

**City of Lynnwood,
WASHINGTON**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Fiscal Year

January 1 Through December 31, 2007

Prepared by:

Administrative Services Department
Vicki Heilman
Interim Finance Director

STATISTICAL SECTION

Financial Trends	144
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	150
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	154
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	159
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	161
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

NOTES TO THE SCHEDULES OF EXPENDITURES OF FINANCIAL ASSISTANCE

For the Year Ended December 31, 2007

NOTE 1 -- MISSING CFDA NUMBER

The Office of National Drug Control Policy does not have CFDA numbers yet. The SAO recommended BARS Account Number 331.07.999, because the grant is Direct Federal Funds.

NOTE 2 -- BASIS OF ACCOUNTING

The Schedules of Expenditures of Federal Awards and of State and Local Financial Assistance are prepared on the same basis of accounting as the City's financial statements. The City uses the accrual basis of accounting.

NOTE 3 -- PROGRAM COSTS

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

NOTE 4 -- NOT APPLICABLE (N/A)

The City was unable to obtain other identification numbers.

NOTE 5 -- NONCASH AWARDS

The supplies that the City received from the Department of Homeland Security through the State of Washington Military Department are valued at the purchase price information received from the Agency.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2007

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GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	OTHER IDENTIFICATION NUMBER	EXPENDITURES	
			Pass-Through Awards	Direct Awards
Department of Justice				
Office of National Drug Control Policy/Counterdrug Technology Assessment Center/Technology Transfer Program	See Note 1	N/A		\$ 15,500
Edward Byrne Memorial Justice Assistance Grant	16.738	2005-DJ-BX-0660		16,343
Total Department of Justice			\$ -	\$ 31,843
Department of Homeland Security				
State of Washington Military Department/through Snohomish County Department of Emergency Management/State Domestic Preparedness Equipment Program	97.004	N/A	365	
State of Washington Military Department/FEMA Disaster Grant	97.036	E07-938	11,385	
Total Department of Homeland Security			\$ 11,750	\$ -
Federal Highway Administration				
National Highway Traffic Safety Administration/ Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants through Washington Traffic Safety Commission	20.601	N/A	5,118	
National Highway Traffic Safety Administration/Occupant Protection through Washington Traffic Safety Commission	20.602	N/A	13,516	
Subtotal National Highway Traffic Safety Commission			18,634	0
SUBTOTAL FEDERAL AWARDS EXPENDED			\$ 30,384	\$ 31,843

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2007

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GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	OTHER IDENTIFICATION NUMBER	EXPENDITURES	
			Pass-Through Awards	Direct Awards
Federal Highway Administration continued				
Highway Planning and Construction through Washington State Department of Transportation				
Community Transit/SR 99 Transit Signal Priority	20.205	GCA 1995	33,481	
2003 ITS/Intelligent Transportation System Deployment	20.205	ITS-2003(050)	102,397	
Lynnwood Traffic Management Center	20.205	ITS-2005(043)-1	17,630	
Heritage Park Phase 2	20.205	STPE-0715(004)	175,491	
Interurban Trail Pedestrian Bridge	20.205	CM-9999(273)	68,657	
Regional Traffic Operations Center	20.205	CM-9999(365)	12,493	
I-5 City Center Exit	20.205	IMD-2004(037)-2	176,824	
City of Lynnwood Feasibility Study	20.205	HPP-0005(010)-1	3,298	
Olympic View Drive & 176th Signal	20.205	STPH-2548(003)	35,243	
Alderwood Mall Blvd. & 40th Signal	20.205	STPH-2558(001)	42,625	
<u>Subtotal Highway Planning and Construction Program</u>			<u>668,139</u>	<u>0</u>
<u>Total Department of Transportation</u>			<u>\$ 686,773</u>	<u>\$ -</u>
<u>TOTAL FEDERAL DIRECT AND INDIRECT EXPENDITURES</u>			<u>\$ 698,523</u>	<u>\$ 31,843</u>

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

SCHEDULE OF EXPENDITURES OF STATE AND LOCAL FINANCIAL ASSISTANCE

For the Year Ended December 31, 2007

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<u>GRANTOR/PROGRAM TITLE</u>	<u>OTHER IDENTIFICATION NUMBER</u>	<u>CURRENT YEAR EXPENDITURES</u>
Washington State Department of Ecology		
Waste Reduction and Recycling	G0600172	16,289
<u>Comprehensive Shoreline Master Program Update</u>	G0600093	<u>5,612</u>
<u>Total Washington State Department of Ecology</u>		<u>\$ 21,901</u>
Washington State Department of Transportation		
I-5/196th Pedestrian Bridge	GCA 0144/S2	66,309
<u>City of Lynnwood Feasibility Study</u>	GCA 4919	<u>176,833</u>
<u>Total Washington State Department of Transportation</u>		<u>\$ 243,142</u>
Washington State Department of Health		
<u>Trauma Care Fund/Prehospital Participation</u>	FY07-31M07	<u>\$ 1,439</u>

The accompanying notes to the Schedule of Expenditures of State and Local Financial Assistance are an integral part of this schedule.

SCHEDULE OF EXPENDITURES OF STATE AND LOCAL FINANCIAL ASSISTANCE

For the Year Ended December 31, 2007

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GRANTOR/PROGRAM TITLE	OTHER IDENTIFICATION NUMBER	CURRENT YEAR EXPENDITURES
Washington Traffic Safety Commission		
School Zone Grant	N/A	\$ 18,161
School Zone Beacon/Lighting Project	N/A	7,500
HWY 99 Pedestrian Protection Project	N/A	13,233
Speed Pilot Project through Snohomish County	N/A	21,173
Total Washington Traffic Safety Commission		\$ 60,067
Washington State Patrol		
Fire Marshall/Fire Mobilization	N/A	\$ 8,081
Washington Association of Sheriffs and Police Chiefs		
Emergency Traffic Safety	N/A	\$ 1,000
Department of Community, Trade and Economic Dev.		
Comprehensive Plan Energy Element/GMA	C06-63200-282	\$ 21,400
Washington State Historical Society		
Heritage Park Water Tower	CPF 07-13	\$ 13,364
Washington State Arts Commission	N/A	\$ 3,750
TOTAL STATE ASSISTANCE		\$ 375,516
Snohomish County		
Human Services Department	A-07-75-06-167(01)	\$ 7,500
TOTAL STATE AND LOCAL ASSISTANCE		\$ 383,016

The accompanying notes to the Schedule of Expenditures of State and Local Financial Assistance are an integral part of this schedule.

**GENERAL FUND
SCHEDULE OF EXPENDITURES, COMPARED TO BUDGET**

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
GENERAL GOVERNMENT				
LEGISLATIVE				
Personnel Services	\$374,546	\$374,546	\$185,485	\$189,061
Supplies	22,846	22,846	3,040	19,806
Other Services and Charges	235,932	235,932	111,639	124,293
Intergovernmental Services	0	0	0	0
Total Legislative	633,324	633,324	300,164	333,160
JUDICIAL				
Personnel Services	1,542,916	1,676,650	784,141	892,509
Supplies	34,697	34,697	17,944	16,753
Other Services and Charges	508,235	633,025	337,114	295,911
Intergovernmental Services	0	0	0	0
Total Judicial	2,085,848	2,344,372	1,139,199	1,205,173
EXECUTIVE				
Personnel Services	618,861	654,556	296,678	357,878
Supplies	13,440	13,440	8,122	5,318
Other Services and Charges	308,562	308,663	142,430	166,233
Intergovernmental Services	45,000	45,000	6,318	38,682
Capital Outlay	0	0	0	0
Total Executive	985,863	1,021,659	453,548	568,111
FINANCE				
Personnel Services	3,606,312	3,747,424	1,543,595	2,203,829
Supplies	68,849	50,777	36,205	14,572
Other Services and Charges	598,416	609,951	364,696	245,255
Intergovernmental Services	6,400	6,400	1,991	4,409
Capital Outlay	0	18,072	16,108	1,964
Total Finance	4,279,977	4,432,624	1,962,595	2,470,029
INFORMATION SERVICES				
Personnel Services	1,848,366	1,896,379	946,847	949,532
Supplies	145,423	601,523	457,440	144,083
Other Services and Charges	976,951	990,951	295,925	695,026
Capital Outlay	504,600	130,000	109,864	20,136
Total Data Processing Services	3,475,340	3,618,853	1,810,076	1,808,777

**GENERAL FUND
SCHEDULE OF EXPENDITURES, COMPARED TO BUDGET**

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
LEGAL SERVICES				
Other Services and Charges	1,260,140	1,260,140	808,232	451,908
Total Legal Services	1,260,140	1,260,140	808,232	451,908
OTHER GOVERNMENTAL SERVICES				
Personnel Services	1,486,040	1,505,460	693,376	812,084
Supplies	301,250	301,250	127,349	173,901
Other Services and Charges	1,258,221	1,258,221	675,321	582,900
Intergovernmental Services	0	0	0	0
Capital Outlay	0	0	15,512	(15,512)
Total Other Govt Services	3,045,511	3,064,931	1,511,558	1,553,373
TOTAL GENERAL GOVT	15,766,003	16,375,903	7,985,372	8,390,531
HUMAN SERVICES				
Personnel Services	713,247	820,933	355,654	465,279
Supplies	42,037	58,037	16,955	41,082
Other Services and Charges	321,398	352,626	125,657	226,969
Capital Outlay	0	27,000	0	27,000
TOTAL HUMAN SERVICES	1,076,682	1,258,596	498,266	760,330
PUBLIC SAFETY				
POLICE				
Personnel Services	17,801,259	18,609,944	9,000,302	9,609,642
Supplies	415,829	509,361	243,572	265,789
Other Services and Charges	1,757,398	2,387,972	1,017,668	1,370,304
Intergovernmental Services	1,486,485	1,486,485	672,987	813,498
Capital Outlay	196,896	973,978	9,312	964,666
Total Police	21,657,867	23,967,740	10,943,841	13,023,899

**GENERAL FUND
SCHEDULE OF EXPENDITURES, COMPARED TO BUDGET**

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
FIRE				
Personnel Services	9,192,105	9,878,950	3,284,897	6,594,053
Supplies	233,550	265,165	126,122	139,043
Other Services and Charges	869,661	870,011	359,660	510,351
Intergovernmental Services	815,213	815,213	385,071	430,142
Capital Outlay	60,000	60,000	32,994	27,006
Total Fire	11,170,529	11,889,339	4,188,744	7,700,595
DETENTION AND CORRECTION				
Personnel Services	2,220,649	2,517,594	1,102,972	1,414,622
Supplies	202,348	229,669	123,772	105,897
Other Services and Charges	49,694	49,694	24,834	24,860
Intergovernmental Services	1,567,672	1,567,672	1,121,246	446,426
Capital Outlay	64,000	64,000	58,482	5,518
Total Detention and Correction	4,104,363	4,428,629	2,431,306	1,997,323
PERMITS AND INSPECTIONS				
Personnel Services	1,279,064	1,313,648	703,312	610,336
Supplies	10,817	10,817	21,963	(11,146)
Other Services and Charges	167,326	167,926	58,447	109,479
Capital Outlay	0	0	5,651	(5,651)
Total Permits & Inspections	1,457,207	1,492,391	789,373	703,018
EMERGENCY SERVICES				
Intergovernmental Services	0	0	1,762	(1,762)
Total Emergency Services	0	0	1,762	(1,762)

**GENERAL FUND
SCHEDULE OF EXPENDITURES, COMPARED TO BUDGET**

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
AMBULANCE RESCUE				
Personnel Service	3,486,873	3,616,882	3,320,277	296,605
Supplies	182,575	193,175	104,316	88,859
Other Services and Charges	292,219	308,569	141,585	166,984
Total Ambulance Rescue	3,961,667	4,118,626	3,566,178	552,448
TOTAL PUBLIC SAFETY	42,351,633	45,896,725	21,921,204	23,975,521
PHYSICAL ENVIRONMENT				
ENGINEERING				
Personnel Services	3,965,077	4,102,273	2,026,162	2,076,111
Supplies	50,035	50,035	34,536	15,499
Other Services and Charges	352,364	395,200	158,051	237,149
Intergovernmental Services	0	0	0	0
Total Engineering	4,367,476	4,547,508	2,218,749	2,328,759
WATERWORKS UTILITIES BILLING				
Personnel Services	276,967	285,830	137,256	148,574
Supplies	0	0	0	0
Other Services and Charges	3,093	3,093	709	2,384
Total Waterworks Utilities Billing	280,060	288,923	137,965	150,958
COMMUNITY DEVELOPMENT				
Personnel Services	2,966,145	3,090,691	1,234,774	1,855,917
Supplies	98,286	99,686	27,380	72,306
Other Services and Charges	525,823	662,953	254,134	408,819
Intergovernmental Services	0	0	0	0
Total Community Development	3,590,254	3,853,330	1,516,288	2,337,042

**GENERAL FUND
SCHEDULE OF EXPENDITURES, COMPARED TO BUDGET**

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
ANIMAL CONTROL				
Personnel Services	295,844	296,201	142,075	154,126
Supplies	3,845	3,845	2,051	1,794
Other Services and Charges	111,568	111,568	49,007	62,561
Total Animal Control	411,257	411,614	193,133	218,481
TOTAL PHYSICAL ENVIRONMENT	8,649,047	9,101,375	4,066,135	5,035,240
CULTURE AND RECREATION				
PARKS AND RECREATION				
Personnel Services	2,216,992	2,280,292	1,026,761	1,253,531
Supplies	177,788	177,788	44,891	132,897
Other Services and Charges	419,405	557,405	255,409	301,996
Intergovernmental Services	0	0	0	0
Capital Outlay	0	0	0	0
Total Parks and Recreation	2,814,185	3,015,485	1,327,061	1,688,424
RECREATION CENTER				
Personnel Services	5,032,404	5,101,844	2,406,575	2,695,269
Supplies	241,652	260,852	227,820	33,032
Other Services and Charges	1,475,291	1,429,027	477,065	951,962
Intergovernmental Services	40,000	40,000	14,073	25,927
Capital Outlay	84,000	0	119,611	(119,611)
Total Recreation Center	6,873,347	6,831,723	3,245,144	3,586,579
LIBRARY				
Other Services and Charges	1,158,242	1,158,242	1,094,233	64,009
Total Library	1,158,242	1,158,242	1,094,233	64,009
TOTAL CULTURE AND RECREATION	10,845,774	11,005,450	5,666,438	5,339,012
TOTAL BEFORE DEBT SERVICE	78,689,139	83,638,049	40,137,415	43,500,634
DEBT SERVICE				
Interest and Fiscal Charges	3,700	3,700	1,765	1,935
TOTAL GENERAL FUND	<u>\$78,692,839</u>	<u>\$83,641,749</u>	<u>\$40,139,180</u>	<u>\$43,502,569</u>

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**

For the Fiscal Year Ended December 31, 2007

	JANUARY 1, 2007	ADDITIONS	RETIREMENT	DECEMBER 31, 2007
GENERAL GOVERNMENT				
Administration	\$29,910,668	\$165,649	\$0	\$30,076,317
TOTAL	29,910,668	165,649	0	30,076,317
PUBLIC SAFETY				
Police	4,287,791	233,213	0	4,521,004
Fire	4,091,757	32,994	0	4,124,751
TOTAL	8,379,548	266,207	0	8,645,755
PARKS, RECREATION AND CULTURE				
Parks	25,891,011	0	0	25,891,011
Recreation Center	3,577,825	12,673	0	3,590,498
TOTAL	29,468,836	12,673	0	29,481,509
JOINT SHOP				
	1,304,798	0	0	1,304,798
TOTAL	1,304,798	0	0	1,304,798
PUBLIC WORKS				
	10,256,584	18,134	0	10,274,718
TOTAL	10,256,584	18,134	0	10,274,718
LIBRARY				
	4,694,093	0	0	4,694,093
TOTAL	4,694,093	0	0	4,694,093
CUMULATIVE ARTS				
	352,215	0	0	352,215
TOTAL	352,215	0	0	352,215
TOTAL GENERAL FIXED ASSETS	\$84,366,742	\$462,663	\$0	\$84,829,405

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY**

December 31, 2007

	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY & EQUIPMENT	TOTAL
GENERAL GOVERNMENT					
Administration	\$19,759,728	\$7,356,945	\$652,964	\$2,306,681	\$30,076,318
TOTAL	19,759,728	7,356,945	652,964	2,306,681	30,076,318
PUBLIC SAFETY					
Police	499,632	2,805,350	31,158	1,184,863	4,521,003
Fire	221,530	3,485,379	110,800	307,042	4,124,751
TOTAL	721,162	6,290,729	141,958	1,491,905	8,645,754
PARKS, RECREATION AND CULTURE					
Parks	17,288,522	2,812,887	4,976,994	812,607	25,891,010
Recreation Center	93,025	3,152,663	180,467	164,344	3,590,499
TOTAL	17,381,547	5,965,550	5,157,461	976,951	29,481,509
JOINT SHOP					
	395,883	842,111	0	66,804	1,304,798
TOTAL	395,883	842,111	0	66,804	1,304,798
PUBLIC WORKS					
	278,344	0	9,765,500	230,874	10,274,718
TOTAL	278,344	0	9,765,500	230,874	10,274,718
LIBRARY					
	83,787	4,537,570	49,186	23,550	4,694,093
TOTAL	83,787	4,537,570	49,186	23,550	4,694,093
CUMULATIVE ARTS					
	0	0	0	352,215	352,215
TOTAL	0	0	0	352,215	352,215
TOTAL GENERAL FIXED ASSETS	\$38,620,451	\$24,992,905	\$15,767,069	\$5,448,980	\$84,829,405

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS COMPARATIVE SCHEDULES BY SOURCE

December 31, 2007 and 2006

	2007	2006
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$38,620,451	\$38,620,451
Buildings	24,992,905	24,992,905
Improvements other than Buildings	15,767,069	15,767,069
Equipment	5,448,980	4,986,317
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$84,829,405	\$84,366,742
 INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
General Fund	\$69,508,379	\$69,063,850
Street Fund	10,274,718	10,256,584
Library Fund	4,694,093	4,694,093
Cumulative Arts Fund	352,215	352,215
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$84,829,405	\$84,366,742

(1) See Note 6 in the Notes to the Financial Statements

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS**

December 31, 2007

ASSETS	EQUIPMENT RENTAL	CENTRAL STORES	SELF- INSURANCE	RESERVE RETIREMENT CONTRIBUTION	TOTAL
CURRENT ASSETS					
Cash and Cash Equivalents	\$15,788	\$1,027	\$1,222	\$1,093	\$19,130
Investments	4,452,000	89,000	660,000	140,000	5,341,000
Receivables	70,028	(2)	0	0	70,026
Inventories	0	208,104	0	0	208,104
TOTAL CURRENT ASSETS	\$4,537,816	\$298,129	\$661,222	\$141,093	\$5,638,260
FIXED ASSETS					
Depreciable Assets (Net)	5,389,302	40,210	0	0	5,429,512
NET FIXED ASSETS	5,389,302	40,210	0	0	5,429,512
TOTAL ASSETS	\$9,927,118	\$338,339	\$661,222	\$141,093	\$11,067,772
LIABILITIES AND FUND EQUITY					
CURRENT LIABILITIES					
Accounts Payable	\$60,348	\$16,950	\$0	\$0	\$77,298
Compensated Absences	14,994	5,861	0	0	20,855
Claims and Judgments Payable	0	0	145,683	0	145,683
TOTAL LIABILITIES	75,342	22,811	145,683	0	243,836
NET ASSETS					
Invested in Capital Assets, Net of Debt	5,389,302	40,210	0	0	5,429,512
Unrestricted	4,462,474	275,318	515,539	141,093	5,394,424
TOTAL NET ASSETS	\$9,851,776	\$315,528	\$515,539	\$141,093	\$10,823,936

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

For Year Ended December 31, 2007

	<u>EQUIPMENT RENTAL</u>	<u>CENTRAL STORES</u>	<u>SELF- INSURANCE</u>	<u>RESERVE RETIREMENT CONTRIBUTION</u>	<u>TOTAL</u>
OPERATING REVENUES					
Charges for Sales and Services	\$1,753,872	\$556,586	\$576,453	\$0	\$2,886,911
Other Operating Revenues	1,000	114,504	29,423	0	144,927
TOTAL OPERATING REVENUES	1,754,872	671,090	605,876	0	3,031,838
OPERATING EXPENSES					
Administrative and General	292,308	88,506	0	0	380,814
Operations, Maintenance, and Service	1,048,027	627,066	668,870	54,560	2,398,523
Depreciation	576,159	2,190	0	0	578,349
TOTAL OPERATING EXPENSES	1,916,494	717,762	668,870	54,560	3,357,686
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(161,622)</u>	<u>(46,672)</u>	<u>(62,994)</u>	<u>(54,560)</u>	<u>(325,848)</u>
OPERATING TRANSFERS					
Transfers In	1,629,739	2,621	0	66,535	1,698,895
Transfers (Out)	(35,000)	(13,625)	0	0	(48,625)
NET INCOME (LOSS) AFTER OPERATING TRANSFERS	<u>1,433,117</u>	<u>(57,676)</u>	<u>(62,994)</u>	<u>11,975</u>	<u>1,324,422</u>
NONOPERATING REVENUE (EXPENSES)					
Interest Revenue	182,202	0	30,805	5,747	218,754
Gain (Loss) on Sale of Fixed Assets	22,651	0	0	0	22,651
TOTAL NONOPERATING REVENUE (EXPENSE)	204,853	0	30,805	5,747	241,405
CHANGE IN NET ASSETS	1,637,970	(57,676)	(32,189)	17,722	1,565,827
TOTAL NET ASSETS - BEGINNING	8,204,719	373,204	67,213	123,371	8,768,507
Increase in Contributed Capital	0	0	0	0	0
Prior Period Correction	9,087	0	480,515	0	489,602
TOTAL NET ASSETS	\$9,851,776	\$315,528	\$515,539	\$141,093	\$10,823,936

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

	EQUIPMENT RENTAL	CENTRAL STORES	SELF- INSURANCE	RESERVE RETIREMENT CONTRIBUTION	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$1,753,872	\$450,519	\$576,453	\$0	\$2,780,844
Other operating revenues	1,000	237,627	29,423	0	268,050
Cash payments to suppliers for goods and services	(1,317,197)	(483,217)	(519,352)	0	(2,319,766)
Cash payments for operating expenses	0	(171,933)	(149,964)	(54,560)	(376,457)
Cash payments to employees for services	(293,091)	(87,322)	0	0	(380,413)
NET CASH PROVIDED BY OPERATING ACTIVITIES	144,584	(54,326)	(63,440)	(54,560)	(27,742)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Insurance Recovery	0	0	0	0	0
Transfers In	1,629,739	2,621	0	66,535	1,698,895
Transfers (out)	(35,000)	(13,625)	0	0	(48,625)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	1,594,739	(11,004)	0	66,535	1,650,270
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(701,424)	0	0	0	(701,424)
Proceeds from sale of equipment	69,151	0	0	0	69,151
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(632,273)	0	0	0	(632,273)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(4,452,000)	(89,000)	(660,000)	(140,000)	(5,341,000)
Proceeds from sale and maturities of investment securities	3,140,000	150,000	690,000	120,000	4,100,000
Interest and dividends on investments	112,174	0	30,805	5,747	148,726
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(1,199,826)	61,000	60,805	(14,253)	(1,092,274)
Net increase (decrease) in cash and cash equivalents	(92,776)	(4,330)	(2,635)	(2,278)	(102,019)
Cash and cash equivalents, January 1	108,562	5,357	3,857	3,371	121,147
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$15,786	\$1,027	\$1,222	\$1,093	\$19,128

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

	<u>EQUIPMENT RENTAL</u>	<u>CENTRAL STORES</u>	<u>SELF- INSURANCE</u>	<u>RESERVE RETIREMENT CONTRIBUTION</u>	<u>TOTAL</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	(\$161,622)	(\$46,672)	(\$62,994)	(\$54,560)	(\$325,848)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization expense	576,159	2,190	0	0	578,349
Change in assets and liabilities:					
(Increase) Decrease in accounts receivable	0	17,056	0	0	17,056
(Increase) Decrease in inventories	0	(24,161)	0	0	(24,161)
Increase (Decrease) in accounts payable/wages	<u>(269,953)</u>	<u>(2,739)</u>	<u>(446)</u>	<u>0</u>	<u>(273,138)</u>
 TOTAL ADJUSTMENTS	<u>306,206</u>	<u>(7,654)</u>	<u>(446)</u>	<u>0</u>	<u>298,106</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$144,584</u>	<u>(\$54,326)</u>	<u>(\$63,440)</u>	<u>(\$54,560)</u>	<u>(\$27,742)</u>

Disclosure of accounting policy: For purposes of the Statement of Cash Flows, the Internal Service Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**SPECIAL REVENUE FUNDS
STADIUM CONVENTION CENTER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$727,178	\$727,178	\$561,253	(\$165,925)
Intergovernmental Revenues	992,789	1,987,578	511,204	(1,476,374)
Charges for Services	100	100	0	(100)
Miscellaneous - Interest	60,000	60,000	43,367	(16,633)
TOTAL REVENUES	1,780,067	2,774,856	1,115,824	(1,659,032)
EXPENDITURES				
Culture and Recreation	331,883	2,054,698	995,192	1,059,506
Debt Service - Principal	727,203	0	0	0
TOTAL EXPENDITURES	1,059,086	2,054,698	995,192	1,059,506
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	720,981	720,158	120,632	(599,526)
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(158,126)	(229,570)	(150,507)	79,063
TOTAL OTHER FINANCING SOURCES (USES)	(158,126)	(229,570)	(150,507)	79,063
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER I	562,855	490,588	(29,875)	(520,463)
Fund Balance, January 1	0	38,621	882,928	844,307
FUND BALANCES, DECEMBER 31	\$562,855	\$529,209	\$853,053	\$323,844

**SPECIAL REVENUE FUNDS
DRUG ENFORCEMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Fines & Forfeits	\$200,000	\$291,477	\$91,477
Miscellaneous - Interest	40,000	35,397	(4,603)
TOTAL REVENUES	<u>240,000</u>	<u>326,874</u>	<u>86,874</u>
EXPENDITURES			
Public Safety	350,017	34,103	315,914
Capital Outlay	120,000	105,872	14,128
TOTAL EXPENDITURES	<u>470,017</u>	<u>139,975</u>	<u>330,042</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(230,017)	186,899	416,916
 Fund Balance, January 1	 <u>230,017</u>	 <u>694,393</u>	 <u>464,376</u>
FUND BALANCES, DECEMBER 31	<u><u>\$0</u></u>	<u><u>\$881,292</u></u>	<u><u>\$881,292</u></u>

**SPECIAL REVENUE FUNDS
CRIMINAL JUSTICE RESERVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$1,050,000	\$1,050,000	\$577,824	(\$472,176)
Intergovernmental Revenues	109,052	124,552	79,303	(45,249)
Fines & Forfeits	13,400	13,400	13,400	0
Miscellaneous - Interest	90,000	90,000	74,673	(15,327)
Miscellaneous - Other	30,000	30,000	2,433	(27,567)
TOTAL REVENUES	1,292,452	1,307,952	747,633	(560,319)
EXPENDITURES				
Public Safety	462,876	467,753	65,916	401,837
Capital Outlay	45,000	60,500	59,547	953
TOTAL EXPENDITURES	507,876	528,253	125,463	402,790
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	784,576	779,699	622,170	(157,529)
OTHER FINANCING SOURCES (USES)				
Transfers In	0	4,877	2,439	(2,438)
Transfers (Out)	(914,343)	(1,781,399)	(534,169)	1,247,230
TOTAL OTHER FINANCING SOURCES (USES)	(914,343)	(1,776,522)	(531,730)	1,247,230
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER	(129,767)	(996,823)	90,440	1,089,701
Fund Balance, January 1	129,767	996,823	1,321,236	324,413
FUND BALANCES, DECEMBER 31	\$0	\$0	\$1,411,676	\$1,414,114

**SPECIAL REVENUE FUNDS
JUSTICE PROGRAMS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Intergovernmental Revenues	\$20,000	\$0	(\$20,000)
Miscellaneous - Interest	300	681	381
TOTAL REVENUES	20,300	681	(19,619)
EXPENDITURES			
Public Safety	0	19,452	(19,452)
Capital Outlay	20,000	0	20,000
TOTAL EXPENDITURES	20,000	19,452	548
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	300	(18,771)	(19,071)
Fund Balance, January 1	0	18,382	18,382
FUND BALANCES, DECEMBER 31	\$300	(\$389)	(\$689)

**SPECIAL REVENUE FUNDS
STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$2,067,735	\$2,123,126	\$1,026,709	(\$1,096,417)
Licenses and Permits	50,000	50,000	143,612	93,612
Intergovernmental Revenues	1,204,286	1,231,786	590,818	(640,968)
Charge for Services	0	0	15,531	15,531
Miscellaneous - Interest	4,500	4,500	14,617	10,117
Other	1,000	40,000	315	(39,685)
TOTAL REVENUES	3,327,521	3,449,412	1,791,602	(1,657,810)
EXPENDITURES				
Transportation	3,559,700	3,696,591	1,860,988	1,835,603
Capital Outlay	100,000	100,000	18,134	81,866
TOTAL EXPENDITURES	3,659,700	3,796,591	1,879,122	1,917,469
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(332,179)	(347,179)	(87,520)	259,659
OTHER FINANCING SOURCES (USES)				
Transfers In	438,000	438,000	169,001	(268,999)
Transfers (Out)	(106,673)	(106,673)	(53,337)	53,336
TOTAL OTHER FINANCING SOURCES (USES)	331,327	331,327	115,664	(215,663)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USE	(852)	(15,852)	28,144	43,996
Move Fund Balance to Paths & Trails	0	0	(41,687)	(41,687)
Fund Balance, January 1	852	15,852	327,009	311,157
FUND BALANCES, DECEMBER 31	\$0	\$0	\$313,466	\$313,466

SPECIAL REVENUE FUNDS
ARTERIAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental Revenues	\$564,737	\$564,737	\$1,223,164	\$658,427
Miscellaneous - Interest	13,500	13,500	19,605	6,105
Miscellaneous -Other	0	300,000	0	(300,000)
TOTAL REVENUES	578,237	878,237	1,242,769	364,532
EXPENDITURES				
TOTAL EXPENDITURES	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	578,237	878,237	1,242,769	364,532
OTHER FINANCING SOURCES (USES)				
Transfers In	1,042,263	1,042,263	739,263	(303,000)
Transfers (Out)	(1,801,935)	(2,101,935)	(953,671)	1,148,264
TOTAL OTHER FINANCING SOURCES (USES)	(759,672)	(1,059,672)	(214,408)	845,264
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	(181,435)	(181,435)	1,028,361	1,209,796
Fund Balance, January 1	190,000	190,000	256,700	66,700
FUND BALANCES, DECEMBER 31	\$8,565	\$8,565	\$1,285,061	\$1,276,496

**SPECIAL REVENUE FUNDS
CUMULATIVE PARK RESERVE AND DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Miscellaneous -Interest	\$4,000	\$4,471	\$471
Miscellaneous -Other	2,000	10,839	8,839
TOTAL REVENUES	6,000	15,310	9,310
EXPENDITURES			
Culture and Recreation	0	22,629	(22,629)
TOTAL EXPENDITURES	0	22,629	(22,629)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,000	(7,319)	(13,319)
OTHER FINANCING SOURCES (USES)			
Transfers In	40,200	15,075	(25,125)
Transfers (Out)	(40,200)	0	40,200
TOTAL OTHER FINANCING SOURCES (USES)	0	15,075	15,075
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER US	6,000	7,756	1,756
Fund Balance, January 1	0	77,234	77,234
FUND BALANCES, DECEMBER 31	\$6,000	\$84,990	\$78,990

**SPECIAL REVENUE FUNDS
CUMULATIVE ART RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Miscellaneous - Interest	\$1,000	\$940	(\$60)
TOTAL REVENUES	1,000	940	(60)
EXPENDITURES			
Capital Outlay	17,830	1,307	16,523
TOTAL EXPENDITURES	17,830	1,307	16,523
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,830)	(367)	16,463
OTHER FINANCING SOURCES (USES)			
Transfers In	30,000	15,000	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	30,000	15,000	(15,000)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	13,170	14,633	1,463
Fund Balance, January 1	0	13,035	13,035
FUND BALANCES, DECEMBER 31	<u>\$13,170</u>	<u>\$27,668</u>	<u>\$14,498</u>

**SPECIAL REVENUE FUNDS
CUMULATIVE RESERVE AID CAR FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Intergovernmental Revenues	\$0	\$1,439	\$1,439
Miscellaneous - Interest	1300	1,486	186
Miscellaneous - Other	0	1,956	1,956
TOTAL REVENUES	<u>1,300</u>	<u>4,881</u>	<u>3,581</u>
EXPENDITURES			
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,300</u>	<u>4,881</u>	<u>3,581</u>
Fund Balance, January 1	<u>0</u>	<u>26,573</u>	<u>26,573</u>
FUND BALANCES, DECEMBER 31	<u><u>\$1,300</u></u>	<u><u>\$31,454</u></u>	<u><u>\$30,154</u></u>

**SPECIAL REVENUE FUNDS
EMS PROPERTY TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$3,037,322	\$3,037,322	\$2,272,633	(\$764,689)
Miscellaneous - Interest	7,000	7,000	16,516	9,516
TOTAL REVENUES	<u>3,044,322</u>	<u>3,044,322</u>	<u>2,289,149</u>	<u>(755,173)</u>
EXPENDITURES				
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,044,322	3,044,322	2,289,149	(755,173)
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	<u>(3,037,322)</u>	<u>(4,792,350)</u>	<u>(2,253,198)</u>	<u>2,539,152</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,037,322)</u>	<u>(4,792,350)</u>	<u>(2,253,198)</u>	<u>2,539,152</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	7,000	(1,748,028)	35,951	1,783,979
Fund Balance, January 1	<u>0</u>	<u>1,755,028</u>	<u>153,312</u>	<u>(1,601,716)</u>
FUND BALANCES, DECEMBER 31	<u>\$7,000</u>	<u>\$7,000</u>	<u>\$189,263</u>	<u>\$182,263</u>

**SPECIAL REVENUE FUNDS
 TREE FUND RESERVE
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Licenses	\$50,000	\$8,996	(\$41,004)
TOTAL REVENUES	50,000	8,996	(41,004)
EXPENDITURES			
Physical Environment	40,000	8,705	31,295
TOTAL EXPENDITURES	40,000	8,705	31,295
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,000	291	(9,709)
Fund Balance, January 1	0	117,595	117,595
FUND BALANCES, DECEMBER 31	<u>\$10,000</u>	<u>\$117,886</u>	<u>\$107,886</u>

**SPECIAL REVENUE FUNDS
 PATH & TRAILS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	0	0	0
EXPENDITURES			
TOTAL EXPENDITURES	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	0	0
OTHER FINANCING SOURCES (USES)			
Transfers In	6,800	3,401	(\$3,399)
TOTAL OTHER FINANCING SOURCES (U	6,800	\$3,401	(\$3,399)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER	6,800	3,401	(3,399)
Move Fund Balance from Street Fund	0	41,687	41,687
Fund Balance, January 1	0	0	0
FUND BALANCES, DECEMBER 31	<u>\$6,800</u>	<u>\$45,088</u>	<u>\$38,288</u>

**SPECIAL REVENUE FUNDS
SOLID WASTE MANAGEMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Taxes	\$107,058	\$51,966	(\$55,092)
Intergovernmental Revenues	32,800	20,508	(12,292)
Charge for Services	10,000	2,845	(7,155)
Miscellaneous - Other	500	0	(500)
TOTAL REVENUES	150,358	75,319	(75,039)
EXPENDITURES			
Physical Environment	150,358	79,275	71,083
TOTAL EXPENDITURES	150,358	79,275	71,083
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	(3,956)	(3,956)
Fund Balance, January 1	0	16,176	16,176
FUND BALANCES, DECEMBER 31	\$0	\$12,220	\$12,220

**SPECIAL REVENUE FUNDS
REVENUE STABILIZATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
EXPENDITURES			
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, January 1	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>
FUND BALANCES, DECEMBER 31	<u><u>\$0</u></u>	<u><u>\$2,000,000</u></u>	<u><u>\$2,000,000</u></u>

**SPECIAL REVENUE FUNDS
PROGRAM DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Miscellaneous - Interest	0	0	143,588	143,588
TOTAL REVENUES	\$0	\$0	\$143,588	\$143,588
EXPENDITURES				
General Government	140,811	301,918	97,206	204,712
Public Safety	194,478	194,478	192,542	1,936
Transportation	292,948	292,948	8,438	284,510
Physical Environment	1,330,996	1,330,996	186,146	1,144,850
Culture and Recreation	40,000	40,000	39,971	29
Capital Outlay	84,000	0	18,513	(18,513)
TOTAL EXPENDITURES	2,083,233	2,160,340	542,816	1,617,524
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,083,233)	(2,160,340)	(399,228)	1,761,112
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	0	0
Transfers (Out)	(439,000)	(1,428,724)	(97,130)	1,331,594
TOTAL OTHER FINANCING SOURCES (USES)	(439,000)	(1,428,724)	(97,130)	1,331,594
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER L	(2,522,233)	(3,589,064)	(496,358)	3,092,706
Fund Balance, January 1	1,588,944	2,655,775	3,059,365	403,590
FUND BALANCES, DECEMBER 31	(\$933,289)	(\$933,289)	\$2,563,007	\$3,496,296

DEBT SERVICES FUNDS
2001 LTGO REFUNDING BONDS
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE- POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	\$0	\$0	\$0
EXPENDITURES			
Debt Service:			
Principal Retirement	265,000	130,000	135,000
Interest	67,065	36,132	30,933
TOTAL EXPENDITURES	332,065	166,132	165,933
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(332,065)	(166,132)	(165,933)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	332,065	166,116	(165,949)
TOTAL OTHER FINANCING SOURCES (USES)	332,065	166,116	(165,949)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	0	(16)	(331,882)
Fund Balance, January 1	0	42,876	42,876
FUND BALANCE, DECEMBER 31	\$0	\$42,860	\$42,860

DEBT SERVICES FUNDS
1996 LTGO REFUNDING BONDS
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE- POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	\$0	\$0	\$0
EXPENDITURES			
Debt Service:			
Principal Retirement	1,080,000	525,000	555,000
Interest	232,350	129,300	103,050
TOTAL EXPENDITURES	1,312,350	654,300	658,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,312,350)	(654,300)	658,050
OTHER FINANCING SOURCES (USES)			
Transfers In	1,312,350	655,238	(657,112)
TOTAL OTHER FINANCING SOURCES (USES)	1,312,350	655,238	(657,112)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	0	938	938
Fund Balance, January 1	0	260,854	260,854
FUND BALANCE, DECEMBER 31	\$0	\$261,792	\$261,792

DEBT SERVICES FUNDS
1998 G.O. LIBRARY BONDS
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE- POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	\$0	\$0	\$0
EXPENDITURES			
Debt Service:			
Principal Retirement	445,000	220,000	225,000
Interest	281,415	145,657	135,758
TOTAL EXPENDITURES	726,415	365,657	360,758
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(726,415)	(365,657)	360,758
OTHER FINANCING SOURCES (USES)			
Transfers In	726,413	395,222	(331,191)
TOTAL OTHER FINANCING SOURCES (USES)	726,413	395,222	(331,191)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(2)	29,565	29,567
Fund Balance, January 1	2	498	496
FUND BALANCE, DECEMBER 31	\$0	\$30,063	\$30,063

DEBT SERVICES FUNDS
800 MHZ INTERLOCAL NOTE
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE- POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	\$0	\$0	\$0
EXPENDITURES			
Debt Service:			
Principal Retirement	127,593	81,968	45,625
Interest	168,035	65,796	102,239
TOTAL EXPENDITURES	295,628	147,764	147,864
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(295,628)	(147,764)	147,864
OTHER FINANCING SOURCES (USES)			
Transfers In	295,620	147,772	(147,848)
TOTAL OTHER FINANCING SOURCES (USES)	295,620	147,772	(147,848)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(8)	8	16
Fund Balance, January 1	8	16,048	16,040
FUND BALANCE, DECEMBER 31	\$0	\$16,056	\$16,056

**DEBT SERVICES FUNDS
STATE LOCAL LOAN
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE- POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	\$0	\$0	\$0
EXPENDITURES			
Debt Service:			
Principal Retirement	74,951	36,719	38,232
Interest	17,673	9,593	8,080
TOTAL EXPENDITURES	92,624	46,312	46,312
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(92,624)	(46,312)	46,312
OTHER FINANCING SOURCES (USES)			
Transfers In	92,644	50,171	(42,473)
TOTAL OTHER FINANCING SOURCES (USES)	92,644	50,171	(42,473)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	20	3,859	3,839
Fund Balance, January 1	0	0	0
FUND BALANCE, DECEMBER 31	\$20	\$3,859	\$3,839

**DEBT SERVICES FUNDS
ENERGY CONSERVATION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP**

For the Year Ended December 31, 2006

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE- POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	\$0	\$0	\$0
EXPENDITURES			
Debt Service:			
Principal Retirement	99,847	48,926	50,921
Interest	30,886	16,441	14,445
TOTAL EXPENDITURES	130,733	65,367	65,366
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(130,733)	(65,367)	65,366
OTHER FINANCING SOURCES (USES)			
Transfers In	130,737	70,814	(59,923)
TOTAL OTHER FINANCING SOURCES (USES)	130,737	70,814	(59,923)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	4	5,447	5,443
Fund Balance, January 1	0	11,666	11,666
FUND BALANCE, DECEMBER 31	\$4	\$17,113	\$17,109

**AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

For the year ended December 31, 2007

	BALANCE 12/31/06	ADDITIONS	DEDUCTIONS	BALANCE 12/31/07
ARBITRAGE DEPOSIT FUND				
Assets				
Cash and Equivalents	\$5,638	\$289	\$5,000	\$927
Investments	0	5,000	0	5,000
Total Assets	<u>\$5,638</u>	<u>\$5,289</u>	<u>\$5,000</u>	<u>\$5,927</u>
Liabilities				
Interest Payable	\$5,638	\$289	\$0	\$5,927
Total Liabilities	<u>\$5,638</u>	<u>\$289</u>	<u>\$0</u>	<u>\$5,927</u>
PAYROLL FUND				
Assets				
Cash and Equivalents	\$883,804	\$38,499,750	\$37,952,199	\$1,431,355
Investments	375,000	0	375,000	0
Total Assets	<u>\$1,258,804</u>	<u>\$38,499,750</u>	<u>\$38,327,199</u>	<u>\$1,431,355</u>
Liabilities				
Vouchers Payable	\$1,258,804	\$26,570,476	\$26,397,925	\$1,431,355
Total Liabilities	<u>\$1,258,804</u>	<u>\$26,570,476</u>	<u>\$26,397,925</u>	<u>\$1,431,355</u>
CLAIMS FUND				
Assets				
Cash and Equivalents	\$316,582	\$32,969,307	\$33,245,364	\$40,525
Investments	0	720,000	0	720,000
Total Assets	<u>\$316,582</u>	<u>\$33,689,307</u>	<u>\$33,245,364</u>	<u>\$760,525</u>
Liabilities				
Vouchers Payable	\$316,582	\$32,616,520	\$32,172,577	\$760,525
Total Liabilities	<u>\$316,582</u>	<u>\$32,616,520</u>	<u>\$32,172,577</u>	<u>\$760,525</u>
COURT TRUST FUND				
Assets				
Cash and Equivalents	\$168,798	\$187,518	\$242,070	\$114,246
Total Assets	<u>\$168,798</u>	<u>\$187,518</u>	<u>\$242,070</u>	<u>\$114,246</u>
Liabilities				
Vouchers Payable	\$168,798	\$187,518	\$242,070	\$114,246
Total Liabilities	<u>\$168,798</u>	<u>\$187,518</u>	<u>\$242,070</u>	<u>\$114,246</u>

**AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

For the year ended December 31, 2007

	<u>BALANCE 12/31/06</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE 12/31/07</u>
SUSPENSE FUND				
Assets				
Cash and Equivalents	\$105,703	\$3,156,534	\$3,260,531	\$1,706
Investments	0	362,000	0	362,000
Accounts Receivable	5,000	0	5,000	0
Total Assets	<u>\$110,703</u>	<u>\$3,518,534</u>	<u>\$3,265,531</u>	<u>\$363,706</u>
Liabilities				
Deposits	<u>\$110,703</u>	<u>\$3,238,033</u>	<u>\$2,985,030</u>	<u>\$363,706</u>
Total Liabilities	<u>\$110,703</u>	<u>\$3,238,033</u>	<u>\$2,985,030</u>	<u>\$363,706</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	SPECIAL REVENUE FUNDS				
	STADIUM CONVENTION CENTER	DRUG ENFORCEMENT	CRIMINAL JUSTICE RESERVE	JUSTICE PROGRAMS	STREET
REVENUES					
Taxes	\$561,253	\$0	\$577,824	\$0	\$1,026,709
Licenses	0	0	0	0	143,612
Intergovernmental Revenues	511,204	0	79,303	0	590,818
Charges for Services	0	0	0	0	15,531
Fines & Forfeits	0	291,477	13,400	0	0
Miscellaneous - Interest	43,367	35,397	74,673	681	14,617
Other	0	0	2,433	0	316
TOTAL REVENUES	1,115,824	326,874	747,633	681	1,791,603
EXPENDITURES					
Current					
General Government	0	0	0	0	0
Public Safety	0	34,103	65,916	19,453	0
Transportation	0	0	0	0	1,860,988
Physical Environment	0	0	0	0	0
Culture and Recreation	995,192	0	0	0	0
Capital Outlay	0	105,872	59,547	0	18,134
Debt Service					
Principal	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
TOTAL EXPENDITURES	995,192	139,975	125,463	19,453	1,879,122
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	120,632	186,899	622,170	(18,772)	(87,519)
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	2,439	0	169,001
Transfers (Out)	(150,507)	0	(534,169)	0	(53,337)
TOTAL OTHER FINANCING SOURCES (USES)	(150,507)	0	(531,730)	0	115,664
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	(29,875)	186,899	90,440	(18,772)	28,145
Fund Balances, January 1	882,928	694,393	1,321,236	18,382	335,956
Move Fund Balance to Paths & Trails	0	0	0	0	(41,687)
FUND BALANCES, DECEMBER 31	\$853,053	\$881,292	\$1,411,676	(\$390)	\$322,414

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	SPECIAL REVENUE FUNDS				
	ARTERIAL STREET	CUMULATIVE PARK RESERVE & DEVELOPMENT	CUMULATIVE ART RESERVE	CUMULATIVE AID CAR RESERVE	EMS PROPERTY TAX
REVENUES					
Taxes	\$0	\$0	\$0	\$0	\$2,272,633
Licenses	0	0	0	0	0
Intergovernmental Revenues	1,223,164	10,839	0	3,395	0
Charges for Services	0	0	0	0	0
Fines & Forfeits	0	0	0	0	0
Miscellaneous - Interest	19,605	4,471	940	1,486	16,516
Other	0	0	0	0	0
TOTAL REVENUES	1,242,769	15,310	940	4,881	2,289,149
EXPENDITURES					
Current					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Transportation	0	0	0	0	0
Physical Environment	0	0	0	0	0
Culture and Recreation	0	22,629	1,307	0	0
Capital Outlay	0	0	0	0	0
Debt Service					
Principal	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
TOTAL EXPENDITURES	0	22,629	1,307	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,242,769	(7,319)	(367)	4,881	2,289,149
OTHER FINANCING SOURCES (USES)					
Transfers In	739,263	15,075	15,000	0	0
Transfers (Out)	(953,671)	0	0	0	(2,253,198)
TOTAL OTHER FINANCING SOURCES (USES)	(214,408)	15,075	15,000	0	(2,253,198)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	1,028,361	7,756	14,633	4,881	35,951
Fund Balances, January 1	256,700	77,234	13,035	26,573	153,312
Move Fund Balance from Street Fund	0	0	0	0	0
FUND BALANCES, DECEMBER 31	\$1,285,061	\$84,990	\$27,668	\$31,454	\$189,263

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	SPECIAL REVENUE FUNDS		
	TREE FUND RESERVE	PATHS & TRAILS	SOLID WASTE MANAGEMENT
REVENUES			
Taxes	\$0	\$0	\$51,966
Licenses	8,996	0	0
Intergovernmental Revenues	0	0	16,289
Charges for Services	0	0	2,845
Fines & Forfeits	0	0	0
Miscellaneous - Interest	0	0	0
Other	0	0	0
TOTAL REVENUES	<u>8,996</u>	<u>0</u>	<u>71,100</u>
EXPENDITURES			
Current			
General Government	0	0	0
Public Safety	0	0	0
Transportation	0	0	0
Physical Environment	8,705	0	79,275
Culture and Recreation	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest and Fiscal Charges	0	0	0
TOTAL EXPENDITURES	<u>8,705</u>	<u>0</u>	<u>79,275</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>291</u>	<u>0</u>	<u>(8,175)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	0	3,401	0
Transfers (Out)	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>3,401</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	291	3,401	(8,175)
Fund Balances, January 1	117,595	0	19,910
Move Fund Balance from Street Fund	0	41,687	0
FUND BALANCES, DECEMBER 31	<u>\$117,886</u>	<u>\$45,088</u>	<u>\$11,735</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	REVENUE STABILIZATION FUND	PROGRAM DEVELOPMENT FUND	TOTAL
REVENUES			
Taxes	\$0	\$0	\$4,490,385
Licenses	0	0	152,608
Intergovernmental Revenues	0	0	2,435,012
Charges for Services	0	0	18,376
Fines & Forfeits	0	0	304,877
Miscellaneous - Interest	0	143,588	355,341
Other	0	0	2,749
TOTAL REVENUES	<u>0</u>	<u>143,588</u>	<u>7,759,348</u>
EXPENDITURES			
Current			
General Government	0	61,881	61,881
Public Safety	0	192,542	312,014
Transportation	0	8,438	1,869,426
Physical Environment	0	221,471	309,451
Culture and Recreation	0	39,971	1,059,099
Capital Outlay	0	18,513	202,066
Debt Service			
Principal	0	0	0
Interest and Fiscal Charges	0	0	0
TOTAL EXPENDITURES	<u>0</u>	<u>542,816</u>	<u>3,813,937</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>0</u>	<u>(399,228)</u>	<u>3,945,411</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	0	0	944,179
Transfers (Out)	0	(97,130)	(4,042,012)
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>(97,130)</u>	<u>(3,097,833)</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	<u>0</u>	<u>(496,358)</u>	<u>847,578</u>
Fund Balances, January 1	2,000,000	3,059,365	8,976,619
	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES, DECEMBER 31	<u><u>\$2,000,000</u></u>	<u><u>\$2,563,007</u></u>	<u><u>\$9,824,197</u></u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	DEBT SERVICE FUNDS				
	2001 LTGO REFUNDING BONDS	1996 LTGO REFUNDING BONDS	1998 GO LIBRARY BONDS	800 MHZ INTERLOCAL NOTE	STATE LOCAL LOAN
REVENUES					
Taxes	\$0	\$0	\$0	\$0	\$0
Licenses	0	0	0	0	0
Intergovernmental Revenues	0	0	0	0	0
Charges for Services	0	0	0	0	0
Fines & Forfeits	0	0	0	0	0
Miscellaneous - Interest	0	0	0	0	0
Other	0	0	0	0	0
TOTAL REVENUES	0	0	0	0	0
EXPENDITURES					
Current					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Transportation	0	0	0	0	0
Physical Environment	0	0	0	0	0
Culture and Recreation	0	0	0	0	0
Capital Outlay	0	0	0	0	0
Debt Service					
Principal	130,000	525,000	220,000	81,968	36,719
Interest and Fiscal Charges	36,132	129,300	145,657	65,796	9,593
TOTAL EXPENDITURES	166,132	654,300	365,657	147,764	46,312
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(166,132)	(654,300)	(365,657)	(147,764)	(46,312)
OTHER FINANCING SOURCES (USES)					
Transfers In	166,116	655,238	395,222	147,772	50,171
Transfers (Out)	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	166,116	655,238	395,222	147,772	50,171
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	(16)	938	29,565	8	3,859
Fund Balances, January 1	42,876	260,854	498	16,048	0
	0	0	0	0	0
FUND BALANCES, DECEMBER 31	\$42,860	\$261,792	\$30,063	\$16,056	\$3,859

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	DEBT SERVICE FUNDS		
	ENERGY CONSERVATION	LID GUARANTY	LID 94-1
REVENUES			
Taxes	\$0	\$0	\$0
Licenses	0	0	0
Intergovernmental Revenues	0	0	0
Charges for Services	0	0	0
Fines & Forfeits	0	0	0
Miscellaneous - Interest	0	41,118	0
Other	0	0	0
TOTAL REVENUES	<u>0</u>	<u>41,118</u>	<u>0</u>
EXPENDITURES			
Current			
General Government	0	0	0
Public Safety	0	0	0
Transportation	0	0	0
Physical Environment	0	0	0
Culture and Recreation	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	48,926	0	0
Interest and Fiscal Charges	16,441	0	0
TOTAL EXPENDITURES	<u>65,367</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(65,367)</u>	<u>41,118</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	70,814	7,390	0
Transfers (Out)	0	(220,000)	(7,390)
TOTAL OTHER FINANCING SOURCES (USES)	<u>70,814</u>	<u>(212,610)</u>	<u>(7,390)</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	<u>5,447</u>	<u>(171,492)</u>	<u>(7,390)</u>
Fund Balances, January 1	11,666	814,768	7,390
	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES, DECEMBER 31	<u><u>\$17,113</u></u>	<u><u>\$643,276</u></u>	<u><u>\$0</u></u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	<u>DEBT SERVICE FUNDS</u>	
	<u>LID 97-1</u>	<u>TOTAL</u>
REVENUES		
Taxes	\$0	\$0
Licenses	0	0
Intergovernmental Revenues	10,134	10,134
Charges for Services	0	0
Fines & Forfeits	0	0
Miscellaneous - Interest	1,692	42,810
Other	0	0
TOTAL REVENUES	<u>11,826</u>	<u>52,944</u>
EXPENDITURES		
Current		
General Government	0	0
Public Safety	0	0
Transportation	0	0
Physical Environment	0	0
Culture and Recreation	0	0
Capital Outlay	0	0
Debt Service		
Principal	10,000	1,052,613
Interest and Fiscal Charges	590	403,509
TOTAL EXPENDITURES	<u>10,590</u>	<u>1,456,122</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,236</u>	<u>(1,403,178)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	0	1,492,723
Transfers (Out)	0	(227,390)
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>1,265,333</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	<u>1,236</u>	<u>(137,845)</u>
Fund Balances, January 1	68,033	1,222,133
	<u>0</u>	<u>0</u>
FUND BALANCES, DECEMBER 31	<u>\$69,269</u>	<u>\$1,084,288</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	CAPITAL PROJECT FUNDS				
	TRANSIT SUPPORT PROJECTS	OLYMPIC VIEW DRIVE	44TH AVENUE	TRAFFIC SIGNALS	ROADWAY SURFACING
REVENUES					
Taxes	\$0	\$0	\$0	\$0	\$0
Licenses	0	0	0	0	0
Intergovernmental Revenues	0	0	0	77,868	0
Charges for Services	0	0	0	0	0
Fines & Forfeits	0	0	0	0	0
Miscellaneous - Interest	0	0	0	0	0
Other	0	0	0	0	0
TOTAL REVENUES	0	0	0	77,868	0
EXPENDITURES					
Current					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Transportation	0	0	0	3,441	962,976
Physical Environment	0	0	0	0	0
Culture and Recreation	0	0	0	0	0
Capital Outlay	0	152,137	0	369,037	0
Debt Service					
Principal	0	0	0	0	0
Interest and Fiscal Charges	0	0	37	0	0
TOTAL EXPENDITURES	0	152,137	37	372,478	962,976
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	(152,137)	(37)	(294,610)	(962,976)
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	952,703
Transfers (Out)	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	952,703
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	0	(152,137)	(37)	(294,610)	(10,273)
Fund Balances, January 1	(5,076)	170,262	(5,056)	598,369	91,289
Prior Period Adjustments	0	0	0	0	0
FUND BALANCES, DECEMBER 31	(\$5,076)	\$18,125	(\$5,093)	\$303,759	\$81,016

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	CAPITAL PROJECT FUNDS			
	SIDEWALKS PEDESTRIAN IMPROVEMENTS	INTERURBAN OVERPASS 44TH	I-5/196TH PEDESTRIAN BRIDGE	PARK ACQUISITION & DEVELOPMENT
REVENUES				
Taxes	\$0	\$0	\$0	\$0
Licenses	0	0	0	0
Intergovernmental Revenues	0	64,285	0	190,965
Charges for Services	0	0	0	0
Fines & Forfeits	0	0	0	0
Miscellaneous - Interest	0	0	0	0
Other	0	0	0	3,000
TOTAL REVENUES	0	64,285	0	193,965
EXPENDITURES				
Current				
General Government	0	0	0	0
Public Safety	0	0	0	0
Transportation	0	0	0	0
Physical Environment	0	0	0	0
Culture and Recreation	0	0	0	5,789
Capital Outlay	14,438	194,356	205,497	270,068
Debt Service				
Principal	0	0	0	0
Interest and Fiscal Charges	0	0	0	19,164
TOTAL EXPENDITURES	14,438	194,356	205,497	295,021
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,438)	(130,071)	(205,497)	(101,056)
OTHER FINANCING SOURCES (USES)				
Transfers In	0	0	0	16,000
Transfers (Out)	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	16,000
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	(14,438)	(130,071)	(205,497)	(85,056)
Fund Balances, January 1	140,924	442,059	2,615,319	(223,281)
Prior Period Adjustments	0	0	0	0
FUND BALANCES, DECEMBER 31	\$126,486	\$311,988	\$2,409,822	(\$308,337)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	CAPITAL PROJECT FUNDS				
	COMMUNITY CENTER	I-5 CITY CENTER EXIT	TRAFFIC OPERATIONS CENTER	REAL ESTATE EXCISE TAX # 2	REAL ESTATE EXCISE TAX
REVENUES					
Taxes	\$0	\$0	\$0	\$901,699	\$713,861
Licenses	0	0	0	0	0
Intergovernmental Revenues	0	356,955	166,001	0	0
Charges for Services	0	0	0	0	0
Fines & Forfeits	0	0	0	0	0
Miscellaneous - Interest	0	0	0	24,659	103,237
Other	0	0	0	0	0
TOTAL REVENUES	0	356,955	166,001	926,358	817,098
EXPENDITURES					
Current					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Transportation	0	0	14,622	0	0
Physical Environment	0	0	0	0	0
Culture and Recreation	0	0	0	0	0
Capital Outlay	0	338,806	265,137	0	0
Debt Service					
Principal	0	0	0	0	0
Interest and Fiscal Charges	0	995	266	0	0
TOTAL EXPENDITURES	0	339,801	280,025	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	17,154	(114,024)	926,358	817,098
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	0	0	0
Transfers (Out)	0	0	0	0	(1,079,913)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	(1,079,913)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	0	17,154	(114,024)	926,358	(262,815)
Fund Balances, January 1	51,798	137,659	77,915	718,235	1,866,685
Prior Period Adjustments	0	0	0	0	0
FUND BALANCES, DECEMBER 31	\$51,798	\$154,813	(\$36,109)	\$1,644,593	\$1,603,870

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year December 31,2007

	CAPITAL PROJECT FUNDS		
	CAPITAL DEVELOPMENT PLAN	TOTAL	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$0	\$1,615,560	\$6,105,945
Licenses	0	0	152,608
Intergovernmental Revenues	0	856,074	3,301,220
Charges for Services	0	0	18,376
Fines & Forfeits	0	0	304,877
Miscellaneous - Interest	123,720	251,616	649,767
Other	0	3,000	5,749
TOTAL REVENUES	123,720	2,726,250	10,538,542
EXPENDITURES			
Current			
General Government	0	0	61,881
Public Safety	0	0	312,014
Transportation	0	981,039	2,850,465
Physical Environment	0	0	309,451
Culture and Recreation	0	5,789	1,064,888
Capital Outlay	0	1,809,476	2,011,542
Debt Service			
Principal	0	0	1,052,613
Interest and Fiscal Charges	0	20,462	423,971
TOTAL EXPENDITURES	0	2,816,766	8,086,825
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	123,720	(90,516)	2,451,717
OTHER FINANCING SOURCES (USES)			
Transfers In	0	968,703	3,405,605
Transfers (Out)	0	(1,079,913)	(5,349,315)
TOTAL OTHER FINANCING SOURCES (USES)	0	(111,210)	(1,943,710)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND- ITURES & OTHER USES	123,720	(201,726)	508,007
Fund Balances, January 1	2,415,037	9,092,138	19,290,890
Prior Period Adjustments	0	0	0
FUND BALANCES, DECEMBER 31	\$2,538,757	\$8,890,412	\$19,798,897

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31,2007

	SPECIAL REVENUE FUNDS				
	STADIUM CONVENTION CENTER	DRUG ENFORCEMENT	CRIMINAL JUSTICE RESERVE	JUSTICE PROGRAMS	STREET
ASSETS					
Cash and Equivalents	\$5,133	\$5,617	\$9,137	\$531	\$33,948
Investments	850,000	875,857	1,610,000	6,000	275,000
Receivables	0	0	0	0	26,211
TOTAL ASSETS	\$855,133	\$881,474	\$1,619,137	\$6,531	\$335,159
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$2,080	\$182	\$431	\$6,921	\$12,745
Interfund Loans Payable	0	0	0	0	0
Unearned Revenue	0	0	207,030	0	0
Deferred Revenue	0	0	0	0	0
TOTAL LIABILITIES	2,080	182	207,461	6,921	12,745
FUND BALANCES					
Reserve for Paths & Trails	0	0	0	0	0
Reserve for Debt Service	0	0	0	0	0
Unreserved	853,053	881,292	1,411,676	(390)	322,414
TOTAL FUND BALANCES	853,053	881,292	1,411,676	(390)	322,414
TOTAL LIABILITIES & FUND BALANCES	\$855,133	\$881,474	\$1,619,137	\$6,531	\$335,159

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31,2007

	SPECIAL REVENUE FUNDS				
	ARTERIAL STREET	CUMULATIVE PARK RESERVE & DEVELOPMENT	CUMULATIVE ART RESERVE	CUMULATIVE AID CAR RESERVE	EMS PROPERTY TAX
ASSETS					
Cash and Equivalents	\$35,061	\$4,990	\$2,668	\$1,454	\$4,263
Investments	300,000	80,000	25,000	30,000	185,000
Receivables	950,000	0	0	0	0
TOTAL ASSETS	<u>\$1,285,061</u>	<u>\$84,990</u>	<u>\$27,668</u>	<u>\$31,454</u>	<u>\$189,263</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Interfund Loans Payable	0	0	0	0	0
Unearned Revenue	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES					
Reserve for Paths & Trails	0	0	0	0	0
Reserve for Debt Service	0	0	0	0	0
Unreserved	1,285,061	84,990	27,668	31,454	189,263
TOTAL FUND BALANCES	<u>1,285,061</u>	<u>84,990</u>	<u>27,668</u>	<u>31,454</u>	<u>189,263</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$1,285,061</u>	<u>\$84,990</u>	<u>\$27,668</u>	<u>\$31,454</u>	<u>\$189,263</u>

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2007

	<u>SPECIAL REVENUE FUNDS</u>		
	<u>TREE FUND RESERVE</u>	<u>PATHS & TRAILS</u>	<u>SOLID WASTE MANAGEMENT</u>
ASSETS			
Cash and Equivalents	\$1,631	\$2,088	\$1,661
Investments	120,000	43,000	10,000
Receivables	<u>0</u>	<u>0</u>	<u>74</u>
TOTAL ASSETS	<u>\$121,631</u>	<u>\$45,088</u>	<u>\$11,735</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$3,745	\$0	\$0
Interfund Loans Payable	0	0	0
Unearned Revenue	0	0	0
Deferred Revenue	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>3,745</u>	<u>0</u>	<u>0</u>
FUND BALANCES			
Reserve for Paths & Trails	0	45,088	0
Reserve for Debt Service	0	0	0
Unreserved	<u>117,886</u>	<u>0</u>	<u>11,735</u>
TOTAL FUND BALANCES	<u>117,886</u>	<u>45,088</u>	<u>11,735</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$121,631</u>	<u>\$45,088</u>	<u>\$11,735</u>

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31,2007

	SPECIAL REVENUE FUNDS		
	REVENUE STABILIZATION FUND	PROGRAM DEVELOPMENT FUND	TOTAL
ASSETS			
Cash and Equivalents	\$5,000	\$1,103	\$114,285
Investments	1,995,000	2,575,000	8,979,857
Receivables	0	0	976,285
TOTAL ASSETS	<u>\$2,000,000</u>	<u>\$2,576,103</u>	<u>\$10,070,427</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$0	\$13,096	\$39,200
Interfund Loans Payable	0	0	0
Unearned Revenue	0	0	207,030
Deferred Revenue	0	0	0
TOTAL LIABILITIES	<u>0</u>	<u>13,096</u>	<u>246,230</u>
FUND BALANCES			
Reserve for Paths & Trails	0	0	45,088
Reserve for Debt Service	0	0	0
Unreserved	2,000,000	2,563,007	9,779,109
TOTAL FUND BALANCES	<u>2,000,000</u>	<u>2,563,007</u>	<u>9,824,197</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$2,000,000</u>	<u>\$2,576,103</u>	<u>\$10,070,427</u>

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31,2007

	DEBT SERVICE FUNDS		
	2001 LTGO REFUNDING BONDS	1996 LTGO REFUNDING BONDS	1998 GO LIBRARY BONDS
ASSETS			
Cash and Equivalents	\$2,860	\$11,792	\$63
Investments	40,000	250,000	30,000
Receivables	0	0	0
TOTAL ASSETS	<u>\$42,860</u>	<u>\$261,792</u>	<u>\$30,063</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$0	\$0	\$0
Interfund Loans Payable	0	0	0
Unearned Revenue	0	0	0
Deferred Revenue	0	0	0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES			
Reserve for Paths & Trails	0	0	0
Reserve for Debt Service	42,860	261,792	30,063
Unreserved	0	0	0
TOTAL FUND BALANCES	<u>42,860</u>	<u>261,792</u>	<u>30,063</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$42,860</u>	<u>\$261,792</u>	<u>\$30,063</u>

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31,2007

	DEBT SERVICE FUNDS		
	800 MHZ INTERLOCAL NOTE	STATE LOCAL LOAN	ENERGY CONSERVATION
ASSETS			
Cash and Equivalents	\$1,056	\$859	\$113
Investments	15,000	3,000	17,000
Receivables	0	0	0
TOTAL ASSETS	\$16,056	\$3,859	\$17,113
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$0	\$0	\$0
Interfund Loans Payable	0	0	0
Unearned Revenue	0	0	0
Deferred Revenue	0	0	0
TOTAL LIABILITIES	0	0	0
FUND BALANCES			
Reserve for Paths & Trails	0	0	0
Reserve for Debt Service	16,056	3,859	17,113
Unreserved	0	0	0
TOTAL FUND BALANCES	16,056	3,859	17,113
TOTAL LIABILITIES & FUND BALANCES	\$16,056	\$3,859	\$17,113

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2007

	<u>DEBT SERVICE FUNDS</u>		
	LID <u>GUARANTY</u>	<u>LID 97-1</u>	<u>TOTAL</u>
ASSETS			
Cash and Equivalents	\$276	\$26,702	\$43,721
Investments	643,000	32,000	1,030,000
Receivables	<u>0</u>	<u>18,433</u>	<u>18,433</u>
TOTAL ASSETS	<u>\$643,276</u>	<u>\$77,135</u>	<u>\$1,092,154</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$0	\$0	\$0
Interfund Loans Payable	0	0	0
Unearned Revenue	0	0	0
Deferred Revenue	<u>0</u>	<u>7,866</u>	<u>7,866</u>
TOTAL LIABILITIES	<u>0</u>	<u>7,866</u>	<u>7,866</u>
FUND BALANCES			
Reserve for Paths & Trails	0	0	0
Reserve for Debt Service	643,276	69,269	1,084,288
Unreserved	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL FUND BALANCES	<u>643,276</u>	<u>69,269</u>	<u>1,084,288</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$643,276</u>	<u>\$77,135</u>	<u>\$1,092,154</u>

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31,2007

	CAPITAL PROJECT FUNDS				
	TRANSIT SUPPORT PROJECTS	OLYMPIC VIEW DRIVE	44TH AVENUE	TRAFFIC SIGNALS	ROADWAY SURFACING
ASSETS					
Cash and Equivalents	\$0	\$451	\$760	\$3,684	\$141,530
Investments	0	20,000	1,000	385,000	0
Receivables	0	0	0	0	0
TOTAL ASSETS	\$0	\$20,451	\$1,760	\$388,684	\$141,530
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$5,076	\$2,326	\$1,753	\$84,925	\$60,514
Interfund Loans Payable	0	0	5,100	0	0
Unearned Revenue	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
TOTAL LIABILITIES	5,076	2,326	6,853	84,925	60,514
FUND BALANCES					
Reserve for Paths & Trails	0	0	0	0	0
Reserve for Debt Service	0	0	0	0	0
Unreserved	(5,076)	18,125	(5,093)	303,759	81,016
TOTAL FUND BALANCES	(5,076)	18,125	(5,093)	303,759	81,016
TOTAL LIABILITIES & FUND BALANCES	\$0	\$20,451	\$1,760	\$388,684	\$141,530

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2007

	CAPITAL PROJECT FUNDS			
	SIDEWALKS PEDESTRIAN IMPROVEMENTS	INTERURBAN OVERPASS 44TH	I-5/196TH PEDESTRIAN BRIDGE	PARK ACQUISITION & DEVELOPMENT
ASSETS				
Cash and Equivalents	\$1,548	\$1,249	\$9,822	(\$15,654)
Investments	129,000	270,000	2,400,000	0
Receivables	0	64,285	0	157,032
TOTAL ASSETS	\$130,548	\$335,534	\$2,409,822	\$141,378
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$4,062	\$23,546	\$0	\$48,926
Interfund Loans Payable	0	0	0	400,789
Unearned Revenue	0	0	0	0
Deferred Revenue	0	0	0	0
TOTAL LIABILITIES	4,062	23,546	0	449,715
FUND BALANCES				
Reserve for Paths & Trails	0	0	0	0
Reserve for Debt Service	0	0	0	0
Unreserved	126,486	311,988	2,409,822	(308,337)
TOTAL FUND BALANCES	126,486	311,988	2,409,822	(308,337)
TOTAL LIABILITIES & FUND BALANCES	\$130,548	\$335,534	\$2,409,822	\$141,378

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31,2007

	CAPITAL PROJECT FUNDS				
	COMMUNITY CENTER	I-5 CITY CENTER EXIT	TRAFFIC OPERATIONS CENTER	REAL ESTATE EXCISE TAX # 2	REAL ESTATE EXCISE TAX
ASSETS					
Cash and Equivalents	\$1,797	\$4,091	\$135	\$4,593	\$3,870
Investments	50,000	90,000	0	1,640,000	1,600,000
Receivables	0	60,722	112,821	0	0
TOTAL ASSETS	\$51,797	\$154,813	\$112,956	\$1,644,593	\$1,603,870
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$0	\$0	\$27,065	\$0	\$0
Interfund Loans Payable	0	0	122,000	0	0
Unearned Revenue	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
TOTAL LIABILITIES	0	0	149,065	0	0
FUND BALANCES					
Reserve for Paths & Trails	0	0	0	0	0
Reserve for Debt Service	0	0	0	0	0
Unreserved	51,797	154,813	(36,109)	1,644,593	1,603,870
TOTAL FUND BALANCES	51,797	154,813	(36,109)	1,644,593	1,603,870
TOTAL LIABILITIES & FUND BALANCES	\$51,797	\$154,813	\$112,956	\$1,644,593	\$1,603,870

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2007

	CAPITAL PROJECT FUNDS		
	CAPITAL DEVELOPMENT PLAN	TOTAL	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Equivalents	\$38,757	\$196,633	\$354,639
Investments	2,500,000	9,085,000	19,094,857
Receivables	0	394,860	1,389,578
TOTAL ASSETS	\$2,538,757	\$9,676,493	\$20,839,074
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$0	\$258,193	\$297,393
Interfund Loans Payable	0	527,889	527,889
Unearned Revenue	0	0	207,030
Deferred Revenue	0	0	7,866
TOTAL LIABILITIES	0	786,082	1,040,178
FUND BALANCES			
Reserve for Paths & Trails	0	0	45,088
Reserve for Debt Service	0	0	1,084,288
Unreserved	2,538,757	8,890,411	18,669,520
TOTAL FUND BALANCES	2,538,757	8,890,411	19,798,896
TOTAL LIABILITIES & FUND BALANCES	\$2,538,757	\$9,676,493	\$20,839,074

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These are special revenue funds to account for the proceeds of special revenue sources (other than special assessments) or to finance specified activities as required by law or administrative regulations.

Stadium/Convention Center Fund This fund was created by Ordinance No. 972 to accumulate the 2% transient hotel/motel excise tax. This reserve can be used to pay for all or part of the cost of acquisition, construction, or operation of stadium and/or convention center facilities or to pay or secure the payment of all or a portion of G.O. or Revenue Bonds should they be issued. Other allowable costs to this fund are advertising and promotional materials for an annual family oriented community-wide event and the purchase and sponsorship of a promotional float.

Drug Enforcement Fund was established to accumulate drug seizure money that will be used to pay for 1/3 of the drug task force sergeant. Mountlake Terrace and Edmonds will contribute the other 2/3 of his salary.

Criminal Justice Fund all of the monies made available to local governments through this legislation are limited to funding of criminal justice purposes. Criminal justice purposes can be defined as activities relating to the enforcement and administration of the criminal law. "Monies distributed under this section shall be expended exclusively for criminal justice purposes and shall not be used to replace or supplant existing funding."

Justice Programs this fund was established to account for federal grant funds and any interest earned on them.

Street Fund accounts for the administration of the street department and the cost of construction and maintenance of City streets, traffic control devices, and sidewalks. Its revenues include property tax; state shared motor vehicle fuel tax, sales tax, investment income, and charges for services to others.

Arterial Street Fund to account for construction of arterial streets. Its revenues include grants, state shared motor vehicle fuel tax, and investment income. Its expenditures include construction costs.

Cumulative Park Reserve and Development Fund to accumulate money for the purpose of acquisition of park properties and development of parks for the City of Lynnwood. Its revenue is from gifts or contributions together with whatever sums may be transferred from other City funds or may be levied for such purpose from time to time.

Cumulative Art Reserve Fund to accumulate money for acquisitions of objects of art for the City of Lynnwood. Its revenue is from gifts or contributions together with funds transferred as authorized by the City Council (created by Ordinance No. 675, dated 1972).

Cumulative Reserve Aid Car Fund to accumulate monies contributed by citizens and organizations for the replacement, acquisition, and improvement of Lynnwood's Aid Car service. Expenditures are for the purchase of aid cars and aid car supplies.

EMS Property Tax Fund this fund receives the Emergency Medical Services Levy and distributes it to the General Fund.

Tree Fund Reserve was established to regulate the removal of trees and their replacement and protection within the City. Revenue is provided by fees, fines and donations.

Paths & Trails was established per Chapter 47.30 RCW to use a portion of the motor vehicle fuel tax funds to establish and maintain paths and trails for pedestrians, equestrians or bicyclists as part of streets, roads and highways.

Solid Waste Management Fund was established in 1989 to administer and coordinate curbside recycling with the City waste haulers and to design and implement other waste reduction and recycling activities in the City. This was mandated by ESHB 1167 for all local governments.

Revenue Stabilization Fund this fund was established to accumulate money to cover periods of revenue shortages in the General Fund, and for expenditures deemed necessary by the City Council.

Program Development Fund this fund was established to accumulate special appropriations and monies from the General Fund that may be used for program development, enhancement or expansion projects, and for matching funds for grants and interlocal agreements.

DEBT SERVICE FUNDS

The Debt Service Fund series is to account for the payment of principal and interest on general long-term debt, as well as special assessment funds to account for the assessment levied to finance public improvements or services deemed to benefit the properties against which assessments are levied.

2001 LTGO Refunding Bond Fund proceeds were used to advance refund \$1,270,000 of the City's outstanding limited Tax General

Obligation Bonds, 1992, as well as to pay for administrative and issuance costs. Revenues come from the General Fund.

1996 LTGO Refunding Bond Fund was authorized by Ordinance 2113 to advance refund the 1980 Non-Voted G.O. Bonds, the 1991 Golf and Recreational Facilities Revenue and Refunding Bonds, and partially refund the 1989 G.O. Golf Course Bonds. Revenues come from the Golf Course, the Recreation Center and excise taxes.

1998 G.O. Library Bond Fund was set up to remodel and add-on to the Civic Center library building, and to acquire park property. Revenues come from the General Fund.

800 MHZ Interlocal Note was set up to service the principal and interest due on the long term debt for the City's portion of the Snohomish County Emergency Radio System Interlocal Agreement.

State LOCAL Loan is set up through the State Treasurer's Local Option Capital Lending Program (LOCAL). This loan is for acquisition of equipment for the Energy Conservation Project, and is to be financed over a ten-year period.

Energy Conservation to finance the second phase of the City's Energy Conservation Project that included lighting retrofit, HAVAC control upgrade and water conservation enhancements.

Local Improvement District Guaranty Fund is for the purpose of guaranteeing to the extent of the fund the payments of its Local Improvement Bonds and warrants issued to pay for Local Improvements ordered subsequent to July 13, 1961 as created by Ordinance No. 85.

Local Improvement District 94-1 Fund is to account for the debt service on the 40th Avenue Sewer Improvements project that was completed in 1996.

Local Improvement District 97-1 Fund is to account for the debt service on sanitary sewer improvements for 65th Place W. and 65th Ave. W. corridor.

CAPITAL PROJECT FUNDS

The Capital Project Fund series is used to dedicate revenues and to account for the acquisition and construction of capital facilities other than those financed by the proprietary funds.

Transit Support Projects was established to handle two Sound Transit mitigation projects in conjunction with their Park-n-Ride and Direct Access Projects

Olympic View Drive the purpose of this project is to improve the safety of a two-lane roadway with numerous steep drop embankments and open drainage ditches. It will benefit pedestrians, bicyclists, and transit usage.

44th Avenue project will provide right turn lanes and other operational improvements to the heavily congested avenue.

Traffic Signals fund was established to account for signal construction projects throughout the City of Lynnwood.

Roadway Surfacing The purpose of this fund is on-going pavement management.

Sidewalks/Pedestrian Improvements this fund was established to account for the design and construction of sidewalks, curb ramps, and walkways at various locations within the City.

Interurban Overpass/44th This project will complete the missing link on the Interurban Trail through the City of Lynnwood.

I-5/196th Pedestrian Bridge will provide necessary and safe pedestrian crossing of I-5 in the vicinity of 196th Street SW Interchange improvements warrant that a new pedestrian bridge be built. This bridge will tie into the interurban trail and provide a safe link from the intersection of 196th and 37th to 196th and Poplar Way.

Park Acquisition and Development fund accounts for the construction of parks and recreation areas. Its revenue includes Council contributions, property taxes, and federal and state grants.

Community Center was set up for the study of a City of Lynnwood community center, a portion of which would include a senior center.

I-5 City Center Exit will construct an off-ramp from I-5 southbound to the intersection of Alderwood Mall Blvd and Alderwood Mall Pkwy. It will provide direct access from the north to the heart of the Lynnwood Convention Center, and the expanded regional transit center.

Traffic Operations Center A new signal control center will be constructed at the Lynnwood Civic Center. It will include monitoring equipment which will be used to improve regional traffic flow.

Real Estate Excise Tax fund accounts for taxes collected (1/4 of 1%) on real estate sales that are designated for capital expenditures.

Real Estate Excise Tax #2 fund accounts for taxes collected (1/4 of 1%) on real estate sales that are designated for Public Works capital expenditures.

Capital Development Plan fund is a reserve fund used to provide funding for necessary capital projects identified after the annual budget process. It is also a source of matching funds for new federal and state grants or new interlocal agreements.

REQUIRED SUPPLEMENTARY INFORMATION
LEOFF 1 RETIREE MEDICAL BENEFITS
SCHEDULE OF FUNDING PROGRESS
(rounded to thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL</u>
1/1/08	0	18,034	0 %	18,034

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/98	785	883	89 %	98	113	87%
1/1/00	\$888	\$888	100	0	0	N/A
1/1/02	998	671	149	(327)	0	N/A
1/1/04	1,008	954	106	(54)	0	N/A
1/1/06	983	1,193	82	210	0	N/A
1/1/08	985	1,500	66	515	0	N/A

GASB Statements No. 25 and 27 now require only biennial valuations with no updates between valuations

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO FINANCIAL STATEMENTS

JANUARY 1, 2007, THROUGH DECEMBER 31, 2007

The accompanying notes are an integral part of the enclosed financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lynnwood was incorporated April 23, 1959, under the provisions of the Washington State Legislation and operates under a Mayor/Council form of government. The Mayor is the full-time Chief Executive Officer with seven part-time Council Members. The City's combined balance sheets include the accounts of all City operations. The City's major services include police and fire protection, parks and recreation, library service, public works (streets and water/sewer utilities), planning and zoning, and general administration services.

The accounting and reporting policies of the City of Lynnwood conform to generally accepted accounting principles, and are regulated by the Washington State Auditor's Office in accordance with state law. The following is a summary of the more significant accounting policies utilized by the City in preparation of the accompanying financial statements.

In June 1999, GASB unanimously approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." Significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section presenting an analysis of the City's overall position and results of operation.
- A change in the fund financial statements focusing on the major funds.
- Prepared financial statements using full accrual accounting for all of the City's activities, including infrastructure (streets, roads, etc.).

This statement, as well as, Statement #37 "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", and Statement #38 "Certain Financial Statement Note Disclosures" are reflected in the accompanying financial statements (including notes to financial statements). The City is required by GASB to report additions to infrastructure in the year GASB 34 is implemented. The GASB allows a phase 2 city, such as Lynnwood, to retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2006. The City has reported it's infrastructure assets in Note 6 of this report.

A. REPORTING ENTITY

The City's financial statements include all funds and activities that are controlled by or dependent on the City. Under Governmental Accounting Standards Board (GASB) Statement 14, the primary basis of determining whether outside agencies and organizations should be considered component units of the City and included in the City's financial statements is fiscal accountability. Fiscal accountability is defined as follows: A primary government has substantive authority to appoint a voting majority of a component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; and the component unit is fiscally dependent on the primary government.

B. DISCRETELY PRESENTED COMPONENT UNIT

The Lynnwood City Council formed the South Snohomish County Public Facilities District (PFD) on August 24, 1999 by adoption of its Ordinance No 2266. The PFD was created under the authority provided by the legislature during the 1999 legislative session and since codified as RCW 35.57. The purpose of the PFD is to construct and operate a "regional center" in the City of Lynnwood. RCW 35.57 defines a regional center as a conference, convention or special events center along with related parking.

A five-member board governs the PFD and is appointed to four-year terms by the City Council. The City provides funding for the PFD through hotel/motel taxes, making the PFD dependent upon the City of Lynnwood for its revenue source.

The PFD has authority under state law to issue debt, levy certain taxes, and enter into contracts. The legislation provided that the PFD commence construction of its regional center by January 1, 2003. The PFD has incurred a short-term bank loan in the amount of \$1,036,080 and a sale of short-term commercial paper in the amount of \$8,600,000. The Convention Center was completed and had its grand opening on April 29, 2004.

In December 2004 the Lynnwood Public Facilities District issued \$1,930,000 Convention Center Sales Tax Bonds, 2004 Series A (Taxable), \$10,000,000 Convention Center Sales Tax Bonds, 2004 Series B and \$17,265,000 Convention Center Revenue Bonds, 2005. The purpose for the issuance of these Bonds was to pay a portion of the cost of acquiring, constructing and equipping the Convention Center, to pay a portion of the cost of acquiring Auxiliary Facilities, to redeem and retire the Notes, to fund interest on the Series B Bonds and the Revenue Bonds through October 1, 2005 and to pay costs of issuance of the Bonds.

The PFD is presented as a discrete component of the City, and more information about the PFD, including complete financial statements, can be obtained at the Lynnwood City Hall.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) 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 on fees and charges for support. The component unit is reported separately from the City.

The Statement of Activities displays the extent to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment, while program revenues are those items that are applicable to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions that are restricted to meeting the operational or capital requirement of particular function or segment are also included.

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

D. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The City's resources are allocated to and accounted for in individual funds, depending on what they are to be spent for and how they are controlled.

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. The Agency Funds, however, have no measurement focus.

GOVERNMENTAL FUND TYPES:

All governmental funds are accounted for on a current financial resources measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available expendable resources." 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. Governmental fund operating statements focus on measuring changes in financial position, rather than net income; furthermore, they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The City reports the following major governmental funds:

General Fund

This 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.

LID 93-1

This is a local improvement fund for the purpose of issuing bonds only. Funds received from the installment payments of the principal and interest on assessments levied within the original local improvement district are to be used to redeem these LID bonds.

The City reports the following major proprietary funds:

Water and Sewer Utility Fund

This fund serves as the main operating fund for providing water service, sewage treatment plant, pumping station and collection systems operations for the

citizens of the City. It also acts to perform debt service duties for payment of a revenue bond used to construct the City's sewer treatment plant.

Storm Drainage Utility Fund

This fund provides for storm water runoff drains and catch basins.

Golf Course Fund

This fund accounts for all of the City's operation of an 18-hole municipal golf course and proshop.

The City reports the following fund groups as non-major funds:

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Debt Service Funds

These funds are used to account for the accumulation of resources to pay interest and principal on general long-term debt.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition of capital facilities other than those financed by the proprietary funds.

PROPRIETARY FUND TYPES:

Proprietary funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund operating statements present increases (revenues and gains) and decreases (expenses and losses) in net total assets. Proprietary funds disclose cash flows by a separate statement that presents their investing and financing activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City of Lynnwood has elected not to follow subsequent private-sector guidance.

The City eliminates the effect of interfund activity from the government-wide financial statements. There are some exceptions to this rule such as charges between the utility function and other functions within the City, and any payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from

providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The Enterprise funds operating revenue includes charges for services rendered for water, sewer, drainage, golf green fees and pro shop while the operating expenditures include administrative, maintenance expenses and depreciation on capital assets. All revenues and expenses not falling into the above broad categories are reported as nonoperating revenues and expenses.

Enterprise Funds

These funds are used to account for services to the general public where all or most of the costs including depreciation are to be financed or recovered from users of such services. The City maintains separate funds for water-sewer utility, storm drainage utility operations, and a golf course. These funds are each reported as major funds in the enterprise funds.

Internal Service Funds

These funds are used to account for the financing of goods and services provided to other funds, departments, or governments on a cost-reimbursement basis. The City maintains funds in this category for stores, equipment rental, self-insurance and a reserve retirement fund.

FIDUCIARY FUND TYPES:

Fiduciary fund revenues and expenses should be recognized on the basis consistent with the fund's accounting measurement objective. Pension trust funds are accounted for on the full accrual basis. Agency fund assets and liabilities are also accounted for on the full accrual basis.

Trust Funds

These funds are used to account for cash and other assets received and held by the City acting in the capacity of trustee or custodian. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds (capital maintenance), but with an important expanded emphasis on required fund balance reserves. The City uses one trust fund; the Firemen's Pension Trust Fund.

Agency Funds

Agency funds are used to account for assets held by the City in a custodial capacity (assets equal liabilities) and do not involve measurement of results of operations. The City uses these funds to account for its investment activities, payroll and claims payables, arbitrage liabilities, and various deposits payable to State and local agencies and private contractors. A new agency fund was established in 2006 to account for bail money received by the Court. This is not the City's money, but is being held and accounted for by the City.

E. BASIS OF ACCOUNTING

Accounting records for the City are maintained in accordance with methods prescribed by the State Auditor under the authority of RCW 43.09, which is consistent with GAAP. The City uses the Budgeting, Accounting and Reporting System (BARS) manual put out by the Washington State Auditor.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Modified Accrual Basis of Accounting

The modified accrual basis of accounting is followed in the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay current 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.

Property taxes levied and the first 1/4% and the second 1/4% Real Estate Excise Tax due for the current year are considered available and are recognized as revenues even though a portion of the taxes may be collected in the subsequent year. Snohomish County acts as the City's collection agent for these taxes.

Special assessments are recognized as revenue in the accounting period in which they become susceptible to accrual.

Grant Revenues - When expenditure is the prime factor for determining eligibility, the grant revenue is considered measurable and available. Therefore, grant revenues to be received as reimbursement for expenditure incurred in the current year are recognized as revenue in that year.

Interfund and Intergovernmental Services - When goods and services have been provided they are then considered both measurable and available.

Transfers - These are classified as "Other Financing Sources" and are considered measurable and available.

Interest - When investment interest has been earned and when material, it is considered measurable and available.

Revenue sources that are not considered to meet the measurable (and available) criteria include sales tax, licenses and permits, state shared revenues, fines/forfeitures, and other miscellaneous revenues. Their values are not known until received.

Under the modified accrual basis, expenditures are recorded when the fund liability is incurred, except for principal and interest on general long-term debt and vacation and sick pay, which are recorded when paid. Purchases of capital assets out of governmental funds are expensed during the year incurred and the asset is reported in the governmental column of the government-wide financial statement. Long-term liabilities, including vacation pay not currently due and payable, are also reported in the Government-wide financial statement.

Accrual Basis of Accounting

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. Unbilled utility services are accrued through December 31. Capital assets and debt liability are also recorded.

Categories that are accounted for under the accrual basis are the proprietary and fiduciary funds. In these funds, fixed asset purchases are capitalized and long-term debt liability is recorded.

F. BUDGETARY DATA

The City budgets its funds in accordance with the Optional Municipal Code 35A.34 of the Revised Code of Washington. In compliance with this Code, all funds with the exception of custodial agency funds and LID debt service funds are budgeted.

In June of 2002, the City passed an ordinance (in accordance with RCW 35A.34) to change from an annual budget to a biennial budget.

The City prepares its budget on a cash basis, which differs from generally accepted accounting principles (See Note 3.). Expenditures are recognized during the year when paid, and for the first twenty days of the ensuing year. Therefore, the "Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund, and the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Funds," are presented for annually budgeted funds on the legal budget basis, except that the LID Debt Service Funds are not budgeted. It is reconciled to the revenues and expenditures in the "Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund, and the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Fund Types" in the reconciliation presented under Note 3.

Budgets established for Proprietary Funds are "Management Budgets" and as such are not required to be reported in the CAFR. Budgets for all Capital Projects Funds are excluded from the biennial budget and are adopted on a project-length basis. These budgets primarily serve a management control function and related appropriations are continuing in nature, therefore, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided in this document. In the year the biennial budget is prepared the following are the steps in the budget process:

January to March – The Council establishes a budget process calendar by resolution in January. The Council approves items to be carried over from the previous biennial budget because they did not get done and the money to complete them was unspent as well. This usually occurs in February. The Finance Director provides a "first look" at the prior year's financial results in late February.

March to May – The City Council begins to discuss their goals and objectives or any other issues that could have an impact on the budget. Ordinance 2299 calls for the Council to adopt citywide goals and objectives by May of each year. A public hearing is held in late May or early June to assure an opportunity for public input prior to the development of the budget.

June to July - In June the Finance Director delivers to the department heads the Operating Budget Instructional Manual. This manual encompasses the Mayor's message, which depicts the guidelines for departmental budget projections. Also, included are the City's goals as defined by Council. This manual also provides instructions and samples of the actual working documents that are required of the departments for the development of their budgets. The working documents are due back to the Budget Analyst by the end of July. Public Hearing number 2 is held to review with Council the revenue items (including property tax) that are anticipated to be appropriate for the upcoming budget year.

August to October - The Budget Analyst compiles the department's requests for the Mayor's review. The Mayor holds meetings with individual departments to review their budgets and budget issues. The individual Department Heads present their budgets to the Council at a Council Work Session. The budget as presented by the departments and prior to being balanced by the Mayor is known as the Proposed Preliminary Budget (RCW 35A.33.050). A third Public Hearing is held in October to allow the public to comment on the Proposed Preliminary Budget and to discuss any budget issues with the Council. The Mayor prepares recommendations for balancing the budget and presents them to the Council in late October (RCW 35A.33.052).

November and December - The final Public Hearing is held and the Council conducts work sessions to discuss and understand the budget material presented. The Council adopts the biennial budget. The Administrative Services Department makes the final budget adjustments and provides each department with a 'working copy' of the adopted budget along with the Budget Ordinance. The formal adopted budget is distributed to the Mayor, City Council and to the public upon request.

A mid-biennial review shall commence no sooner than eight months after the start nor later than twelve months after the start of the biennium. Public hearings on the proposed budget modification shall be conducted at least two weeks prior to the adoption of the ordinance modifying the biennial budget. In November and December of each year the Capital Facilities plan and other related policy actions are adopted by the Council.

Amending the Budget

The Mayor is authorized to transfer budgeted amounts between departments within any fund with the exception of the General Fund. Any revisions that alter the total expenditures of a fund, or of a department in the General Fund, must be approved by the City Council. When the Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, they may do so by adopting an ordinance with a simple majority vote.

A detailed analysis of the City's finances is reviewed monthly with the Mayor and Council. A copy of this analysis is always posted to the City's web site.

The budget, as adopted, constitutes the legal authority for expenditures. The City's budget was amended seven times during the fiscal year, resulting in an

increase in appropriations of \$27,271,007. The amendments involved primarily changes in interfund transfers, Capital Project funds, Public Safety and Enterprise funds. The financial statements present both the original and amended budgetary information as approved. All appropriations lapse at the end of the biennium.

The budget presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual represents the 2007-2008 biennium period.

G. CASH, DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments are presented on the balance sheet at fair value or amortized cost, which approximates fair value, in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

Pool investments are reported on the statement of net assets as Cash and Cash Equivalents. At year-end, for reporting purposes only, investments in this pool are apportioned to individual funds based on monthly participation. Interest income earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on the average monthly cash balance of the fund and the average monthly interest rate earned on pooled investments. Investments are also held separately by funds with interest earned directly for each funds benefit. The City holds most investments to maturity.

DEPOSITS

At year-end, the carrying amount for the City's certificates of deposits was \$10,133,750, money market was \$100,857, and the bank balance was \$2,333,648. The Federal Deposit Insurance Corporation (FDIC) insures the City's deposit and investments up to \$100,000. All bank deposits and investment pools not covered by FDIC are covered under the State of Washington Public Deposit Protection Commission Act (PDPCA) of 1969. Total public deposits may not exceed one and one-half times its net worth of 30% of the total public funds on deposit statewide in each qualified public depository. If public deposits exceed either of these limitations, it must collateralize the excess at 100%.

INVESTMENTS

All surplus cash is invested in accordance with an investment policy approved by Lynnwood City Council. The investment policy has been certified by the Municipal Treasurer's Association and is in compliance with state law. Qualifying investments include obligations of the United States government, Treasury and Agency securities, bankers' acceptances, certificates of deposit and repurchase agreements. Additionally, the investment policy sets forth maximum concentration guidelines whereby the City will diversify its investments by security type and issuer. With the exception of US Treasury and the Washington

State Local Government Investment Pool, no more than 25% will be invested with a single security type and no more than 25% will be invested with a single financial institution.

As of December 31, 2007 the fair value of the City's investment portfolio was \$28,346,558, of which, \$20,505,842 was invested in US Treasuries and Agencies and \$7,840,716 was invested with the Washington State Treasurer's Investment Pool.

Investments	Fair Value (in Thousands)	Weighted Average Maturity (Years)
Federal Home Loan Bank	9,621,516	0.76
Federal National Mortgage Association	3,512,433	0.32
Federal Home Loan Mortgage Corp	5,819,199	0.48
Federal Farm Credit Bank	1,552,694	0.13
Washington State Investment Pool	7,840,716	--
Total Fair Value	\$28,346,558	1.69

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of its investments to not more than five years. The average maturity will be consistent with the City's liquidity objective.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. All Agency securities in our portfolio are rated AAA and the Certificates of Deposit is covered by the PDPCA. The Washington State Local Government Investment Pool operated in a manner consistent with the SEC's Rule 2a-7 of the investment Act of 1940, is unrated.

Concentration of credit risk: Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City limits its exposure to concentration risk by requiring diversification by type and institution as follows:

Security Type	Portfolio Maximum by Issuer	Portfolio Maximum
US Treasury	100%	100%
Federal Home Loan	25%	25%
Federal National Mortgage Association	25%	25%
Federal Home Loan Mortgage Corp	25%	25%
Federal Farm Credit	25%	25%
Local Government Investment Pool	100%	100%
Certificates of Deposits	25%	25%

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Union Bank of California, as the City's agent, in the City's name, holds all City securities for safekeeping.

A reconciliation of cash, cash equivalents (including pooled investments and investments) as shown in the government-wide and fund financial statements is as follows:

Total Cash, Cash equivalents & Investments	Amount
Investments *	\$20,495,663
Certificates of Deposits	10,133,750
US Bank Checking	2,333,648
Money Market	100,857
Petty Cash, Change Funds & Advance Travel	31,175
Deposit with Fiscal Agent	135,000
Local Government Investment Pool	7,840,716
Total	\$41,070,809

* Net of discount and premium

As Reflected in the Financial Statements:

Cash and Cash Equivalents	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Unit	Total
	737,542	149,429	886,971	1,601,825	2,488,796
Investments	27,958,553	8,601,501	36,560,054	2,022,000	38,582,054

The Municipal Court is also holding funds in US Bank for bail. These funds are held in a special Agency Fund bank account and are returned upon closure of each related case. These funds do not belong to the City, but are held and accounted for by the City. The Court is holding at December 31, 2007 \$114,246.

H. RECEIVABLES

The City of Lynnwood uses the modified accrual basis of accounting for its governmental funds and the full accrual basis of accounting for its proprietary funds as described in Note 1C. At year-end the City makes the appropriate accruals for receivables and unbilled customer accounts described as follows:

Property Taxes

Uncollected property taxes through December 31 are recorded as receivables at year-end. The City accrued \$277,123 for property taxes, related interest and penalties.

Accounts Receivable

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services provided. When allowance for uncollectible receivable accounts exist, they are subtracted from Accounts Receivable, which are shown as "net". The City accrued accounts receivable consisting primarily of billed water/sewer accounts, court ordered fines, and other various receivables.

Unbilled Accounts

At year-end the City accrued \$913,285 for unbilled utility customer accounts. Due to a two month billing cycle in water/sewer, this amount is the part of each utility customer's receivable earned in 2007, but not billed until 2008.

Special Assessments

Special assessments are recorded when levied. Special assessments receivable consist of current, delinquent and deferred assessments. Deferred assessments consist of unbilled special assessments that are liens against the property benefited. As of December 31, there is an ongoing receivable of \$6,186,622 in Local Improvement District billings.

Accrued Interest Receivable

Accrued interest receivable consists of interest earned on investments at the end of the year as well as interest and penalties on special assessment receivables.

I. INTERFUND LOANS AND RECEIVABLES

These accounts include all interfund receivables and payables. A separate schedule of interfund loans receivable and payable is furnished in Note 5 below. A provision is made as "Reserve For Loans from Other Funds" that includes the entire amount of such outstanding loans.

J. INTERFUND TRANSACTIONS AND TRANSFERS

Because governmental units operate with a number of funds, with each individual fund performing its specific functions, there are instances where funds are required to do business with each other. This business can be categorized as either an interfund transaction or an interfund transfer.

Interfund transactions are divided into two categories: interfund services provided and used and reimbursement transactions. Interfund services provided and used are those transactions that would be treated as revenues, expenditures or expenses if they involved parties external to the City. These types of transactions are accounted for as ordinary revenues, expenditures or expenses of the funds involved. An example of this type of transaction is when the Parks Department buys water from the Water Department. This transaction is treated as expenditure to the Parks Department and as revenue to the Water Department.

Reimbursement transactions occur when expenditure is initially made in a fund that is more appropriate for another fund. These items are recorded as

expenditures or expenses of the reimbursing fund and as a reduction of expenditures or expenses in the fund initially charged. An example of this type of transaction occurs when the Public Works or Finance Department allocates a certain amount of its time to provide services for the Utility Divisions. The expense is transferred to the Utility Divisions with a corresponding reduction of expense in the Public Works or Finance Department.

Interfund transfers involve transfers between funds. These are required where revenue is generated in one fund and expenditures are paid for in other funds. The majority of the transfers occur with respect to capital projects where excess General and Special Revenue Fund proceeds are transferred to finance various capital projects.

Transfers of a recurring nature are required to fund the debt service or to subsidize proprietary fund operations until appropriate rate structures are established.

Transfers of a non-recurring and non-routine nature between funds are accounted for in both the paying and receiving funds. The City of Lynnwood uses this type of transfer to transfer the equity balance of discontinued funds or to record contributions to or return of contributions from the Capital Projects, Enterprise, or Internal Service Funds.

K. INVENTORIES

Inventories are defined as assets that may be held for internal consumption or for resale. Inventory items may be recorded as expenditures when purchased or when consumed. The City of Lynnwood uses the following policies in valuing and recording inventory items:

Governmental Funds - The purchase method is used. Here the item upon purchase is recorded as an expenditure at cost. Inventory items remaining at year-end are considered immaterial and are therefore not included in the balance sheets of these funds.

Enterprise Funds - A perpetual inventory is maintained whereby expenses are recorded when the item is consumed. The market cost valuation method is used to cost the inventory. A physical inventory is also taken at year-end.

Internal Service Funds - A perpetual inventory is maintained whereby expenses are recorded when the item is consumed. The weighted average method of valuation has been used to cost the inventory. A physical inventory is taken at year-end.

L. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated assets are valued at fair market value on the date of the donation. To account for financing leases, lease-purchases, and installment purchase contracts in Governmental Funds, the City charges payments made or due during the fiscal period as expenditures. Leases that qualify as capital leases are recorded at the present value of their future minimum lease payments as of the inception date.

Property, plant, and equipment in the Proprietary Funds are valued at historical cost, estimated historical cost when original cost is not available, or appraised market value at the time received in the case of contributions. Maintenance and repairs are expensed as incurred. Additions or changes that improve or extend the life of an asset are capitalized. Depreciation is computed on the straight-line method over the established useful life of the asset class as shown in the table below:

<u>ASSET CLASS</u>	<u>USEFUL LIFE (YRS)</u>
Buildings	25-50
Improvements Other Than Buildings	20-50
Equipment	3-20
Infrastructure	15-100

Interest costs incurred during capital construction performed by proprietary funds are capitalized within the fund. However, interest expense incurred during construction of capital facilities is not capitalized when the assets will be reported as a governmental capital asset in the entity-wide statement of net assets.

M. ACCUMULATED UNPAID VACATION AND SICK LEAVE

The City limits the accumulation of unpaid vacation benefits to two years accrual; any excess accrual would require executive approval. Accumulated unpaid vacation is accrued when earned and reported in the government-wide, and proprietary fund financial statements.

Sick leave accumulation is limited to a maximum of 720 hours. Upon termination or retirement of employment, unused sick leave may be converted to pay at the current rate on the following basis:

1. Termination - Voluntary or discharge
Five hours of up to 720 hours unused sick leave = 1 hour pay.
2. Termination by layoff
Three hours of up to 720 hours unused sick leave = 1 hour pay.
3. Retirement
Two years accumulation (192) hours
One hour unused sick leave = 1 hour pay.
Balance of unused sick leave (up to 528 hours).
Three hours unused sick leave = 1 hour pay.

Sick leave is accrued in the government-wide and proprietary fund statements based on historical experience as applied to the above payoff schedule. Sick leave is limited due to the employee's ability to accrue more than one year on the books. With this capability, it is difficult to determine with any accuracy the amount of current liability. The Governmental Funds reported \$2,617,316

accrued in 2007 compared to \$2,351,230 in 2006. This represents an overall increase of approximately 11.3%.

The liability for accumulated vacation and sick leave at December 31, 2007, is \$2,850,696 as reported in the proprietary funds and the government-wide statements.

N. DEFERRED REVENUES

Deferred revenues are receivables that are measurable but not yet available, under the modified accrual basis of accounting. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes a deferred revenue as its offset. The City has recognized four deferred revenue items in 2007:

1. Uncollected property taxes levied. At year-end, all property taxes not yet collected by the County (on behalf of the City) are reported on the balance sheet as taxes receivable and deferred revenues.
2. Unbilled special assessments levied against benefited property for the cost of local improvements. An allowance for uncollectibles is not necessary since the assessments are liens against the property benefited.
3. Deferred rent from the enterprise fund (golf course) to the general fund.
4. Recreation Center programs reserved by customers that will occur in future time periods.

O. GRANTS AND OTHER INTERGOVERNMENTAL REVENUES

Grants and entitlements from the Federal and State governments are recorded as intergovernmental revenues and receivables when received or when entitlements occur. State shared revenues are recorded when they meet accrual criteria. Grants are accounted for in specific grant control funds as projects and capitalized upon completion.

P. RESERVATION OF FUND EQUITY

Fund balance and Net Assets have been classified as appropriate in the financial statements as follows:

1. Reserved - This portion has been segregated to indicate amounts that are legally restricted and are not available, spendable resources. The City has the following reserves:
 - (a) Reserved for Interfund Loans Receivable: segregation of a portion of fund balance to indicate that interfund loans receivable do not represent available spendable resources.
 - (b) Reserved for Employees Retirement Systems: Pension Trust Fund reserve for amounts set aside for the payment of annuities to retired members.
 - (c) Reserved for Prepaid Expense/Cost: segregation of a portion of fund balance to indicate that prepaid expenses do not represent available spendable resources.

- (d) Reserved for LID Default: segregation of a portion of fund balance to cover default in LID payments.
2. Unreserved/Undesignated Fund Balance or Net Assets - Unreserved fund balance is the excess of current assets over current liabilities, net of reserves. The Net Assets are the accumulation of earnings of the proprietary funds, net of reserves or designations.

Q. REVENUES, EXPENDITURES AND EXPENSES

Under the modified-accrual basis of accounting:

Charges for services, interest on investments, and rents are generally considered measurable and available when earned in governmental funds.

Taxes that have been collected but not remitted to the City by an intermediary collection agency are considered measurable and available.

Special assessments are considered measurable and available when they become current.

Grants are considered measurable and available to the extent that expenditures have been made. Other intergovernmental revenues are considered measurable and available when earned.

Interfund revenues for goods and services are considered measurable and available when earned.

Proceeds from refunded debt are recognized as another financing source and the amount remitted to the refunding trustee is recognized as an expenditure.

Proceeds from the sale or loss of fixed assets are recognized as another financing source.

All other revenues are either not measurable or considered not available until collected.

Expenditures are generally recognized when incurred.

Under the accrual basis of accounting:

Revenues are recognized when earned, if measurable, and expenses are recognized when incurred, if measurable.

R. RISK MANAGEMENT

The City is an associate member for liability insurance of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or

organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, the CIAW has 95 member cities and 161 associate members.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claims made basis". All other coverages are on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: Property, liability, vehicle liability, other mobile equipment, boiler and machinery, bonds of various types, excess liability and public official liability.

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

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

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

Each new member pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member remains responsible for contribution to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

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

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates, Inc. to perform day-to-day administration

of the pool. This pool has no employees. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

The City of Lynnwood has transferred the risk of loss from torts, errors and omissions of City employees, damage to City property, and natural disasters including earthquakes to commercial insurers. There were no settlements in excess of coverage in any of the prior three years. The City and its employees contribute to the State of Washington's Department of Labor and Industries for workers' compensation.

A review committee annually reviews the prior year's claims, changes within the City, and the current legal requirements to determine the kind and extent of coverage that will be maintained for the next year for both current and past events. A safety committee is also appointed and a comprehensive, pro-active risk reduction program is maintained for cost containment and the benefit of the City's citizens and employees.

The City's responsibility is limited to the deductible amounts that generally are \$25,000. While insurance is purchased through the insurance pool for automobile liability, the City self-insures its own vehicles for other exposures. An Internal service fund was established in February 1981 to accumulate payments from other funds to cover the deductible requirements and support its automobile self-insurance. Charges to the funds are based on historical cost information. Net Assets of approximately \$693,000 is available in order to have a reserve for deductibles and to cover policy exclusions. The unpaid claims amount represents claims that do not exceed the amounts covered by policy deductible limits. The events have occurred and the settlements can be reasonably estimated. Estimated amounts are based on the advice of the City's Claim Management Organization. On December 31, 2007, there was \$145,681 of estimated outstanding claims. The City also contracts for claim adjustment services with Brown & Brown for those claims below the deductible amount.

Changes in the claims liability amount in fiscal 2007 and 2006 were:

	Beginning of Fiscal Year <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at Fiscal <u>Year End</u>
2007	388,267	(23,867)	218,719	145,681
2006	626,196	(221,252)	16,677	388,267

The City's policies are in force annually for the period of April 23, 2007, through April 23, 2008.

INSURANCE IN FORCE

December 31, 2007

POLICY AMOUNT OF

<u>INSURANCE COMPANY/COVERAGE</u>	<u>NUMBER</u>	<u>COVERAGE</u>
Cities Insurance Association of Washington (CIAW) including Police Liability and Excess Liability Deductible: \$25,000	GP6301648	\$10,000,000
CIAW - Public officials and employee liability Deductible: \$25,000 Mismanagement, Negligence, Employment practices	GP6301648	\$10,000,000
Affiliated FM Insurance Company/Primary property insurance Deductible: \$25,000 Deductible: \$1,000 for mobile equipment to \$20,000 Flood, earthquake, volcanic 5% of value at risk at time of loss/ minimum \$100,000	TW291	\$50,000,000
Business interruption covered Boiler & Machinery: \$25,000		\$50,000,000
Travelers Indemnity Company/Employee Dishonesty Bond Public Officials Deductible: \$10,000	81S10361128BCM	\$500,000
	10611322	\$1,000,000
AIG Life Insurance Company Accidental death or dismemberment: for 7 Council Members & Mayor	GTP8041025	\$100,000
AIG Life Insurance Company Accidental death or dismemberment: \$250 Medical benefits for Volunteers: \$250	SRG8039655	\$25,000 \$2,500
Colony Insurance – Pollution Coverage Undercover Storage Tank – Treatment Plant Deductible: \$5,000	WA629729-5	\$1,000,000
Steadfast Insurance – Pollution Liability Waste Water Treatment Plant Deductible: \$25,000	PLC902891002	\$5,000,000

NOTE 2 - PROPERTY TAXES

The county treasurer acts as an agent for property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1 on property value listed as of the prior May 31. These taxes become an enforceable lien against properties as of January 1. Assessed values are established by the county assessor at 100 percent of fair market value.

Taxes are due in two equal installments on April 30 and October 31. Collections are remitted monthly to the appropriate district by the county treasurer.

The City is permitted by RCW 84.52.043 to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following three reasons:

- A. The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of assessed value.

If the taxes of all districts exceed this amount, each is proportionately reduced until the total is below the 1 percent limit.

- B. RCW 84.55.010 limits the growth of regular property taxes to 6 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 6 percent due to revaluation, the levy rate will be decreased.
- C. The City may voluntarily levy taxes below the legal limit.

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

For 2007, the City's regular tax levy was \$2.090 (includes a special \$.50 for Emergency Medical Services) per \$1,000 on a total assessed valuation of \$4,639,280,269 for total taxes of \$9,510,514.

Property taxes are recorded as receivables and offset by a deferred revenue account when levied. Since State law allows for sale of property for failure to pay taxes, no estimation of uncollectible taxes is made.

NOTE 3 - BUDGET TO GAAP RECONCILIATION

The City's budget is prepared on the cash basis, which means that revenues are recognized when received and expenditures are recognized when paid. Therefore, the "Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund, and the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Governmental Funds" report cash receipts and disbursements for governmental funds budgeted on an annual basis instead of revenues and expenditure amounts as defined under the modified accrual basis of accounting required by GAAP. The following schedule outlines adjustments made to revenues and expenditures on the GAAP basis. Accruals from prior year are added back to the GAAP figures and current year accruals are subtracted out.

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
Revenues reported on the basis of GAAP	\$39,224,443	\$7,759,348	\$900,016
Accounts receivable outstanding - 2006	10,317	4,219	0
Accounts receivable outstanding – 2007	(4718)	0	0
Interest revenue accrual - 2006	332,586	0	0
Interest revenue accrual - 2007	(330,073)	0	0
Back out unbudgeted funds (LID Debt Service Funds)	<u>0</u>	<u>0</u>	<u>(900,016)</u>
Revenues reported on the budget basis of accounting	<u>\$39,232,555</u>	<u>\$ 7,763,567</u>	<u>\$ 0</u>
Other financing sources reported on the basis of GAAP	\$ 825,274	\$ (3,097,833)	\$1,265,333
Back out unbudgeted funds (LID Debt Service Funds)	<u>---</u>	<u>---</u>	<u>---</u>
Other financing sources reported on			

the budgetary basis of accounting	<u>\$825,274</u>	<u>\$ (3,097,833)</u>	<u>\$1,265,333</u>
Expenditures reported on basis of GAAP	\$40,139,180	\$ 3,813,937	\$2,246,555
Back out unbudgeted funds (LID Debt Service Funds)	---	---	(801,023)
Expenditures reported on the budgetary basis of accounting	<u>\$40,139,180</u>	<u>\$3,813,937</u>	<u>\$ 1,445,532</u>

NOTE 4 - INTERFUND TRANSFERS

The following interfund transactions occurred in 2007:

TRANSFERS OUT

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>TOTALS</u>
TRANSFERS IN:							
General	\$ 0	\$ 2,797,653	\$ 220,000	\$ 98,000	\$ 0	\$ 0	\$ 3,115,653
Special Revenue	201,514	3,401	0	739,264	0	0	944,179
Debt Service	663,980	166,116	7,390	242,650	412,587	0	1,492,723
Capital Projects	0	968,703	0	0	0	0	968,703
Enterprise	0	0	0	0	0	0	0
Internal Service	<u>1,424,885</u>	<u>106,139</u>	<u>0</u>	<u>0</u>	<u>119,246</u>	<u>48,625</u>	<u>1,698,895</u>
TOTAL	<u>\$2,290,379</u>	<u>\$4,042,012</u>	<u>\$227,390</u>	<u>\$1,079,914</u>	<u>\$531,833</u>	<u>\$48,625</u>	<u>\$8,220,153</u>

The purpose of the interfund transfers is for operating cash flow and capital contributions to the Capital Project Funds.

NOTE 5 - INTERFUND LOANS

The following table depicts Interfund loans and advances to other funds during 2007:

<u>DUE TO FUND</u>	<u>DUE FROM FUND</u>	<u>BEGINNING BALANCE 1/1/07</u>	<u>LOAN ACTIVITY DURING 2007</u>		<u>BALANCE AT 12/31/07</u>
			<u>NEW LOANS</u>	<u>REPAYMENTS</u>	
Utility					
	44 th Ave. – Timing difference in billing and receipt of grant money	3,500	5,100	3,500	5,100
	Park Acq. & Development – Purchase of land to be sold after Completion of park project	400,789	0	0	400,789
	I-5 City Center Exit – Temporary Cash flow	93,500	0	93,500	0
	Traffic Operations Center – Temporary Cash flow	<u>25,000</u>	<u>122,000</u>	<u>25,000</u>	<u>122,000</u>
TOTALS		<u>\$522,789</u>	<u>\$ 127,100</u>	<u>\$122,000</u>	<u>\$527,889</u>

The above listed interfund loans are for temporary cash flow purposes in Capital Project funds.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

A summary of changes in general governmental capital assets is as follows:

	BALANCE <u>1/1/07</u>	ADDITIONS	DELETIONS	BALANCE <u>12/31/07</u>
Capital assets, not being depreciated:				
Land	\$38,620,451	\$0	\$ 0	\$38,620,451
Construction in progress	<u>9,815,950</u>	<u>1,916,413</u>	<u>0</u>	<u>11,732,363</u>
Total Capital assets, not being Depreciated	<u>48,436,401</u>	<u>1,916,413</u>	<u>0</u>	<u>50,352,814</u>
Capital assets being depreciated:				
Buildings	26,857,115	0	0	26,857,115
Improvements Other Than Buildings	15,767,069	0	0	15,767,069
Machinery and Equipment	13,289,267	1,187,087	(386,604)	14,089,750
Infrastructure	<u>49,781,158</u>	<u>0</u>	<u>0</u>	<u>49,781,158</u>
Total Capital assets being Depreciated	<u>105,694,609</u>	<u>1,187,087</u>	<u>(386,604)</u>	<u>106,495,092</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(10,463,123)	(770,868)	0	(11,233,991)
Improvements Other Than Buildings	(10,348,845)	(659,535)	0	(11,008,380)
Machinery and Equipment	(8,335,762)	(812,951)	317,104	(8,831,609)
Infrastructure	<u>(18,660,095)</u>	<u>(1,833,059)</u>	<u>0</u>	<u>(20,493,154)</u>
Total Accumulated Depreciation	<u>(47,807,825)</u>	<u>(4,076,413)</u>	<u>317,104</u>	<u>(51,567,134)</u>
Total Capital assets, being Depreciated, net	<u>57,886,784</u>	<u>(2,889,326)</u>	<u>(69,500)</u>	<u>54,927,958</u>
TOTALS, NET	<u>\$106,323,185</u>	<u>\$(972,913)</u>	<u>\$(69,500)</u>	<u>\$105,280,772</u>

(1) The City of Lynnwood built a public works building as a joint service facility with the City of Mountlake Terrace and Southwest Snohomish County Public Safety Communications Agency (SNOCOM), which was completed and capitalized in 1985. The cost of this facility was capitalized at the appropriate percentage as given below.

	TOTAL COST	MOUNTLAKE TERRACE	SNO-COM	LYNNWOOD
Land	\$ 719,788	39%	6%	55%
Building	1,674,894	37%	12%	51%
Equipment	207,658	46%	--	54%
Improvements Other Than Buildings	<u>5,013</u>	46%	--	54%
TOTAL	<u>\$2,607,353</u>	38%	10%	52%

A summary of business type property, plant, and equipment at December 31, 2007, follows:

	BALANCE <u>1/1/07</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE <u>12/31/07</u>
Capital assets, not being depreciated:				
Land	\$6,867,238	\$0	\$ (471)	\$6,866,767
Construction in progress	<u>1,012,431</u>	<u>937,528</u>	<u>0</u>	<u>1,949,959</u>
Total Capital assets, not being Depreciated	<u>7,879,669</u>	<u>937,528</u>	<u>(471)</u>	<u>8,816,726</u>
Capital assets being depreciated:				
Buildings	35,777,150	16,546	0	35,793,696
Improvements Other Than Buildings	2,943,552	0	0	2,943,552
Machinery and Equipment	1,990,820	17,006	0	2,007,826
Infrastructure	<u>36,362,768</u>	<u>698,356</u>	<u>0</u>	<u>37,061,124</u>
Total Capital assets being Depreciated	<u>77,074,289</u>	<u>731,908</u>	<u>0</u>	<u>77,806,197</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(19,396,200)	(1,368,812)	0	(20,765,012)
Improvements Other Than Buildings	(756,431)	(27,087)	0	(783,518)
Machinery and Equipment	(1,621,057)	(52,394)	0	(1,673,451)
Infrastructure	<u>(12,087,788)</u>	<u>(898,222)</u>	<u>0</u>	<u>(12,986,010)</u>
Total Accumulated Depreciation	<u>(33,861,476)</u>	<u>(2,346,515)</u>	<u>0</u>	<u>(36,207,991)</u>
Total Capital assets, being Depreciated, net	<u>43,212,813</u>	<u>(1,614,607)</u>	<u>0</u>	<u>41,598,206</u>
TOTALS, NET	<u>\$51,092,482</u>	<u>\$(677,079)</u>	<u>\$(471)</u>	<u>\$50,414,932</u>

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

Governmental activities:

General government	\$366,615
Public Safety	363,659
Transportation	2,843,441
Culture & Recreation	<u>502,698</u>
Total Governmental Activities	<u>\$4,076,413</u>

Business-type activities:

Water	\$454,839
Sewer	1,731,604
Golf	20,170
Storm Drainage	<u>139,902</u>
Total Business-type Activities	<u>\$2,346,515</u>

NOTE 7 - LEASE COMMITMENTS

Capitalized Leases

To account for financing leases, lease purchases and installment purchase contracts in governmental funds, the City accounts for payments made or due during the fiscal period as debt service. In the year that the asset is received, the City records the present value of future lease payments as a capital outlay expenditure. The present value of payments due in future periods is shown as a liability in the government-wide financial statements along with the cost of the asset.

In proprietary funds, capital leases are recorded as assets and as long-term liabilities at the present value of the future lease payments when the asset is received. The fund records lease payments as reductions of the long-term liability and as interest expense over the life of the lease. The fund also records depreciation expense to amortize the asset over the lease term or over the life of the asset.

Operating Leases

The City of Lynnwood receives revenue in the General Fund from renting and leasing space in several buildings that have been purchased as future expansion sites. The City received \$176,900 of revenue in 2007 from leases and rental income. Two tenants remained at the end of 2007 including the Lynnwood Municipal Golf Course.

NOTE 8 - LONG-TERM DEBT

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged. Debt service is paid from the Debt Service Funds. Debt service for voter-approved issues is funded with special property tax levies. Debt service for City Council authorized (councilmanic) issues is funded from the Real Estate Excise Tax Fund and the General Fund.

Revenue Bonds are payable from revenues generated by the Water and Sewer Utility Fund.

Special Assessment operations are financed by bonds and notes issued after construction has been completed. Interfund loans are utilized for short-term financing and are subsequently repaid when bond proceeds have been received. Bond debt service is paid from assessment collections. LID bonds are callable at par each year without penalty. Although the bonds are secured by liens against assessed properties, the City is also required under State law to establish a guaranty fund to provide a means of paying LID bond debt service obligations in the event there are insufficient resources in the LID Control Fund to do so. Due to the City's legal obligation to maintain the guaranty fund, special assessment bonds are considered a general government obligation.

Arbitrage Rebate

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investments income received at yields that exceed the issuers' tax-exempt borrowing rates or pay a calculated penalty. The U.S. Treasury requires payment every five years. The City remitted \$197,822 for the period of 4/27/89 through 4/25/94. These bonds were refunded in 1996, which adjusted the next payment date to February of 2002. The City remitted \$58,187 in February of 2002. The Bond Arbitrage Deposit Fund has a liability of \$5,638 as of 12/31/2006. The estimated liability will be updated annually.

A. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2007:

	BALANCE 1/1/07	ADDITIONS	REDUCTIONS	BALANCE 12/31/07	CURRENT PORTION
GOVERNMENTAL ACTIVITIES:					
General obligations bonds	\$ 8,367,053	\$ 0	\$ 1,024,170	\$ 7,342,883	\$1,090,220
Special assessment bonds	5,920,000	0	445,000	5,475,000	(1) 410,000
Other post-employment Benefits	0	424,864	0	424,864	
Compensated absences	<u>2,351,230</u>	<u>2,392,164</u>	<u>2,126,078</u>	<u>2,617,316</u>	<u>663,583</u>
ACTIVITIES	<u>\$16,638,283</u>	<u>\$2,817,028</u>	<u>\$3,595,248</u>	<u>\$15,860,063</u>	<u>\$2,163,803</u>
BUSINESS TYPE ACTIVITIES:					
Revenue bonds	\$7,065,000	\$0	\$860,000	\$6,205,000	\$905,000
Other long-term debt (includes Capital Leases)	<u>252,626</u>	<u>0</u>	<u>84,211</u>	<u>168,415</u>	<u>84,211</u>
TOTAL – BUSINESS TYPE ACTIVITIES	<u>\$7,317,626</u>	<u>\$ 0</u>	<u>\$944,211</u>	<u>\$6,373,415</u>	<u>\$989,211</u>

Payments on the bonds and notes payable that pertain to the City's governmental activities are made by the debt service funds. The compensated absences liability attributable to the governmental activities will be liquidated by a couple governmental funds. In the past, approximately 97% has been paid by the General Fund and the remaining 3% by the Street Fund.

(1) Estimated current portion - many bonds are callable, therefore, exact amounts are not known.

Long-term debt at December 31, 2007, consisted of the following:

GENERAL OBLIGATIONS BONDS

ISSUE NAME	% INT. RATES	ISSUE DATE	MATURITY DATE	AUTHORIZED	OUTSTANDING		
					1/1/07	CHANGES	12/31/07
1996 G.O. Bonds	4.0-5.75	1996	2011	\$6,740,000	\$2,455,000	\$(525,000)	\$1,930,000
1998 G.O. Bonds	4.0-5.0	1998	2017	4,550,000	3,040,000	(220,000)	2,820,000
2005 G.O. Bonds	4.75-6.0	1999	2019	1,795,107	1,348,379	(63,525)	1,284,854
2001 G.O. Bonds	4.00-4.375	2001	2012	1,365,000	860,000	(130,000)	730,000
State Capital Loan *	4.07851	2002	2020	377,666	244,294	(36,719)	207,575
State Capital Loan *	4.03673	2004	2014	<u>534,295</u>	<u>419,380</u>	<u>(48,926)</u>	<u>370,454</u>
Total General Obligation Bonds				<u>\$15,362,068</u>	<u>\$8,367,053</u>	<u>\$(1,024,170)</u>	<u>\$7,342,883</u>

*State Capital Asset Loan pledging non-voted GO Debt Capacity.

REVENUE BONDS

ISSUE NAME	% INT. RATES	ISSUE DATE	MATURITY DATE	AUTHORIZED	OUTSTANDING		
					1/1/07	CHANGES	12/31/07
1996 Water & Sewer Refunding Bonds	4.0-6.0	1996	2013	<u>\$13,775,000</u>	<u>\$7,065,000</u>	<u>\$(860,000)</u>	<u>\$6,205,000</u>

OTHER LONG-TERM DEBT

% INT.	ISSUE	MATURITY	OUTSTANDING
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<u>ISSUE NAME</u>	<u>RATES</u>	<u>DATE</u>	<u>DATE</u>	<u>AUTHORIZED</u>	<u>1/1/07</u>	<u>CHANGES</u>	<u>12/31/07</u>
Public Works Trust Fund Loan	1.0	1989	2009	\$1,500,000	\$252,626	\$(84,211)	\$168,415
Total Other Long-term Debt				<u>\$1,500,000</u>	<u>\$252,626</u>	<u>\$(84,211)</u>	<u>\$168,415</u>

SPECIAL ASSESSMENT BONDS

<u>ISSUE NAME</u>	<u>% INT. RATES</u>	<u>ISSUE DATE</u>	<u>MATURITY DATE</u>	<u>AUTHORIZED</u>	<u>OUTSTANDING</u>		
					<u>1/1/07</u>	<u>CHANGES</u>	<u>12/31/07</u>
1999 LID Bonds	4.10-6.40	1999	2021	<u>\$11,898,787</u>	<u>\$5,920,000</u>	<u>\$(445,000)</u>	<u>\$5,475,000</u>
Total Special Assessment Bonds				<u>\$11,898,787</u>	<u>\$5,920,000</u>	<u>\$(445,000)</u>	<u>\$5,475,000</u>

The annual total requirements to amortize the debt outstanding for general obligation, revenue bonds, special assessment and installment notes payable as of December 31, 2007, including interest, are as follows:

<u>YEAR ENDING 12/31</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2008	\$1,500,220	\$679,402	\$989,211	\$333,707	\$3,502,540
2009	1,732,970	601,158	1,044,211	280,827	3,659,166
2010	1,550,405	512,320	1,010,000	231,985	3,304,710
2011	1,524,143	432,326	1,060,000	181,485	3,197,954
2012	1,132,360	352,415	1,115,000	123,715	2,723,490
2013-2017	4,979,120	976,479	1,155,000	62,948	7,173,547
2018-2019	<u>893,665</u>	<u>74,169</u>	<u>0</u>	<u>0</u>	<u>967,834</u>
	<u>\$13,312,883</u>	<u>\$3,628,269</u>	<u>\$6,373,422</u>	<u>\$1,214,667</u>	<u>\$24,529,241</u>

At December 31, 2007, the City has \$371,743 available in debt service funds to service the general obligation bonds. Additionally, there is \$785,793 in restricted assets of the Water and Sewer Utility Fund. These represent sinking funds and reserve requirements as contained in the various bond indentures.

General Obligation Bonds

The Local Capital Asset Lending Program (LOCAL) loan was dated December 1, 2002. The funds were received from the State Treasurer's Office for part of the financing required to change all of the City of Lynnwood's traffic lights to LEDs. The interest rate is 4.07851% over a ten-year period. The City pledged its non-voted debt capacity for this loan.

On June 15, 2004 the City received \$534,295 from the Washington State Treasurer's Office Local Option Capital Asset Lending Program (LOCAL). These funds were used to finance the second phase of the City's Energy Conservation Project that included lighting retrofit, HAVAC control upgrade and water conservation enhancements. The interest rate is 4.03673% over a period of ten years. The City pledged its non-voted debt capacity for this loan.

The Limited Tax General Obligation Refunding Bonds were issued August 1, 2001. Proceeds were used to advance refund \$1,270,000 of the City's outstanding limited Tax General Obligation Bonds, 1992, as well as to pay for administrative and issuance costs. The refunding realized a cash flow savings of \$94,292 and a net present value savings (gain) of \$78,717. Annual principal payments range from \$20,000 to \$160,000 with interest varying from 4.0% to 4.375% payable semi-annually.

The Limited Tax General Obligation Bonds were issued June 1, 1998, to provide funds with which to pay the cost of expanding the existing library and acquiring park land. The debt will be paid over a 20-year period with interest ranging from 4.00 to 5.00%.

The Limited Tax General Obligation Refunding Bonds were issued December 1, 1996, to provide part of the funds required to advance refund the City's outstanding Limited Tax General Obligation Bonds, 1980, most of the Limited Tax General Obligation Bonds, 1989, Golf and Recreation Facilities Revenue and Refunding Bonds, 1991, as well as to repay an interfund loan from the City's General fund and pay for the issuance and administrative costs associated with the refunding. Principal payments range from \$340,000 to \$580,000 per year. The bonds maturing on and after October 1, 2009, will be subject to redemption at the option of the City on October 1, 2006. Interest rates vary from 4.00% to 5.30% and interest is payable semi-annually. Revenue is provided from real estate excise tax, property tax and golf course and recreation activities. These bonds carry a Moody's Rating of A1 and Standard and Poor's Rating of AA-.

Snohomish County issued bonds on October 20, 1999 to fund an 800 Megahertz Emergency Radio System for South Snohomish County. The issue was for \$27,125,000 of limited tax general obligation bonds for multiple purposes, including funding participation by the City of Lynnwood. The bonds are amortized over 20 years with interest payable semi-annually.

Snohomish County refunded these bonds in 2005. The City of Lynnwood is reporting their obligation to pay on these bonds as general obligation bonds.

Revenue Bonds

The 1996 Water and Sewer Refunding Bonds were issued on December 10, 1996. Proceeds were used to advance refund all of the City's outstanding Water and Sewer Revenue and Refunding Bonds, 1989, as well as to pay for administrative and issuance costs. Annual principal payments range from \$570,000 to \$1,155,000 with interest varying from 4.0% to 6.0% payable semi-annually. Revenue is provided by the City's Waterworks Utility Fund by adjusting rates for water and sewer services. These bonds carry a Moody's rating of A and a Standard and Poor's rating of A+.

Other Long-Term Debt

A Public Works Trust Fund loan was issued in 1990 at 1% payable over 20 years. This loan was for improvement of the sewer pump stations. The City had received 100% of the authorized amount as of December 31, 1995.

B. ADVANCE REFUNDED BONDS

In prior years, the City has defeased various general obligation and revenue bond issues through the sale of refunding bonds. When refunding bonds are issued, proceeds are placed in an irrevocable trust account to provide assured cash flow sufficient to pay all principal and interest on the refunded issue as these amounts come due. Accordingly, related assets, liabilities, and debt service payments are not reflected on the City's financial statements. As of December 31, 2003, all refunded bonds outstanding were paid off.

C. DEBT LIMIT CAPABILITIES

The City's limitation on bond issues is by State law calculated using a formula based on a percentage of assessed valuation (AV) of taxable property. The three specific debt capacities defined, their assessed value limitation and their remaining capacities at December 31, 2007, are as follows:

<u>Purpose</u>	<u>% of AV</u>	<u>Remaining Capacity</u>	<u>Notes</u>
General Government	2-1/2%	\$107,986,687	(\$61,593,884 is Councilmanic)
Park and Open Space	2-1/2%	\$115,982,007	
Utility	2-1/2%	\$115,982,007	

Bond Ratings

At December 31, 2007, the City held the following bond ratings:

<u>Bond Type</u>	<u>Standard & Poors</u>
General Obligation	AA-
Revenue - Utility	A+

NOTE 9 - PENSION PLANS

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

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

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

The following disclosures are made pursuant to GASB Statement 27, Accounting for Pensions by State and Local Government Employers.

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

The state legislature established PERS in 1947 under Chapter 41.40 RCW. PERS is a cost-sharing multiple-employer defined benefit pension system. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; noncertified employees of school districts; and employees of local governments.

PERS contains 3 plans. Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining on or after October 1, 1977 and by August 31, 2002 are enrolled in Plan 2 unless they exercise an option to transfer their membership to Plan 3. Those joining the system on or after September 1, 2002 have the 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. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of 5 years of eligible service.

Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with at least 5 years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the final average salary per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching age 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 members may retire at the age of 65 with at least 5 years of service, or at 55 with 20 years of service, with an allowance of 2 percent per year of service of the final average salary. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to 65 are actuarially reduced. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3 percent annually.

Plan 3 has 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.

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

Retirees and Beneficiaries Receiving Benefits	70,201
Terminated Plan Members Entitled to but not yet Receiving Benefits	25,610
Active Plan Members Vested	105,215
Active Plan Members Nonvested	<u>49,812</u>
Total	250,838

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 and do not vary from year to year. 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 continue to fully fund the 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 were established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The City's contribution rates expressed as a percentage of covered payroll, for the year ending December 31, 2007 were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	6.13%*	6.13%*	6.13%**
Employee	6.00%	4.15%	***

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

** Plan 3 defined benefit portion only.

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

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

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2007	\$34,732	\$672,264	78,172
2006	\$22,924	\$337,250	38,294
2005	\$14,958	\$213,635	22,366

B. LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS (LEOFF)

LEOFF is a cost-sharing multiple-employer defined benefit pension plan. 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 state contributions. LEOFF is comprised primarily of non-state employees.

LEOFF system contains 2 plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined thereafter are enrolled in Plan 2. Retirement benefits for both plans are vested after completion of 5 years of eligible service.

Plan 1 participants are eligible to retire with 5 years of service at age 50. The benefit per year of service is as follows, with a cost-of-living allowance granted, capped at 3 percent annually:

<u>Term of Service</u>	<u>Percent of Final Average</u>
20 or more	2.0%
10 to 20	1.5%
5 to 10	1.0%

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

Plan 2 participants are eligible to retire at the age of 50 with 20 years of service or at 55 with 5 years of service. Retirement benefits prior to age 55 are actuarially reduced. The benefit is 2 percent of average salary per year of service. The average salary is based on the highest consecutive 5-year period. There is no cap on years of service credit and a cost-of-living allowance is granted, with a cap of 3 percent annually.

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

Retirees and Beneficiaries Receiving Benefits	8,951
Terminated Plan Members Entitled to but not yet Receiving Benefits	602
Active Plan Members Vested	12,711
Active Plan Members Nonvested	<u>3,603</u>
Total	25,867

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 for Plan 1 are set 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 director of the Department of Retirement systems. 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 1 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.

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

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
Employer	0.16%*	5.35%*
Employee	0.00%	8.64%
State	N/A	3.45%

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

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

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
2007	\$277	\$515,400
2006	\$689	\$423,527
2005	\$1,252	\$315,134

C. PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS) PLAN 2

PSERS was created by the 2004 legislature and became effective July 1, 2006. PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after

July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

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

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

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

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

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

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

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Nonvested	<u>2,073</u>
Total	2,073

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

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

Employer* 8.55%

Employee 6.57%

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

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

2007	\$15,598
2006	\$2,786

D. FIREMEN'S PENSION FUND (FPF)

The City is the administrator of the Firemen's Pension System, which is shown as a pension trust fund in the City's financial statements. The Firemen's Pension System is a single-employer closed pension system that was established in conformance with Revised Code of Washington (RCW) Chapter 41.18 Membership is limited to fire fighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's liability under the Firemen's Pension System consists of all benefits, including payments to beneficiaries, for firemen retired prior to March 1, 1970, and excess benefits over amounts provided by LEOFF for covered fire fighters retired after March 1, 1970. Under the Firemen's Pension System, eligible fire fighters may retire at age 50 with 25 years of service. Death and disability benefits are also provided, as established under the governing State law. Individuals who terminate employment prior to retirement may withdraw their contributions to the plan plus accumulated interest, but by doing so, forfeit their rights to future pension benefits. No separate financial report is issued for the plan. Accordingly, the required supplemental information is included in this note.

As of December 31, 2007, there were a total of 5 individuals covered by this system. Four of the 5 retirees are drawing excess pension benefits under the system over the amount of full benefit provided through LEOFF.

The City reports under GASB Statement 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans. The Firemen's Pension Fund is presented in the Statement of Fiduciary Net Plan Assets, and The Statement of Changes in Fiduciary Net Plan Assets. The Statement of Cash Flows is no longer required under GASB 25 and is not presented. The required supplementary information has been prepared using the best available information.

The most recent actuarial study of the Firemen's Pension System was done by Milliman USA. to determine future funding requirements as of January 1, 2008.

Significant actuarial assumptions used in making these projections include: a) projected annual salary increases of 4.0% including inflation; b) projected investment earnings of 5.0%; c) no growth in membership; d) projected post-retirement benefit increases related to salaries of 4.0% and benefit increases

related to annual increases in the Consumer Price Index of 3.0%; e) a 3.0% projected annual growth in fire insurance premium tax revenues received by the fund; f) amortization period of 30 years, and g) the mortality and turnover assumptions were based on the 1995-2000 Experience Study for the Law Enforcement Officers' and Firefighters' Retirement System prepared by the Office of the State Actuary.

The financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at estimated fair value.

The annual pension cost was computed using the Entry Age Cost Normal Method. 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 Liability (UAL) is the Actuarial Liability minus the actuarial value of the Fund's assets. The Unfunded Actuarial Accrued Liabilities (UAAL) is amortized as a level dollar amount over a closed 30-year period beginning January 1, 1999.

CONTRIBUTIONS

The City's obligations under the Firemen's Pension Fund are limited to the benefits provided to firefighters retired prior to March 1, 1970, plus payments of excess retirement benefits to active members as of that date. In order to meet these obligations, the City may contribute annually to the Fund the amount raised by levying all or part of a tax of up to \$0.45 per \$1,000 of true and fair market value of assessed property, the maximum provided by law for maintaining the Fund.

On the basis of the actuarial assumptions used in this valuation, it was estimated that the current assets of the Fund, along with future revenues from state fire insurance premiums and investment earnings, will be sufficient to pay all future FPF pension benefits. The State fire insurance premiums, and the interest earned on investments are received into the General Fund and allocated into the Firemen's Pensions Fund. Accordingly, the Actuary recommended that the City make no additional contributions to the Fund until the next actuarial valuation is performed.

ANNUAL PENSION COST AND NET PENSION OBLIGATION

2005

2006

2007

Annual required contribution (ARC)

Annual Normal Cost – Beginning of Year	\$ 0	\$ 0	\$ 0
Amortization of UAAL – Beginning of Year	(4,156)	15,419	15,419
Interest to End of Year	<u>(270)</u>	<u>848</u>	<u>848</u>
ARC at End of Year (not less than 0)*	(4,426)	16,267	16,267
Interest on Net Pension Obligation (NPO)	(5,991)	(5,636)	(4,942)
Adjustment to ARC	<u>(7,218)</u>	<u>(7,545)</u>	<u>(6,768)</u>
Annual Pension Cost (APC)	(3,199)	18,176	18,093
Employer Contributions**	<u>7,108</u>	<u>5,544</u>	<u>3,998</u>
Change in NPO	(10,307)	12,632	14,095
NPO at Beginning of Year	<u>(92,174)</u>	<u>(102,481)</u>	<u>(89,849)</u>
NPO at End of Year	\$(102,481)	\$(89,849)	\$(75,754)

* Because the City is now paying long-term care expenses from the Fund, the City's actuaries beginning in 2004 allowed a negative ARC.

** Employer contributions for pensions are total contributions to the Fund net of disbursements from Fund for medical expenses under RCW 41.26.150 and administrative expenses.

The following historical trend information shows the system's progress in accumulating sufficient assets to pay benefits when due:

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

EMPLOYER CONTRIBUTIONS

Annual Required Contributions

Fire

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Insurance Premiums</u>	<u>Employer Contributions</u>	<u>Required Contributions</u>	<u>Percentage Contributed</u>
2002	0	23,353	23,353	0	N/A
2003	(29,400)	26,437	(2,963)	0	N/A
2004	(33,719)	34,790	1,071	(4,426)	N/A
2005	(29,094)	36,202	7,108	(4,426)	N/A
2006	(35,219)	40,763	5,544	16,267	34
2007	(37,730)	41,728	3,998	16,267	25

THREE-YEAR TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution as Percentage of APC</u>	<u>Net Pension Obligation</u>
12/31/2005	(3,199)	N/A	(102,481)
12/31/2006	18,176	31	(89,849)
12/31/2007	18,093	22	(75,754)

E. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with an independent plan administrator. The plan, available to eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. This plan is administered by the ICMA Retirement Corporation.

GASB Statement No.2, Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457, established reporting requirements for IRC Section 457 plans. Based on the laws in effect at the time of its passage that Statement required that all amounts deferred by the plan participants be reported as assets of the employer until made available to the participants or their beneficiaries. The laws governing these plans were changed to state that, as of August 20, 1996, new plans will not be considered eligible plans "unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries." Existing plans also are required to comply with this requirement by January 1, 1999. The City elected to follow GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, starting in the reporting year 1997. The City does not report the 457 plan in its financial statements since it no longer has any vested interest, and the fund is administered by a third party.

The plan is valued at the fair market value of the deferred account for each participant. The fair market value of plan assets applicable to the City's employees at December 31, 2007, was \$18,882,795, and \$17,920,193 for the year 2006.

NOTE 10 - PRIOR YEAR RESTATEMENTS AND CHANGES IN ACCOUNTING ESTIMATES

There were no prior restatements or changes in accounting estimates in 2007.

NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City of Lynnwood budgets on a cash basis as required by State law. Though specific line items of expenditures within a fund's appropriations may be exceeded, that fund's total appropriation cannot be legally exceeded. It should be noted, however, that the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, and the Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Governmental Funds due to format, could be misinterpreted and lead one to believe that budgeted expenditures have been exceeded. The City budgets not only expenditures but also "Other Financing Uses" and the "Ending Fund Balance" so as to maintain a budget balance between receipts and disbursements. By increasing expenditure appropriations by the budget

values for these items, a City fund would not exceed its appropriations. In 2007, the City of Lynnwood began the first year of the biennial budget period. The 2007 calendar year had no budget deficits.

NOTE 12 - DEFICITS IN FUND EQUITY

The Justice Programs had a deficit of \$390 due to the use of internet with no justice grants for 2007. Transit Support Projects had a deficit of \$5,076 due to final retainage paid on the project. There was a \$5,093 deficit in 44th Avenue due to an interfund loan and retainage accrual. There is \$308,337 for Park Acquisition & Development, \$36,109 in Traffic Operations Center due to temporary financing done through interfund loans.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

There were prior year adjustments to the beginning fund balance in the 2007 reporting year. Equipment Rental has \$9,087 that was not reported as equipment last year. The Self Insurance has \$480,515 of claims payable that needed to be adjusted due to the hiring of a new claims management firm that assessed the outstanding claims. The I-5/196th Pedestrian Bridge fund reported \$609,633 in revenue that belonged in deferred revenue.

NOTE 14 - SUBSEQUENT EVENTS

The City issued Utility System Improvement and Refunding Revenue Bonds in March, 2008, in the amount of \$10,000,000. A portion of the Bonds will be used to current refund and defease the City's outstanding Water and Sewer Revenue Bonds, Series 1996. The remainder is to be used to fund the cost of carrying out a portion of the plan of Utility Fund additions and improvements.

NOTE 15 - LITIGATION

The City of Lynnwood has several small claims pending that the City attorney has reviewed and analyzed. It is estimated that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

NOTE 16 - JOINT FACILITY OPERATIONS

The City of Lynnwood and the neighboring City of Mountlake Terrace entered into an agreement for the construction and maintenance of a joint Public Works shop complex in 1983. Also included is the Southwest Snohomish County Public Safety Communications Agency (SNOCOM) as part of the agreement. The complex was completed in 1985 and became operational in August.

The property and the building are located in the City of Mountlake Terrace. The Southwest Snohomish County Public Safety Communications Agency is the 911 emergency dispatch operations for five incorporated cities and the unincorporated area serviced by the fire district. After the completion of the joint Public Works shop complex, a cost evaluation and allocation was made and the ownership is as follows: the City of Lynnwood - 52%, City of Mountlake Terrace - 38%, and the SNOCOM operation - 10%. Also, since the complex is located in the City of Mountlake Terrace,

they are responsible for the building maintenance and operation program and submit invoices to the other two agencies on a monthly basis for their share of the activity.

The City of Lynnwood, the City of Edmonds, Snohomish County and Edmonds School District No. 15 entered into an agreement to develop Meadowdale Playfields and Recreation Complex. The Edmonds School District provided a 25-acre site adjacent to Meadowdale Elementary, Meadowdale Middle School and Meadowdale High School.

The City of Lynnwood was responsible for the construction and maintenance of the complex and bills 50% of the associated costs to the City of Edmonds on a quarterly basis. The ownership, based on total costs is as follows:

Edmonds School District No. 15 - land	\$1,000,000	33%
Snohomish County - construction contribution	150,000	5%
City of Lynnwood - construction cost	940,000	31%
City of Edmonds - construction cost	940,000	31%

The City of Lynnwood, City of Edmonds, City of Marysville, City of Mill Creek, City of Mountlake Terrace, City of Woodway, Fire District 111, SNOCOM, and Snohomish County entered into an agreement to provide an 800 MHZ emergency radio system that will provide a significantly improved level of communications capability when compared to existing radio systems. The County is the lead agency and construction manager, while the responsibility of the other agencies is that of a contributor. The City of Lynnwood's share of this project is 13.66%.

NOTE 17 - CASH FLOW STATEMENTS

Noncash investing, capital, and financing activities: In 2007, the City had the following:

Vehicle trade-ins	\$23,000
Capital asset contributions from developers	870,600

Disclosure of accounting policy: For purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents includes the following balance sheet items:

Cash and Equivalents	\$81,137
Customer Deposits	68,292
Revenue Bond Current Debt Service	11,001
Revenue Bond Future Debt Service Reserve	<u>706,500</u>
	866,930

NOTE 18 - OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the City provides post retirement health care benefits, in accordance with State statutes, to all LEOFF I retirees. Currently, 51 members meet those eligibility requirements (49 retired & 2 active). The City provides medical and vision insurance and reimburses for all Board approved claims for medical, vision, and hospitalization costs incurred by retirees. The City has chosen to adopt the reporting standards for GASB 45 for Postemployment Benefit Plans Other than Pension Plans, or OPEB.

For GASB purposes, the Entry Age Normal Cost Method, one of the acceptable actuarial funding methods, was used for disclosure purposes. 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 Accrued Liability (AAL). Since nearly all members have already retired, the amount of the annual Normal Cost is relatively small. The Unfunded Actuarial Liability (UAL) is the Actuarial Liability minus the actuarial value of the Fund's assets. In the case of a plan with no assets, the UAAL is simply equal to the AAL.

The actuarial assumptions used included a 5.0% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance payment of benefits. A medical inflation rate of 9.5% and a long term care inflation rate of 5.0% was used. The Unfunded Actuarial Accrued Liabilities (UAAL) is amortized as a level dollar amount over a closed 30-year period beginning January 1, 2008. The net OPEB obligation of \$424,864 is included as a noncurrent liability on the Statement of Net Assets.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

	<u>2007</u>
Annual required contribution (ARC)	
Annual Normal Cost – Beginning of Year	\$ 33,083
Amortization of UAAL – Beginning of Year	1,117,271
Interest to End of Year	<u>57,518</u>
ARC at End of Year (not less than 0)*	1,207,872
Interest on Net OPEB Obligation (NPO)	0
Adjustment to ARC	<u>0</u>
Annual OPEB Cost (APC)	1,207,872
Employer Contributions**	783,008
Change in Net OPEB Obligation	<u>424,864</u>
NPO at Beginning of Year	<u>0</u>
NPO at End of Year	\$424,864

* The assumed interest rate, is 5.0% in 2007.

ANNUAL OPEB COSTS

<u>Fiscal Year Ending</u>	<u>Annual OBEB</u>	<u>Percentage of</u>	<u>Net OPEB</u>
12/31/2007	<u>Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>
	\$1,207,872	Contributed	\$424,864
		64.8% *	

RETIREE MEDICAL AND LONG-TERM CARE VALUATION

<u>Valuation Date</u>	<u>12/31/2007</u>
Total present value of expected medical And dental benefits (excluding long-term care)	\$15,120,000
Total present value of expected long-term Care benefits	<u>3,007,000</u>
Total Benefits	\$18,127,000

PROJECTION OF FUTURE EXCESS PENSION, MEDICAL AND LONG-TERM CARE BENEFITS

The following table illustrates the projected excess annual pension payments for currently active and retired members eligible for retirement benefits under FPF. Also shown are the projected annual benefit payments for those active and retired members eligible for medical and long-term care coverage.

<u>Year</u>	<u>Pension</u>	<u>Medical</u>	<u>Long-Term Care</u>	<u>Grand Total</u>
2008	59,000	695,000	108,000	862,000
2009	63,000	745,000	120,000	928,000
2010	67,000	794,000	117,000	978,000
2011	71,000	846,000	116,000	1,033,000
2012	75,000	874,000	118,000	1,067,000
2013	79,000	909,000	121,000	1,109,000
2014	83,000	952,000	125,000	1,160,000
2015	87,000	979,000	129,000	1,195,000
2016	91,000	1,002,000	134,000	1,227,000
2017	95,000	1,022,000	139,000	1,256,000
2018	98,000	1,034,000	145,000	1,277,000
2019	102,000	1,047,000	151,000	1,300,000
2020	105,000	1,058,000	156,000	1,319,000
2021	108,000	1,070,000	163,000	1,341,000
2022	110,000	1,078,000	171,000	1,359,000
2023	112,000	1,083,000	178,000	1,373,000
2024	114,000	1,082,000	187,000	1,383,000
2025	115,000	1,077,000	196,000	1,388,000
2026	115,000	1,067,000	205,000	1,387,000
2027	115,000	1,050,000	215,000	1,380,000

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

December 31, 2007

	<u>FIREMEN'S PENSION FUNDS</u>	<u>AGENCY/ CLEARING FUNDS</u>
ASSETS		
Cash and Equivalents	\$13,066	\$1,588,759
Investments	935,000	1,087,000
Accounts Receivable	0	0
Prepaid Insurance	37,189	0
TOTAL ASSETS	<u><u>\$985,255</u></u>	<u><u>\$2,675,759</u></u>
LIABILITIES		
Accounts Payable	\$0	\$2,561,513
Refunds Payable	0	114,246
TOTAL LIABILITIES	<u><u>0</u></u>	<u><u>2,675,759</u></u>
NET ASSETS		
Reserved for Employees' Pension Benefits	<u><u>\$985,255</u></u>	<u><u>\$0</u></u>

See Accompanying Notes to Financial Statements

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN PLAN NET ASSETS

For the year ended December 31, 2007

	<u>FIREMEN'S PENSION FUNDS</u>
ADDITIONS	
Fire Insurance Premiums	\$41,728
Investment Income	
Interest	<u>48,343</u>
TOTAL ADDITIONS	<u>90,071</u>
DEDUCTIONS	
Benefits	51,364
Health Care Payments	37,730
Administrative Expenses	<u>0</u>
TOTAL DEDUCTIONS	<u>89,094</u>
CHANGE IN NET ASSETS	977
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of Year	<u>984,278</u>
End of Year	<u><u>\$985,255</u></u>

See Accompanying Notes to Financial Statements

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

December 31, 2007

Business-type Activities - Enterprise Funds

ASSETS	WATER AND SEWER UTILITY	STORM DRAINAGE UTILITY	GOLF COURSE FUNDS	TOTAL 2007	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
CURRENT ASSETS:					
Cash and Equivalents	\$62,608	\$14,664	\$3,865	\$81,137	\$19,130
Investments	7,829,000	40,000	15,000	7,884,000	5,341,000
Receivables (Net of Allowance for Uncollectibles)	1,215,010	180,442	0	1,395,452	70,026
Due from Other Funds	527,889	0	0	527,889	0
Inventories	0	0	36,174	36,174	208,104
Prepaid Expenses	38,846	1,755	8,774	49,375	0
RESTRICTED ASSETS - CASH & INVESTMENTS:					
Customer Deposits	68,292	0	0	68,292	0
Revenue Bond Current Debt Service	11,001	0	0	11,001	0
Revenue Bond Future Debt Service Reserve and Reservoir Reserve	706,500	0	0	706,500	0
TOTAL CURRENT ASSETS	10,459,146	236,861	63,813	10,759,820	5,638,260
NONCURRENT ASSETS:					
DEFERRED CHARGE:REVENUE BOND ISSUANCE COSTS	33,012	0	0	33,012	0
PROPERTY, PLANT AND EQUIPMENT:					
Land	1,380,623	1,822,775	3,663,369	6,866,767	0
Buildings	35,593,846	0	199,850	35,793,696	1,862,098
Improvements other than Buildings	617,958	1,226,513	1,099,082	2,943,553	2,112
Machinery and Equipment	1,632,505	0	375,322	2,007,827	8,640,770
Infrastructure	32,124,725	4,936,398	0	37,061,123	0
Construction in Progress	538,824	1,398,983	12,152	1,949,959	0
	71,888,481	9,384,669	5,349,775	86,622,925	10,504,980
(Less) Accumulated Depreciation	(34,515,883)	(1,016,046)	(676,062)	(36,207,991)	(5,075,468)
NET PROPERTY, PLANT, AND EQUIPMENT	37,372,598	8,368,623	4,673,713	50,414,934	5,429,512
TOTAL NONCURRENT ASSETS	37,405,610	8,368,623	4,673,713	50,447,946	5,429,512
TOTAL ASSETS	\$47,864,756	\$8,605,484	\$4,737,526	\$61,207,766	\$11,067,772

See Accompanying Notes to Financial Statements

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

December 31, 2007

Business-type Activities - Enterprise Funds

LIABILITIES AND FUND EQUITIES	WATER AND SEWER UTILITY	STORM DRAINAGE UTILITY	GOLF COURSE FUNDS	TOTAL 2007	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
LIABILITIES					
Current Liabilities (Payable from Current Assets)					
Accounts Payable & Accrued Expenses	\$357,956	\$59,515	\$10,582	\$428,053	\$77,298
Due to Other Governments	\$0	\$0	\$14,478	14,478	\$0
Accrued Interest on Contracts	7,368	0	54,268	61,636	0
Compensated Absences	139,228	4,828	68,709	212,765	20,855
Claims and Judgments	0	0	0	0	145,683
Matured Bonds Payable	989,211	0	0	989,211	0
Contract Payable	0	0	0	0	0
Gift Certificates	0	0	47,604	47,604	0
Current Liabilities (payable from Restricted Assets)					
Accrued Revenue Bond Interest	27,669	0	0	27,669	0
Deposits	67,892	0	4,176	72,068	0
TOTAL CURRENT LIABILITIES	1,589,324	64,343	199,817	1,853,484	243,836
Noncurrent Liabilities					
Revenue Bonds Payable (Net of Current Portion)	5,300,000	0	0	5,300,000	0
Unamortized Premium	39,908	0	0	39,908	0
(Less) Unamortized Bond Discount	(38,228)	0	0	(38,228)	0
Due to Other Funds	0	0	137,485	137,485	0
Other Long Term Debt/Contracts Payable	84,211	0	0	84,211	0
TOTAL NONCURRENT LIABILITIES	5,385,891	0	137,485	5,523,376	0
TOTAL LIABILITIES	6,975,215	64,343	337,302	7,376,860	243,836
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	31,083,387	8,368,623	4,673,713	44,125,723	5,429,512
Restricted Net Assets	649,609	0	(4,176)	645,433	0
Unrestricted	9,156,545	172,518	(269,313)	9,059,750	5,394,424
TOTAL NET ASSETS	\$40,889,541	\$8,541,141	\$4,400,224	\$53,830,906	\$10,823,936

See Accompanying Notes to Financial Statements

Page 2 of 2

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

For the Year Ended December 31, 2007

Business-type Activities - Enterprise Funds

	WATER AND SEWER UTILITY	STORM DRAINAGE UTILITY	GOLF COURSE FUNDS	TOTAL 2007	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Charges for Services/Fees-Water	\$3,069,041	\$0	\$0	\$3,069,041	\$0
Charges for Services/Fees-Sewer	5,856,035	0	0	5,856,035	0
Charges for Sales and Services	0	1,297,772	1,076,768	2,374,540	2,886,911
Other Operating Revenue	71,629	0	121,951	193,580	144,927
TOTAL OPERATING REVENUES	8,996,705	1,297,772	1,198,719	11,493,196	3,031,838
OPERATING EXPENSES					
Administrative and General-Water	1,155,953	0	0	1,155,953	0
Administrative and General-Sewer	612,806	0	0	612,806	0
Administrative and General	0	362,630	290,704	653,334	380,814
Maintenance & Operations-Water	1,867,888	0	0	1,867,888	0
Maintenance & Operations-Sewer	3,016,173	0	0	3,016,173	0
Maintenance & Operations		549,902	651,082	1,200,984	2,398,523
Miscellaneous Taxes	322,737	35,212	37,226	395,175	0
Depreciation	0	139,902	20,170	160,072	578,349
Depreciation-Water	454,839	0	0	454,839	0
Depreciation-Sewer	1,731,604	0	0	1,731,604	0
TOTAL OPERATING EXPENSES	9,162,000	1,087,646	999,182	11,248,828	3,357,686
OPERATING INCOME (LOSS)	(165,295)	210,126	199,537	244,368	(325,848)
NON-OPERATING REVENUES (EXPENSES)					
Miscellaneous Interest Revenue	474,514	13,367	7,914	495,795	218,754
Debt Issuance Costs	(12,041)	0	0	(12,041)	0
Interest Expense	(374,683)	0	0	(374,683)	0
Gain (Loss) on Property Dispositions	0	0	0	0	22,651
Other non-operating income (expenses)	4,875	0	0	4,875	0
TOTAL NON-OPERATING REVENUES	92,665	13,367	7,914	113,946	241,405
INCOME BEFORE CONTRIBUTIONS & TRANSFERS	(72,630)	223,493	207,451	358,314	(84,443)
TRANSFERS					
Transfers In	0	0	0	0	1,698,895
Transfers (Out)	(100,736)	(18,510)	(412,587)	(531,833)	(48,625)
CAPITAL CONTRIBUTIONS					
Water	246,450	0	0	246,450	0
Sewer	214,950	0	0	214,950	0
Other	0	204,240	0	204,240	0
CHANGE IN NET ASSETS	288,034	409,223	(205,136)	492,121	1,565,827
TOTAL NET ASSETS - BEGINNING	40,601,507	8,131,918	4,605,361	53,338,786	8,768,507
Prior Period Items	0	0	0	0	489,602
TOTAL NET ASSETS	\$40,889,541	\$8,541,141	\$4,400,225	\$53,830,907	\$10,823,936

See Accompanying Notes to Financial Statements

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2007

Business-type Activities - Enterprise Funds

	WATER AND SEWER UTILITY	STORM DRAINAGE UTILITY	GOLF COURSE FUNDS	TOTAL 2007	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
Cash flows from operating activities:					
Cash received from customers	\$8,968,241	\$1,227,107	\$1,226,436	\$11,421,784	\$2,780,844
Other Operating Revenues	0	0	0	0	268,050
Cash payments to suppliers	(1,345,941)	(564,140)	(397,628)	(2,307,709)	(2,319,766)
Cash payments for operating expenses	(3,729,018)	(5,265)	(26,320)	(3,760,603)	(376,457)
Cash payments to employees for services	(1,759,239)	(312,444)	(519,847)	(2,591,530)	(380,413)
Taxes-Employer/State Excise	(322,737)	(35,212)	(37,226)	(395,175)	0
Net cash provided by operating activities	<u>1,811,306</u>	<u>310,046</u>	<u>245,415</u>	<u>2,366,767</u>	<u>(27,742)</u>
Cash flows from noncapital financing activities:					
Repayment of proceeds from P.W. Trust Loan/ State Revolving	(84,209)	0	0	(84,209)	0
Operating Grants Received	4,875	0	0	4,875	0
Insurance Recovery	0	0	0	0	0
Transfers in	0	0	0	0	1,698,895
Transfers (out)	(100,736)	(18,510)	(412,587)	(531,833)	(48,625)
Net cash provided by noncapital financing activities	<u>(180,070)</u>	<u>(18,510)</u>	<u>(412,587)</u>	<u>(611,167)</u>	<u>1,650,270</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(873,468)	(783,345)	(9,867)	(1,666,680)	(701,424)
Proceeds from sale of equipment	0	0	0	0	69,151
Principal paid on revenue bonds	(860,000)	0	0	(860,000)	0
Interest paid on revenue bonds and contracts	(379,404)	0	0	(379,404)	0
Capital contributed	461,400	204,240	0	665,640	0
Payments on bond issuance	(6,745)	0	0	(6,745)	0
Net cash used for capital and related financing activities	<u>(1,658,217)</u>	<u>(579,105)</u>	<u>(9,867)</u>	<u>(2,247,189)</u>	<u>(632,273)</u>
Cash flows from investing activities:					
Purchase of investment securities	(7,829,000)	(40,000)	(15,000)	(7,884,000)	(5,341,000)
Proceeds from sale of investments	7,205,000	325,000	185,000	7,715,000	4,100,000
Interest and dividends on investments	475,344	13,367	7,914	496,625	148,726
Net cash used in investing activities	<u>(148,656)</u>	<u>298,367</u>	<u>177,914</u>	<u>327,625</u>	<u>(1,092,274)</u>
Net increase (decrease) in cash and cash equivalents	(175,637)	10,798	875	(163,964)	(102,019)
Cash and cash equivalents at beginning of year	1,024,039	3,866	2,990	1,030,895	121,147
Cash and cash equivalents at end of year	<u>\$848,402</u>	<u>\$14,664</u>	<u>\$3,865</u>	<u>\$866,931</u>	<u>\$19,128</u>

See Accompanying Notes to Financial Statements

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**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2007

Business-type Activities - Enterprise Funds

	WATER AND SEWER UTILITY	STORM DRAINAGE UTILITY	GOLF COURSE FUNDS	TOTAL 2007	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	(\$165,295)	\$210,126	\$199,537	\$244,368	(\$325,848)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	2,186,443	139,902	20,170	2,346,515	578,349
Non-operating receipts	0	0	0	0	0
Change in assets and liabilities:					
(Increase) Decrease in accounts receivable	4,060	(70,665)	27,718	(38,887)	17,056
(Increase) Decrease in inventory	0	0	(8,634)	(8,634)	(24,161)
(Increase) Decrease in prepaid expenses	5,261	6,951	(8,774)	3,438	0
Increase (Decrease) in accounts payable/wages	(219,163)	23,732	15,398	(180,033)	(273,138)
Total adjustments	<u>1,976,601</u>	<u>99,920</u>	<u>45,878</u>	<u>2,122,399</u>	<u>298,106</u>
Net cash provided by operating activities	<u>\$1,811,306</u>	<u>\$310,046</u>	<u>\$245,415</u>	<u>\$2,366,767</u>	<u>(\$27,742)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Vehicle trade-ins					\$23,000
Capital asset contributions from developers				\$665,640	
DISCLOSURE OF CASH AND CASH EQUIVALENTS					
Cash and equivalents				81,137	19,130
Customer Deposits				68,292	0
Revenue bond current debt service				11,001	0
Revenue bond future debt service reserve				<u>706,500</u>	<u>0</u>
Cash and cash equivalents at end of year				<u>\$866,930</u>	<u>\$19,130</u>

See Accompanying Notes to Financial Statements

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**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL NON-GAAP (CASH BASIS)**

For the Year Ended December 31, 2007

	<u>BUDGETED AMOUNTS</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Taxes				
Property	\$14,165,987	\$14,165,987	\$6,806,172	(\$7,359,815)
Sales	36,505,689	37,347,875	18,787,221	(18,560,654)
B & O	3,716,179	3,716,179	1,801,127	(1,915,052)
Other	499,400	499,400	204,624	(294,776)
Licenses and Permits	4,995,502	4,995,502	2,520,777	(2,474,725)
Intergovernmental Revenues	2,328,453	2,364,419	1,302,290	(1,062,129)
Charges for Services	6,274,915	6,421,080	3,072,915	(3,348,165)
Fines and Forfeits	4,755,139	6,901,851	3,596,296	(3,305,555)
Miscellaneous - Interest	1,146,000	1,146,000	749,710	(396,290)
Rent	749,000	749,000	362,849	(386,151)
Other	123,961	123,961	28,574	(95,387)
TOTAL REVENUES	<u>75,260,225</u>	<u>78,431,254</u>	<u>39,232,555</u>	<u>(39,198,699)</u>
EXPENDITURES				
Current				
General Government	15,261,403	16,227,831	7,843,888	8,383,943
Public Safety	42,030,737	44,798,747	21,814,765	22,983,982
Physical Environment	8,649,047	9,101,375	4,066,135	5,035,240
Human Services	1,076,682	1,231,596	498,266	733,330
Culture and Recreation	10,761,774	11,005,450	5,546,827	5,458,623
Capital Outlay	909,496	1,273,050	367,534	905,516
Debt Service				
Interest and Fiscal Charges	3,700	3,700	1,765	1,935
TOTAL EXPENDITURES	<u>78,692,839</u>	<u>83,641,749</u>	<u>40,139,180</u>	<u>43,502,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,432,614)</u>	<u>(5,210,495)</u>	<u>(906,625)</u>	<u>4,303,870</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	6,154,049	8,126,374	3,115,653	(5,010,721)
Transfers (Out)	(4,926,642)	(5,103,496)	(2,290,379)	2,813,117
Sale of Fixed Assets	0	0	0	0
Intergovernmental Loan Proceeds	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,227,407</u>	<u>3,022,878</u>	<u>825,274</u>	<u>(2,197,604)</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	<u>(2,205,207)</u>	<u>(2,187,617)</u>	<u>(81,351)</u>	<u>2,106,266</u>
Fund Balances, January 1	1,972,209	2,009,063	6,193,677	4,184,614
FUND BALANCES, DECEMBER 31	<u>(\$232,998)</u>	<u>(\$178,554)</u>	<u>\$6,112,326</u>	<u>\$6,290,880</u>

See Accompanying Notes to Financial Statements

**GOVERNMENTAL FUNDS
BALANCE SHEET**

December 31, 2007

	GENERAL	LID 93-1	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Equivalents	\$253,395	\$110,378	\$354,639	\$718,412
Investments	3,516,696	6,000	19,094,857	22,617,553
Receivables (net)	3,565,260	6,168,189	1,389,578	11,123,027
Due from Other Funds	137,485	0	0	137,485
TOTAL ASSETS	<u>\$7,472,836</u>	<u>\$6,284,567</u>	<u>\$20,839,074</u>	<u>\$34,596,477</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$605,448	\$0	\$297,392	\$902,840
Due to Other Funds	0	0	527,889	527,889
Deferred Revenues	433,644	5,331,254	7,866	5,772,764
Unearned Revenue	4,578	0	207,030	211,608
Liabilities Payable from Restricted Assets	232,196	0	0	232,196
TOTAL LIABILITIES	<u>1,275,866</u>	<u>5,331,254</u>	<u>1,040,177</u>	<u>7,647,297</u>
FUND BALANCE				
Reserved for Debt Service	0	953,313	1,084,288	2,037,601
Unreserved for Special Revenue Funds	0	0	9,824,197	9,824,197
Unreserved for Capital Project Funds	0	0	8,890,411	8,890,411
Unreserved General Fund	6,196,970	0	0	6,196,970
TOTAL FUND BALANCE	<u>6,196,970</u>	<u>953,313</u>	<u>19,798,896</u>	<u>26,949,179</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$7,472,836</u>	<u>\$6,284,567</u>	<u>\$20,839,073</u>	<u>\$34,596,476</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 are not reported in the funds.				99,851,260
Net pension obligation paid in over required				75,754
The focus of governmental funds is on short term financing; long-term assets are deferred in the funds.				798,827
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.				
Compensated Absences		(2,617,316)		
Bonds, Notes, Loans Payable		(12,817,883)		
Accrued Interest Payable		(46,755)		
Net OPEB Obligation		(424,864)		(15,906,818)
Internal service funds are used by management to charge the costs of certain activities to individual funds.				
These assets and liabilities are included in governmental activities in the statement of net assets.				<u>10,823,937</u>
Net assets of governmental activities				<u><u>\$122,592,139</u></u>

See Accompanying Notes to Financial Statements

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

For the Year Ended December 31, 2007

	GENERAL	LID 93-1	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property	\$6,806,172	\$0	\$2,704,342	\$9,510,514
Sales	18,787,221	0	1,786,043	20,573,264
B & O	1,801,127	0	0	1,801,127
Other	204,624	0	1,615,560	1,820,184
Licenses and Permits	2,520,777	0	152,608	2,673,385
Intergovernmental Revenues	1,296,691	497,492	3,301,220	5,095,403
Charges for Services	3,072,915	0	18,376	3,091,291
Fines and Forfeits	3,596,296	0	304,877	3,901,173
Miscellaneous - Interest	747,197	349,580	649,767	1,746,544
Rent	362,849	0	0	362,849
Other	28,574	0	5,749	34,323
TOTAL REVENUES	39,224,443	847,072	10,538,542	50,610,057
EXPENDITURES				
Current				
General Government	7,843,888	0	61,881	7,905,769
Public Safety	21,814,765	0	312,014	22,126,779
Physical Environment	4,066,135	0	309,451	4,375,586
Transportation	0	0	2,850,465	2,850,465
Human Services	498,266	0	0	498,266
Culture and Recreation	5,546,827	0	1,064,888	6,611,715
Capital Outlay	367,534	0	2,011,542	2,379,076
Debt Service				
Principal	0	435,000	1,052,613	1,487,613
Interest and Fiscal Charges	1,765	355,433	423,971	781,169
TOTAL EXPENDITURES	40,139,180	790,433	8,086,825	49,016,438
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(914,737)	56,639	2,451,717	1,593,619
OTHER FINANCING SOURCES (USES)				
Transfers In	3,115,653	0	3,405,605	6,521,258
Transfers (Out)	(2,290,379)	0	(5,349,315)	(7,639,694)
Sale of Capital Assets	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USE)	825,274	0	(1,943,710)	(1,118,436)
NET CHANGE IN FUND BALANCES	(89,463)	56,639	508,007	475,183
Fund Balances, January 1	6,286,433	896,674	19,290,890	26,473,997
Prior Period	0	0	0	0
FUND BALANCES, DECEMBER 31	\$6,196,970	\$953,313	\$19,798,897	\$26,949,180

See Accompanying Notes to Financial Statements

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

For the Year Ended December 31, 2007

	<u>TOTAL GOVERNMENTAL FUNDS</u>
Net changes in fund balances for governmental funds	\$475,182
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.</p>	
Capital Outlays	2,379,076
Depreciation	(3,507,147)
Cost of Assets Sold	0
	(1,128,071)
<p>The issuance of long-term (e.g., bonds, leases) is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets.</p>	
Debt Proceeds	0
Debt Retired	1,487,613
	1,487,613
<p>Some revenues reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.</p>	
	798,827
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
	(752,668)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities.</p>	
	<u>1,565,827</u>
Change in net assets of governmental activities.	<u><u>\$2,446,710</u></u>

See Accompanying Notes to Financial Statements

STATEMENT OF NET ASSETS

December 31, 2007

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
<i>Current Assets:</i>				
Cash & cash equivalents	\$737,542	\$81,137	\$818,679	\$2,414,246
Investments	27,958,553	7,884,000	35,842,553	1,000,000
Receivables (net)	10,677,207	1,395,452	12,072,659	407,281
Due from Firemen's Pension Fund	75,754	0	75,754	0
Internal Balances	(390,404)	390,404	0	0
Inventories	208,104	36,174	244,278	11,322
Deferred Lease Commissions	0	0	0	11,976
Prepaid Items	0	49,375	49,375	87,970
<i>Restricted cash & investments:</i>				
Customer deposits	0	68,292	68,292	0
Bond covenant accounts	0	717,501	717,501	0
<i>Total Current Assets</i>	<u>39,266,756</u>	<u>10,622,335</u>	<u>49,889,091</u>	<u>3,932,795</u>
<i>Noncurrent Assets:</i>				
<i>Deferred charges & other assets</i>				
Deferred charges	0	33,012	33,012	896,574
Noncurrent receivables	515,846	0	515,846	0
<i>Capital Assets:</i>				
Land	38,620,451	6,866,767	45,487,218	6,788,800
Depreciable assets (net)	25,639,954	17,523,094	43,163,048	21,176,330
Infrastructure (net)	29,288,004	24,075,114	53,363,118	66,146
Construction in progress	11,732,363	1,949,959	13,682,322	0
<i>Total Noncurrent Assets</i>	<u>105,796,618</u>	<u>50,447,946</u>	<u>156,244,564</u>	<u>28,927,850</u>
Total Assets	<u>145,063,374</u>	<u>61,070,281</u>	<u>206,133,655</u>	<u>32,860,645</u>
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable and accrued exp.	1,259,089	531,836	1,790,925	259,695
Unearned revenue	(153,575)	47,604	(105,971)	154,227
<i>Current Liabilities Payable from Restricted Assets:</i>				
Liabilities payable from restricted assets	0	72,068	72,068	0
<i>Total Current Liabilities</i>	<u>1,105,514</u>	<u>651,508</u>	<u>1,757,022</u>	<u>413,922</u>
<i>Noncurrent Liabilities:</i>				
Due within one year	2,330,341	1,201,976	3,532,317	195,000
Due in more than one year	19,035,380	5,385,891	24,421,271	29,248,491
<i>Total Noncurrent Liabilities</i>	<u>21,365,721</u>	<u>6,587,867</u>	<u>27,953,588</u>	<u>29,443,491</u>
Total Liabilities	<u>22,471,235</u>	<u>7,239,375</u>	<u>29,710,610</u>	<u>29,857,413</u>
NET ASSETS				
Invested in capital assets, net of related debt	95,505,069	44,125,723	139,630,792	(929,563)
<i>Expendable restricted for:</i>				
Debt service	1,990,846	645,433	2,636,279	1,343,997
Capital projects	9,412,115	0	9,412,115	0
Other	0	0	0	0
Unrestricted	15,684,109	9,059,750	24,743,859	2,588,798
Total Net Assets	<u>\$122,592,139</u>	<u>\$53,830,906</u>	<u>\$176,423,045</u>	<u>\$3,003,232</u>

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

	Program Revenues				Net (Expense) Revenue & Changes in Net Assets			
	Expenses	Grants & Contributions			Primary Government			Component Unit
		Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total	
FUNCTIONS/PROGRAMS								
Primary Government:								
<i>Governmental Activities:</i>								
General Government	\$7,087,086	\$5,464,729	\$11,985	\$0	(\$1,610,372)	\$0	(\$1,610,372)	\$0
Public Safety	23,221,684	508,057	192,876	3,395	(22,517,356)	0	(22,517,356)	0
Physical Environment	4,406,783	1,846,687	76,652	10,134	(2,473,310)	0	(2,473,310)	0
Transportation	5,183,946	1,097,007	861,139	1,684,303	(1,541,497)	0	(1,541,497)	0
Human Services	498,266	0	0	0	(498,266)	0	(498,266)	0
Culture & Recreation	7,153,745	1,185,178	547,131	188,855	(5,232,581)	0	(5,232,581)	0
Interest on long-term debt	827,924	0	0	0	(827,924)	0	(827,924)	0
Total Governmental	<u>48,379,434</u>	<u>10,101,658</u>	<u>1,689,783</u>	<u>1,886,687</u>	<u>(34,701,306)</u>	<u>0</u>	<u>(34,701,306)</u>	<u>0</u>
<i>Business-type Activities:</i>								
Water	3,604,265	3,145,544	0	246,450	0	(212,271)	(212,271)	0
Sewer	5,944,459	5,856,035	0	214,950	0	126,526	126,526	0
Golf Course	999,182	1,198,719	0	0	0	199,537	199,537	0
Storm Drainage	1,087,646	1,297,772	0	204,240	0	414,366	414,366	0
Total Business-type	<u>11,635,552</u>	<u>11,498,070</u>	<u>0</u>	<u>665,640</u>	<u>0</u>	<u>528,158</u>	<u>528,158</u>	<u>0</u>
Total Primary Government					<u>(34,701,306)</u>	<u>528,158</u>	<u>(34,173,148)</u>	<u>0</u>
Component Units:								
<i>Public Facilities District</i>	5,556,193	2,648,923	0	0	0	0	0	(2,907,270)
GENERAL REVENUES:								
Property Taxes					9,787,637	0	9,787,637	0
Sales Taxes					20,573,264	0	20,573,264	2,062,082
Cable Franchise Tax					351,973	0	351,973	0
Real Estate Excise Tax					1,640,558	0	1,640,558	0
Leasehold/Gambling Tax					179,626	0	179,626	0
Admissions/Utility Tax					1,449,154	0	1,449,154	0
State Shared Revenue					646,021	0	646,021	0
Investment Earnings					1,965,298	495,795	2,461,093	185,423
Disposition of capital assets					22,651	0	22,651	0
TRANSFERS					<u>531,834</u>	<u>(531,833)</u>	<u>1</u>	<u>0</u>
Total General Revenues & Transfers					<u>37,148,016</u>	<u>(36,038)</u>	<u>37,111,978</u>	<u>2,247,505</u>
Change in Net Assets					<u>2,446,710</u>	<u>492,120</u>	<u>2,938,830</u>	<u>(659,765)</u>
Net Assets - Beginning					<u>119,656,730</u>	<u>53,338,786</u>	<u>172,995,516</u>	<u>3,658,301</u>
Prior Period Items					<u>488,699</u>	<u>0</u>	<u>488,699</u>	<u>4,696</u>
Net Assets - Ending					<u>\$122,592,139</u>	<u>\$53,830,906</u>	<u>\$176,423,045</u>	<u>\$3,003,232</u>

See Accompanying Notes to Financial Statements

Management's Discussion and Analysis

City of Lynnwood management offers this narrative overview and analysis of the financial activities of the City of Lynnwood for the fiscal year ended December 31, 2007. The information presented herein should be used in conjunction with additional information that is furnished in the letter of transmittal.

Financial Highlights

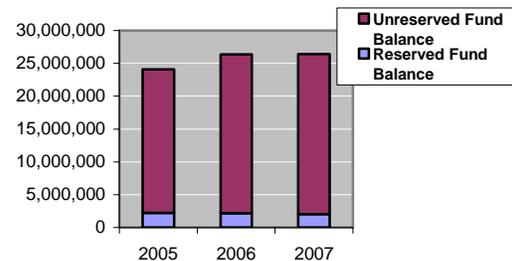
- The assets of the City of Lynnwood exceeded its liabilities at fiscal year-end by \$176,423,045 (net assets), an increase of \$3,427,529 or 2.0% over 2006. Of this amount, unrestricted net assets total \$24,743,859 and may be used to meet the city's ongoing obligations to citizens and creditors. Restricted net assets total \$12,048,394 and are earmarked for debt service and capital projects.
- At fiscal year-end, the City of Lynnwood's governmental funds reported combined ending fund balances of \$26,949,180. Approximately 92% of this total amount, \$24,911,578 is available for spending at the government's discretion (unreserved fund balance), a slight .7% increase over 2006.
- At the end of the 2007 fiscal year, unreserved fund balance for the general fund was \$6,196,970, or 15.8% of total general fund revenues (15.4% of expenditures).

Overview of the Financial Statements

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

supplementary information in addition to the basic financial statements themselves.

Governmental Fund Balances



Government-wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Lynnwood's finances, in a manner similar to a private-sector business. The government wide financial statement consists of two statements: a Statement of Net Assets and a Statement of Activities.

The Statement of Net Assets presents information on all the city's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The Statement of Activities presents information showing how the city's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City of Lynnwood that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Lynnwood include general government, public safety, highways and streets, economic development, and culture and recreation. The business-type activities of the City include the water and sewer utility, storm drainage utility, and a golf course.

The government-wide financial statement includes not only the City of Lynnwood itself (known as the primary government), but also a legally separate Public Facilities District for which the City of Lynnwood has some degree of financial accountability. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lynnwood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources

available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Lynnwood maintains 42 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the city's full report.

The City of Lynnwood adopts its budget on a biennial basis. The 2007 fiscal year is the first year of the two year budget 2007-2008. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City of Lynnwood maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for

its Water, Sewer, and Storm Drainage Utility and the golf course.

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, central stores, and self-insurance program and for its retirement contributions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility, Storm Drainage Utility and the golf course as all are considered, or have been designated to be major funds of the City. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. The City of Lynnwood maintains two fiduciary funds. The purpose of fiduciary funds is to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs. These funds are excluded from the government-wide financial statements. The Firemen's Pension Fund accounts for the Firemen's Pension System, which is a single-employer closed pension plan. Membership is limited to firefighters employed by the City prior to March 1, 1970. The Notes to the Financial Statements (Note 9D) provides more information on this plan.

The Agency/Clearing Funds are primarily used to function as an internal clearing account for amounts that have yet to be allocated to individual funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information: General Fund Schedule of Departmental Expenditures Compared to Budget and Schedule of Expenditures of Federal, State, and Local Awards (grants).

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the Notes section of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lynnwood, net assets (\$176,423,045) exceeded liabilities by an increase (after prior year adjustment) over 2006 of \$3,427,529 or 2.0 percent. The largest portion of the City's net assets (79 percent) reflects its investment in capital assets (land, buildings, machinery, and equipment), less related debt used to acquire those assets that is still outstanding.

CITY OF LYNNWOOD, WASHINGTON

STATEMENT OF NET ASSETS

December 31, 2007

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
<i>Current Assets:</i>				
Cash & cash equivalents	\$737,542	\$81,137	\$818,679	\$2,414,246
Investments	27,958,553	7,884,000	35,842,553	1,000,000
Receivables (net)	10,677,207	1,395,452	12,072,659	407,281
Due from Firemen's Pension Fund	75,754	0	75,754	0
Internal Balances	(390,404)	390,404	0	0
Inventories	208,104	36,174	244,278	11,322
Deferred Lease Commissions	0	0	0	11,976
Prepaid Items	0	49,375	49,375	87,970
Restricted cash & investments:				
Customer deposits	0	68,292	68,292	0
Bond covenant accounts	0	717,501	717,501	0
<i>Total Current Assets</i>	<u>39,266,756</u>	<u>10,622,335</u>	<u>49,889,091</u>	<u>3,932,795</u>
<i>Noncurrent Assets:</i>				
Deferred charges & other assets				
Deferred charges	0	33,012	33,012	896,574
Noncurrent receivables	515,846	0	515,846	0
<i>Capital Assets:</i>				
Land	38,620,451	6,866,767	45,487,218	6,788,800
Depreciable assets (net)	25,639,954	17,523,094	43,163,048	21,176,330
Infrastructure (net)	29,288,004	24,075,114	53,363,118	66,146
Construction in progress	11,732,363	1,949,959	13,682,322	0
<i>Total Noncurrent Assets</i>	<u>105,796,618</u>	<u>50,447,946</u>	<u>156,244,564</u>	<u>28,927,850</u>
Total Assets	<u>145,063,374</u>	<u>61,070,281</u>	<u>206,133,655</u>	<u>32,860,645</u>
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable and accrued exp.	1,259,089	531,836	1,790,925	259,695
Unearned revenue	(153,575)	47,604	(105,971)	154,227
<i>Current Liabilities Payable from Restricted Assets:</i>				
Liabilities payable from restricted assets	0	72,068	72,068	0
<i>Total Current Liabilities</i>	<u>1,105,514</u>	<u>651,508</u>	<u>1,757,022</u>	<u>413,922</u>
<i>Noncurrent Liabilities:</i>				
Due within one year	2,330,341	1,201,976	3,532,317	195,000
Due in more than one year	19,035,380	5,385,891	24,421,271	29,248,491
<i>Total Noncurrent Liabilities</i>	<u>21,365,721</u>	<u>6,587,867</u>	<u>27,953,588</u>	<u>29,248,491</u>
Total Liabilities	<u>22,471,235</u>	<u>7,239,375</u>	<u>29,710,610</u>	<u>29,662,413</u>
NET ASSETS				
Invested in capital assets, net of related debt	95,505,069	44,125,723	139,630,792	(929,563)
Expendable restricted for:				
Debt service	1,990,846	645,433	2,636,279	1,343,997
Capital projects	9,412,115	0	9,412,115	0
Other	0	0	0	0
Unrestricted	15,684,109	9,059,750	24,743,859	2,588,798
Total Net Assets	<u>\$122,592,139</u>	<u>\$53,830,906</u>	<u>\$176,423,045</u>	<u>\$3,003,232</u>

CITY OF LYNNWOOD, WASHINGTON

City of Lynnwood Statement of Activities (in \$1,000)						
	Governmental		Business-type		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenue						
Charges for Service	\$ 10,102	\$ 6,945	\$ 11,498	\$ 10,271	\$ 21,600	\$ 17,216
Operating grants & Contributions	1,690	1,061	0		1,690	1,061
Capital Grants & Contributions	1,887	1,938	666	855	2,553	2,793
General Revenues					0	0
Property Taxes	9,788	8,762			9,788	8,762
Sales Taxes	20,573	19,550			20,573	19,550
Other Taxes	3,621	4,413			3,621	4,413
Other Revenues	2,634	3,979	496	469	3,130	4,448
Total Revenues	50,295	46,648	12,658	11,595	62,953	58,243
Expenses						
General Government	7,087	6,884			7,087	6,884
Public Safety	23,222	21,015			23,222	21,015
Physical Environment	4,407	4,122			4,407	4,122
Transportation	5,184	4,968			5,184	4,968
Human Services	498	458			498	458
Culture & Recreation	7,154	6,658			7,154	6,658
Interest on Long-Term Debt	828	959			828	959
Water			3,604	3,551	3,604	3,551
Sewer			5,944	5,712	5,944	5,712
Golf Course			999	832	999	832
Storm Drainage			1,088	920	1,088	920
Total Expenses	48,380	45,064	11,635	11,015	60,015	56,079
Increase in Net Assets Before Transfers	1,915	1,584	1,023	580	2,938	2,164
Transfers	532	481	(532)	(481)	0	0
Increase in Net Assets	2,447	2,065	491	99	2,938	2,164
Beginning Net Assets January 1	119,656	84,898	53,339	53,568	172,995	138,466
Prior Period Adjustments	489	32,694	-	(329)	489	32,365
Beginning Net Assets Adjusted	120,145	117,592	53,339	53,239	173,484	170,831
Ending Net Assets December 31	\$ 122,592	\$ 119,656	\$ 53,830	\$ 53,338	\$ 176,423	\$ 172,995

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

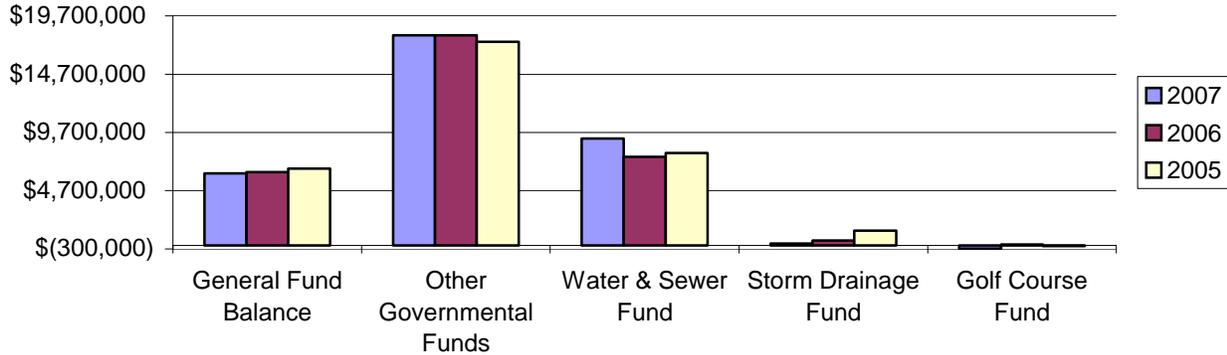
Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must generally be provided from other sources, since the capital assets themselves usually are not available to liquidate these liabilities.

An additional portion of the City's net assets, 6.6 percent, represents resources that are

subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$24,743,859) may be used to meet the city's ongoing obligations to citizens and creditors and to respond to existing or emerging community needs. This reflects a slight increase from 2006 by 3.6 percent.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets.

Fund Balances and Unrestricted Net Assets



The overall increase in net assets reflects an investment in capital assets using unrestricted assets from the prior year.

The above chart shows the change in available working cash reserves as measured by Fund Balance in governmental funds or by unrestricted net assets. The General Fund balance increased by \$301 in 2007 from \$6,196,669 to \$6,196,970 while all other governmental funds collectively increased by \$564,645 (after prior period adjustments) from \$20,187,564 to \$20,752,209.

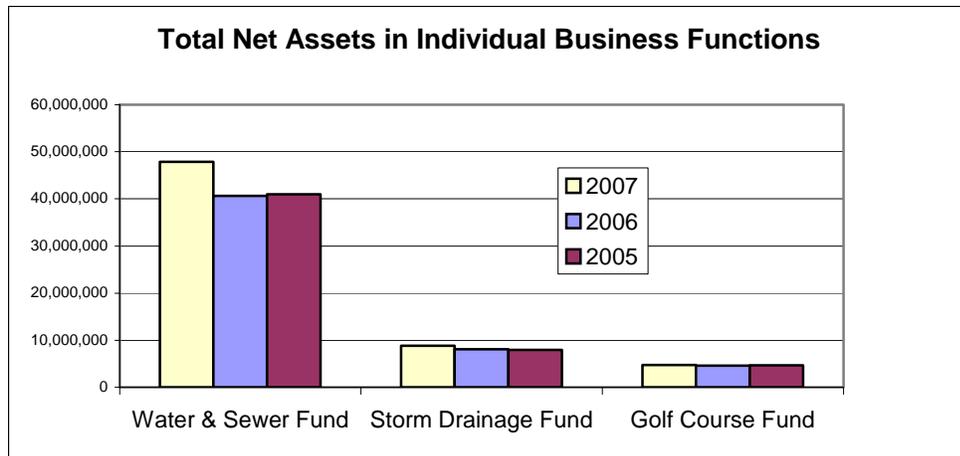
The proprietary funds increased unrestricted net assets to \$9,059,750.

The combined Water and Sewer Fund increased by \$1,562,199 from \$7,594,346 to \$9,156,545.

The Storm Drainage Utility decreased by \$234,220 from \$406,738 to \$172,518. The Golf Course decreased by \$342,622 from a \$73,309 to a negative \$269,313.

In the business type funds, as a whole the city's utilities increased their total net assets by \$492,120. The Water and Sewer combined fund increased by \$288,034 to \$40,889,541 from \$40,601,508. The Storm Drainage Fund increased by \$409,223 from \$8,131,918 to \$8,541,141. In contrast, the Golf Course Fund decreased by \$205,136 from \$4,605,361 to \$4,400,225.

Governmental activities. Governmental activities increased the City of Lynnwood's net assets (after prior year adjustment) by



\$475,183. Significant changes in net assets during 2007 were as follows:

Governmental Revenues

Overall, revenues increased \$3.696 million or 8.0% over 2006.

Program Revenues increased by \$3.734 million or 38.4%. Charges for Services and Operating Grants and Contributions accounted for 99.1% of the increase (82.6% and 16.5%, respectively). The balance of the increase occurred in Capital Grants and Contributions.

General Revenues decreased by .2%. The increases in Property Taxes (\$1.026 million) and Sales Taxes (\$1.023 million) were offset by the declines in Other Taxes (\$.146 million) and Other Revenues (\$1.991 million).

Governmental Expenses

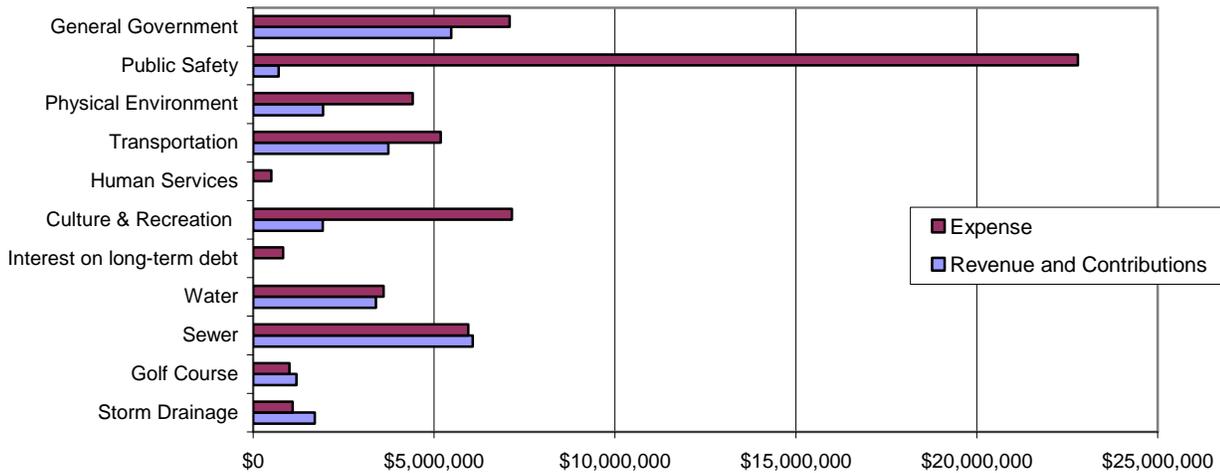
Governmental expenditures increased by \$3.315 million or 6.8% in 2007.

Public Safety accounted for 66.6% (\$2.207 million) of the increased spending. The balance of the increased spending was attributable to Physical Environment (\$.285 million or 8.6%), General Government (\$.203 million or 6.1%), Culture and Recreation (\$.496 million or 15%), Transportation (\$.216 million or 6.5%) and Human Services (\$.040 million or 1.2%). Interest on long-term debt costs decreased by \$.131 million or about 15.8 percent.

Net Transfers to/from other funds increased slightly by .051 million or 9.5 percent.

Net Contribution to Assets 2007

(Before Tax Revenues)



The bar chart above illustrates the contribution that various city functions make to net assets from its operations. If expenses exceed revenues and contributions the function requires a subsidy from tax revenues (not shown) to support its operations. If revenues and contributions exceed expenses then the function adds to city assets. However it should be noted that if the contribution made to the function is in the form of capital, the function may still require tax support for its

operations. The illustration makes it clear that some activities of the city require a significant amount of support through taxes while others are more self-supporting. Public safety (which includes the police, fire and municipal court departments) is particularly dependent on tax support. The utilities (water, sewer, and storm drainage) are completely self-supporting through user fees. The golf course is not self-supporting at this time. The transportation program shows a substantial

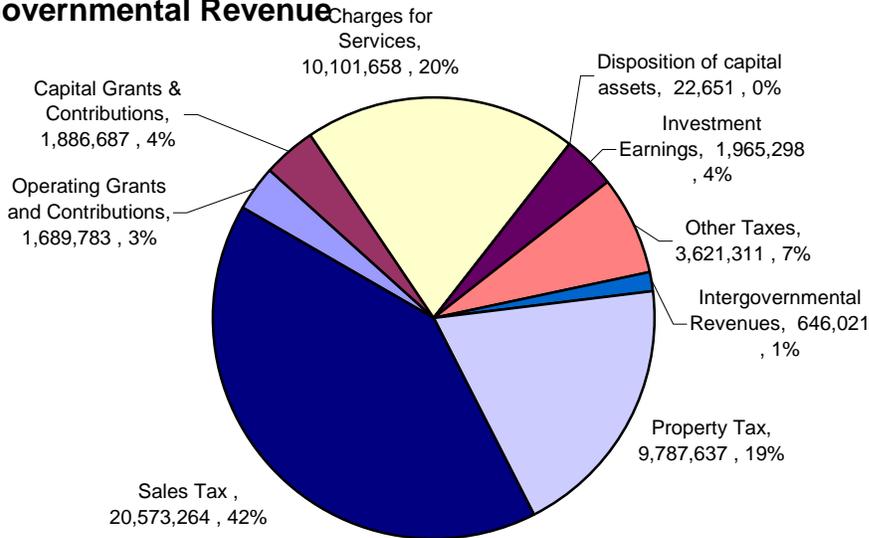
amount of revenues and contributions. This is due primarily to several capital grants the city has received. These grants add the value of these capital facilities to the City assets in the form of investments in the city's transportation system, including roadways, sidewalks, and traffic signals. The expenses have increased over revenue from last year due to the increase of depreciation for the addition of infrastructure assets. The transportation area requires tax support for its operations.

Revenues by Source – Governmental Activities

The next pie chart shows the distribution of income for all governmental activities, including capital grants and debt service. Sales taxes represent 42% of total governmental revenues.

Most capital and operating grants are for transportation purposes.

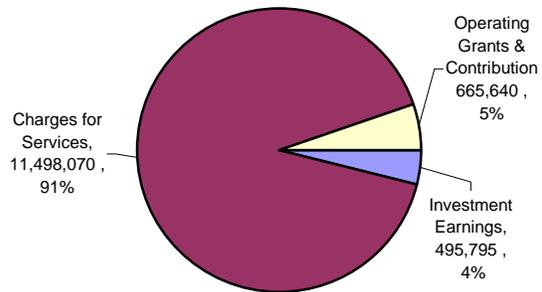
Governmental Revenue



Business-type activities. Business-type activities increased the City of Lynnwood's net assets by \$ 492,120.

Charges for Services increased by \$1.227 million or 11.9% (from \$10.271 million to \$11.498 million). Contributions decreased slightly from \$.855 million to \$.666 million. Interest income increased slightly from \$.469 million to \$.496 million. Total revenues increased by 8.4%.

Business Type Revenue



Financial Analysis of the City’s Funds

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

Governmental funds. The focus of the city’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of the city’s net resources available for spending at the end of a fiscal year.

As of the end of 2007, the city’s governmental funds reported combined ending fund balances of \$26,949,180, a slight increase of \$475,183 in comparison with the prior year. Approximately 92.4 percent (\$24,911,579) constitutes unreserved fund balances: with \$9,824,197 unreserved in special revenue funds, \$8,890,411 unreserved for capital purposes and \$6,196,970 unreserved in the general fund. These reserves are available for spending at the city’s discretion (consistent with the purpose of the fund in which the balance is present). The remainder of the fund balance is reserved (\$2,037,601) to indicate that it is not available for new spending because it has already been committed 1) to pay debt service and 2) restricted for paths and trails.

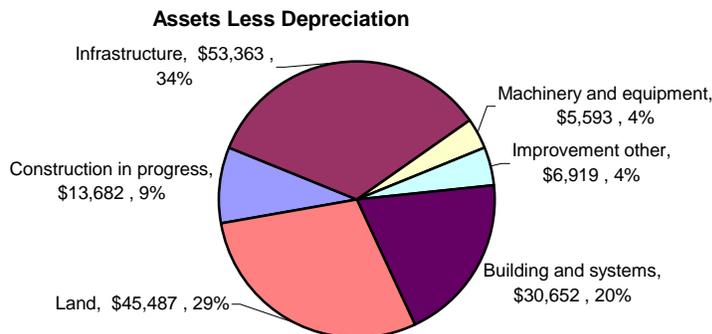
General Fund Budgetary Highlights

The City utilized a two-year or biennial budget beginning with 2003. Since 2007 is the second year of the 2007-2008 biennium a comparison of expenditures to budget is not fully meaningful since the budget authority for 2007 is the remaining unspent budget for 2005-2007. As of December 31, 2007 the city had collected 50 % of budgeted revenue. At December 2007, 47.9% of the total biennium budget had been expended.

Capital Assets and Debt Administration

Capital Assets. The City of Lynnwood’s investment in capital assets for its governmental and business type activities as of December 31, 2007, amounts to \$155.7 million (net of accumulated depreciation). This investment in capital assets includes land and construction in progress, both of which are not subject to depreciation. The other capital assets are buildings and systems, improvements other than buildings and systems, machinery and equipment, and infrastructure are subject to depreciation.

Governmental type capital assets totaled \$105,280,772 million in 2007, a slight decrease of \$1,174,476 from 2006. Business-type assets (after depreciation) totaled \$50,414,934, which was a modest decrease of \$677,547. More information on the City’s Capital Assets can be found in Note 6 in the Notes to Financial Statements.



Long-term debt. At the end of 2007, the City of Lynnwood had total bonded debt outstanding of \$21,808,614. Of this amount, \$7,342,883 is backed by the full faith and credit of the City and \$5,475,000 is special assessment debt for which the City is not liable for repayment. Accounting for accumulated absences adds \$2,617,316 to the general debt. The remainder of the debt (\$6,373,415) represents bonds, leases and

loans secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt decreased by \$944,211 (12.9%) in 2007. This change reflects the gradual paying off the City's outstanding bonds.

More information on the City's Debt can be found in Note 8.

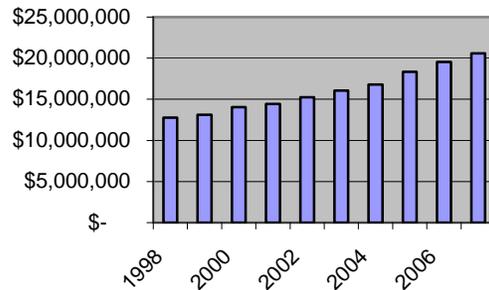
Economic Factors and the Next Year's

Thousands	Governmental Activity		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
	General obligation bonds	7,343	8,367	-	-	7,343
Special assessment debt	5,475	5,920	-	-	5,475	5,920
Other Post-employment Benefits	425					
Revenue bonds and loans			6,373	7,318	6,373	7,318
Compensated Absences	2,617	2,351	-	-	2,617	2,351
Total	15,860	16,638	6,373	7,318	21,808	23,956

Budgets and Rates

Sales taxes represent a significant revenue component and a barometer of the local economy. Sales tax in 2007 increased by 5.2% following the 2006 increase of 6.6% over 2005 and 9.0% increase over 2004. In contrast, sales tax revenue declined by 3.4 percent in 2002. The decline in 2002 was primarily in the construction sector while the recovery in 2003 through 2007 was across many retail sectors.

Sales Tax Collected 1997 - 2007



The City saw a rebound in the construction industry in 2003 that continued through 2004 but dropped off in 2005 and 2007 as many large projects were completed.

A few significant projects have helped the construction activity. These projects are the significant expansion of the Alderwood Mall; a \$100+ million project which expanded the size of the mall from 1 million square feet to 1.5 million square feet. This project resulted in three significant milestones: The opening of a new, larger Nordstrom's in the fall of 2003, the opening of 40+ shops in "The Village" in the fall of 2004 and the opening of the 16 screen Loews Theater in March of 2005. The benefits of the retail construction

are shown on the graph with the sharp increase in clothing and accessories in 2005.

Another significant project is the Lynnwood PFD's convention center project. This project started in 2003 and was completed in April 2005 and has completed a successful first full year in 2007. The convention center adds a significant new asset to the community's ability to attract visitors. It also represents a significant step forward on the city's "City Center Development."

The City Center Project is a regional land use project which is intended to transform the city's core from a density of about 3 million square feet of development to about 9 million square feet over 20 years. The project, approved by the City Council in March of 2005 essentially changes the density from 35 percent maximum lot coverage to a mid-rise design with parking under ground. The Council and the business community are currently addressing the infrastructure and other investments to support such a change.

These projects are anticipated to help see the city continue its strong economic improvement of the past few years.

The decision to develop and assemble the latest model of Boeing commercial airplanes at the Everett facility is a significant boon to the local aerospace industries.

Changes in state law. Washington has seen a wave of initiatives and anti-tax measures over the past several years. The most significant changes are the elimination of the motor vehicle excise tax, the elimination of a motor vehicle license fee and the imposition of a one-percent limit to increases in the property tax.

The Streamlined Sales Tax Legislation with full mitigation was passed in 2007. This legislation will change the incidence of sales tax collection from the point of sale to the point of delivery. This legislation is necessary for the State to participate in an

interstate compact that would allow the state to collect sales tax on Internet sales that occur in participating states. Since Lynnwood has many businesses that, after sale in Lynnwood, deliver their product outside the city limits, this legislation would adversely affect sales tax collection in the City, unless the legislation also mitigates the impact of this loss of revenue. The City of Lynnwood has been working with the Association of Washington Cities and other cities that would be adversely affected by this type of legislation. In 2005 AWC developed legislation that would change the incidence of sales tax collection to take advantage of Internet sales, but would also provide compensating revenue to those cities that would lose sales tax revenue under the law. Since this bill provided reasonable mitigation for the City of Lynnwood, the city supported its passage. While this legislation passed in the Senate it failed in the house in the 2007 legislative session. During the 2007 Legislative Session House Bill SSB 5089 passed conforming Washington's tax structure to the streamlined sales and use tax agreement (SSUTA). Also provides for mitigation to local jurisdictions that are negatively impacted by the change to destination sourcing under the SSUTA. The sales and use tax sourcing rules changed to a destination based system become effective July 1, 2008.

The City has created a new ordinance with a comprehensive Utility rate increase in 2007 which took effect in March of 2007. The City Council adopted the Utility Rate Study and utility rate increases for the period 2007 to 2012. The rate increases were necessary to finance a major capital improvement program to the various components of the utility system (water, sanitary sewer, and storm drainage). The City of Lynnwood still maintains its position as one of the lowest utility cost municipalities in the region.

Other Post Employment Benefits (OPEB)

GASB Statement No. 45 of the Governmental Accounting Standards Board (“GASB 45”) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* requires state and local governments to account for and report their costs associated with Other Post Employment (non-pension) Employee Benefits (“OPEB”), primarily for retired employee health care benefits. GASB 45 requires employers to account and report OPEB costs in the same manner as pensions. Under prior rules, OPEB costs were reported as an expense on a pay-as-you-go basis and were not reported as a liability on governmental financial statements. GASB 45 requires that state and local governments adopt actuarial methodologies to determine annual OPEB costs. Annual OPEB costs are actuarially determined amounts that would provide sufficient resources to pay benefits as they come due, if paid on an ongoing basis. GASB 45 requires disclosure of the annual OPEB costs and does not require actual funding of the costs. The actuarial valuation determines the Annual Required Contribution (“ARC”) for the employer. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) and (b) the amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for). The amortization period is not more than 30 years. If the City contributes an amount less than the ARC, a net incremental OPEB obligation will result, which is required to be recorded as a liability on its financial statements. The City engaged Milliman as its actuary for purposes of estimating its actuarial unfunded OPEB liabilities. The estimate is based on certain assumptions that include (i) a discount rate of 5%, (ii) 30 year amortization period, (iii) medical inflation of 9.5% in year one decreasing to 5% in year 10 and thereafter,

(iv) long term care inflation rate of 5%, and (v) various demographic assumptions (mortality, disability, and retirement). The estimated actuarial accrued liability is \$18,033,961. The ARC estimated for calendar year 2008 is \$1,207,872. The City has a Net OPEB Obligation at the end of the year of \$ 424,864 which is included as a noncurrent liability in the Statement of Net Assets.

Requests for Information

This financial report is designed to provide a general overview of the City of Lynnwood’s finances for all those with an interest in the city’s finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Lynnwood, PO Box 5008, Lynnwood, WA 98046.

Another resource is the City’s web site. On the web site you will find:

- this report,
- the full budget as published,
- current and past interim financial reports
- detailed information about the city’s sales tax collections
- detailed information about the city’s investments program
- the Capital Facilities Program
- the Annual Performance Report
- departmental strategic plans
- an overall description of the city’s fiscal management system.

Our web site address is:

www.ci.lynnwood.wa.us

Select “City Finances” under “City Hall”



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

July 31, 2008

Council
City of Lynnwood
Lynnwood, Washington

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

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

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

As described in Note 18, during the year ended December 31, 2007, the City has implemented the Governmental Accounting Standards Board's Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

The management's discussion and analysis on pages 3 through 14 pension trust fund information on pages 72 through 73 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management



regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules on pages 75 through 131 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 Section, Supplemental Information and the Statistical Section 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

LISTING OF OFFICIALS AS OF DECEMBER 31, 2007

ELECTED OFFICIALS:

Mayor	Don Gough
City Councilmembers	Ed Dos Remedios (1/1-11/25) Stephanie Wright (11/26-12/31) Mark Smith Lisa Utter Loren Simmonds Ruth Ross Ted Heikel Jim Smith

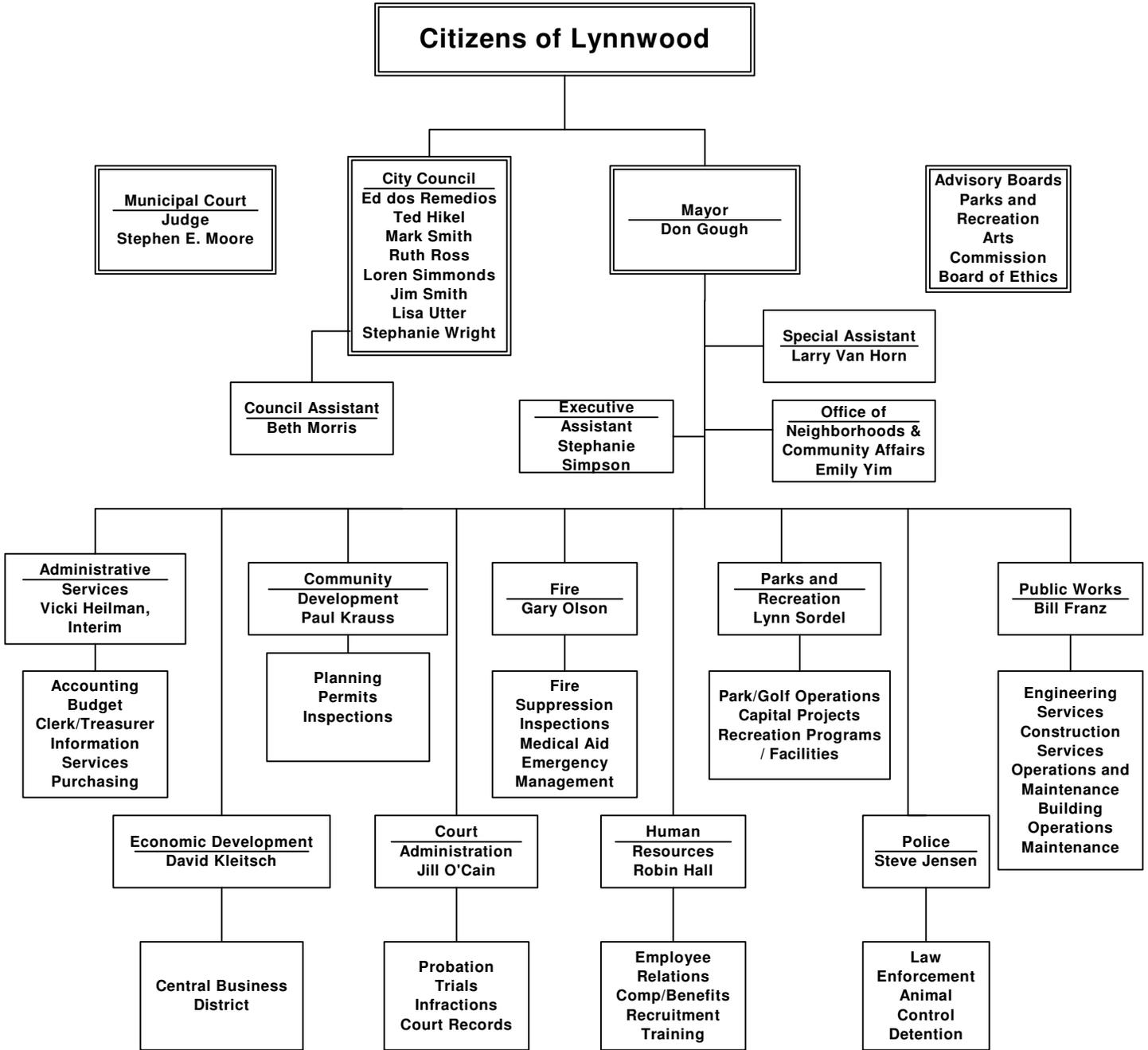
APPOINTED OFFICIALS:

Executive Special Assistant	Larry VanHorn
Interim Finance Director	Vicki Heilman
Police Chief	Steve Jensen
Fire Chief	Gary Olson
Public Works Director	William Franz
Community Development Director	Paul Krauss
Parks and Recreation Director	Lynn Sordel
Human Resources Director	Robin Hall
Economic Development Director	David Kleitsch
Court Administrator	Jill O'Cain
Community Affairs Director	Emily Yim

CONTRACTED OFFICIALS:

City Attorney	Inslee Best PS Attorneys at Law
Municipal Court Judge	Stephen E. Moore

City of Lynnwood Administration



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lynnwood
Washington

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

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



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director



July 31, 2008

Honorable Mayor and City Council
City of Lynnwood
Lynnwood, Washington

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Lynnwood. This report is for the fiscal year ended December 31, 2007. The report is submitted each year as required by State Law, RCW 43.09.230. The report is prepared according to generally accepted accounting principles (GAAP) for government as established by the Governmental Accounting Standards Board (GASB). It is audited by the Washington State Auditor's Office. Please refer to the Management's Discussion and Analysis section of the CAFR for further summary information of the City's financial position and performance.

The City's Department of Administrative Services prepared our report. Management of the City is responsible for the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures. To the best of our knowledge and belief, the enclosed information is accurate in all material aspects and is presented in a manner designed to fairly present the financial position and results of operations of the city as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to gain a complete understanding of the City of Lynnwood's financial activities have been included. Management of the city has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statement in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Lynnwood's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statement will be free from material misstatement.

LOCAL AND GOVERNMENTAL INFORMATION

The City of Lynnwood was incorporated on April 23, 1959, under the provisions of the Washington State Legislature. It is located in Snohomish County approximately twelve miles south of Everett and fifteen miles north of Seattle. Its population is 36,432 within a 7.81 square mile incorporated area. The form of government is Mayor/Council. The

Mayor is elected and is the full-time Chief Executive Officer. The Mayor appoints operating unit directors and hires all employees. The Council has seven elected, part-time members. The city provides both necessary and beneficial services including fire protection, which includes emergency medical services; police protection; water and sanitary sewer services including sewage treatment; infrastructure construction and maintenance; and parks and recreational facilities that include a senior center and a golf course. The city also has a municipal court and a jail facility that does provide services to other governmental agencies through interlocal agreements.

FINANCIAL INFORMATION

Internal Control

The City of Lynnwood maintains an internal control structure designed to provide reasonable, but not absolute, assurance that the assets of the city are protected from loss, theft, or fraud and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The requirement for reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City recognizes the importance of leadership from management in these controls. The City Council has adopted an ethics policy that provides guidance as to certain elements of the internal control structure. The Mayor periodically provides written notice to city employees of the ethics policy and the importance on strong internal controls as an important element of the public's trust. The City has made training on the ethics policy of the city mandatory for all employees and elected officials.

Budgetary Controls

The city prepares cash and disbursement-based budgets in accordance with RCW 35A.34. Lynnwood Municipal Code 2.72 further defines the City's biennial budget practices. The biennial budget serves as the foundation for the City's financial planning and control. All agencies are required to submit requests for appropriation to the Council and Mayor in the fall of even numbered years. These are developed in the context of the Council's goals and department strategic plans. They form the starting point for developing the budget. The Mayor presents recommendations for balancing the budget requests against the available revenues. The Council holds public hearings throughout each major stage of the budget process. The City's budget is adopted by the City Council prior to December 31, the close of the city's fiscal year. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements for the governmental funds.

Project-length budgets are prepared for the capital project funds. A "Capital Facilities Plan" is prepared annually in accordance with the requirements of the Washington State Growth Management Act and defines the long-term capital plan of the City while each

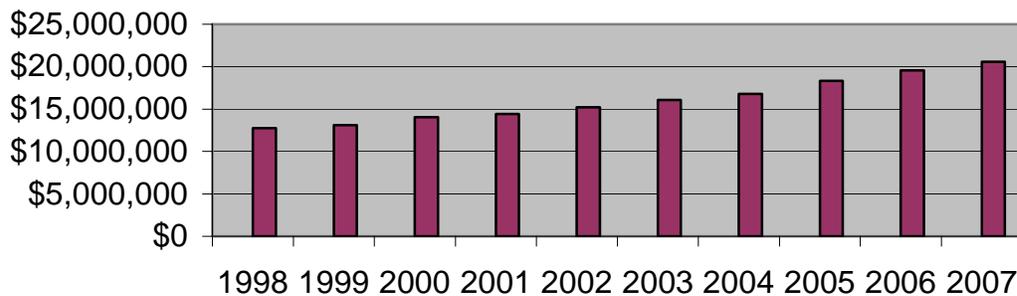
specific capital project is appropriated through a specific ordinance. Debt service and certain custodial agency funds are not budgeted on a periodic basis, but rather have appropriation authority through the original enabling statutes. Funds are legally appropriated at the fund level, however the level of budgetary control is at the departmental level within each fund. After adoption, budget increases or decreases for funds must be authorized by the City Council.

Auditing of City Finances

State laws require audits for cities such as Lynnwood to be conducted by the Office of the State Auditor. In addition to meeting state requirements, the audit must meet the requirements of the federal Single Audit Act of 1984, and the Single Audit Act amendments of 1996, which substantially revised various provisions of the 1984 Act, and the related U.S. Office of Management and Budget’s Circular A-133. An audit is conducted annually in accordance with generally accepted auditing standards and the standards set forth in the General Accounting Office’s Government Auditing Standards. It must examine, among other things, the financial condition and resources of the city, whether the laws and constitution of the State are being complied with, and the methods and accuracy of the city’s accounts and reports. The audit report is contained in the Financial Section which follows.

FACTORS AFFECTING FINANCIAL CONDITION

**Sales Tax Collections
City of Lynnwood, Washington
1998 to 2007**



The Local Economy

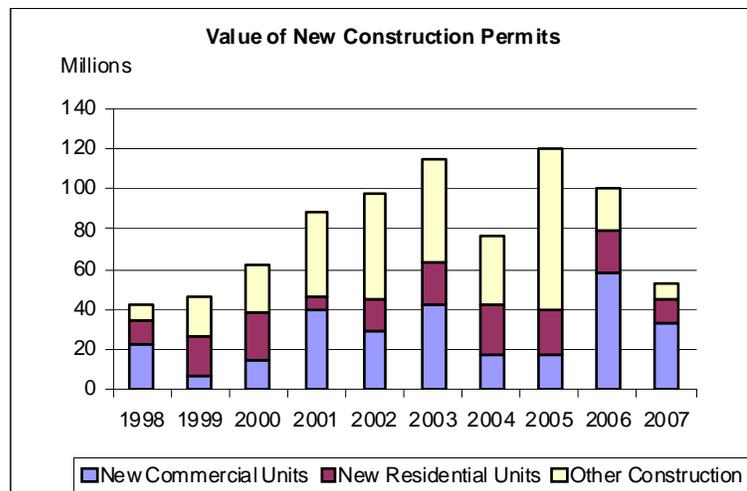
The City of Lynnwood is the business and retail center of south Snohomish County with strong retail, commercial, and office based activity. The city has some of the lowest tax rates in the urban Puget Sound region, making it a desirable location for business and residential development. Alderwood Mall, which has four major department stores (Nordstrom, Macy's, JC Penney, and Sears) and 194 specialty shops, is located in Lynnwood and totals over 1.2 million square feet. Alderwood has completed a major remodel and expansion, increasing retail space from 1,039,984 square feet to 1,272,366 square feet. A new outdoor lifestyle component, The Village, has been

added that includes 46 retail stores and 3 restaurants, which were not previously available in the Snohomish County market. An outdoor entertainment area, The Terraces, has also been added in early 2005 that includes 3 restaurants, a 16-screen state of the art movie theater and other amenities. This development reinforces the position of Alderwood as the premier regional shopping center serving the north Puget Sound area.

A major ten-year transportation project along the I-5 freeway at 196th Street was completed in 2004. This new interchange and roadways significantly improves access to Alderwood and relieves traffic congestion in the vicinity of Alderwood and the surrounding retail area. These transportation improvement projects continue to bolster retail trade in Lynnwood to strengthen Lynnwood as the prominent retail center in Snohomish County. After many years of steady gains, and a short-term slump in 2002 due to the national recession, sales tax revenue regained momentum in 2003 with a 6% increase followed by an increase in 2004 of 4%, a very substantial 9% increase in 2005, a 6% increase in 2006, and a 5% increase in 2007. Additional studies are underway by the State Highway Department to further improve freeway access to the City to keep pace with future growth.

In 2004, the City Council approved Lynnwood's first economic development plan. This plan identifies goals, strategies and activities for future economic growth and prosperity. Included are attraction and expansion of targeted business sectors (including, aerospace, bio-sciences, information technologies, and professional and business services, and tourism), maintaining Lynnwood's retail prominence, and redevelopment of the city center. As a part of that economic development program, in March of 2005 the City adopted a redevelopment plan for the city center to encourage more employment oriented office uses along with additional residential units.

In recent years the economic climate has supported a very high level of development as measured by new construction. While total values of new construction were around \$50 million until 1999, they rose to between \$90 and \$124 million between 2001 and 2004 with values exceeding \$124 million in 2004. The commercial activity has decreased in 2007 at around \$41 million attributable to a general slow-down in economic activity.



Job growth in the county is rebounding over past two years due to recalling workers at Boeing and other local businesses. The major Boeing production facility in Everett, just

North of the City has a significant affect on the City's financial prospects. The buildup at Boeing for its next generation of airplane, the 787, at the Everett facility has been good news for our local economy. Orders for the new plane continue to climb and the news reports that major sub-contractor agreements are emerging in the area.

Construction began in 2005 on a 90,000 square foot manufacturing facility with 70 employees in North Lynnwood. This is the first biotech manufacturing facility in Washington State. When complete the total campus facility will occupy 350,000 square feet and provide biotech research, development and manufacturing.

The retail economy is very important to Lynnwood and has gone through a period of expansion. The addition of the retail center to the east of the I-5 freeway continues with a number of significant stores being added to the City's retail base. Furniture sales have become a mainstay in Lynnwood as well. The addition of many new significant furniture stores has caused this to continue. The Alderwood Mall is the retail center of the area north of Seattle and has just completed a significant expansion. Auto sales also play a significant role in our retail economy accounting for 17% of all sales. Two new auto dealers, Lexus and Mercedes, held grand openings in the city in 2005. New car dealerships (Jaguar and Land Rover) opened in 2007.

The commercial character of the City has traditionally been retail. That may be shifting somewhat. While retail remains very important, major new office building projects have recently been built in Lynnwood and there is a lot of interest in additional projects. The "Lynn II Corporate Center" was completed recently with 66,000 square feet of office space. The Cosmos Lynnwood Center is also new and adds about 200,000 square feet of office space to the city's inventory.

The long-term outlook in Lynnwood is very positive. The population of the county is projected to increase 26 percent by 2012, which will increase the demand for goods and services available in Lynnwood.

The City has been engaged in developing a major redevelopment effort for its downtown core. Known as the City Center Project, this effort is intended to accomplish the environmental work necessary to permit 9.6 million square feet of mixed development in an area bounded by the I-5 freeway, 44th Avenue West and 196th Street. The effort resulted in adoption by the City Council of the regional plan along with consistent zoning changes in March of 2005.

In addition, the City created the Lynnwood Public Facilities District (PFD) in 1999. The PFD's purpose is to create a "regional center" in Lynnwood. The State legislation provided that 0.033% of the sales taxes collected by the state within the PFD's boundaries is returned to the community for this purpose. While the board of the PFD operates independently of the City, it is appointed by the City Council and its members serve four-year terms. Subsequent appointments and reappointments are made by the City Council. In addition, the City Council voted to provide a guarantee to the PFD's outstanding indebtedness during 2004. The PFD is reported as a component unit of the

City in this report. The centerpiece of the PFD, the Lynnwood Convention Center held its grand opening in April of 2005.

The Lynnwood Convention Center remains a catalyst for the lodging and hospitality sectors of the economy. The lodging sector remains strong through 2007 increasing the revenue generated as demonstrated by the annual 11% increase in the hotel and motel tax received over 2006.

The City of Lynnwood also is a quality residential area serving a diverse population. New homes for various income levels continue to be built. The median household income is \$52,600 and per capita income is \$26,306. The median value home is \$375,777. Edmond's Community College is located in Lynnwood. A sub-area plan was recently approved and will set the stage for redevelopment of the area to complement and enhance the college environment. The city has three high schools, three middle schools, and eleven elementary schools. Two of the elementary school buildings were replaced with new facilities; one was opened in September, 2000 and the other opened in the fall of 2001. The newly remodeled library building is the main branch of the Sno-Isle Regional Library, which provides services for two counties. The city has 17 developed parks and 6 undeveloped parks, for a total of 189 acres; there are 87 acres of open space, and 7.1 miles of trails; a 75-acre, 18-hole golf course; a 3.24-acre recreation facility, and a senior center. Additional open space is acquired as it becomes available. A new community center is under consideration and included in the City's Capital Facilities Plan. It is a priority of the City of Lynnwood to maintain a high quality community in which people can live, work, and shop.

Long-term Financial Planning. The City implemented a biennial budget process effective for the 2003/2004 biennium. The Council adopted its first biennial budget in December of 2002 and fiscal year 2007 was the first year of the third biennium.

The City Council reviews its financial policies, budget status and long-term financial forecasts at its "Macro Budget Workshop" held annually in mid-year. This workshop allows the Council to assess the City's long-term financial strategy and make mid-course adjustments as needed. A key element of these policies is establishing reserve fund policies. The Council policy is to maintain general reserves in the amount of 20% of annual revenues, with at least \$2,000,000 reserved in a revenue stabilization fund and at least \$4,000,000 in the unencumbered general fund balance (with a goal of \$5,000,000)

In concert with the city's budget process, the city also has a strong strategic planning program with all city departments regularly updating their strategic plans. The city also participates in the International City Management Association's (ICMA) performance measurement program to gauge annually the performance of various city services and operations both over time and in comparison with other cities. As part of this ICMA program the city also coordinates its participation with several similar sized cities in the Puget Sound Region.

The City Council has been discussing the financing strategy for capital projects. In the past, capital projects had been funded with cash from city funds and in two instances by non-voted (limited tax) general obligation bonds. The Council adopted the Strategic Investment Plan providing the funding for the higher priority projects within the cities capital facility needs for the current biennium.

Utility System Rate Study Implementation. The City Council approved implementation of the 2007 Rate Study, which called for increases in the user fees for water, sanitary sewer, and storm water services. The City Council passed ordinances directing the rate increases for 2007 through 2012. Rates had not been increased since 1993. The rate increases will go to support a major capital improvements program totaling about \$42.5 million for various water, sanitary sewer, and storm water projects. The following tables identify the average bi-monthly bill and the percentage rate increases by type of user fee by year. The City of Lynnwood has and will continue to have some of the lowest utility rates in the region.

Average Bi-monthly Bill

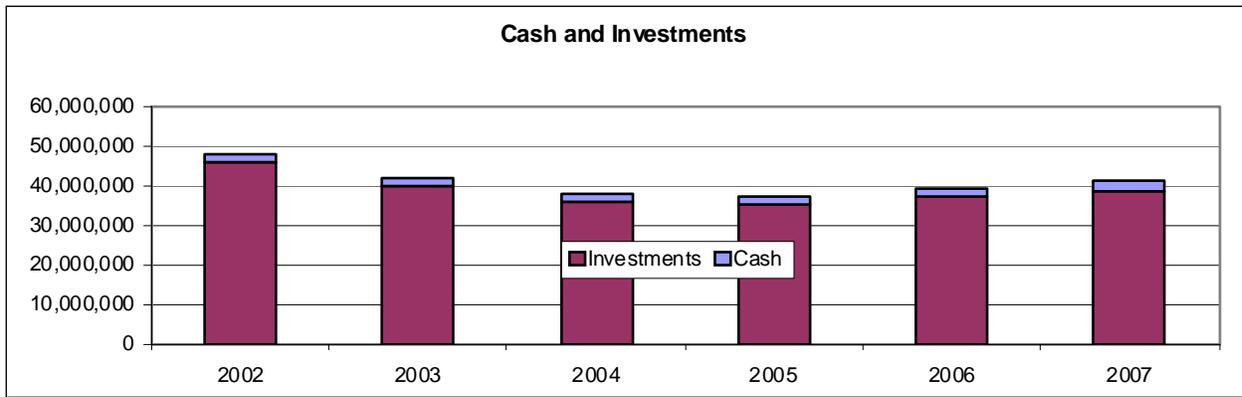
<u>User Fee</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Water	\$20.02	\$28.86	\$29.72	\$30.61	\$31.38	\$32.01
Sanitary Sewer	\$49.35	\$57.74	\$60.05	\$62.45	\$63.70	\$64.97
Storm Water	\$8.50	\$10.20	\$11.73	\$13.49	\$15.24	\$17.22

Annual Percentage Increase in Rates

<u>User Fee</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Water	3.0%	3.0%	3.0%	3.0%	2.5%	2.0%
Sanitary Sewer	17.5%	17.0%	4.0%	4.0%	2.0%	2.0%
Storm Water	70.0%	20.0%	15.0%	15.0%	13.0%	13.0%

Cash Management. The City of Lynnwood operates with a cash and investment pool concept, whereby funds not individually invested to the credit of a particular fund are invested to the credit of the General Fund. This is consistent with state law, which provides that with the exception of bond covenants and local ordinances that require investments by fund, investments can be pooled and invested to the credit of the General Fund.

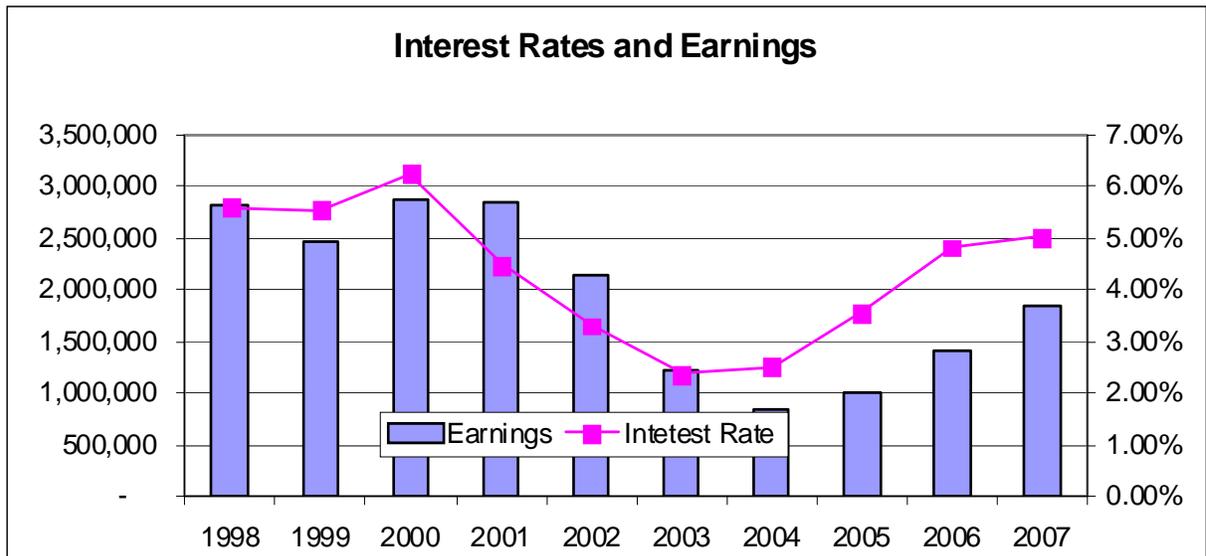
It is the policy of the city to invest public funds in a manner which will provide the maximum security, meet daily cash flow demands, and provide the highest investment return while conforming to all state and local statutes governing the investment of public funds.



The city may invest in any of the securities identified as eligible investments as defined by RCW35A.40.050 and RCW43.84.080. In general, these consist of certificates of deposits, United States Treasury Notes and Bonds, government sponsored securities, banker acceptances, and repurchase agreements.

At December 31, 2007, the city's cash, cash equivalent, and investment position for all funds totaled \$41,070,809 (compared to \$39,625,105 in 2006)

. As illustrated on the above chart, city investments have been decreasing as reserves in several funds have declined. This portfolio's interest rate at year-end 2007 was 5.01% (compared to 4.81% in 2006 and 3.56% in 2005) earning \$1,849,501. In contrast to the steady decline in interest rates and earnings in recent years since 2000, rates and earnings increased sharply in 2005 and 2006 with less of an increase in 2007.



Risk Management. The City participates as an associate member in the Cities Insurance Association of Washington (CIAW). Through this program the City purchases a range of insurance to cover all of the city's major liability and property exposures, as thoroughly described in the notes to the financial statements. Under these insurance policies, there is a deductible of \$10,000 for most incidents. The insurance contracts were renewed during 2006 at nominal cost increases, which is not typical of the tight insurance market. This is due in part to joining the insurance pool. Insurance rates have remained steady since that time, but the city continues to review the program structure in order to offer the best overall protection against risks at an affordable cost. While the city buys automobile liability insurance through the pool, the City does self insure its vehicles for other exposures

The City of Lynnwood also utilizes a self-insurance fund to supplement its risk management program. This fund pays the insurance premiums, deductibles and its self-insurance of city automobiles. Revenue for the fund is collected annually from various departments and funds by means of an internal service charge for insurance.

A review committee consisting of two Council members, the Mayor, a claim manager employed by the city's outside claim management agency, and the Finance Director. This committee meets twice a year to review claims for damages against the city and to select annual insurance policies. This process has been very successful in the overall administration of claims and in identifying areas requiring review.

Pensions and other post-employment benefits. The majority of the City's employees participate in a mandatory state pension system (LEOFF for uniformed police officers and firefighters, and PERS for all other employees). The city pays the prescribed rate for all employees (and employees contribute as well), which satisfies the pension obligations for these accounts. Each state system is broken into segments related to when that segment "closed" and the benefit structure changed. The LEOFF 1 system closed in 1978 and LEOFF 2 started at that time. This is significant because employees eligible under LEOFF 1 are entitled to "necessary medical expenses" to be paid for by the city after retirement. This benefit was not included in LEOFF 2. Also, prior to the state pension systems, the City operated its system known as the Firemen's Pension Fund (FPF). Again, employees entitled to the benefits as defined in the FPF receive medical benefits and a city paid pension as defined more thoroughly in the notes to the financial statements.

The City maintains a fund dedicated to providing resources for the pension benefits to those entitled under the FPF. The post-employment medical benefits (including dental and long term care) for eligible retirees are provided through the same medical insurance provider used for active city employees and paid for from annual budgeted funds. There is no reserve account for the post-employment medical benefits. The estimated actuarial accrued liability for post employment medical benefits totals \$18,033,961. Assuming a 30 amortization of this liability, the Annual Required Contribution would be \$1,117,271 as of January 1, 2008. Because the City is presently

making contributions for retiree health care costs on a pay-as-you-go basis, the City's Net OPEB Obligation for 2008 is \$424,864.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lynnwood for its comprehensive annual financial report for the year ended December 31, 2006. This marks the 22nd consecutive year in which the city has received this award. In order to receive this award, the city must publish an easily readable and efficiently organized CAFR. The report must also satisfy both generally accepted accounting principles and applicable legal requirements. The CAFR's compliance with the generally accepted accounting principles is determined by a system of peer review by GFOA. The award is valid for one year only. The city is submitting this 2007 annual financial report to GFOA for review to determine its eligibility for an award.

The preparation of this report could not have been accomplished without the efforts of the Department of Administrative Services staff. We would like to express our appreciation to all those who assisted and contributed to the preparation. We would also like to thank the Mayor and City Councilmembers for their dedication to providing the city and the citizens with a solid financial program, including their intense attention to the information provided in this annual report.

Respectfully submitted,

John Moir
Finance Director

Vicki M. Heilman
Assistant Finance Director

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

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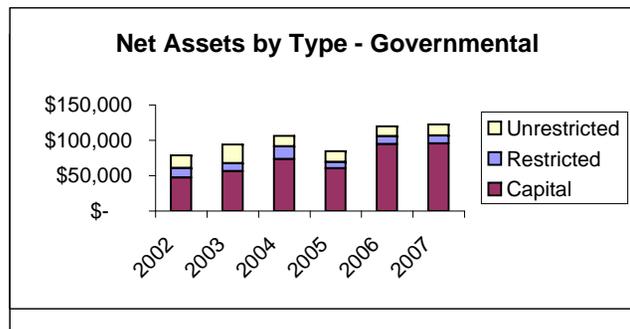
City of Lynnwood Net Assets by Component

Last Six Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	\$ 47,384	\$ 56,334	\$ 73,527	\$60,585	\$94,387	\$95,505
Restricted	13,328	11,181	18,105	8,734	11,482	11,403
Unrestricted	17,970	26,409	14,501	15,588	13,787	15,684
Total governmental activities net assets	\$78,682	\$93,924	\$106,133	\$84,907	\$119,656	\$122,592
Business-type activities						
Invested in capital assets, net of related debt	\$41,056	\$43,767	\$41,982	\$43,655	\$44,707	\$44,126
Restricted	3,220	881	(118)	779	695	645
Unrestricted	11,345	10,593	10,616	9,118	7,937	9,060
Total business-type activities net assets	\$55,621	\$55,241	\$52,480	\$53,551	\$53,339	\$53,831
Primary government						
Invested in capital assets, net of related debt	\$88,440	\$100,102	\$115,508	\$104,239	\$139,094	\$139,631
Restricted	16,548	12,062	17,987	9,513	12,177	12,048
Unrestricted	29,315	37,001	25,117	24,705	21,724	24,744
Total primary government net assets	\$134,303	\$149,165	\$158,613	\$138,458	\$172,995	\$176,423



It is recommended that this information be presented starting with the fiscal year in which the the City first implemented GASB Statement 34. The City implemented GASB Statement 34 in 2002.

City of Lynnwood

Changes in Net Assets

Last Six Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
General government	\$ 5,728	\$ 6,409	\$ 6,518	\$ 6,311	\$ 6,884	\$ 7,087
Public safety	16,696	16,836	18,424	18,746	21,015	23,222
Physical Environment	3,423	3,621	3,737	3,508	4,122	4,407
Transportation	2,472	2,218	2,209	2,189	4,968	5,184
Human Services	324	356	432	383	458	498
Culture and recreation	6,314	5,039	7,002	6,552	6,658	7,154
Interest on long-term debt	1,451	1,130	1,063	981	959	828
Total governmental activities expenses	<u>36,407</u>	<u>35,609</u>	<u>39,385</u>	<u>38,671</u>	<u>45,064</u>	<u>48,380</u>
Business type activities:						
Water	3,194	3,171	3,348	3,202	3,551	3,604
Sewer	5,104	5,315	5,294	5,498	5,712	5,945
Golf	946	912	897	941	832	999
Storm Water	539	652	645	825	920	1,088
Total business-type activities expenses	<u>9,783</u>	<u>10,050</u>	<u>10,183</u>	<u>10,467</u>	<u>11,015</u>	<u>11,636</u>
Total primary government expenses	<u>\$46,190</u>	<u>\$45,658</u>	<u>\$49,568</u>	<u>\$49,138</u>	<u>\$56,079</u>	<u>\$60,016</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$1,242	\$1,460	\$3,269	\$3,680	\$3,314	\$5,465
Culture and recreation	1,049	1,169	2,670	1,741	1,652	1,185
Other activities	3,780	5,265	3,159	2,104	1,979	3,452
Operating grants and contributions	1,870	967	908	982	1,061	1,690
Capital grants and contributions	6,697	14,101	10,993	4,135	1,938	1,887
Total governmental activities program revenues	<u>14,638</u>	<u>22,961</u>	<u>21,000</u>	<u>12,643</u>	<u>9,944</u>	<u>13,679</u>
Business type activities:						
Charges for services:						
Water	2,535	2,687	2,700	2,844	3,063	3,145
Sewer	4,123	4,723	4,895	5,019	5,218	5,856
Golf	1,341	1,323	1,280	1,269	1,205	1,199
Storm Water	726	766	773	770	785	1,298
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	482	793	457	1,833	855	666
Total business-type activities revenues	<u>9,207</u>	<u>10,292</u>	<u>10,106</u>	<u>11,734</u>	<u>11,126</u>	<u>12,164</u>
Total primary government program revenue	<u>\$23,845</u>	<u>\$33,254</u>	<u>\$31,107</u>	<u>\$24,377</u>	<u>\$21,070</u>	<u>\$25,843</u>
Net (expenses)/revenue						
Governmental activities	(\$21,769)	(\$12,647)	(\$18,385)	(\$26,028)	(\$35,120)	(\$34,701)
Business type activities	(576)	243	(77)	1,267	111	528

City of Lynnwood
Changes in Net Assets

Last Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Total primary government net expense	<u>(\$22,345)</u>	<u>(\$12,405)</u>	<u>(\$18,462)</u>	<u>(\$24,761)</u>	<u>(\$35,009)</u>	<u>(\$34,173)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$7,391	\$7,957	\$8,096	\$8,391	\$8,762	\$9,788
Sales taxes	15,236	16,080	16,792	18,339	19,550	20,573
Other taxes	1,503	2,213	2,285	3,252	4,413	4,267
Investment earnings	2,467	930	1,150	1,237	1,533	1,965
Miscellaneous	721	(1)	(500)	60	2,447	23
Transfers	341	542	2,532	563	481	532
Total governmental activities	<u>27,657</u>	<u>27,720</u>	<u>30,356</u>	<u>31,841</u>	<u>37,186</u>	<u>37,148</u>
Business-type activities:						
Taxes						
Investment earnings	760	252	201	307	469	496
Transfers	(341)	(542)	(2,532)	(563)	(481)	(532)
Total business-type activities	<u>419</u>	<u>(658)</u>	<u>(2,697)</u>	<u>(256)</u>	<u>(12)</u>	<u>(36)</u>
Total primary government	<u>\$28,076</u>	<u>\$27,062</u>	<u>\$27,658</u>	<u>\$31,585</u>	<u>\$37,174</u>	<u>\$37,112</u>
Changes in Net Assets:						
Governmental activities	\$5,888	\$15,073	\$11,971	\$5,813	\$2,066	\$2,447
Business-type activities	(157)	(415)	(2,774)	1,011	99	492
Total primary government	<u>\$5,731</u>	<u>\$14,657</u>	<u>\$9,197</u>	<u>\$6,824</u>	<u>\$2,165</u>	<u>\$2,939</u>

It is recommended that this information be presented starting with the fiscal year in which the the City first implemented GASB Statement 34
The City implemented GASB Statement 34 in 2002.

City of Lynnwood
Governmental Activities Tax Revenues by Source

Last Six Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Gambling Tax	Admission Tax	Transient Lodging Tax	Other Taxes	Total
2002	\$ 7,391	\$ 15,236	\$ 494	\$ 265	\$ 255	\$ 326	\$ 163	\$ 24,129
2003	7,957	16,080	527	247	280	321	837	26,249
2004	8,096	16,792	564	250	297	376	799	27,174
2005	8,391	18,339	286	227	454	440	1,845	29,981
2006	8,762	19,550	310	208	574	505	2,817	32,726
2007	9,788	20,573	352	180	597	561	2,577	34,628

It is recommended that this information be presented starting with the fiscal year in which the the City first implemented GASB Statement 34. The City implemented GASB Statement 34 in 2002.

City of Lynnwood
Fund Balances of Governmental Funds

Last Six Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	\$ 102	\$ 139	\$ -	\$ -	\$ -	\$ -
Unreserved	7,287	6,256	5,331	6,596	6,197	6,197
Total General Fund	<u>\$7,388</u>	<u>\$6,395</u>	<u>\$5,331</u>	<u>\$6,596</u>	<u>\$6,197</u>	<u>\$6,197</u>
All other governmental funds						
Reserved	\$3,174	\$3,218	\$3,081	\$2,227	\$2,160	\$2,038
Unreserved	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Special revenue funds	9,485	9,853	8,459	8,871	8,935	9,824
Capital project funds	10,323	9,276	7,972	6,373	9,092	8,890
Permanent funds	-	-	-	-	-	-
Total all other governmental funds	<u>\$30,369</u>	<u>\$28,742</u>	<u>\$24,843</u>	<u>\$24,067</u>	<u>\$26,384</u>	<u>\$26,949</u>

It is recommended that this information be presented starting with the fiscal year in which the the City first implemented GASB Staterne
The City implemented GASB Statement 34 in 2002.

City of Lynnwood

Changes in Fund Balances of Governmental Funds

Last Six Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Revenues						
Taxes	\$ 23,929	\$ 25,459	\$ 26,327	\$ 29,174	\$ 31,910	\$ 33,706
Licenses and permits	1,503	1,595	1,913	2,143	1,818	2,673
Intergovernmental	9,137	8,893	8,369	6,981	4,471	5,095
Charges for services	2,625	3,024	2,861	2,597	2,711	3,091
Fines	2,055	2,207	1,992	1,927	1,902	3,901
Investment earnings	2,319	840	1,071	1,099	1,362	1,747
Miscellaneous	462	617	463	493	479	397
Total revenues	<u>42,031</u>	<u>42,635</u>	<u>42,995</u>	<u>44,413</u>	<u>44,653</u>	<u>50,610</u>
Expenditures						
General government	5,793	6,908	6,698	6,567	7,114	7,906
Public safety	16,270	16,254	17,765	18,265	20,164	22,127
Physical Environment	3,738	3,596	3,986	3,707	3,942	4,376
Transportation	2,297	1,709	1,693	1,711	2,608	2,850
Health and Human Services	324	356	432	383	458	498
Culture and recreation	5,832	4,488	6,444	6,005	6,065	6,612
Capital outlay	8,599	8,656	8,637	5,560	2,241	2,379
Debt service						
Principal	1,850	1,570	1,734	2,712	1,576	1,488
Interest	1,363	1,053	992	917	904	781
Other charges	-	-	-	-	-	-
Total Expenditures	<u>46,066</u>	<u>44,590</u>	<u>48,380</u>	<u>45,828</u>	<u>45,072</u>	<u>49,017</u>
Excess of revenues over (under) expenditure	<u>(4,035)</u>	<u>(1,955)</u>	<u>(5,384)</u>	<u>(1,415)</u>	<u>(419)</u>	<u>1,593</u>
Other financing sources (uses)						
Transfers in	9,213	5,637	8,413	6,428	6,673	6,521
Transfers out	(9,288)	(5,325)	(8,182)	(5,897)	(6,312)	(7,640)
Refundng bonds issued	-	-				
Bonds issued	-	-				
Premium on bonds	-	-				
Discount on bonds	-	-				
Payments to refunded bond escrow	-	-				
Capital leases	378	-	534	-	-	-
Sale of capital assets	334	(30)	17	101	2,465	-
Total other financing sources (uses)	<u>637</u>	<u>282</u>	<u>783</u>	<u>632</u>	<u>2,826</u>	<u>(1,119)</u>
Net change in fund balances	<u>(\$3,398)</u>	<u>(\$1,674)</u>	<u>(\$4,601)</u>	<u>(\$783)</u>	<u>\$2,407</u>	<u>\$474</u>
Debt service as a percentage of noncapital expenditures	9.38%	7.87%	7.36%	9.91%	6.15%	5.11%

It is recommended that this information be presented starting with the fiscal year in which the the City first implemented GASB Stateme
The City implemented GASB Statement 34 in 2002.

SALES TAX BY CATEGORY

Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Building Materials	\$458,846	\$471,220	\$435,027	\$420,060	\$434,344	\$436,093	\$491,883	\$545,340	\$600,387	\$601,277
General Merchandise	2,205,078	2,254,308	2,272,592	2,157,230	2,120,088	2,084,205	2,115,789	2,240,525	2,326,330	2,370,311
Food Stores	204,979	235,489	262,740	219,222	230,744	234,020	224,102	189,199	187,119	229,282
Automotive/Gas	2,282,673	2,403,257	2,683,662	2,621,117	2,555,528	2,781,284	2,834,097	2,976,079	3,059,880	3,154,408
Apparel & Accessories	1,261,024	1,328,381	1,442,198	1,477,280	1,468,459	1,602,972	1,692,175	2,000,150	2,169,493	2,509,916
Furniture	538,005	648,689	657,836	686,988	635,652	617,177	648,171	808,945	881,811	947,054
Eating & Drinking	758,286	777,588	824,981	883,883	881,205	936,498	980,207	1,198,379	1,275,426	1,314,850
Misc Retail Trade	565,253	594,712	636,676	604,141	624,098	636,886	704,706	782,964	846,351	950,222
All Other	4,642,140	4,926,908	5,208,035	5,996,535	5,542,879	6,750,471	7,100,950	7,597,071	8,203,568	7,356,896
Totals	\$12,916,284	\$13,640,552	\$14,423,747	\$15,066,456	\$14,492,997	\$16,079,606	\$16,792,080	\$18,338,652	\$19,550,365	\$19,434,216

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

FISCAL YEAR	CITY OF LYNNWOOD				EDMONDS SCHOOL DISTRICT	SNOHOMISH COUNTY	WASH. STATE	OTHER	TOTAL
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTAL					
1998	2.600	0.500	0.000	3.100	4.120	1.490	3.580	0.380	12.670
1999	2.600	0.500	0.000	3.100	4.930	1.530	3.520	0.380	13.460
2000	2.328	0.355	0.000	2.683	4.950	1.580	3.580	0.380	13.173
2001	2.695	0.055	0.000	2.750	4.522	1.416	3.400	0.390	12.478
2002	2.265	0.500	0.000	2.765	4.523	1.429	3.287	0.341	12.345
2003	2.319	0.500	0.000	2.819	4.603	1.367	3.184	0.355	12.328
2004	1.999	0.420	0.000	2.419	3.501	1.209	2.953	0.273	10.355
2005	1.950	0.420	0.000	2.370	3.986	1.098	2.789	0.243	10.486
2006	1.780	0.380	0.000	2.160	3.740	1.000	2.530	0.220	9.650
2007	1.590	0.500	0.000	2.090	3.510	0.840	2.160	0.180	8.780

NOTE: Rates are calculated per \$1,000 of assessed valuation.

SOURCE: Snohomish County Assessor's Office

PRINCIPAL PROPERTY TAXPAYERS

December 31, 2007

Rank	Party Number	Name	Amount	Percentage of Total Taxable Assessed Value
1	50878910	ALDERWOOD MALL LLC	\$129,388,900	2.8%
2	50950203	ECI THREE ALDERWOOD LLC	\$32,050,000	0.7%
3	21139127	LYNNWOOD CENTER LLC	\$28,584,474	0.6%
4	50589161	ALDERWOOD PLAZA LLC	\$26,004,200	0.6%
5	22263851	VERIZON NORTHWEST INC	\$24,338,039	0.5%
6	50903916	NORTHVIEW CORPORATE CENTER LLC	\$24,186,400	0.5%
7	50893823	TRANSWESTERN LYNNWOOD LLC	\$23,270,500	0.5%
8	50702174	ALDERWOOD SHOPPING CENTER 04 E LLC	\$19,173,000	0.4%
9	22264266	PUGET SOUND ENERGY/GAS	\$19,101,366	0.4%
10	5000521	FRED MEYER STORES INC	\$18,824,700	0.4%
11	50913989	WINDSOR CAPITAL GROUP	\$18,400,000	0.4%
12	21062335	LYNNWOOD SQUARE	\$17,882,100	0.4%
13	50830240	ASTORIA REALTY INC	\$15,337,800	0.3%
14	50596457	ALDERWOOD PARKWAY PLAZA LP	\$14,687,000	0.3%
15	21176743	NORDSTROM INC	\$14,487,800	0.3%
16	21062200	DESIGN R/E ASSOC LTD	\$14,160,300	0.3%
17	50867502	MATTESON LYNNWOOD INVESTORS LLC	\$14,100,000	0.3%
18	50956454	BOLTZ FAMILY	\$13,762,500	0.3%
19	21176738	SEARS ROEBUCK & CO	\$13,474,900	0.3%
20	50465706	AT&T	\$12,655,000	0.3%
21	50790703	LOWE'S COMPANIES OF 285	\$12,562,000	0.3%
22	11138798	WHISPERING CEDARS	\$12,561,100	0.3%
23	50851241	GOLDE CREEK PLAZA LP	\$12,560,300	0.3%
24	21002273	JAMES VILLAGE LYNNWOOD INC	\$12,491,900	0.3%
25	50531799	GFS ALDERWOOD LLC	\$12,408,000	0.3%
26	50871414	J C PENNEY #2011-5/PROP.TAX OFF.	\$11,979,200	0.3%
27	50652361	HERTZ EQUIP RENTAL CORP #9789	\$11,948,261	0.3%
28	50474085	LYNNWOOD PLAZA INVESTMENT ASSOC	\$11,786,600	0.3%
29	50593270	COMCAST OF CA/CO/TX/WA INC	\$11,776,493	0.3%
30	50596496	ALDERWOOD PARKWAY PLACE	\$11,407,400	0.2%

(1) Information for 1998 was not readily available, but the City will present comparison information for 1999 in it 2008 CAFR.

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<u>FISCAL YEAR</u>	<u>TOTAL TAX LEVY</u>	<u>CURRENT TAX COLLECTIONS</u>	<u>PERCENT OF LEVY COLLECTED</u>	<u>DELINQUENT TAX COLLECTIONS</u>	<u>TOTAL TAX COLLECTIONS</u>	<u>PERCENT OF TOTAL TAX COLLECTIONS TO TAX LEVY</u>	<u>OUTSTANDING DELINQUENT TAXES</u>	<u>PERCENT OF DELINQUENT TAXES TO TAX LEVY</u>
1998	\$6,825,094	\$6,678,396	98	\$130,576	\$6,808,972	102	\$244,439	3.58%
1999	6,866,207	6,801,604	99	64,603	6,866,207	101	240,288	3.50%
2000	7,069,627	6,824,493	97	130,517	6,955,010	102	342,700	4.85%
2001	7,138,371	6,929,204	97	220,615	7,149,819	103	346,263	4.85%
2002	7,382,101	7,035,838	98	346,263	7,382,101	105	317,024	4.29%
2003	7,647,158	7,489,959	98	187,407	7,677,366	103	287,253	3.76%
2004	7,868,683	7,670,711	97	173,160	7,843,871	100	274,429	3.49%
2005	8,145,373	7,982,692	98	162,681	8,145,373	100	267,261	3.28%
2006	8,554,006	8,396,237	99	169,393	8,565,630	101	245,534	2.87%
2007	9,634,738	9,414,049	97	96,465	9,510,514	101	305,242	3.17%

SOURCE: SNOHOMISH COUNTY TREASURER'S REPORT

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

<u>FISCAL YEAR</u>	<u>POPULATION</u>	<u>ASSESSED VALUE</u>	(1)	<u>GROSS BONDED DEBT</u>	(2)	<u>DEBT SERVICE FUNDS AVAILABLE</u>	<u>NET BONDED DEBT</u>	<u>RATIO OF NET BONDED DEBT TO ASSESSED VALUE</u>	<u>NET BONDED DEBT PER CAPITA</u>
1998	33,110	\$2,199,789,878		\$12,180,000		\$324,550	\$11,855,450	0.54%	\$358.06
1999	33,140	2,212,368,299		13,320,107		327,207	12,992,900	0.59%	392.06
2000	32,990	2,635,336,634		12,582,292		316,896	12,265,396	0.47%	371.79
2001	34,010	2,647,682,807		11,919,231		334,220	11,585,011	0.44%	340.64
2002	33,090	2,677,290,610		11,154,121		349,562	10,804,559	0.40%	326.52
2003	34,500	2,713,237,600		10,351,279		351,012	10,000,267	0.37%	289.86
2004	34,540	3,258,200,242		10,330,693		373,237	9,957,456	0.31%	288.29
2005	34,830	3,434,830,302		9,357,882		369,365	8,988,517	0.26%	258.07
2006	35,230	3,967,684,480		8,367,053		331,943	8,035,110	0.20%	228.08
2007	35,490	4,639,280,269		7,342,883		371,743	6,971,140	0.15%	196.43

(1) Snohomish County Assessor's Office

REVENUE BOND COVERAGE WATER AND SEWER BONDS

Last Ten Fiscal Years

FISCAL YEAR	GROSS REVENUE	EXPENSE(1)	NET REVENUE AVAILABLE FOR DEBT SERVICE(2)	DEBT SERVICE REQUIREMENTS			COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
1998	8,668,134	5,320,615	3,347,519	595,000	643,478	1,238,478	2.70
1999	7,935,367	5,407,632	2,527,735	625,000	618,488	1,243,488	2.03
2000	8,187,594	5,466,421	2,721,173	645,000	591,613	1,236,613	2.20
2001	7,819,527	5,245,698	2,573,829	675,000	563,878	1,238,878	2.08
2002	7,808,684	5,637,253	2,171,431	705,000	534,178	1,239,178	1.75
2003	8,035,341	5,827,720	2,207,621	740,000	502,453	1,242,453	1.78
2004	7,953,289	6,168,140	1,785,149	770,000	468,413	1,238,413	1.44
2005	9,404,026	6,066,673	3,337,353	810,000	432,223	1,242,223	2.69
2006	9,182,389	6,623,622	2,558,767	860,000	383,623	1,243,623	2.06
2007	9,932,619	6,975,557	2,957,062	905,000	332,023	1,237,023	2.39

* As defined in applicable bond indentures or governing laws. City funds represented include the Waterworks Utility, which includes interest

(1) Total expenses exclusive of depreciation and amortization.

(2) Gross revenue in column (2) minus expenses in column (3).

SPECIAL ASSESSMENT COLLECTIONS

Last Ten Fiscal Years

<u>FISCAL YEAR</u>	<u>CURRENT ASSESSMENT DUE (1)</u>	<u>CURRENT ASSESSMENT COLLECTED</u>	<u>RATIO OF COLLECTIONS TO AMOUNT DUE</u>
1998	\$464,194	\$362,429	78.08%
1999	375,811	297,819	79.25%
2000	1010224	792,972	78.49%
2001	799,996	726,377	90.80%
2002	731,306	685,988	93.80%
2003	691,209	684,311	99.00%
2004	688,499	511,968	74.36%
2005	512,566	501,327	97.81%
2006	503,514	488,000	96.92%
2007	493,486	492,728	99.85%

(1) Current assessments billed excluding delinquencies

(2) High collected amount due to early payoff of LID Liabilities

Note: Invoiced the year before payment is due.

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2007

<u>JURISDICTION</u>	<u>NET G.O. DEBT OUTSTANDING(1)</u>	<u>PERCENTAGE APPLICABLE TO LYNNWOOD (2)</u>	<u>AMOUNT APPLICABLE TO LYNNWOOD</u>
City of Lynnwood	<u>\$7,342,883</u>	100.00%	<u>\$7,342,883</u>
OVERLAPPING			
Edmonds School Dist.	255,745,000	23.221%	59,386,546
Stevens Hospital	6,735,000	21.770%	1,466,210
Snohomish County	<u>370,127,862</u>	<u>6.743%</u>	<u>24,957,722</u>
TOTAL OVERLAPPING	<u>632,607,862</u>		<u>85,810,478</u>
TOTALS	<u><u>\$639,950,745</u></u>		<u><u>\$93,153,361</u></u>

(1) Source: Snohomish County Treasury Department, Stevens Hospital, and Edmonds School District

(2) Source: Snohomish County Assessors Office

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2007

		<u>REMAINING DEBT CAPACITY</u>
Total Taxable Property Value	\$ 4,639,280,269	
2.5% general purposes limit is allocated between:		
	\$ 115,982,007	
Up to 1.5% debt without a vote (councilmanic)	\$ 69,589,204	
Less: outstanding debt	8,367,064	
Less: contracts payable	-	
Less: excess of debt with a vote	-	
Add: available assets	<u>371,744</u>	
Equals: remaining debt capacity without a vote		\$ 61,593,884
1% general purposes debt with a vote	\$ 46,392,803	
Less: outstanding debt	-	
Less: contracts payable	-	
Add: available assets	<u>-</u>	
Equals: remaining debt capacity with a vote		\$ 46,392,803
2.5% utility purpose limit, voted	\$ 115,982,007	
Less: outstanding debt	-	
Less: contracts payable	-	
Add: available assets	<u>-</u>	
Equals: remaining debt capacity - utility purpose, voted		\$ 115,982,007
2.5% open space, park and capital facilities, voted	\$ 115,982,007	
Less: outstanding debt	-	
Less: contracts payable	-	
Add: available assets	<u>-</u>	
Equals: remaining debt capacity - open space park and capital facilities voted		\$ 115,982,007

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

<u>FISCAL YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME</u>	<u>PER CAPITA INCOME (1)</u>	<u>MEDIAN AGE (2)</u>	<u>SCHOOL ENROLLMENT(3)</u>	<u>UNEMPLOYMENT RATE (4)</u>
1998	33,110	809,142,180	24,438	34.8	8,703	3.5%
1999	33,140	895,277,100	27,015	35.1	9,361	4.3%
2000	33,200	1,003,768,800	30,234	35.7	9,635	4.8%
2001	34,010	1,219,734,640	35,864	34.7	10,994	5.9%
2002	33,990	1,110,691,230	32,677	35.3	7,176	8.4%
2003	34,500	1,080,264,000	31,312	35.19	7,921	8.0%
2004	34,540	1,104,036,560	31,964	34.91	8,664	5.6%
2005	34,830	1,017,036,000	29,200	35.61	10,777	4.8%
2006	35,230	1,028,716,000	29,200	35.71	10,828	4.1%
2007	35,490	1,036,308,000	29,200	35.82	10,336	4.5%

(1) Source: Puget Sound Regional Council from Bureau of Economic Analysis for Snohomish County (2003)

(2) Source: Office of Financial Management, Olympia, Washington, for Snohomish County

(3) Source: Edmonds School District Administration

(4) Source: Washington State Employment Security Department for Snohomish County annual average for 2006

PRINCIPAL EMPLOYERS

December 31, 2007

TAXPAYER	RANK	EMPLOYEES
NORDSTROM	1	431
VOLUNTEERS OF AMERICA	2	350
MACY'S	3	340
J C PENNEY	4	314
FRED MEYER	5	224
SEAR ROEBUCK & CO	6	197
TARGET	7	185
ARMSTRONG IN-HOME CARE	8	139
P F CHANG'S CHINA BISTRO	9	131
CONTINENTAL SERVICES INC	10	126
CLAIM JUMPER RESTAURANT	11	125
HARRIS FORD/ISUZU	12	124
LOWE'S	13	122
ALDERWOOD COMMUNITY SRVCS	14	120
KOHL'S	15	117
THE OLD SPAGHETTI FACTORY	16	116
ACCONTEMPS OFFICETEAM	17	116
COSTCO BUSINESS CENTER	18	115
VERIZON NORTHWEST	19	115
CENTURY 21 REAL EST CTR	20	113
MANOR CARE HEALTH SERVICE	21	110
ROMANO'S MACARONI GRILL	22	108
RED ROBIN	23	101
REI COOP	24	100
BEST BUY	25	100
TOTAL		4139

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Seven Fiscal Years

Full-Time Equivalent Employees as of December 31

<u>FUNCTION</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government	92.25	95.25	94.75	94.75	94.75	95.60	97.25
Public Safety							
Police							
Officers	65.50	66.50	66.50	68.50	68.50	68.50	72.50
Civilians	13.00	13.00	14.00	14.00	14.00	14.00	14.00
Detention and Corrections	12.00	12.00	12.00	12.00	12.00	13.00	15.00
Animal Control	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Fire							
Firefighters and Officers	43.25	43.25	54.00	54.00	54.00	55.00	55.00
Civilians	2.25	2.25	2.25	2.25	2.25	2.15	2.15
Public Works							
Engineering and Inspections	19.00	19.00	17.00	17.00	17.00	17.00	16.00
Street Maintenance	25.00	27.50	25.50	25.50	25.50	25.00	20.00
Water	6.00	10.30	9.00	9.00	9.00	9.00	9.00
Sewer	19.50	14.70	17.00	17.00	17.00	17.00	17.00
Storm Drainage	2.00	4.00	4.00	4.00	4.00	4.00	4.00
Culture and Recreation	50.50	50.50	48.25	48.25	48.25	48.25	49.60
Totals	352.25	360.25	366.25	368.25	368.25	370.50	373.50

Note: This was a new schedule in 2001. The City will continue to add a year until the ten year period is reached.

OPERATING INDICATORS BY FUNCTION

Function	<u>2007</u>	
General Government		
Business Licenses - Resident	2,581	
Business Licenses - Non-Resident	1,662	
Building Permits	1,969	
Public Safety		
Police		
Physical arrests (UCR)	3,590	Uniformed Crime Reporting
Inmates Booked	5,881	
Traffic Violations	18,430	
Fire		
Number of calls answered	6,421	
Inspections	2,490	
Transportation		
Street resurfacing (Miles)	4.25	Lane Miles
Potholes repaired	N/A for 2007	
Culture and recreation		
Total recreation program registrations	28,071	
Recreation center useage	102,110	
Water		
New connections	44	
Average dailey consumption		
hydrants inspected/repared	1,487	
Sewer		
Average dailey sewage treatment	4 MGD	

CAPITAL ASSET STATISTICS BY FUNCTION

Function	<u>2007</u>	
Public Safety		
Police		
Number of stations	1	
Number of patrol units	31	Does not include other officers
Fire		
Number of stations	2	
Transportation		
Miles of streets	101.4	
Number of signals	55	
Number of street lights	2300	
Culture and recreation		
Number of parks	17	
Open space and undeveloped parks	125	
Miles of trails outside of parks	7.1	
Golf courses	1	
Recreation centers	1	
Senior centers	1	
Water		
Number of consumers	8397	
Miles of water mains	120	
Fire hydrants	1487	
Sewer		
Miles of sanitary sewers	102.8	
Number of sewer customers	8032	
Maximum dailey treatment plant capacity	14 MGD	