-	-	-
Contributions	-	-	70,000	70,000
Total Revenues	<u>9,805,746</u>	<u>9,805,746</u>	<u>5,342,826</u>	<u>(4,462,920)</u>
EXPENDITURES				
Security of persons and property	9,019,682	9,805,746	5,218,448	4,587,298
Capital outlay	-	-	51,499	(51,499)
Total Expenditures	<u>9,019,682</u>	<u>9,805,746</u>	<u>5,269,947</u>	<u>4,535,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>786,064</u>	<u>-</u>	<u>72,879</u>	<u>72,879</u>
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	28,000	28,000
Transfers in	-	-	-	-
Transfers out	-	-	(8,787)	(8,787)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>19,213</u>	<u>19,213</u>
Net change in fund balance	786,064	-	92,092	92,092
Fund balance-beginning	265,686	-	-	-
Fund balance-ending	<u>\$ 1,051,750</u>	<u>\$ -</u>	<u>\$ 92,092</u>	<u>\$ 92,092</u>

See accompanying notes to the financial statements.

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2007

	Business-type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,280,591	\$ 1,895,535	\$ 3,377,309	\$ 8,553,435	\$ 3,503,937
Investments	9,164,078	5,161,359	10,493,253	24,818,690	7,354,103
Accounts and contracts receivable	2,209,476	237,036	1,186,431	3,632,943	11,778
Interest receivable	186,522	114,733	206,117	507,372	144,195
Inventory	77,945	-	-	77,945	27,599
Pre-Paid Insurance	-	-	-	-	394,801
Restricted assets:					
Customer deposits:					
Investments	337,044	690,166	10,147	1,037,357	-
Total current assets	<u>15,255,656</u>	<u>8,098,829</u>	<u>15,273,257</u>	<u>38,627,742</u>	<u>11,436,413</u>
Noncurrent assets:					
Deferred charges	588,590	-	-	588,590	-
Capital assets:					
Land	2,003,816	3,274,106	2,005,668	7,283,590	584,292
Buildings	9,677,551	10,545,628	738,100	20,961,279	619,494
Improvements other than buildings	126,237,536	48,075,771	39,193,364	213,506,671	258,099
Equipment	181,724	443,369	128,021	753,114	10,034,395
Construction in progress	8,783,484	122,878	1,257,483	10,163,845	-
Other property	8,775	-	-	8,775	-
Less accumulated depreciation	(27,095,030)	(5,927,166)	(6,589,071)	(39,611,267)	(6,760,297)
Total capital assets (net of depreciation)	<u>119,797,856</u>	<u>56,534,586</u>	<u>36,733,565</u>	<u>213,066,007</u>	<u>4,735,983</u>
Total noncurrent assets	<u>120,386,446</u>	<u>56,534,586</u>	<u>36,733,565</u>	<u>213,654,597</u>	<u>4,735,983</u>
Total Assets	<u>\$ 135,642,102</u>	<u>\$ 64,633,415</u>	<u>\$ 52,006,822</u>	<u>\$ 252,282,339</u>	<u>\$ 16,172,396</u>

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2007

	Business-type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,040,580	\$ 911,436	\$ 108,726	\$ 2,060,742	\$ 1,370,517
Employee wages payable	118,839	14,181	91,168	224,188	101,751
Compensated absences	173,255	20,726	132,648	326,629	126,429
Due to other governments	86,613	-	73,117	159,730	-
Current LID payable	34,188	-	-	34,188	-
Unearned revenues	-	6,240	-	6,240	90,728
Liabilities payable from restricted assets:					
Customer deposits payable	337,044	690,166	10,147	1,037,357	-
Total current liabilities	<u>1,790,519</u>	<u>1,642,749</u>	<u>415,806</u>	<u>3,849,074</u>	<u>1,689,425</u>
Noncurrent liabilities:					
Loans payable	85,357	-	221,555	306,912	-
Compensated absences	43,314	5,181	33,162	81,657	31,608
Total noncurrent liabilities	<u>128,671</u>	<u>5,181</u>	<u>254,717</u>	<u>388,569</u>	<u>31,608</u>
Total Liabilities	<u>1,919,190</u>	<u>1,647,930</u>	<u>670,523</u>	<u>4,237,643</u>	<u>1,721,033</u>
NET ASSETS					
Invested in capital assets, net of related debt	119,591,698	56,534,586	36,438,893	212,565,177	4,735,983
Unrestricted	14,131,214	6,450,899	14,897,406	35,479,519	9,715,380
Total Net Assets	<u>\$ 133,722,912</u>	<u>\$ 62,985,485</u>	<u>\$ 51,336,299</u>	<u>\$ 248,044,696</u>	<u>\$ 14,451,363</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				508,189	
Net assets of business-type activities				<u>\$ 248,552,885</u>	

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2007

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
Operating revenues:					
Charges for services	\$ 17,147,574	\$ 4,632,173	\$ 11,315,136	\$ 33,094,883	\$ 4,154,202
Metro service	8,979,837	893,120	-	9,872,957	-
Charges for replacement	-	-	-	-	1,986,616
Charges for insurance	-	-	-	-	8,215,731
Total Operating Revenues	<u>26,127,411</u>	<u>5,525,293</u>	<u>11,315,136</u>	<u>42,967,840</u>	<u>14,356,549</u>
Operating expenses:					
Administrative and general	3,886,570	534,070	3,518,469	7,939,109	11,555,294
Purchased water	4,092,011	2,545,014	-	6,637,025	-
Metro service	8,792,731	849,386	-	9,642,117	-
Supplies	-	-	-	-	498,408
Maintenance and operations	2,594,531	423,978	1,500,343	4,518,852	493,357
Taxes	552,646	110,983	206,262	869,891	-
Depreciation and amortization	2,938,491	1,002,211	960,866	4,901,568	883,878
Total Operating Expenses	<u>22,856,980</u>	<u>5,465,642</u>	<u>6,185,940</u>	<u>34,508,562</u>	<u>13,430,937</u>
Operating Income (Loss)	<u>3,270,431</u>	<u>59,651</u>	<u>5,129,196</u>	<u>8,459,278</u>	<u>925,612</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	606,643	356,520	704,627	1,667,790	502,071
Grants	23,505	-	499,697	523,202	-
Interest expense	(5,081)	-	(1,782)	(6,863)	-
Gain on sale of capital assets	-	-	-	-	41,450
Miscellaneous	90,784	37,074	14,649	142,507	660,156
Total nonoperating revenues (expenses)	<u>715,851</u>	<u>393,594</u>	<u>1,217,191</u>	<u>2,326,636</u>	<u>1,203,677</u>
Income before contributions and transfers	3,986,282	453,245	6,346,387	10,785,914	2,129,289
Capital contributions	12,045,105	4,182,086	4,932,861	21,160,052	-
Transfers in	-	-	-	-	141,206
Transfers out	-	-	-	-	(132,775)
Change in net assets	16,031,387	4,635,331	11,279,248	31,945,966	2,137,720
Total net assets - beginning	<u>117,691,525</u>	<u>58,350,154</u>	<u>40,057,051</u>	<u>216,098,730</u>	<u>12,313,643</u>
Total net assets - ending	<u>\$ 133,722,912</u>	<u>\$ 62,985,485</u>	<u>\$ 51,336,299</u>	<u>248,044,696</u>	<u>\$ 14,451,363</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				334,099	
Change in net assets of business-type activities				<u>\$ 32,280,065</u>	

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2007

	Business-type Activities- Enterprise Funds			Totals	Governmental
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 24,338,323	\$ 5,333,859	\$ 10,274,064	\$ 39,946,246	\$ 12,419,858
Cash received for replacement	-	-	-	-	1,986,616
Cash payments to suppliers	(5,326,028)	(1,783,523)	(959,347)	(8,068,898)	(8,950,848)
Cash payments to employees	(2,736,000)	(371,713)	(2,108,262)	(5,215,975)	(2,991,412)
Cash payments to other governments	(9,345,377)	(960,349)	(250,614)	(10,556,340)	-
Internal activity - payments to other funds	(2,515,172)	(480,986)	(2,039,589)	(5,035,747)	(514,154)
Other operating receipts	-	295,484	-	295,484	660,156
Other operating payments	(36,178)	-	(2,021)	(38,199)	(34,628)
Net cash provided by operating activities	<u>4,379,568</u>	<u>2,032,772</u>	<u>4,914,231</u>	<u>11,326,571</u>	<u>2,575,588</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	-	-	-	-	(132,775)
Net cash used by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(132,775)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(8,122,202)	(248,739)	(4,713,097)	(13,084,038)	(965,623)
Proceeds from sale of capital assets	-	-	-	-	41,450
Proceeds from sale of other assets	90,785	37,074	14,649	142,508	-
Capital contributions	1,309,510	97,265	3,630,798	5,037,573	-
Loan/grant proceeds	23,505	-	499,697	523,202	-
Principal paid on other debt	(141,224)	-	(35,467)	(176,691)	-
Interest paid on other debt	(7,648)	-	(1,782)	(9,430)	-
Net cash used for capital and related financing activities	<u>(6,847,274)</u>	<u>(114,400)</u>	<u>(605,202)</u>	<u>(7,566,876)</u>	<u>(924,173)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment purchases	-	(772,529)	(2,212,429)	(2,984,958)	(335,301)
Investment sales/maturities	4,084,429	-	-	4,084,429	599,445
Interest on investments	616,027	315,027	618,067	1,549,121	466,088
Net cash provided (used) in investing activities	<u>4,700,456</u>	<u>(457,502)</u>	<u>(1,594,362)</u>	<u>2,648,592</u>	<u>730,232</u>
Net increase in cash and cash equivalents	2,232,750	1,460,870	2,714,667	6,408,287	2,248,872
Cash and cash equivalents-beginning of year	<u>1,047,841</u>	<u>434,665</u>	<u>662,642</u>	<u>2,145,148</u>	<u>1,255,065</u>
Cash and cash equivalents-end of year	<u>\$ 3,280,591</u>	<u>\$ 1,895,535</u>	<u>\$ 3,377,309</u>	<u>\$ 8,553,435</u>	<u>\$ 3,503,937</u>

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2007

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
Cash at the end of the year consists of:					
Operating fund cash	\$ 3,280,591	\$ 1,895,535	\$ 3,377,309	8,553,435	\$ 3,503,937
Total cash at end of year	<u>\$ 3,280,591</u>	<u>\$ 1,895,535</u>	<u>\$ 3,377,309</u>	<u>\$ 8,553,435</u>	<u>\$ 3,503,937</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 3,270,431	\$ 59,651	\$ 5,129,196	\$ 8,459,278	\$ 925,612
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,938,491	1,002,211	960,866	4,901,568	883,878
Decrease (increase) in accounts receivable	(1,789,088)	(191,434)	(1,041,072)	(3,021,594)	49,841
Decrease (increase) in inventory	16,213	-	-	16,213	(102)
Increase in prepaid expenses	-	-	-	-	(32,855)
Increase (decrease) in accounts payable	17,622	848,361	(113,944)	752,039	113,531
Increase (decrease) in employee wages payable	(11,404)	6,659	519	(4,226)	(10,908)
Increase (decrease) in compensated absences payable	(26,519)	11,840	(19,313)	(33,992)	(11,877)
Reclassify other income	-	-	-	-	660,156
Increase (decrease) in customer deposits payable	(36,178)	378,104	(2,021)	339,905	(1,773)
Decrease (increase) in unearned revenues	-	(82,620)	-	(82,620)	85
Net cash provided (used) by operating activities	<u>\$ 4,379,568</u>	<u>\$ 2,032,772</u>	<u>\$ 4,914,231</u>	<u>\$ 11,326,571</u>	<u>\$ 2,575,588</u>

Noncash investing, capital and financing activities:

Developers contributed infrastructure valued at	\$ 10,735,595	\$ 4,084,821	\$ 1,302,063	\$ 16,122,479	\$ -
Other funds of the city transferred vehicles valued at	-	-	-	-	141,206
Fair value of investments increased by	47,684	29,368	52,714	129,766	36,908

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 As of December 31, 2007

	Firemen's Pension Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 143,464	\$ 755,830
Invested in Federal Agency Notes	438,009	-
Receivables		
Interest	8,588	-
Total Assets	<u>\$ 590,061</u>	<u>\$ 755,830</u>
LIABILITIES		
Due to other governments	\$ -	\$ 26,742
Custodial	-	35,464
Trust account	-	693,624
Total Liabilities	<u>-</u>	<u>\$ 755,830</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 590,061</u>	

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For the Year Ended December 31, 2007

	Firemen's Pension Fund
ADDITIONS	
Fire insurance premium contributions	\$ 106,728
Investment interest	32,030
Total additions	<u>138,758</u>
DEDUCTIONS	
Benefit payments	13,146
Administrative expenses	2,591
Total deductions	<u>15,737</u>
Change in net assets	123,021
Net assets-beginning	<u>467,040</u>
Net assets-ending	<u><u>\$ 590,061</u></u>

See accompanying notes to the financial statements.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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

The City of Redmond was incorporated on December 31, 1912 and operates under the laws of the State of Washington applicable to a Non-Charter Mayor/Council form of government. The City Council is composed of seven members elected at large to four-year terms. The City provides what are considered general government services including public safety, highways and streets, parks and recreation, planning and zoning, permits and inspection, sanitation, general administrative, and water and wastewater services.

The accounting and reporting policies of the City of Redmond, which conform to generally accepted accounting principles for governments, are regulated by the Washington State Auditor's Office.

The City's significant accounting policies are described in the following notes.

Reporting Entity

The City's Comprehensive Annual Financial Report (CAFR) includes the financial statements for the City of Redmond and its component units, entities for which the City is considered to be financially accountable. The City has two blended component units, the Redmond Public Corporation and Redmond Community Properties. Although legally separate entities blended component units are, in substance, part of the City's operations. (See Note 14 for descriptions.)

Basic Financial Statements

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. 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 individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

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

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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.

Under the modified accrual basis of accounting, property taxes, sales taxes, utility taxes, franchise taxes, 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 period. Grant revenue is recognized for cost reimbursement grants when the expenditure occurs in accordance with GASB Statement 1. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue. Entitlement grant revenue is not tied to expenditures and is recognized when the City is entitled to receive it according to the grant agreement. 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.

Financial Statement Presentation

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

The **Advanced Life Support Fund** that accounts for monies spent to provide advanced life support services to the East King County Advanced Life Support Consortium made up of the Cities of Duvall, Kirkland, Redmond, Woodinville and surrounding unincorporated areas. Funding is provided by King County.

The **Capital Improvements Program Fund** accounts for financial resources to be used for the acquisition, construction, and preservation of major capital facilities other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The **Water/Wastewater Fund** accounts for the activities of providing water and sewer services to its citizens.

The **UPD Water/Wastewater Fund** accounts for the activities of providing water and sewer services to an urban planned development outside the city limits. Both of these utilities' operations are self-supported through user charges.

The **Stormwater Management Fund** accounts for the operation, construction, and maintenance of the City's stormwater management system. The utility's operations are self-supported through fees.

Additionally the City reports the following fund types:

Internal service funds account for fleet maintenance, information technology, and insurance services provided to other departments of the City on a cost reimbursement basis, and for the activities of Redmond Community Properties, a blended component unit of the City.

Agency funds account for assets held by the City as an agent for private individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City has three Agency Funds, Intergovernmental Custodial, Municipal Employees Benefit Trust, and Contractor's Deposits.

The **Pension Trust Fund** accounts for the activities of the **Firemen's Pension Fund**, which accumulates resources for excess pension benefit payments to qualified firefighters.

The City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. Governments have the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated. Indirect expenses are primarily charged to the various functions through the use of internal service funds for fleet maintenance and information technology. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this general rule are payments-in-lieu of

taxes and other charges between the government’s utility functions 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.

The proprietary fund statements 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 City’s utility funds and internal service funds are charges to customers for sales and services, vehicle replacement, and insurance. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer 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 City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The City of Redmond budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34. In compliance with the code, budgets for all funds are established with the exception of the LID Control and the LID Guaranty Debt Service Funds, and Fiduciary funds. Budgets established for proprietary funds are “management budgets” and as such are not required to be reported in the CAFR.

The biennial budget is proposed by the Mayor and adopted by the City Council with legal budgetary control at the department level for the General Fund and at the fund level for all other funds. Expenditures and other financing uses may not exceed budgeted appropriations at these levels. The Mayor may authorize transfers within all funds except the General Fund. The City Council

must approve by ordinance any additional appropriations which increase the total for any department in the General Fund or increase the total for any other fund at the fund level. Any unexpended appropriation balances lapse at the end of the biennium.

In addition to authorizing the budget, the City Council biennially approves the Capital Improvement Program. This is a six year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenues for these projects are budgeted in the Capital Projects Funds.

The City prepares biennial budgets on the modified accrual basis which conforms to generally accepted accounting principles. The CAFR includes budgetary comparisons for the general, special revenue, debt service, and capital projects governmental funds with legally adopted budgets.

The budget process and the time limits under which a budget must be developed are established by State law. The City follows the procedures outlined below in the year preceding the first year of the two year budget to establish its biennial budget:

- In spring, the Mayor meets with department heads to prepare for the upcoming budget process. The Mayor develops and submits a budget calendar to the City Council for approval.
- Throughout the summer, City staff review revenue and expenditure estimates.
- In October, preliminary budget estimates are made available to the public.
- Sixty days before the ensuing fiscal year, the Mayor files the preliminary budget with the City Clerk’s office.
- During the first two weeks of November, the Clerk publishes notice of the filing of the preliminary budget and publishes notice of public hearings.
- The City Council holds a series of study sessions to review the preliminary budget to determine if they wish to make any modifications to the Mayor’s recommended programs.

- Public hearings are held prior to the adoption of the budget for the public to comment on recommended programs and to offer ideas for new programs.
- Prior to the beginning of the first calendar year of the biennial budget, the City Council, by a majority of the members present, adopts a final operating budget by ordinance.
- The Final Budget document is printed and distributed after adoption.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. These investments are reported on the statement of net assets and the governmental funds balance sheet as cash and cash equivalents or investments. Included in cash and cash equivalents are currency on hand, demand deposits with banks or other financial institutions, investments with the Local Government Investment Pool, investments in U.S. Government Mutual Funds and investments with original maturities of three months or less. Interest is allocated to each fund on the basis of investments owned.

In accordance with City policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, US Treasury and Agency Securities, bankers' acceptances, bonds of Washington state and any local government in Washington state which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency, repurchase agreements, the State Investment Pool (2a7-like), and mutual funds used specifically for debt issues related to arbitrage.

The City reports its deposit and investment risk disclosures in accordance with GASB 40 (see Note 4).

In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with remaining maturities of one year or less at the time of purchase are stated at amortized cost. All other investments including the Firemen's Pension Fund are stated at fair value.

Receivables

The City of Redmond recognizes receivables in its financial statements based on the accounting requirements for that statement. These receivables are as follows:

Property Taxes

Uncollected property taxes levied for the current year are reported as receivable at year-end. The City's property tax collections records show that approximately 99% of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years. 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.

Sales Taxes

Sales taxes collected for November and December but not remitted by the state to the City 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 City within 60 days of year end.

Special Assessments

Special assessments are levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable in the governmental fund statements consist of current assessments which are due within 60 days, delinquent assessments remaining unpaid after the due date, and deferred, uncollected assessments which have been levied, but are not due within 60 days. Special assessments receivable in the statement

of net assets include all uncollected assessments regardless of due date.

Accounts Receivable

Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided. Unbilled services provided to utility customers are estimated at year end and included in accounts receivable. Uncollectible amounts are considered immaterial and the direct write-off method is used.

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds: (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories

Inventories are defined as assets which may be held for internal consumption or for resale. The City of Redmond uses the following policies in valuing and recording inventory items:

In proprietary funds a perpetual inventory is maintained, in which the cost is capitalized when inventory items are purchased, and expensed when the item is consumed. The first-in, first-out valuation method, which approximates market, is used to value the inventory. A physical inventory is taken at year-end. No inventory is maintained in governmental funds.

Restricted Assets

Restricted assets include those monies reserved for customer’s deposits.

Deferred Charges

Deferred charges in the Water/Wastewater Fund are amortized under guidance provided by FASB 71 and consist of a water comprehensive plan and a sewer comprehensive plan which will be amortized and charged to expense over a five year period; and the Tolt Pipeline project and the Tolt Meter project with the City of Seattle

which will be amortized over a period of twenty years and ten years, respectively.

Deferred charges in the governmental activities consist of issuance costs for the 1994 GO bond refundings amortized over a twenty year period.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. 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 City as land and buildings with an original cost of \$50,000 or more each, machinery, equipment, software and other improvements with an original cost of \$10,000 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 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.

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

<u>Asset</u>	<u>Years</u>
Buildings/Building Improvements	50
Other improvements	15-50
Vehicles	3-15
Machinery and equipment	6-20
Utility infrastructure	10-100
Streets, paths, trails	50
Street lights and traffic signals	30

Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation, compensatory time in lieu of overtime, and sick leave benefits. Twenty-five percent of

unused sick leave is payable at retirement or death. Any outstanding sick leave is lost at resignation; therefore, outstanding sick leave at year end is not accrued because the payment cannot be deemed probable nor can the amount be reasonably estimated. All vacation and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Other Post-Employment Benefits

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Assets. The actual medical costs are reported as expenditures in the year they are incurred.

Long-Term Obligations

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 straight line 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 received on debt issuances are reported as other financing sources while discounts 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.

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.

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

The City's Fire Levy Fund ended 2007 with negative net assets of \$397,510. A Fire Levy lift was approved by voters in 2007 with collection beginning in 2008 that will result in positive net assets by year-end 2008. In the interval between payment of the expenditures by the City

and receipt of the levy funds, cash was transferred from the Operating Reserves Fund to the Fire Levy Fund.

During 2007, no funds or departments in the General Fund exceeded their authorized appropriations.

**NOTE 3:
RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of aggregated differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between total fund balance and total net assets as reported in the government-wide statement of net assets. The details of the aggregated differences are presented below.

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Unearned special assessment revenue due beyond the City's 60 day measurable and available period	\$ 299,726
Excess payments to pension plan	435,292
Investment interest accrued beyond the City's 60 day measurable and available period	816,265
Deferred charge for bond issue costs	<u>11,166</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 1,562,449</u></u>

Some liabilities, including bonds, loans and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

G.O Bonds payable	\$ (40,531,384)
Less: Issuance discounts	21,448
Special assessment bonds payable	(585,000)
Loans payable	(1,867,057)
Accrued interest payable	(50,034)
Compensated absences	(2,936,937)
Other post-employment benefits	(835,733)
Due to business-type activities – charges by internal service funds in excess of cost	<u>(508,189)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (47,292,886)</u></u>

Explanation of aggregated differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of

governmental activities as reported in the government-wide statement of activities. The details of the aggregated differences are presented below.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Developer/Private asset contributions	\$ 3,065,560
Change in unearned special assessment revenue	(198,467)
Change in investment interest receivable due beyond the City’s 60 day measurable and available period	230,477
	<hr/>
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net assets - governmental activities	\$ 3,097,570
	<hr/> <hr/>

Receipt of long-term debt proceeds increases the current financial resources of governmental funds and repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets:

General obligation bonds repayment	\$ 1,973,219
LID bonds repayment	195,000
Public Works Trust Fund loans repayment	371,717
	<hr/>
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net assets of governmental activities	\$ 2,539,936
	<hr/> <hr/>

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 governmental funds:

Change in accrued interest payable	\$ 11,362
Amortization of debt issue costs	(1,860)
Amortization of debt discount	(3,576)
Change in compensated absences payable	(327,800)
Change in other post-employment benefits payable	(398,641)
Loss on sale of capital assets	(425,590)
	<hr/>
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net assets of governmental funds	\$ (1,146,105)
	<hr/> <hr/>

**NOTE 4:
CASH AND INVESTMENTS**

The City of Redmond's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$100,000 of the City's deposits. The deposit balances over \$100,000 are insured by the WPDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

As of December 31, 2007 the carrying amount of the City's cash demand deposits with Bank of America (B of A) was \$3,312,453 and the bank balance was \$171,153. Seized cash on deposit at B of A awaiting court decisions totaled \$8,708. The carrying amount and bank balance of the City's cash demand deposits at U.S. Bank at December 31, 2007 was \$377,418. \$508,490 retained from contractors pending acceptance of City construction projects was held in escrow or savings accounts at various banks. \$351,524 is held by Redmond Community Properties, a blended component unit of the City. Petty cash totaled \$33,500, of which \$32,420 was allocated to various City offices and \$1,080 was unallocated and remains in the City's demand deposit account at Bank of America. \$10,000 is held by the City of Bellevue for use by the Eastside Narcotics Task Force. The City held \$40,701,189 in certificates of deposit at various banks.

The Local Government Investment Pool (LGIP) is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. The fair value of the City's pool investments is determined by the pool's share price. The City has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of the State Auditor, an independently elected public official.

As of December 31, 2007, the City had the following investments and maturities:

Investment Type	Investment Maturities (In Years)		
	Fair Value	Less Than 1	1 to 5
Federal Home Loan Bank	\$ 22,087,530	\$ 8,016,260	\$ 14,071,270
Federal Farm Credit Bank	5,986,998	2,963,238	3,023,760
Federal National Mortgage Association	14,139,384	5,004,070	9,135,314
Federal Home Loan Mortgage Corporation	14,035,150	4,993,020	9,042,130
U.S. Treasury Notes	1,004,840	1,004,840	-
State Investment Pool	33,909,938	33,909,938	-
Mutual Bond Fund	163,246	163,246	-
Total	\$ 91,327,086	\$ 56,054,612	\$ 35,272,474

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the City diversifies its investments by

security type and institution, and limits holdings in any one type of investment with any one issuer. The City

coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

Credit Risk. State law and City policy limit investments to those authorized by state statute including commercial paper and bonds of the State of Washington and any local government in the State of Washington which have, at the time of investment, one of the three highest credit ratings

of a nationally recognized rating agency. The City further limits its holdings in commercial paper to 10% of the portfolio and 10% per issuer, and local government bonds to 25% of the portfolio and 10% of issuer. At December 31, 2007 the City held no investments in commercial paper or local government bonds.

Additionally, the City restricts its investment in mutual fund bonds to be used for arbitrage purposes only.

**Credit Quality Distribution for Securities
With Credit Exposure as a Percentage of Total Investments
(total investments include certificates of deposit, not represented in this table)**

Investment Type	Standard and Poor's Rating	Percentage of Portfolio
Federal Home Loan Bank	AAA	16%
Federal Farm Credit Bank	AAA	4%
Federal National Mortgage Association	AAA	10%
Federal Home Loan Mortgage Corporation	AAA	10%
U.S. Treasury Notes	AAA	1%
Mutual Bond Fund	AAAm	0.12%
State Investment Pool	Not Rated	25%

Concentration of Credit Risk. The City diversifies its investments by security type and institution. 100% of the City's portfolio may be invested in US Treasury Notes, Bonds or Certificates, US Government Sponsored Corporations, or the State Investment Pool. 50% of the portfolio may be invested in Certificates of Deposit with no more than 10% held by any one issuer and not exceeding 20% of the issuer's net worth. 25% of the portfolio may be invested in Bankers Acceptances (10% per issuer), State of Washington or Local Government

Bonds (10% per issuer), and Repurchase Agreements (25% per dealer). 10% of the portfolio may be invested in Commercial Paper and other authorized investments. On December 31, 2007 more than five percent of the City's investments were in the Federal Home Loan Bank, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation.

**NOTE 5:
RECEIVABLES**

Property Taxes

The King County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed on a daily basis.

	<u>Property Tax Calendar</u>
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.

Property taxes are recorded as a receivable when levied, offset by a deferred revenue. During the year, property tax revenues are recognized when cash is received. At year-end, property tax revenues are recognized for December collections to be distributed by the county treasurer in January and February.

Under Washington State law a city may levy property taxes up to \$3.60 per \$1,000 of assessed valuation.

Redmond's maximum property tax levy rate has been reduced from \$3.60 to \$3.10, or \$.50, as a result of annexing to the King County Library District in May 1990. In addition to the limitation previously noted, the City's levy rate is also subject to the following:

Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, after adjustments for new construction and annexations unless an increase greater than this limit is approved by the voters. If the assessed valuation increases by more than one 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.

Accordingly, the City levied \$1.14783 per \$1,000 of assessed value for general governmental services, and an additional \$0.02721 per \$1,000 of assessed value for voter approved excess tax levy, for a combined total of \$1.17504 per \$1,000 of assessed value.

**NOTE 6:
INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund receivables and payables as of December 31, 2007 is as follows:

	<u>Due to</u>	<u>Due From</u>
Operating Reserves Fund	\$ 1,745,021	\$ -
Advanced Life Support Fund	-	1,347,511
Fire Levy	<u>-</u>	<u>397,510</u>
	\$ 1,745,021	\$ 1,745,021

Advanced Life Support services are funded by a property tax levy collected by King County. The City provides the services and bills King County for these services on a cost reimbursement basis. In the interval between the payment of the expenditures by the City and the receipt of the expenditure reimbursement from King County, cash is transferred from the Operating Reserves Fund to the Advanced Life Support Fund to cover payment of these expenditures.

A Fire Levy lift was approved by voters in 2007 for collection in 2008. In the interval between the payment of the expenditures by the City and the receipt of the levy funds, cash is transferred from the Operating Reserves Fund to the Fire Levy Fund to cover payments of these expenditures.

**NOTE 7:
CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007 was as follows:

Primary Government

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 49,591,117	\$ 4,514,006	\$ (263,678)	\$ 53,841,445
Construction In Progress	14,526,408	23,015,321	(17,715,715)	19,826,014
Art	298,106	201	-	298,307
Total Capital Assets, Not Being Depreciated	<u>64,415,631</u>	<u>27,529,528</u>	<u>(17,979,393)</u>	<u>73,965,766</u>
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	62,560,617	3,117,582	(309,926)	65,368,273
Improvements Other than Buildings	21,913,826	87,848	-	22,001,674
Machinery and Equipment	21,289,390	1,630,655	(312,057)	22,607,988
Infrastructure	161,876,054	13,062,949	(953,158)	173,985,845
Total Capital Assets, Being Depreciated	<u>267,639,887</u>	<u>17,899,034</u>	<u>(1,575,141)</u>	<u>283,963,780</u>
Less Accumulated Depreciation for:				
Buildings/Building Improvements	8,338,251	1,386,710	(166,988)	9,557,973
Improvements Other Than Buildings	4,770,663	829,224	-	5,599,887
Machinery and Equipment	10,730,990	1,779,330	(293,081)	12,217,239
Infrastructure	53,491,326	3,847,060	(953,158)	56,385,228
Total Accumulated Depreciation	<u>77,331,230</u>	<u>7,842,324</u>	<u>(1,413,227)</u>	<u>83,760,327</u>
Total Capital Assets, Being Depreciated, Net	<u>190,308,657</u>	<u>10,056,710</u>	<u>(161,914)</u>	<u>200,203,453</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 254,724,288</u>	<u>\$ 37,586,238</u>	<u>\$ (18,141,307)</u>	<u>\$ 274,169,219</u>

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 6,757,847	\$ 534,518	\$ -	\$ 7,292,365
Construction In Progress	8,639,579	12,846,043	(11,321,777)	10,163,845
Total Capital Assets, Not Being Depreciated	15,397,426	13,380,561	(11,321,777)	17,456,210
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	19,579,893	1,381,386	-	20,961,279
Improvements Other Than Buildings	188,617,281	25,328,770	(439,380)	213,506,671
Machinery and Equipment	741,733	14,974	(3,593)	753,114
Total Capital Assets, Being Depreciated	208,938,907	26,725,130	(442,973)	235,221,064
Less Accumulated Depreciation for:				
Buildings/Building Improvements	1,805,874	408,495	-	2,214,369
Improvements Other Than Buildings	33,162,861	4,172,205	(439,380)	36,895,686
Machinery and Equipment	402,656	102,149	(3,593)	501,212
Total Accumulated Depreciation	35,371,391	4,682,849	(442,973)	39,611,267
Total Capital Assets, Being Depreciated, Net	173,567,516	22,042,281	-	195,609,797
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 188,964,942	\$ 35,422,842	\$ (11,321,777)	\$ 213,066,007

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

Governmental Activities:	
General Government	\$ 1,253,026
Security	920,151
Physical Environment	11,626
Transportation, Including Depreciation of General Infrastructure Assets	3,848,303
Economic Environment	53,689
Culture and Recreation	871,652
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on Their Usage of the Assets	883,878
Total Depreciation Expense – Governmental Activities	\$ 7,842,325
Business-type Activities:	
Water/Wastewater	\$ 2,719,773
UPD Water/Wastewater	1,002,211
Stormwater	960,866
Total Depreciation Expense – Business-type Activities	\$ 4,682,850

**NOTE 8:
PENSION PLANS**

In accordance with GASB Statement No. 27, the following pension plan information is provided. All City full-time employees and part-time employees meeting required eligibility hours participate in one of the following statewide local government retirement systems administered by the Washington State Department of Retirement Systems. Employees of both plans must work a minimum of 70 hours per month.

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

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

**Public Employees' Retirement System
(PERS) Plans 1, 2, and 3**

The State Legislature established PERS in 1947 under Chapter 41.40 of the Revised Code of Washington (RCW).

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; employees of community and technical colleges; college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining

the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. Plan 1 retirements from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index), capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of two percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is

granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees and 7.5% for state government elected officials. 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 5 to 15 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.

There are 1,188 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans as of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	70,201
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	25,610
Active Plan Members Vested	105,215
Active Plan Members Nonvested	49,812
Total	250,838

Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated

local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board’s duties include adopting contribution rates and recommending policy changes to the Legislature for the

CITY OF REDMOND

LEOFF Plan 2 retirement plan. LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

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

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

There are 383 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	8,951
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	602
Active Plan Members Vested	12,711
Active Plan Members Nonvested	3,603
Total	25,867

PERS and LEOFF Plan Information

	PERS			LEOFF	
	PLAN 1	PLAN 2	PLAN 3	PLAN 1	PLAN 2
Employee contribution rate as a percentage of covered payroll as of December 31, 2007	6.00%****	4.15%****	*****	-	8.64%
Employer contribution rate as a percentage of covered payroll as of December 31, 2007*	6.13%**	6.13%**	6.13%***	0.16%	5.35%
State of Washington contribution rates as of December 31, 2007	-	-	-	-	3.45%

*The employer rates include the employer administrative expense fee currently set at 0.16%.

**The employer rate for state elected officials is 9.12% for Plan 1 and 6.13% for Plan 2 and Plan 3.

***Plan 3 defined benefit portion only.

****The employee rate for state elected officials is 7.50% for Plan 1 and 4.15% for Plan 2.

*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the City and the employees made the required contributions. The City’s required contributions for the years ended December 31 were as follows:

	PERS			LEOFF	
	PLAN 1	PLAN 2	PLAN 3	PLAN 1	PLAN 2
2007	\$ 77,085	\$1,103,783	\$ 285,675	\$ 1,073	\$1,037,995
2006	\$ 53,902	\$ 555,010	\$ 149,232	\$ 1,135	\$ 723,205
2005	\$ 43,271	\$ 334,823	\$ 86,957	\$ 1,379	\$ 585,695
2004	\$ 35,214	\$ 234,850	\$ 54,929	\$ -	\$ 506,533

Public Safety Employees’ Retirement System (PSERS) Plan 2

Plan Description

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

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

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

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

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

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

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

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

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Nonvested	2,073
Total	2,073

Funding Policy

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

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

	PSERS Plan 2
Employer*	8.55%
Employee	6.57%

*The employer rate includes an employer administrative expense fee of 0.16%.

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

	PSERS Plan 2
2007	\$16,864
2006	3,070

Firemen's Pension Plan

The City is the administrator of the Firemen's Pension Plan (FPP), a closed, single-employer defined benefit pension plan established in conformance with Revised Code of Washington (RCW) 41.18. The costs of administering the Plan are paid from the Firemen's Pension Fund. The Plan provided retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. Retirement benefit provisions are established in state statute and may be amended only by the State Legislature. Membership is limited to firefighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the FPP for covered firefighters who retire after March 1, 1970. Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan. Membership in the FPP consists of one deceased

and four retired firefighters, one of whom is currently receiving benefits.

The benefits provided by the Plan are potentially in excess of the State's LEOFF plan. For funding purposes and accruing costs, the benefits are measured by a modified aggregate projected benefit method, with the annual cost spread over the period ending December 31, 2010. Under this method, the required contribution is the portion of the actuarial present value of benefits allocated to a valuation year. The actuarial accrued liability is equal to the actuarial value of assets. This cost method is not appropriate for GASB Statements 25 and 27 purposes though it is still recommended for funding purposes. For GASB purposes, the entry age normal cost method is used. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Liability. Since all members have already retired, the amount of the annual Normal Cost is small. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Liability minus the actuarial value of the fund assets. The UAAL will be amortized over a closed 30 year period beginning December 31, 2000. The Plan is a closed off plan and GASB disclosures make no special provision for reporting the cost for this type of plan. Therefore, the minimum actuarial required contribution (ARC) disclosed for GASB purposes has no relationship to the City's funding policy for the Plan.

Under State law, the FPP is provided an allocation of 25% of all moneys received by the State from taxes on fire insurance premiums, interest earnings, member contributions made prior to the inception of LEOFF, and City contributions required to meet projected future pensions obligations. The actuary has determined that no City contribution is required. The fire insurance premium for 2007 was \$106,728, which was sufficient to pay the 2007 Firemen's Pension Fund expenses of \$15,737.

The financial activity of the Firemen's Pension Fund is included in this document, the Comprehensive Annual Financial Report of the City of Redmond. No separate stand-alone financial report is issued for the Firemen's Pension Fund.

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2006, the most recent actuarial valuation date, is as follows:

(in thousands)	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
Valuation Date						
January 1, 2006	\$ 356	\$ 363	\$ 7	98.09%	\$ -	N/A

The Schedule of Funding Progress entitled Required Supplementary Information, which follows the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Employer Contributions

Fiscal Year Ending	Total Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
December 31, 2000	\$ 41,581	\$ 30,148	137.9%
December 31, 2001	\$ 48,217	\$ 30,148	159.9%
December 31, 2002	\$ 51,484	\$ 15,456	333.1%
December 31, 2003	\$ 59,483	\$ 15,456	384.9%
December 31, 2004	\$ 68,912	\$ 12,010	573.8%
December 31, 2005	\$ 87,431	\$ 12,010	727.99%
December 31, 2006	\$ 98,572	\$ 606	16,266.00%
December 31, 2007	\$ 106,728	\$ 606	17,611.88%

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2005	\$ 13,866	630.53%	\$ (238,246)
December 31, 2006	\$ 3,342	2,949.49%	\$ (333,476)
December 31, 2007	\$ 4,912	2,172.80%	\$ (435,292)

The information presented in the preceding required schedules was determined as part of the actuarial valuations as indicated.

Valuation date:	January 1, 2006
Actuarial cost method for GASB purposes:	Entry Age Normal Cost Method
Amortization method:	Level Percentage of Projected Payroll Closed
Remaining amortization period:	24 years
Asset valuation method:	Market Value

Actuarial Assumptions:

Inflation rate	4%	Projected salary increases	5%
Investment rate of return	7%	Cost of living adjustments	4%

Annual Pension Cost and Net Pension Obligation

	Year Ending 12/31/05	Year Ending 12/31/06	Year Ending 12/31/07
1. Annual Normal Cost, beginning of year	\$ -	\$ -	\$ -
2. Amortization of UAL, beginning of year	11,390	566	566
3. Interest to end of year	797	40	40
4. Annual required contribution at end of year (1 + 2 + 3)	<u>\$ 12,187</u>	<u>\$ 606</u>	<u>\$ 606</u>
5. Interest on net pension obligation	\$ (11,528)	\$ (16,677)	\$ (23,343)
6. Adjustment to annual required contribution	13,207	19,413	27,649
7. Annual pension cost (4 + 5 - 6)	<u>\$ 13,866</u>	<u>\$ 3,342</u>	<u>\$ 4,912</u>
8. Employer Contributions	(87,431)	(98,572)	(106,728)
9. Change in net pension obligation (7 - 8)	<u>\$ (73,565)</u>	<u>\$ (95,230)</u>	<u>\$ (101,816)</u>
10. Net pension obligation at beginning of year	<u>\$ (164,681)</u>	<u>\$ (238,246)</u>	<u>\$ (333,476)</u>
11. Net pension obligation at end of year (9 + 10)	<u><u>\$ (238,246)</u></u>	<u><u>\$ (333,476)</u></u>	<u><u>\$ (435,292)</u></u>

The negative net pension obligation has been recorded as a receivable on the City's government-wide statement of net assets.

Municipal Employees Benefit Trust

By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418 (g) effective January 1, 1975. Permanent employees working 1040 or more hours per year are eligible but not required to participate in the plan. Temporary employees working less than 1040 hours per year are required to participate in the plan. Participating permanent employees may choose to defer income tax in accordance with Internal Revenue Code Section 401K, on all, part or none of their contribution while temporary employees may not defer income tax on any of their contribution. There were 706 permanent and 199 temporary participants with account balances at December 31, 2007.

The Municipal Employees Benefit Trust Plan is a defined contribution plan with participants contributing an amount equal to the current Social Security rate (7.65%). One hundred percent of the contributions made by employees hired before April 1, 1986 go to MEBT. Employees hired on or after April 1, 1986 contribute 6.2% to MEBT and 1.45% to Medicare. Permanent employees may make additional contributions up to the limit set by the Internal Revenue Code. The City contributes 7.65% for permanent employees and 4.75% for temporary employees. Of the City's contribution, 1.45% goes to Medicare for employees hired on or after April 1, 1986. Eighty percent of the remaining City contribution goes to MEBT and 20% to administrative fees. The City's contribution is based on the payroll for all employees who are eligible to participate in the plan, regardless of the number of participants. City payroll for participating employees in 2007 was \$48,102,363. Employee contributions were \$3,530,127. City contributions were \$2,874,578. The City's total payroll was \$48,165,958.

Plan assets consisting of stocks, bonds, and guaranteed insurance contracts, are not the property of the City and are not subject to the claims of the City's general creditors. The Plan is administered by the Plan Committee consisting of seven employee members appointed by the City. The Plan Committee administers the MEBT Plan according to the Plan Document adopted by the City and all applicable IRS regulations. Plan provisions may be established or amended by a majority vote of the Plan Committee. Employees who elect not to participate in the Municipal Employees Benefit Trust plan retain the disability and survivor income insurance provided by the Standard Insurance Company.

Actuarial determinations are not required because (1) long-term disability insurance and survivor income insurance are provided by a group insurance policy with Standard Insurance Company, and (2) each participant shall at his normal retirement date instruct the Plan Committee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay retirement benefits in monthly or annual installments (no contributions by the City or the participant shall be added to his account after retirement), (c) pay a single sum in cash, or (d) elect to defer any or all retirement benefits to a later date.

**NOTE 9:
OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The members necessary hospital, medical, and nursing care expenses not payable by worker’s compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by one of the City’s employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City’s Comprehensive Annual Financial Report.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City’s funding policy is based upon pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2006. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB. The net OPEB obligation of \$835,733 is included as a noncurrent liability on the Statement of Net Assets.

	Fiscal Year Ending 12/31/2007
Determination of Annual Required Contribution:	
Normal Cost at year end	\$ 67,300
Amortization of UAAL*	555,157
Interest for year	34,235
Annual Required Contribution	\$ 656,692
 Determination of Net OPEB Obligation:	
Annual Required Contribution	\$ 656,692
Interest on prior year Net OPEB Obligation	24,040
Adjustment to ARC	(28,905)
Annual OPEB Cost	651,827
Contributions made	(253,186)
Increase in Net OPEB Obligation	\$ 398,641
 Net OPEB Obligation-beginning of year	 \$ 437,092
Net OPEB Obligation-end of year	\$ 835,733

*Unfunded Actuarial Accrued Liability (UAAL)

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2007 and the preceding year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Contribution as a Percentage of OPEB Cost</u>	<u>Net OPEB Obligation</u>
12/31/2006	\$656,692	33.0%	\$437,092
12/31/2007	651,827	39.0%	835,733

Funded Status and Funding Progress

As of January 1, 2006, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$8,512,284 and the actuarial value of the assets was \$0 resulting in a UAAL of \$8,512,284.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2006 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 5.50% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance payment of benefits. A medical inflation rate of 9%, graded to 6% over three years was used along with a long term care inflation rate of 4.5%.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at January 1, 2007 was 29 years.

**NOTE 10:
CONSTRUCTION COMMITMENTS**

At December 31, 2007 the City had significant contractual obligations on construction projects.

Police Projects	\$ 1,070,925
Parks Projects	2,396,247
Street Projects	264,854
Utilities Projects	5,086,186
	<u>\$ 8,818,212</u>

**NOTE 11:
INTERFUND TRANSFERS**

FUND	TRANSFER IN	TRANSFER OUT
General Fund	\$ 19,789	\$ 8,930,334
Advanced Life Support Fund	-	8,787
Capital Improvements Program Fund	15,945,194	1,338,169
Recreation Activities Fund		19,789
Arts Activity Fund	126,833	
Community Events Fund	265,239	
Operating Grants Fund	635,000	
Human Services Grants	585,826	
Fire Equipment Fund	711,000	
Operating Reserve Fund	1,507,420	
Real Estate Excise Tax Fund		9,139,930
Capital Equipment Fund	2,369,000	
Business License Surcharge Fund		3,623,686
Tourism Fund		100,000
Police Levy Fund	325,000	
Regular Levy Fund	803,169	
Internal Service Funds	141,206	132,775
TOTAL TRANSFERS	<u>\$23,434,676</u>	<u>\$23,293,470</u>

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, to move receipts for debt service from the funds collecting the receipts to a debt service fund as debt service payments become due, to use unrestricted revenues collected in the general fund to finance various programs

accounted for in other funds in accordance with budgetary authorizations, and to transfer the cost of vehicles purchased by other funds to an internal service fund.

\$141,206 excess of transfers in over transfers out is due to vehicles recorded as expenditures in the General Fund and the Microsoft Development Review Fund and transfers into the Fleet Maintenance Fund.

**NOTE 12:
LONG-TERM OBLIGATIONS**

General Obligation Bonds

General Obligation Bonds are a direct obligation of the City for which its full faith and credit are pledged. Debt service on the 1994 and 2003 bonds is paid from debt service funds. Debt service on the 2004 bonds is paid from the Capital Improvements Program fund. Debt service for unlimited tax voter approved issues is funded by special property tax levies.

General Obligation Bonds outstanding at year-end are as follows:

1994 Unlimited Tax General Obligation and Refunding Bonds: Issued to provide funds for a new fire station, and to provide funds in an irrevocable trust to refund a portion of the 1990 GO Bonds and the 1985 GO Refunding Bonds. The 1985 GO Refunding Bonds were paid in full in 1995. The 1990 GO Bonds were paid in full in 2000.

2003 Limited Tax General Obligation Bonds: Two LTGO bonds were issued in 2003 to provide funds for park development and renovation. A bond in the amount of \$2,048,472 was issued to renovate tennis courts and softball fields at Grasslawn Park and carry out capital improvements in other parks. A bond in the amount of \$1,650,000 was issued to pay the costs of developing Perrigo Park.

2004 Limited Tax General Obligation Lease Revenue Bonds: Redmond Community Properties (RCP), a blended component unit of the City of Redmond, issued lease-revenue bonds on behalf of the City in accordance with the provisions of Revenue Ruling 63-20 of the US Treasury on April 1, 2004. Funds from the bonds were used to build a City Hall, a parking garage, and other improvements on the City campus. Although the bonds were issued by RCP, they are reported as a limited tax general obligation of the City in accordance with Generally Accepted Accounting Principles.

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>	<u>Redemptions to Date</u>	<u>Outstanding 12/31/2007</u>
1994 GO/Refunding*	3/1/1994	12/1/2013	4.0% - 5.65%	\$ 9,310,000	\$ 7,785,000	\$ 1,525,000
2003 LTGO Bonds	6/26/2003	6/1/2008	3.45%	3,698,472	2,922,088	776,384
2004 LTGO Lease-Revenue Bonds	4/1/2004	12/1/2035	2.0% - 5.25%	<u>39,230,000</u>	<u>1,000,000</u>	<u>38,230,000</u>
Total General Obligation Bonds				<u>\$ 52,238,472</u>	<u>\$ 11,707,088</u>	<u>\$ 40,531,384</u>

*\$5,510,000 are refunding and \$3,800,000 are new debt.

CITY OF REDMOND

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

Year	Governmental Activities	
	Principal	Interest
2008	\$ 2,021,384	\$ 1,899,633
2009	1,280,000	1,849,326
2010	1,325,000	1,804,254
2011	1,390,000	1,697,597
2012	1,465,000	1,664,960
2013-2017	7,200,000	7,216,554
2018-2022	7,090,000	5,358,030
2023-2027	5,945,000	3,956,050
2028-2032	7,425,000	2,474,575
2033-2035	5,390,000	547,750
	<u>\$ 40,531,384</u>	<u>\$ 28,468,729</u>

The 1994 refunding bond issue is presented in the statement of net assets net of discounts. The gross bonds payable and discount is as follows:

	1994 Refunding Bonds
Bonds Outstanding	\$ 1,525,000
Less Unamortized Bond Discount	(21,448)
Bonds Outstanding, Net	<u>\$ 1,503,552</u>

Special Assessment Debt with Governmental Commitment

Special Assessment Bonds are not a direct responsibility of the City, but are funded from the collection of special assessment payments. Debt service principal and interest costs are paid from the LID Control Fund. The City is obligated for special assessment debt to the extent that it is required to establish a guaranty fund, for the purpose of guaranteeing the payment of local improvement bonds and warrants, in the event there are insufficient funds in the LID Control Fund. The Guaranty Fund is funded from interest income and surplus from the LID Control Fund, and is maintained at approximately 10% of the total original bond issue amounts. Delinquent special assessments receivable totaled \$191,180 in principal and \$142,676 in interest at the close of 2007. The fund balance in the LID Guaranty Fund stood at \$966,990.

Bonds, Issuances, Redemptions and Balances Outstanding

<u>LID</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount Issued</u>	<u>Redemptions to Date</u>	<u>Bonds Outstanding 12/31/07</u>
1998	3/1/1998	3/1/2010	4.0% - 5.0%	\$ 1,241,036	\$ 656,036	\$ 585,000
1999	7/15/1999	7/15/2011	4.1% - 5.5%	2,355,410	2,355,410	-
Total Special Assessment Bonds:				<u>\$ 3,596,446</u>	<u>\$ 3,011,446</u>	<u>\$ 585,000</u>

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

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ -	\$ 28,110
2009	-	28,110
2010	585,000	28,110
	<u>\$ 585,000</u>	<u>\$ 84,330</u>

Public Works Trust Fund Loans

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. Redmond had nine such loans in 2007 with one being paid in full. Six of the remaining loans with an outstanding principal balance of \$1,867,057 are being repaid from General Fund revenues which are transferred to the Capital Improvements Program Fund where the loan payments are recorded. Two loans with an outstanding principal balance of \$170,712 are being repaid from water and wastewater revenues.

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 371,717	\$ 34,720	\$ 85,356	\$ 2,515
2009	333,611	28,011	85,356	1,257
2010	333,611	22,063	-	-
2011	279,430	16,115	-	-
2012	548,688	18,941	-	-
	<u>\$ 1,867,057</u>	<u>\$ 119,850</u>	<u>\$ 170,712</u>	<u>\$ 3,772</u>

Water Pollution Control Revolving Fund Loan

The State of Washington Water Pollution Control Revolving Fund Loan with the Department of Ecology (DOE) is a direct responsibility of the City. The principal balance of \$294,673 will be repaid from stormwater revenues.

Year	Business-Type Activities	
	Principal	Interest
2008	\$ 73,117	\$ 1,382
2009	73,483	1,016
2010	73,851	648
2011	74,222	279
	<u>\$ 294,673</u>	<u>\$ 3,325</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 42,504,603	\$ -	\$ (1,973,219)	\$ 40,531,384	\$ 2,021,384
Special assessment debt with government commitment	780,000	-	(195,000)	585,000	-
Less deferred amounts:					
For issuance discounts	(25,024)	-	3,576	(21,448)	-
Total bonds payable	<u>43,259,579</u>	<u>-</u>	<u>(2,164,643)</u>	<u>41,094,936</u>	<u>2,021,384</u>
PWTF loans	\$ 2,238,774	\$ -	\$ (371,717)	\$ 1,867,057	\$ 371,717
Other post-employment benefits payable	437,092	398,641	-	835,733	-
Compensated absences	<u>2,779,051</u>	<u>3,158,127</u>	<u>(2,842,205)</u>	<u>3,094,973</u>	<u>2,475,979</u>
Governmental activity long-term liabilities	<u>\$ 48,714,496</u>	<u>\$ 3,556,768</u>	<u>\$ (5,378,565)</u>	<u>\$ 46,892,699</u>	<u>\$ 4,869,080</u>
Business-Type Activities:					
LID Assessment	\$ 65,197	\$ -	\$ (32,598)	\$ 32,599	\$ 32,599
PWTF loans	279,337	-	(108,625)	170,712	85,356
DOE loan	330,140	-	(35,467)	294,673	73,117
Compensated absences	<u>442,277</u>	<u>340,950</u>	<u>(374,941)</u>	<u>408,286</u>	<u>326,629</u>
Business-type activity long-term liabilities	<u>\$ 1,116,951</u>	<u>\$ 340,950</u>	<u>\$ (551,631)</u>	<u>\$ 906,270</u>	<u>\$ 517,701</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$158,037 of internal service funds compensated absences are included in the above amounts. Compensated absences for governmental activities are liquidated in the governmental fund from which the employee's salary is paid. Governmental funds typically used to liquidate compensated absences are the General Fund, Recreation Activities Fund, Arts Activity Fund, Parks Maintenance and Operation Fund, Advanced Life Support Fund, and the Recycling Fund.

**NOTE 13:
CAPITAL LEASES**

On February 17, 2004 the City of Redmond entered into a capital lease agreement with Redmond Community Properties (RCP), A Washington Non-Profit Corporation to lease a new City Hall and parking garage.

RCP, acting as an “on-behalf-of-issuer” under Internal Revenue Service Rulings 63-20 and 82-26 issued \$39,230,000 in bonds dated April 1, 2004 on behalf of the City of Redmond. Proceeds of the bonds were used for construction of the City Hall and parking garage. Bond

principal and interest payments are the responsibility of RCP.

The lease payments made by the City to RCP will be sufficient to pay debt service on the bonds and operating costs of the buildings. Because RCP is a blended component unit of the City, the lease payments made by Redmond to RCP are reported as bond debt service payments by the City.

**NOTE 14:
BLENDED COMPONENT UNITS INCLUDED IN REPORTING ENTITY**

Two blended component units are included in the City’s reporting entity, the Redmond Public Corporation and Redmond Community Properties (RCP).

The RCW 39.84.100 grants cities the authority to establish Industrial Development Corporations. In 1982, the City of Redmond created the Redmond Public Corporation. This is a public corporation whose purpose is to issue tax-exempt non recourse revenue bonds to finance industrial development within city limits. The corporation may construct and maintain industrial facilities which it then leases or sells to industrial users. Revenue bonds issued by the corporation are payable from revenues of the industrial development facility funded by the revenue bonds.

In conformity with generally accepted accounting principles (GAAP), the Redmond Public Corporation has been included in the financial reporting entity. The Corporation's Board of Directors is comprised solely of members of the City Council who have the authority to approve issuance of the corporation's revenue bonds. The ability of the City Council to impose its will on the Redmond Public Corporation through the approval or disapproval of revenue bond issuance makes the City of Redmond financially accountable for the Public Corporation.

Although the Redmond Public Corporation is included in the reporting entity as a blended component unit, no financial impact is reported in the statements. The bonds are not a liability or a contingent liability of the City of Redmond or lien on any of its properties or revenues. Principal and interest on the bonds are payable solely

from the funds provided for this payment from the revenues of the industrial development facilities funded by the revenue as provided in the RCW. Records regarding the financial statements of the entities on whose balance sheets the bond liabilities are reported are in the Office of the City Attorney, who acts as the Secretary of the Public Corporation.

RCP is a non-profit corporation organized in 2003 pursuant to Internal Revenue Service Revenue Ruling 63-20. It is related to the National Development Council, a 501(c)(3) organization, through common management. RCP is reported as if it were part of the City of Redmond because its sole purpose is to finance, construct, and lease a City Hall and parking garage to the City. RCP administrative offices are located at:

National Development Council
1425 Fourth Avenue, Suite 608
Seattle, WA 98101-2220

The City leases City Hall and the parking garage from RCP under a capital lease arrangement. For reporting purposes RCP and the City of Redmond are consolidated as required by GAAP. The capital lease payable is reported as bonds payable with City Hall and the parking garage reported as assets of the City. Bond principal and interest payments are reported as debt service by the City.

As part of the capital lease agreement the City pays monthly maintenance and asset management fees to RCP. The financial statements of RCP are reported as an Internal Service Fund in the City’s fund financial statements and schedules.

**NOTE 15:
NEW FUNDS**

Four new Special Revenue funds were established in 2007 to account for revenues collected for specific purposes. The Microsoft Development Fund accounts for revenues received and expenditures incurred for, but not limited to, the review and inspection of development projects and their construction by the Microsoft Corporation in the City of Redmond for the duration of the approved "Memorandum of Understanding Regarding Staffing for Microsoft Development Review." In addition, voters approved three levy lid lifts in 2007 for collection in 2008. The Fire Levy Fund accounts for the revenues received and expenditures incurred for the fire

property tax levy lid lift. The Fire Levy funds will provide additional firefighters to support fire and aid car operations at the Overlake Fire Station and the North Redmond Fire Station. The Police Levy Fund accounts for the revenues received and expenditures incurred for the police property tax levy lid lift. These funds will provide additional police personnel to support police operations and programs. The Parks Levy Fund was established to account for the revenues received and expenditures incurred for the parks property tax levy lid lift. These funds will provide operation and maintenance of park facilities and programs.

**NOTE 16:
JOINT VENTURES**

In February 1990, the City of Redmond joined with the City of Bellevue to construct, operate, and maintain a joint-use water storage and pumping facility located on the common boundary of the two cities. The City of Redmond has an undivided interest in the facility of 44% and the City of Bellevue has an undivided interest of 56%. The City's share of costs to construct the joint-use facility totaled \$2,078,539 and is reported on the business-type activity financial statements as improvements other than buildings. Accumulated depreciation totals \$848,044 with a net book value of \$1,230,496. The City reimbursed the City of Bellevue \$11,551 for its share of operating costs in 2007. The joint venture does not issue separate financial statements.

resolution of the member's legislative authority. Each member entity must pay annual dues based on the number of units served by the water system within their jurisdiction. The Alliance collected membership dues for 2007 totaling \$1,247,487, of which Redmond's share was \$194,630. Redmond also paid the Alliance \$1,423,051 in 2007 for Regional Capital Facilities Charges for new hookups to the water system that Redmond collected from new customers.

In April 1999, the City of Redmond entered into an interlocal agreement with seven other water providers in the region to create the Cascade Water Alliance. The purpose of the Alliance is to provide water supply to meet current and future needs of the Alliance's members in a cost-effective and environmentally responsible manner.

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

The Alliance is governed by a board of directors consisting of one individual representative appointed by

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

**NOTE 17:
CONTINGENCIES AND LITIGATION**

As of December 31, 2007, there were a number of damage claims and lawsuits pending against the City. However, in our opinion, with which the City Attorney concurs, neither the potential liability from any single

claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would affect materially the financial condition of the City.

**NOTE 18:
SUBSEQUENT EVENTS**

In late 2007, the City of Bellevue approved the sale of 6.6 acres that was deeded to Bellevue and 37 other cities, including the City of Redmond, by King County for a future jail and justice center. The transfer of title occurred when the County announced several years ago it would discontinue contracting with the municipalities in 2012 to provide misdemeanor jail services.

Proceeds from the sale of the property, which will range from \$10.5 million to \$13 million depending on future zoning of the site, will be used by the cities to either build a jail or contract with a provider for jail services. The sale is expected to close in sometime in 2008. At this time the City of Redmond does not expect to receive any funds directly as a result of the sale.

In January 2008 the City purchased the Redmond Shopping Square property for \$10,585,000 and two additional parcels of land for \$4,456,250. The property was acquired to accommodate the future extension of Bear Creek Parkway. There are no immediate plans to demolish the shopping square buildings which are currently leased to retail businesses on a short-term basis.

In August 2008, the City issued \$33,935,000 Limited Tax General Bonds and \$1,315,000 Unlimited Tax General Obligation Refunding Bonds. The bonds are structured with fixed rates and level annual debt service payments. Proceeds from the Limited Tax General bonds will be used for the Bear Creek Parkway extension and other transportation projects in the City's Capital Improvement Plan and the refunding is for the City's 1994 Unlimited Tax General Obligation Bonds.

In the first quarter of 2008 the City settled two insurance claims, each of which exceeded the City's \$100,000 self-insurance limit.

On April 1, 2008 the City Council passed Ordinance 2391, which in part repealed Attachment A to Exhibit B-3 of Ordinance 2316 which imposed spending limits at the department level in the general fund for the 2007-2008 Budget. This action removes this restriction and gives the Mayor administrative authority to transfer between individual line items within the general fund which is consistent with RCW 35A.34.200.

**NOTE 19:
RISK MANAGEMENT**

The City is exposed to various risks of loss such as: theft and damage and destruction of assets, errors and omissions, injuries or property damage to others, employees' health, and natural disasters. The City has three internal service funds to account for and finance its self-insured risks of loss. The City purchases commercial insurance for claims in excess of self-insured losses. Most funds of the City participate in the self-insurance programs and make payments to the self-insurance funds based on estimates of the amounts needed to pay excess insurance and related risk management and service costs, prior and current year claims paid in the current year, and to maintain adequate reserves for catastrophic losses in a given year.

The claims payment portion of the Insurance Claims and Reserve Fund provides coverage up to a maximum of \$100,000 per occurrence for insurance related claims and expenses. One claim from 2007 was settled in 2007 which exceeded the City's \$100,000 self-insurance limit. Reserves for open claims are established by an

independent claims adjusting firm on a case reserve basis based on the assessment of the settlement potential and costs specifically associated with a particular claim given the information available at the time. Cases are reviewed no less than monthly and are subject to periodic audits. Lawsuits are reviewed and handled directly by the City Attorney or the excess insurer's appointed legal counsel. Reserves are established for estimated ultimate loss costs and related loss adjustment expenses.

The City of Redmond is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34

RCW, the Interlocal Cooperation Act. The pool was formed in September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, the CIAW has 95 member cities and 161 associate members. The City of Redmond is an associate member.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claims made basis." All other coverages are on an "occurrence basis." The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, law enforcement liability, automobile liability, employment practices liability, boiler and machinery, bonds of various types, and public officials liability. The City of Redmond purchases from CIAW all forms of insurance except property insurance. Affiliated FM provides property insurance.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool, however, purchases a Stop Loss Policy in the amount of \$5,500,000 to eliminate any risk to members and funds the stop loss in the budget.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Each new member now pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination,

a member remains responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the years ended August 31, 2006 and 2007 were \$1,153,031 and \$1,242,382 respectively.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates to perform day-to-day administration of the pool. This pool has no employees. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

The Medical Self-Insurance Fund provides coverage up to a maximum of \$120,000 per person per calendar year with the excess insurance covering up to a lifetime major medical maximum of \$1,000,000. There was one claim in excess of the per person limit in 2007, one claim in 2006, and two claims in 2005. All funds of the City from which employee wages are paid make premium payments to the Medical Self-Insurance Fund based on health insurance rates derived from actual fund experience and Consumer Price Index increases.

Council authorized the City to self-insure workers' compensation benefits effective January 1, 1998 for employee injuries and illnesses. The City self-insures \$350,000 of each accident or illness (\$500,000 for Police and Fire) and purchases excess insurance above that, up to the statutory requirements. No reported claim for 2007, 2006, or 2005 exceeded the City's self insurance coverage. Claims handling is currently contracted to an independent, qualified third party administrator (TPA).

As of December 31, 2007, the City had reserves of \$783,762 in the Insurance Fund, \$3,101,266 in the Medical Self-Insurance Fund, and \$367,385, in the Workman's Compensation Fund to provide against risk of future loss. Claims liabilities of \$896,745 have been reported in the Medical Self-Insurance Fund and \$80,665 in the Workman's Compensation Fund based on estimates provided by the City's third party administrators. Historically claims liabilities for IBNR in the Insurance Claims and Reserve Fund average 15% to 17% of paid

CITY OF REDMOND

claims for the year. At the end of 2007, there is a reasonable possibility the City is liable for insurance claims in the range of \$20,000 to \$30,000. This claims liability has not been accrued due to the uncertain outcome of the claims outstanding. Reported claims liabilities are based on the requirements of GASB

Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the self-insurance funds' claims liabilities in 2006 and 2007 were:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims & Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
Insurance Fund				
2006	\$ -	\$ 209,383	\$ 209,383	\$ -
2007	\$ -	\$ 97,818	\$ 97,818	\$ -
Medical Insurance Fund				
2006	\$ 906,951	\$4,535,657	\$4,449,006	\$ 993,602
2007	\$ 993,602	\$3,034,316	\$4,859,218	\$ 831,300
Workman's Compensation Fund				
2006	\$ 96,978	\$ 455,101	\$ 472,541	\$ 79,538
2007	\$ 79538	\$ 172,705	\$ 332,908	\$ 80,665

Commercial insurance policies were purchased to protect the City from claims which exceed the coverage provided by the self-insurance funds.

	<u>Coverage</u>	<u>Self-Insured Retention</u>
Blanket building and personal property	\$50,000,000	\$100,000 except earthquake at 5% of values at risk subject to a \$100,000 minimum per location
Law enforcement	\$21,000,000	\$100,000
Errors and omissions liability	\$21,000,000	\$100,000
Employment related practices	\$ 5,000,000	\$100,000
General and automobile liability coverage	\$21,000,000	\$100,000
Blanket fidelity (employee dishonesty)	\$ 1,000,000	\$ 10,000 deductible
Excess Workers Compensation	statutory	\$350,000; \$500,000 Police and Fire
Excess Medical Insurance	\$ 1,000,000	\$120,000
Underground storage tank pollution liability	\$ 1,000,000	\$ 5,000 deductible

**NOTE 20:
SHORT-TERM DEBT**

The City had no short-term debt activities for the year ended December 31, 2007.

REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S PENSION PLAN
SCHEDULE OF FUNDING PROGRESS
(rounded to thousands)

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities Entry age</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
January 1, 2000	\$ -	\$ 374	\$ 374	0.00%	\$ -	N/A
January 1, 2002	\$ 89	\$ 278	\$ 189	32.00%	\$ -	N/A
January 1, 2004	\$ 205	\$ 347	\$ 142	59.11%	\$ -	N/A
January 1, 2006	\$ 356	\$ 363	\$ 7	98.09%	\$ -	N/A

This plan covers inactive participants. There are no current member contributions.

**REQUIRED SUPPLEMENTARY INFORMATION
LEOFF 1 RETIREE MEDICAL BENEFITS
SCHEDULE OF FUNDING PROGRESS**

<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2005	\$ -	\$ 8,512,284	\$ 8,512,284	0%	\$ 719,423	1183.20%
12/31/2006	\$ -	\$ 8,512,284	\$ 8,512,284	0%	\$ 764,518	1113.41%
12/31/2007	\$ -	\$ 8,512,284	\$ 8,512,284	0%	\$ 557,587	1526.63%

Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are restricted to or reserved for expenditures for particular purposes.

*The **Recreation Activities Fund** provides salaries, equipment and supplies needed to conduct year-round recreational programs. Funding comes from class fees, sports leagues, and transfers from the General Fund.*

*The **Arts Activity Fund** was established to administer the city's cultural arts programs and provide staff support to the Redmond Arts Commission. The primary sources of revenue are an annual transfer from the General Fund, grants and donations.*

*The **Parks Maintenance and Operations Fund** accounts for monies spent on maintenance of park grounds, rights of way, street trees, open space and the grounds surrounding City buildings and structures. These activities are funded from a property tax levy lid lift approved by the voters in 1989.*

*The **Community Events Fund** was established in 2004 to account for revenues received and expenditures incurred for, but not limited to, the production of special community events in the city. Revenue sources include private donations, participation fees, and transfers from the General Fund.*

*The **Microsoft Development Fund** was established in 2007 to account for revenues received and expenditures incurred for, but not limited to, the review and inspection of development projects and their construction by the Microsoft Corporation in the City of Redmond for the duration of the approved "Memorandum of Understanding Regarding Staffing for Microsoft Development Review."*

*The **Cable Access Fund** was established in 2003 to monitor expenditures for cable access equipment, public education, service enhancement, and government access to television. The primary source of revenues is fees and contributions from cable television subscribers.*

*The **Operating Grants Fund** includes expenditures for special studies and pilot programs to support commute trip reduction in partnership with area employers. It is funded by federal, state, and local grants, private contributions and a portion of the business tax surcharge.*

*The **Human Services Grants Fund** accounts for Federal Block Grant monies and City per capita grants for community development assistance to low and moderate income persons.*

*The **Fire Levy Fund** was established to account for the revenues received and expenditures incurred for the fire property tax levy lid lift approved by the voters in 2007 for collection in 2008. These funds will provide additional firefighters to support fire and aid car operations at the Overlake Fire Station and the North Redmond Fire Station.*

*The **Police Levy Fund** was established to account for the revenues received and expenditures incurred for the police property tax levy lid lift approved by the voters in 2007 for collection in 2008. These funds will provide additional police personnel to support police operations and programs.*

*The **Parks Levy Fund** was established to account for the revenues received and expenditures incurred for the parks property tax levy lid lift approved by the voters in 2007 for collection in 2008. These funds will provide operation and maintenance of park facilities and programs.*

*The **Operating Reserves Fund** houses money set aside for General Fund operating reserves and building permit reserves. The General Fund reserves were created to offset significant downturns and revisions in any general municipal purpose funds and to provide sufficient cash flow for daily financial needs at all times. The building permit reserve was established to provide funding for completion of building permit responsibilities in the event of a decline in development activity.*

*The **Capital Equipment Fund** accumulates monies for replacement of general capital equipment. Funding in the Capital Equipment Fund is provided by an annual transfer from the city's General Fund.*

*The **Fire Equipment Fund** accumulates monies for replacement of fire capital equipment. Funding in the Fire Equipment Fund is provided by annual transfers from the General Fund and the Fire CIP fund.*

*The **Real Estate Excise Tax Fund** accounts for proceeds of the ½ of 1% Real Estate Excise Tax. This tax is collected by King County at the time property is sold in the City of Redmond and then remitted to the city. These funds must be used for construction of capital projects.*

*The **Felony Seizure Fund** accounts for monies and proceeds from the sale of property seized during drug and felony investigations. Legal restrictions require these funds to be expended on drug and felony related police activities.*

*The **Emergency Dispatch System Fund** was established in 1995 as a cost center for the emergency dispatch and records management systems. Funds were provided from a variety of sources including the General, Capital Equipment Reserve, CIP, and Public Safety Bond Funds.*

*The **Business License Surcharge Fund** receives revenues collected from businesses based on the employee hours worked in Redmond. The funds collected are earmarked for transportation and transportation demand management projects. All projects funded by this source are reviewed by the Business Tax/Transportation Improvement Committee and then submitted to the Council for approval.*

*The **Tourism Fund** is supported by a 1% special excise tax on overnight lodging in Redmond. This tax provides resources to support tourism development and promotion activities in Redmond.*

*The **Solid Waste Recycling Fund** accounts for monies received primarily through garbage franchise fees. Fund expenditures made are to develop, administer and improve solid waste collection and education.*

Debt Service Funds

Debt Service Funds account for the accumulation of resources for and the payment of general obligation and special assessment bonds.

*The **Regular Levy Fund** accounts for the debt service on City Council approved (councilmanic) general obligation debt. During 2003, the city issued two Long-Term General Obligation Notes to fund improvements at Grasslawn and Perrigo Parks. Debt service on those notes will be paid from this fund.*

*The **Special Levy Fund** accounts for the debt service on the voter approved general obligation bonds. The city currently has one bond issue outstanding that is paid from this fund. In 1994 the city issued bonds to purchase land and build a new fire station.*

*The **Local Improvement District Control Fund** was created to finance public improvements or services deemed to benefit the properties against which the special assessments are levied. Special assessment bonds are not a direct responsibility of the city, but are funded from a collection of special assessment payments.*

*The **Local Improvement District Guaranty Fund** was established for the purpose of guaranteeing the payment of local improvement bonds and warrants and is funded from interest income and surplus from the Local Improvement District Control Fund.*

Capital Projects Funds

Capital Projects Funds account for the acquisition or construction of capital facilities (except for those financed primarily by utility funds). These funds are financed primarily by general obligation bonds, special assessments, federal and state grants and contributions from other funds.

*The **Capital Improvements Program Fund** accounts for revenues and expenditures of capital improvement projects. Its primary sources of revenue are intergovernmental revenue, transfers from the General Fund, business license fees, and impact fees.*

*The **G.O. Bonds - Fire Fund** was established after voters approved a bond issue of \$3,800,000 in 1992 to purchase land, construct a fire station in southeast Redmond, and purchase fire equipment. The city completed construction of the fire station in 1997 and purchased land for a fire station in northeast Redmond.*

*The **Parks Acquisition and Renovation Fund** is comprised of funds for the acquisition and development of new parks as well as improvements to existing parks. This fund received \$4,870,000 in bond proceeds approved by the voters in 1989. All of the projects have been completed and the remaining funds will be used for land acquisition.*

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007

Special Revenue Funds

	Recreation Activities	Arts Activity	Parks Maintenance and Operation	Community Events	Microsoft Development Review
ASSETS					
Cash and cash equivalents	\$ 172,760	\$ 53,582	\$ 143,031	\$ 150,231	\$ 1,161,512
Cash with outside agency	-	-	-	-	-
Investments	592,817	164,837	424,568	-	-
Receivables:					
Taxes	-	-	3,544	-	-
Accounts	-	-	-	-	-
Interest	4,103	936	2,852	-	-
Special assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due From Other Governments	-	15,000	-	-	-
Restricted assets:					
Deposit cash	20,334	-	-	-	-
Total Assets	<u>\$ 790,014</u>	<u>\$ 234,355</u>	<u>\$ 573,995</u>	<u>\$ 150,231</u>	<u>\$ 1,161,512</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 23,372	\$ 1,389	\$ 7,688	\$ 33,738	\$ 20,474
Employee wages payable	33,070	1,418	15,639	1,339	45,970
Due to other funds	-	-	-	-	-
Payable from restricted assets:					
Deposits payable	20,334	-	-	-	-
Unearned revenues	-	-	3,544	-	465,938
Total Liabilities	<u>76,776</u>	<u>2,807</u>	<u>26,871</u>	<u>35,077</u>	<u>532,382</u>
Fund balances					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved	713,238	231,548	547,124	115,154	629,130
Total Fund Balances	<u>713,238</u>	<u>231,548</u>	<u>547,124</u>	<u>115,154</u>	<u>629,130</u>
Total Liabilities and Fund Balances	<u>\$ 790,014</u>	<u>\$ 234,355</u>	<u>\$ 573,995</u>	<u>\$ 150,231</u>	<u>\$ 1,161,512</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007

Special Revenue Funds

	Cable Access	Operating Grants	Human Services Grants	Operating Reserves	Fire Levy
ASSETS					
Cash and cash equivalents	\$ 290,786	\$ 736,110	\$ 149,552	\$ 1,156,542	\$ -
Cash with outside agency	-	-	-	-	-
Investments	770,745	2,285,652	-	3,665,593	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Interest	5,405	16,686	-	-	-
Special assessments	-	-	-	-	-
Due from other funds	-	-	-	1,745,021	-
Due From Other Governments	-	56,625	-	-	-
Restricted assets:					
Deposit cash	-	-	-	-	-
Total Assets	<u>\$ 1,066,936</u>	<u>\$ 3,095,073</u>	<u>\$ 149,552</u>	<u>\$ 6,567,156</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 450	\$ 179,408	\$ 75,020	\$ -	\$ -
Employee wages payable	-	7,117	-	-	-
Due to other funds	-	-	-	-	397,510
Payable from restricted assets:					
Deposits payable	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total Liabilities	<u>450</u>	<u>186,525</u>	<u>75,020</u>	<u>-</u>	<u>397,510</u>
Fund balances					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved	<u>1,066,486</u>	<u>2,908,548</u>	<u>74,532</u>	<u>6,567,156</u>	<u>(397,510)</u>
Total Fund Balances	<u>1,066,486</u>	<u>2,908,548</u>	<u>74,532</u>	<u>6,567,156</u>	<u>(397,510)</u>
Total Liabilities and Fund Balances	<u>\$ 1,066,936</u>	<u>\$ 3,095,073</u>	<u>\$ 149,552</u>	<u>\$ 6,567,156</u>	<u>\$ -</u>

Special Revenue Funds

Police Levy	Parks Levy	Capital Equipment	Fire Equipment	Real Estate Excise Tax	Felony Seizure
\$ 52,887	\$ -	\$ 819,117	\$ 880,808	\$ 2,337,789	\$ 77,220
-	-	-	-	-	10,000
-	-	2,532,609	2,580,785	7,222,855	-
-	-	-	-	198,728	-
-	-	-	-	-	-
-	-	18,263	18,757	52,998	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	15,473	-	10,749
<u>\$ 52,887</u>	<u>\$ -</u>	<u>\$ 3,369,989</u>	<u>\$ 3,495,823</u>	<u>\$ 9,812,370</u>	<u>\$ 97,969</u>
\$ -	\$ -	\$ -	\$ 43,595	\$ -	\$ 87
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	15,473	-	10,749
-	-	-	-	-	-
-	-	-	59,068	-	10,836
-	-	-	-	-	-
<u>52,887</u>	<u>-</u>	<u>3,369,989</u>	<u>3,436,755</u>	<u>9,812,370</u>	<u>87,133</u>
<u>52,887</u>	<u>-</u>	<u>3,369,989</u>	<u>3,436,755</u>	<u>9,812,370</u>	<u>87,133</u>
<u>\$ 52,887</u>	<u>\$ -</u>	<u>\$ 3,369,989</u>	<u>\$ 3,495,823</u>	<u>\$ 9,812,370</u>	<u>\$ 97,969</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007

Special Revenue Funds

	Emergency Dispatch	Business License Surcharge	Tourism	Solid Waste Recycling	Total
ASSETS					
Cash and cash equivalents	\$ 9,693	\$ -	\$ 98,906	\$ 152,993	\$ 8,443,519
Cash with outside agency	-	-	-	-	10,000
Investments	-	1,845,381	303,325	469,650	22,858,817
Receivables:					
Taxes	-	-	-	-	202,272
Accounts	-	-	-	-	-
Interest	-	27,373	1,958	3,184	152,515
Special assessments	-	-	-	-	-
Due from other funds	-	-	-	-	1,745,021
Due From Other Governments	-	-	-	121,101	192,726
Restricted assets:					
Deposit cash	-	-	-	-	46,556
Total Assets	<u>\$ 9,693</u>	<u>\$ 1,872,754</u>	<u>\$ 404,189</u>	<u>\$ 746,928</u>	<u>\$ 33,651,426</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 20,709	\$ 30,716	\$ 436,646
Employee wages payable	-	-	228	8,192	112,973
Due to other funds	-	-	-	-	397,510
Payable from restricted assets:					
Deposits payable	-	-	-	-	46,556
Unearned revenues	-	-	-	-	469,482
Total Liabilities	<u>-</u>	<u>-</u>	<u>20,937</u>	<u>38,908</u>	<u>1,463,167</u>
Fund balances					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved	<u>9,693</u>	<u>1,872,754</u>	<u>383,252</u>	<u>708,020</u>	<u>32,188,259</u>
Total Fund Balances	<u>9,693</u>	<u>1,872,754</u>	<u>383,252</u>	<u>708,020</u>	<u>32,188,259</u>
Total Liabilities and Fund Balances	<u>\$ 9,693</u>	<u>\$ 1,872,754</u>	<u>\$ 404,189</u>	<u>\$ 746,928</u>	<u>\$ 33,651,426</u>

Debt Service Funds

Regular Levy	Special Levy	L.I.D. Control	L.I.D. Guaranty	Total
\$ -	\$ 243,897	\$ 63,233	\$ 243,801	\$ 550,931
-	-	-	-	-
-	-	-	718,171	718,171
-	5,007	-	-	5,007
-	-	-	-	-
-	-	142,676	5,018	147,694
-	-	490,906	-	490,906
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ 248,904	\$ 696,815	\$ 966,990	\$ 1,912,709
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	5,007	299,726	-	304,733
-	5,007	299,726	-	304,733
-	243,897	397,089	966,990	1,607,976
-	-	-	-	-
-	243,897	397,089	966,990	1,607,976
\$ -	\$ 248,904	\$ 696,815	\$ 966,990	\$ 1,912,709

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Park Acquisition and Renovation	G.O. Bonds Fire	Total	
ASSETS				
Cash and cash equivalents	\$ 189,174	\$ 82,595	\$ 271,769	\$ 9,266,219
Cash with outside agency	-	-	-	10,000
Investments	-	-	-	23,576,988
Receivables:				
Taxes	-	-	-	207,279
Accounts	-	-	-	-
Interest	-	-	-	300,209
Special assessments	-	-	-	490,906
Due from other funds	-	-	-	1,745,021
Due From Other Governments	-	-	-	192,726
Restricted assets:				
Deposit cash	-	-	-	46,556
Total Assets	<u>\$ 189,174</u>	<u>\$ 82,595</u>	<u>\$ 271,769</u>	<u>\$ 35,835,904</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 436,646
Employee wages payable	-	-	-	112,973
Due to other funds	-	-	-	397,510
Payable from restricted assets:				
Deposits payable	-	-	-	46,556
Unearned revenues	-	-	-	774,215
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,767,900</u>
Fund balances				
Reserved for:				
Debt service	-	-	-	1,607,976
Unreserved	<u>189,174</u>	<u>82,595</u>	<u>271,769</u>	<u>32,460,028</u>
Total Fund Balances	<u>189,174</u>	<u>82,595</u>	<u>271,769</u>	<u>34,068,004</u>
Total Liabilities and Fund Balances	<u>\$ 189,174</u>	<u>\$ 82,595</u>	<u>\$ 271,769</u>	<u>\$ 35,835,904</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

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	Special Revenue Funds		
	Recreation Activities	Arts Activity	Park Maintenance and Operation
REVENUES			
Taxes	\$ -	\$ -	\$ 686,711
Special assessments	-	-	-
Licenses and permits	-	-	-
Contributions	3,052	13,568	600
Intergovernmental	-	15,000	20,000
Charges for services	1,612,688	7,297	95,918
Fines and forfeitures	-	-	-
Investment income	42,108	8,553	20,200
Miscellaneous	165,417	136	64,682
Total Revenues	<u>1,823,265</u>	<u>44,554</u>	<u>888,111</u>
EXPENDITURES			
Current			
General government	-	-	-
Security of persons and property	-	-	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Mental/physical health	-	-	-
Culture and recreation	1,648,334	153,766	755,129
Capital outlay	-	200	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>1,648,334</u>	<u>153,966</u>	<u>755,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>174,931</u>	<u>(109,412)</u>	<u>132,982</u>
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	-	126,833	-
Transfers out	(19,789)	-	-
Total other financing sources (uses)	<u>(19,789)</u>	<u>126,833</u>	<u>-</u>
Net change in fund balances	155,142	17,421	132,982
Fund balances-beginning	558,096	214,127	414,142
Fund balances-ending	<u>\$ 713,238</u>	<u>\$ 231,548</u>	<u>\$ 547,124</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	Special Revenue Funds		
	Community Events	Microsoft Development Review	Cable Access
REVENUES			
Taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	-	1,178,562	-
Contributions	93,462	-	183,846
Intergovernmental	7,500	-	-
Charges for services	15,881	721,295	55
Fines and forfeitures	-	-	-
Investment income	-	-	47,528
Miscellaneous	11,160	-	-
Total Revenues	<u>128,003</u>	<u>1,899,857</u>	<u>231,429</u>
EXPENDITURES			
Current			
General government	-	28,410	-
Security of persons and property	12,741	887,150	-
Physical environment	-	85,467	-
Transportation	-	-	-
Economic environment	-	47,753	78,041
Mental/physical health	-	-	-
Culture and recreation	265,347	-	-
Capital outlay	-	221,947	14,678
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>278,088</u>	<u>1,270,727</u>	<u>92,719</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150,085)</u>	<u>629,130</u>	<u>138,710</u>
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	265,239	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>265,239</u>	<u>-</u>	<u>-</u>
Net change in fund balances	115,154	629,130	138,710
Fund balances-beginning	-	-	927,776
Fund balances-ending	<u>\$ 115,154</u>	<u>\$ 629,130</u>	<u>\$ 1,066,486</u>

Special Revenue Funds

Operating Grants	Human Services Grants	Operating Reserve	Fire Levy	Police Levy	Parks Levy
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	40,173	-	-	-	-
619,946	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
139,347	-	1,505	-	-	-
-	-	-	-	-	-
<u>759,293</u>	<u>40,173</u>	<u>1,505</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	15,601	396,005	272,113	-
-	-	-	-	-	-
819,391	-	-	-	-	-
-	519,090	-	-	-	-
-	85,923	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,505	-	-
<u>819,391</u>	<u>605,013</u>	<u>15,601</u>	<u>397,510</u>	<u>272,113</u>	<u>-</u>
<u>(60,098)</u>	<u>(564,840)</u>	<u>(14,096)</u>	<u>(397,510)</u>	<u>(272,113)</u>	<u>-</u>
-	-	-	-	-	-
635,000	585,826	1,507,420	-	325,000	-
-	-	-	-	-	-
<u>635,000</u>	<u>585,826</u>	<u>1,507,420</u>	<u>-</u>	<u>325,000</u>	<u>-</u>
574,902	20,986	1,493,324	(397,510)	52,887	-
2,333,646	53,546	5,073,832	-	-	-
<u>\$ 2,908,548</u>	<u>\$ 74,532</u>	<u>\$ 6,567,156</u>	<u>\$ (397,510)</u>	<u>\$ 52,887</u>	<u>\$ -</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	Special Revenue Funds		
	Capital Equipment	Fire Equipment	Real Estate Excise Tax
REVENUES			
Taxes	\$ -	\$ -	\$ 10,012,966
Special assessments	-	-	-
Licenses and permits	-	-	-
Contributions	-	20,151	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment income	115,361	158,468	385,239
Miscellaneous	214	18,646	-
Total Revenues	<u>115,575</u>	<u>197,265</u>	<u>10,398,205</u>
EXPENDITURES			
Current			
General government	278,656	-	-
Security of persons and property	14,141	35,923	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	15,767	-	-
Mental/physical health	-	-	-
Culture and recreation	63,714	-	-
Capital outlay	48,046	191,192	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>420,324</u>	<u>227,115</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(304,749)</u>	<u>(29,850)</u>	<u>10,398,205</u>
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	3,100	-
Transfers in	2,369,000	711,000	-
Transfers out	-	-	(9,139,930)
Total other financing sources (uses)	<u>2,369,000</u>	<u>714,100</u>	<u>(9,139,930)</u>
Net change in fund balances	2,064,251	684,250	1,258,275
Fund balances-beginning	1,305,738	2,752,505	8,554,095
Fund balances-ending	<u>\$ 3,369,989</u>	<u>\$ 3,436,755</u>	<u>\$ 9,812,370</u>

Special Revenue Funds

Felony Seizure	Emergency Dispatch	Business License Surcharge	Tourism	Solid Waste Recycling	Total
\$ -	\$ -	\$ 4,167,670	\$ 294,988	\$ -	\$ 15,162,335
-	-	-	-	-	-
-	-	-	-	-	1,178,562
-	-	-	-	-	354,852
-	-	-	-	211,207	873,653
-	-	-	-	369,901	2,823,035
14,851	-	-	-	-	14,851
-	-	258,136	17,119	30,852	1,224,416
-	-	-	-	5,318	265,573
<u>14,851</u>	<u>-</u>	<u>4,425,806</u>	<u>312,107</u>	<u>617,278</u>	<u>21,897,277</u>
-	-	-	-	-	307,066
2,765	-	-	-	-	1,636,439
-	-	-	-	495,761	581,228
-	-	-	-	-	819,391
-	-	-	147,899	-	808,550
-	-	-	-	-	85,923
-	-	-	-	-	2,886,290
-	-	-	-	-	476,063
-	-	-	-	-	-
-	-	-	-	-	1,505
<u>2,765</u>	<u>-</u>	<u>-</u>	<u>147,899</u>	<u>495,761</u>	<u>7,602,455</u>
<u>12,086</u>	<u>-</u>	<u>4,425,806</u>	<u>164,208</u>	<u>121,517</u>	<u>14,294,822</u>
-	-	-	-	-	3,100
-	-	-	-	-	6,525,318
-	-	(3,623,686)	(100,000)	-	(12,883,405)
-	-	(3,623,686)	(100,000)	-	(6,354,987)
12,086	-	802,120	64,208	121,517	7,939,835
75,047	9,693	1,070,634	319,044	586,503	24,248,424
<u>\$ 87,133</u>	<u>\$ 9,693</u>	<u>\$ 1,872,754</u>	<u>\$ 383,252</u>	<u>\$ 708,020</u>	<u>\$ 32,188,259</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

Debt Service Funds

	Regular Levy	Special Levy	L.I.D. Control	L.I.D. Guaranty
REVENUES				
Taxes	\$ -	\$ 299,584	\$ -	\$ -
Special assessments	-	-	244,988	-
Licenses and permits	-	-	-	-
Contributions	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	47,316
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>299,584</u>	<u>244,988</u>	<u>47,316</u>
EXPENDITURES				
Current				
General government	-	-	-	5
Security of persons and property	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	763,218	210,000	195,000	-
Interest	39,951	89,889	39,378	-
Total Expenditures	<u>803,169</u>	<u>299,889</u>	<u>234,378</u>	<u>5</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(803,169)</u>	<u>(305)</u>	<u>10,610</u>	<u>47,311</u>
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	-	-
Transfers in	803,169	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>803,169</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(305)	10,610	47,311
Fund balances-beginning	-	244,202	386,479	919,679
Fund balances-ending	<u>\$ -</u>	<u>\$ 243,897</u>	<u>\$ 397,089</u>	<u>\$ 966,990</u>

Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
Total	Park Acquisition and Renovation	G.O. Bonds Fire	Total		
\$ 299,584	\$ -	\$ -	\$ -	\$	15,461,919
244,988	-	-	-		244,988
-	-	-	-		1,178,562
-	-	-	-		354,852
-	-	-	-		873,653
-	-	-	-		2,823,035
-	-	-	-		14,851
47,316	7,257	-	7,257		1,278,989
-	-	-	-		265,573
<u>591,888</u>	<u>7,257</u>	<u>-</u>	<u>7,257</u>		<u>22,496,422</u>
5	-	-	-		307,071
-	-	-	-		1,636,439
-	-	-	-		581,228
-	-	-	-		819,391
-	-	-	-		808,550
-	-	-	-		85,923
-	-	-	-		2,886,290
-	-	-	-		476,063
1,168,218	-	-	-		1,168,218
169,218	-	-	-		170,723
<u>1,337,441</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>8,939,896</u>
<u>(745,553)</u>	<u>7,257</u>	<u>-</u>	<u>7,257</u>		<u>13,556,526</u>
-	-	-	-		3,100
803,169	-	-	-		7,328,487
-	-	-	-		(12,883,405)
<u>803,169</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(5,551,818)</u>
57,616	7,257	-	7,257		8,004,708
1,550,360	181,917	82,595	264,512		26,063,296
<u>\$ 1,607,976</u>	<u>\$ 189,174</u>	<u>\$ 82,595</u>	<u>\$ 271,769</u>	<u>\$</u>	<u>\$ 34,068,004</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 RECREATION ACTIVITIES SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ (20,690)	\$ -	\$ 20,690
Charges for services	3,434,000	3,434,000	1,612,688	(1,821,312)
Contributions	20,000	20,000	3,052	(16,948)
Investment income	38,000	38,000	42,108	4,108
Miscellaneous	265,000	265,000	165,417	(99,583)
Total Revenues	<u>3,757,000</u>	<u>3,736,310</u>	<u>1,823,265</u>	<u>(1,913,045)</u>
EXPENDITURES				
Culture and recreation	<u>3,597,284</u>	<u>3,597,284</u>	<u>1,648,334</u>	<u>1,948,950</u>
Total Expenditures	<u>3,597,284</u>	<u>3,597,284</u>	<u>1,648,334</u>	<u>1,948,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>159,716</u>	<u>139,026</u>	<u>174,931</u>	<u>35,905</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(40,073)</u>	<u>(40,073)</u>	<u>(19,789)</u>	<u>20,284</u>
Total other financing sources (uses)	<u>(40,073)</u>	<u>(40,073)</u>	<u>(19,789)</u>	<u>20,284</u>
Net change in fund balance	119,643	98,953	155,142	56,189
Fund balance-beginning	587,726	558,096	558,096	-
Fund balance-ending	<u>\$ 707,369</u>	<u>\$ 657,049</u>	<u>\$ 713,238</u>	<u>\$ 56,189</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ARTS ACTIVITY SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	Actual Biennium to Date Through 12/31/07	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 35,000	\$ 55,690	\$ 15,000	\$ (40,690)
Charges for services	9,000	9,000	7,297	(1,703)
Contributions	51,000	51,000	13,568	(37,432)
Investment income	6,000	6,000	8,553	2,553
Miscellaneous	43,200	43,200	136	(43,064)
Total Revenues	<u>144,200</u>	<u>164,890</u>	<u>44,554</u>	<u>(120,336)</u>
EXPENDITURES				
Culture and recreation	329,354	329,354	153,766	175,588
Capital outlay	105,687	105,687	200	105,487
Total Expenditures	<u>435,041</u>	<u>435,041</u>	<u>153,966</u>	<u>281,075</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(290,841)</u>	<u>(270,151)</u>	<u>(109,412)</u>	<u>160,739</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	224,754	224,754	126,833	(97,921)
Total other financing sources (uses)	<u>224,754</u>	<u>224,754</u>	<u>126,833</u>	<u>(97,921)</u>
Net change in fund balance	(66,087)	(45,397)	17,421	62,818
Fund balance-beginning	229,873	214,127	214,127	-
Fund balance-ending	<u>\$ 163,786</u>	<u>\$ 168,730</u>	<u>\$ 231,548</u>	<u>\$ 62,818</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 PARKS MAINTENANCE AND OPERATION SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,380,289	\$ 1,698,411	\$ 686,711	\$ (1,011,700)
Intergovernmental	40,000	40,000	20,000	(20,000)
Charges for services	100,000	100,000	95,918	(4,082)
Contributions	2,000	2,000	600	(1,400)
Investment income	5,000	5,000	20,200	15,200
Miscellaneous	30,734	30,734	64,682	33,948
Total Revenues	<u>1,558,023</u>	<u>1,876,145</u>	<u>888,111</u>	<u>(988,034)</u>
EXPENDITURES				
Culture and recreation	1,599,993	1,918,115	755,129	1,162,986
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,599,993</u>	<u>1,918,115</u>	<u>755,129</u>	<u>1,162,986</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,970)</u>	<u>(41,970)</u>	<u>132,982</u>	<u>174,952</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(41,970)	(41,970)	132,982	174,952
Fund balance-beginning	341,450	414,143	414,142	(1)
Fund balance-ending	<u>\$ 299,480</u>	<u>\$ 372,173</u>	<u>\$ 547,124</u>	<u>\$ 174,951</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 COMMUNITY EVENTS SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 7,500	\$ 7,500
Charges for services	20,000	20,000	15,881	(4,119)
Contributions	174,100	191,741	93,462	(98,279)
Miscellaneous	44,400	44,400	11,160	(33,240)
Total Revenues	<u>238,500</u>	<u>256,141</u>	<u>128,003</u>	<u>(128,138)</u>
EXPENDITURES				
Security of Persons and Property	-	-	12,741	(12,741)
Culture and recreation	659,362	659,362	265,347	394,015
Total Expenditures	<u>659,362</u>	<u>659,362</u>	<u>278,088</u>	<u>381,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(420,862)</u>	<u>(403,221)</u>	<u>(150,085)</u>	<u>253,136</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	423,448	405,807	265,239	(140,568)
Total other financing sources (uses)	<u>423,448</u>	<u>405,807</u>	<u>265,239</u>	<u>(140,568)</u>
Net change in fund balance	2,586	2,586	115,154	112,568
Fund balance-beginning	11,954	-	-	-
Fund balance-ending	<u>\$ 14,540</u>	<u>\$ 2,586</u>	<u>\$ 115,154</u>	<u>\$ 112,568</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 MICROSOFT DEVELOPMENT REVIEW SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ -	\$ 6,090,607	\$ 1,178,562	\$ (4,912,045)
Charges for services	-	-	721,295	721,295
Total Revenues	-	6,090,607	1,899,857	(4,190,750)
EXPENDITURES				
General government	-	3,324,070	28,410	3,295,660
Security of persons and property	-	2,022,106	887,150	1,134,956
Physical environment	-	299,722	85,467	214,255
Economic development	-	202,209	47,753	154,456
Capital outlay	-	242,500	221,947	20,553
Total Expenditures	-	6,090,607	1,270,727	4,819,880
Excess (deficiency) of revenues over (under) expenditures	-	-	629,130	629,130
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	629,130	629,130
Fund balance-beginning	-	-	-	-
Fund balance-ending	\$ -	\$ -	\$ 629,130	\$ 629,130

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 CABLE ACCESS SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ -	\$ -	\$ 55	\$ 55
Contributions	420,000	420,000	183,846	(236,154)
Investment interest	<u>71,000</u>	<u>71,000</u>	<u>47,528</u>	<u>(23,472)</u>
Total Revenues	491,000	491,000	231,429	(259,571)
EXPENDITURES				
Economic development	1,328,050	1,308,207	78,041	1,230,166
Capital outlay	<u>110,569</u>	<u>110,569</u>	<u>14,678</u>	<u>95,891</u>
Total Expenditures	<u>1,438,619</u>	<u>1,418,776</u>	<u>92,719</u>	<u>1,326,057</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(947,619)</u>	<u>(927,776)</u>	<u>138,710</u>	<u>1,066,486</u>
Net change in fund balance	(947,619)	(927,776)	138,710	1,066,486
Fund balance-beginning	<u>947,619</u>	<u>927,776</u>	<u>927,776</u>	<u>-</u>
Fund balance-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,066,486</u>	<u>\$ 1,066,486</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 OPERATING GRANTS SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 221,774	\$ 570,674	\$ 619,946	\$ 49,272
Charges for services	-	92,500	-	(92,500)
Investment income	<u>151,800</u>	<u>151,800</u>	<u>139,347</u>	<u>(12,453)</u>
Total Revenues	373,574	814,974	759,293	(55,681)
EXPENDITURES				
Transportation	<u>3,758,328</u>	<u>4,385,216</u>	<u>819,391</u>	<u>3,565,825</u>
Total Expenditures	<u>3,758,328</u>	<u>4,385,216</u>	<u>819,391</u>	<u>3,565,825</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,384,754)</u>	<u>(3,570,242)</u>	<u>(60,098)</u>	<u>3,510,144</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,070,000</u>	<u>1,070,000</u>	<u>635,000</u>	<u>(435,000)</u>
Total other financing sources (uses)	<u>1,070,000</u>	<u>1,070,000</u>	<u>635,000</u>	<u>(435,000)</u>
Net change in fund balance	(2,314,754)	(2,500,242)	574,902	3,075,144
Fund balance-beginning	<u>2,520,890</u>	<u>2,333,646</u>	<u>2,333,646</u>	<u>-</u>
Fund balance-ending	<u>\$ 206,136</u>	<u>\$ (166,596)</u>	<u>\$ 2,908,548</u>	<u>\$ 3,075,144</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 HUMAN SERVICES GRANTS SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Contributions	-	39,923	40,173	250
Total Revenues	-	39,923	40,173	250
EXPENDITURES				
Economic development	1,065,763	1,105,686	519,090	586,596
Mental/physical health	168,768	168,768	85,923	82,845
Total Expenditures	1,234,531	1,274,454	605,013	669,441
Excess (deficiency) of revenues over (under) expenditures	(1,234,531)	(1,234,531)	(564,840)	669,691
OTHER FINANCING SOURCES (USES)				
Transfers in	1,191,868	1,191,868	585,826	(606,042)
Total other financing sources (uses)	1,191,868	1,191,868	585,826	(606,042)
Net change in fund balance	(42,663)	(42,663)	20,986	63,649
Fund balance-beginning	47,664	53,547	53,546	(1)
Fund balance-ending	\$ 5,001	\$ 10,884	\$ 74,532	\$ 63,648

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 OPERATING RESERVE SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 1,505	\$ 1,505
Total Revenues	-	-	1,505	1,505
EXPENDITURES				
Security of persons and property	<u>140,000</u>	<u>140,000</u>	<u>15,601</u>	<u>(124,399)</u>
Total expenditures	<u>140,000</u>	<u>140,000</u>	<u>15,601</u>	<u>(124,399)</u>
Excess (deficiency) of revenues over (under) expenditures	(140,000)	(140,000)	(14,096)	(122,894)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,514,645</u>	<u>1,514,645</u>	<u>1,507,420</u>	<u>(7,225)</u>
Total other financing sources (uses)	<u>1,514,645</u>	<u>1,514,645</u>	<u>1,507,420</u>	<u>(7,225)</u>
Net change in fund balance	1,374,645	1,374,645	1,493,324	117,174
Fund balance-beginning	5,068,991	5,068,991	5,073,832	4,841
Fund balance-ending	<u>\$ 6,443,636</u>	<u>\$ 6,443,636</u>	<u>\$ 6,567,156</u>	<u>\$ 122,015</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FIRE LEVY SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ -	\$ 2,285,797	\$ -	\$ (2,285,797)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Contributions	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>2,285,797</u>	<u>-</u>	<u>(2,285,797)</u>
EXPENDITURES				
Security	-	939,084	396,005	543,079
Debt Service				
Principal	-	25,000	-	25,000
Interest	-	-	1,505	(1,505)
Total Expenditures	<u>-</u>	<u>964,084</u>	<u>397,510</u>	<u>566,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>1,321,713</u>	<u>(397,510)</u>	<u>(1,719,223)</u>
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	1,321,713	(397,510)	(1,719,223)
Fund balance-beginning	-	-	-	-
Fund balance-ending	<u>\$ -</u>	<u>\$ 1,321,713</u>	<u>\$ (397,510)</u>	<u>\$ (1,719,223)</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 POLICE LEVY SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ -	\$ 2,174,055	\$ -	\$ (2,174,055)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Contributions	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>2,174,055</u>	<u>-</u>	<u>(2,174,055)</u>
EXPENDITURES				
Security	-	2,499,055	272,113	2,226,942
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>2,499,055</u>	<u>272,113</u>	<u>2,226,942</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(325,000)</u>	<u>(272,113)</u>	<u>52,887</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>325,000</u>	<u>325,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>325,000</u>	<u>325,000</u>	<u>-</u>
Net change in fund balance	-	-	52,887	52,887
Fund balance-beginning	-	-	-	-
Fund balance-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,887</u>	<u>\$ 52,887</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 PARKS LEVY SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ -	\$ 319,000	\$ -	\$ (319,000)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Contributions	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>319,000</u>	<u>-</u>	<u>(319,000)</u>
EXPENDITURES				
Culture and recreation	-	319,000	-	319,000
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>319,000</u>	<u>-</u>	<u>319,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance-beginning	-	-	-	-
Fund balance-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 CAPITAL EQUIPMENT SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Investment income	\$ 82,500	\$ 82,500	\$ 115,361	\$ 32,861
Miscellaneous	-	-	214	214
Total Revenues	<u>82,500</u>	<u>82,500</u>	<u>115,575</u>	<u>33,075</u>
EXPENDITURES				
Current				
General government	951,235	951,235	278,656	672,579
Security of persons and property	76,640	76,640	14,141	62,499
Physical environment	-	-	-	-
Economic environment	19,378	19,378	15,767	3,611
Culture and recreation	146,545	146,545	63,714	82,831
Capital outlay	<u>1,678,651</u>	<u>1,678,651</u>	<u>48,046</u>	<u>1,630,605</u>
Total Expenditures	<u>2,872,449</u>	<u>2,872,449</u>	<u>420,324</u>	<u>2,452,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,789,949)</u>	<u>(2,789,949)</u>	<u>(304,749)</u>	<u>2,485,200</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>3,200,000</u>	<u>3,369,000</u>	<u>2,369,000</u>	<u>(1,000,000)</u>
Total other financing sources (uses)	<u>3,200,000</u>	<u>3,369,000</u>	<u>2,369,000</u>	<u>(1,000,000)</u>
Net change in fund balance	410,051	579,051	2,064,251	1,485,200
Fund balance-beginning	1,438,105	1,438,105	1,305,738	(132,367)
Fund balance-ending	<u>\$ 1,848,156</u>	<u>\$ 2,017,156</u>	<u>\$ 3,369,989</u>	<u>\$ 1,352,833</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FIRE EQUIPMENT SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Contributions	\$ 40,000	\$ 40,000	\$ 20,151	\$ (19,849)
Investment income	156,000	156,000	158,468	2,468
Miscellaneous	<u>60,000</u>	<u>60,000</u>	<u>18,646</u>	<u>(41,354)</u>
Total Revenues	256,000	256,000	197,265	(58,735)
EXPENDITURES				
Security of persons and property	90,000	90,000	35,923	54,077
Capital outlay	<u>2,562,996</u>	<u>2,562,996</u>	<u>191,192</u>	<u>2,371,804</u>
Total Expenditures	<u>2,652,996</u>	<u>2,652,996</u>	<u>227,115</u>	<u>2,425,881</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,396,996)</u>	<u>(2,396,996)</u>	<u>(29,850)</u>	<u>2,367,146</u>
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	10,000	10,000	3,100	(6,900)
Transfers in	<u>1,422,000</u>	<u>1,422,000</u>	<u>711,000</u>	<u>(711,000)</u>
Total other financing sources (uses)	<u>1,432,000</u>	<u>1,432,000</u>	<u>714,100</u>	<u>(717,900)</u>
Net change in fund balance	(964,996)	(964,996)	684,250	1,649,246
Fund balance-beginning	2,418,184	2,418,184	2,752,505	334,321
Fund balance-ending	<u>\$ 1,453,188</u>	<u>\$ 1,453,188</u>	<u>\$ 3,436,755</u>	<u>\$ 1,983,567</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 REAL ESTATE EXCISE TAX SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative) <u></u>
REVENUES				
Taxes	\$ 9,580,718	\$ 9,580,718	\$ 10,012,966	\$ 432,248
Investment income	<u>247,500</u>	<u>247,500</u>	<u>385,239</u>	<u>137,739</u>
Total Revenues	9,828,218	9,828,218	10,398,205	569,987
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(14,058,498)</u>	<u>(14,058,498)</u>	<u>(9,139,930)</u>	<u>4,918,568</u>
Total other financing sources (uses)	<u>(14,058,498)</u>	<u>(14,058,498)</u>	<u>(9,139,930)</u>	<u>4,918,568</u>
Net change in fund balance	(4,230,280)	(4,230,280)	1,258,275	5,488,555
Fund balance-beginning	<u>5,485,189</u>	<u>5,485,189</u>	<u>8,554,095</u>	<u>3,068,906</u>
Fund balance-ending	<u>\$ 1,254,909</u>	<u>\$ 1,254,909</u>	<u>\$ 9,812,370</u>	<u>\$ 8,557,461</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FELONY SEIZURE SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 14,851	\$ 14,851
Total Revenues	-	-	14,851	14,851
EXPENDITURES				
Security of persons and property	71,907	71,907	2,765	69,142
Total Expenditures	71,907	71,907	2,765	69,142
Excess (deficiency) of revenues over (under) expenditures	(71,907)	(71,907)	12,086	83,993
Net change in fund balance	(71,907)	(71,907)	12,086	83,993
Fund balance-beginning	79,571	79,571	75,047	(4,524)
Fund balance-ending	\$ 7,664	\$ 7,664	\$ 87,133	\$ 79,469

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 EMERGENCY DISPATCH SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Security of persons and property	\$ -	\$ -	\$ -	\$ -
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance-beginning	<u>-</u>	<u>-</u>	<u>9,693</u>	<u>9,693</u>
Fund balance-ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,693</u></u>	<u><u>\$ 9,693</u></u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 BUSINESS LICENSE SURCHARGE SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 7,275,595	\$ 7,275,595	\$ 4,167,670	\$ (3,107,925)
Investment income	<u>495,000</u>	<u>495,000</u>	<u>258,136</u>	<u>(236,864)</u>
Total Revenues	7,770,595	7,770,595	4,425,806	(3,344,789)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(7,084,256)</u>	<u>(7,084,256)</u>	<u>(3,623,686)</u>	<u>3,460,570</u>
Total other financing sources (uses)	<u>(7,084,256)</u>	<u>(7,084,256)</u>	<u>(3,623,686)</u>	<u>3,460,570</u>
Net change in fund balance	686,339	686,339	802,120	115,781
Fund balance-beginning	<u>4,554,869</u>	<u>4,554,869</u>	<u>1,070,634</u>	<u>(3,484,235)</u>
Fund balance-ending	<u>\$ 5,241,208</u>	<u>\$ 5,241,208</u>	<u>\$ 1,872,754</u>	<u>\$ (3,368,454)</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 TOURISM SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 475,000	\$ 475,000	\$ 294,988	\$ (180,012)
Investment income	<u>15,675</u>	<u>15,675</u>	<u>17,119</u>	<u>1,444</u>
Total Revenues	<u>490,675</u>	<u>490,675</u>	<u>312,107</u>	<u>(178,568)</u>
EXPENDITURES				
Economic development	<u>431,513</u>	<u>431,513</u>	<u>147,899</u>	<u>283,614</u>
Total Expenditures	<u>431,513</u>	<u>431,513</u>	<u>147,899</u>	<u>283,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,162</u>	<u>59,162</u>	<u>164,208</u>	<u>105,046</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(242,448)</u>	<u>(242,448)</u>	<u>(100,000)</u>	<u>142,448</u>
Total other financing sources (uses)	<u>(242,448)</u>	<u>(242,448)</u>	<u>(100,000)</u>	<u>142,448</u>
Net change in fund balance	<u>(183,286)</u>	<u>(183,286)</u>	<u>64,208</u>	<u>247,494</u>
Fund balance-beginning	<u>288,752</u>	<u>319,044</u>	<u>319,044</u>	<u>-</u>
Fund balance-ending	<u>\$ 105,466</u>	<u>\$ 135,758</u>	<u>\$ 383,252</u>	<u>\$ 247,494</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 SOLID WASTE RECYCLING SPECIAL REVENUE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 106,000	\$ 106,000	\$ 211,207	\$ 105,207
Charges for services	762,000	762,000	369,901	(392,099)
Investment income	47,025	47,025	30,852	(16,173)
Miscellaneous	4,200	4,200	5,318	1,118
Total Revenues	<u>919,225</u>	<u>919,225</u>	<u>617,278</u>	<u>(301,947)</u>
EXPENDITURES				
Physical environment	<u>1,362,617</u>	<u>1,360,039</u>	<u>495,761</u>	<u>864,278</u>
Total Expenditures	<u>1,362,617</u>	<u>1,360,039</u>	<u>495,761</u>	<u>864,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(443,392)</u>	<u>(440,814)</u>	<u>121,517</u>	<u>562,331</u>
Net change in fund balance	(443,392)	(440,814)	121,517	562,331
Fund balance-beginning	<u>540,799</u>	<u>586,503</u>	<u>586,503</u>	<u>-</u>
Fund balance-ending	<u>\$ 97,407</u>	<u>\$ 145,689</u>	<u>\$ 708,020</u>	<u>\$ 562,331</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 REGULAR LEVY DEBT SERVICE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Principal	\$ 1,592,945	\$ 1,592,945	\$ 763,218	\$ 829,727
Interest	-	-	39,951	(39,951)
Total Expenditures	<u>1,592,945</u>	<u>1,592,945</u>	<u>803,169</u>	<u>789,776</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,592,945</u>	<u>1,592,945</u>	<u>803,169</u>	<u>(789,776)</u>
Total other financing sources (uses)	<u>1,592,945</u>	<u>1,592,945</u>	<u>803,169</u>	<u>(789,776)</u>
Net change in fund balance	-	-	-	-
Fund balance-beginning	-	-	-	-
Fund balance-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 SPECIAL LEVY DEBT SERVICE FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 598,012	\$ 598,012	\$ 299,584	\$ (298,428)
Total Revenues	<u>598,012</u>	<u>598,012</u>	<u>299,584</u>	<u>(298,428)</u>
EXPENDITURES				
Principal	430,000	430,000	210,000	220,000
Interest	<u>168,012</u>	<u>168,012</u>	<u>89,889</u>	<u>78,123</u>
Total Expenditures	<u>598,012</u>	<u>598,012</u>	<u>299,889</u>	<u>298,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(305)</u>	<u>(305)</u>
Net change in fund balance	-	-	(305)	(305)
Fund balance-beginning	<u>954,186</u>	<u>954,186</u>	<u>244,202</u>	<u>(709,984)</u>
Fund balance-ending	<u><u>\$ 954,186</u></u>	<u><u>\$ 954,186</u></u>	<u><u>\$ 243,897</u></u>	<u><u>\$ (710,289)</u></u>

CITY OF REDMOND

CITY OF REDMOND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 CAPITAL IMPROVEMENTS PROGRAM CAPITAL PROJECTS FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through <u>12/31/07</u>	Variance with Final Budget Positive (Negative)
Taxes	\$ 2,200,000	\$ 2,200,000	\$ 1,100,000	\$ (1,100,000)
Intergovernmental	7,652,439	8,121,639	3,173,310	(4,948,329)
Charges for services	9,356,022	9,356,022	1,896,980	(7,459,042)
Contributions	17,175,150	17,385,150	3,249,593	(14,135,557)
Investment income	1,977,103	1,977,103	1,867,944	(109,159)
Miscellaneous	<u>28,087,000</u>	<u>28,569,000</u>	<u>544,486</u>	<u>(28,024,514)</u>
Total Revenues	66,447,714	67,608,914	11,832,313	(55,776,601)
EXPENDITURES				
Current				
General government	2,472,380	2,469,264	1,497,611	971,653
Security of persons and property	961,545	1,009,460	895,208	114,252
Physical environment	215,119	207,808	34,784	173,024
Transportation	5,420,579	5,630,579	2,427,736	3,202,843
Economic development	200,000	290,146	27,500	262,646
Culture and Recreation	1,163,158	2,738,551	846,398	1,892,153
Capital outlay	75,818,169	77,469,369	23,203,415	54,265,954
Debt service				
Principal	4,994,587	4,994,587	1,371,717	3,622,870
Interest	<u>3,636,562</u>	<u>3,636,562</u>	<u>1,870,128</u>	<u>1,766,434</u>
Total Expenditures	<u>94,882,099</u>	<u>98,446,326</u>	<u>32,174,497</u>	<u>66,271,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,434,385)</u>	<u>(30,837,412)</u>	<u>(20,342,184)</u>	<u>10,495,228</u>
OTHER FINANCING SOURCES (USES)				
Disposition of assets	-	-	3,164,850	3,164,850
Transfers in	29,143,128	29,229,128	15,945,194	(13,283,934)
Transfers out	<u>(3,362,945)</u>	<u>(4,062,945)</u>	<u>(1,338,169)</u>	<u>2,724,776</u>
Total other financing sources and uses	<u>25,780,183</u>	<u>25,166,183</u>	<u>17,771,875</u>	<u>(7,394,308)</u>
Net change in fund balance	(2,654,202)	(5,671,229)	(2,570,309)	3,100,920
Fund balance-beginning	<u>28,279,193</u>	<u>28,279,193</u>	<u>39,423,426</u>	<u>11,144,233</u>
Fund balance-ending	<u>\$ 25,624,991</u>	<u>\$ 22,607,964</u>	<u>\$ 36,853,117</u>	<u>\$ 14,245,153</u>

CITY OF REDMOND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 PARK ACQUISITION AND RENOVATION CAPITAL PROJECTS FUND
 For the Year Ended December 31, 2007

	Original Budget 2007-2008	Final Budget 2007-2008	Actual Biennium to Date Through 12/31/07	Variance with Final Budget Positive (Negative)
REVENUES				
Investment Income	\$ 14,700	\$ 14,700	\$ 7,257	\$ (7,443)
Total Revenues	<u>14,700</u>	<u>14,700</u>	<u>7,257</u>	<u>(7,443)</u>
EXPENDITURES				
Current				
Culture and Recreation	-	-	-	-
Capital Outlay	<u>194,396</u>	<u>194,396</u>	<u>-</u>	<u>194,396</u>
Total Expenditures	<u>194,396</u>	<u>194,396</u>	<u>-</u>	<u>194,396</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(179,696)</u>	<u>(179,696)</u>	<u>7,257</u>	<u>186,953</u>
Net Change in Fund Balance	(179,696)	(179,696)	7,257	186,953
Fund Balance-Beginning	<u>179,696</u>	<u>179,696</u>	<u>181,917</u>	<u>2,221</u>
Fund Balance-Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,174</u>	<u>\$ 189,174</u>

CITY OF REDMOND

CITY OF REDMOND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 G.O. BONDS FIRE CAPITAL PROJECTS FUND
 For the Year Ended December 31, 2007

	Original Budget <u>2007-2008</u>	Final Budget <u>2007-2008</u>	Actual Biennium to Date Through 12/31/07	Variance with Final Budget Positive (Negative)
REVENUES				
Investment Income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current				
Security of Persons and Property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance-Beginning	<u>82,203</u>	<u>82,203</u>	<u>82,595</u>	<u>392</u>
Fund Balance-Ending	<u>\$ 82,203</u>	<u>\$ 82,203</u>	<u>\$ 82,595</u>	<u>\$ 392</u>

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to another department or agency of the City.

*The **Fleet Maintenance Fund** accounts for the cost of maintaining all City vehicles and construction equipment except fire equipment. All costs, including depreciation, are included in establishing the rate to be charged to each department.*

*The **Insurance Fund** accounts for the payment of all City insurance premiums and claims for which each City department is charged.*

*The **Medical Self Insurance Fund** accounts for all revenues, expenses and reserves associated with the City's medical self-insurance program.*

*The **Workman's Compensation Fund** accounts for all revenues, expenses, and reserves associated with the City's workers compensation self-insurance program.*

*The **Information Technology Fund** accounts for the costs of information technology implementation, management, and support for all City departments.*

*The **Redmond Community Properties (RCP) Fund** reports the operating activities of a blended component unit of the City, the Redmond Public Corporation. This fund accounts for the monthly maintenance expenses of City Hall and the asset management fees paid to RCP.*

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
December 31, 2007

	Fleet Maintenance	Insurance	Medical Self-Insurance
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,214,757	\$ 119,459	\$ 927,544
Investments	3,652,379	357,865	3,011,421
Receivables:			
Accounts and Contracts	-	-	-
Interest	71,614	7,017	59,046
Inventory	27,599	-	-
Prepaid insurance	-	340,725	-
Total current assets	<u>4,966,349</u>	<u>825,066</u>	<u>3,998,011</u>
Noncurrent assets:			
Land	584,292	-	-
Buildings	510,196	-	-
Improvements other than buildings	248,876	-	-
Equipment	9,825,511	-	-
Less accumulated depreciation	(6,678,494)	-	-
Total noncurrent assets	<u>4,490,381</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 9,456,730</u>	<u>\$ 825,066</u>	<u>\$ 3,998,011</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 123,696	\$ 20,798	\$ 896,618
Employee wages payable	17,746	8,738	127
Compensated absences	26,939	9,414	-
Unearned Revenues	-	-	-
Total current liabilities	<u>168,381</u>	<u>38,950</u>	<u>896,745</u>
Noncurrent liabilities:			
Compensated absences	6,735	2,354	-
Total noncurrent liabilities	<u>6,735</u>	<u>2,354</u>	<u>-</u>
Total Liabilities	<u>175,116</u>	<u>41,304</u>	<u>896,745</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,490,381	-	-
Unrestricted	4,791,233	783,762	3,101,266
Total Net Assets	<u>\$ 9,281,614</u>	<u>\$ 783,762</u>	<u>\$ 3,101,266</u>

Workman's Compensation	Information Technology	Redmond Community Properties	Total
\$ 109,094	\$ 781,559	\$ 351,524	\$ 3,503,937
332,438	-	-	7,354,103
-	-	11,778	11,778
6,518	-	-	144,195
-	-	-	27,599
-	-	54,076	394,801
<u>448,050</u>	<u>781,559</u>	<u>417,378</u>	<u>11,436,413</u>
-	-	-	584,292
-	109,298	-	619,494
-	9,223	-	258,099
-	208,884	-	10,034,395
-	(81,803)	-	(6,760,297)
-	245,602	-	4,735,983
<u>\$ 448,050</u>	<u>\$ 1,027,161</u>	<u>\$ 417,378</u>	<u>\$ 16,172,396</u>
\$ 80,665	\$ 72,445	\$ 176,295	\$ 1,370,517
-	75,140	-	101,751
-	90,076	-	126,429
-	-	90,728	90,728
<u>80,665</u>	<u>237,661</u>	<u>267,023</u>	<u>1,689,425</u>
-	22,519	-	31,608
-	22,519	-	31,608
<u>80,665</u>	<u>260,180</u>	<u>267,023</u>	<u>1,721,033</u>
-	245,602	-	4,735,983
367,385	521,379	150,355	9,715,380
<u>\$ 367,385</u>	<u>\$ 766,981</u>	<u>\$ 150,355</u>	<u>\$ 14,451,363</u>

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 For the year ended December 31, 2007

	Fleet Maintenance	Insurance	Medical Self-Insurance
Operating revenues:			
Charges for services	\$ 294,574	\$ -	\$ -
Charges for replacement	1,986,616	-	-
Charges for insurance	-	1,045,089	6,307,410
Total Operating Revenues	<u>2,281,190</u>	<u>1,045,089</u>	<u>6,307,410</u>
Operating expenses:			
Administrative and general	1,026,547	962,227	6,156,279
Maintenance and operations	-	-	-
Supplies	435,134	1,093	990
Depreciation and amortization	865,679	-	-
Total Operating Expenses	<u>2,327,360</u>	<u>963,320</u>	<u>6,157,269</u>
Operating income (loss)	<u>(46,170)</u>	<u>81,769</u>	<u>150,141</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	247,803	29,718	201,643
Gain on sale of capital assets	41,450	-	-
Miscellaneous	4,448	-	655,708
Total nonoperating revenues (expenses)	<u>293,701</u>	<u>29,718</u>	<u>857,351</u>
Income (loss) before contributions and transfers	247,531	111,487	1,007,492
Transfers in	141,206	-	-
Transfers out	-	-	(132,775)
Change in net assets	<u>388,737</u>	<u>111,487</u>	<u>874,717</u>
Total net assets - beginning	<u>8,892,877</u>	<u>672,275</u>	<u>2,226,549</u>
Total net assets - ending	<u>\$ 9,281,614</u>	<u>\$ 783,762</u>	<u>\$ 3,101,266</u>

Workman's Compensation	Information Technology	Redmond Community Properties	Total
\$ -	\$ 2,891,174	\$ 968,454	\$ 4,154,202
-	-	-	1,986,616
<u>863,232</u>	<u>-</u>	<u>-</u>	<u>8,215,731</u>
<u>863,232</u>	<u>2,891,174</u>	<u>968,454</u>	<u>14,356,549</u>
555,982	2,448,709	405,550	11,555,294
-	-	493,357	493,357
-	61,191	-	498,408
-	18,199	-	883,878
<u>555,982</u>	<u>2,528,099</u>	<u>898,907</u>	<u>13,430,937</u>
<u>307,250</u>	<u>363,075</u>	<u>69,547</u>	<u>925,612</u>
14,387	-	8,520	502,071
-	-	-	41,450
-	-	-	660,156
<u>14,387</u>	<u>-</u>	<u>8,520</u>	<u>1,203,677</u>
<u>321,637</u>	<u>363,075</u>	<u>78,067</u>	<u>2,129,289</u>
-	-	-	141,206
-	-	-	(132,775)
<u>321,637</u>	<u>363,075</u>	<u>78,067</u>	<u>2,137,720</u>
<u>45,748</u>	<u>403,906</u>	<u>72,288</u>	<u>12,313,643</u>
<u>\$ 367,385</u>	<u>\$ 766,981</u>	<u>\$ 150,355</u>	<u>\$ 14,451,363</u>

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2007

	Fleet Maintenance	Insurance	Medical Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 294,574	\$ 1,045,089	\$ 6,307,410
Cash received for replacement	1,986,616	-	-
Cash payments to suppliers	(299,927)	(667,836)	(6,256,254)
Cash payments to employees	(845,119)	(270,276)	(36)
Internal activity - payments to other funds	(271,839)	(40,506)	-
Other operating receipts	4,448	-	655,708
Other operating payments	-	(19,361)	(197)
Net cash provided by operating activities	<u>868,753</u>	<u>47,110</u>	<u>706,631</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	-	-	(132,775)
Net cash used by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(132,775)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(897,686)	-	-
Proceeds from sale of capital assets	41,450	-	-
Net cash used for capital and related financing activities	<u>(856,236)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment purchases	-	-	(116,576)
Investment sales/maturities	588,646	10,799	-
Interest on investments	237,345	28,017	183,674
Net cash provided (used) in investing activities	<u>825,991</u>	<u>38,816</u>	<u>67,098</u>
Net increase (decrease) in cash and cash equivalents	838,508	85,926	640,954
Cash and cash equivalents-beginning of year	376,249	33,533	286,590
Cash and cash equivalents-end of year	<u>\$ 1,214,757</u>	<u>\$ 119,459</u>	<u>\$ 927,544</u>
Cash at the end of the year consists of:			
Operating fund cash	<u>\$ 1,214,757</u>	<u>\$ 119,459</u>	<u>\$ 927,544</u>
Total cash at end of year	<u>\$ 1,214,757</u>	<u>\$ 119,459</u>	<u>\$ 927,544</u>

Workman's Compensation	Information Technology	Redmond Community Properties	Total
\$ 863,232	\$ 2,891,174	\$ 1,018,379	\$ 12,419,858
-	-	-	1,986,616
(554,854)	(572,347)	(599,630)	(8,950,848)
-	(1,684,989)	(190,992)	(2,991,412)
-	(201,809)	-	(514,154)
-	-	-	660,156
-	-	(15,070)	(34,628)
<u>308,378</u>	<u>432,029</u>	<u>212,687</u>	<u>2,575,588</u>
-	-	-	(132,775)
-	-	-	(132,775)
-	(67,937)	-	(965,623)
-	-	-	41,450
-	(67,937)	-	(924,173)
(218,725)	-	-	(335,301)
-	-	-	599,445
8,532	-	8,520	466,088
<u>(210,193)</u>	<u>-</u>	<u>8,520</u>	<u>730,232</u>
98,185	364,092	221,207	2,248,872
10,909	417,467	130,317	1,255,065
<u>\$ 109,094</u>	<u>\$ 781,559</u>	<u>\$ 351,524</u>	<u>\$ 3,503,937</u>
<u>\$ 109,094</u>	<u>\$ 781,559</u>	<u>\$ 351,524</u>	<u>\$ 3,503,937</u>
<u>\$ 109,094</u>	<u>\$ 781,559</u>	<u>\$ 351,524</u>	<u>\$ 3,503,937</u>

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2007

	Fleet Maintenance	Insurance	Medical Self-Insurance
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (46,170)	\$ 81,769	\$ 150,141
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	865,679	-	-
Decrease (Increase) in accounts receivable	-	-	-
Decrease (Increase) in inventory	(102)	-	-
Decrease (Increase) in prepaid expenses	-	(17,785)	-
Increase (Decrease) in accounts payable	41,304	3,944	(98,985)
Increase (Decrease) in employee wages payable	2,108	(3,040)	(36)
Increase (Decrease) in compensated absences	1,486	(16,202)	-
Increase (Decrease) in customer deposits payable	-	(1,576)	(197)
Reclassify other income	4,448	-	655,708
Increase in deferred revenue	-	-	-
Net cash provided (used) by operating activities	<u>\$ 868,753</u>	<u>\$ 47,110</u>	<u>\$ 706,631</u>

Workman's Compensation	Information Technology	Redmond Community Properties	Total
\$ 307,250	\$ 363,075	\$ 69,547	\$ 925,612
-	18,199	-	883,878
-	-	49,841	49,841
-	-	-	(102)
-	-	(15,070)	(32,855)
1,128	41,790	124,350	113,531
-	6,126	(16,066)	(10,908)
-	2,839	-	(11,877)
-	-	-	(1,773)
-	-	-	660,156
-	-	85	85
<u>\$ 308,378</u>	<u>\$ 432,029</u>	<u>\$ 212,687</u>	<u>\$ 2,575,588</u>

Noncash investing, capital and financing activities:

Other funds of the city transferred vehicles valued at	\$	141,206
The fair value of investments in the Fleet Maintenance Fund increased by		18,330
The fair value of investments in the Insurance Fund increased by		1,796
The fair value of investments in the Medical Self-Insurance Fund increased by		15,114
The fair value of investments in the Workman's Compensation Fund increased by		1,668

Agency Funds

Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

*The **Intergovernmental Custodial Fund** accounts for revenues which are transferred to other governmental agencies.*

*The **Municipal Employees Benefit Trust** accounts for retirement monies until they are transferred to an investment firm. In 1975, City employees voted to replace the Federal Social Security Program with this private retirement plan.*

*The **Contractors Deposit Fund** accounts for cash bond deposits received from contractors or private parties and amounts retained from contractor's payments on City projects as a performance guarantee.*

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 December 31, 2007

	Inter- Governmental Custodial	MEBT	Contractor's Deposits	Total
ASSETS				
Cash and cash equivalents	\$ 26,742	\$ 35,464	\$ 693,624	\$ 755,830
Total assets	<u>\$ 26,742</u>	<u>\$ 35,464</u>	<u>\$ 693,624</u>	<u>\$ 755,830</u>
LIABILITIES				
Due to other governments	\$ 26,742	\$ -	\$ -	\$ 26,742
Custodial	-	35,464	-	35,464
Trust account	-	-	693,624	693,624
Total liabilities	<u>\$ 26,742</u>	<u>\$ 35,464</u>	<u>\$ 693,624</u>	<u>\$ 755,830</u>

COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended December 31, 2007

	<u>1-1-07</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>12-31-07</u> <u>BALANCE</u>
INTERGOVERNMENTAL CUSTODIAL				
ASSETS				
Cash and cash equivalents	\$ 12,525	\$ 323,917	\$ 309,700	\$ 26,742
Total Assets	<u>\$ 12,525</u>	<u>\$ 323,917</u>	<u>\$ 309,700</u>	<u>\$ 26,742</u>
LIABILITIES				
Due to other governments	\$ 12,525	\$ 331,665	\$ 317,448	\$ 26,742
Total Liabilities	<u>\$ 12,525</u>	<u>\$ 331,665</u>	<u>\$ 317,448</u>	<u>\$ 26,742</u>
MEBT				
ASSETS				
Cash and cash equivalents	\$ 38,260	\$ 3,607,799	\$ 3,610,595	\$ 35,464
Total Assets	<u>\$ 38,260</u>	<u>\$ 3,607,799</u>	<u>\$ 3,610,595</u>	<u>\$ 35,464</u>
LIABILITIES				
Custodial	\$ 38,260	\$ 3,607,799	\$ 3,610,595	\$ 35,464
Total Liabilities	<u>\$ 38,260</u>	<u>\$ 3,607,799</u>	<u>\$ 3,610,595</u>	<u>\$ 35,464</u>
CONTRACTORS DEPOSIT				
ASSETS				
Cash and cash equivalents	\$ 546,261	\$ 457,603	\$ 310,240	\$ 693,624
Total Assets	<u>\$ 546,261</u>	<u>\$ 457,603</u>	<u>\$ 310,240</u>	<u>\$ 693,624</u>
LIABILITIES				
Trust account	\$ 546,261	\$ 458,512	\$ 311,149	\$ 693,624
Total Liabilities	<u>\$ 546,261</u>	<u>\$ 458,512</u>	<u>\$ 311,149</u>	<u>\$ 693,624</u>

COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended December 31, 2007

	<u>1-1-07</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>12-31-07</u> <u>BALANCE</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 597,046	\$ 4,389,319	\$ 4,230,535	\$ 755,830
Total Assets	<u>\$ 597,046</u>	<u>\$ 4,389,319</u>	<u>\$ 4,230,535</u>	<u>\$ 755,830</u>
LIABILITIES				
Due to other governments	\$ 12,525	\$ 331,665	\$ 317,448	\$ 26,742
Custodial	38,260	3,607,799	3,610,595	35,464
Trust account	546,261	458,512	311,149	693,624
Total Liabilities	<u>\$ 597,046</u>	<u>\$ 4,397,976</u>	<u>\$ 4,239,192</u>	<u>\$ 755,830</u>

**Capital Assets
Used in the Operation
of Governmental Funds**

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 December 31, 2007 and 2006

	2007	2006
Governmental funds capital assets:		
Land	\$ 53,257,153	\$ 49,006,826
Buildings	64,748,779	61,941,123
Improvements other than buildings	21,743,575	21,656,843
Machinery and equipment	12,573,594	12,159,631
Artwork	298,307	298,107
Infrastructure	173,985,845	161,876,048
Construction in progress	19,826,014	14,526,408
Total governmental funds capital assets	\$ 346,433,267	\$ 321,464,986
Investments in governmental funds capital assets by source:		
General fund	\$ 242,534,587	\$ 221,065,181
Special revenue funds	7,618,682	7,345,215
Impact fees	8,994,927	7,881,922
Federal grants	667,012	667,012
General obligation bonds	68,133,856	68,133,856
Private gifts	18,484,203	16,371,800
Total governmental funds capital assets	\$ 346,433,267	\$ 321,464,986

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2007

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	ARTWORK	INFRA- STRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General government								
Finance	\$ -	\$ -	\$ -	\$ 3,429,564	\$ -	\$ -	\$ -	\$ 3,429,564
Planning	-	-	-	532,448	-	-	-	532,448
General government	9,061,967	36,574,185	5,829,103	125,467	-	-	23,498	51,614,220
Public works/general	2,039,911	2,545,233	267,533	205,766	-	-	-	5,058,443
Total general government	<u>11,101,878</u>	<u>39,119,418</u>	<u>6,096,636</u>	<u>4,293,245</u>	<u>-</u>	<u>-</u>	<u>23,498</u>	<u>60,634,675</u>
Security								
Police	-	4,914,770	92,458	1,562,826	-	-	1,398,327	7,968,381
Fire	2,226,995	11,360,558	190,282	6,523,209	-	-	3,560	20,304,604
Total security	<u>2,226,995</u>	<u>16,275,328</u>	<u>282,740</u>	<u>8,086,035</u>	<u>-</u>	<u>-</u>	<u>1,401,887</u>	<u>28,272,985</u>
Transportation	<u>24,484,193</u>	<u>-</u>	<u>-</u>	<u>51,977</u>	<u>-</u>	<u>166,306,731</u>	<u>17,318,781</u>	<u>208,161,682</u>
Culture and recreation								
Parks and recreation	15,337,273	7,531,508	15,164,199	108,677	298,307	7,679,114	1,081,848	47,200,926
Senior center	106,814	1,822,525	200,000	33,660	-	-	-	2,162,999
Total culture and recreation	<u>15,444,087</u>	<u>9,354,033</u>	<u>15,364,199</u>	<u>142,337</u>	<u>298,307</u>	<u>7,679,114</u>	<u>1,081,848</u>	<u>49,363,925</u>
Total governmental funds capital assets	<u>\$ 53,257,153</u>	<u>\$ 64,748,779</u>	<u>\$ 21,743,575</u>	<u>\$ 12,573,594</u>	<u>\$ 298,307</u>	<u>\$ 173,985,845</u>	<u>\$ 19,826,014</u>	<u>\$ 346,433,267</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF REDMOND

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 For the Year Ended December 31, 2007

	Governmental Funds Capital Assets 1-1-07	Additions	Deductions	Governmental Funds Capital Assets 12-31-07
FUNCTION AND ACTIVITY				
General government				
Finance	\$ 3,386,849	\$ 42,715	\$ -	\$ 3,429,564
Planning	437,733	119,749	25,034	532,448
General government	51,805,657	-	191,437	51,614,220
Public works/general	2,403,303	2,655,140	-	5,058,443
Total general government	<u>58,033,542</u>	<u>2,817,604</u>	<u>216,471</u>	<u>60,634,675</u>
Security				
Police	6,557,107	1,411,274	-	7,968,381
Fire	19,993,511	353,093	42,000	20,304,604
Total security	<u>26,550,618</u>	<u>1,764,367</u>	<u>42,000</u>	<u>28,272,985</u>
Transportation	<u>188,424,795</u>	<u>20,953,723</u>	<u>1,216,836</u>	<u>208,161,682</u>
Culture and recreation				
Parks and recreation	46,293,032	1,217,820	309,926	47,200,926
Senior center	2,162,999	-	-	2,162,999
Total culture and recreation	<u>48,456,031</u>	<u>1,217,820</u>	<u>309,926</u>	<u>49,363,925</u>
Total governmental funds capital assets	<u>\$ 321,464,986</u>	<u>\$ 26,753,514</u>	<u>\$ 1,785,233</u>	<u>\$ 346,433,267</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

This part of the City of Redmond's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
<p>Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i></p>	138
<p>Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i></p>	144
<p>Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i></p>	148
<p>Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i></p>	153
<p>Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i></p>	155

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.*

Schedule 1

Net Assets by Component

Last Six Fiscal Years*

Accrual Basis of Accounting

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	\$ 147,897,892	\$ 166,566,041	\$ 183,981,404	\$ 197,287,805	\$ 209,980,911	\$ 231,770,778
Restricted	16,654,850	15,844,081	18,382,672	17,545,163	23,427,801	24,319,637
Unrestricted	53,633,242	51,403,073	50,835,246	52,173,744	55,978,363	67,326,450
Total governmental activities net assets	\$ 218,185,984	\$ 233,813,195	\$ 253,199,322	\$ 267,006,712	\$ 289,387,075	\$ 323,416,865
Business-type activities						
Invested in capital assets, net of related debt	\$ 135,246,021	\$ 149,666,161	\$ 158,987,641	\$ 171,591,663	\$ 193,431,773	\$ 212,565,177
Restricted	1,004,650	-	-	-	-	-
Unrestricted	28,311,872	30,449,899	30,783,108	28,481,708	22,841,047	35,987,708
Total business-type activities net assets	\$ 164,562,543	\$ 180,116,060	\$ 189,770,749	\$ 200,073,371	\$ 216,272,820	\$ 248,552,885
Primary government						
Invested in capital assets, net of related debt	\$ 283,143,913	\$ 316,232,202	\$ 342,969,045	\$ 370,299,902	\$ 403,412,684	\$ 444,335,955
Restricted	17,659,500	15,844,081	18,382,672	17,545,163	23,427,801	24,319,637
Unrestricted	81,945,114	81,852,972	81,618,354	79,235,018	78,819,410	103,314,158
Total primary government net assets	\$ 382,748,527	\$ 413,929,255	\$ 442,970,071	\$ 467,080,083	\$ 505,659,895	\$ 571,969,750

*Only six years of data available due to implementation of GASB 34 in 2002.

Schedule 2

Changes in Net Assets

Last Six Fiscal Years*

Accrual Basis of Accounting

Fiscal Year

	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
General government	\$ 10,412,581	\$ 10,554,145	\$ 10,598,890	\$ 14,497,527	\$ 14,024,271	\$ 13,390,052
Security	23,486,809	26,710,617	30,031,794	31,089,219	34,353,317	41,104,780
Physical Environment	3,875,341	4,074,430	3,079,888	3,054,857	3,394,541	3,360,185
Economic environment	3,017,641	3,602,868	3,390,746	3,160,282	3,458,336	3,487,715
Transportation	8,077,049	8,633,148	7,983,324	9,150,474	9,533,011	10,616,039
Mental/physical health	85,237	87,644	94,900	94,300	98,479	97,622
Culture and Recreation	6,304,067	7,779,409	7,489,357	8,121,462	8,907,741	9,550,896
Interest on long-term debt	910,211	747,107	458,637	461,621	2,012,235	1,989,894
Total governmental activities expenses	<u>56,168,936</u>	<u>62,189,368</u>	<u>63,127,536</u>	<u>69,629,742</u>	<u>75,781,931</u>	<u>83,597,183</u>
Business-type activities:						
Water/wastewater	17,286,285	18,323,044	18,339,907	20,617,211	20,915,291	22,527,962
UPD Water/wastewater	1,621,951	2,121,347	3,373,102	4,003,077	3,610,047	5,465,642
Stormwater	3,937,122	4,799,055	5,292,942	5,332,367	5,948,661	6,187,722
Total business-type activities net assets	<u>22,845,358</u>	<u>25,243,446</u>	<u>27,005,951</u>	<u>29,952,655</u>	<u>30,473,999</u>	<u>34,181,326</u>
Total primary government expenses	<u>\$ 79,014,294</u>	<u>\$ 87,432,814</u>	<u>\$ 90,133,487</u>	<u>\$ 99,582,397</u>	<u>\$ 106,255,930</u>	<u>\$ 117,778,509</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 2,207,343	\$ 2,366,495	\$ 2,406,484	\$ 2,249,228	\$ 2,746,086	\$ 3,040,040
Security	5,534,968	8,236,684	9,001,242	9,140,344	10,687,118	13,222,660
Physical Environment	358,972	397,113	248,208	364,869	375,702	371,568
Economic environment	4,909,955	7,794,584	9,165,827	7,566,819	10,573,143	12,874,314
Transportation	327,933	140,587	23,165	23,861	651,838	1,397,973
Culture and Recreation	1,016,066	1,116,151	1,251,667	1,532,002	1,700,507	1,774,273
Operating grants and contributions	1,969,740	2,588,695	3,355,634	5,157,603	6,967,499	5,902,573
Capital grants and contributions	9,615,994	5,380,558	6,067,335	2,778,360	5,312,005	5,226,690
Total governmental activities program revenues	<u>25,940,971</u>	<u>28,020,867</u>	<u>31,519,562</u>	<u>28,813,086</u>	<u>39,013,898</u>	<u>43,810,091</u>

Schedule 2 (continued)

Fiscal Year

	2002	2003	2004	2005	2006	2007
Business-type activities:						
Charges for services:						
Water/wastewater	17,182,142	18,439,763	19,683,422	20,658,105	21,085,081	26,127,411
UPD Water/wastewater	1,599,788	2,110,823	3,440,406	3,803,868	3,363,008	5,525,293
Stormwater	6,862,746	6,939,526	7,216,120	7,164,397	7,465,968	11,315,136
Operating grants and contributions	-	1,285	29,064	-	-	523,202
Capital grants and contributions	19,078,302	12,651,443	7,114,457	7,808,693	13,341,158	21,160,052
Total business-type activities program revenues	44,722,978	40,142,840	37,483,469	39,435,063	45,255,215	64,651,094
Total primary government program revenues	\$ 70,663,949	\$ 68,163,707	\$ 69,003,031	\$ 68,248,149	\$ 84,269,113	\$ 108,461,185
Net (Expense)/Revenue						
Governmental activities	\$ (30,227,965)	\$ (34,168,501)	\$ (31,607,974)	\$ (41,147,156)	\$ (36,768,033)	\$ (39,787,092)
Business-type activities	21,877,620	14,899,394	10,477,518	9,812,908	14,781,216	30,469,768
Total primary government net expense	(8,350,345)	(19,269,107)	(21,130,456)	(31,334,248)	(21,986,817)	(9,317,324)
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes						
Property taxes	\$ 12,973,803	\$ 13,298,157	\$ 13,813,469	\$ 14,691,641	\$ 12,620,764	\$ 13,039,046
Sales taxes	15,904,505	17,575,204	18,955,381	18,647,890	20,070,662	24,420,352
Other taxes	15,117,493	16,163,612	16,510,154	18,705,429	22,174,191	27,404,221
Unrestricted investment interest	3,051,634	1,681,065	1,118,756	1,927,511	3,664,879	5,134,692
Miscellaneous	285,109	894,151	523,708	605,175	582,260	4,202,712
Gain (Loss) on sale of capital assets	-	22,231	49,078	17,906	6,503	(384,141)
Transfers	15,717	161,292	23,555	28,494	29,137	-
Total governmental activities	47,348,261	49,795,712	50,994,101	54,624,046	59,148,396	73,816,882
Business-type activities:						
Unrestricted investment interest	1,134,803	767,170	516,727	785,340	1,298,037	1,667,790
Miscellaneous	53,798	48,245	46,845	63,368	149,333	142,507
Special items	(637,356)	-	-	-	-	-
Transfers	(15,717)	(161,292)	(23,555)	(28,494)	(29,137)	-
Total business-type activities	535,528	654,123	540,017	820,214	1,418,233	1,810,297
Total primary government	\$ 47,883,789	\$ 50,449,835	\$ 51,534,118	\$ 55,444,260	\$ 60,566,629	\$ 75,627,179
Change in Net Assets						
Governmental activities	\$ 17,120,296	\$ 15,627,211	\$ 19,386,127	\$ 13,476,890	\$ 22,380,363	\$ 34,029,790
Business-type activities	22,413,148	15,553,517	11,017,535	10,633,122	16,199,449	32,280,065
Total primary government	\$ 39,533,444	\$ 31,180,728	\$ 30,403,662	\$ 24,110,012	\$ 38,579,812	\$ 66,309,855

*Only six years of data available due to implementation of GASB 34 in 2002.

Schedule 3

Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 Modified Accrual Basis of Accounting

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved					\$ 23,360	\$ 23,440	\$ 23,440	\$ 23,420	\$ 23,440	\$ 32,420
Unreserved					5,014,413	5,285,486	5,007,514	6,181,604	9,035,080	14,652,362
Total	\$ 7,691,550	\$ 10,809,178	\$ 12,448,838	\$ 5,978,351	\$ 5,037,773	\$ 5,308,926	\$ 5,030,954	\$ 6,205,024	\$ 9,058,520	\$ 14,684,782
All Other Governmental Funds										
Reserved	\$ 2,800,370	\$ 2,693,953	\$ 3,553,071	\$ 3,078,038	\$ 1,923,869	\$ 1,593,045	\$ 1,674,975	\$ 1,536,679	\$ 1,550,360	\$ 1,607,976
Unreserved, reported in:										
Special revenue funds	11,415,778	12,133,548	13,234,408	16,570,706	20,301,677	21,500,130	21,669,832	21,413,195	24,248,424	32,280,351
Capital projects funds	22,958,092	25,877,123	33,627,604	40,560,272	39,797,635	35,773,405	36,782,719	34,293,270	39,687,938	37,124,886
Total all other governmental funds:	\$ 37,174,240	\$ 40,704,624	\$ 50,415,083	\$ 60,209,016	\$ 62,023,181	\$ 58,866,580	\$ 60,127,526	\$ 57,243,144	\$ 65,486,722	\$ 71,013,213

The substantial decrease in the fund balance of the General Fund in 2001 resulted from a one time transfer to the Capital Projects Funds of approximately \$10 million.

Schedule 4

Changes in Fund Balances, Governmental Funds

Last Six Fiscal Years*

Modified Accrual Basis of Accounting

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Revenues						
Taxes	\$ 43,586,789	\$ 46,582,479	\$ 48,762,081	\$ 51,517,403	\$ 54,352,577	\$ 64,271,368
Special assessments	981,313	541,955	487,101	296,954	273,089	244,988
Licenses and permits	3,658,914	4,426,653	3,823,362	5,879,227	7,639,203	9,920,521
Contributions	3,847,039	2,178,185	3,706,574	837,225	4,034,964	3,676,745
Intergovernmental	8,003,380	12,378,135	13,684,372	12,917,968	15,057,152	17,458,632
Charges for services	5,355,008	7,372,769	9,361,325	6,258,968	8,006,840	9,258,279
Fines and forfeitures	325,911	221,737	180,835	96,624	52,362	826,302
Investment interest	3,677,809	1,856,846	943,455	1,582,125	3,145,692	4,405,719
Miscellaneous	286,771	878,310	524,376	604,005	581,268	1,010,889
Total revenues	<u>69,722,934</u>	<u>76,437,069</u>	<u>81,473,481</u>	<u>79,990,499</u>	<u>93,143,147</u>	<u>111,073,443</u>
Expenditures						
General government	9,709,647	10,052,274	10,239,257	12,616,246	12,962,815	12,383,931
Security	22,707,295	25,840,173	29,452,382	30,008,016	33,247,541	40,155,414
Physical environment	3,895,674	3,838,344	3,439,807	2,995,092	3,415,985	3,382,456
Transportation	4,245,215	5,857,208	4,808,040	5,237,363	4,414,729	6,711,466
Economic environment	3,113,928	3,590,587	3,428,652	3,296,642	3,523,548	3,382,348
Mental/physical health	85,237	87,645	94,899	94,300	98,479	97,622
Culture and Recreation	6,704,500	7,270,237	7,132,367	7,225,343	8,071,693	8,690,329
Capital outlay	13,573,360	22,057,402	56,227,866	15,254,672	12,302,614	23,865,063
Debt service:						
Principal	3,961,717	3,750,184	4,229,350	4,468,438	1,940,508	2,539,935
Interest	927,780	766,581	749,388	606,701	2,109,866	2,040,851
Total expenditures	<u>68,924,353</u>	<u>83,110,635</u>	<u>119,802,008</u>	<u>81,802,813</u>	<u>82,087,778</u>	<u>103,249,415</u>
Excess of revenues over (under) expenditures	798,581	(6,673,566)	(38,328,527)	(1,812,314)	11,055,369	7,824,028

Schedule 4 (continued)

Fiscal Year

	2002	2003	2004	2005	2006	2007
Other Finance Sources (Uses)						
Proceeds from borrowing	-	3,698,472	39,230,000	-	-	-
Disposition of capital assets	7,000	25,375	6,500	3,750	3,550	3,195,950
Transfers in	16,197,856	18,324,661	15,783,560	16,682,011	17,335,043	23,293,470
Transfers out	(16,129,850)	(18,260,390)	(15,708,559)	(16,583,759)	(17,296,888)	(23,160,695)
Total other financing sources (uses)	<u>75,006</u>	<u>3,788,118</u>	<u>39,311,501</u>	<u>102,002</u>	<u>41,705</u>	<u>3,328,725</u>
Net change in fund balances	<u>\$ 873,587</u>	<u>\$ (2,885,448)</u>	<u>\$ 982,974</u>	<u>\$ (1,710,312)</u>	<u>\$ 11,097,074</u>	<u>\$ 11,152,753</u>
Debt service as a percentage of noncapital expenditures	8.82%	7.39%	7.83%	7.46%	5.63%	5.77%

*Only six years of data available due to implementation of GASB 34 in 2002.

Schedule 5

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Valuation	Total Direct Tax Rate*
1998	\$ 4,255,840,237	\$ 764,865,917	\$ 5,020,706,154	\$ 2.30
1999	4,897,827,903	801,888,874	5,699,716,777	2.13
2000	5,366,326,049	865,539,761	6,231,865,810	1.96
2001	6,115,398,537	1,061,261,507	7,176,660,044	1.76
2002	6,941,422,915	1,288,207,660	8,229,630,575	1.60
2003	7,409,495,346	1,181,627,039	8,591,122,385	1.57
2004	7,762,955,643	1,038,619,530	8,801,575,173	1.59
2005	8,114,876,599	1,205,491,934	9,320,368,533	1.58
2006	8,759,508,942	1,551,414,614	10,310,923,556	1.23
2007	9,821,026,886	1,359,505,337	11,180,532,223	1.18

Source: King County Accounting Division

Real and personal property has been assessed at 100% of the estimated value.

* Tax rates are per \$1,000 of assessed value.

Schedule 6

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

	City Direct Rates			Overlapping Rates									Total Direct and Overlapping Rate
	General	General	Total	WA	King	Port Of	School	Hospital	King Co.	Emer.	Redmond		
	Fund	Obligation Debt Service	Direct Rate*	State	County	Seattle	District #414	District #2	Library	Medical Service	Capital Facilities Area**		
1998	\$ 1.75	\$ 0.55	\$ 2.30	\$ 3.51	\$ 1.85	\$ 0.26	\$ 3.52	\$ 0.43	\$ 0.60	\$ -	\$ -	\$ 12.47	
1999	1.65	0.48	2.13	3.36	1.77	0.24	4.06	0.41	0.59	0.29	-	12.85	
2000	1.59	0.37	1.96	3.30	1.69	0.22	4.02	0.41	0.60	0.27	-	12.47	
2001	1.45	0.31	1.76	3.15	1.55	0.19	3.53	0.39	0.56	0.25	-	11.38	
2002	1.31	0.29	1.60	2.99	1.45	0.19	3.18	0.36	0.53	0.25	-	10.55	
2003	1.29	0.28	1.57	2.90	1.35	0.26	3.07	0.34	0.55	0.24	-	10.28	
2004	1.33	0.26	1.59	2.76	1.43	0.25	2.96	0.34	0.60	0.24	-	10.17	
2005	1.32	0.26	1.58	2.69	1.38	0.25	2.83	0.59	0.53	0.23	-	10.08	
2006	1.20	0.03	1.23	2.50	1.33	0.23	2.65	0.54	0.53	0.22	-	9.23	
2007	1.15	0.03	1.18	2.33	1.29	0.23	2.57	0.50	0.50	0.21	0.05	8.86	

Source: King County Assessor's Office

*Tax rates are per \$1,000 of assessed value.

Initiative 747 passed in November 2001, and subsequent actions by the Washington State Legislature in 2007 limited the annual optional increase in property tax levies to the lesser of one percent or the implicit price deflator.

**New taxing district as of 2007.

Schedule 7

Principal Property Taxpayers

Current Year and Nine Years Ago

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value*	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value**
Microsoft (includes MSNBC)	\$ 2,316,225,030	1	20.72%	\$ 733,800,809	1	14.62%
PPR Redmond Retail LLC (Redmond Town Center)	177,509,657	2	1.59%	137,446,293	2	2.74%
Puget Sound Energy	113,466,334	3	1.01%	77,695,834	3	1.55%
ASN - Washington Holdings	96,662,000	4	0.86%	-	-	-
BRE Properties	80,226,000	5	0.72%	30,691,800	8	0.61%
Archstone-Smith	68,218,000	6	0.61%	-	-	-
PS Business Parks LP (formerly Yett Family Partnership)	59,272,700	7	0.53%	30,039,600	9	0.60%
Nintendo	52,095,796	8	0.47%	39,193,427	6	0.78%
Verizon Northwest Inc.	47,467,400	9	0.42%	-	-	-
Aerogjet General Corporation (General Dynamics)	23,698,402	10	0.21%	-	-	-
General Telephone	-	-	-	55,843,696	4	1.11%
Eddie Bauer	-	-	-	42,400,931	5	0.84%
Spacelabs Medical, Inc.	-	-	-	31,811,789	7	0.63%
Primex Aerospace	-	-	-	28,829,585	10	0.57%
TOTAL	\$ 3,034,841,319		27.14%	\$ 1,207,753,764		24.06%

Source: King County Assessor

* In 2007 the estimated value of real and personal property in the City of Redmond was \$11,180,532,223.

** In 1998 the estimated value of real and personal property in the City of Redmond was \$5,020,706,154.

Schedule 8

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 11,554,908	\$ 11,439,723	99.00%	\$ 91,429	\$ 11,531,152	99.79%
1999	12,096,945	11,929,378	98.61%	126,781	12,056,159	99.66%
2000	12,232,460	12,095,161	98.88%	187,817	12,282,978	100.41%
2001	12,582,147	12,463,331	99.06%	96,392	12,559,723	99.82%
2002	13,024,297	12,851,125	98.67%	119,886	12,971,011	99.59%
2003	13,424,237	13,203,511	98.36%	103,163	13,306,674	99.12%
2004	13,734,935	13,624,998	99.20%	222,707	13,847,705	100.82%
2005	14,682,653	14,565,908	99.20%	135,829	14,701,737	100.13%
2006	12,691,175	12,491,154	98.42%	143,531	12,634,685	99.55%
2007	12,957,835	12,856,101	99.21%	211,699	13,067,800	100.85%

Source: King County Assessor

*Includes levy adjustments

Schedule 9

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Per Capita Personal Income*	Debt Per Capita**
	General Obligation Bonds	Special Assessment Bonds	Public Works Trust Fund Loans	Capital Leases	Private Contract	Revenue Bonds	Loans			
1998	\$ 18,270,000	\$ 4,411,036	\$ 4,147,039	\$ 451,003	\$ -	\$ 4,355,000	\$ 1,148,335	\$ 32,782,413	1.98%	\$ 755
1999	17,275,000	5,701,446	4,716,036	300,696	-	4,005,000	1,039,711	33,037,889	1.79%	758
2000	15,315,000	4,975,410	4,352,079	138,960	-	3,640,000	931,086	29,352,535	1.50%	667
2001	11,875,000	3,835,000	4,097,361	-	-	3,255,000	822,461	23,884,822	1.20%	525
2002	9,635,000	2,485,000	3,725,644	-	1,016,417	2,855,000	713,837	20,430,898	1.00%	444
2003	10,933,472	1,745,000	3,353,927	-	777,950	-	605,211	17,415,560	0.84%	375
2004	46,927,432	1,410,000	2,982,210	-	529,348	-	496,587	52,345,577	2.26%	1,116
2005	43,454,879	1,045,000	2,610,492	-	270,181	-	387,962	47,768,514	2.06%	1,004
2006	42,504,603	780,000	2,238,775	-	-	-	609,477	46,132,855	1.76%	925
2007	40,531,384	585,000	1,867,058	-	-	-	465,385	43,448,827	1.63%	857

* 2006 per capita income of \$52,655 from US Bureau of Economic Analysis; data not yet available for 2007.

** 2007 population total of 50,680 from State of Washington Office of Financial Management.

Schedule 10

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property*</u>	<u>Per Capita</u>
1998	\$ 18,270,000	0.36%	\$ 421
1999	17,275,000	0.30%	396
2000	15,315,000	0.25%	348
2001	11,875,000	0.17%	261
2002	9,635,000	0.12%	209
2003	10,933,472	0.13%	235
2004	46,927,432	0.54%	1,001
2005	43,454,879	0.47%	913
2006	42,504,603	0.42%	852
2007	40,531,384	0.36%	800

Source: King County Assessor

* In 2007 the estimated value of real and personal property in the City of Redmond was \$11,180,532,223.

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

Schedule 11

Direct and Overlapping Governmental Activities Debt

As of December 31, 2007

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt:			
King County	\$ 1,100,812,149	3.74%	\$ 411,704
Port of Seattle	397,835,000	3.74%	148,790
School District #405	220,544,744	6.29%	138,723
School District #414	282,289,186	28.87%	814,969
Hospital District #2	249,669,847	21.14%	527,802
Fire District #34	159,400	18.25%	291
King County Library	73,607,300	0.89%	6,551
Total Overlapping Debt	\$ 2,324,917,626		\$ 2,048,830
Direct Debt:			
City of Redmond	\$ 42,398,442	100.00%	\$ 42,398,442
Total Direct and Overlapping Debt	\$ 2,367,316,068		\$ 44,447,272

Sources: King County Finance Office; King County Assessor

*Applicable percentage is determined by the ratio of assessed valuation of taxable property in overlapping unit to valuation of property subject to taxation in the City of Redmond.

CITY OF REDMOND

Schedule 12

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 376,552,962	\$ 427,478,757	\$ 467,389,935	\$ 538,249,503	\$ 617,222,292	\$ 644,334,180	\$ 660,118,138	\$ 699,027,639	\$ 773,319,264	\$ 838,539,918
Total net debt applicable to limit	18,368,304	17,291,883	15,130,424	11,675,092	10,438,503	11,498,059	47,218,055	43,496,447	42,258,855	40,287,487
Legal debt margin	\$ 358,184,658	\$ 410,186,874	\$ 452,259,511	\$ 526,574,411	\$ 606,783,789	\$ 632,836,121	\$ 612,900,083	\$ 655,531,192	\$ 731,060,409	\$ 798,252,431
Total net debt applicable to limit as a percentage of debt limit	4.88%	4.05%	3.24%	2.17%	1.69%	1.78%	7.16%	6.23%	5.46%	4.80%

Note: Under state law voters may approve general obligation debt issues of up to 7.5% of assessed valuation.

This 7.5% debt capacity is allocated evenly among general government, parks/open space, and utilities resulting in a 2.5% limit for each.

Within the 2.5% limit, the City Council has authority to issue bonds without voter approval for a combined total of up to 1.5% of the City's assessed valuation.

Computation of Legal Debt Margin As of December 31, 2007

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Parks and Open Space	Utility Purposes	
December 31, 2007 Assessed Value:					
\$11,180,532,223					
2.50% of Assessed Value	\$ -	\$ 279,513,306	\$ 279,513,306	\$ 279,513,306	\$ 838,539,918
1.50% of Assessed Value	167,707,983	(167,707,983)	-	-	-
Statutory Debt Limit	167,707,983	111,805,323	279,513,306	279,513,306	838,539,918
Debt Outstanding:					
Bonds	39,006,384	1,525,000	-	-	40,531,384
Total Debt Outstanding	39,006,384	1,525,000	-	-	40,531,384
Less amount available in Debt Service Fund	-	243,897	-	-	243,897
Net Debt Outstanding	39,006,384	1,281,103	-	-	40,287,487
Remaining Debt Capacity	\$ 128,701,599	\$ 110,524,220	\$ 279,513,306	\$ 279,513,306	\$ 798,252,431

*Property assessed at 100% of the estimated value.

Schedule 13

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Water/Wastewater Revenue Bonds						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses*	Net Available Revenue**	Debt Service		Coverage***	Special Assessment Collections	Debt Service		Coverage
				Principal	Interest			Principal	Interest	
1998	\$ 15,023,229	\$ 11,759,671	\$ 3,263,558	\$ 340,000	\$ 233,469	5.69	\$ 1,213,974	\$ 905,000	\$ 258,754	1.04
1999	15,394,848	13,610,344	1,784,504	350,000	219,529	3.13	1,253,560	1,065,000	255,929	0.95
2000	16,432,448	14,194,689	2,237,759	365,000	204,479	3.93	1,756,271	726,036	304,622	1.70
2001	17,352,101	14,067,650	3,284,451	385,000	188,510	5.73	1,127,685	1,140,410	275,113	0.80
2002	19,605,245	15,955,300	3,649,945	400,000	170,800	6.39	981,313	1,350,000	226,862	0.62
2003	Revenue bond coverage ratio is not applicable as bonds were called early and paid off.					N/A	541,955	740,000	147,442	0.61
2004	Revenue bond coverage ratio is not applicable as bonds were called early and paid off.					N/A	487,101	335,000	106,935	1.10
2005	Revenue bond coverage ratio is not applicable as bonds were called early and paid off.					N/A	296,953	365,000	82,519	0.66
2006	Revenue bond coverage ratio is not applicable as bonds were called early and paid off.					N/A	273,089	265,000	55,532	0.85
2007	Revenue bond coverage ratio is not applicable as bonds were called early and paid off.					N/A	244,988	195,000	39,378	1.05

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

* Excludes depreciation and amortization, includes operating transfers out.

** Utility Revenue includes both operating and investment income revenue.

*** While bonds were outstanding, the City was required to maintain on deposit in the reserve account of the Water/Wastewater Fund an amount equal to the average annual debt service on the 1993 Refunding Bond Issue. In addition, revenue collections less operating and maintenance expenses were to be at least 1.25 times the annual debt service on all outstanding revenue bonds.

Schedule 14
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Redmond Population*	Redmond Personal Income (in thousands)**	King County		Number of Housing Units	Unemployment Rate [#]
			Per Capita Personal Income**	School Enrollment***		
1998	43,399	\$ 1,659,621	\$ 38,241	9,647	18,509	2.1
1999	43,610	1,841,127	42,218	9,937	19,183	2.1
2000	44,020	1,956,117	44,437	7,489	19,504	2.3
2001	45,490	1,994,327	43,841	7,385	20,368	3.5
2002	46,040	2,040,171	44,313	7,401	20,654	4.5
2003	46,480	2,067,523	44,482	7,594	21,974	6.0
2004	46,900	2,311,513	49,286	7,822	22,183	4.5
2005	47,600	2,322,356	48,789	7,900	22,204	4.0
2006	49,890	2,626,958	52,655	8,014	22,616	3.6
2007	50,680	-	-	8,126	22,869	3.0

* State of Washington, Office of Financial Management.

** King County Per Capita Personal Income as provided by Bureau of Economic Analysis and applied to Redmond Personal Income.

*** Lake Washington School District total as of October, 2007; includes schools with Redmond addresses, although some are located in unincorporated King County. Statistics are not available to determine the number of students from the Redmond/King County populace. 2000 decrease reflects schools formerly in Redmond but now in newly incorporated City of Sammamish.

[#] State of Washington, Department of Employment Security (figures are prorated on Redmond's relationship to the County's unemployment rate).

Schedule 15

Principal Employers

Current Year and Nine Years Ago

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment**	Employees	Rank	Percentage of Total City Employment***
Microsoft Corporation (includes M S N B C)	32,911	1	42.68%	10,192	1	20.21%
Genie Industries	3,472	2	4.50%	1,222	4	2.42%
Volt Technical Resources, LLC (includes VMC Consulting)	1,914	3	2.48%	-	-	-
AT&T Mobility	1,412	4	1.83%	-	-	-
Group Health *	1,031	5	1.34%	1,232	3	2.44%
Lake Washington School District *	1,013	6	1.31%	-	-	-
Honeywell	819	7	1.06%	-	-	-
Nintendo of America Inc. (includes Nintendo Software Technology)	767	8	1.00%	798	7	1.58%
Eurest Dining Services @ Microsoft	697	9	0.90%	-	-	-
Wyndham (includes Resort Development, Ownership & Resorts)	631	10	0.82%	-	-	-
Safeco Insurance Co.*	-	-	-	1941	2	3.85%
Eddie Bauer, Inc.	-	-	-	1,126	5	2.23%
Spacelabs Medical, Inc.	-	-	-	1012	6	2.01%
United Parcel Service	-	-	-	785	8	1.56%
Allied Signal Avionics	-	-	-	780	9	1.55%
Primex Aerospace Co.	-	-	-	770	10	1.53%
TOTAL	44,666		57.93%	19,858		39.38%

Source: City of Redmond Finance Dept., Business License Division

*Employer exempt from business license requirement

**Total city employment including exempt businesses listed is 77,103 for 2007.

***Total city employment including exempt businesses listed was 50,424 for 1998.

Schedule 16

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Executive	4.63	5.00	5.00	5.00	5.00	5.00	5.00	5.00	11.00	11.50
Finance and Information Services	44.03	49.22	49.22	55.22	55.22	58.60	58.60	58.60	58.60	62.60
Human Resources	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	9.63
Legal	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Planning and Community Development	50.82	52.57	52.57	60.57	60.57	58.24	58.24	56.24	50.24	50.81
Security										
Police	104.50	107.50	107.50	110.50	110.50	110.50	110.50	110.50	110.50	115.50
Fire	103.70	104.20	104.20	106.20	106.20	134.20	134.20	137.20	141.20	149.20
Culture and Recreation	44.14	48.23	48.73	50.24	50.24	51.12	51.12	50.82	50.82	54.12
Public Works	80.81	83.87	83.87	91.68	91.68	84.18	84.18	77.18	77.18	75.75
Water/Wastewater	32.89	36.41	36.41	36.88	36.88	37.13	37.13	38.78	38.78	39.60
UPD Water/Wastewater	5.50	6.50	6.50	6.84	6.84	6.84	6.84	5.94	5.94	5.94
Stormwater Management	17.89	19.68	19.68	28.49	28.49	26.49	26.49	29.46	29.46	29.77
Total	499.91	525.43	525.93	563.87	563.87	584.55	584.55	581.97	585.97	608.67

Source: City Budget Office

Schedule 17
Operating Indicators by Function/Program
Last Ten Fiscal Years*

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Calls dispatched	23,121	23,780	23,433	22,300	21,693	22,739	23,488	24,036	24,473	24,276
Parking violations	-	-	-	-	-	-	-	1,092	1,140	1,189
Traffic violations	-	-	-	-	-	-	-	7,183	8,120	7,381
Fire										
Calls for service (fire and aid)	6,436	6,179	6,364	6,273	6,625	7,999	9,736	9,733	10,905	9,896
Average reponse time (fire and aid) - minutes	-	-	-	-	-	7:06	6:54	7:11	7:27	7:14
Fire prevention maintenance inspections	-	-	-	-	-	-	-	803	1,421	1,394
Operations inspections	-	-	-	-	-	-	-	645	484	19 **
Culture and Recreation										
Preschool registrations	-	-	11,465	10,727	10,205	11,256	11,777	12,230	12,851	25,000 ***
Youth registrations	-	-	16,154	16,600	15,388	17,307	18,684	19,132	20,292	24,377
Teen program registrations	-	-	7,135	16,314	13,171	21,642	21,264	27,753	25,843	28,047
Adult program registrations	-	-	14,749	17,183	18,947	37,656	37,843	47,044	54,585	61,450
Senior registrations	-	-	44,397	48,741	65,288	75,386	74,816	75,612	84,752	45,028 ****
Utility Services*****										
Residential units served	9,143	9,226	9,453	9,846	9,943	10,985	11,755	12,284	12,805	13,195
Commercial units served	1,253	1,267	1,306	1,319	1,333	1,380	1,389	1,416	1,440	1,451
Water										
Average daily demand (gallons)	5,660,000	6,130,000	6,090,742	5,700,000	5,916,880	7,009,225	7,026,998	6,489,890	6,981,844	6,520,473

* Ten year trend information is not available for all categories due to initial implementation of GASB 44 on 12/31/05
 Data available only for years listed.

** Program suspended January 2007 - March 2008

*** New programs were added in 2007

**** Method of calculation changed in 2007 to show number of visits to the senior center as well as class enrollments

*****Sewage treatment provided by King County Wastewater Treatment Division

Schedule 18

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years*

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	-	-	-	-	-	-	-	49	49	49
Fire										
Number of stations	6	6	6	6	6	6	6	6	6	6
Number of fire engines	-	-	-	8	8	8	9	9	9	11
Number of aid vehicles	-	-	-	7	7	**13	13	13	16	15
Transportation										
Center lane miles of paved roads	127	130	130	130	131	131	131	136	136	137
Traffic signals	64	65	69	78	80	83	87	89	89	90
Street lights	-	-	-	-	943	970	983	983	983	1,132
Bridges	7	7	7	8	8	8	8	9	9	9
Culture and Recreation										
Number of developed parks	21	21	21	22	25	28	29	30	30	30
Number of undeveloped parks	13	14	14	16	14	16	14	13	9	7
Acres of developed parks	1,025	1,025	1,025	1,046	1,087	1,129	1,131	1,168	1,200	1,200
Acres of undeveloped parks	291	334	340	319	216	189	173	148	105	105
Miles of developed trails	17	17	17	20	24	24	25	25	44	44

Schedule 18 (continued)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Utility Services										
Water										
Storage Capacity (gallons)	23,136,000	23,136,000	26,636,000	26,636,000	26,636,000	31,836,000	31,836,000	31,836,000	31,836,000	31,836,000
Number of wells	4	4	4	5	5	5	5	5	5	5
Miles of main	175	175	235	255	280	280	280	283	304	309
Sewer										
Number of manholes	5,000	5,000	5,400	5,464	5,609	6,743	6,791	6,791	5,918	6,733
Miles of main***	180	180	200	202	221	216	218	218	194	214
Number of pumplift stations***	16	16	16	16	16	15	15	15	21	23
Stormwater										
Number of manholes/catch basins	7,004	7,004	7,800	7,862	7,913	8,552	15,158	15,158	9,621	9,951
Miles of pipe***	225	225	235	238	252	164	169	169	162	167
Oil water separators***	174	174	200	201	211	24	24	24	24	24

* Ten year trend information is not available for all categories due to initial implementation of GASB 44 on 12/31/05.

Data available only for years listed.

** The City assumed Advanced Life Support services equipment from King County.

*** Decrease from 2002 due to different method of tracking these quantities.