

CITY OF REDMOND, WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

PREPARED BY THE FINANCE DEPARTMENT

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INTRODUCTORY SECTION

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, 2004

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.



Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

CITY OF REDMOND ELECTED OFFICIALS



MAYOR
Rosemarie M. Ives



Rosemarie M. Ives

COUNCIL



Nancy McCormick
President



John "Pat" Vache
Vice President



Richard Cole



John Marchione



Thomas Paine



John Resha

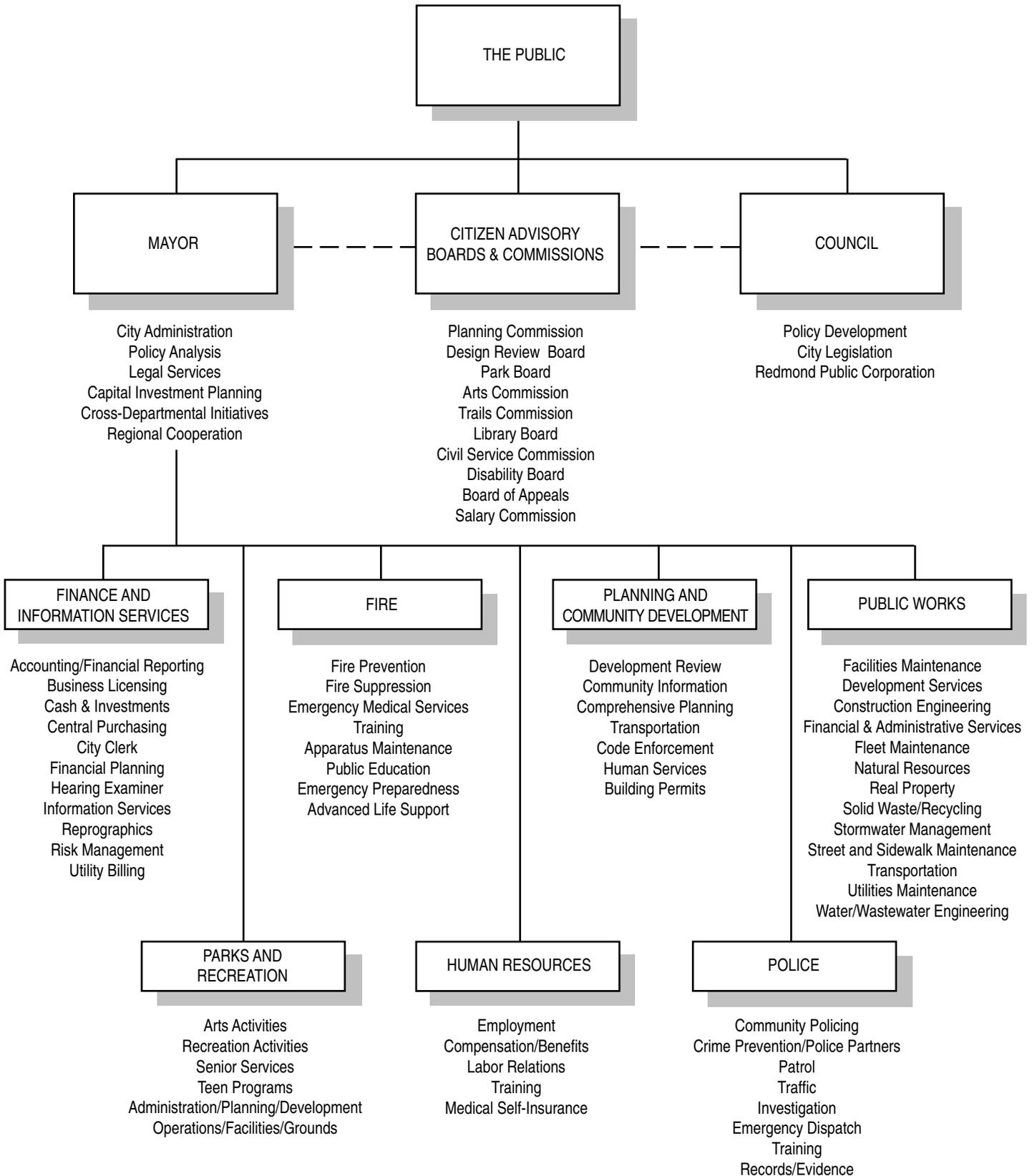


Jim Robinson

EXECUTIVE STAFF AND LEGAL COUNSEL

Assistant to the Mayor	Jane Christenson
Finance and Information Services Director	Lenda Crawford
Fire Chief	Tim K. Fuller
Human Resources Director	Kerry Sievers
Parks and Recreation Director	Craig E. Larsen
Planning and Community Development Director	Roberta Lewandowski
Police Chief	Steven R. Harris
Public Works Director	David Rhodes
City Attorney	James Haney, Ogden Murphy Wallace
Bond Attorney	Gottlieb, Fisher & Andrews
Prosecutor	Richard L. Mitchell

CITY OF REDMOND ORGANIZATIONAL STRUCTURE





June 20, 2006

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

The Comprehensive Annual Financial Report of the City of Redmond for the fiscal year ended December 31, 2005, is submitted herewith. This report is published to comply 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 within 150 days after the close of each fiscal year.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with city management. 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 must comply with the Budgeting, Accounting and Reporting System (BARS) prescribed by the Office of the State Auditor. State law also provides for an annual independent audit 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 and Budget Circular A-133, *Audits of State and Local Governments*. This audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit. The results of the City's single annual audit for the fiscal year ended December 31, 2005 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

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 16.85 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 2005 population of 47,600.

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, account groups, 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.33. 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 must be authorized by the City Council, while appropriation changes within a fund may be authorized by the Mayor. All budgets are controlled on a fund basis.

Local Economy

Redmond has evolved from a small town with logging and farming as its chief industries into a city of high tech and light manufacturing, business parks, and a large outdoor mall adjacent to the downtown retail core. The largest employer in Redmond is Microsoft with United Parcel Service, the Lake Washington School District, and Genie Industries also having a significant presence in the city.

Although the economy shows signs of improving, Redmond continues to be impacted by the economic recession that began in 2001 with annual sales tax revenue remaining below the peak year of 2000. Development activity declined 56% from the boom years of the late 1990's, hitting its low point in the 2003/2004 biennium. Activity began to pick up in 2005 and continues to look promising for 2006 and beyond. Impact fees and real estate excise taxes, two indicators of development activity, increased in 2005. Microsoft expansion in the next three years is projected to be over \$1 billion as 14 new buildings and 3.1 million square feet of office space are added to their Redmond campus. Microsoft has pledged \$35 million to support city infrastructure such as streets and utility lines.

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. During the lean economic years of 2001 to 2005 significant cost cutting measures were implemented to keep city expenses in line with actual revenues. The City Council continued to develop a long-term financial strategy to best position the city in future years. This work was completed in early 2006.

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 calls for increases in four revenue sources for 2006. In May voters will be asked to increase the property tax levy above the 1% maximum increase allowed by law without a vote. The utility tax rate and the business license fee will increase to ensure residents do not shoulder the entire burden of increased revenues. Developer fees will be increased to establish user fees at a level related to the cost of providing the service consistent with existing fiscal policies.

As part of the fiscal strategy, the Council also reviewed the city's general operating reserve policy. The reserve will be maintained at 8.5%, a level that was supported on an interim basis until a complete review could be done. The prior reserve requirement was determined to be higher than necessary based on the city's prior use and a survey of surrounding entities' reserve levels, all of which were lower than Redmond's.

City financial policies restrict the use of borrowed funds for 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

Redmond completed its City Campus Project in 2005 when over 300 city employees moved from six owned or leased buildings at various locations around the city into a new city hall building. In keeping with two of the city's identified strategic directions, community oriented government and optimal service delivery, citizens and employees alike now enjoy more centralized and efficiently delivered services. The new city hall, designed to be a water efficient, environmentally advanced building, was completed on time and within budget.

A second major initiative completed in 2005 was the last stage of the conversion from an outdated finance/payroll/human resources computer system to a new enterprise wide system.

A major ten year review of the city's Comprehensive Plan was completed allowing the city to continue to move forward with development in an organized fashion. The Plan includes development design standards, building heights, and permitted uses among its many guiding regulations. Also completed in 2005 was a Transportation Master Plan. This plan addresses public health and safety, adequate maintenance, and provision of needed transportation facilities to serve growth including ideas for alternatives to driving.

The Quadrant Corporation completed construction of a new fire station at its Urban Planned Development (UPD) east of the city limits and donated the land and building to the city. The UPD is in Fire District 34 which is served by the City of Redmond. Plans to staff and open the station will be completed in early 2006.

The city has embarked on a multi-year project to update all of its wells. Well number 4 has been rehabilitated and well number 5 is due for a rehabilitation beginning in 2006 that will modernize the purification of the water and significantly reduce the use of chemicals.

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, 2004. This was the twentieth 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.

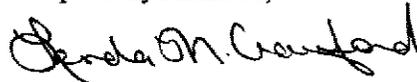
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA has also awarded the Distinguished Budget Presentation Award to the City of Redmond for its 2005-

2006 biennial budget document. This is the first year in many years the city has submitted its budget to GFOA due to staff limitations in the city's Financial Planning Division. The GFOA gives this award to governments whose budget document meets the GFOA's criteria as an effective policy document, operations guide, financial plan, and communication device.

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 my 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,



Lenda Crawford
Finance Director

FINANCIAL SECTION



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 15, 2006

Mayor and City 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, 2005, 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 opinion.

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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, Advanced Life Support, and Capital Improvements Program funds, 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 fund information on page 71 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 financial statements and supplemental information on pages 73 through 124 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 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 stylized and cursive, with the first name "Brian" and the last name "Sonntag" clearly visible.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management discussion and analysis section of the City of Redmond's annual financial report provides a narrative overview of the city's financial activities for and financial position at the end of December 31, 2005. This information should be read in conjunction with the preceding letter of transmittal and the financial statements and notes to the financial statements that follow.

Financial Highlights

- Net assets, the amount by which total assets exceed total liabilities, equaled \$467,080,083 at the end of 2005. A total of 79% or \$368,879,468 of total net assets is invested in capital assets such as streets, land, buildings, and utility pipes. Of the remaining net assets of \$98,200,615, 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 \$24,110,012 in 2005. The overall increase was split between governmental activities and business-type activities at \$13,476,890 and \$10,633,012 respectively. The capital asset category of net assets increased \$25,910,423 including \$7.5 million contributed by developers. Net assets not invested in capital assets declined \$1.8 million between 2004 and 2005.

In the governmental activities category, net assets not invested in capital assets increased \$1,707,150 or 2.5% in 2005. Net assets restricted for Debt Service and Special Revenue Funds declined \$878,653 while net assets restricted for capital projects rose \$41,144. Unrestricted net assets increased \$2,544,659. Net assets not invested in capital assets in the business-type activities category declined \$3,507,561 or 11.4% between 2004 and 2005.

- Governmental fund balances at year end were \$66,074,763, an increase of \$916,283 or 1.4% from the prior year. Of this amount, \$6,205,024 is unreserved and available to fund ongoing activities. \$1,536,679 is legally restricted for debt service and the remaining \$58,333,060 is legally restricted or reserved by city policy for

capital projects (\$36,919,865) or Special Revenue Fund purposes (\$21,413,195).

- Unreserved fund balance in the general fund was \$6,181,604, an increase of \$1,174,090 from the prior year. An additional fund balance of \$5,046,716 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 \$4,244,661 from 2004 to 2005. Outstanding bonded debt, loans, and long term contracts at year end totaled \$46,821,310.

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 while 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-five 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 fund level and 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, and information technology. 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. 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.

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, 2004 and 2005 total \$442,970,071 and \$467,080,083, respectively. Following is a condensed version of the government-wide statement of net assets for 2005 compared to 2004.

City of Redmond’s Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 86,701,649	\$ 121,339,676	\$ 31,474,955	\$ 33,955,906	\$ 118,176,604	\$ 155,295,582
Capital assets, net of accumulated depreciation	242,156,697	195,345,393	173,622,062	159,625,169	415,778,759	354,970,562
Total assets	328,858,346	316,685,069	205,097,017	193,581,075	533,955,363	510,266,144
Long-term liabilities	50,072,520	54,372,355	854,691	960,497	50,927,211	55,332,852
Other liabilities	12,109,614	9,113,392	3,838,455	2,849,829	15,948,069	11,963,221
Total liabilities	62,182,134	63,485,747	4,693,146	3,810,326	66,875,280	67,296,073
Net assets						
Invested in capital assets, net of related debt	195,751,144	183,981,404	173,128,324	158,987,641	368,879,468	342,969,045
Restricted	17,545,163	18,498,091	-	-	17,545,163	18,498,091
Unrestricted	53,379,905	50,719,827	27,275,547	30,783,108	80,655,452	81,502,935
Total net assets	\$ 266,676,212	\$253,199,322	\$200,403,871	\$ 189,770,749	\$ 467,080,083	\$442,970,071

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 \$467,080,083 as of December 31, 2005 and by \$442,970,071 as of December 31, 2004.

The largest component of the city's net assets, 79% or \$368,879,468, 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 \$98,200,615 of net assets represents both restricted and unrestricted assets. Approximately 2.4% or \$11,075,960 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. \$1,536,679 (.3% of total net assets) are restricted for debt service payments. \$4,932,524 of net assets 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 \$80,655,452 represents the unrestricted net assets of the city. The business-type activities portion of \$27,275,547 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 \$53,379,905 in funds not subject to legal restrictions, \$47,198,301 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. \$6,181,604 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 \$24 million in 2005. The increase was split between the government activities (\$13.4 million) and the business-type activities (\$10.6 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 2004 and 2005. 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 2005.

CITY OF REDMOND

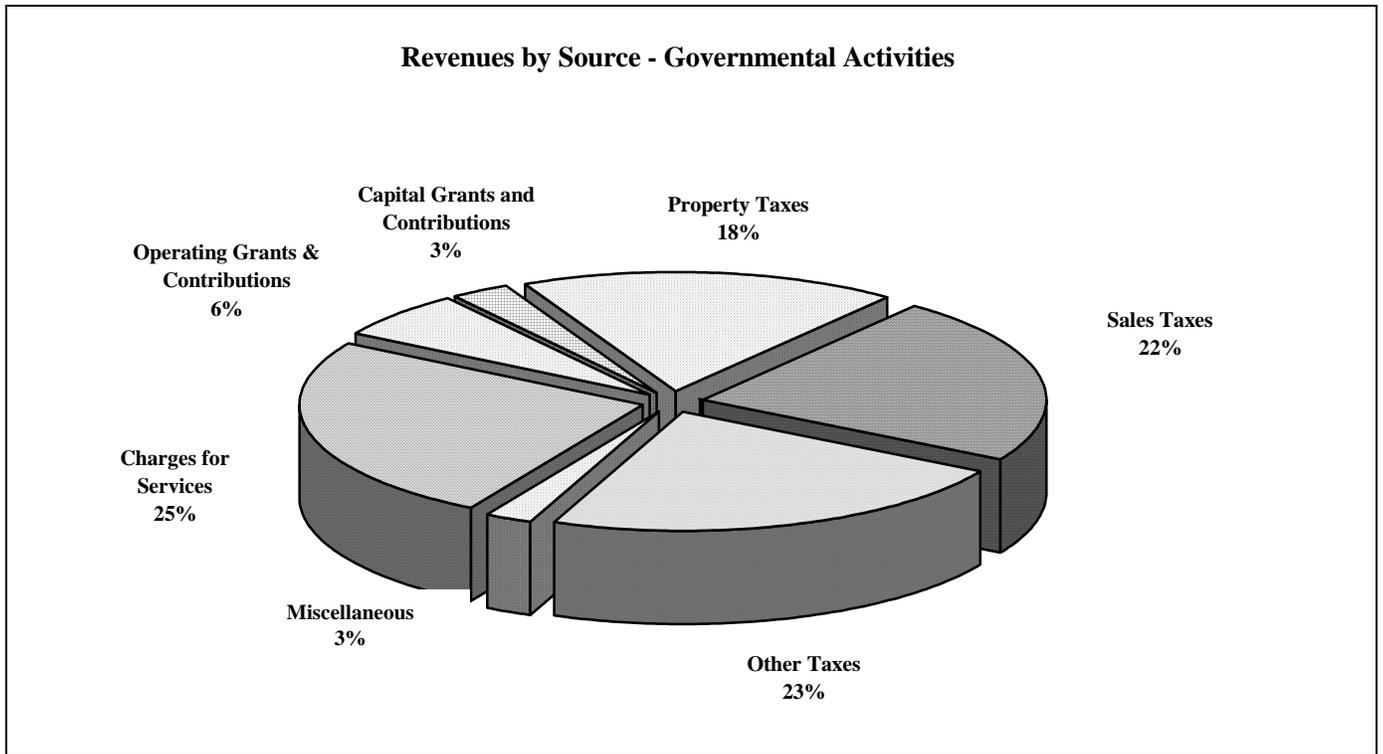
City of Redmond's Changes in Net Assets

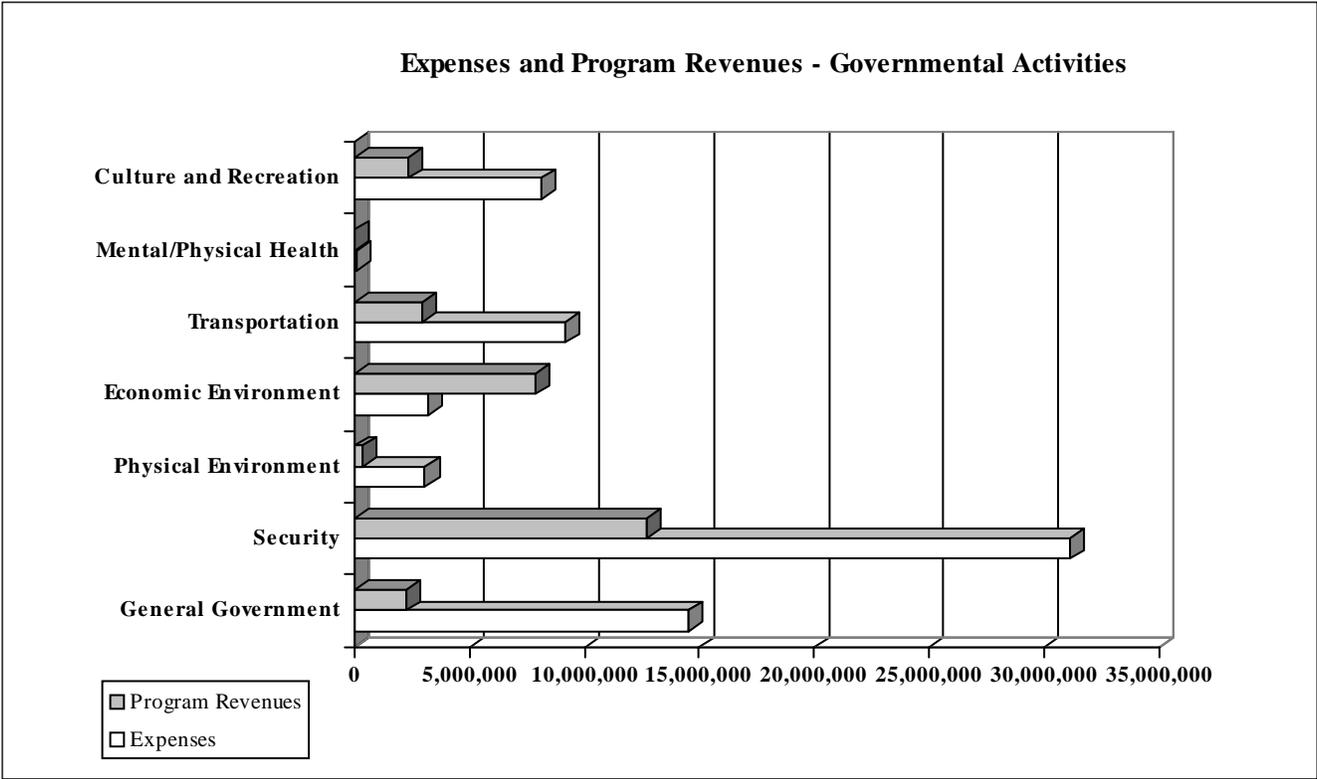
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues						
Charges for services	\$ 20,877,123	\$ 22,096,593	\$ 31,626,370	\$ 30,339,948	\$ 52,503,493	\$ 52,436,541
Operating grants and contributions	5,157,603	3,355,634	-	29,064	5,157,603	3,384,698
Capital grants and contributions	2,447,860	6,067,335	8,139,193	7,114,457	10,587,053	13,181,792
General revenues						
Property taxes	14,691,641	13,813,469	-	-	14,691,641	13,813,469
Sales taxes	18,647,890	18,955,381	-	-	18,647,890	18,955,381
Other taxes	18,705,429	16,510,154	-	-	18,705,429	16,510,154
Investment interest	1,927,511	1,118,756	785,340	516,727	2,712,851	1,635,483
Miscellaneous	623,081	572,786	63,368	46,845	686,449	619,631
Total revenues	83,078,138	82,490,108	40,614,271	38,047,041	123,692,409	120,537,149
Expenses:						
General government	14,497,527	10,598,890	-	-	14,497,527	10,598,890
Security	31,089,219	30,031,794	-	-	31,089,219	30,031,794
Physical environment	3,054,857	3,079,888	-	-	3,054,857	3,079,888
Economic environment	3,160,282	3,390,746	-	-	3,160,282	3,390,746
Transportation	9,150,474	7,983,324	-	-	9,150,474	7,983,324
Mental/physical health	94,300	94,900	-	-	94,300	94,900
Culture and recreation	8,121,462	7,489,357	-	-	8,121,462	7,489,357
Interest on long term debt	461,621	458,637	-	-	461,621	458,637
Water/wastewater	-	-	20,617,211	18,339,907	20,617,211	18,339,907
UPD water/wastewater	-	-	4,003,077	3,373,102	4,003,077	3,373,102
Stormwater	-	-	5,332,367	5,292,942	5,332,367	5,292,942
Total expenses	69,629,742	63,127,536	29,952,655	27,005,951	99,582,397	90,133,487
Increases in net assets before transfers and special items	13,448,396	19,362,572	10,661,616	11,041,090	24,110,012	30,403,662
Transfers	28,494	23,555	(28,494)	(23,555)	-	-
Increase in net assets	13,476,890	19,386,127	10,633,122	11,017,535	24,110,012	30,403,662
Net assets – beginning	253,199,322	233,813,195	189,770,749	180,116,060	442,970,071	413,929,255
Prior period adjustment	-	-	-	(1,362,846)	-	(1,362,846)
Net assets - ending	<u>\$ 266,676,212</u>	<u>\$253,199,322</u>	<u>\$200,403,871</u>	<u>\$189,770,749</u>	<u>\$467,080,083</u>	<u>\$442,970,071</u>

Governmental activities contributed \$13,476,890 of the total change in net assets of \$24,110,012. The increase in net assets in 2005 was lower than the increase in net assets for 2004 by \$5.9 million. Key elements of the 2005 increase are as follows:

- The city's net investment in general government capital assets increased \$11,769,740 and net assets legally restricted or reserved by city policy for capital expenses increased \$41,144 from 2004 to 2005. These two capital asset categories accounted for 88% 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, Local Improvement District assessments, 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. The remaining components of net assets increased by a modest 3% or \$1,666,006 from 2004 to 2005.
 - Most ongoing revenue sources to fund basic city operations remained relatively flat in 2005. Cognizant of the low growth in revenues available to fund ongoing activities, the city kept a close watch on its operating expenses and ended 2005 in a positive position.
 - Retail sales and use tax increased by approximately \$900,000, just over 5.5%, exclusive of a one time adjustment of \$1.3 million in 2004 resulting from a Washington State Department of Revenue audit of sales taxes paid by Redmond businesses. Property taxes increased \$878,000 or 6.4% as a result of new construction. Utility tax rates increased from 5.5% to 5.8% early in 2005 bringing an increase in gas and electric taxes over 2004 of \$708,000.
 - Development fees, including permits, inspections, and plan review services increased \$663,000 over 2004 fueled primarily by residential building permits. Business license revenue available to fund general government activities increased by over \$1 million in 2005 due to a fee increase from \$12.50 per employee
- in 2004 to \$28.25 per employee in 2005. The city's business license fee is based on the number of employees working in businesses operating in Redmond.
- The city's revenues from King County for advanced life support services increased \$302,000. This increase was matched by a commensurate increase in the cost of providing advanced life support services to East King County resulting in no change to the net assets of the city's governmental activities.
 - Overall governmental activities expenses increased in 2005 over 2004 by 10.3% at \$6,502,206. The general government function accounts for \$3,898,637 of this increase. Furniture for the new city hall that fell under the city's fixed asset threshold of \$10,000 per item and depreciation expense related to the city's move from several older buildings to its new city hall make up the majority of the general government expense increase. Other factors include a \$555,000 increase in transfers to the city's information technology function and a reporting change of \$87,000 in pension fund expenses.
 - Other functional areas increased a total of 5% or \$2.6 million in 2005 with security and transportation making up \$2.2 million of the increase. Depreciation expense in these two functions increased with the addition of one fire station in the UPD and completion of \$22 million in street projects. The security function posted a modest increase of 3.5% or \$1.06 million comprised mainly of salaries, including overtime, equipment, and maintenance projects. Overall salaries for Police increased as several position vacancies in 2004 were filled in 2005. Three new Fire positions, authorized and funded by King County, were covered by existing Fire personnel working overtime during new employee training resulting in a one time increase of \$245,000 in overtime for 2005. Fluctuations in equipment purchases and major repair projects make up the remaining increase in the security function. Transportation expense increases of 14.2% or \$1.17 million were driven by commute trip reduction incentives of \$400,000 funded by grants, and street maintenance such as repaving and road striping.

- Culture and recreation expenses increased due to added depreciation expense for newly completed Perrigo Park, repair and maintenance projects at city parks, and increases in costs for recreation classes which were offset by increases in recreation class fees. The remaining two functional areas, physical environment and economic environment, experienced a decrease in costs as professional services and the city's 2005 contribution for affordable housing were lower than in 2004.
- 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 watchfulness for the past several years enabled Redmond to end 2005 on a positive financial note.



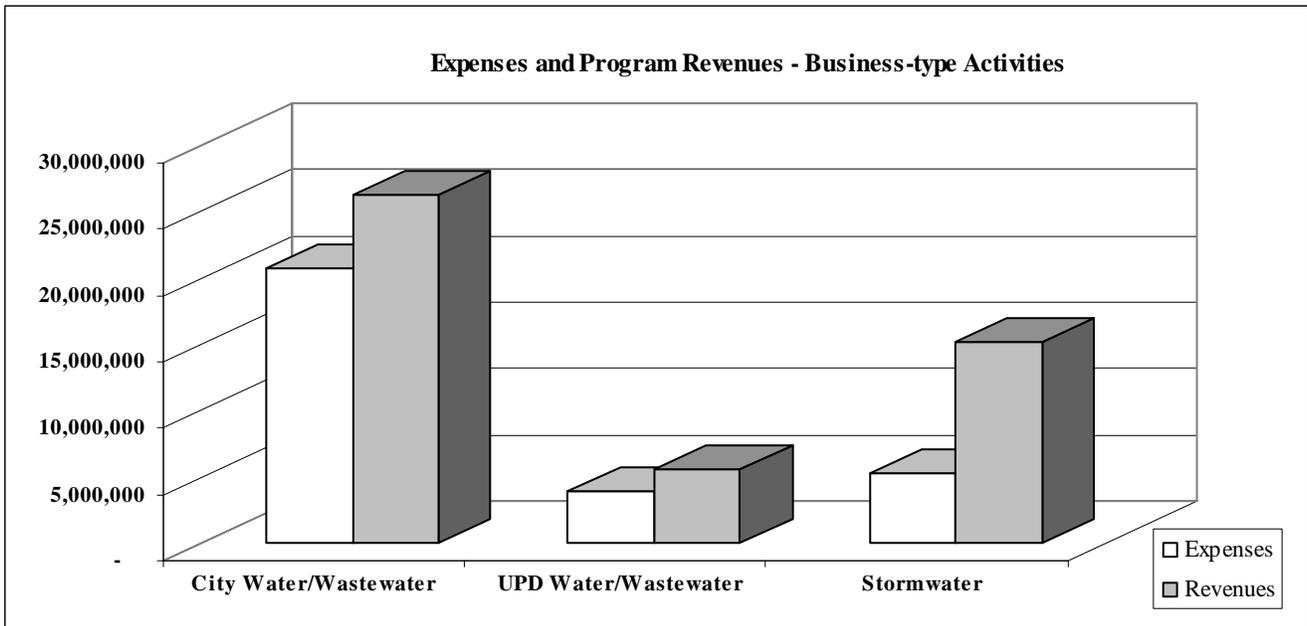


Business-type activities of the city’s utilities increased the City of Redmond’s net assets by \$10,633,122, accounting for 44% of the total growth in the government’s net assets.

Key elements of this increase are as follows:

- Capital contributions emerged as a major revenue source for the utilities during the current year, producing over \$8 million in revenue. Capital assets totaling \$4.6 million were contributed to the utilities, consisting of \$2.7 million in assets to the city water/wastewater utility, \$1.6 million to the Redmond Ridge Urban Planned Development (UPD) and \$300,000 to the stormwater utility. The remaining \$3.4 million is attributable to connection fees and capital facility charges.
- Water/wastewater operating revenues for 2005 were \$20,658,105, a 5% increase over 2004. This increase was due to increased rates implemented in January 2005 for water, Metro, and regional capital facility charges.

- UPD water/wastewater operating revenues for 2005 were \$3,803,868, a 10.6% increase over 2004. This increase was due to continued growth in the UPD development and increased rates implemented in January 2005 for Metro and regional capital facility charges.
- Stormwater operating revenues for 2005 were \$7,164,397, a 1% decline from 2004 due to several significant billing adjustments in 2004 to correct underbilling of revenues in prior years.
- Investment earnings for the business-type activities increased \$268,613 from 2004 due to higher interest rates.



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 \$66,074,763. This was an increase of \$916,283 or 1.4% from the ending fund balance of the prior year. Of the \$66,074,763, a total of \$1,536,679 is reserved for debt service, \$36,919,865 is earmarked for capital construction projects and \$21,413,195 resides with special revenue funds. Significant special revenue fund balances include \$5,046,716 in the operating reserve fund, including general reserves and development reserves, \$3,420,105 in equipment reserve funds, \$3,646,091 in the real estate excise tax fund, and \$4,400,884 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 2005 the fund balance of the general fund was \$6,205,024. As a measure of the fund's liquidity, the ending fund balance is 13% of the fund's 2005 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 \$1,174,070 from the prior year. Revenues rose faster than expenditures from 2004 to 2005, increasing 5.5% and 1.3% respectively. Expenditure increases were small in 2005 in part due to unsettled union contracts. The Police and Fire contracts expired at the end of 2004 and the city continues negotiations with the two unions. Revenues exceeded expenditures in the general fund by \$5,995,544 in 2005. 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 \$4,821,474, primarily for capital activities.

Taxes are the primary source of revenue in the General Fund, at 70% of the fund's 2005 revenues. Sales tax revenues, the city's largest single revenue source, increased \$908,000 from 2004 to 2005 excluding a one time adjustment of \$1.3 million in 2004 from audits of sales taxes paid by Redmond businesses. Sales tax revenues increased 5.5% in 2005, down from an increase of just under 10% in 2004. Sales tax revenues for the year remain below the annual sales tax revenue in 2000.

Changes of note occurred in several other General Fund revenues. License and permit revenue was up significantly, increasing by \$1,725,365 over 2004. The General Fund portion of the business license fee was raised from \$12.50 to \$28.25 per employee for businesses operating in Redmond. The fee change increased business license revenue by over \$1 million. Building permit revenue was up close to \$600,000, primarily for residential building permits. An increase in the gas and electric utility tax rate brought in an additional \$708,000 in utility taxes in 2005. The only General Fund revenue source to suffer a decline in 2005 was fines and forfeitures as King County reduced the city's portion of court revenues from 14% to 0% in mid 2005.

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 54% of total expenditures, is security encompassing Police and Fire services. Expenditures in this category were up only .8%. Some 2004 vacancies in the Police department were filled in 2005, increasing Police costs somewhat. However, the Police and Fire union contracts were unsettled in 2005, leaving salaries for these two groups at their 2004 rates during all of 2005. Funds will be set aside to cover cost increases resulting from future settlement of these contracts. General government expenditures increased 5.9% at \$550,000 as additional funds were transferred to the city's information services function and general personnel costs rose.

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 approximately \$302,000 or 8.5% higher than 2004 due to an increase in service capacity.

The capital improvements program fund ending fund balance was \$35,873,289, an increase of \$108,753 from 2004. Several factors contributed to this increase as compared to 2004. Revenues and net transfers were down \$3,592,494 while expenditures were down close to \$2.7 million. The city requires developers to directly contribute to some transportation capital projects if the developers will benefit from the project or their development will greatly impact the city's transportation system. Contributions from developers were down \$2,845,521 in 2005. Capital construction project expenditures were \$2,702,774 lower than in 2004, as several major road projects and park renovations with significant expenditures in 2004 were winding down or completed in 2005. Investment income was up \$413,497 from 2004 due to rebounding interest rates.

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 2005/2006 biennial budget adopted at the end of 2004 and the final 2005/2006

biennial budget at December 31, 2005 amounts to \$425,360.

Revenues increased in the following categories:

- Beginning fund balance increased \$420,360 due to a higher than anticipated ending fund balance at December 31, 2004.
- Contributions \$5,000

Expenditure increases in the following areas were funded by the \$420,360 increase in beginning fund balances:

- Planning Department technology project expenditures increased \$7,015 as a result of unspent technology surcharge funds from the

previous biennium. Printing costs of \$11,100 for the 5 year comprehensive plan and a specialized training program for the development review team at \$30,000 round out the expenditure increases funded in the Planning Department.

- Public Works was allotted \$8,850 in additional funding for transportation consulting services.
- The Fire Department received an additional \$23,928 for rescue equipment.
- A Parks bond study was funded at \$78,000 and \$261,467 was set aside as a salary and benefit contingency for future contract settlements.
- The \$5,000 increase in contributions was budgeted for additional Public Works Department consultant services.
- General government capital investment street projects were completed at a cost of \$22.8 million.
- General government capital investment projects currently under construction are valued at \$11,422,054. These include road work at Redmond Way and Highway 202, and transportation projects in the Overlake area.
- Capital assets contributed to the city water/wastewater utility totaled \$2.7 million and \$1.6 million in capital assets were contributed to the UPD water/wastewater utility.
- City utility projects completed in 2005 include improvements to the upper reach of Idylwood stream, the NE 116th culvert, and the Redmond transmission line for a total cost of \$7.6 million. The city's wells are being rehabilitated with well 5 under construction and wells 1, 2 and 3 in the final stages of design, totalling \$4.1 million in costs to date.

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, 2005 amounts to \$415,778,759 (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.

Major capital assets changes during 2005 included the following:

- A new city hall and parking garage were built at a cost of \$39,230,000.
- The former city hall and technology center were demolished and the cost of \$1,870,605 was removed.
- Land was purchased in downtown Redmond for \$1.4 million.
- Quadrant Corporation donated a new fire station valued at \$2,498,000 for the land and building.
- Perrigo Park was completed at a cost of \$5.6 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 45,546,424	\$ 42,661,858	\$ 4,995,515	\$ 4,995,515	\$ 50,541,939	\$ 47,657,373
Buildings/Building Improvements	55,154,820	19,860,457	13,711,591	14,089,509	68,866,411	33,949,966
Improvements other than buildings	16,333,702	7,060,221	140,555,367	133,324,283	156,889,069	140,384,504
Machinery and equipment	9,366,836	9,594,468	382,403	457,553	9,749,239	10,052,021
Construction in progress	11,422,052	31,497,679	13,977,186	6,758,309	25,399,238	38,255,988
Infrastructure	104,037,239	84,383,587	-	-	104,037,239	84,383,587
Art	295,624	287,123	-	-	295,624	287,123
Total	\$ 242,156,697	\$ 195,345,393	\$ 173,622,062	\$ 159,625,169	\$ 415,778,759	\$ 354,970,562

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 \$44,499,879. Of this amount, \$43,454,879 is general obligation bonds, and \$1,045,000 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		Total	
	2005	2004	2005	2004
General obligation bonds	\$ 43,454,879	\$ 46,927,432	\$ 43,454,879	\$ 46,927,432
Special assessment debt with governmental commitment	1,045,000	1,410,000	1,045,000	1,410,000
Total	\$ 44,499,879	\$ 48,337,432	\$ 44,499,879	\$ 48,337,432

The City of Redmond maintains a AA rating from Standard & Poors and a 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 2005 was \$9,320,368,533 and remaining debt capacity is as follows:

General	\$ 189,512,766
Open Space/Park Facilities	233,009,213
Utilities	233,009,213
TOTAL	\$ 655,531,192

The total amount of unlimited tax and limited tax general obligation debt the city may issue is \$699,027,639. Additional information on the City of Redmond's long-term debt can be found in Note 11 of this report and in the Statistical Section of the report.

Economic Factors and Next Year's Budgets and Rates

Several factors that affect the economic climate in Redmond were considered when preparing the city's 2005-2006 biennial budget. The outlook for the nation, state and region was weighed in relation to its expected impact on Redmond. The character of the city, including its current and future business activity and its attraction as a place to live, was evaluated. Current financial position and the ability of the city to enhance revenues were also given consideration. Based on this review, Redmond's long term economic outlook is promising, although short term funding challenges will exist until the City Council develops long term funding strategies.

The Puget Sound economy, of which Redmond is a part, is fundamentally sound with growth in personal income, residential construction climbing to accommodate new residents, and declining unemployment. Microsoft, the largest employer in Redmond, continues to add to its office square footage and workforce with significant expansion plans for the next five years. Redmond Town Center, a large open air mall, continues to attract new businesses and enjoys a 97% occupancy rate. Caution is being exercised by the city in its budgeting, however, as Redmond's sales tax increases lagged behind those of neighboring communities in 2005.

Redmond as a place to live has many attractions with parks and open spaces, beautiful landscape, and proximity to employment centers. Evidence of the city's attraction can be seen in residential development which was up significantly in 2005. However, commercial development continued to languish following the slowdown that began in 2001.

Redmond's elected officials have a strong interest in developing and maintaining a vibrant city. To that end the City Council engaged in planning a long term financial strategy to ensure the city stays well managed and financially healthy. Implementation of several of the revenue enhancing strategies identified during the planning stage is scheduled for 2006.

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 2005 and are scheduled to increase in 2007 for inflation. These fees are scheduled to sunset in 2006, however city administration will propose they be made permanent. The city's utility tax rate will increase from 5.8% to 6%, the maximum allowed, on June 1, 2006. Development review fees are being adjusted in 2006 to recover 85-90% of the cost, up from the city's current 50% cost recovery fee schedule. Water/wastewater and stormwater rates are reviewed annually to ensure the city's utilities will remain financially healthy. No rate increases for city utilities are planned for 2006.

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.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,298,696	\$ 2,205,906	\$ 9,504,602
Cash with outside agencies	10,000	-	10,000
Investments (Note 4)	67,164,602	26,263,704	93,428,306
Receivables:			
Taxes	4,746,887	-	4,746,887
Accounts	584,251	657,227	1,241,478
Interest	797,128	259,812	1,056,940
Special assessments	850,788	-	850,788
Due from other governments	3,765,108	11,996	3,777,104
Due from Firemen's Pension Fund	238,246	-	238,246
Internal balances	(154,336)	154,336	-
Inventory	27,037	101,967	129,004
Deferred charges	14,886	537,172	552,058
Prepaid Insurance	124,387	-	124,387
Restricted assets:			
Deposit cash	118,791	-	118,791
Deposit investments	1,115,178	1,282,835	2,398,013
Capital assets (Note 7):			
Land, artwork, construction in progress	57,264,100	18,972,701	76,236,801
Depreciable capital assets, net	184,892,597	154,649,361	339,541,958
Total Assets	<u>328,858,346</u>	<u>205,097,017</u>	<u>533,955,363</u>
LIABILITIES			
Accounts/claims payable	6,166,582	2,224,438	8,391,020
Employee wages payable	1,538,775	223,027	1,761,802
Interest	83,344	7,980	91,324
Due to other governments	81,153	-	81,153
Unearned revenues	3,005,791	100,175	3,105,966
Customer deposits	1,233,969	1,282,835	2,516,804
Noncurrent liabilities (Note 11):			
Due within one year	3,778,629	436,369	4,214,998
Due in more than one year	45,248,891	418,322	45,667,213
Special assessment debt with governmental commitment	1,045,000	-	1,045,000
Total Liabilities	<u>62,182,134</u>	<u>4,693,146</u>	<u>66,875,280</u>
NET ASSETS			
Invested in capital assets net of related debt	195,751,144	173,128,324	368,879,468
Restricted for:			
Capital projects	11,075,960	-	11,075,960
Special revenue funds	4,932,524	-	4,932,524
Debt service	1,536,679	-	1,536,679
Unrestricted	53,379,905	27,275,547	80,655,452
Total Net Assets	<u>\$ 266,676,212</u>	<u>\$ 200,403,871</u>	<u>\$ 467,080,083</u>

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 14,497,527	\$ 2,249,228	\$ -	\$ -	\$ (12,248,299)	\$ -	\$ (12,248,299)
Security	31,089,219	9,140,344	3,586,101	-	(18,362,774)	-	(18,362,774)
Physical environment	3,054,857	364,869	-	-	(2,689,988)	-	(2,689,988)
Economic environment	3,160,282	7,566,819	275,624	-	4,682,161	-	4,682,161
Transportation	9,150,474	23,861	1,160,334	1,773,628	(6,192,651)	-	(6,192,651)
Mental/physical health	94,300	-	-	-	(94,300)	-	(94,300)
Culture and recreation	8,121,462	1,532,002	135,544	674,232	(5,779,684)	-	(5,779,684)
Interest on long-term debt	461,621	-	-	-	(461,621)	-	(461,621)
Total governmental activities	<u>69,629,742</u>	<u>20,877,123</u>	<u>5,157,603</u>	<u>2,447,860</u>	<u>(41,147,156)</u>	<u>-</u>	<u>(41,147,156)</u>
Business-type activities							
Water/Wastewater	20,617,211	20,658,105	-	5,470,929	-	5,511,823	5,511,823
UPD Water/Wastewater	4,003,077	3,803,868	-	1,784,127	-	1,584,918	1,584,918
Stormwater	5,332,367	7,164,397	-	884,137	-	2,716,167	2,716,167
Total business-type activities	<u>29,952,655</u>	<u>31,626,370</u>	<u>-</u>	<u>8,139,193</u>	<u>-</u>	<u>9,812,908</u>	<u>9,812,908</u>
Total government	\$ <u>99,582,397</u>	\$ <u>52,503,493</u>	\$ <u>5,157,603</u>	\$ <u>10,587,053</u>	<u>(41,147,156)</u>	<u>9,812,908</u>	<u>(31,334,248)</u>
General revenues							
Taxes							
Property					14,691,641	-	14,691,641
Sales					18,647,890	-	18,647,890
Other					18,705,429	-	18,705,429
Unrestricted investment interest					1,927,511	785,340	2,712,851
Miscellaneous					605,175	63,368	668,543
Gain on sale of capital assets					17,906	-	17,906
Transfers, internal activities					28,494	(28,494)	-
Total general revenues and transfers					<u>54,624,046</u>	<u>820,214</u>	<u>55,444,260</u>
Change in net assets					13,476,890	10,633,122	24,110,012
Net assets-beginning					253,199,322	189,770,749	442,970,071
Net assets-ending					\$ <u>266,676,212</u>	\$ <u>200,403,871</u>	\$ <u>467,080,083</u>

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

	General	Advanced Life Support Fund	Capital Improvements Program Fund	Other Governmental Funds	Governmental Funds Total
ASSETS					
Cash and cash equivalents	\$ 207,262	\$ 24,505	\$ 2,865,071	\$ 3,142,769	\$ 6,239,607
Cash with outside agency	-	-	-	10,000	10,000
Investments	3,127,066	-	37,815,147	18,714,072	59,656,285
Receivables:					
Taxes	3,483,607	-	-	1,263,280	4,746,887
Accounts	561,443	-	-	22,808	584,251
Interest	41,870	-	96,914	145,324	284,108
Special assessments	-	-	-	850,788	850,788
Due from other funds	-	-	-	892,886	892,886
Due from other governments	2,373,934	1,014,946	210,657	165,571	3,765,108
Restricted assets:					
Deposit cash	-	-	113,718	3,302	117,020
Deposit investments	1,115,178	-	-	-	1,115,178
Total Assets	<u>\$ 10,910,360</u>	<u>\$ 1,039,451</u>	<u>\$ 41,101,507</u>	<u>\$ 25,210,800</u>	<u>\$ 78,262,118</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts/claims payable	\$ 2,101,852	\$ 5,717	\$ 2,552,499	\$ 412,766	\$ 5,072,834
Employee wages payable	1,199,761	140,848	27,954	55,493	1,424,056
Due to other funds	-	892,886	-	-	892,886
Due to other governments	-	-	81,153	-	81,153
Payable from restricted assets:					
Deposits payable	1,115,178	-	113,718	3,302	1,232,198
Unearned revenues	288,545	-	2,452,894	742,789	3,484,228
Total Liabilities	<u>4,705,336</u>	<u>1,039,451</u>	<u>5,228,218</u>	<u>1,214,350</u>	<u>12,187,355</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	1,536,679	1,536,679
Petty cash	23,420	-	-	-	23,420
Unreserved, reported in:					
General fund	6,181,604	-	-	-	6,181,604
Special revenue funds	-	-	-	21,413,195	21,413,195
Capital projects funds	-	-	35,873,289	1,046,576	36,919,865
Total Fund Balances	<u>6,205,024</u>	<u>-</u>	<u>35,873,289</u>	<u>23,996,450</u>	<u>66,074,763</u>
Total Liabilities and Fund Balances	<u>\$ 10,910,360</u>	<u>\$ 1,039,451</u>	<u>\$ 41,101,507</u>	<u>\$ 25,210,800</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.	238,551,045
Net pension obligation paid in over required	(238,246)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Note 3)	1,409,913
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.	11,028,372
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)	(50,149,635)
Net assets of governmental activities	<u>\$ 266,676,212</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, 2005

	General Fund	Advanced Life Support Fund	Capital Improvements Program Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 37,485,011	\$ -	\$ 1,100,000	\$ 12,932,392	\$ 51,517,403
Special assessments	-	-	-	296,954	296,954
Licenses and permits	5,548,727	-	-	-	5,548,727
Contributions from property owners	41,811	-	546,914	248,500	837,225
Intergovernmental	6,600,251	3,845,753	1,950,066	521,898	12,917,968
Charges for services	3,473,123	-	963,591	1,822,254	6,258,968
Fines and forfeitures	89,299	-	-	7,325	96,624
Investment income	291,097	-	843,176	447,852	1,582,125
Miscellaneous	202,196	-	95,301	306,508	604,005
Total Revenues	<u>53,731,515</u>	<u>3,845,753</u>	<u>5,499,048</u>	<u>16,583,683</u>	<u>79,659,999</u>
EXPENDITURES					
Current					
General government	9,912,351	-	2,289,382	414,513	12,616,246
Security of persons and property	25,716,284	3,870,258	252,968	168,506	30,008,016
Physical environment	2,587,565	-	-	407,527	2,995,092
Transportation	2,702,476	-	1,836,780	698,107	5,237,363
Economic environment	2,343,629	-	160,828	792,185	3,296,642
Mental/physical health	10,786	-	-	83,514	94,300
Culture and recreation	4,406,576	-	253,487	2,565,280	7,225,343
Capital outlay	56,304	-	11,478,064	763,209	12,297,577
Debt service:					
Principal	-	-	630,884	3,837,554	4,468,438
Interest and debt issue costs	-	-	200,216	406,485	606,701
Total Expenditures	<u>47,735,971</u>	<u>3,870,258</u>	<u>17,102,609</u>	<u>10,136,880</u>	<u>78,845,718</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,995,544</u>	<u>(24,505)</u>	<u>(11,603,561)</u>	<u>6,446,803</u>	<u>814,281</u>
OTHER FINANCING SOURCES (USES)					
Disposition of capital assets	-	-	-	3,750	3,750
Transfers in (Note 10)	19,000	24,505	13,286,680	3,846,915	17,177,100
Transfers out (Note 10)	(4,840,474)	-	(1,574,366)	(10,664,008)	(17,078,848)
Total other financing sources and uses	<u>(4,821,474)</u>	<u>24,505</u>	<u>11,712,314</u>	<u>(6,813,343)</u>	<u>102,002</u>
Net change in fund balances	1,174,070	-	108,753	(366,540)	916,283
Fund balances-beginning	5,030,954	-	35,764,536	24,362,990	65,158,480
Fund balances-ending	<u>\$ 6,205,024</u>	<u>\$ -</u>	<u>\$ 35,873,289</u>	<u>\$ 23,996,450</u>	<u>\$ 66,074,763</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, 2005

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.	\$	916,283
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 (\$12,328,414) exceeded depreciation (\$7,427,074) in the current period.		4,901,340
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Note 3)		3,211,311
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)		4,468,439
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.		101,734
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>(122,217)</u>
Change in net assets of governmental activities.	\$	<u><u>13,476,890</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 Biennium Ended December 31, 2005

	Original Budget 2005-2006	Final Budget 2005-2006	Actual Biennium to Date Through 12/31/2005	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property	\$ 21,342,852	\$ 21,342,852	\$ 11,061,344	\$ (10,281,508)
Sales	36,429,271	36,429,271	17,306,532	(19,122,739)
Other	18,781,560	18,781,560	9,117,135	(9,664,425)
Licenses and permits	9,965,415	9,965,415	5,548,727	(4,416,688)
Intergovernmental	13,043,350	13,043,350	6,600,251	(6,443,099)
Charges for services	6,832,311	6,832,311	3,473,123	(3,359,188)
Fines and forfeitures	201,969	201,969	89,299	(112,670)
Investment income	669,564	669,564	291,097	(378,467)
Miscellaneous	332,745	337,745	244,007	(93,738)
Total Revenues	<u>107,599,037</u>	<u>107,604,037</u>	<u>53,731,515</u>	<u>(53,872,522)</u>
EXPENDITURES				
Current				
General government	22,263,067	22,532,513	9,912,351	12,620,162
Security of persons and property	49,174,746	51,118,471	25,716,284	25,402,187
Physical environment	5,957,213	6,121,382	2,587,565	3,533,817
Transportation	5,298,406	5,330,313	2,702,476	2,627,837
Economic development	4,910,835	5,006,504	2,343,629	2,662,875
Mental/physical health	19,255	19,255	10,786	8,469
Culture and recreation	8,658,099	8,761,713	4,406,576	4,355,137
Capital outlay	8,400	32,328	56,304	(23,976)
Debt service				
Principal	972,930	972,930	-	972,930
Total Expenditures	<u>97,262,951</u>	<u>99,895,409</u>	<u>47,735,971</u>	<u>52,159,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,336,086</u>	<u>7,708,628</u>	<u>5,995,544</u>	<u>(1,713,084)</u>
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	1,897	1,897	-	(1,897)
Transfers in	38,000	38,000	19,000	(19,000)
Transfers out	(9,589,848)	(9,589,848)	(4,840,474)	4,749,374
Total other financing sources and uses	<u>(9,549,951)</u>	<u>(9,549,951)</u>	<u>(4,821,474)</u>	<u>4,728,477</u>
Net change in fund balance	786,135	(1,841,323)	1,174,070	3,015,393
Fund balance-beginning	2,739,447	3,159,807	5,030,954	1,871,147
Fund balance-ending	<u>\$ 3,525,582</u>	<u>\$ 1,318,484</u>	<u>\$ 6,205,024</u>	<u>\$ 4,886,540</u>

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ADVANCED LIFE SUPPORT SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 7,543,712	\$ 7,951,667	\$ 3,845,753	\$ (4,105,914)
Total Revenues	<u>7,543,712</u>	<u>7,951,667</u>	<u>3,845,753</u>	<u>(4,105,914)</u>
EXPENDITURES				
Security of persons and property	7,160,019	7,567,974	3,870,258	3,697,716
Capital outlay	387,517	387,517	-	387,517
Total Expenditures	<u>7,547,536</u>	<u>7,955,491</u>	<u>3,870,258</u>	<u>4,085,233</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,824)</u>	<u>(3,824)</u>	<u>(24,505)</u>	<u>(20,681)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	24,505	24,505
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>24,505</u>	<u>24,505</u>
Net change in fund balance	(3,824)	(3,824)	-	3,824
Fund balance-beginning	582,089	582,089	-	(582,089)
Fund balance-ending	<u>\$ 578,265</u>	<u>\$ 578,265</u>	<u>\$ -</u>	<u>\$ (578,265)</u>

See accompanying notes to the financial statements.

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2005

	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	\$ 1,233,186	\$ 422,271	\$ 550,449	\$ 2,205,906	\$ 1,059,089
Investments	14,983,783	4,617,865	6,662,056	26,263,704	7,508,317
Accounts and contracts receivable	428,399	51,031	177,797	657,227	-
Interest receivable	154,711	51,075	54,026	259,812	72,923
Due from other government	11,996	-	-	11,996	-
Inventory	101,967	-	-	101,967	27,037
Pre-Paid Insurance	-	-	-	-	124,387
Restricted assets:					
Customer deposits:					
Cash and cash equivalents	-	-	-	-	1,771
Investments	652,904	544,250	85,681	1,282,835	-
Total current assets	17,566,946	5,686,492	7,530,009	30,783,447	8,793,524
Noncurrent assets:					
Deferred charges	537,172	-	-	537,172	-
Capital assets:					
Land	1,017,756	3,011,886	957,098	4,986,740	584,292
Buildings	5,335,523	9,056,934	738,100	15,130,557	619,494
Improvements other than buildings	101,539,591	42,530,029	28,188,443	172,258,063	248,876
Equipment	146,399	443,369	111,574	701,342	8,572,024
Construction in progress	8,704,217	-	5,272,969	13,977,186	-
Other property	8,775	-	-	8,775	-
Less accumulated depreciation	(23,460,272)	(4,019,502)	(5,960,827)	(33,440,601)	(6,419,034)
Total capital assets (net of depreciation)	93,291,989	51,022,716	29,307,357	173,622,062	3,605,652
Total noncurrent assets	93,829,161	51,022,716	29,307,357	174,159,234	3,605,652
Total Assets	\$ 111,396,107	\$ 56,709,208	\$ 36,837,366	\$ 204,942,681	\$ 12,399,176

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2005

	Business-type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,239,095	\$ 654,588	\$ 330,755	\$ 2,224,438	\$ 1,093,748
Employee wages payable	117,729	7,201	98,097	223,027	114,719
Compensated absences	167,659	9,076	118,411	295,146	128,453
Due to other governments	111,838	-	-	111,838	-
Current LID payable	37,365	-	-	37,365	-
Unearned revenues	-	100,175	-	100,175	-
Liabilities payable from restricted assets:					
Customer deposits payable	652,904	544,250	85,681	1,282,835	1,771
Total current liabilities	<u>2,326,590</u>	<u>1,315,290</u>	<u>632,944</u>	<u>4,274,824</u>	<u>1,338,691</u>
Noncurrent liabilities:					
Loans payable	279,337	-	-	279,337	-
LID assessment	65,198	-	-	65,198	-
Compensated absences	41,915	2,269	29,603	73,787	32,113
Total noncurrent liabilities	<u>386,450</u>	<u>2,269</u>	<u>29,603</u>	<u>418,322</u>	<u>32,113</u>
Total Liabilities	<u>2,713,040</u>	<u>1,317,559</u>	<u>662,547</u>	<u>4,693,146</u>	<u>1,370,804</u>
NET ASSETS					
Invested in capital assets, net of related debt					
	92,798,251	51,022,716	29,307,357	173,128,324	3,605,652
Unrestricted	15,884,816	4,368,933	6,867,462	27,121,211	7,422,720
Total Net Assets	<u>\$ 108,683,067</u>	<u>\$ 55,391,649</u>	<u>\$ 36,174,819</u>	<u>\$ 200,249,535</u>	<u>\$ 11,028,372</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				154,336	
Net assets of business-type activities				<u>\$ 200,403,871</u>	

See accompanying notes to the financial statements.

CITY OF REDMOND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2005

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
Operating revenues:					
Charges for services	\$ 12,831,662	\$ 3,172,980	\$ 7,164,397	\$ 23,169,039	\$ 2,845,518
Metro service	7,826,443	630,888	-	8,457,331	-
Charges for replacement	-	-	-	-	1,631,286
Charges for insurance	-	-	-	-	6,829,336
Total Operating Revenues	<u>20,658,105</u>	<u>3,803,868</u>	<u>7,164,397</u>	<u>31,626,370</u>	<u>11,306,140</u>
Operating expenses:					
Administrative and general	3,443,364	416,399	3,203,899	7,063,662	9,722,189
Purchased water	4,070,321	1,813,228	-	5,883,549	-
Metro service	7,860,449	593,981	-	8,454,430	-
Supplies	-	-	-	-	430,286
Maintenance and operations	2,361,481	245,860	1,332,355	3,939,696	870,786
Taxes	439,957	64,793	105,855	610,605	-
Depreciation and amortization	2,389,421	868,816	690,258	3,948,495	940,213
Total Operating Expenses	<u>20,564,993</u>	<u>4,003,077</u>	<u>5,332,367</u>	<u>29,900,437</u>	<u>11,963,474</u>
Operating Income (Loss)	<u>93,112</u>	<u>(199,209)</u>	<u>1,832,030</u>	<u>1,725,933</u>	<u>(657,334)</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	443,353	125,735	216,252	785,340	207,083
Grants	-	-	82,500	82,500	-
Interest expense	(12,170)	-	-	(12,170)	-
Gain on sale of capital assets	-	-	-	-	17,906
Miscellaneous	56,241	4,630	2,497	63,368	563,788
Total nonoperating revenues (expenses)	<u>487,424</u>	<u>130,365</u>	<u>301,249</u>	<u>919,038</u>	<u>788,777</u>
Income before contributions and transfers	580,536	(68,844)	2,133,279	2,644,971	131,443
Capital contributions	5,470,929	1,784,127	801,637	8,056,693	-
Transfers in	-	-	-	-	28,494
Transfers out	(28,494)	-	-	(28,494)	(98,252)
Change in net assets	6,022,971	1,715,283	2,934,916	10,673,170	61,685
Total net assets - beginning	<u>102,660,096</u>	<u>53,676,366</u>	<u>33,239,903</u>	<u>189,576,365</u>	<u>10,966,687</u>
Total net assets - ending	<u>\$ 108,683,067</u>	<u>\$ 55,391,649</u>	<u>\$ 36,174,819</u>	<u>200,249,535</u>	<u>\$ 11,028,372</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(40,048)	
Change in net assets of business-type activities				<u>\$ 10,633,122</u>	

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2005

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 20,842,374	\$ 3,865,532	\$ 7,219,067	\$ 31,926,973	\$ 9,673,528
Cash received for replacement	-	-	-	-	1,631,286
Cash payments to suppliers	(4,501,773)	(1,404,708)	(713,633)	(6,620,114)	(7,698,833)
Cash payments to employees	(2,598,208)	(300,958)	(1,890,067)	(4,789,233)	(2,508,616)
Cash payments to other governments	(8,300,406)	(658,774)	(105,855)	(9,065,035)	-
Internal activity - payments to other funds	(2,062,737)	(241,573)	(1,760,306)	(4,064,616)	(502,894)
Other operating receipts and payments	(208,450)	(190,128)	(39,853)	(438,431)	439,401
Net cash provided by operating activities	<u>3,170,800</u>	<u>1,069,391</u>	<u>2,709,353</u>	<u>6,949,544</u>	<u>1,033,872</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	(28,494)	-	-	(28,494)	(98,252)
Net cash used by noncapital financing activities	<u>(28,494)</u>	<u>-</u>	<u>-</u>	<u>(28,494)</u>	<u>(98,252)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(7,072,262)	(71,867)	(5,963,321)	(13,107,450)	(323,312)
Proceeds from sale of capital assets	-	-	-	-	25,133
Proceeds from sale of other assets	56,241	4,630	2,497	63,368	-
Capital contributions	2,791,084	158,500	470,949	3,420,533	-
Loan/grant proceeds	-	-	82,500	82,500	-
Principal paid on other debt	(141,224)	-	-	(141,224)	-
Interest paid on other debt	(14,736)	-	-	(14,736)	-
Net cash provided (used) for capital and related financing activities	<u>(4,380,897)</u>	<u>91,263</u>	<u>(5,407,375)</u>	<u>(9,697,009)</u>	<u>(298,179)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment purchases	-	(1,157,956)	-	(1,157,956)	(682,386)
Investment sales/maturities	735,264	-	2,284,036	3,019,300	-
Interest on investments	415,266	105,629	232,080	752,975	185,528
Net cash provided (used) in investing activities	<u>1,150,530</u>	<u>(1,052,327)</u>	<u>2,516,116</u>	<u>2,614,319</u>	<u>(496,858)</u>
Net increase (decrease) in cash and cash equivalents	(88,061)	108,327	(181,906)	(161,640)	140,583
Cash and cash equivalents-beginning of year	1,321,247	313,944	732,355	2,367,546	920,277
Cash and cash equivalents-end of year	<u>\$ 1,233,186</u>	<u>\$ 422,271</u>	<u>\$ 550,449</u>	<u>\$ 2,205,906</u>	<u>\$ 1,060,860</u>

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2005

	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	1,233,186	422,271	550,449	2,205,906	1,059,089
Customer deposits	-	-	-	-	1,771
Total cash at end of year	<u>\$ 1,233,186</u>	<u>\$ 422,271</u>	<u>\$ 550,449</u>	<u>\$ 2,205,906</u>	<u>\$ 1,060,860</u>

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

Operating income (loss)	\$ 93,112	\$ (199,209)	\$ 1,832,030	\$ 1,725,933	\$ (657,334)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	2,389,421	868,816	690,258	3,948,495	940,213
Decrease in accounts receivable	184,269	61,664	54,670	300,603	-
Decrease (increase) in inventory	(40,101)	-	-	(40,101)	3,948
Increase in prepaid expenses	-	-	-	-	(124,387)
Increase in due from other governments	(11,996)	-	-	(11,996)	-
Increase in accounts payable	711,447	526,857	142,711	1,381,015	262,141
Increase (decrease) in employee wages payable	19,440	(295)	17,467	36,612	28,650
Increase in employee vacations payable	21,662	1,686	12,070	35,418	15,527
Reclassify other income	-	-	-	-	563,788
Increase (decrease) in customer deposits payable	(196,454)	(52,538)	(39,853)	(288,845)	1,326
Decrease in unearned revenues	-	(137,590)	-	(137,590)	-
Net cash provided by operating activities	<u>\$ 3,170,800</u>	<u>\$ 1,069,391</u>	<u>\$ 2,709,353</u>	<u>\$ 6,949,544</u>	<u>\$ 1,033,872</u>

Noncash investing, capital and financing activities:

Developers contributed infrastructure valued at	\$ 2,679,845	\$ 1,625,627	\$ 330,688	\$ 4,636,160	\$ -
Other funds of the city transferred vehicles valued at	-	-	-	-	28,494
Fair value of investments decreased by	(8,928)	(2,948)	(3,853)	(15,729)	(4,287)

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 As of December 31, 2005

	Firemen's Pension Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 28,553	\$ 653,148
Investments	324,457	-
Receivables		
Interest	3,210	-
Total Assets	<u>\$ 356,220</u>	<u>653,148</u>
LIABILITIES		
Due to other governments	\$ -	\$ 10,854
Custodial	<u>-</u>	<u>642,294</u>
Total Liabilities	<u>-</u>	<u>\$ 653,148</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 356,220</u>	

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2005

	Firemen's Pension Fund
ADDITIONS	
Fire insurance premium contributions	\$ 87,431
Investment interest	9,138
Total additions	<u>96,569</u>
DEDUCTIONS	
Benefit payments	7,280
Administrative expenses	1,250
Total deductions	<u>8,530</u>
Change in net assets	88,039
Net assets-beginning	<u>268,181</u>
Net assets-ending	<u><u>\$ 356,220</u></u>

See accompanying notes to the financial statements.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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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, Division of Municipal Corporations.

The city's Comprehensive Annual Financial Report is prepared in accordance with Governmental Accounting Standards Board (GASB) Statements 34, 36, 37, and 38.

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.

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 fund level, i.e. expenditures and other financing uses may not exceed budgeted appropriations at the fund level. The Mayor may authorize transfers within funds, however, the City Council must approve by ordinance any

additional appropriations which increase the total for the fund. 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, and debt service 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 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. 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 with the City of Seattle which will be amortized over a period of twenty years.

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.

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 self-insured Workmen's Compensation Fund ended 2005 with negative net assets of \$65,241. The 2005 rates were insufficient to cover the 2005 claims and to fund incurred but not reported (IBNR) claims. The

2006 rates are expected to result in positive net assets by year end 2006. State law allows the negative net assets to be recovered from other city funds over a reasonable future period of time.

**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	\$ 716,684
Excess payments to pension plan	238,246
Investment interest accrued beyond the city's 60 day measurable and available period	440,097
Deferred charge for bond issue costs	<u>14,886</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 1,409,913</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	\$ (43,454,879)
Less: Issuance discounts	28,600
Special assessment bonds payable	(1,045,000)
Loans payable	(2,610,492)
Contract payable	(270,182)
Accrued interest payable	(83,344)
Compensated absences	(2,560,002)
Due to business-type activities – charges by internal service funds in excess of cost	<u>(154,336)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (50,149,635)</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:

Other government asset contributions	\$ 2,498,400
Developer asset contributions	777,196
Change in unearned special assessment revenue	(224,498)
Change in investment interest receivable due beyond the city's 60 day measurable and available period	160,213
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net assets - governmental activities	\$ 3,211,311

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	\$ 3,472,554
LID bonds repayment	365,000
Public Works Trust Fund loans repayment	371,717
Contract Payable repayment	259,168
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net assets of governmental activities	\$ 4,468,439

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	\$ 36,152
Amortization of debt issue costs	(5,294)
Amortization of debt discount	(21,911)
Change in compensated absences payable	(131,164)
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net assets of governmental funds	\$ (122,217)

**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, 2005 the carrying amount of the city's cash demand deposits with Bank of America was \$1,759,634 and the bank balance was \$483,753. The carrying amount and bank balance of the city's cash demand deposits at U.S. Bank at December 31, 2005 was \$142,921. \$193,617 retained from contractors pending acceptance of city construction projects was held in escrow or savings accounts at various banks. Petty cash totaled \$23,500 of which \$23,420 was allocated to various city offices and \$80 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 \$25,723,227 in certificates of deposit at various banks.

The Local Government Investment Pool (LGIP) is an un rated 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 all classified as category 1 risk level investments. They 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, 2005, 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	\$ 24,538,483	\$ 17,599,713	\$ 6,938,770
Federal Farm Credit Bank	3,947,830	2,954,700	993,130
Federal National Mortgage Association	23,711,190	17,772,750	5,938,440
Federal Home Loan Mortgage Corporation	17,242,559	9,326,428	7,916,131
Bankers Acceptance – Bank of America NA	987,490	987,490	-
State Investment Pool	7,076,402	7,076,402	-
Mutual Bond Fund	938,944	938,944	-
Total	\$ 78,442,898	\$ 56,656,427	\$ 21,786,471

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, 2005 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	24%
Federal Farm Credit Bank	AAA	4%
Federal National Mortgage Association	AAA	23%
Federal Home Loan Mortgage Corporation	AAA	17%
Bankers Acceptance – Bank of America NA	AA	1%
Mutual Bond Fund	AAAm	1%
State Investment Pool	Not Rated	7%

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, 2005 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.

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 \$1.31892 per \$1,000 of assessed value for general governmental services, and an additional \$0.26381 per \$1,000 of assessed value for voter approved excess tax levy, for a combined total of \$1.58273 per \$1,000 of assessed value.

**NOTE 6:
INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund receivables and payables as of December 31, 2005 is as follows:

	<u>Due to</u>	<u>Due From</u>
Operating Reserves Fund	\$ 892,886	-
Advanced Life Support Fund	-	\$ 892,886

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.

**NOTE 7:
CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

Primary Government

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 42,661,858	\$ 2,884,566	\$ -	\$ 45,546,424
Construction In Progress	31,497,679	9,525,351	(29,600,978)	11,422,052
Art	287,123	8,501	-	295,624
Total Capital Assets, Not Being Depreciated	<u>74,446,660</u>	<u>12,418,418</u>	<u>(29,600,978)</u>	<u>57,264,100</u>
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	26,595,781	37,479,987	(1,870,605)	62,205,163
Improvements Other than Buildings	10,254,659	10,025,954	-	20,280,613
Machinery and Equipment	18,949,312	1,577,888	(669,316)	19,857,884
Infrastructure	130,607,182	23,356,040	-	153,963,222
Total Capital Assets, Being Depreciated	<u>186,406,934</u>	<u>72,439,869</u>	<u>(2,539,921)</u>	<u>256,306,882</u>
Less Accumulated Depreciation for:				
Buildings/Building Improvements	6,735,324	2,185,624	(1,870,605)	7,050,343
Improvements Other Than Buildings	3,194,438	752,473	-	3,946,911
Machinery and Equipment	9,354,844	1,726,803	(590,599)	10,491,048
Infrastructure	46,223,595	3,702,388	-	49,925,983
Total Accumulated Depreciation	<u>65,508,201</u>	<u>8,367,288</u>	<u>(2,461,204)</u>	<u>71,414,285</u>
Total Capital Assets, Being Depreciated, Net	<u>120,898,733</u>	<u>64,072,581</u>	<u>(78,717)</u>	<u>184,892,597</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 195,345,393</u>	<u>\$ 76,490,999</u>	<u>\$ (29,679,695)</u>	<u>\$ 242,156,697</u>

CITY OF REDMOND

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 4,995,515	\$ -	\$ -	\$ 4,995,515
Construction In Progress	6,758,309	12,944,304	(5,725,427)	13,977,186
Total Capital Assets, Not Being Depreciated	<u>11,753,824</u>	<u>12,944,304</u>	<u>(5,725,427)</u>	<u>18,972,701</u>
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	15,352,995	3,677	(226,115)	15,130,557
Improvements Other Than Buildings	163,273,446	10,520,903	(1,536,286)	172,258,063
Machinery and Equipment	730,307	-	(28,965)	701,342
Total Capital Assets, Being Depreciated	<u>179,356,748</u>	<u>10,524,580</u>	<u>(1,791,366)</u>	<u>188,089,962</u>
Less Accumulated Depreciation for:				
Buildings/Building Improvements	1,263,486	381,595	(226,115)	1,418,966
Improvements Other Than Buildings	29,949,163	3,289,819	(1,536,286)	31,702,696
Machinery and Equipment	272,754	75,150	(28,965)	318,939
Total Accumulated Depreciation	<u>31,485,403</u>	<u>3,746,564</u>	<u>(1,791,366)</u>	<u>33,440,601</u>
Total Capital Assets, Being Depreciated, Net	<u>147,871,345</u>	<u>6,778,016</u>	<u>-</u>	<u>154,649,361</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 159,625,169</u>	<u>\$ 19,722,320</u>	<u>\$ (5,725,427)</u>	<u>\$ 173,622,062</u>

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

Governmental Activities:

General Government	\$ 2,115,454
Security	866,737
Physical Environment	8,267
Transportation, Including Depreciation of General Infrastructure Assets	3,703,631
Economic Environment	17,682
Culture and Recreation	715,304
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on Their Usage of the Assets	940,213
Total Depreciation Expense – Governmental Activities	<u>\$ 8,367,288</u>

Business-type Activities:

Water/Wastewater	\$ 2,187,490
UPD Water/Wastewater	868,816
Stormwater	690,258
Total Depreciation Expense – Business-type Activities	<u>\$ 3,746,564</u>

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 the following one of two 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 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).

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS 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 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 participants are eligible to retire at age 55 with 25 years of service, age 60 with 5 years of service, or at any age with 30 years of service. The annual pension benefit is 2% of the average final compensation times the number of years of service, based on the highest consecutive two-year period. Benefits may be paid to the participant for their lifetime or a reduced benefit may be paid to the participant with their surviving beneficiary receiving the same reduced benefit for the beneficiary's lifetime. Retirement benefits may not exceed 60% of final average compensation. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit and is capped at 3% annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 participants are eligible to retire at age 65 with 5 years of service or at age 55 with 20 years of service, receiving a reduced benefit. If retirement is at age 55 with 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The total annual pension benefit is 2% of the average final compensation times the number of years of service, based on the highest consecutive five-year period. Average final compensation does not include severance pay such as lump sum deferred sick pay or vacation pay. Retirement benefits may not exceed 100% of final average compensation. Retirement benefits are indexed to the Seattle consumer price index with a maximum of 3% increase annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution

component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The 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 1,169 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, 2004:

Retirees and Beneficiaries Receiving Benefits	66,846
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	21,031
Active Plan Members Vested	103,039
Active Plan Members Nonvested	53,217
Total	244,133

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

LEOFF was established in 1970 by the Legislature under Chapter 41.26 RCW.

The LEOFF system is a cost-sharing multi-employer retirement system administered by the State of Washington through the Department of Retirement Systems. Membership includes all full-time, fully compensated, local law enforcement officers and fire fighters. Retirement benefits are financed by employee and employer contributions, investment earnings, and legislative appropriations. LEOFF is comprised primarily of nonstate employees with the exception of the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003. 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. Effective January 1, 2003 firefighter emergency medical technicians (EMTs) may transfer PERS Plan 1 or Plan 2 service credit to LEOFF Plan 2 if while employed for the city, town, county, or district, the EMTs job was relocated to a fire department from another city, town, county, or district. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

For Plan 1 participants the total annual pension benefit varies from 1% (five to ten years service) to 2% (twenty years or more of service) of final average salary. For members hired after February 18, 1974, the service retirement may not exceed 60% of final average salary.

Members who terminated service with five or more years of credited service may, instead of withdrawing their contributions, be eligible to receive a service retirement allowance beginning the day following their 50th birthday. 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 24 months' salary within the last 10 years of service. A cost of living allowance is granted, capped at 3% annually. Substantial disability and death benefits are provided by the plan.

Plan 2 participants are eligible to retire at the age of 50 with 20 years of service or at 53 with five years of service. Retirement benefits prior to age 53 are actuarially reduced 3 percent for each year before the benefit commences prior to age 53. The benefit is 2% of average salary per year of service. The average salary is based on the highest five-year period. A cost of living allowance is granted, capped at 3% annually. Death and disability benefits are also provided.

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with chapters 41.26 and 41.45 RCW.

There are 369 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans as of September 30, 2004:

Retirees and Beneficiaries Receiving Benefits	8,542
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	528
Active Plan Members Vested	12,079
Active Plan Members Nonvested	3,523
Total	24,672

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, 2005	6.00%	2.25%	**	-	6.99%
Employer contribution rate as a percentage of covered payroll as of December 31, 2005:*	2.44%	2.44%	2.44%***	.19%	4.39%
State of Washington contribution rates as of December 31, 2005	-	-	-	-	2.79%

* Includes Administrative cost rate.

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

***Plan 3 defined benefit portion only.

Both the city and the employees made the required contributions. The city’s required contributions for the years ended December 31, were:

	<u>PERS 1</u>	<u>PERS 2</u>	<u>PERS 3</u>	<u>LEOFF 1</u>	<u>LEOFF 2</u>
2005	\$ 42,393	\$326,396	\$ 84,973	\$ 1,379	\$ 578,036
2004	\$ 35,214	\$234,850	\$ 54,929	-	\$ 506,533
2003	\$ 35,051	\$244,908	\$ 35,368	\$ 1,747	\$ 398,691

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 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.

Schedule of Funding Progress

The Schedule of Funding Progress is included in the Required Supplementary Information section at the end of the Notes to the Financial Statements.

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Total Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
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%

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Contribution as a Percentage of APC</u>	<u>Net Pension Obligation (NPO)</u>
December 31, 2003	\$ 15,976	372.3%	\$ (108,761)
December 31, 2004	\$ 12,992	530.4%	\$ (164,681)
December 31, 2005	\$ 13,866	630.53%	\$ (238,246)

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

Valuation date:	January 1, 2004
Actuarial cost method for GASB purposes:	Entry Age Normal Cost Method
Amortization method:	Level Percentage of Projected Payroll Closed
Remaining amortization period:	26 years
Asset valuation method:	Market Value

Actuarial Assumptions:

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

Annual Pension Cost and Net Pension Obligation

	Year Ending 12/31/03	Year Ending 12/31/04	Year Ending 12/31/05
	<u> </u>	<u> </u>	<u> </u>
1. Annual Normal Cost, beginning of year	\$ -	\$ -	\$ -
2. Amortization of UAL, beginning of year	14,445	11,224	11,390
3. Interest to end of year	1,011	786	797
4. Annual required contribution at end of year (1 + 2 + 3)	<u>\$ 15,456</u>	<u>\$ 12,010</u>	<u>\$ 12,187</u>
5. Interest on net pension obligation	\$ (4,568)	\$ (7,613)	\$ (11,528)
6. Adjustment to annual required contribution	5,088	8,595	13,207
7. Annual pension cost (4 + 5 - 6)	<u>\$ 15,976</u>	<u>\$ 12,992</u>	<u>\$ 13,866</u>
8. Employer Contributions	<u>\$ (59,483)</u>	<u>\$ (68,912)</u>	<u>\$ (87,431)</u>
9. Change in net pension obligation (7 - 8)	<u>\$ (43,507)</u>	<u>\$ (55,920)</u>	<u>\$ (73,565)</u>
10. Net pension obligation at beginning of year	<u>\$ (62,254)</u>	<u>\$ (108,761)</u>	<u>\$ (164,681)</u>
11. Net pension obligation at end of year (9 + 10)	<u><u>\$ (108,761)</u></u>	<u><u>\$ (164,681)</u></u>	<u><u>\$ (238,246)</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 615 permanent and 208 temporary participants with account balances at December 31, 2005.

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 2005 was \$41,230,736. Employee contributions were \$3,264,635. City contributions were \$2,556,676. The City's total payroll was \$41,663,138.

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.

Other Post-employment Benefits

The only post-employment benefit provided to City employees is post-retirement health care benefits, to LEOFF I retirees (in accordance with State statutes). Currently, 26 retirees meet those eligibility requirements. The City provides medical insurance and reimburses for all validated claims for medical, dental, and hospitalization costs incurred by these retirees. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the year, expenditures of \$288,059 were recognized for post-retirement health care. The city will meet its future liability for extended medical care costs for these LEOFF I retirees through a combination of third party insurance and a self funded reserve.

**NOTE 9:
CONSTRUCTION COMMITMENTS**

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

Building Projects	\$ 716,054
Parks Projects	145,722
Street Projects	302,544
Utilities Projects	3,244,588
	\$ 4,408,908
	\$ 4,408,908

**NOTE 10:
INTERFUND TRANSFERS**

FUND	TRANSFER IN	TRANSFER OUT
General Fund	\$ 19,000	\$ 4,840,474
Advanced Life Support Fund	24,505	-
Capital Improvements Program Fund	13,286,680	1,574,366
Non-Major Governmental Funds	3,846,915	10,664,008
Water/Wastewater Fund	-	28,494
Internal service Funds	28,494	98,252
TOTAL TRANSFERS	\$17,205,594	17,205,594

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 enterprise funds to an internal service fund.

**NOTE 11:
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 12/31/05</u>
1992 Refunding	7/1/92	12/1/05	3.0-5.75%	\$15,100,000	\$15,100,000	\$ -
1994 GO/Refunding*	3/1/94	12/1/13	4.0-5.65%	9,310,000	7,375,000	1,935,000
2003 LTGO Bonds	6/26/03	6/1/08	3.450%	3,698,472	1,408,593	2,289,879
2004 Lease-Revenue Bonds	4/1/04	12/1/35	2.0-5.25%	39,230,000	-	39,230,000
Total General Obligation Bonds/Notes:				<u>\$67,338,472</u>	<u>\$23,883,593</u>	<u>\$43,454,879</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
2006	\$ 950,276	\$ 2,077,793
2007	1,973,219	1,958,233
2008	2,021,384	1,899,633
2009	1,280,000	1,849,326
2010	1,325,000	1,804,254
2011 - 2015	7,080,000	7,963,605
2016 – 2020	8,020,000	6,060,516
2021 – 2025	5,455,000	4,443,090
2026 – 2030	6,780,000	3,121,263
2031 – 2035	8,570,000	1,327,042
	<u>\$ 43,454,879</u>	<u>\$32,504,755</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	\$ 1,935,000
Less Unamortized Bond Discount	(28,600)
Bonds Outstanding, Net	<u>\$ 1,906,400</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 Government 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 \$137,103 in principal and \$108,454 in interest at the close of 2005. The fund balance in the LID Guaranty Fund stood at \$874,144.

Bonds, Issuances, Redemptions and Balances Outstanding

LID	Issue Date	Maturity Date	Interest Rate	Original Amount Issued	Redemptions to Date	Bonds Outstanding 12/31/05
1995	2/15/95	2/15/07	5.25-6.8	\$1,515,830	\$1,445,830	\$ 70,000
1998	3/01/98	3/01/10	4.0-5.0	1,241,036	656,036	585,000
1999	7/15/99	7/15/11	4.1-5.5	2,355,410	1,965,410	390,000
Total Special Assessment Bonds:				<u>\$5,112,276</u>	<u>\$4,067,276</u>	<u>\$1,045,000</u>

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

Year	Governmental Activities	
	Principal	Interest
2006	\$ -	\$ 54,165
2007	70,000	54,165
2008	-	49,405
2009	-	49,405
2010	585,000	49,405
2011	390,000	21,295
Total	<u>\$ 1,045,000</u>	<u>\$ 277,840</u>

Contract Payable

The city entered into an agreement with a private party to purchase a 3.15 acre parcel in southeast Redmond for park land. Payments will be made from park impact fees collected in conjunction with building permits issued by the city. The total amount due is \$1,126,658. The agreement is silent as to interest and allows for variable payments from 2003 to 2006. The city has assumed equal payments will be made in each of the four years and has calculated interest using an imputed rate of 4.25%.

Year	Governmental Activities	
	Principal	Interest
2006	\$ 270,181	\$ 11,483
Total	<u>\$ 270,181</u>	<u>\$ 11,483</u>

Public Works Trust Fund Loans

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. Redmond currently has nine such loans. Six loans with an outstanding principal balance of \$2,610,492 are being repaid from General Fund revenues which are transferred to the Capital Improvements Program Fund where the loan payments are recorded. Three loans with an outstanding principal balance of \$387,962 are being repaid from water and wastewater revenues.

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 371,717	\$ 48,139	\$ 108,625	\$ 6,426
2007	371,717	41,430	108,625	4,470
2008	371,717	34,720	85,356	2,515
2009	333,611	28,011	85,356	1,257
2010	333,611	22,063	-	-
2011-2015	828,119	35,056	-	-
	<u>\$ 2,610,492</u>	<u>\$ 209,419</u>	<u>\$ 387,962</u>	<u>\$ 14,668</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 46,927,432	\$ -	\$(3,472,553)	\$ 43,454,879	\$ 960,276
Special assessment debt with government commitment	1,410,000	-	(365,000)	1,045,000	-
Less deferred amounts:					
For issuance discounts	(50,511)	-	21,911	(28,600)	-
Total bonds payable	<u>48,286,921</u>	<u>-</u>	<u>(3,815,642)</u>	<u>44,471,279</u>	<u>960,276</u>
PWTF loans	2,982,209	-	(371,717)	2,610,492	371,717
Contract payable	529,348	-	(259,167)	270,181	270,181
Compensated absences	<u>2,573,877</u>	<u>2,759,968</u>	<u>(2,613,277)</u>	<u>2,720,568</u>	<u>2,176,455</u>
Governmental activity Long-term liabilities	<u>\$ 54,372,355</u>	<u>\$ 2,759,968</u>	<u>\$(7,059,803)</u>	<u>\$ 50,072,520</u>	<u>\$ 3,778,629</u>
Business-Type Activities:					
LID Assessment	130,395	-	(32,599)	97,796	32,599
PWTF loans	496,587	-	(108,625)	387,962	108,625
Compensated absences	<u>333,514</u>	<u>362,945</u>	<u>(327,526)</u>	<u>368,933</u>	<u>295,145</u>
Business-type activity Long-term liabilities	<u>\$ 960,496</u>	<u>\$ 362,945</u>	<u>\$(468,750)</u>	<u>\$ 854,691</u>	<u>\$ 436,369</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 \$160,566 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.

**NOTE 12:
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 13:
PRIOR PERIOD ADJUSTMENT**

On April 1, 2004 RCP issued \$39,230,000 in lease revenue bonds on behalf of the city. The bonds were issued to build a new City Hall and parking garage. The capital assets to be constructed and the bonds payable were omitted from the city’s 2004 financial statements in error. The assets and the corresponding liability of \$39,230,000 have been included on the entity-wide

Statement of Net Assets for 2005. There is no effect on the total net assets of the city. The beginning asset balances of the MD&A asset tables, Note 7 Capital Assets, MD&A outstanding debt table and Note 11 Long-Term Obligations have been restated to include the assets and bonds payable.

**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. There was no activity to report in 2005.

**NOTE 15:
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 \$677,603 with a net book value of \$1,400,936. The city reimbursed the City of Bellevue \$9,920 for its share of operating costs in 2005. The joint venture does not issue separate financial statements.

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

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

resolution of the member's legislative authority. Each member entity must pay annual dues based on the number of units served by the water system within their jurisdiction. The Alliance collected membership dues for 2006 totaling \$496,127, of which Redmond's share was \$83,979. Redmond also paid the Alliance \$2,363,910 in 2005 for Regional Capital Facilities Charges for new hookups to the water system that Redmond collected from new customers.

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

Audited financial information can be obtained from Pamela Higbee, Cascade Water Alliance, 14001 112th Avenue SE, Suite 220, Bellevue, WA 98004.

**NOTE 16:
ASSET IMPAIRMENT**

Asset impairment losses of \$794,226 in general government activities in the Statement of Activities and \$75,648 in water/wastewater activities in the Statement of Activities and the Statement of Revenues, Expenses, and Changes in Fund Net Assets, Proprietary Funds for the net book value of two city owned buildings were recorded in 2005. Redmond City Hall and the Redmond Technology

Center housed in the former King County Library building were abandoned and demolished in early 2006. City operations were consolidated and employees were moved from the two abandoned buildings and three other buildings to the new Redmond City Hall completed in late 2005.

**NOTE 17:
CONTINGENCIES AND LITIGATION**

As of December 31, 2005, 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:
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. Only one claim in the past three years exceeded the city's insurance coverage. None of the current claims or lawsuits made or expected to be made against the city appear to have any reasonable likelihood of significantly affecting the city's financial situation for 2005. 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 Medical Self-Insurance Fund provides coverage up to a maximum of \$110,000 per person per calendar year with the excess insurance covering up to a lifetime major medical maximum of \$1,000,000. There were two claims in excess of the per person limit in 2005, one claim in excess in 2004, and no claims in excess in 2003. 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 and purchases excess insurance above that, up to the statutory requirements. No reported claim for 2005, 2004, or 2003 exceeded \$350,000. Claims handling is currently contracted to an independent, qualified third party administrator (TPA).

As of December 31, 2005, the city had reserves of \$508,447 in the Insurance Fund and \$1,322,343 in the Medical Self-Insurance Fund to provide against risk of future loss. The city had no reserves in the Workman's Compensation Fund due to insufficient rates to cover 2005 and prior year claim payments and incurred but not reported (IBNR) expenses. The 2006 rates are expected to provide sufficient funds to pay claims and establish a reserve in the Workman's Compensation Fund. 2005 claims in excess of the funds available in the Workman's Compensation Fund were paid from the city's general reserves. State law allows for deficits in the internal service fund to be made up over a reasonable future period. Claims liabilities of \$906,951 have been reported in the Medical Self-Insurance Fund and \$96,978 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 20% of paid claims for the year. At the end of 2005, 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.

CITY OF REDMOND

Changes in the self-insurance funds' claims liabilities in 2004 and 2005 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				
2004	\$ -	\$ 130,899	\$ 130,899	\$ -
2005	\$ -	\$ 135,624	\$ 135,624	\$ -
Medical Insurance Fund				
2004	\$ 604,506	\$4,071,610	\$4,057,135	\$ 618,981
2005	\$ 618,981	\$4,685,719	\$4,397,749	\$ 906,951
Workman's Compensation Fund				
2004	\$ 30,987	\$ 209,677	\$ 220,189	\$ 20,475
2005	\$ 20,475	\$ 498,469	\$ 421,966	\$ 96,978

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 3% 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	\$ 1,000
Excess Workers Compensation	statutory	\$350,000; \$500,000 Police and Fire
Excess Medical Insurance	\$ 1,000,000	\$110,000
Underground storage tank pollution liability	\$ 1,000,000	\$ 5,000 deductible

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

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

**FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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 **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 **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 **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 **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 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 **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.*

*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.*

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005

	Special Revenue Funds			
	Recreation Activities	Arts Activity	Parks Maintenance and Operation	Community Events
ASSETS				
Cash and cash equivalents	\$ 34,803	\$ 11,715	\$ 16,988	\$ 11,691
Cash with outside agency	-	-	-	-
Investments	401,154	139,884	427,552	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Interest	911	241	979	-
Special assessments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Deposit cash	-	-	-	-
Total Assets	<u>\$ 436,868</u>	<u>\$ 151,840</u>	<u>\$ 445,519</u>	<u>\$ 11,691</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 22,390	\$ 396	\$ 8,282	\$ 11,450
Employee wages payable	25,789	1,569	14,867	241
Payable from restricted assets:				
Deposits payable	-	-	-	-
Unearned revenues	-	-	-	-
Total Liabilities	<u>48,179</u>	<u>1,965</u>	<u>23,149</u>	<u>11,691</u>
Fund balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved	<u>388,689</u>	<u>149,875</u>	<u>422,370</u>	<u>-</u>
Total Fund Balances	<u>388,689</u>	<u>149,875</u>	<u>422,370</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 436,868</u>	<u>\$ 151,840</u>	<u>\$ 445,519</u>	<u>\$ 11,691</u>

	Special Revenue Funds			
	Cable Access	Operating Grants	Human Services Grants	Operating Reserves
ASSETS				
Cash and cash equivalents	\$ 329,990	\$ 173,113	\$ 35,380	\$ -
Cash with outside agency	-	-	-	-
Investments	431,279	2,109,799	-	4,155,874
Receivables:				
Taxes	-	-	-	-
Accounts	22,808	-	-	-
Interest	1,696	5,402	-	-
Special assessments	-	-	-	-
Due from other funds	-	-	-	892,886
Due from other governments	-	-	165,571	-
Restricted assets:				
Deposit cash	-	-	-	-
Total Assets	<u>\$ 785,773</u>	<u>\$ 2,288,314</u>	<u>\$ 200,951</u>	<u>\$ 5,048,760</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 107,476	\$ 116,771	\$ 2,044
Employee wages payable	-	5,941	-	-
Payable from restricted assets:				
Deposits payable	-	-	-	-
Unearned revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>113,417</u>	<u>116,771</u>	<u>2,044</u>
Fund balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved	785,773	2,174,897	84,180	5,046,716
Total Fund Balances	<u>785,773</u>	<u>2,174,897</u>	<u>84,180</u>	<u>5,046,716</u>
Total Liabilities and Fund Balances	<u>\$ 785,773</u>	<u>\$ 2,288,314</u>	<u>\$ 200,951</u>	<u>\$ 5,048,760</u>

Special Revenue Funds

<u>Capital Equipment</u>	<u>Fire Equipment</u>	<u>Real Estate Excise Tax</u>	<u>Felony Seizure</u>	<u>Emergency Dispatch</u>
\$ 85,948	\$ 256,649	\$ 187,193	\$ 68,544	\$ 9,693
-	-	-	10,000	-
1,196,115	1,984,345	2,219,080	-	-
-	-	1,234,242	-	-
-	-	-	-	-
2,951	4,974	5,576	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	3,302	-
<u>\$ 1,285,014</u>	<u>\$ 2,245,968</u>	<u>\$ 3,646,091</u>	<u>\$ 81,846</u>	<u>\$ 9,693</u>
\$ 110,786	\$ -	\$ -	\$ 254	\$ -
91	-	-	-	-
-	-	-	3,302	-
-	-	-	-	-
<u>110,877</u>	<u>-</u>	<u>-</u>	<u>3,556</u>	<u>-</u>
-	-	-	-	-
<u>1,174,137</u>	<u>2,245,968</u>	<u>3,646,091</u>	<u>78,290</u>	<u>9,693</u>
<u>1,174,137</u>	<u>2,245,968</u>	<u>3,646,091</u>	<u>78,290</u>	<u>9,693</u>
<u>\$ 1,285,014</u>	<u>\$ 2,245,968</u>	<u>\$ 3,646,091</u>	<u>\$ 81,846</u>	<u>\$ 9,693</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005

	Special Revenue Funds			
	Business License Surcharge	Tourism	Solid Waste Recycling	Total
ASSETS				
Cash and cash equivalents	\$ 312,487	\$ 20,566	\$ 46,626	\$ 1,601,386
Cash with outside agency	-	-	-	10,000
Investments	4,078,051	239,681	536,797	17,919,611
Receivables:				
Taxes	-	-	-	1,234,242
Accounts	-	-	-	22,808
Interest	10,346	497	1,377	34,950
Special assessments	-	-	-	-
Due from other funds	-	-	-	892,886
Due from other governments	-	-	-	165,571
Restricted assets:				
Deposit cash	-	-	-	3,302
Total Assets	<u>\$ 4,400,884</u>	<u>\$ 260,744</u>	<u>\$ 584,800</u>	<u>\$ 21,884,756</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 14,016	\$ 18,901	\$ 412,766
Employee wages payable	-	-	6,995	55,493
Payable from restricted assets:				
Deposits payable	-	-	-	3,302
Unearned revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>14,016</u>	<u>25,896</u>	<u>471,561</u>
Fund balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved	<u>4,400,884</u>	<u>246,728</u>	<u>558,904</u>	<u>21,413,195</u>
Total Fund Balances	<u>4,400,884</u>	<u>246,728</u>	<u>558,904</u>	<u>21,413,195</u>
Total Liabilities and Fund Balances	<u>\$ 4,400,884</u>	<u>\$ 260,744</u>	<u>\$ 584,800</u>	<u>\$ 21,884,756</u>

Debt Service Funds

Regular Levy	Special Levy	L.I.D. Control	L.I.D. Guaranty	Total
\$ -	\$ 228,680	\$ 188,364	\$ 77,763	\$ 494,807
-	-	-	-	-
-	-	-	794,461	794,461
-	29,038	-	-	29,038
-	-	-	-	-
-	-	108,454	1,920	110,374
-	-	850,788	-	850,788
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 257,718</u>	<u>\$ 1,147,606</u>	<u>\$ 874,144</u>	<u>\$ 2,279,468</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	29,105	713,684	-	742,789
<u>-</u>	<u>29,105</u>	<u>713,684</u>	<u>-</u>	<u>742,789</u>
-	228,613	433,922	874,144	1,536,679
-	-	-	-	-
<u>-</u>	<u>228,613</u>	<u>433,922</u>	<u>874,144</u>	<u>1,536,679</u>
<u>\$ -</u>	<u>\$ 257,718</u>	<u>\$ 1,147,606</u>	<u>\$ 874,144</u>	<u>\$ 2,279,468</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005

	Capital Projects Funds			Total Nonmajor Governmental Funds
	Park Acqjusion and Renovation	G.O. Bonds Fire	Total	
ASSETS				
Cash and cash equivalents	\$ 965,173	\$ 81,403	\$ 1,046,576	\$ 3,142,769
Cash with outside agency	-	-	-	10,000
Investments	-	-	-	18,714,072
Receivables:				
Taxes	-	-	-	1,263,280
Accounts	-	-	-	22,808
Interest	-	-	-	145,324
Special assessments	-	-	-	850,788
Due from other funds	-	-	-	892,886
Due from other governments	-	-	-	165,571
Restricted assets:				
Deposit cash	-	-	-	3,302
Total Assets	\$ 965,173	\$ 81,403	\$ 1,046,576	\$ 25,210,800
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 412,766
Employee wages payable	-	-	-	55,493
Payable from restricted assets:				
Deposits payable	-	-	-	3,302
Unearned revenues	-	-	-	742,789
Total Liabilities	-	-	-	1,214,350
Fund balances				
Reserved for:				
Debt service	-	-	-	1,536,679
Unreserved	965,173	81,403	1,046,576	22,459,771
Total Fund Balances	965,173	81,403	1,046,576	23,996,450
Total Liabilities and Fund Balances	\$ 965,173	\$ 81,403	\$ 1,046,576	\$ 25,210,800

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

Page 1 of 7

	Special Revenue Funds		
	Recreation Activities	Arts Activity	Park Maintenance and Operation
REVENUES			
Taxes	\$ -	\$ -	\$ 673,180
Special assessments	-	-	-
Contributions	55,782	14,019	2,047
Intergovernmental	-	2,625	20,000
Charges for services	1,442,167	4,037	-
Fines and forfeitures	-	-	-
Investment income	10,662	2,335	5,770
Miscellaneous	116,639	1,217	147,463
Total Revenues	<u>1,625,250</u>	<u>24,233</u>	<u>848,460</u>
EXPENDITURES			
Current			
General government	-	-	-
Security of persons and property	-	-	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Mental/physical health	-	-	-
Culture and recreation	1,361,536	103,388	668,228
Capital outlay	-	8,500	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>1,361,536</u>	<u>111,888</u>	<u>668,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>263,714</u>	<u>(87,655)</u>	<u>180,232</u>
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	-	96,014	-
Transfers out	(19,301)	-	(40,000)
Total other financing sources (uses)	<u>(19,301)</u>	<u>96,014</u>	<u>(40,000)</u>
Net change in fund balances	244,413	8,359	140,232
Fund balances-beginning	144,276	141,516	282,138
Fund balances-ending	<u>\$ 388,689</u>	<u>\$ 149,875</u>	<u>\$ 422,370</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	Special Revenue Funds		
	Community Events	Cable Access	Operating Grants
REVENUES			
Taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Contributions	67,841	99,075	-
Intergovernmental	-	-	325,724
Charges for services	11,191	-	-
Fines and forfeitures	-	-	-
Investment income	-	19,680	46,517
Miscellaneous	9,093	-	-
Total Revenues	<u>88,125</u>	<u>118,755</u>	<u>372,241</u>
EXPENDITURES			
Current			
General government	-	-	-
Security of persons and property	-	-	-
Physical environment	-	-	-
Transportation	-	-	698,107
Economic environment	-	71,110	-
Mental/physical health	-	-	-
Culture and recreation	281,173	-	-
Capital outlay	-	140,990	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>281,173</u>	<u>212,100</u>	<u>698,107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(193,048)</u>	<u>(93,345)</u>	<u>(325,866)</u>
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	170,801	-	650,000
Transfers out	-	-	-
Total other financing sources (uses)	<u>170,801</u>	<u>-</u>	<u>650,000</u>
Net change in fund balances	<u>(22,247)</u>	<u>(93,345)</u>	<u>324,134</u>
Fund balances-beginning	22,247	879,118	1,850,763
Fund balances-ending	<u>\$ -</u>	<u>\$ 785,773</u>	<u>\$ 2,174,897</u>

Special Revenue Funds

Human Services Grants	Operating Reserve	Capital Equipment	Fire Equipment
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	9,736
173,549	-	-	-
-	-	-	-
-	-	-	-
-	-	29,984	45,684
-	-	-	32,028
<u>173,549</u>	<u>-</u>	<u>29,984</u>	<u>87,448</u>
-	-	414,458	-
-	30,527	82,357	30,497
-	-	-	-
-	-	-	-
608,105	-	6,438	-
83,514	-	-	-
-	-	150,955	-
-	-	579,801	21,793
-	-	-	-
-	-	-	-
<u>691,619</u>	<u>30,527</u>	<u>1,234,009</u>	<u>52,290</u>
<u>(518,070)</u>	<u>(30,527)</u>	<u>(1,204,025)</u>	<u>35,158</u>
-	-	-	3,750
541,571	98,252	1,000,000	461,000
-	-	-	-
<u>541,571</u>	<u>98,252</u>	<u>1,000,000</u>	<u>464,750</u>
23,501	67,725	(204,025)	499,908
60,679	4,978,991	1,378,162	1,746,060
<u>\$ 84,180</u>	<u>\$ 5,046,716</u>	<u>\$ 1,174,137</u>	<u>\$ 2,245,968</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

Special Revenue Funds

	Real Estate Excise Tax	Felony Seizure	Emergency Dispatch
REVENUES			
Taxes	\$ 5,458,685	\$ -	\$ -
Special assessments	-	-	-
Contributions	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	7,325	-
Investment income	65,189	-	-
Miscellaneous	-	-	-
Total Revenues	<u>5,523,874</u>	<u>7,325</u>	<u>-</u>
EXPENDITURES			
Current	-	-	-
General government	-	-	-
Security of persons and property	-	15,736	9,389
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Mental/physical health	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>-</u>	<u>15,736</u>	<u>9,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,523,874</u>	<u>(8,411)</u>	<u>(9,389)</u>
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(6,302,707)	-	-
Total other financing sources (uses)	<u>(6,302,707)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(778,833)	(8,411)	(9,389)
Fund balances-beginning	4,424,924	86,701	19,082
Fund balances-ending	<u>\$ 3,646,091</u>	<u>\$ 78,290</u>	<u>\$ 9,693</u>

Special Revenue Funds

Business License Surcharge	Tourism	Solid Waste Recycling	Total
\$ 3,602,039	\$ 241,358	\$ -	\$ 9,975,262
-	-	-	-
-	-	-	248,500
-	-	-	521,898
-	-	364,859	1,822,254
-	-	-	7,325
152,014	4,866	14,321	397,022
-	-	68	306,508
<u>3,754,053</u>	<u>246,224</u>	<u>379,248</u>	<u>13,278,769</u>
-	-	-	414,458
-	-	-	168,506
-	-	407,527	407,527
-	-	-	698,107
-	106,532	-	792,185
-	-	-	83,514
-	-	-	2,565,280
-	-	12,125	763,209
-	-	-	-
-	-	-	-
-	106,532	419,652	5,892,786
<u>3,754,053</u>	<u>139,692</u>	<u>(40,404)</u>	<u>7,385,983</u>
-	-	-	3,750
-	-	-	3,017,638
<u>(4,224,000)</u>	<u>(68,000)</u>	<u>(10,000)</u>	<u>(10,664,008)</u>
<u>(4,224,000)</u>	<u>(68,000)</u>	<u>(10,000)</u>	<u>(7,642,620)</u>
(469,947)	71,692	(50,404)	(256,637)
4,870,831	175,036	609,308	21,669,832
<u>\$ 4,400,884</u>	<u>\$ 246,728</u>	<u>\$ 558,904</u>	<u>\$ 21,413,195</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	Debt Service Funds			
	Regular Levy	Special Levy	L.I.D. Control	L.I.D. Guaranty
REVENUES				
Taxes	\$ -	\$ 2,957,130	\$ -	\$ -
Special assessments	-	-	296,954	-
Contributions	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	22,437
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>2,957,130</u>	<u>296,954</u>	<u>22,437</u>
EXPENDITURES				
Current				
General government	-	-	-	55
Security of persons and property	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	737,554	2,735,000	365,000	-
Interest	91,723	232,243	82,519	-
Total Expenditures	<u>829,277</u>	<u>2,967,243</u>	<u>447,519</u>	<u>55</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(829,277)</u>	<u>(10,113)</u>	<u>(150,565)</u>	<u>22,382</u>
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	-	-
Transfers in	829,277	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>829,277</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(10,113)	(150,565)	22,382
Fund balances-beginning	-	238,726	584,487	851,762
Fund balances-ending	<u>\$ -</u>	<u>\$ 228,613</u>	<u>\$ 433,922</u>	<u>\$ 874,144</u>

Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
Total	Park Acquisition and Renovation	G.O. Bonds Fire	Total		
\$ 2,957,130	\$ -	\$ -	\$ -	\$	12,932,392
296,954	-	-	-		296,954
-	-	-	-		248,500
-	-	-	-		521,898
-	-	-	-		1,822,254
-	-	-	-		7,325
22,437	27,628	765	28,393		447,852
-	-	-	-		306,508
<u>3,276,521</u>	<u>27,628</u>	<u>765</u>	<u>28,393</u>		<u>16,583,683</u>
55	-	-	-		414,513
-	-	-	-		168,506
-	-	-	-		407,527
-	-	-	-		698,107
-	-	-	-		792,185
-	-	-	-		83,514
-	-	-	-		2,565,280
-	-	-	-		763,209
3,837,554	-	-	-		3,837,554
406,485	-	-	-		406,485
<u>4,244,094</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>10,136,880</u>
(967,573)	27,628	765	28,393		6,446,803
-	-	-	-		3,750
829,277	-	-	-		3,846,915
-	-	-	-		(10,664,008)
<u>829,277</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(6,813,343)</u>
(138,296)	27,628	765	28,393		(366,540)
1,674,975	937,545	80,638	1,018,183		24,362,990
<u>\$ 1,536,679</u>	<u>\$ 965,173</u>	<u>\$ 81,403</u>	<u>\$ 1,046,576</u>	<u>\$</u>	<u>23,996,450</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 RECREATION ACTIVITIES SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Charges for services	2,702,000	2,702,000	1,442,167	(1,259,833)
Contributions	20,000	20,000	55,782	35,782
Investment income	12,000	12,000	10,662	(1,338)
Miscellaneous	<u>192,000</u>	<u>192,000</u>	<u>116,639</u>	<u>(75,361)</u>
Total Revenues	2,934,000	2,934,000	1,625,250	(1,308,750)
EXPENDITURES				
Culture and recreation	<u>2,834,624</u>	<u>2,834,624</u>	<u>1,361,536</u>	<u>1,473,088</u>
Total Expenditures	<u>2,834,624</u>	<u>2,834,624</u>	<u>1,361,536</u>	<u>1,473,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99,376</u>	<u>99,376</u>	<u>263,714</u>	<u>164,338</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(38,000)</u>	<u>(38,000)</u>	<u>(19,301)</u>	<u>18,699</u>
Total other financing sources (uses)	<u>(38,000)</u>	<u>(38,000)</u>	<u>(19,301)</u>	<u>18,699</u>
Net change in fund balance	61,376	61,376	244,413	183,037
Fund balance-beginning	<u>139,618</u>	<u>144,276</u>	<u>144,276</u>	<u>-</u>
Fund balance-ending	<u>\$ 200,994</u>	<u>\$ 205,652</u>	<u>\$ 388,689</u>	<u>\$ 183,037</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ARTS ACTIVITY SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget 2005-2006	Final Budget 2005-2006	Actual Biennium to Date Through 12/31/05	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 29,100	\$ 29,100	\$ 2,625	\$ (26,475)
Charges for services	3,000	3,000	4,037	1,037
Contributions	21,000	21,000	14,019	(6,981)
Investment income	6,200	6,200	2,335	(3,865)
Miscellaneous	34,100	34,100	1,217	(32,883)
Total Revenues	<u>93,400</u>	<u>93,400</u>	<u>24,233</u>	<u>(69,167)</u>
EXPENDITURES				
Culture and recreation	310,936	310,936	103,388	207,548
Capital outlay	<u>50,739</u>	<u>50,739</u>	<u>8,500</u>	<u>42,239</u>
Total Expenditures	<u>361,675</u>	<u>361,675</u>	<u>111,888</u>	<u>249,787</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(268,275)</u>	<u>(268,275)</u>	<u>(87,655)</u>	<u>180,620</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>182,784</u>	<u>182,784</u>	<u>96,014</u>	<u>(86,770)</u>
Total other financing sources (uses)	<u>182,784</u>	<u>182,784</u>	<u>96,014</u>	<u>(86,770)</u>
Net change in fund balance	(85,491)	(85,491)	8,359	93,850
Fund balance-beginning	<u>145,491</u>	<u>145,491</u>	<u>141,516</u>	<u>(3,975)</u>
Fund balance-ending	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 149,875</u>	<u>\$ 89,875</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 Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,333,030	\$ 1,333,030	\$ 673,180	\$ (659,850)
Intergovernmental	-	-	20,000	20,000
Contributions	1,000	1,000	2,047	1,047
Investment income	4,000	4,000	5,770	1,770
Miscellaneous	49,734	49,734	147,463	97,729
Total Revenues	<u>1,387,764</u>	<u>1,387,764</u>	<u>848,460</u>	<u>(539,304)</u>
EXPENDITURES				
Culture and recreation	<u>1,501,187</u>	<u>1,501,187</u>	<u>668,228</u>	<u>832,959</u>
Total Expenditures	<u>1,501,187</u>	<u>1,501,187</u>	<u>668,228</u>	<u>832,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113,423)</u>	<u>(113,423)</u>	<u>180,232</u>	<u>293,655</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
Net change in fund balance	(113,423)	(113,423)	140,232	253,655
Fund balance-beginning	174,112	282,138	282,138	-
Fund balance-ending	<u>\$ 60,689</u>	<u>\$ 168,715</u>	<u>\$ 422,370</u>	<u>\$ 253,655</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 COMMUNITY EVENTS SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	<u>Original Budget 2005-2006</u>	<u>Final Budget 2005-2006</u>	<u>Actual Biennium to Date Through 12/31/05</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Charges for services	\$ 28,600	\$ 28,600	\$ 11,191	\$ (17,409)
Contributions	184,100	184,100	67,841	(116,259)
Miscellaneous	<u>187,200</u>	<u>187,200</u>	<u>9,093</u>	<u>(178,107)</u>
Total Revenues	399,900	399,900	88,125	(311,775)
EXPENDITURES				
Culture and recreation	<u>576,200</u>	<u>576,200</u>	<u>281,173</u>	<u>295,027</u>
Total Expenditures	<u>576,200</u>	<u>576,200</u>	<u>281,173</u>	<u>295,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(176,300)</u>	<u>(176,300)</u>	<u>(193,048)</u>	<u>(16,748)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>215,000</u>	<u>215,000</u>	<u>170,801</u>	<u>(44,199)</u>
Total other financing sources (uses)	<u>215,000</u>	<u>215,000</u>	<u>170,801</u>	<u>(44,199)</u>
Net change in fund balance	38,700	38,700	(22,247)	(60,947)
Fund balance-beginning	<u>17,780</u>	<u>22,247</u>	<u>22,247</u>	<u>-</u>
Fund balance-ending	<u>\$ 56,480</u>	<u>\$ 60,947</u>	<u>\$ -</u>	<u>\$ (60,947)</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 CABLE ACCESS SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Contributions	\$ 345,000	\$ 345,000	\$ 99,075	\$ (245,925)
Investment interest	<u>5,000</u>	<u>5,000</u>	<u>19,680</u>	<u>14,680</u>
Total Revenues	350,000	350,000	118,755	(231,245)
EXPENDITURES				
Economic development	582,053	665,092	71,110	593,982
Capital outlay	<u>484,875</u>	<u>544,026</u>	<u>140,990</u>	<u>403,036</u>
Total Expenditures	<u>1,066,928</u>	<u>1,209,118</u>	<u>212,100</u>	<u>997,018</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(716,928)</u>	<u>(859,118)</u>	<u>(93,345)</u>	<u>765,773</u>
Net change in fund balance	(716,928)	(859,118)	(93,345)	765,773
Fund balance-beginning	<u>736,928</u>	<u>879,118</u>	<u>879,118</u>	<u>-</u>
Fund balance-ending	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 785,773</u>	<u>\$ 765,773</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 OPERATING GRANTS SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 163,942	\$ 589,991	\$ 325,724	\$ (264,267)
Charges for services	123,000	123,000	-	(123,000)
Investment income	-	-	46,517	46,517
Total Revenues	<u>286,942</u>	<u>712,991</u>	<u>372,241</u>	<u>(340,750)</u>
EXPENDITURES				
Transportation	<u>3,115,630</u>	<u>4,141,679</u>	<u>698,107</u>	<u>3,443,572</u>
Total Expenditures	<u>3,115,630</u>	<u>4,141,679</u>	<u>698,107</u>	<u>3,443,572</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,828,688)</u>	<u>(3,428,688)</u>	<u>(325,866)</u>	<u>3,102,822</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>900,000</u>	<u>1,500,000</u>	<u>650,000</u>	<u>(850,000)</u>
Total other financing sources (uses)	<u>900,000</u>	<u>1,500,000</u>	<u>650,000</u>	<u>(850,000)</u>
Net change in fund balance	<u>(1,928,688)</u>	<u>(1,928,688)</u>	<u>324,134</u>	<u>2,252,822</u>
Fund balance-beginning	<u>1,928,688</u>	<u>1,928,688</u>	<u>1,850,763</u>	<u>(77,925)</u>
Fund balance-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,174,897</u>	<u>\$ 2,174,897</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 HUMAN SERVICES GRANTS SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 119,443	\$ 233,629	\$ 173,549	\$ (60,080)
Total Revenues	<u>119,443</u>	<u>233,629</u>	<u>173,549</u>	<u>(60,080)</u>
EXPENDITURES				
Economic development	1,058,977	1,220,337	608,105	612,232
Mental/physical health	<u>168,768</u>	<u>168,768</u>	<u>83,514</u>	<u>85,254</u>
Total Expenditures	<u>1,227,745</u>	<u>1,389,105</u>	<u>691,619</u>	<u>697,486</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,108,302)</u>	<u>(1,155,476)</u>	<u>(518,070)</u>	<u>637,406</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,098,548</u>	<u>1,098,548</u>	<u>541,571</u>	<u>(556,977)</u>
Total other financing sources (uses)	<u>1,098,548</u>	<u>1,098,548</u>	<u>541,571</u>	<u>(556,977)</u>
Net change in fund balance	(9,754)	(56,928)	23,501	80,429
Fund balance-beginning	<u>13,505</u>	<u>60,679</u>	<u>60,679</u>	<u>-</u>
Fund balance-ending	<u>\$ 3,751</u>	<u>\$ 3,751</u>	<u>\$ 84,180</u>	<u>\$ 80,429</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 OPERATING RESERVE SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	<u>Original Budget 2005-2006</u>	<u>Final Budget 2005-2006</u>	<u>Actual Biennium to Date Through 12/31/05</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES				
Security of persons and property	\$ 140,000	\$ 140,000	\$ 30,527	\$ 109,473
Total expenditures	140,000	140,000	30,527	109,473
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>140,000</u>	<u>140,000</u>	<u>98,252</u>	<u>(41,748)</u>
Total other financing sources (uses)	<u>140,000</u>	<u>140,000</u>	<u>98,252</u>	<u>(41,748)</u>
Net change in fund balance	-	-	67,725	(151,221)
Fund balance-beginning	<u>4,906,390</u>	<u>4,978,991</u>	<u>4,978,991</u>	<u>-</u>
Fund balance-ending	<u>\$ 4,906,390</u>	<u>\$ 4,978,991</u>	<u>\$ 5,046,716</u>	<u>\$ (151,221)</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 CAPITAL EQUIPMENT SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Investment income	\$ 125,000	\$ 125,000	\$ 29,984	\$ (95,016)
Total Revenues	<u>125,000</u>	<u>125,000</u>	<u>29,984</u>	<u>(95,016)</u>
EXPENDITURES				
Current				
General government	1,301,328	1,301,328	414,458	886,870
Security of persons and property	105,928	105,928	82,357	23,571
Physical environment	11,000	11,000	-	11,000
Economic environment	56,500	56,500	6,438	50,062
Culture and recreation	129,850	129,850	150,955	(21,105)
Capital outlay	<u>1,111,300</u>	<u>1,111,300</u>	<u>579,801</u>	<u>531,499</u>
Total Expenditures	<u>2,715,906</u>	<u>2,715,906</u>	<u>1,234,009</u>	<u>1,481,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,590,906)</u>	<u>(2,590,906)</u>	<u>(1,204,025)</u>	<u>1,386,881</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>	<u>(1,000,000)</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>	<u>(1,000,000)</u>
Net change in fund balance	(590,906)	(590,906)	(204,025)	386,881
Fund balance-beginning	<u>1,283,877</u>	<u>1,375,162</u>	<u>1,378,162</u>	<u>3,000</u>
Fund balance-ending	<u>\$ 692,971</u>	<u>\$ 784,256</u>	<u>\$ 1,174,137</u>	<u>\$ 389,881</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FIRE EQUIPMENT SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	<u>Original Budget 2005-2006</u>	<u>Final Budget 2005-2006</u>	<u>Actual Biennium to Date Through 12/31/05</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Contributions	\$ 30,000	\$ 30,000	\$ 9,736	\$ (20,264)
Investment income	40,000	40,000	45,684	5,684
Miscellaneous	<u>52,658</u>	<u>52,658</u>	<u>32,028</u>	<u>(20,630)</u>
Total Revenues	122,658	122,658	87,448	(35,210)
EXPENDITURES				
Security of persons and property	100,000	100,000	30,497	69,503
Capital outlay	<u>1,700,272</u>	<u>1,700,272</u>	<u>21,793</u>	<u>1,678,479</u>
Total Expenditures	<u>1,800,272</u>	<u>1,800,272</u>	<u>52,290</u>	<u>1,747,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,677,614)</u>	<u>(1,677,614)</u>	<u>35,158</u>	<u>1,712,772</u>
OTHER FINANCING SOURCES (USES)				
Disposition of fixed assets	25,000	25,000	3,750	(21,250)
Transfers in	<u>922,000</u>	<u>922,000</u>	<u>461,000</u>	<u>(461,000)</u>
Total other financing sources (uses)	<u>947,000</u>	<u>947,000</u>	<u>464,750</u>	<u>(482,250)</u>
Net change in fund balance	(730,614)	(730,614)	499,908	1,230,522
Fund balance-beginning	<u>1,394,693</u>	<u>1,746,060</u>	<u>1,746,060</u>	<u>-</u>
Fund balance-ending	<u>\$ 664,079</u>	<u>\$ 1,015,446</u>	<u>\$ 2,245,968</u>	<u>\$ 1,230,522</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 Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 5,400,000	\$ 5,400,000	\$ 5,458,685	\$ 58,685
Investment income	<u>40,000</u>	<u>40,000</u>	<u>65,189</u>	<u>25,189</u>
Total Revenues	5,440,000	5,440,000	5,523,874	83,874
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(9,042,707)</u>	<u>(9,042,707)</u>	<u>(6,302,707)</u>	<u>2,740,000</u>
Total other financing sources (uses)	<u>(9,042,707)</u>	<u>(9,042,707)</u>	<u>(6,302,707)</u>	<u>2,740,000</u>
Net change in fund balance	(3,602,707)	(3,602,707)	(778,833)	2,823,874
Fund balance-beginning	<u>3,602,707</u>	<u>4,424,924</u>	<u>4,424,924</u>	<u>-</u>
Fund balance-ending	<u>\$ -</u>	<u>\$ 822,217</u>	<u>\$ 3,646,091</u>	<u>\$ 2,823,874</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FELONY SEIZURE SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 3,400	\$ 3,400	\$ 7,325	\$ 3,925
Total Revenues	<u>3,400</u>	<u>3,400</u>	<u>7,325</u>	<u>3,925</u>
EXPENDITURES				
Security of persons and property	<u>49,734</u>	<u>49,734</u>	<u>15,736</u>	<u>33,998</u>
Total Expenditures	<u>49,734</u>	<u>49,734</u>	<u>15,736</u>	<u>33,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,334)</u>	<u>(46,334)</u>	<u>(8,411)</u>	<u>37,923</u>
Net change in fund balance	(46,334)	(46,334)	(8,411)	37,923
Fund balance-beginning	<u>70,904</u>	<u>76,250</u>	<u>86,701</u>	<u>10,451</u>
Fund balance-ending	<u>\$ 24,570</u>	<u>\$ 29,916</u>	<u>\$ 78,290</u>	<u>\$ 48,374</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 EMERGENCY DISPATCH SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Security of persons and property	\$ -	\$ -	\$ 9,389	\$ (9,389)
Capital outlay	-	19,082	-	19,082
Total Expenditures	<u>-</u>	<u>19,082</u>	<u>9,389</u>	<u>9,693</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(19,082)</u>	<u>(9,389)</u>	<u>9,693</u>
Net change in fund balance	-	(19,082)	(9,389)	9,693
Fund balance-beginning	-	19,082	19,082	-
Fund balance-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,693</u>	<u>\$ 9,693</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 BUSINESS LICENSE SURCHARGE SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 7,008,157	\$ 7,008,157	\$ 3,602,039	\$ (3,406,118)
Investment income	<u>200,000</u>	<u>200,000</u>	<u>152,014</u>	<u>(47,986)</u>
Total Revenues	7,208,157	7,208,157	3,754,053	(3,454,104)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(800,000)</u>	<u>(5,024,000)</u>	<u>(4,224,000)</u>	<u>800,000</u>
Total other financing sources (uses)	<u>(800,000)</u>	<u>(5,024,000)</u>	<u>(4,224,000)</u>	<u>800,000</u>
Net change in fund balance	6,408,157	2,184,157	(469,947)	(2,654,104)
Fund balance-beginning	4,616,890	4,870,831	4,870,831	-
Fund balance-ending	<u>\$ 11,025,047</u>	<u>\$ 7,054,988</u>	<u>\$ 4,400,884</u>	<u>\$ (2,654,104)</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 TOURISM SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 395,600	\$ 395,600	\$ 241,358	\$ (154,242)
Investment income	<u>5,000</u>	<u>5,000</u>	<u>4,866</u>	<u>(134)</u>
Total Revenues	400,600	400,600	246,224	(154,376)
EXPENDITURES				
Economic development	<u>495,281</u>	<u>575,636</u>	<u>106,532</u>	<u>469,104</u>
Total Expenditures	<u>495,281</u>	<u>575,636</u>	<u>106,532</u>	<u>469,104</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94,681)</u>	<u>(175,036)</u>	<u>139,692</u>	<u>314,728</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(68,000)</u>	<u>(68,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(68,000)</u>	<u>(68,000)</u>
Net change in fund balance	(94,681)	(175,036)	71,692	246,728
Fund balance-beginning	<u>94,681</u>	<u>175,036</u>	<u>175,036</u>	<u>-</u>
Fund balance-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,728</u>	<u>\$ 246,728</u>

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 SOLID WASTE RECYCLING SPECIAL REVENUE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Charges for services	704,200	704,200	364,859	(339,341)
Investment income	24,000	24,000	14,321	(9,679)
Miscellaneous	4,200	4,200	68	(4,132)
Total Revenues	<u>832,400</u>	<u>832,400</u>	<u>379,248</u>	<u>(453,152)</u>
EXPENDITURES				
Physical environment	1,209,293	1,209,293	407,527	801,766
Capital outlay	-	-	12,125	(12,125)
Total Expenditures	<u>1,209,293</u>	<u>1,209,293</u>	<u>419,652</u>	<u>789,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(376,893)</u>	<u>(376,893)</u>	<u>(40,404)</u>	<u>336,489</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(10,000)	(10,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Net change in fund balance	(376,893)	(376,893)	(50,404)	326,489
Fund balance-beginning	487,417	609,308	609,308	-
Fund balance-ending	<u>\$ 110,524</u>	<u>\$ 232,415</u>	<u>\$ 558,904</u>	<u>\$ 326,489</u>

CITY OF REDMOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 REGULAR LEVY DEBT SERVICE FUND
 For the Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Principal	\$ 1,645,610	\$ 1,645,610	\$ 737,554	\$ 908,056
Interest	<u>-</u>	<u>-</u>	<u>91,724</u>	<u>(91,724)</u>
Total Expenditures	<u>1,645,610</u>	<u>1,645,610</u>	<u>829,278</u>	<u>816,332</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,645,610</u>	<u>1,645,610</u>	<u>829,278</u>	<u>(816,332)</u>
Total other financing sources (uses)	<u>1,645,610</u>	<u>1,645,610</u>	<u>829,278</u>	<u>(816,332)</u>
Net change in fund balance	-	-	-	-
Fund balance-beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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 Biennium Ended December 31, 2005

	Original Budget <u>2005-2006</u>	Final Budget <u>2005-2006</u>	Actual Biennium to Date Through <u>12/31/05</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,982,593	\$ 3,982,593	\$ 2,957,130	\$ (1,025,463)
Total Revenues	<u>3,982,593</u>	<u>3,982,593</u>	<u>2,957,130</u>	<u>(1,025,463)</u>
EXPENDITURES				
Principal	2,935,000	2,935,000	2,735,000	200,000
Interest	<u>332,133</u>	<u>332,133</u>	<u>232,243</u>	<u>99,890</u>
Total Expenditures	<u>3,267,133</u>	<u>3,267,133</u>	<u>2,967,243</u>	<u>299,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>715,460</u>	<u>715,460</u>	<u>(10,113)</u>	<u>(725,573)</u>
Net change in fund balance	715,460	715,460	(10,113)	(725,573)
Fund balance-beginning	<u>209,343</u>	<u>238,726</u>	<u>238,726</u>	<u>-</u>
Fund balance-ending	<u><u>\$ 924,803</u></u>	<u><u>\$ 954,186</u></u>	<u><u>\$ 228,613</u></u>	<u><u>\$ (725,573)</u></u>

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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.*

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

December 31, 2005

	Fleet Maintenance	Insurance
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 412,532	\$ 34,604
Investments	5,003,268	387,218
Receivables:		
Interest	49,048	3,376
Inventory	27,037	-
Prepaid insurance	-	124,387
Restricted assets:		
Deposits	-	1,576
Total current assets	5,491,885	551,161
Noncurrent assets:		
Land	584,292	-
Buildings	510,196	-
Improvements other than buildings	248,876	-
Equipment	8,482,573	-
Less accumulated depreciation	(6,370,406)	-
Total noncurrent assets	3,455,531	-
Total Assets	\$ 8,947,416	\$ 551,161
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 40,480	\$ 7,090
Employee wages payable	33,079	10,946
Compensated absences	25,079	18,482
Customer deposits payable	-	1,576
Total current liabilities	104,908	42,714
Noncurrent liabilities:		
Compensated absences	6,270	4,620
Total noncurrent liabilities	6,270	4,620
Total Liabilities	104,908	42,714
NET ASSETS		
Invested in capital assets, net of related debt	3,455,531	-
Unrestricted	5,386,977	508,447
Total Net Assets	\$ 8,842,508	\$ 508,447

	Medical Self-Insurance	Workman's Compensation	Information Technology	Total
\$	92,119	\$ 31,737	\$ 488,097	\$ 1,059,089
	2,117,831	-	-	7,508,317
	20,499	-	-	72,923
	-	-	-	27,037
	-	-	-	124,387
	195	-	-	1,771
	<u>2,230,644</u>	<u>31,737</u>	<u>488,097</u>	<u>8,793,524</u>
	-	-	-	584,292
	-	-	109,298	619,494
	-	-	-	248,876
	-	-	89,451	8,572,024
	-	-	(48,628)	(6,419,034)
	-	-	150,121	3,605,652
\$	<u>2,230,644</u>	<u>31,737</u>	<u>638,218</u>	<u>12,399,176</u>
\$	908,106	\$ 96,978	\$ 41,094	\$ 1,093,748
	-	-	70,694	114,719
	-	-	84,892	128,453
	195	-	-	1,771
	<u>908,301</u>	<u>96,978</u>	<u>196,680</u>	<u>1,338,691</u>
	-	-	21,223	32,113
	-	-	21,223	32,113
	<u>908,301</u>	<u>96,978</u>	<u>217,903</u>	<u>1,370,804</u>
	-	-	150,121	3,605,652
	1,322,343	(65,241)	270,194	7,422,720
\$	<u>1,322,343</u>	<u>(65,241)</u>	<u>420,315</u>	<u>11,028,372</u>

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the year ended December 31, 2005

	Fleet Maintenance	Insurance
Operating revenues:		
Charges for services	\$ 249,072	\$ -
Charges for replacement	1,631,286	-
Charges for insurance	-	1,076,871
Total Operating Revenues	1,880,358	1,076,871
Operating expenses:		
Administrative and general	-	884,250
Maintenance and operations	870,786	-
Supplies	381,798	483
Depreciation and amortization	927,889	-
Total Operating Expenses	2,180,473	884,733
Operating income (loss)	(300,115)	192,138
Nonoperating revenues (expenses):		
Interest and investment revenue	138,359	9,831
Gain on sale of capital assets	17,906	-
Miscellaneous	-	-
Total nonoperating revenues (expenses)	156,265	9,831
Income (loss) before contributions and transfers	(143,850)	201,969
Transfers in	28,494	-
Transfers out	-	-
Change in net assets	(115,356)	201,969
Total net assets - beginning	8,957,864	306,478
Total net assets - ending	\$ 8,842,508	\$ 508,447

Medical Self-Insurance	Workman's Compensation	Information Technology	Total
\$ -	\$ -	\$ 2,596,446	\$ 2,845,518
-	-	-	1,631,286
5,308,148	444,317	-	6,829,336
<u>5,308,148</u>	<u>444,317</u>	<u>2,596,446</u>	<u>11,306,140</u>
5,764,536	663,963	2,409,440	9,722,189
-	-	-	870,786
2,891	-	45,114	430,286
-	-	12,324	940,213
<u>5,767,427</u>	<u>663,963</u>	<u>2,466,878</u>	<u>11,963,474</u>
<u>(459,279)</u>	<u>(219,646)</u>	<u>129,568</u>	<u>(657,334)</u>
58,492	401	-	207,083
-	-	-	17,906
563,788	-	-	563,788
<u>622,280</u>	<u>401</u>	<u>-</u>	<u>788,777</u>
163,001	(219,245)	129,568	131,443
-	-	-	28,494
<u>(98,252)</u>	<u>-</u>	<u>-</u>	<u>(98,252)</u>
64,749	(219,245)	129,568	61,685
1,257,594	154,004	290,747	10,966,687
<u>\$ 1,322,343</u>	<u>\$ (65,241)</u>	<u>\$ 420,315</u>	<u>\$ 11,028,372</u>

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2005

	Fleet Maintenance	Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 249,072	\$ 1,075,295
Cash received for replacement	1,631,286	-
Cash payments to suppliers	(428,120)	(642,791)
Cash payments to employees	(573,685)	(215,048)
Internal activity - payments to other funds	(287,639)	(21,856)
Other operating receipts and payments	-	(124,387)
Net cash provided (used) by operating activities	590,914	71,213
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	-	-
Net cash used by noncapital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(309,533)	-
Proceeds from sale of capital assets	25,133	-
Net cash used for capital and related financing activities	(284,400)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(436,116)	(72,819)
Interest on investments	124,278	8,530
Net cash provided (used) in investing activities	(311,838)	(64,289)
Net increase (decrease) in cash and cash equivalents	(5,324)	6,924
Cash and cash equivalents-beginning of year	417,856	29,256
Cash and cash equivalents-end of year	\$ 412,532	\$ 36,180
Cash at the end of the year consists of:		
Operating fund cash	412,532	34,604
Customer deposits	-	1,576
Total cash at end of year	\$ 412,532	\$ 36,180

Medical Self-Insurance	Workman's Compensation	Information Technology	Total
\$ 5,308,398	\$ 444,317	\$ 2,596,446	\$ 9,673,528
-	-	-	1,631,286
(5,484,113)	(587,460)	(556,349)	(7,698,833)
-	-	(1,719,883)	(2,508,616)
-	-	(193,399)	(502,894)
563,788	-	-	439,401
<u>388,073</u>	<u>(143,143)</u>	<u>126,815</u>	<u>1,033,872</u>
(98,252)	-	-	(98,252)
<u>(98,252)</u>	<u>-</u>	<u>-</u>	<u>(98,252)</u>
-	-	(13,779)	(323,312)
-	-	-	25,133
-	-	(13,779)	(298,179)
(332,271)	158,820	-	(682,386)
51,447	1,273	-	185,528
<u>(280,824)</u>	<u>160,093</u>	<u>-</u>	<u>(496,858)</u>
8,997	16,950	113,036	140,583
83,317	14,787	375,061	920,277
<u>\$ 92,314</u>	<u>\$ 31,737</u>	<u>\$ 488,097</u>	<u>\$ 1,060,860</u>
92,119	31,737	488,097	1,059,089
195	-	-	1,771
<u>\$ 92,314</u>	<u>\$ 31,737</u>	<u>\$ 488,097</u>	<u>\$ 1,060,860</u>

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2005

	Fleet Maintenance	Insurance
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (300,115)	\$ 192,138
Adjustments to reconcile operating income to net cash provided by Operating activities:		
Depreciation	927,889	-
Decrease in inventory	3,948	-
Increase in prepaid expenses	-	(124,387)
Increase (decrease) in accounts payable	(50,270)	835
Decrease in employee wages payable	16,610	2,142
Increase (decrease) in employee vacations payable	(7,148)	(1,091)
Increase (decrease) in customer deposits payable	-	1,576
Reclassify other income	-	-
Net cash provided (used) by operating activities	\$ 590,914	\$ 71,213

Medical Self-Insurance	Workman's Compensation	Information Technology	Total
\$ (459,279)	\$ (219,646)	\$ 129,568	\$ (657,334)
-	-	12,324	940,213
-	-	-	3,948
-	-	-	(124,387)
283,814	76,503	(48,741)	262,141
-	-	9,898	28,650
-	-	23,766	15,527
(250)	-	-	1,326
563,788	-	-	563,788
<u>\$ 388,073</u>	<u>\$ (143,143)</u>	<u>\$ 126,815</u>	<u>\$ 1,033,872</u>

Noncash investing, capital and financing activities:

Other funds of the city transferred vehicles valued at	\$	28,494
The fair value of investments in the Fleet Maintenance Fund decreased by		(2,857)
The fair value of investments in the Insurance Fund decreased by		(221)
The fair value of investments in the Medical Self-Insurance Fund decreased by		(1,209)

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, 2005

	Inter- Governmental Custodial	MEBT	Contractor's Deposits	Total
ASSETS				
Cash and cash equivalents	\$ 10,854	\$ 74,376	\$ 567,918	\$ 653,148
Total assets	<u>\$ 10,854</u>	<u>\$ 74,376</u>	<u>\$ 567,918</u>	<u>\$ 653,148</u>
LIABILITIES				
Due to other governments	\$ 10,854	\$ -	\$ -	\$ 10,854
Custodial	-	74,376	567,918	642,294
Total liabilities	<u>\$ 10,854</u>	<u>\$ 74,376</u>	<u>\$ 567,918</u>	<u>\$ 653,148</u>

COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended December 31, 2005

	<u>1-1-05</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>12-31-05</u> <u>BALANCE</u>
INTERGOVERNMENTAL CUSTODIAL				
ASSETS				
Cash and cash equivalents	\$ 13,170	\$ 92,092	\$ 94,408	\$ 10,854
Total Assets	<u>\$ 13,170</u>	<u>\$ 92,092</u>	<u>\$ 94,408</u>	<u>\$ 10,854</u>
LIABILITIES				
Due to other governments	\$ 13,170	\$ 87,028	\$ 89,344	\$ 10,854
Total Liabilities	<u>\$ 13,170</u>	<u>\$ 87,028</u>	<u>\$ 89,344</u>	<u>\$ 10,854</u>
MEBT				
ASSETS				
Cash and cash equivalents	\$ 56,484	\$ 3,147,605	\$ 3,129,713	\$ 74,376
Total Assets	<u>\$ 56,484</u>	<u>\$ 3,147,605</u>	<u>\$ 3,129,713</u>	<u>\$ 74,376</u>
LIABILITIES				
Custodial	\$ 56,484	\$ 3,147,605	\$ 3,129,713	\$ 74,376
Total Liabilities	<u>\$ 56,484</u>	<u>\$ 3,147,605</u>	<u>\$ 3,129,713</u>	<u>\$ 74,376</u>
CONTRACTORS DEPOSIT				
ASSETS				
Cash and cash equivalents	\$ 880,228	\$ 224,341	\$ 536,651	\$ 567,918
Total Assets	<u>\$ 880,228</u>	<u>\$ 224,341</u>	<u>\$ 536,651</u>	<u>\$ 567,918</u>
LIABILITIES				
Trust account	\$ 880,228	\$ 304,335	\$ 616,645	\$ 567,918
Total Liabilities	<u>\$ 880,228</u>	<u>\$ 304,335</u>	<u>\$ 616,645</u>	<u>\$ 567,918</u>

COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended December 31, 2005

	<u>1-1-05</u> <u>BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>12-31-05</u> <u>BALANCE</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 949,882	\$ 3,464,038	\$ 3,760,772	\$ 653,148
Total Assets	<u>\$ 949,882</u>	<u>\$ 3,464,038</u>	<u>\$ 3,760,772</u>	<u>\$ 653,148</u>
LIABILITIES				
Due to other governments	\$ 13,170	\$ 87,028	\$ 89,344	\$ 10,854
Custodial	56,484	3,147,605	3,129,713	74,376
Trust account	<u>880,228</u>	<u>304,335</u>	<u>616,645</u>	<u>567,918</u>
Total Liabilities	<u>\$ 949,882</u>	<u>\$ 3,538,968</u>	<u>\$ 3,835,702</u>	<u>\$ 653,148</u>

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

CITY OF REDMOND

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Governmental funds capital assets:		
Land	\$ 44,962,134	\$ 42,077,566
Buildings	61,585,669	25,976,286
Improvements other than buildings	20,031,737	10,005,784
Machinery and equipment	11,285,860	10,554,228
Artwork	295,624	287,123
Infrastructure	153,963,222	130,607,182
Construction in progress	11,422,054	31,497,679
Total governmental funds capital assets	<u>\$ 303,546,300</u>	<u>\$ 251,005,848</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 209,599,068	\$ 197,985,263
Special revenue funds	7,126,087	7,131,318
Impact fees	7,093,315	6,636,034
Federal grants	654,283	654,283
General obligation bonds	67,326,007	28,096,006
Private gifts	11,747,540	10,502,944
Total governmental funds capital assets	<u>\$ 303,546,300</u>	<u>\$ 251,005,848</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.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2005

FUNCTION AND ACTIVITY	<u>LAND</u>	<u>BUILDINGS</u>	<u>IMPROVEMENTS OTHER THAN BUILDINGS</u>	<u>MACHINERY AND EQUIPMENT</u>	<u>ARTWORK</u>	<u>INFRA- STRUCTURE</u>	<u>CONSTRUCTION IN PROGRESS</u>	<u>TOTAL</u>
General government								
Finance	\$ -	\$ -	\$ -	\$ 3,165,332	\$ -	\$ -	\$ -	\$ 3,165,332
Planning	-	-	-	404,977	-	-	-	404,977
General government	9,061,967	36,574,185	5,829,103	-	-	-	152,124	51,617,379
Public works/general	1,084,046	845,958	267,533	171,842	-	-	-	2,369,379
Total general government	<u>10,146,013</u>	<u>37,420,143</u>	<u>6,096,636</u>	<u>3,742,151</u>	<u>-</u>	<u>-</u>	<u>152,124</u>	<u>57,557,067</u>
Security								
Police	-	4,914,770	92,458	1,373,250	-	-	-	6,380,478
Fire	2,226,995	11,360,558	190,282	5,963,168	-	-	-	19,741,003
Total security	<u>2,226,995</u>	<u>16,275,328</u>	<u>282,740</u>	<u>7,336,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,121,480</u>
Transportation	<u>21,558,779</u>	<u>-</u>	<u>-</u>	<u>81,333</u>	<u>-</u>	<u>151,918,214</u>	<u>8,765,399</u>	<u>182,323,725</u>
Culture and recreation								
Parks and recreation	10,923,533	6,067,673	13,452,361	92,299	295,624	2,045,008	2,504,531	35,381,029
Senior center	106,814	1,822,525	200,000	33,660	-	-	-	2,162,999
Total culture and recreation	<u>11,030,347</u>	<u>7,890,198</u>	<u>13,652,361</u>	<u>125,959</u>	<u>295,624</u>	<u>2,045,008</u>	<u>2,504,531</u>	<u>37,544,028</u>
Total governmental funds capital assets	<u>\$ 44,962,134</u>	<u>\$ 61,585,669</u>	<u>\$ 20,031,737</u>	<u>\$ 11,285,860</u>	<u>\$ 295,624</u>	<u>\$ 153,963,222</u>	<u>\$ 11,422,054</u>	<u>\$ 303,546,300</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, 2005

	Governmental Funds Capital Assets 1-1-05	Additions	Deductions	Governmental Funds Capital Assets 12-31-05
FUNCTION AND ACTIVITY				
General government				
Finance	\$ 2,855,825	\$ 517,615	\$ 208,108	\$ 3,165,332
Planning	245,658	177,714	18,395	404,977
General government	12,853,163	40,652,306	1,888,090	51,617,379
Public works/general	2,359,193	10,186	-	2,369,379
Total general government	<u>18,313,839</u>	<u>41,357,821</u>	<u>2,114,593</u>	<u>57,557,067</u>
Security				
Police	6,359,560	205,126	184,209	6,380,477
Fire	16,973,165	2,813,838	46,000	19,741,003
Total security	<u>23,332,725</u>	<u>3,018,964</u>	<u>230,209</u>	<u>26,121,480</u>
Transportation	<u>174,561,492</u>	<u>7,762,233</u>	<u>-</u>	<u>182,323,725</u>
Culture and recreation				
Parks and recreation	32,620,293	9,011,424	6,250,688	35,381,029
Senior center	2,177,499	-	14,500	2,162,999
Total culture and recreation	<u>34,797,792</u>	<u>9,011,424</u>	<u>6,265,188</u>	<u>37,544,028</u>
Total governmental funds capital assets	<u>\$ 251,005,848</u>	<u>\$ 61,150,442</u>	<u>\$ 8,609,990</u>	<u>\$ 303,546,300</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

CITY OF REDMOND

Schedule 1

Net Assets by Component

Last Four Fiscal Years*

	Fiscal Year			
	2002	2003	2004	2005
Governmental activities				
Invested in capital assets, net of related debt	\$ 147,897,892	\$ 166,566,041	\$ 183,981,404	\$ 195,751,144
Restricted	16,654,850	15,844,081	18,382,672	17,545,163
Unrestricted	53,633,242	51,403,073	50,835,246	53,379,905
Total governmental activities net assets	<u>\$ 218,185,984</u>	<u>\$ 233,813,195</u>	<u>\$ 253,199,322</u>	<u>\$ 266,676,212</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 135,246,021	\$ 149,666,161	\$ 158,987,641	\$ 173,128,324
Restricted	1,004,650	-	-	-
Unrestricted	28,311,872	30,449,899	30,783,108	27,275,547
Total business-type activities net assets	<u>\$ 164,562,543</u>	<u>\$ 180,116,060</u>	<u>\$ 189,770,749</u>	<u>\$ 200,403,871</u>
Primary government				
Invested in capital assets, net of related debt	\$ 283,143,913	\$ 316,232,202	\$ 342,969,045	\$ 368,879,468
Restricted	17,659,500	15,844,081	18,382,672	17,545,163
Unrestricted	81,945,114	81,852,972	81,618,354	80,655,452
Total primary government net assets	<u>\$ 382,748,527</u>	<u>\$ 413,929,255</u>	<u>\$ 442,970,071</u>	<u>\$ 467,080,083</u>

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

Schedule 2

Changes in Net Assets
Last Four Fiscal Years*

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental activities:				
General government	\$ 10,412,581	\$ 10,554,145	\$ 10,598,890	\$ 14,497,527
Security	23,486,809	26,710,617	30,031,794	31,089,219
Physical Environment	3,875,341	4,074,430	3,079,888	3,054,857
Economic environment	3,017,641	3,602,868	3,390,746	3,160,282
Transportation	8,077,049	8,633,148	7,983,324	9,150,474
Mental/physical health	85,237	87,644	94,900	94,300
Culture and Recreation	6,304,067	7,779,409	7,489,357	8,121,462
Interest on long-term debt	910,211	747,107	458,637	461,621
Total governmental activities expenses	<u>56,168,936</u>	<u>62,189,368</u>	<u>63,127,536</u>	<u>69,629,742</u>
Business-type activities:				
Water/wastewater	17,286,285	18,323,044	18,339,907	20,617,211
UPD Water/wastewater	1,621,951	2,121,347	3,373,102	4,003,077
Stormwater	3,937,122	4,799,055	5,292,942	5,332,367
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>
Total primary government expenses	<u>\$ 79,014,294</u>	<u>\$ 87,432,814</u>	<u>\$ 90,133,487</u>	<u>\$ 99,582,397</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,207,343	\$ 2,366,495	\$ 2,406,484	\$ 2,249,228
Security	5,534,968	8,236,684	9,001,242	9,140,344
Physical Environment	358,972	397,113	248,208	364,869
Economic environment	4,909,955	7,794,584	9,165,827	7,566,819
Transportation	327,933	140,587	23,165	23,861
Culture and Recreation	1,016,066	1,116,151	1,251,667	1,532,002
Operating grants and contributions	1,969,740	2,588,695	3,355,634	5,157,603
Capital grants and contributions	9,615,994	5,380,558	6,067,335	2,447,860
Total governmental activities program revenues	<u>25,940,971</u>	<u>28,020,867</u>	<u>31,519,562</u>	<u>28,482,586</u>

Schedule 2 (continued)

Fiscal Year

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Business-type activities:				
Charges for services:				
Water/wastewater	17,182,142	18,439,763	19,683,422	20,658,105
UPD Water/wastewater	1,599,788	2,110,823	3,440,406	3,803,868
Stormwater	6,862,746	6,939,526	7,216,120	7,164,397
Operating grants and contributions	-	1,285	29,064	-
Capital grants and contributions	19,078,302	12,651,443	7,114,457	8,139,193
Total business-type activities program revenues	<u>44,722,978</u>	<u>40,142,840</u>	<u>37,483,469</u>	<u>39,765,563</u>
Total primary government program revenues	<u>\$ 70,663,949</u>	<u>\$ 68,163,707</u>	<u>\$ 69,003,031</u>	<u>\$ 68,248,149</u>
Net (Expense)/Revenue				
Governmental activities	\$ (30,227,965)	\$ (34,168,501)	\$ (31,607,974)	\$ (41,147,156)
Business-type activities	<u>21,877,620</u>	<u>14,899,394</u>	<u>10,477,518</u>	<u>9,812,908</u>
Total primary government net expense	<u>\$ (8,350,345)</u>	<u>\$ (19,269,107)</u>	<u>\$ (21,130,456)</u>	<u>\$ (31,334,248)</u>
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
Sales taxes	15,904,505	17,575,204	18,955,381	18,647,890
Other taxes	15,117,493	16,163,612	16,510,154	18,705,429
Unrestricted investment interest	3,051,634	1,681,065	1,118,756	1,927,511
Miscellaneous	285,109	894,151	523,708	605,175
Gain on sale of capital assets	-	22,231	49,078	17,906
Transfers	<u>15,717</u>	<u>161,292</u>	<u>23,555</u>	<u>28,494</u>
Total governmental activities	<u>47,348,261</u>	<u>49,795,712</u>	<u>50,994,101</u>	<u>54,624,046</u>
Business-type activities:				
Unrestricted investment interest	1,134,803	767,170	516,727	785,340
Miscellaneous	53,798	48,245	46,845	63,368
Special items	(637,356)	-	-	-
Transfers	<u>(15,717)</u>	<u>(161,292)</u>	<u>(23,555)</u>	<u>(28,494)</u>
Total business-type activities	<u>535,528</u>	<u>654,123</u>	<u>540,017</u>	<u>820,214</u>
Total primary government	<u>\$ 47,883,789</u>	<u>\$ 50,449,835</u>	<u>\$ 51,534,118</u>	<u>\$ 55,444,260</u>
Change in Net Assets				
Governmental activities	\$ 17,120,296	\$ 15,627,211	\$ 19,386,127	\$ 13,476,890
Business-type activities	<u>22,413,148</u>	<u>15,553,517</u>	<u>11,017,535</u>	<u>10,633,122</u>
Total primary government	<u>\$ 39,533,444</u>	<u>\$ 31,180,728</u>	<u>\$ 30,403,662</u>	<u>\$ 24,110,012</u>

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

CITY OF REDMOND

Schedule 3
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund	\$ 6,002,156	\$ 5,921,618	\$ 7,691,550	\$ 10,809,178	\$ 12,448,838	\$ 5,978,351	\$ 5,037,773	\$ 5,308,926	\$ 5,030,954	\$ 6,205,024
All Other Governmental Funds										
Reserved	\$ 4,175,923	\$ 4,632,348	\$ 2,800,370	\$ 2,693,953	\$ 3,553,071	\$ 3,078,038	\$ 1,923,869	\$ 1,593,045	\$ 1,674,975	\$ 1,536,679
Unreserved, reported in:										
Special revenue funds	11,592,811	11,165,284	11,415,778	12,133,548	13,234,408	16,570,706	20,301,677	21,500,130	21,669,832	21,413,195
Capital projects funds	10,549,797	16,158,426	22,958,092	25,877,123	33,627,604	40,560,272	39,797,635	35,773,405	36,782,719	36,919,865
Total all other governmental funds:	\$ 26,318,531	\$ 31,956,058	\$ 37,174,240	\$ 40,704,624	\$ 50,415,083	\$ 60,209,016	\$ 62,023,181	\$ 58,866,580	\$ 60,127,526	\$ 59,869,739

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 Four Fiscal Years*

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Taxes	\$ 43,586,789	\$ 46,582,479	\$ 48,762,081	\$ 51,517,403
Special assessments	981,313	541,955	487,101	296,954
Licenses and permits	3,658,914	4,426,653	3,823,362	5,548,727
Contributions	3,847,039	2,178,185	3,706,574	837,225
Intergovernmental	8,003,380	12,378,135	13,684,372	12,917,968
Charges for services	5,355,008	7,372,769	9,361,325	6,258,968
Fines and forfeitures	325,911	221,737	180,835	96,624
Investment interest	3,677,809	1,856,846	943,455	1,582,125
Miscellaneous	286,771	878,310	524,376	604,005
Total revenues	<u>69,722,934</u>	<u>76,437,069</u>	<u>81,473,481</u>	<u>79,659,999</u>
Expenditures				
General government	9,709,647	10,052,274	10,239,257	12,616,246
Security	22,707,295	25,840,173	29,452,382	30,008,016
Physical environment	3,895,674	3,838,344	3,439,807	2,995,092
Transportation	4,245,215	5,857,208	4,808,040	5,237,363
Economic environment	3,113,928	3,590,587	3,428,652	3,296,642
Mental/physical health	85,237	87,645	94,899	94,300
Culture and Recreation	6,704,500	7,270,237	7,132,367	7,225,343
Capital outlay	13,573,360	22,057,402	16,997,866	12,297,577
Debt service:				
Principal	3,961,717	3,750,184	4,229,350	4,468,438
Interest	927,780	766,581	749,388	606,701
Total expenditures	<u>68,924,353</u>	<u>83,110,635</u>	<u>80,572,008</u>	<u>78,845,718</u>
Excess of revenues over (under) expenditures	798,581	(6,673,566)	901,473	814,281

Schedule 4 (continued)

	Fiscal Year			
	2002	2003	2004	2005
Other Finance Sources (Uses)				
Proceeds from borrowing	-	3,698,472	-	-
Disposition of capital assets	7,000	25,375	6,500	3,750
Transfers in	16,197,856	18,324,661	15,783,560	17,177,100
Transfers out	(16,129,850)	(18,260,390)	(15,708,559)	(17,078,848)
Total other financing sources (uses)	<u>75,006</u>	<u>3,788,118</u>	<u>81,501</u>	<u>102,002</u>
Net change in fund balances	<u>\$ 873,587</u>	<u>\$ (2,885,448)</u>	<u>\$ 982,974</u>	<u>\$ 916,283</u>
Debt service as a percentage of noncapital expenditures	8.82%	7.39%	7.83%	7.63%

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

CITY OF REDMOND

Schedule 5

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Valuation</u>	<u>Total Direct Tax Rate*</u>
1996	\$ 3,670,663,795	\$ 554,396,978	\$ 4,225,060,773	\$ 2.44
1997	3,838,286,137	614,227,745	4,452,513,882	2.39
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

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.

CITY OF REDMOND

Schedule 6

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	City Direct Rates			Overlapping Rates							Total Direct and Overlapping Rate
	General Fund	General Obligation Debt Service	Total Direct Rate*	WA State	King County	Port Of Seattle	School District #414	Hospital District #2	King Co. Library	Emer. Medical Service	
1996	\$ 1.74	\$ 0.70	\$ 2.44	\$ 3.50	\$ 2.21	\$ 0.29	\$ 3.98	\$ 0.45	\$ 0.62	\$ 0.25	\$ 13.74
1997	1.77	0.62	2.39	3.52	2.13	0.28	3.95	0.44	0.62	0.25	13.58
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

Source: King County Assessor's Office

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

Initiative 747 passed in November 2001 limiting the annual optional increase in property tax levies to the lesser of one percent or the implicit price deflator.

CITY OF REDMOND

Schedule 7

Principal Property Taxpayers

Current Year and Nine Years Ago

Taxpayer	2005			1996		
	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)	\$ 1,342,129,106	1	14.40	\$ 573,538,085	1	13.57
Safeco	140,084,074	2	1.50	-	-	-
PPR Redmond Retail LLC (Redmond Town Center)	135,479,560	3	1.45	-	-	-
Puget Sound Energy	106,360,960	4	1.14	69,820,766	2	1.65
Archstone Communities Trust	105,087,200	5	1.13	-	-	-
Nintendo	61,940,660	6	0.66	33,347,228	5	0.79
BRE Properties	52,236,000	7	0.56	-	-	-
Verizon Northwest Inc.	50,119,408	8	0.54	48,378,264	3	1.15
Yett Family Partnership LP	47,745,200	9	0.51	33,724,727	4	0.80
Aerojet General Corporation (General Dynamics)	24,479,841	10	0.26	-	-	-
General American	-	-	-	23,103,800	6	0.55
Rocket Research Co.	-	-	-	22,866,500	7	0.54
FC 10 Hart Properties	-	-	-	22,354,200	8	0.53
Physio Control Corporation	-	-	-	22,329,442	9	0.53
South Seventh Corporation (UPS)	-	-	-	22,921,643	10	0.54
TOTAL	\$ <u>2,065,662,009</u>		<u>22.15%</u>	\$ <u>872,384,655</u>		<u>20.65%</u>

Source: King County Assessor

* In 2005 the estimated value of real and personal property in the City of Redmond was \$9,320,368,533.

** In 1996 the estimated value of real and personal property in the City of Redmond was \$4,225,060,773.

CITY OF REDMOND

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
1996	\$ 10,095,764	\$ 9,963,974	98.69	\$ 147,609	\$ 10,111,583	100.16
1997	10,609,811	10,514,469	99.10	126,388	10,640,857	100.29
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

Source: King County Assessor
*Includes levy adjustments

CITY OF REDMOND

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	Public Works Trust Fund Loans			
1996	\$ 22,590,000	\$ 4,740,830	\$ 4,719,613	\$ 630,509	-	\$ 5,020,000	\$ 1,365,584	\$ 39,066,536	2.94	\$ 957
1997	20,465,000	4,075,000	4,456,081	540,683	-	4,695,000	1,256,960	35,488,724	2.45	840
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	-	1,004

* 2004 per capita income of \$49,286 from US Bureau of Economic Analysis; data not yet available for 2005.

** 2005 population total of 47,600 from State of Washington Office of Financial Management.

CITY OF REDMOND

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>
1996	\$ 22,590,000	0.53	\$ 554
1997	20,465,000	0.46	485
1998	18,270,000	0.36	421
1999	17,275,000	0.3	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

Source: King County Assessor

* In 2005 the estimated value of real and personal property in the City of Redmond was \$9,320,368,533.

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

CITY OF REDMOND

Schedule 11

Direct and Overlapping Governmental Activities Debt

As of December 31, 2005

<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	\$ 912,991,000	3.74	\$ 34,145,863
Port of Seattle	380,225,000	3.74	14,220,415
School District #405	256,890,000	6.22	15,978,558
School District #414	172,845,000	29.2	50,470,740
Hospital District #2	187,425,000	21.54	40,371,345
Fire District #34	550,000	16.08	88,440
King County Library	86,295,000	1.05	906,098
Total Overlapping Debt	\$ 1,997,221,000		\$ 156,181,459
Direct Debt:			
City of Redmond	\$ 46,335,552	100.00%	\$ 46,335,552
Total Direct and Overlapping Debt	\$ 2,043,556,552		\$ 202,517,011

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									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt limit	\$ 316,879,557	\$ 333,938,541	\$ 376,552,962	\$ 427,478,757	\$ 467,389,935	\$ 538,249,503	\$ 617,222,292	\$ 644,334,180	\$ 660,118,138	\$ 699,027,639
Total net debt applicable to limit	<u>22,885,094</u>	<u>20,673,479</u>	<u>18,368,304</u>	<u>17,291,883</u>	<u>15,130,424</u>	<u>11,675,092</u>	<u>10,438,503</u>	<u>11,498,059</u>	<u>47,218,055</u>	<u>43,496,447</u>
Legal debt margin	<u>\$ 293,994,463</u>	<u>\$ 313,265,062</u>	<u>\$ 358,184,658</u>	<u>\$ 410,186,874</u>	<u>\$ 452,259,511</u>	<u>\$ 526,574,411</u>	<u>\$ 606,783,789</u>	<u>\$ 632,836,121</u>	<u>\$ 612,900,083</u>	<u># \$ 655,531,192</u>
Total net debt applicable to the limit as a percentage of debt limit	7.22%	6.19%	4.88%	4.05%	3.24%	2.17%	1.69%	1.78%	7.16%	6.23%

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.

CITY OF REDMOND

Schedule 13

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Water/Wastewater Revenue Bonds						Special Assessment Bonds			
	Utility Service Charges	Less:	Net Available Revenue**	Debt Service		Coverage***	Special Assessment Collections	Debt Service		Coverage
		Operating Expenses*		Principal	Interest			Principal	Interest	
1996	\$ 13,604,891	\$ 10,272,191	\$ 3,332,700	\$ 240,000	\$ 257,799	6.69	\$ 1,994,111	\$ 1,388,000	\$ 400,731	1.11
1997	13,714,816	10,887,108	2,827,708	170,000	240,014	6.90	1,257,776	665,830	301,453	1.30
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

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.

CITY OF REDMOND

Schedule 14

Demographic and Economic Statistics
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population*</u>	<u>Personal Income (thousands of dollars)**</u>	<u>Per Capita Personal Income**</u>	<u>School Enrollment***</u>	<u>Number of Housing Units</u>	<u>Unemployment Rate[#]</u>
1996	40,805	\$ 1,329,998	\$ 32,594	9,393	16,984	2.8
1997	42,230	\$ 1,446,504	34,253	9,266	17,886	2.3
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	-	-	7,900	22,204	4.0

* State of Washington, Office of Financial Management.

** US Bureau of Economic Analysis; data not yet available for 2005.

*** Lake Washington School District total as of October, 2005; 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).

CITY OF REDMOND

Schedule 15

Principal Employers

Current Year and Nine Years Ago

Employer	2005			1996		
	Employees	Rank	Percentage of Total City Employment**	Employees	Rank	Percentage of Total City Employment***
Microsoft Corporation (includes MSNBC and Placeware)	27,855	1	41.22	6,609	1	15.18
Genie Industries	2,397	2	3.55	1,442	2	3.31
Cingular Wireless (formerly AT&T Wireless Services)	1,816	3	2.69	-	-	-
Volt Technical Resources LLC (includes VMC Consulting)	1,617	4	2.39	-	-	-
Honeywell International Inc.	1,082	5	1.60	-	-	-
Group Health Cooperative Hospital	1,074	6	1.59	1,409	3	3.24
Medtronic Physio-Control Corporation	956	7	1.41	-	-	-
Safeco Insurance Company	850	8	1.26	-	-	-
Lake Washington School District*	780	9	1.15	-	-	-
Nintendo of America, Inc.	723	10	1.07	768	6	1.76
United Parcel Service	-	-	-	788	4	1.81
Allied Signal Avionics, Inc.	-	-	-	779	5	1.79
Physio Control Corporation	-	-	-	708	7	1.63
Spacelabs Medical, Inc.	-	-	-	701	8	1.61
Eddie Bauer, Inc.	-	-	-	690	9	1.58
Pacific Circuits, Inc.	-	-	-	449	10	1.03
TOTAL	<u>39,150</u>		<u>57.93%</u>	<u>14,343</u>		<u>32.94%</u>

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

*Employer exempt from business license requirement not previously included.

**Total city employment including exempt businesses listed is 67,570 for 2005.

***Total city employment was 43,548 for 1996.

CITY OF REDMOND

Schedule 16

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government										
Executive	4.63	4.63	4.63	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Finance and Information Services	42.40	44.03	44.03	49.22	49.22	55.22	55.22	58.60	58.60	58.60
Human Resources	6.60	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Legal	4.00	4.00	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Planning and Community Development	44.74	46.82	50.82	52.57	52.57	60.57	60.57	58.24	58.24	56.24
Security										
Police	98.50	102.50	104.50	107.50	107.50	110.50	110.50	110.50	110.50	110.50
Fire	101.70	101.70	103.70	104.20	104.20	106.20	106.20	134.20	134.20	137.20
Culture and Recreation	40.88	42.64	44.14	48.23	48.73	50.24	50.24	51.12	51.12	50.82
Public Works	70.81	71.81	80.81	83.87	83.87	91.68	91.68	84.18	84.18	77.18
Water/Wastewater	30.89	31.89	32.89	36.41	36.41	36.88	36.88	37.13	37.13	38.78
UPD Water/Wastewater	-	-	5.50	6.50	6.50	6.84	6.84	6.84	6.84	5.94
Stormwater Management	17.26	17.89	17.89	19.68	19.68	28.49	28.49	26.49	26.49	29.46
Total	462.41	474.91	499.91	525.43	525.93	563.87	563.87	584.55	584.55	581.97

Source: City Budget Office

CITY OF REDMOND

Schedule 17

Operating Indicators by Function/Program

Last Ten Fiscal Years*

Function/Program	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Police										
Calls dispatched	17,614	17,515	23,657	23,853	27,111	22,186	21,123	22,198	22,823	23,190
Parking violations	-	-	-	-	-	-	-	-	-	1,092
Traffic violations	-	-	-	-	-	-	-	-	-	7,183
Fire										
Calls for service (fire and aid)	5,439	5,992	4,560	4,534	5,553	7,236	6,586	11,761	9,946	11,558
Average response time (fire and aid) - minutes	-	-	-	-	-	-	-	-	-	7:17
Fire prevention inspections										
Initial inspections	-	-	-	-	-	-	-	-	-	803
Reinspections	-	-	-	-	-	-	-	-	-	645
Culture and Recreation										
Preschool registrations	-	-	-	-	11,465	10,727	10,205	11,256	11,777	12,230
Youth registrations	-	-	-	-	16,154	16,600	15,388	17,307	18,684	19,132
Teen program registrations	-	-	-	-	7,135	16,314	13,171	21,642	21,264	27,753
Adult program registrations	-	-	-	-	14,749	17,183	18,947	37,656	37,843	47,044
Senior registrations	-	-	-	-	44,397	48,741	65,288	75,386	74,816	75,612
Utility Services**										
Residential units served	8,915	9,004	9,143	9,226	9,453	9,846	9,943	10,985	11,755	12,284
Commercial units served	1,197	1,223	1,253	1,267	1,306	1,319	1,333	1,380	1,389	1,416
Water										
Average daily demand (gallons)	5,960,000	5,660,000	5,660,000	6,130,000	6,090,742	5,700,000	5,916,880	6,686,881	6,686,881	6,455,462

*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.

** Sewage treatment provided by King County Wastewater Treatment Division

Schedule 18

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years*

Function/Program	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	-	-	-	-	-	-	-	-	-	49
Fire										
Number of stations	6	6	6	6	6	6	6	6	6	6
Number of fire engines	-	-	-	-	-	8	8	8	9	9
Number of aid vehicles	-	-	-	-	-	7	7	**13	13	13
Transportation										
Center lane miles of paved roads	124	127	127	130	130	130	131	131	131	136
Traffic signals	54	62	64	65	69	78	80	83	87	89
Street lights	-	-	-	-	-	-	6,000	6,027	6,040	6,040
Bridges	7	7	7	7	7	8	8	8	8	9
Culture and Recreation										
Number of developed parks	20	20	21	21	21	22	25	28	29	30
Number of undeveloped parks	10	13	13	14	14	16	14	16	14	13
Acres of developed parks	1,018	1,018	1,025	1,025	1,025	1,046	1,087	1,129	1,131	1,168
Acres of undeveloped parks	231	259	291	334	340	319	216	189	173	148
Miles of developed trails	17	17	17	17	17	20	24	24	25	25
Miles of undeveloped trails	9	9	9	9	9	10	8	26	27	27

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Utility Services										
Water										
Storage Capacity (gallons)	24,390,000	24,390,000	23,136,000	23,136,000	26,636,000	26,636,000	26,636,000	31,836,000	31,836,000	31,836,000
Number of wells	4	4	4	4	4	5	5	5	5	5
Miles of main	170	170	175	175	235	255	280	280	280	283
Sewer (does not include UPDs) [#]										
Number of manholes	3,500	5,000	5,000	5,000	5,400	5,464	5,609	6,743	6,791	6,791
Miles of main ^{##}	180	180	180	180	200	202	221	216	218	218
Number of pumplift stations ^{##}	15	16	16	16	16	16	16	15	15	15
Stormwater [#]										
Number of manholes/catch basins	7,004	7,004	7,004	7,004	7,800	7,862	7,913	8,552	15,158	15,158
Miles of pipe ^{##}	137	225	225	225	235	238	252	164	169	169
Oil water separators ^{##}	174	174	174	174	200	201	211	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.

Statistics for 2005 are not updated from 2004 due to ongoing implementation of new GIS system.

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