City of Lynnwood, WASHINGTON

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Fiscal Year

January 1 Through December 31, 2008

Prepared by:

Administrative Services Department
John Moir
Finance Director

Introductory Section

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

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CITY OF
Lynnwood

August 26, 2009

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 ("the City"). This report is for the fiscal year ended December 31, 2008. The report is submitted each year as required by State Law (Revised Code of Washington 43.90.230). The report is prepared according to generally accepted accounting principles (GAAP) for government as established by the Government Accounting Standards Board (GASB). It is audited by the Washington State Auditor's Office.

The City's Department of Administrative Services prepared this report. Management of the City is responsible for the accuracy of the presented data and the completeness and fairness of its presentation and 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 represent the financial position and results of operations of the City as measured by the financial activities of its various funds and account groups. All disclosures necessary to enable the reader to gain a complete understanding of the City's financial activities have been included in this report. Management of the City has established a comprehensive internal control framework that is designed 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 statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the statements will be free from material misstatement.

LOCAL AND GOVERNMENTAL INFORMATION

The City was incorporated on April 23, 1959, as a Mayor-Council form of government under the provisions of state law. It is located in Snohomish County approximately 12 miles south of Everett and 15 miles north of Seattle. Its population is 35,680 within 7.81 square miles of incorporated area. The Mayor is elected and is the full-time chief executive officer. The Mayor appoints department directors and hires all City employees. The Council has seven elected, part-time members. The City provides both necessary and beneficial services including police, fire, emergency medical, transportation, water, utility system (sanitary sewer, and storm sewer), parks and recreation, and planning and zoning. Also, the City operates a municipal court and jail.

FINANCIAL INFORMATION

Internal Control

The City 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 statement in conformity with GAAP. The requirement for reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The City recognizes the importance of management leadership in these controls. The City Council has adopted an ethics policy that provides guidance for internal controls. The Mayor provides written notice to City employees relating to the ethics policy and internal controls. Ethics training is mandatory for all City employees.

Budgetary Controls

The City adopts a biennial (two year) budget pursuant to RCW 35A.34 and Lynnwood Municipal Code 2.72. The budget serves as the foundation for financial planning and control. All City departments are required to submit appropriation requests to the Mayor in the fall of even numbered years. The Mayor submits the budget to the City Council. The Council offers four public hearings prior to adopting the budget. The City's fiscal year is January 1 through December 31. Budget-to-actual comparisons are provided in the Report for each individual fund for which an appropriated budget has been adopted.

A Capital Facilities Plan is prepared in accordance with the State Growth Management Act. The Plan defines the long-term capital ideas for the City. Specific capital projects are funded in each biennial budget and by ordinance for each project.

Funds are appropriated at the fund level; however, budgetary control is at the department level. Fund level budget increases or decreases must be authorized by the City Council. The Mayor as the chief executive officer has authority to make changes to the department level within funds.

Auditing of City Finances

State law requires audits of the City to be conducted by the Office of the State Auditor. The audit must comply with the federal Single Audit Act of 1984, as amended, and the U.S. Office of Management and Budget (OMB) Circular A-133. An audit is performed annually. The scope of the audit examines the City's financial condition and legal compliance. The audit report is contained in the Financial Section of this Report.

FACTORS AFFECTING FINANCIAL CONDITION

The Local Economy

The City is the business and retail center of south Snohomish County. In 2008, the City issued approximately 3,800 business licenses. Those businesses employed about 20,000 people. The City has one of the lowest City tax rate in the urban Puget Sound region with 2008 rate of $1.91 per $1,000 of assessed valuation. Alderwood Mall is located in the City. It is considered one of the first class malls in the United States with 4 anchor tenants and 194 specialty shops.

The current nation-wide recession has a material adverse impact on the City's local economy, which in turn affects sales tax revenues, criminal justice sales tax, hotel/motel taxes and real estate excise tax revenues.

The City's 2008 local sales tax revenues decreased by $1.3 million or 6.7 percent compared to fiscal 2007. This decline is expected to continue into the fourth quarter of 2009 according to the State of Washington's Economic and Revenue Forecasting Council and Consensus Blue Chip estimates.

Real estate excise tax revenues decreased by $ 658,000 or 40.7 percent compared to fiscal 2007. This decline reflects the drastic decline in real estate sales. The decline should continue until well into fiscal 2011 when the Mortgage Bankers Association expects the real estate market to stabilize in terms of housing values.

The State of Washington enacted a financial assistance program effective July 1, 2008. The program is designed to mitigate the impact of the new sales tax system. The mitigation payments were intended to offset the loss incurred by local governments from destination-based sales (sale transactions that are delivered outside of point-of-sale jurisdictions). The estimate was prepared by the State Department of Revenue (DoR) in 2007. After the first two quarterly payments were received by the City, it appears the DoR estimate was significantly overstated. Instead of $2 million per year in mitigation payments, the City expects to receive approximately $675,000.

The number of permits issued in 2008 was 2,093, an increase of 5.8 percent compared to fiscal 2007. The associated permit revenues totaled $1,025,441 or an increase of 18.6 percent over the prior year. The permit activity reflects a mix of housing units (single and multi family), commercial buildings, and apartment/condo buildings.

Property tax revenues were $9,946,584 or 99.8 percent of total tax levy for fiscal 2008. Other revenues of the City do not seem to be impacted by the recession.

The City's economic development plan identifies goals and strategies for future economic growth around a diversified mixed use environment. Targeted business sectors include aerospace, bio-sciences, information technologies, professional and business services, and tourism. The foundation of the plan is leveraging the significant existing economy and its strategic location advantage at the convergence of two interstate highways (I-5 and I-405) and the Seattle metropolitan area.

The City's major redevelopment project is located in the downtown core—the City Center. The scope of the project is 9.6 million square feet of mixed development. The recession has caused current market conditions that postpone redevelopment projects. Nevertheless, the budget for the 2009-2010 biennium includes a City Center project manager to develop a specific redevelopment business plan, including a marketing strategy, to attract developers for this project when the market conditions become more favorable.

The Lynnwood Public Facilities District (PFD) is a component unit of the City in this report. The PFD's purpose is to create a "regional center" in Lynnwood. The State of Washington provides financial assistance to the PFD in the form of .033 percent of the sales taxes collected by the state within the PFD's boundaries. The PFD Board is appointed by the City

Council and its members serve four-year terms. The City provides a guarantee for the PFD's outstanding bonded debt for the Lynnwood Convention Center.

Edmond's Community College is located in Lynnwood. The College also offers a four-year degree program from Central Washington University. Public library services are provided by Sno-Isle Regional Library District. Edmonds School District provides public K-12 education services.

The City provides 17 developed parks and 6 undeveloped parks, 7.1 miles of trail, an 18-hole golf course, a recreation center, and a senior center.

Long-term Financial Planning

The City implemented a biennial budget process for the 2003-2004 biennium. It adopted its fourth biennial budget for 2009-10 in December 2008. The adopted budget totals $161.8 million with the General Fund being $91.7 million of this total and the Utility System Fund being $39.0 million. The remaining funds are Special Revenue, Capital Project, and Proprietary in nature.

The City Council reviews its financial policies, budget status, and long-term financial forecasts at its annual mid-year budget workshop. 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 City policy requires a General Fund unreserved fund balance in the $4 million to $5 million range. The actual balance was $6.2 million as of December 31, 2008. The City policy provides for the Revenue Stabilization Fund, which has a current balance of $2 million. The City has a Strategic Investment Plan which provides funding for capital projects for the biennium. The City has a long-term Capital Facilities Plan in accordance with the State Growth Management Act. The Plan is adopted as a part of the biennial budget process.

The Utility System

The City Council approved a utility rate study in 2007 which identified $42.5 million in essential capital projects and user fee rates to finance the capital projects. The City Council passed an ordinance implementing rates of a six year period (2007 through 2012). Based on these decisive actions, the City issued $10.3 million in Utility System Improvement and Refunding Bonds in April, 2008. The issue included new money for capital projects totaling $4.8 million as well as $5.5 million for refunding existing debt. The net present value benefit on the refunding was $333,000 equivalent 6.3 percent of the refunded principal. The City received an "AA" rating for revenue bonds from Standard & Poor's which is the highest rating for this type of revenue bond.

Cash Management

The City's investment policy is consistent with the "Prudent Person" investment practices: safety, liquidity, and yield. The following is a reconciliation of cash, cash equivalents (including pooled investments and investments) as shown in the government-wide and fund financial statements:

Total Cash, Cash Equivalents, & Investments

Investments (net of discount and premium)	$12.4 million
Certificates of Deposits	11.3 million
Bank Checking Account	8.7 million
Money Market	.1 million
Petty Cash, Change Funds & Advance Travel	.03 million
Deposit with Fiscal Agent	.3 million
Local Government Investment Pool	11.5 million
Total	$44.3 million

The weighted average maturity of investments was 1.3 years at December 31, 2008. The average yield on all investments (including the investment pool) and certificates of deposit was 3.3 percent at December 31, 2008.

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 the City's major liability and property exposures, as thoroughly described in the Notes Section of the financial statements. Under these insurance policies, there is a deductible of $10,000 for most incidents. The insurance contracts were renewed during 2008 at nominal cost increases. This is due in part to participation in the insurance pool. The City self-insures the vehicle fleet with the exception of automobile liability 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 $18,127,000. Assuming a 30 year amortization of this liability, the Annual Required Contribution would be $1,207,872 as of December 31, 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 $821,655.

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, 2007. 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 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lynnwood
Washington

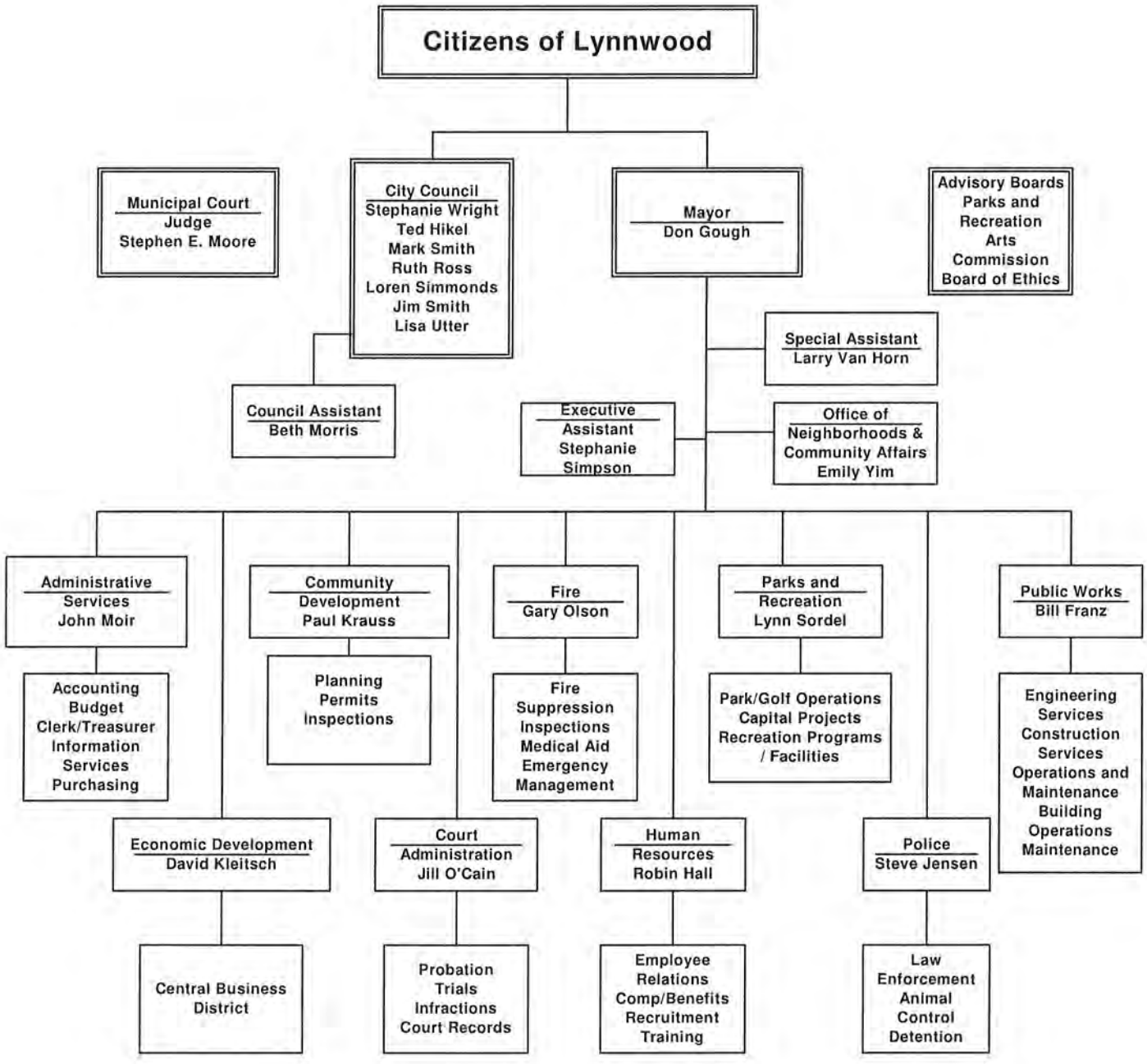
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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.

President

Executive Director

City of Lynnwood Administration



LISTING OF OFFICIALS AS OF DECEMBER 31, 2008

ELECTED OFFICIALS:

Mayor	Don Gough
City Councilmembers	Stephanie Wright Mark Smith Lisa Utter Loren Simmonds Ruth Ross Ted Heikel Jim Smith

APPOINTED OFFICIALS:

Executive Special Assistant	Larry VanHorn
Finance Director	John Moir
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

Financial Section

Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

August 26, 2009

Mayor and City 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, 2008, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2008, 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.

In accordance with *Government Auditing Standards*, we will also issue our report dated August 7, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 15, pension trust fund information on pages 75, and information on postemployment benefits other than pensions on page 76 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules on pages 77 through 132 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, capital assets used in the operation of governmental funds on pages 133 through 135, 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,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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, 2008. The information presented herein should be used in conjunction with additional information that is furnished in the letter of transmittal.

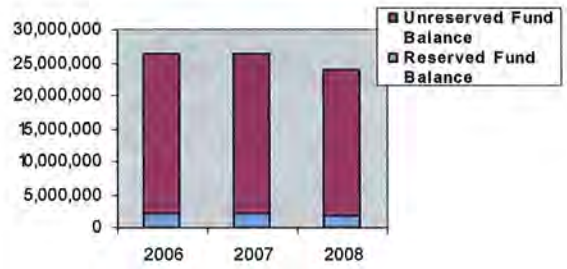
Financial Highlights

- The assets of the City of Lynnwood exceeded its liabilities at fiscal year-end by $177,190,276 (net assets), an increase of $767,231 or 0.4% over 2007. Of this amount, unrestricted net assets total $19,215,927 and may be used to meet the city's ongoing obligations to citizens and creditors. Restricted net assets total $17,026,032 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 $23,825,532. Approximately 92% of this total amount, $21,882,123 is available for spending at the government's discretion (unreserved fund balance), a 12% decrease over 2007.
- At the end of the 2008 fiscal year, unreserved fund balance for the general fund was $6,105,679, or 15.2% of total general fund revenues (14.2% of expenditures).

Overview of the Financial Statements

This discussion and analysis is 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 and LID 93-1, which are considered to be major funds. 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 2008 fiscal year is the second 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 ($177,190,276) exceeded liabilities by an increase (after prior year adjustment) over 2007 of $767,231 or 0.4%. The largest portion of the City's net assets (80%) reflects its investment in capital assets (land, buildings, machinery, and equipment), less related debt used to acquire those assets that is still outstanding.

STATEMENT OF NET ASSETS (in $1,000)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current Assets:						
Cash & cash equivalents	$3,060	$737	$3,213	$81	$6,273	$818
Investments	23,734	27,959	4,417	7,884	28,151	35,843
Receivables (net)	10,104	10,677	1,560	1,396	11,664	12,073
Due from Firemen's Pension Fund	76	76	0	0	76	76
Internal Balances	(469)	(390)	469	390	0	0
Inventories	210	208	24	36	234	244
Prepaid Items	0	0	49	49	49	49
Restricted cash & investments:						
Customer deposits	0	0	54	68	54	68
Bond covenant accounts	0	0	6,290	718	6,290	718
Total Current Assets	36,715	39,267	16,076	10,622	52,791	49,889
Noncurrent Assets:						
Deferred charges & other assets						
Deferred charges	0	0	126	33	126	33
Noncurrent receivables	373	516	0	0	373	516
Capital Assets:						
Land	38,620	38,620	6,867	6,867	45,487	45,487
Depreciable assets (net)	25,155	25,640	16,117	17,523	41,272	43,163
Infrastructure (net)	27,455	29,288	23,400	24,075	50,855	53,363
Construction in progress	18,110	11,732	2,747	1,950	20,857	13,682
Total Noncurrent Assets	109,713	105,796	49,257	50,448	158,970	156,244
Total Assets	146,428	145,063	65,333	61,070	211,761	206,133
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued exp.	2,671	1,259	561	532	3,232	1,791
Unearned revenue	5,207	(154)	47	48	5,254	(106)
Current Liabilities Payable from						
Restricted Assets:						
Liabilities payable from restricted assets	0	0	97	72	97	72
Total Current Liabilities	7,878	1,105	705	652	8,583	1,757
Noncurrent Liabilities:						
Due within one year	2,712	2,330	985	1,202	3,697	3,532
Due in more than one year	12,718	19,035	9,573	5,386	22,291	24,421
Total Noncurrent Liabilities	15,430	21,365	10,558	6,588	25,988	27,953
Total Liabilities	23,308	22,470	11,263	7,240	34,571	29,710
NET ASSETS						
Invested in capital assets, net of related debt	101,902	95,505	39,047	44,126	140,949	139,631
Expendable restricted for:						
Debt service	1,943	1,991	6,202	645	8,145	2,636
Capital projects	8,880	9,412	0	0	8,880	9,412
Other	0	0	0	0	0	0
Unrestricted	10,394	15,684	8,822	9,060	19,216	24,744
Total Net Assets	$123,119	$122,592	$54,071	$53,831	$177,190	$176,423

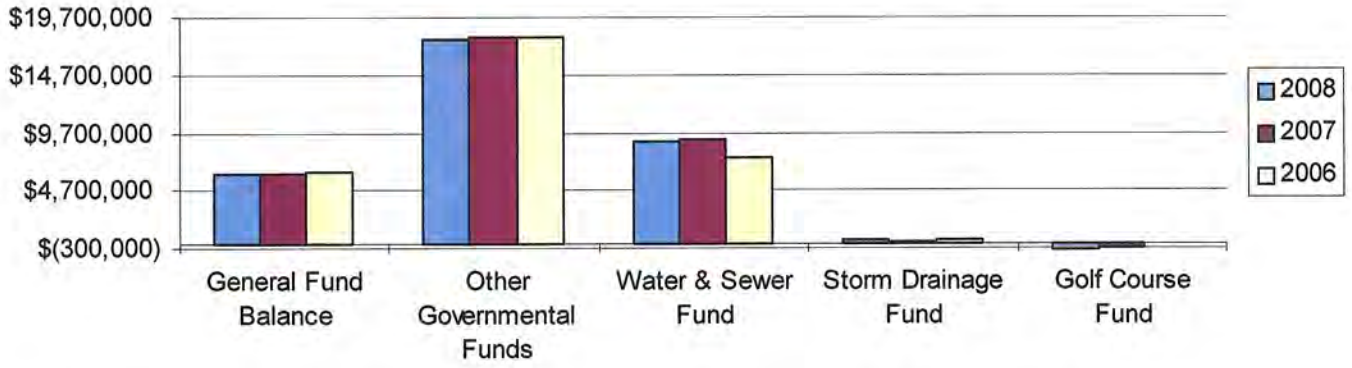
STATEMENT OF ACTIVITIES (in $1,000)	Governmental		Business-type		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenue						
Charges for Service	$ 12,016	$ 10,102	$ 12,562	$ 11,498	$ 24,578	$ 21,600
Operating grants & Contributions	1,045	1,690	0	0	1,045	1,690
Capital Grants & Contributions	3,918	1,887	205	666	4,123	2,553
General Revenues					0	0
Property Taxes	10,168	9,788			10,168	9,788
Sales Taxes	19,255	20,573			19,255	20,573
Other Taxes	3,752	3,621			3,752	3,621
Other Revenues	2,261	2,634	434	496	2,695	3,130
Total Revenues	52,415	50,295	13,201	12,658	65,616	62,953
Expenses						
General Government	7,947	7,087			7,947	7,087
Public Safety	25,203	23,222			25,203	23,222
Physical Environment	4,594	4,407			4,594	4,407
Transportation	6,052	5,184			6,052	5,184
Human Services	617	498			617	498
Culture & Recreation	6,507	7,154			6,507	7,154
Interest on Long-Term Debt	669	828			669	828
Water			3,855	3,604	3,855	3,604
Sewer			6,287	5,944	6,287	5,944
Golf Course			1,019	999	1,019	999
Storm Drainage			1,304	1,088	1,304	1,088
Total Expenses	51,589	48,380	12,465	11,635	64,054	60,015
Increase in Net Assets Before Transfers	826	1,915	736	1,023	1,562	2,938
Transfers	496	532	(496)	(532)	0	0
Increase in Net Assets	1,322	2,447	240	491	1,562	2,938
Beginning Net Assets January 1	122,592	119,656	53,831	53,339	176,423	172,995
Prior Period Adjustments	(795)	489	-	-	(795)	489
Beginning Net Assets Adjusted	121,797	120,145	53,831	53,339	175,628	173,484
Ending Net Assets December 31	$ 123,119	$ 122,591	$ 54,071	$ 53,830	$ 177,191	$ 176,422

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, 9.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($19,215,927) 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 decrease from 2007 by 22.3%.

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.

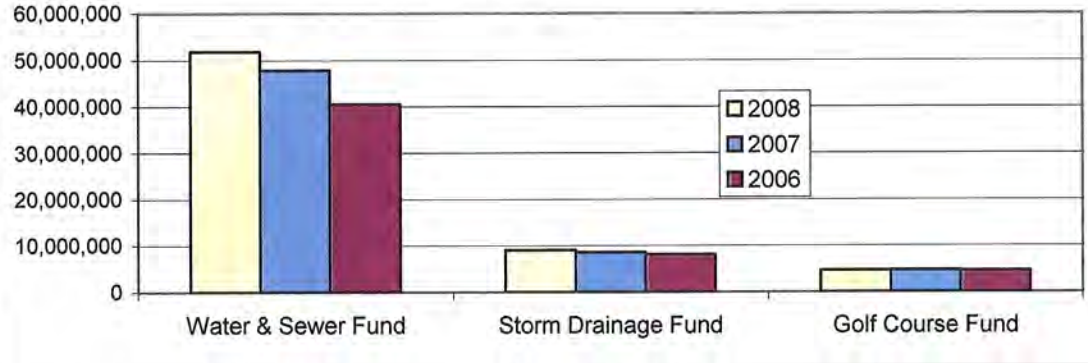
The above chart shows the change in available working cash reserves as measured by Fund Balance in governmental funds or by unrestricted net assets. The General Fund balance decreased by $91,291 in 2008 from $6,196,970 to $6,105,679 while all other governmental funds collectively including LID 93-1 decreased by $3,032,356 (after prior period adjustments) from $20,752,209 to $17,719,853.

The proprietary funds increased unrestricted net assets to $8,821,488. The combined Water and Sewer Fund decreased by $263,371 from $9,156,545 to $8,893,174. The Storm Drainage Utility increased by $238,870 from $172,518 to $411,388. The Golf Course decreased by $209,585 from a negative $273,489 to a negative $483,074.

In the business type funds, as a whole the city's utilities increased their total net assets by $239,619. The Water and Sewer combined fund increased by $9,982 to $40,899,523 from $40,889,541. The Storm Drainage Fund increased by $451,072 from $8,541,141 to $8,992,213. In contrast, the Golf Course Fund decreased by $221,035 from $4,400,225 to $4,179,190.

Governmental activities. Governmental activities decreased the City of Lynnwood's net assets (after prior year adjustment) by $3,123,651. Significant changes in net assets during 2008 were as follows:

Total Net Assets in Individual Business Functions



Governmental Revenues

Overall, revenues increased $2.328 million or 4.6% over 2007.

Program Revenues increased by $3.301 million or 24.1%. Charges for Services and Operating Grants and Contributions accounted for 41.9% of the increase (19.5% decrease and a 61.4% increase, respectively). The balance of the increase occurred in Capital Grants and Contributions.

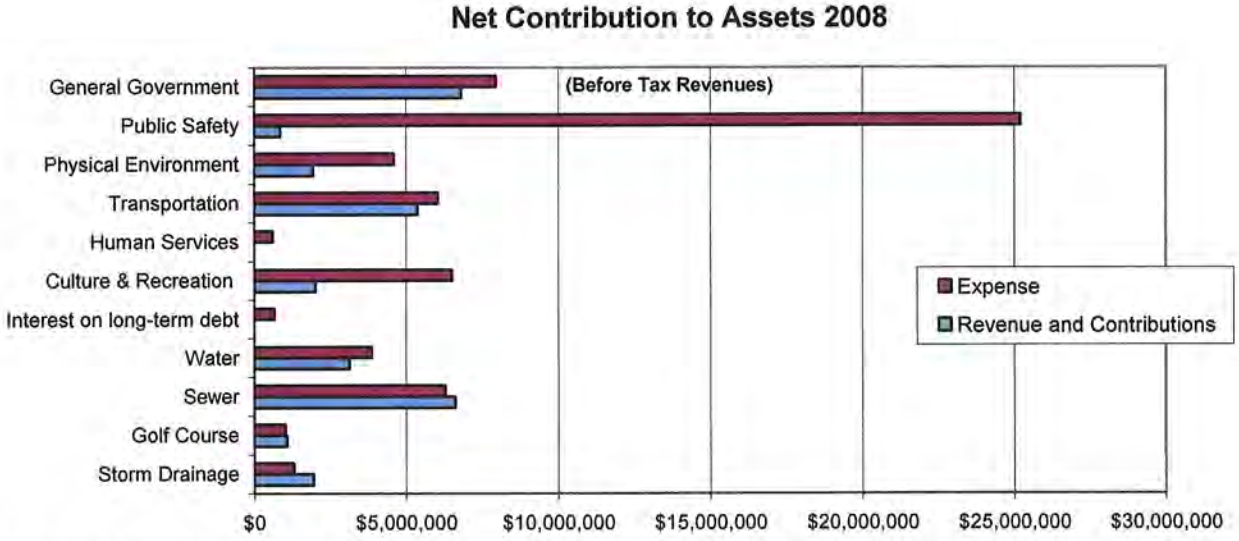
General Revenues decreased by 3.1%. The increases in Property Taxes ($.380 million) were offset by the declines in Sales Taxes ($1.318 million) an increase in Other Taxes ($.131 million) and a decrease in Other Revenues ($.373 million).

Governmental Expenses

Governmental expenditures increased by $3.209 million or 6.3% in 2008.

Public Safety accounted for 61.7% ($1.981 million) of the increased spending. The balance of the increased spending was attributable to Physical Environment ($.187 million or 6.6%), General Government ($.860 million or 30.6%), a decrease in Culture and Recreation ($.647 million or 23%), increases in Transportation ($.868 million or 30.9%) and Human Services ($.118 million or 4.2%). Interest on long-term debt costs decreased by $.158 million or about 5.6%.

Net Transfers to/from other funds decreased slightly by $.036 million or 6.8%.



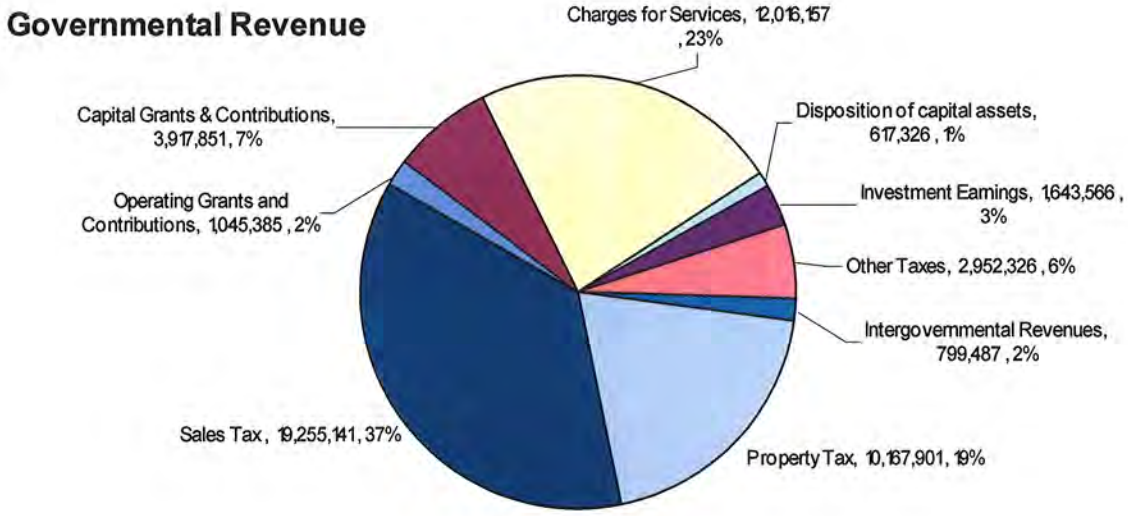
The bar chart above illustrates the contribution that various city functions make to net assets from its operations. If expenses exceed revenues and contributions the function requires a subsidy from tax revenues (not shown) to support its operations. If revenues and contributions exceed expenses then 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

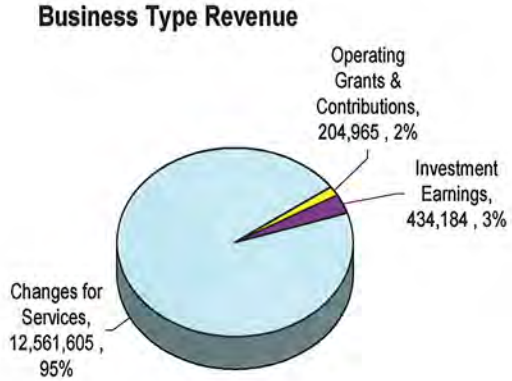
The next pie chart shows the distribution of income for all governmental activities, including capital grants and debt service. Sales taxes represent 37% of total governmental revenues.

Most capital and operating grants are for transportation purposes.



Business-type activities. Business-type activities increased the City of Lynnwood's net assets by $ 239,619.

Charges for Services increased by $1.064 million or 9.49% (from $11.498 million to $12.562 million). Contributions decreased from $.666 million to $.205 million. Interest income decreased slightly from $.496 million to $.434 million. Total revenues increased by 4.4%.



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 2008, the city's governmental funds reported combined ending fund balances of $23,825,532, a decrease of $3,123,647 in comparison with the prior year. Approximately 91.8 % ($21,882,123) constitutes unreserved fund balances: with $6,896,068 unreserved in special revenue funds, $8,880,376 unreserved for capital purposes and $6,105,679 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 ($1,943,409) 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.

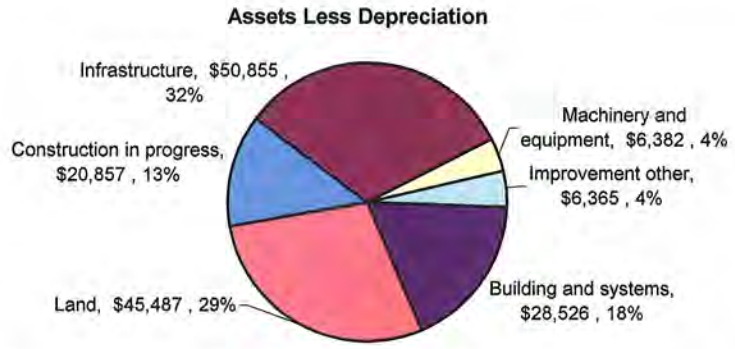
General Fund Budgetary Highlights

The City utilized a two-year or biennial budget beginning with 2003. Since 2008 is the second year of the 2007-2008 biennium a comparison of expenditures to budget is not fully meaningful since the budget authority for 2008 is the remaining unspent budget for 2007-2008. As of December 31, 2008 the city had collected 100 % of budgeted revenue. At December 2008, 98.5% of the total biennium budget had been expended. Negative variances from the revenue budget (largely attributable to the sales tax) were offset by increases in street vacation fees, court fines, and recreation fees. Expenditure negative variances from budget (jail costs and legal fees for public defender, prosecutor, labor relations, and general attorney fees) were substantially offset by savings in personnel costs and other operating expenditures.

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, 2008, amounts to $158.5 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 $109, 340,621 million in 2008, a slight increase of $4,059,849 from 2007. Business-type assets (after depreciation) totaled $49,130,999, which was a modest decrease of $1,283,933. 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 2008, the City of Lynnwood had total bonded debt outstanding of $25,588,385. Of this amount, $6,252,663 is backed by the full faith and credit of the City and $5,095,000 is special assessment debt for which the City is not liable for repayment. Accounting for accumulated absences adds $3,334,856 to the general debt. The remainder of the debt ($10,905,866) represents bonds, leases and loans secured solely by specified revenue sources (i.e., revenue bonds).

The City's total debt increased by $3,779,771 (17.3%) in 2008. This change reflects the City's sale of revenue refunding bonds.

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

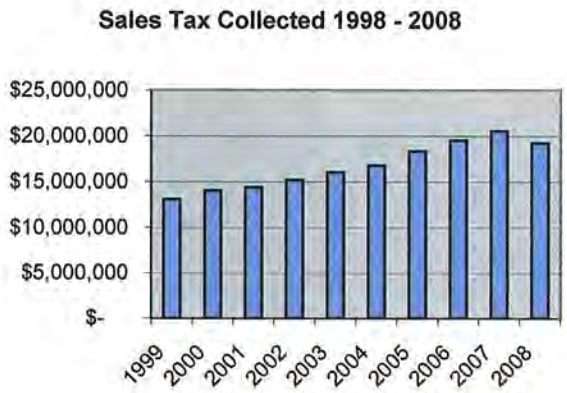
GENERAL OBLIGATION AND REVENUE BONDS

	Governmental Activity		Business-type Activities		Total	
Thousands	2008	2007	2008	2007	2008	2007
General obligation bonds	6,253	7,343	-	-	6,253	7,343
Special assessment debt	5,095	5,475		-	5,095	5,475
Other Post-emploument Benefits	822	425			822	425
Revenue bonds and loans			10,084	6,373	10,084	6,373
Compensated Absences	3,087	2,617	248	213	3,335	2,830
Total	15,257	15,860	10,332	6,586	25,589	22,446

Economic Factors and the Next Year's Budgets and Rates

Sales taxes represent a significant revenue component and a barometer of the local economy. Sales tax in 2008 decreased by 6.4 % while 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 % in 2002. The decline in 2002 was primarily in the construction sector while the recovery in 2003 through 2007 was across many retail sectors.

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% 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 boom 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 $ 821,655 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"

Basic Financial Statements

STATEMENT OF NET ASSETS

December 31, 2008

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Current Assets:				
Cash & cash equivalents	$3,059,818	$3,212,591	$6,272,409	$2,613,082
Investments	23,733,533	4,417,134	28,150,667	1,000,000
Receivables (net)	10,104,298	1,559,408	11,663,706	381,510
Due from Firemen's Pension Fund	75,754	0	75,754	0
Internal Balances	(469,195)	469,195	0	0
Inventories	210,337	24,010	234,347	17,761
Deferred Lease Commissions	0	0	0	11,976
Prepaid Items	0	49,375	49,375	82,601
Restricted cash & investments:				
Customer deposits	0	54,063	54,063	0
Bond covenant accounts	0	6,290,131	6,290,131	0
Total Current Assets	36,714,545	16,075,907	52,790,452	4,106,930
Noncurrent Assets:				
Deferred charges & other assets				
Deferred charges	0	126,428	126,428	831,769
Noncurrent receivables	372,600	0	372,600	0
Capital Assets:				
Land	38,620,451	6,866,767	45,487,218	6,788,800
Depreciable assets (net)	25,155,539	16,117,336	41,272,875	20,382,929
Infrastructure (net)	27,454,945	23,399,711	50,854,656	0
Construction in progress	18,109,686	2,747,187	20,856,873	0
Total Noncurrent Assets	109,713,221	49,257,429	158,970,650	28,003,498
Total Assets	146,427,766	65,333,336	211,761,102	32,110,428
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued exp.	2,671,150	561,150	3,232,300	196,706
Unearned revenue	5,206,707	46,875	5,253,582	169,392
Current Liabilities Payable from Restricted Assets:				
Liabilities payable from restricted assets	0	96,673	96,673	0
Total Current Liabilities	7,877,857	704,698	8,582,555	366,098
Noncurrent Liabilities:				
Due within one year	2,712,130	985,296	3,697,426	246,136
Due in more than one year	12,718,028	9,572,817	22,290,845	28,989,220
Total Noncurrent Liabilities	15,430,158	10,558,113	25,988,271	29,235,356
Total Liabilities	23,308,015	11,262,811	34,570,826	29,601,454
NET ASSETS				
Invested in capital assets, net of related debt	101,901,527	39,046,790	140,948,317	(1,510,739)
Expendable restricted for:				
Debt service	1,943,409	6,202,247	8,145,656	1,383,833
Capital projects	8,880,376	0	8,880,376	0
Other	0	0	0	0
Unrestricted	10,394,439	8,821,488	19,215,927	2,635,881
Total Net Assets	$123,119,751	$54,070,525	$177,190,276	$2,508,975

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Grants & Contributions: Operating	Program Revenues: Grants & Contributions: Capital	Net (Expense) Revenue & Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary Government:								
Governmental Activities:								
General Government	$7,947,101	$6,798,296	$0	$0	($1,148,805)	$0	($1,148,805)	$0
Public Safety	25,202,514	709,072	134,188	5,432	(24,353,822)	0	(24,353,822)	0
Physical Environment	4,593,873	1,910,616	19,963	7,866	(2,655,428)	0	(2,655,428)	0
Transportation	6,052,406	685,605	812,586	3,877,714	(676,501)	0	(676,501)	0
Human Services	616,405	0	0	0	(616,405)	0	(616,405)	0
Culture & Recreation	6,507,104	1,912,568	78,648	26,839	(4,489,049)	0	(4,489,049)	0
Interest on long-term debt	668,963	0	0	0	(668,963)	0	(668,963)	0
Total Governmental	51,588,366	12,016,157	1,045,385	3,917,851	(34,608,973)	0	(34,608,973)	0
Business-type Activities:								
Water	3,854,895	3,075,305	0	57,250	0	(722,340)	(722,340)	0
Sewer	6,286,876	6,574,598	0	37,875	0	325,597	325,597	0
Golf Course	1,019,269	1,074,788	0	0	0	55,519	55,519	0
Storm Drainage	1,304,398	1,836,914	0	109,840	0	642,356	642,356	0
Total Business-type	12,465,438	12,561,605	0	204,965	0	301,132	301,132	0
Total Primary Government					(34,608,973)	301,132	(34,307,841)	0
Component Units:								
Public Facilities District	5,413,375	2,727,264	0	0	0	0	0	(2,686,111)
GENERAL REVENUES:								
Property Taxes					10,167,901	0	10,167,901	0
Sales Taxes					19,255,141	0	19,255,141	2,069,025
Cable Franchise Tax					372,802	0	372,802	0
Real Estate Excise Tax					957,474	0	957,474	0
Leasehold/Gambling Tax					160,219	0	160,219	0
Admissions/Utility Tax					1,461,831	0	1,461,831	
State Shared Revenue					799,487	0	799,487	
Investment Earnings					1,643,566	434,184	2,077,750	122,829
Disposition of capital assets					617,326	0	617,326	0
TRANSFERS					495,697	(495,697)	0	0
Total General Revenues & Transfers					35,931,444	(61,513)	35,869,931	2,191,854
Change in Net Assets					1,322,471	239,619	1,562,090	(494,257)
Net Assets - Beginning					122,592,139	53,830,906	176,423,045	3,003,232
Prior Period Items					(794,859)	0	(794,859)	0
Net Assets - Ending					$123,119,751	$54,070,525	$177,190,276	$2,508,975

See Accompanying Notes to Financial Statements

GOVERNMENTAL FUNDS
BALANCE SHEET

December 31, 2008

	GENERAL	LID 93-1	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Equivalents	$549,816	$292,270	$1,684,562	$2,526,648
Investments	3,276,859	0	15,991,674	19,268,533
Receivables (net)	3,673,814	5,634,545	1,103,798	10,412,157
Due from Other Funds	137,485	0	0	137,485
TOTAL ASSETS	$7,637,974	$5,926,815	$18,780,034	$32,344,823
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	$1,067,030	$0	$1,308,464	$2,375,494
Due to Other Funds	0	0	633,000	633,000
Deferred Revenues	374,101	4,827,451	0	5,201,552
Unearned Revenue	5,185	0	218,081	223,266
Liabilities Payable from Restricted Assets	85,979	0	0	85,979
TOTAL LIABILITIES	1,532,295	4,827,451	2,159,545	8,519,291
FUND BALANCE				
Reserved for Debt Service	0	1,099,364	844,045	1,943,409
Unreserved for Special Revenue Funds	0	0	6,896,068	6,896,068
Unreserved for Capital Project Funds	0	0	8,880,376	8,880,376
Unreserved General Fund	6,105,679	0	0	6,105,679
TOTAL FUND BALANCE	6,105,679	1,099,364	16,620,489	23,825,532
TOTAL LIABILITIES & FUND BALANCE	$7,637,974	$5,926,815	$18,780,034	$32,344,823

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.		102,958,873
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.		218,111
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(3,086,914)	
Bonds, Notes, Loans Payable	(11,347,663)	
Accrued Interest Payable	0	
Net OPEB Obligation	(821,655)	(15,256,232)
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		11,297,713
Net assets of governmental activities		$123,119,751

See Accompanying Notes to Financial Statements

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

For the Year Ended December 31, 2008

	GENERAL	LID 93-1	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes				
Property	$7,113,197	$0	$2,836,593	$9,949,790
Sales	17,421,035	0	1,834,106	19,255,141
B & O	1,834,633	0	0	1,834,633
Other	160,219	0	957,474	1,117,693
Licenses and Permits	2,162,513	0	248,586	2,411,099
Intergovernmental Revenues	1,504,564	503,803	5,345,183	7,353,550
Charges for Services	3,897,157	0	102,978	4,000,135
Fines and Forfeits	5,053,279	0	28,182	5,081,461
Miscellaneous - Interest	649,615	322,588	484,850	1,457,053
Rent	386,100	0	0	386,100
Other	86,962	0	4,963	91,925
TOTAL REVENUES	40,269,274	826,391	11,842,915	52,938,580
EXPENDITURES				
Current				
General Government	8,711,556	0	39,942	8,751,498
Public Safety	23,854,968	0	164,574	24,019,542
Physical Environment	4,605,184	0	97,734	4,702,918
Transportation	0	0	3,721,879	3,721,879
Human Services	616,405	0	0	616,405
Culture and Recreation	4,949,042	0	1,069,096	6,018,138
Capital Outlay	244,265	0	6,279,747	6,524,012
Debt Service				
Principal	0	355,000	1,146,118	1,501,118
Interest and Fiscal Charges	607	325,340	343,016	668,963
TOTAL EXPENDITURES	42,982,027	680,340	12,862,106	56,524,473
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,712,753)	146,051	(1,019,191)	(3,585,893)
OTHER FINANCING SOURCES (USES)				
Transfers In	5,255,326	0	6,619,339	11,874,665
Transfers (Out)	(2,438,291)	0	(9,480,638)	(11,918,929)
Sale of Capital Assets	0	0	701,689	701,689
TOTAL OTHER FINANCING SOURCES (USES	2,817,035	0	(2,159,610)	657,425
NET CHANGE IN FUND BALANCES	104,282	146,051	(3,178,801)	(2,928,468)
Fund Balances, January 1	6,196,970	953,313	19,798,900	26,949,183
Prior Period	(195,573)	0	390	(195,183)
FUND BALANCES, DECEMBER 31	$6,105,679	$1,099,364	$16,620,489	$23,825,532

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, 2008

		TOTAL GOVENMENTAL FUNDS
Net changes in fund balances for governmental funds		($2,928,468)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital Outlays	6,524,012	
Depreciation	(3,412,399)	
Cost of Assets Sold	(185,492)	2,926,121
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.		
Debt Proceeds	0	
Debt Retired	1,501,118	1,501,118
Some revenues reported in the statement of activities are not yet available and, therefore, are not reported as revenues in the governmental funds.		218,111
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.		(859,380)
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.		464,969
Change in net assets of governmental activities.		$1,322,471

See Accompanying Notes to Financial Statements

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

For the Year Ended December 31, 2008

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes				
Property	$7,547,653	$7,547,653	$6,866,967	($680,686)
Sales	18,560,654	19,060,654	17,421,035	(1,639,619)
B & O	1,915,052	1,915,052	1,834,633	(80,419)
Other	294,776	294,776	160,219	(134,557)
Licenses and Permits	2,474,725	2,474,725	2,162,513	(312,212)
Intergovernmental Revenues	1,098,860	1,098,860	1,470,744	371,884
Charges for Services	3,348,165	3,348,165	3,897,158	548,993
Fines and Forfeits	3,305,554	3,305,554	5,053,279	1,747,725
Miscellaneous - Interest	482,628	482,628	681,273	198,645
Rent	386,151	386,151	386,100	(51)
Other	67,143	67,143	125,500	58,357
TOTAL REVENUES	39,481,361	39,981,361	40,059,421	78,060
EXPENDITURES				
Current				
General Government	8,383,942	8,471,015	8,711,556	(240,541)
Public Safety	22,983,982	22,981,282	23,854,968	(873,686)
Physical Environment	5,035,240	5,035,240	4,605,184	430,056
Human Services	733,330	733,330	616,405	116,925
Culture and Recreation	5,458,623	5,330,166	4,949,042	381,124
Capital Outlay	905,515	1,070,215	244,265	825,950
Debt Service				
Interest and Fiscal Charges	1,935	1,935	607	1,328
TOTAL EXPENDITURES	43,502,567	43,623,183	42,982,027	641,156
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,021,206)	(3,641,822)	(2,922,606)	719,216
OTHER FINANCING SOURCES (USES)				
Transfers In	5,013,721	4,835,690	5,255,326	419,636
Transfers (Out)	(2,812,817)	(3,014,469)	(2,438,291)	576,178
Sale of Fixed Assets	0	0	0	0
Intergovernmental Loan Proceeds	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	2,200,904	1,821,221	2,817,035	995,814
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	(1,820,302)	(1,820,601)	(105,571)	1,715,030
Fund Balances, January 1	2,009,063	2,009,063	6,112,326	4,103,263
FUND BALANCES, DECEMBER 31	$188,761	$188,462	$6,006,755	$5,818,293

See Accompanying Notes to Financial Statements

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

December 31, 2008

ASSETS	Business-type Activities - Enterprise Funds: WATER AND SEWER UTILITY	STORM DRAINAGE UTILITY	GOLF COURSE FUNDS	TOTAL 2008	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
CURRENT ASSETS:					
Cash and Equivalents	$2,925,749	$281,749	$5,093	$3,212,591	$533,170
Investments	4,417,134	0	0	4,417,134	4,465,000
Receivables (Net of Allowance for Uncollectibles)	1,338,410	220,998	0	1,559,408	64,741
Due from Other Funds	763,000	0	0	763,000	26,320
Inventories	0	0	24,010	24,010	210,337
Prepaid Expenses	38,846	1,755	8,774	49,375	0
RESTRICTED ASSETS - CASH & INVESTMENTS:					
Customer Deposits	54,063	0	0	54,063	0
Revenue Bond Current Debt Service	1,760,134	0	0	1,760,134	0
Revenue Bond Future Debt Service Reserve and Reservoir Reserve	4,529,997	0	0	4,529,997	0
TOTAL CURRENT ASSETS	15,827,333	504,502	37,877	16,369,712	5,299,568
NONCURRENT ASSETS:					
DEFERRED CHARGE:REVENUE BOND ISSUANCE COSTS	126,428	0	0	126,428	0
PROPERTY, PLANT AND EQUIPMENT:					
Land	1,380,623	1,822,775	3,663,369	6,866,767	0
Buildings	35,569,115	0	199,850	35,768,965	1,862,098
Improvements other than Buildings	617,958	1,226,513	1,099,082	2,943,553	2,112
Machinery and Equipment	1,644,463	0	375,322	2,019,785	9,358,529
Infrastructure	32,254,229	5,046,238	0	37,300,467	0
Construction in Progress	1,079,262	1,647,466	20,459	2,747,187	0
	72,545,650	9,742,992	5,358,082	87,646,724	11,222,739
(Less) Accumulated Depreciation	(36,657,737)	(1,162,167)	(695,819)	(38,515,723)	(4,840,991)
NET PROPERTY, PLANT, AND EQUIPMENT	35,887,913	8,580,825	4,662,263	49,131,001	6,381,748
TOTAL NONCURRENT ASSETS	36,014,341	8,580,825	4,662,263	49,257,429	6,381,748
TOTAL ASSETS	$51,841,674	$9,085,327	$4,700,140	$65,627,141	$11,681,316

See Accompanying Notes to Financial Statements

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

December 31, 2008

	Business-type Activities - Enterprise Funds				
LIABILITIES AND FUND EQUITIES	WATER AND SEWER UTILITY	STORM DRAINAGE UTILITY	GOLF COURSE FUNDS	TOTAL 2008	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
LIABILITIES					
Current Liabilities (Payable from Current Assets)					
Accounts Payable & Accrued Expenses	$375,666	$85,797	$44,998	$506,461	$209,677
Due to Other Funds	0	0	156,319	156,319	0
Accrued Interest on Contracts	421	0	54,268	54,689	0
Compensated Absences	49,255	2,134	14,696	66,085	28,245
Claims and Judgments	0	0	0	0	145,681
Matured Bonds Payable	919,211	0	0	919,211	0
Contract Payable	0	0	0	0	0
Gift Certificates	0	0	46,875	46,875	0
Current Liabilities (payable from Restricted Assets)					
Accrued Revenue Bond Interest	33,821	0	0	33,821	0
Deposits	54,063	0	8,789	62,852	0
TOTAL CURRENT LIABILITIES	1,432,437	87,931	325,945	1,846,313	383,603
Noncurrent Liabilities					
Compensated Absences (Net of Current Portion)	119,154	5,183	57,520	181,857	0
Revenue Bonds Payable (Net of Current Portion)	9,165,000	0	0	9,165,000	0
Unamortized Premium	280,585	0	0	280,585	0
(Less) Unamortized Bond Discount	(54,625)	0	0	(54,625)	0
Due to Other Funds	0	0	137,485	137,485	0
Other Long Term Debt/Contracts Payable	0	0	0	0	0
TOTAL NONCURRENT LIABILITIES	9,510,114	5,183	195,005	9,710,302	0
TOTAL LIABILITIES	10,942,551	93,114	520,950	11,556,615	383,603
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	25,803,702	8,580,825	4,662,263	39,046,790	6,381,748
Net Assets Restricted for Debt Service	6,202,247	0	0	6,202,247	0
Unrestricted	8,893,174	411,388	(483,074)	8,821,489	4,915,965
TOTAL NET ASSETS	$40,899,123	$8,992,213	$4,179,190	$54,070,526	$11,297,713

See Accompanying Notes to Financial Statements

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

For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds				
	WATER AND SEWER UTILITY	STORM DRAINAGE UTILITY	GOLF COURSE FUNDS	TOTAL 2008	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Charges for Services/Fees-Water	$3,066,484	$0	$0	$3,066,484	$0
Charges for Services/Fees-Sewer	6,574,598	0	0	6,574,598	0
Charges for Sales and Services	0	1,583,303	1,074,788	2,658,091	3,041,802
Other Operating Revenue	80,387	0	98,224	178,611	120,838
TOTAL OPERATING REVENUES	9,721,469	1,583,303	1,173,012	12,477,784	3,162,640
OPERATING EXPENSES					
Administrative and General-Water	1,145,971	0	0	1,145,971	0
Administrative and General-Sewer	769,138	0	0	769,138	0
Administrative and General	0	532,695	308,695	841,390	520,515
Maintenance & Operations-Water	2,052,521	0	0	2,052,521	0
Maintenance & Operations-Sewer	3,086,034	0	0	3,086,034	0
Maintenance & Operations	0	572,338	646,557	1,218,895	2,404,527
Miscellaneous Taxes	385,156	53,245	38,090	476,491	0
Depreciation	0	146,120	19,758	165,878	600,232
Depreciation-Water	468,636	0	0	468,636	0
Depreciation-Sewer	1,718,255	0	0	1,718,255	0
TOTAL OPERATING EXPENSES	9,625,711	1,304,398	1,013,100	11,943,209	3,525,274
OPERATING INCOME (LOSS)	95,758	278,905	159,912	534,575	(362,634)
NON-OPERATING REVENUES (EXPENSES)					
Miscellaneous Interest Revenue	426,673	5,837	1,674	434,184	186,513
Debt Issuance Costs	(123,200)	0	0	(123,200)	0
Interest Expense	(392,861)	0	(6,169)	(399,030)	0
Gain (Loss) on Property Dispositions	(8,187)	0	0	(8,187)	101,129
Other non-operating income (expenses)	17,008	75,000	0	92,008	0
TOTAL NON-OPERATING REVENUES	(80,567)	80,837	(4,495)	(4,225)	287,642
INCOME BEFORE CONTRIBUTIONS & TRANSFERS	15,191	359,742	155,417	530,350	(74,992)
TRANSFERS					
Transfers In	0	0	0	0	588,586
Transfers (Out)	(100,735)	(18,510)	(376,452)	(495,697)	(48,625)
CAPITAL CONTRIBUTIONS					
Water	57,250	0	0	57,250	0
Sewer	37,875	0	0	37,875	0
Other	0	109,840	0	109,840	0
CHANGE IN NET ASSETS	9,581	451,072	(221,035)	239,618	464,969
TOTAL NET ASSETS - BEGINNING	40,889,541	8,541,141	4,400,225	53,830,907	10,823,936
Prior Period Items	0	0	0	0	8,807
TOTAL NET ASSETS	$40,899,122	$8,992,213	$4,179,190	$54,070,525	$11,297,712

See Accompanying Notes to Financial Statements

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds				
	WATER AND SEWER UTILITY	STORM DRAINAGE UTILITY	GOLF COURSE FUNDS	TOTAL 2008	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
Cash flows from operating activities:					
Cash received from customers	$9,344,123	$1,542,747	$1,166,889	$12,053,759	$2,837,684
Other Operating Revenues	0	0	0	0	291,890
Cash payments to suppliers	(1,412,235)	(575,998)	(333,961)	(2,322,194)	(927,000)
Cash payments for operating expenses	(3,531,711)	(5,266)	(26,321)	(3,563,298)	(1,347,382)
Cash payments to employees for services	(2,062,826)	(494,997)	(555,478)	(3,113,301)	(513,125)
Taxes-Employer/State Excise	(385,156)	(53,245)	(38,090)	(476,491)	0
Due to Other Funds	0	0	32,444	32,444	0
Net cash provided by operating activities	1,952,195	413,241	245,483	2,610,919	342,067
Cash flows from noncapital financing activities:					
Repayment of proceeds from P.W. Trust Loan/ State Revolving	(84,210)	0	0	(84,210)	0
Net borrowing (repayment) loan agreement	0	0	130,000	130,000	0
Interest paid on interfund loan	0	0	(6,169)	(6,169)	0
Operating Grants Received	17,008	75,000	0	92,008	0
Insurance Recovery	0	0	0	0	0
Transfers in	0	0	0	0	588,586
Transfers (out)	(100,735)	(18,510)	(376,452)	(495,697)	(48,625)
Net cash provided by noncapital financing activities	(167,937)	56,490	(252,621)	(364,068)	539,961
Cash flows from capital and related financing activities:					
Proceeds from capital debt	10,000,000	0	0	10,000,000	
Debt retirement	(5,533,014)	0	0	(5,533,014)	
Acquisition and construction of capital assets	(702,206)	(358,323)	(8,308)	(1,068,837)	(1,686,394)
Proceeds from sale of equipment	(8,187)	0	0	(8,187)	243,862
Principal paid on revenue bonds	(905,000)	0	0	(905,000)	0
Interest paid on revenue bonds and contracts	(393,656)	0	0	(393,656)	0
Capital contributed	95,125	109,840	0	204,965	0
Payments on bond issuance	240,677	0	0	240,677	0
Net cash used for capital and related financing activities	2,793,739	(248,483)	(8,308)	2,536,948	(1,442,532)
Cash flows from investing activities:					
Purchase of investment securities	(4,417,134)	0	0	(4,417,134)	(4,465,000)
Proceeds from sale of investments	7,829,000	40,000	15,000	7,884,000	5,341,000
Interest and dividends on investments	431,679	5,837	1,674	439,190	198,546
Net cash used in investing activities	3,843,545	45,837	16,674	3,906,056	1,074,546
Net increase (decrease) in cash and cash equivalents	8,421,542	267,085	1,228	8,689,855	514,042
Cash and cash equivalents at beginning of year	848,401	14,664	3,865	866,930	19,128
Cash and cash equivalents at end of year	$9,269,943	$281,749	$5,093	$9,556,785	$533,170

See Accompanying Notes to Financial Statements

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds				
	WATER AND SEWER UTILITY	STORM DRAINAGE UTILITY	GOLF COURSE FUNDS	TOTAL 2008	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
Reconciliation of operating income to net cash provided by operating actitivies					
Operating income (loss)	$95,759	$278,905	$159,912	$534,576	($362,634)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	2,186,891	146,120	19,758	2,352,769	600,232
Non-operating receipts	0	0	0	0	0
Change in assets and liabilities:					
(Increase) Decrease in accounts receivable	(363,517)	(40,556)	0	(404,073)	(33,068)
(Increase) Decrease in inventory	0	0	12,164	12,164	(2,233)
(Increase) Decrease in prepaid expenses	0	0	0	0	0
Increase (Decrease) in accounts payable/wages	33,062	28,772	53,649	115,483	139,768
Total adjustments	1,856,436	134,336	85,571	2,076,343	704,699
Net cash provided by operating activities	$1,952,195	$413,241	$245,483	$2,610,919	$342,065
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Vehicle trade-ins				$0	$74,500
Gain or loss on property disposition				(8,187)	101,129
Capital asset contributions from developers				571,240	0
DISCLOSURE OF CASH AND CASH EQUIVALENTS					
Cash and equivalents				3,212,591	533,170
Customer Deposits				54,063	0
Revenue bond current debt service				1,760,134	0
Revenue bond future debt service reserve				4,529,997	0
Cash and cash equivalents at end of year				$9,556,785	$533,170

See Accompanying Notes to Financial Statements

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS

December 31, 2008

	FIREMEN'S PENSION FUNDS	AGENCY/ CLEARING FUNDS
ASSETS		
Cash and Equivalents	$3,301	$932,477
Investments		
U.S. Government Securities	915,000	1,685,000
Accounts Receivable	0	0
Prepaid Insurance	37,189	0
TOTAL ASSETS	$955,490	$2,617,477
LIABILITIES		
Accounts Payable	$0	$2,274,012
Deposits Payable	0	343,465
TOTAL LIABILITIES	0	2,617,477
NET ASSETS		
Reserved for Employees' Pension Benefits	$955,490	$0

See Accompanying Notes to Financial Statements

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN PLAN NET ASSETS

For the year ended December 31, 2008

	FIREMEN'S PENSION FUNDS
ADDITIONS	
Fire Insurance Premiums	$44,227
Investment Income	
Interest	34,073
TOTAL ADDITIONS	78,300
DEDUCTIONS	
Benefits	51,893
Health Care Payments	37,772
Administrative Expenses	18,400
TOTAL DEDUCTIONS	108,065
CHANGE IN NET ASSETS	(29,765)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of Year	985,255
End of Year	$955,490

See Accompanying Notes to Financial Statements

Notes to Financial Section

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2008, THROUGH DECEMBER 31, 2008

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 it's 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

A Debt Service Fund used to pay LID Bonds from collected assessments.

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 twelve times during the fiscal year, resulting in an

increase in appropriations of $10,366,049. 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 remainder of the 2007-2008 biennial period. Since this is what is left after 2007 actual revenues and expenditures are subtracted, some of the budgetary figures may be in the negative.

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 $11,280,215, money market was $102,674, and the bank balance was $8,736,210, which includes Lynnwood Municipal Court funds in the amount of $55,658. These Court 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 Federal Deposit Insurance Corporation (FDIC) insures the City's deposit and investments up to $250,000. All bank deposits not covered by FDIC are covered under the State of Washington Public Deposit Protection Commission Act (PDPCA) of 1969. Cash held in the Local Government Investment Pool is managed by the Washington State Treasurer's Office. This pool represents an interest in a group of securities and has no specific security subject to custodial risk.

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. State law defines eligible investments to only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.250 and 43.84.080). Eligible 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.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy applies the prudent person standard: Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment purposes. All Agency securities in our portfolio are rated AAA and the Certificates of Deposit are covered by the FDIC and PDPCA. The Washington State Local Government Investment Pool is a Rule 2a7-like pool and is unrated.

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.

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%

Interest Rate Risk: In accordance with its investment policy, the City manages its exposure to declines in faire 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.

Investments	Fair Value (in Thousands)	Weighted Average Maturity (Years)
Federal Home Loan Bank	5,629,263	0.63
Federal National Mortgage Association	1,504,845	0.21
Federal Home Loan Mortgage Corp	3,029,893	0.27
Federal Farm Credit Bank	2,278,358	0.19
Washington State Investment Pool	11,455,916	--
Total Fair Value	$23,898,275	1.30

As of December 31, 2008 the fair value of the City's investment portfolio was $23,898,275, of which, $12,442,359 was invested in US Treasuries and Agencies and $11,455,916 was invested with the Washington State Treasurer's Investment Pool.

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 *	$12,442,359
Certificates of Deposits	11,280,215
US Bank Checking	8,736,210
Money Market	102,674
Petty Cash, Change Funds & Advance Travel	31,175
Deposit with Fiscal Agent	255,000
Local Government Investment Pool	11,455,916
Total	$44,303,549

* Net of discount and premium

As Reflected in the Financial Statements:

Cash and Cash	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Unit	Total
Equivalents	3,059,818	3,266,654	6,326,472	935,778	7,262,250
Investments	23,733,533	10,707,265	34,440,798	2,600,000	37,040,798

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 $218,111 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 $1,080,856 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 2008, but not billed until 2009.

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 $5,642,630 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:

ASSET CLASS	USEFUL LIFE (YRS)
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 $3,086,914 accrued in 2008 compared to $2,617,316 in 2007. This represents an overall increase of approximately 17.9%.

The liability for accumulated vacation and sick leave at December 31, 2008, is $3,334,856, 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 2008:

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 97 member cities and 162 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, 2007 and 2008 were $1,242,382 and $1,321,289 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 $733,000 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 estimate for 2008 was not obtainable from Brown & Brown by submittal due date of this report. 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 Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
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, 2008, through April 23, 2009.

INSURANCE IN FORCE

December 31, 2008

INSURANCE COMPANY/COVERAGE	POLICY NUMBER	AMOUNT OF COVERAGE
Cities Insurance Association of Washington (CIAW) including Police Liability and Excess Liability Deductible: $25,000	GP06302090	$10,000,000
CIAW - Public officials and employee liability Deductible: $25,000 Mismanagement, Negligence, Employment practices	GP06302090	$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	TZ683	$50,000,000
Business interruption covered Boiler & Machinery: $25,000		$50,000,000
CIAW - Employee Dishonesty Bond	GP06302090	$1,000,000
Public Officials Deductible: $10,000	10611322	$1,000,000
AIG Life Insurance Company Accidental death or dismemberment: for 7 Council Members & Mayor	GTP8041025	$100,000
AIG Life Insurance Company	SRG0009118452-N	
Accidental death or dismemberment: $250		$25,000
Medical benefits for Volunteers: $250		$2,500
Colony Insurance – Pollution Coverage Undercover Storage Tank – Treatment Plant Deductible: $5,000	WA629729-6	$1,000,000
Steadfast Insurance – Pollution Liability Waste Water Treatment Plant Deductible: $25,000	PLC902891003	$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 2008, the City's regular tax levy was $1.920 (includes a special $.50 for Emergency Medical Services) per $1,000 on a total assessed valuation of $5,417,851,993 for total taxes of $9,962,083.

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.

	GENERAL	SPECIAL REVENUE	DEBT SERVICE
Revenues reported on the basis of GAAP	$40,269,274	$6,731,979	$858,450
Accounts receivable outstanding - 2007	4,718	0	0
Accounts receivable outstanding – 2008	(246,230)	0	0
Interest revenue accrual - 2007	330,073	0	0
Interest revenue accrual - 2008	(298,414)	0	0
Back out unbudgeted funds (LID Debt Service Funds)	0	0	(858,450)
Revenues reported on the budget basis of accounting	$40,059,421	$ 6,731,979	$ 0
Other financing sources reported on the basis of GAAP	$ 2,817,035	$ (6,171,369)	$1,196,980
Back out unbudgeted funds (LID Debt Service Funds)	---	---	177,266
Other financing sources reported on the budgetary basis of accounting	$2,817,035	$ (6,171,369)	$1,374,246
Expenditures reported on basis of GAAP	$42,982,027	$ 3,489,129	$2,149,622
Back out unbudgeted funds (LID Debt Service Funds)	---	---	(705,340)
Expenditures reported on the budgetary basis of accounting	$42,982,027	$3,489,129	$ 1,444,282

NOTE 4 - INTERFUND TRANSFERS

The following interfund transactions occurred in 2008:

	TRANSFERS OUT						
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTER PRISE	INTERNAL SERVICE	TOTALS
TRANSFERS IN:							
General	$ 0	$4,715,765	$177,266	$ 362,295	$ 0	$ 0	$ 5,255,326
Special Revenue	342,563	40,964	0	0	0	0	383,527
Debt Service	620,691	152,071	0	225,032	376,452	0	1,374,246
Capital Projects	1,148,000	1,552,417	0	2,161,149	0	0	4,861,566
Enterprise	0	0	0	0	0	0	0
Internal Service	327,037	93,679	0	0	119,245	48,625	588,586
TOTAL	$2,438,291	$6,554,896	$177,266	$2,748,476	$495,697	$48,625	$12,463,251

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 2008:

DUE TO FUND	DUE FROM FUND	BEGINNING BALANCE 1/1/08	LOAN ACTIVITY DURING 2008 NEW LOANS	LOAN ACTIVITY DURING 2008 REPAYMENTS	BALANCE AT 12/31/08
Utility					
	44th Ave. – Timing difference in billing and receipt of grant money	5,100	0	5,100	0
	Park Acq. & Development – Purchase of land to be sold after Completion of park project	400,789	0	400,789	0
	Golf Course – Temporary Cash flow	0	130,000	0	130,000
	Olympic View Drive,- Temporary Cash flow	0	330,000	0	330,000
	Traffic Signals – Temporary Cash Flow	0	225,000	0	225,000
	Traffic Operations Center – Temporary Cash flow	122,000	78,000	122,000	78,000
TOTALS		$527,889	$ 763,000	$527,889	$763,000

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 1/1/08	ADDITIONS	DELETIONS	BALANCE 12/31/08
Capital assets, not being depreciated:				
Land	$38,620,451	$ 0	$ 0	$38,620,451
Construction in progress	11,732,363	6,377,323	0	18,109,686
Total Capital assets, not being Depreciated	50,352,814	6,377,323	0	56,730,137
Capital assets being depreciated:				
Buildings	26,857,115	0	(2,112)	26,855,003
Improvements Other Than Buildings	15,767,069	59,411	0	15,826,480
Machinery and Equipment	14,089,750	1,782,556	(1,165,103)	14,707,203
Infrastructure	49,781,158	0	0	49,781,158
Total Capital assets being Depreciated	106,495,092	1,841,967	(1,167,215)	107,169,844

Less accumulated depreciation for:				
Buildings	(11,233,991)	(745,843)	0	(11,979,834)
Improvements Other Than Buildings	(11,008,380)	(586,846)	0	(11,595,226)
Machinery and Equipment	(8,831,609)	(846,960)	1,020,482	(8,658,087)
Infrastructure	(20,493,154)	(1,833,059)	0	(22,326,213.)
Total Accumulated Depreciation	(51,567,134)	(4,012,708)	1,020,482	(54,559,360)
Total Capital assets, being Depreciated, net	54,927,958	(2,170,741)	(146,733)	52,610,484
TOTALS, NET	$105,280,772	$4,206,582	$(146,733)	$109,340,621

(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	5,013	46%	--	54%
TOTAL	$2,607,353	38%	10%	52%

A summary of business type property, plant, and equipment at December 31, 2008, follows:

	BALANCE 1/1/08	ADDITIONS	DELETIONS	BALANCE 12/31/08
Capital assets, not being depreciated:				
Land	$6,866,767	$ 0	$ 0	$6,866,767
Construction in progress	1,949,959	797,228	0	2,747,187
Total Capital assets, not being Depreciated	8,816,726	797,228	0	9,613,954
Capital assets being depreciated:				
Buildings	35,793,696	0	(24,731)	35,768,965
Improvements Other Than Buildings	2,943,552	0	0	2,943,552
Machinery and Equipment	2,007,826	40,452	(28,493)	2,019,785
Infrastructure	37,061,124	239,343	0	37,300,467
Total Capital assets being Depreciated	77,806,197	279,795	(53,224)	78,032,768

Less accumulated depreciation for:				
Buildings	(20,765,012)	(1,369,790)	16,544	(22,118,258)
Improvements Other Than Buildings	(783,518)	(26,675)	0	(810,193)
Machinery and Equipment	(1,673,451)	(41,558)	28,493	(1,686,516)
Infrastructure	(12,986,010)	(914,746)	0	(13,900,756)
Total Accumulated Depreciation	(36,207,991)	(2,352,769)	45,037	(38,515,723)
Total Capital assets, being Depreciated, net	41,598,206	(2,072,974)	(8,187)	39,517,045
TOTALS, NET	$50,414,932	$(1,275,746)	$(8,187)	$49,130,999

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

Governmental activities:	
General government	$367,896
Public Safety	348,567
Transportation	2,856,345
Culture & Recreation	439,900
Total Governmental Activities	$4,012,708
Business-type activities:	
Water	$468,636
Sewer	1,718,255
Golf	19,758
Storm Drainage	146,120
Total Business-type Activities	$2,352,769

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 $188,646 of revenue in 2008 from leases and rental income. Two tenants remained at the end of 2008 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.

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, 2008:

	BALANCE 1/1/08	ADDITIONS	REDUCTIONS	BALANCE 12/31/08	CURRENT PORTION
GOVERNMENTAL ACTIVITIES:					
General obligations bonds	$ 7,342,883	$ 0	$ 1,090,220	$ 6,252,663	$1,142,970
Special assessment bonds	5,475,000	0	380,000	5,095,000	(1) 590,000
Other post-employment Benefits	424,864	396,791	0	821,655	
Compensated absences	2,617,316	2,536,791	2,067,193	3,086,914	805,234
LTGO BANS 2008 (2)	0	25,480,000	0	25,480,000	
ACTIVITIES	$15,860,063	$28,413,582	$3,537,413	$40,736,232	$2,538,204
BUSINESS TYPE ACTIVITIES:					
Revenue bonds	$6,205,000	$10,000,000	$6,205,000	$10,000,000	$835,000
Other long-term debt (includes Capital Leases)	168,415	0	84,211	84,204	84,204
Compensated absences	212,765	97,688	62,511	247,942	66,085
TOTAL – BUSINESS TYPE ACTIVITIES	$6,586,180	$10,097,688	$6,351,722	$10,332,146	$985,289

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.
(2) This is a line of credit, and no draws have been taken as of the end of 2008.

Long-term debt at December 31, 2008, consisted of the following:

GENERAL OBLIGATIONS BONDS

ISSUE NAME	% INT. RATES	ISSUE DATE	MATURITY DATE	AUTHORIZED	OUTSTANDING 1/1/08	CHANGES	12/31/08
1996 G.O. Bonds	4.0-5.75	1996	2011	$6,740,000	1,930,000	$(555,000)	$1,375,000
1998 G.O. Bonds	4.0-5.0	1998	2017	4,550,000	2,820,000	(225,000)	2,595,000
2005 G.O. Bonds	4.75-6.0	1999	2019	1,795,107	1,284,854	(86,067)	1,198,787
2001 G.O. Bonds	4.00-4.375	2001	2012	1,365,000	730,000	(135,000)	595,000
State Capital Loan *	4.07851	2002	2012	377,666	207,575	(38,232)	169,343
State Capital Loan *	4.03673	2004	2014	534,295	370,454	(50,921)	319,533
LTGO BANS 2008	**	2008	2011	25,480,000	0	25,480,000	25,480,000
Total General Obligation Bonds				$40,842,068	$7,342,883	$24,389,780	$31,732,663

*State Capital Asset Loan pledging non-voted GO Debt Capacity.
**Interest at 82% of Banks prime rate at time of draw. No draw has been made as of December 31, 2008.

REVENUE BONDS

ISSUE NAME	% INT. RATES	ISSUE DATE	MATURITY DATE	AUTHORIZED	OUTSTANDING 1/1/08	CHANGES	12/31/08
1996 Water & Sewer Refunding Bonds	4.0-6.0	1996	2013	$13,775,000	$6,205,000	$(6,205,000)	$0
2008 Utility Improvement Refunding Bonds	4.0-5.0	2008	2027	$10,000,000	$0	$10,000,000	$10,000,000
Total Revenue Bonds				$23,775,000	$6,205,000	$3,795,000	$10,000,000

OTHER LONG-TERM DEBT

ISSUE NAME	% INT. RATES	ISSUE DATE	MATURITY DATE	AUTHORIZED	OUTSTANDING 1/1/08	CHANGES	12/31/08
Public Works Trust Fund Loan	1.0	1989	2009	$1,500,000	$168,415	$(84,211)	$84,204
Total Other Long-term Debt				$1,500,000	$168,415	$(84,211)	$84,204

SPECIAL ASSESSMENT BONDS

ISSUE NAME	% INT. RATES	ISSUE DATE	MATURITY DATE	AUTHORIZED	OUTSTANDING 1/1/08	CHANGES	12/31/08
1999 LID Bonds	4.10-6.40	1999	2021	$11,898,787	$5,475,000	$(380,000)	$5,095,000
Total Special Assessment Bonds				$11,898,787	$5,475,000	$(380,000)	$5,095,000

The annual total requirements to amortize the debt outstanding for general obligation, revenue bonds, special assessment and installment notes payable as of December 31, 2008, including interest, are as follows:

YEAR ENDING 12/31	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2009	$1,642,970	$595,938	$919,211	$406,692	$3,564,811
2010	1,550,405	481,720	1,060,000	372,450	3,464,575
2011	1,524,143	432,326	1,100,000	330,050	3,386,519
2012	1,132,360	352,415	1,145,000	286,050	2,915,825
2013	919,645	293,391	1,170,000	240,250	2,623,286
2014-2018	3,908,575	733,954	1,380,000	858,400	6,880,929
2019-2027	414,565	23,303	3,310,000	696,200	4,444,068
	$11,092,663	$2,913,047	$10,084,211	$3,190,092	$27,280,013

At December 31, 2008, the City has $301,707 available in debt service funds to service the general obligation bonds. Additionally, there is $6,344,194 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 it's 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 it's 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.

BANS

The City issued Limited Tax General Obligation Bond Anticipation Notes in 2008 for the principal amount of not to exceed $25,480,000. The purpose is to provide temporary funding for renovating, improving and expanding the City's Recreation Center. The City may make periodic draws under the line of credit, and the Bank must honor those draws by advancing money to the City. The Note and the line of credit mature on December 1, 2011. The interest rate is variable at 82% of the Bank's prime rate.

Revenue Bonds

The 2008 Utility System Improvement and Refunding Bonds were issued on March 24, 2008. Proceeds were used to advance refund all of the City's outstanding Water and Sewer Revenue and Refunding Bonds, 1996, part of the cost of carrying out a portion of the plan of additions as well as to pay for administrative and issuance costs. Annual principal payments range from $255,000 to $1,170,000 with interest varying from 2.52% to 5.0% 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 Standard and Poor's rating of AA.

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, 2008, all refunded bonds outstanding have been removed from the City's books.

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, 2008, are as follows:

Purpose	% of AV	Remaining Capacity	Notes
General Government	2-1/2%	$ 98,540,610	($46,551,584 is Councilmanic)
Park and Open Space	2-1/2%	$129,972,565	
Utility	2-1/2%	$129,972,565	

Bond Ratings

At December 31, 2008, the City held the following bond ratings:

Bond Type	Standard & Poors
General Obligation	AA-
Revenue - Utility	AA

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 I 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 I and Plan 2 are vested after completion of 5 years of eligible service.

Plan I 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 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2007:

Retirees and Beneficiaries Receiving Benefits	71,244
Terminated Plan Members Entitled to but not Yet Receiving Benefits	26,583
Active Plan Members Vested	105,447
Active Plan Members Nonvested	52,575
Total	255,849

Each biennium, the state Pension Funding Council adopts Plan I 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, 2008 were:

	PERS Plan I	PERS Plan 2	PERS Plan 3
Employer	8.31%*	.31%*	.31%**
Employee	6.00%	.45%	***

* 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:

	PERS Plan I	PERS Plan 2	PERS Plan 3
2008	$46,642	$915,284	121,254
2007	$34,732	$672,264	78,172
2006	$22,924	$337,250	38,294

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 I 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 I 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:

Term of Service	Percent of Final Average
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 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2007:

Retirees and Beneficiaries Receiving Benefits	9,085
Terminated Plan Members Entitled to but not yet Receiving Benefits	633
Active Plan Members Vested	12,904
Active Plan Members Nonvested	3,708
Total	26,330

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, 2008 were:

	LEOFF Plan I	LEOFF Plan II
Employer	16%*	5.46%*
Employee	0.00%	8.83%
State	N/A	3.53%

* 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:

	LEOFF Plan I	LEOFF Plan II
2008	$290	$590,844
2007	$277	$515,400
2006	$689	$423,527

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 71 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2007:

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Nonvested	2,755
Total	2,755

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, 2008, were as follows:

Employer*	43%
Employee	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, were as follows:

2008	24,741
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, 2008, 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. This cost was funded out of the Firemen's Pension Fund.

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

	2006	2007	2008
Annual required contribution (ARC)			
Annual Normal Cost – Beginning of Year	$ 0	$ 0	$ 0
Amortization of UAAL – Beginning of Year	15,419	15,419	38,216
Interest to End of Year	848	848	1,911
ARC at End of Year (not less than 0)*	16,267	16,267	40,127
Interest on Net Pension Obligation (NPO)	(5,636)	(4,942)	(3,788)
Adjustment to ARC	(7,545)	(6,768)	(5,627)
Annual Pension Cost (APC)	18,176	18,093	41,966

Employer Contributions**	5,544	3,998	(11,945)
Change in NPO	12,632	14,095	53,911
NPO at Beginning of Year	(102,481)	(89,849)	(75,754)
NPO at End of Year	$(89,849)	$(75,754)	$(21,843)

* 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

Fiscal Year	Employer Contributions	Fire Insurance Premiums	Employer Contributions	Required Contributions	Percentage Contributed
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
2008	(56,172)	44,227	(11,945)	40,127	(30)

THREE-YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as Percentage of APC	Net Pension Obligation
12/31/2006	18,176	31	(89,849)
12/31/2007	18,093	22	(75,754)
12/31/2008	41,966	(29)	(21,843)

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.

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 it's 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, 2008, was $13,640,717, and $18,882,795 for the year 2007.

NOTE 10 - PRIOR YEAR RESTATEMENTS AND CHANGES IN ACCOUNTING ESTIMATES

There were no prior restatements or changes in accounting estimates in 2008.

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 2008, the City of Lynnwood competed the second year of the biennial budget period. The 2008 calendar year had no operating budget deficits.

NOTE 12 - DEFICITS IN FUND EQUITY

Transit Support Projects had a deficit of $5,076 due to final retainage paid on the project. There was a $158,669 deficit in Traffic Signals due to an interfund loan and retainage accrual. There is $65,363 for Roadway Surfacing due to a shortage of capital budgeted to be transferred into the fund and some late winter damage repaired. The $34,678 in Traffic Operations Center was 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 2008 reporting year. Justice Programs has $390 that was used to clear out a fund that has no transaction in it in 2008. The General Fund adjusted for an overpayment from State leasehold tax of $109,666, and made an adjustment for investment consolidation of $85,907 that was used in 2007. The Equipment Rental Fund made an adjustment for $8,807 for capital assets. The I-5/196th Pedestrian Bridge fund reported $521,704 in revenue that belonged in deferred revenue.

NOTE 14 - SUBSEQUENT EVENTS

The City issued Limited Tax General Obligation Bonds, Series A and Refunding Series B. The Series A Bond proceeds will be used to pay the cost of purchasing and installing computer software, equipment for police vehicles and golf course equipment. The Series B Bond proceeds will be used to pay the cost of refunding the City's outstanding Limited Tax General Obligation Refunding Bonds, 1996 and Limited Tax General Obligation Bonds, 1998. A portion of the proceeds from the Series A and Series B Bonds will be used to pay the cost of issuing the Bonds.

NOTE 15 - LITIGATION

The City of Lynnwood has a number of existing 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 2008, the City had the following:

Vehicle trade-ins	$74,500
Gain or loss on property disposition	92,942
Capital asset contributions from developers	571,240

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	$3,745,761
Customer Deposits	54,063
Revenue Bond Current Debt Service	1,760,134
Revenue Bond Future Debt Service Reserve	4,529,997
	10,089,955

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 $821,655 is included as a noncurrent liability on the Statement of Net Assets.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

	2007	2008
Annual required contribution (ARC)		
Annual Normal Cost – Beginning of Year	$ 33,083	$33,083
Amortization of UAAL – Beginning of Year	1,117,271	1,117,271
Interest to End of Year	57,518	57,518
ARC at End of Year (not less than 0)*	1,207,872	1,207,872
Interest on Net OPEB Obligation (NPO)	0	0
Adjustment to ARC	0	0
Annual OPEB Cost (APC)	1,207,872	1,207,872
Employer Contributions**	783,008	811,081
Change in Net OPEB Obligation	424,864	396,791
NPO at Beginning of Year	0	424,864
NPO at End of Year	$424,864	821,655

* The assumed interest rate, is 5.0% in 2008.

ANNUAL OPEB COSTS

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	$1,207,872	64.8% *	$424,864
12/31/2008	1,207,872	32.0%	821,655

RETIREE MEDICAL AND LONG-TERM CARE VALUATION

Valuation Date	12/31/2007
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	3,007,000
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.

Year	Pension	Medical	Long-Term Care	Grand Total
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

Required Supplemental Information

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
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

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

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

Combining and Individual Funds

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 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.

36th/35th Avenue West Improvements This project includes the design and enhancements to the roadway to accommodate the increase in traffic.

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

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

Hardware/Software Upgrades This fund was set up to purchase and install a new City telephone system, purchase new computers and associated software.

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.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	SPECIAL REVENUE FUNDS			
	STADIUM CONVENTION CENTER	DRUG ENFORCEMENT	CRIMINAL JUSTICE RESERVE	STREET
ASSETS				
Cash and Equivalents	$113,359	$8,358	$183,280	$87,954
Investments	750,000	597,674	570,000	300,000
Receivables	0	0	0	1,759
TOTAL ASSETS	$863,359	$606,032	$753,280	$389,713
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$8,964	$64	$18,511	$21,576
Interfund Loans Payable	0	0	0	0
Unearned Revenue	0	0	218,081	0
Deferred Revenue	0	0	0	0
TOTAL LIABILITIES	8,964	64	236,592	21,576
FUND BALANCES				
Reserve for Paths & Trails	0	0	0	0
Reserve for Debt Service	0	0	0	0
Unreserved	854,395	605,968	516,688	368,137
TOTAL FUND BALANCES	854,395	605,968	516,688	368,137
TOTAL LIABILITIES & FUND BALANCES	$863,359	$606,032	$753,280	$389,713

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	SPECIAL REVENUE FUNDS				
	ARTERIAL STREET	CUMULATIVE PARK RESERVE & DEVELOPMENT	CUMULATIVE ART RESERVE	CUMULATIVE AID CAR RESERVE	EMS PROPERTY TAX
ASSETS					
Cash and Equivalents	$61,125	$18,171	$16,262	$38,139	$8,984
Investments	250,000	85,000	30,000	0	175,000
Receivables	0	0	0	0	0
TOTAL ASSETS	$311,125	$103,171	$46,262	$38,139	$183,984
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	0	0	0	0	0
FUND BALANCES					
Reserve for Paths & Trails	0	0	0	0	0
Reserve for Debt Service	0	0	0	0	0
Unreserved	311,125	103,171	46,262	38,139	183,984
TOTAL FUND BALANCES	311,125	103,171	46,262	38,139	183,984
TOTAL LIABILITIES & FUND BALANCES	$311,125	$103,171	$46,262	$38,139	$183,984

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	SPECIAL REVENUE FUNDS		
	TREE FUND RESERVE	PATHS & TRAILS	SOLID WASTE MANAGEMENT
ASSETS			
Cash and Equivalents	$17,760	$48,487	$8,569
Investments	100,000	0	0
Receivables	0	0	3,831
TOTAL ASSETS	$117,760	$48,487	$12,400
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$360	$0	$0
Interfund Loans Payable	0	0	0
Unearned Revenue	0	0	0
Deferred Revenue	0	0	0
TOTAL LIABILITIES	360	0	0
FUND BALANCES			
Reserve for Paths & Trails	0	0	0
Reserve for Debt Service	0	0	0
Unreserved	117,400	48,487	12,400
TOTAL FUND BALANCES	117,400	48,487	12,400
TOTAL LIABILITIES & FUND BALANCES	$117,760	$48,487	$12,400

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	SPECIAL REVENUE FUNDS		
	REVENUE STABILIZATION FUND	PROGRAM DEVELOPMENT FUND	TOTAL
ASSETS			
Cash and Equivalents	$1,000	$220,751	$832,199
Investments	1,999,000	1,500,000	6,356,674
Receivables	0	0	5,590
TOTAL ASSETS	$2,000,000	$1,720,751	$7,194,463
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$0	$30,839	$80,314
Interfund Loans Payable	0	0	0
Unearned Revenue	0	0	218,081
Deferred Revenue	0	0	0
TOTAL LIABILITIES	0	30,839	298,395
FUND BALANCES			
Reserve for Paths & Trails	0	0	0
Reserve for Debt Service	0	0	0
Unreserved	2,000,000	1,689,912	6,896,068
TOTAL FUND BALANCES	2,000,000	1,689,912	6,896,068
TOTAL LIABILITIES & FUND BALANCES	$2,000,000	$1,720,751	$7,194,463

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	DEBT SERVICE FUNDS		
	2001 LTGO REFUNDING BONDS	1996 LTGO REFUNDING BONDS	1998 GO LIBRARY BONDS
ASSETS			
Cash and Equivalents	$28,999	$5,226	$30,469
Investments	0	200,000	0
Receivables	0	0	0
TOTAL ASSETS	$28,999	$205,226	$30,469
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	28,999	205,226	30,469
Unreserved	0	0	0
TOTAL FUND BALANCES	28,999	205,226	30,469
TOTAL LIABILITIES & FUND BALANCES	$28,999	$205,226	$30,469

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	DEBT SERVICE FUNDS		
	800 MHZ INTERLOCAL NOTE	STATE LOCAL LOAN	ENERGY CONSERVATION
ASSETS			
Cash and Equivalents	$16,041	$3,859	$17,113
Investments	0	0	0
Receivables	0	0	0
TOTAL ASSETS	$16,041	$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	16,041	3,859	17,113
Unreserved	0	0	0
TOTAL FUND BALANCES	16,041	3,859	17,113
TOTAL LIABILITIES & FUND BALANCES	$16,041	$3,859	$17,113

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	DEBT SERVICE FUNDS		
	LID GUARANTY	LID 97-1	TOTAL
ASSETS			
Cash and Equivalents	$139,453	$44,800	$285,960
Investments	350,000	0	550,000
Receivables	0	8,085	8,085
TOTAL ASSETS	$489,453	$52,885	$844,045
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	489,453	52,885	844,045
Unreserved	0	0	0
TOTAL FUND BALANCES	489,453	52,885	844,045
TOTAL LIABILITIES & FUND BALANCES	$489,453	$52,885	$844,045

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	CAPITAL PROJECT FUNDS			
	TRANSIT SUPPORT PROJECTS	OLYMPIC VIEW DRIVE	TRAFFIC SIGNALS	ROADWAY SURFACING
ASSETS				
Cash and Equivalents	$0	$321	$1,374	$34,463
Investments	0	0	0	0
Receivables	0	851,259	105,468	7,215
TOTAL ASSETS	$0	$851,580	$106,842	$41,678
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$5,076	$482,750	$40,511	$107,041
Interfund Loans Payable	0	330,000	225,000	0
Unearned Revenue	0	0	0	0
Deferred Revenue	0	0	0	0
TOTAL LIABILITIES	5,076	812,750	265,511	107,041
FUND BALANCES				
Reserve for Paths & Trails	0	0	0	0
Reserve for Debt Service	0	0	0	0
Unreserved	(5,076)	38,830	(158,669)	(65,363)
TOTAL FUND BALANCES	(5,076)	38,830	(158,669)	(65,363)
TOTAL LIABILITIES & FUND BALANCES	$0	$851,580	$106,842	$41,678

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	CAPITAL PROJECT FUNDS				
	SIDEWALKS PEDESTRIAN IMPROVEMENTS	36th/35th Ave West	INTERURBAN OVERPASS 44TH	I-5/196TH PEDESTRIAN BRIDGE	PARK ACQUISTION & DEVELOPMENT
ASSETS					
Cash and Equivalents	$6,400	$6,000	$17,123	$89,960	$7,525
Investments	65,000	270,000	275,000	2,100,000	575,000
Receivables	20,512	0	0	0	0
TOTAL ASSETS	$91,912	$276,000	$292,123	$2,189,960	$582,525
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$4,778	$0	$20,808	$0	$66,735
Interfund Loans Payable	0	0	0	0	0
Unearned Revenue	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
TOTAL LIABILITIES	4,778	0	20,808	0	66,735
FUND BALANCES					
Reserve for Paths & Trails	0	0	0	0	0
Reserve for Debt Service	0	0	0	0	0
Unreserved	87,134	276,000	271,315	2,189,960	515,790
TOTAL FUND BALANCES	87,134	276,000	271,315	2,189,960	515,790
TOTAL LIABILITIES & FUND BALANCES	$91,912	$276,000	$292,123	$2,189,960	$582,525

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	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	$6,797	$3,116	$855	$98,243	$76,996
Investments	45,000	130,000	0	900,000	1,300,000
Receivables	0	0	105,669	0	0
TOTAL ASSETS	$51,797	$133,116	$106,524	$998,243	$1,376,996
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$7,855	$0	$63,202	$0	$0
Interfund Loans Payable	0	0	78,000	0	0
Unearned Revenue	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
TOTAL LIABILITIES	7,855	0	141,202	0	0
FUND BALANCES					
Reserve for Paths & Trails	0	0	0	0	0
Reserve for Debt Service	0	0	0	0	0
Unreserved	43,942	133,116	(34,678)	998,243	1,376,996
TOTAL FUND BALANCES	43,942	133,116	(34,678)	998,243	1,376,996
TOTAL LIABILITIES & FUND BALANCES	$51,797	$133,116	$106,524	$998,243	$1,376,996

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31,2008

	CAPITAL PROJECT FUNDS			
	HARDWARE SOFTWARE UPGRADE	CAPITAL DEVELOPMENT PLAN	TOTAL	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and Equivalents	$22,451	$194,779	$566,403	$1,684,562
Investments	425,000	3,000,000	9,085,000	15,991,674
Receivables	0	0	1,090,123	1,103,798
TOTAL ASSETS	$447,451	$3,194,779	$10,741,526	$18,780,034
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$429,394	$0	$1,228,150	$1,308,464
Interfund Loans Payable	0	0	633,000	633,000
Unearned Revenue	0	0	0	218,081
Deferred Revenue	0	0	0	0
TOTAL LIABILITIES	429,394	0	1,861,150	2,159,545
FUND BALANCES				
Reserve for Paths & Trails	0	0	0	0
Reserve for Debt Service	0	0	0	844,045
Unreserved	18,057	3,194,779	8,880,376	15,776,444
TOTAL FUND BALANCES	18,057	3,194,779	8,880,376	16,620,489
TOTAL LIABILITIES & FUND BALANCES	$447,451	$3,194,779	$10,741,526	$18,780,034

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

For the Year December 31,2008

	SPECIAL REVENUE FUNDS				
	STADIUM CONVENTION CENTER	DRUG ENFORCEMENT	CRIMINAL JUSTICE RESERVE	JUSTICE PROGRAMS	STREET
REVENUES					
Taxes	$577,837	$0	$540,796	$0	$1,139,861
Licenses	0	0	0	0	243,622
Intergovernmental Revenues	511,540	0	70,943	0	567,722
Charges for Services	5	0	49,580	0	50,473
Fines & Forfeits	0	28,182	0	0	0
Miscellaneous - Interest	31,683	26,536	39,970	0	14,490
Other	0	0	2,916	0	1,157
TOTAL REVENUES	1,121,065	54,718	704,205	0	2,017,325
EXPENDITURES					
Current					
General Government	0	0	0	0	0
Public Safety	0	69,640	92,943	0	0
Transportation	0	0	0	0	1,911,677
Physical Environment	0	0	0	0	0
Culture and Recreation	1,040,660	0	0	0	0
Capital Outlay	0	33,703	0	0	39,034
Debt Service					
Principal	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
TOTAL EXPENDITURES	1,040,660	103,343	92,943	0	1,950,711
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	80,405	(48,625)	611,262	0	66,614
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	2,438	0	37,565
Transfers (Out)	(79,063)	(226,699)	(1,508,688)	0	(58,456)
Sale of Capital Assets	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(79,063)	(226,699)	(1,506,250)	0	(20,891)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	1,342	(275,324)	(894,988)	0	45,723
Fund Balances, January 1	853,053	881,292	1,411,676	(390)	322,414
Prior Period Adjustments	0	0	0	390	0
FUND BALANCES, DECEMBER 31	$854,395	$605,968	$516,688	$0	$368,137

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

For the Year December 31,2008

	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	$2,357,123
Licenses	0	0	0	0	0
Intergovernmental Revenues	252,915	3,896	2,330	5,432	0
Charges for Services	0	0	0	0	0
Fines & Forfeits	0	0	0	0	0
Miscellaneous - Interest	21,413	3,295	1,264	1,253	14,156
Other	0	0	0	0	0
TOTAL REVENUES	274,328	7,191	3,594	6,685	2,371,279
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	14,135	0	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	14,135	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	274,328	(6,944)	3,594	6,685	2,371,279
OTHER FINANCING SOURCES (USES)					
Transfers In	300,000	25,125	15,000	0	0
Transfers (Out)	(1,548,264)	0	0	0	(2,376,558)
Sale of Capital Assets	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(1,248,264)	25,125	15,000	0	(2,376,558)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	(973,936)	18,181	18,594	6,685	(5,279)
Fund Balances, January 1	1,285,061	84,990	27,668	31,454	189,263
Prior Period Adjustments	0	0	0	0	0
FUND BALANCES, DECEMBER 31	$311,125	$103,171	$46,262	$38,139	$183,984

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

For the Year December 31,2008

	SPECIAL REVENUE FUNDS		
	TREE FUND RESERVE	PATHS & TRAILS	SOLID WASTE MANAGEMENT
REVENUES			
Taxes	$0	$0	$55,082
Licenses	4,964	0	0
Intergovernmental Revenues	0	0	19,963
Charges for Services	0	0	2,920
Fines & Forfeits	0	0	0
Miscellaneous - Interest	0	0	0
Other	0	0	890
TOTAL REVENUES	4,964	0	78,855
EXPENDITURES			
Current			
General Government	0	0	0
Public Safety	0	0	0
Transportation	0	0	0
Physical Environment	5,450	0	78,190
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	5,450	0	78,190
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(486)	0	665
OTHER FINANCING SOURCES (USES)			
Transfers In	0	3,399	0
Transfers (Out)	0	0	0
Sale of Capital Assets	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	3,399	0
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	(486)	3,399	665
Fund Balances, January 1	117,886	45,088	11,735
Prior Period Adjustments	0	0	0
FUND BALANCES, DECEMBER 31	$117,400	$48,487	$12,400

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

For the Year December 31,2008

	REVENUE STABILIZATION FUND	PROGRAM DEVELOPMENT FUND	TOTAL
REVENUES			
Taxes	$0	$0	$4,670,699
Licenses	0	0	248,586
Intergovernmental Revenues	0	0	1,434,741
Charges for Services	0	0	102,978
Fines & Forfeits	0	0	28,182
Miscellaneous - Interest	0	87,770	241,830
Other	0	0	4,963
TOTAL REVENUES	0	87,770	6,731,979
EXPENDITURES			
Current			
General Government	0	2,002	2,002
Public Safety	0	1,991	164,574
Transportation	0	185,610	2,097,287
Physical Environment	0	14,094	97,734
Culture and Recreation	0	0	1,054,795
Capital Outlay	0	0	72,737
Debt Service			
Principal	0	0	0
Interest and Fiscal Charges	0	0	0
TOTAL EXPENDITURES	0	203,697	3,489,129
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	(115,927)	3,242,850
OTHER FINANCING SOURCES (USES)			
Transfers In	0	0	383,527
Transfers (Out)	0	(757,168)	(6,554,896)
Sale of Capital Assets	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	(757,168)	(6,171,369)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND-ITURES & OTHER USES	0	(873,095)	(2,928,519)
Fund Balances, January 1	2,000,000	2,563,007	9,824,197
Prior Period Adjustments	0	0	390
FUND BALANCES, DECEMBER 31	$2,000,000	$1,689,912	$6,896,068

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

For the Year December 31,2008

	DEBT SERVICE FUNDS			
	2001 LTGO REFUNDING BONDS	1996 LTGO REFUNDING BONDS	1998 GO LIBRARY BONDS	800 MHZ INTERLOCAL NOTE
REVENUES				
Taxes	$0	$0	$0	$0
Licenses	0	0	0	0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Fines & Forfeits	0	0	0	0
Miscellaneous - Interest	0	0	0	0
Other	0	0	0	0
TOTAL REVENUES	0	0	0	0
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	0
Capital Outlay	0	0	0	0
Debt Service				
Principal	135,000	555,000	225,000	116,965
Interest and Fiscal Charges	30,932	103,050	135,758	30,898
TOTAL EXPENDITURES	165,932	658,050	360,758	147,863
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(165,932)	(658,050)	(360,758)	(147,863)
OTHER FINANCING SOURCES (USES)				
Transfers In	152,071	601,484	361,164	147,848
Transfers (Out)	0	0	0	0
Sale of Capital Assets	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	152,071	601,484	361,164	147,848
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND-ITURES & OTHER USES	(13,861)	(56,566)	406	(15)
Fund Balances, January 1	42,860	261,792	30,063	16,056
Prior Period Adjustments	0	0	0	0
FUND BALANCES, DECEMBER 31	$28,999	$205,226	$30,469	$16,041

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

For the Year December 31,2008

	DEBT SERVICE FUNDS		
	STATE LOCAL LOAN	ENERGY CONSERVATION	LID GUARANTY
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	0	23,443
Other	0	0	0
TOTAL REVENUES	0	0	23,443
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	38,232	50,921	0
Interest and Fiscal Charges	8,080	14,446	0
TOTAL EXPENDITURES	46,312	65,367	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(46,312)	(65,367)	23,443
OTHER FINANCING SOURCES (USES)			
Transfers In	46,312	65,367	0
Transfers (Out)	0	0	(177,266)
Sale of Capital Assets	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	46,312	65,367	(177,266)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	0	0	(153,823)
Fund Balances, January 1	3,859	17,113	643,276
Prior Period Adjustments	0	0	0
FUND BALANCES, DECEMBER 31	$3,859	$17,113	$489,453

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

For the Year December 31,2008

	DEBT SERVICE FUNDS	
	LID 97-1	TOTAL
REVENUES		
Taxes	$0	$0
Licenses	0	0
Intergovernmental Revenues	7,866	7,866
Charges for Services	0	0
Fines & Forfeits	0	0
Miscellaneous - Interest	750	24,193
Other	0	0
TOTAL REVENUES	8,616	32,059
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		0
Principal	25,000	1,146,118
Interest and Fiscal Charges	0	323,164
TOTAL EXPENDITURES	25,000	1,469,282
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,384)	(1,437,223)
OTHER FINANCING SOURCES (USES)		
Transfers In	0	1,374,246
Transfers (Out)	0	(177,266)
Sale of Capital Assets	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	1,196,980
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND-ITURES & OTHER USES	(16,384)	(240,243)
Fund Balances, January 1	69,269	1,084,288
Prior Period Adjustments	0	0
FUND BALANCES, DECEMBER 31	$52,885	$844,045

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

For the Year December 31,2008

	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	2,535,915	0	297,006	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	2,535,915	0	297,006	0
EXPENDITURES					
Current					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Transportation	0	0	0	0	1,473,676
Physical Environment	0	0	0	0	0
Culture and Recreation	0	0	0	0	0
Capital Outlay	0	3,106,214	0	759,434	0
Debt Service					
Principal	0	0	0	0	0
Interest and Fiscal Charges	0	0	27	0	0
TOTAL EXPENDITURES	0	3,106,214	27	759,434	1,473,676
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	(570,299)	(27)	(462,428)	(1,473,676)
OTHER FINANCING SOURCES (USES)					
Transfers In	0	591,004	5,120	0	1,327,297
Transfers (Out)	0	0	0	0	0
Sale of Capital Assets	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	591,004	5,120	0	1,327,297
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	0	20,705	5,093	(462,428)	(146,379)
Fund Balances, January 1	(5,076)	18,125	(5,093)	303,759	81,016
Prior Period Adustments	0	0	0	0	0
FUND BALANCES, DECEMBER 31	($5,076)	$38,830	$0	($158,669)	($65,363)

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

For the Year December 31,2008

	CAPITAL PROJECT FUNDS				
	SIDEWALKS PEDESTRIAN IMPROVEMENTS	36th/35th AVE WEST	INTERURBAN OVERPASS 44TH	I-5/196TH PEDESTRIAN BRIDGE	PARK ACQUISTION & DEVELOPMENT
REVENUES					
Taxes	$0	$0	$0	$0	$0
Licenses	0	0	0	0	0
Intergovernmental Revenues	97,470	276,000	(8,428)	0	94,733
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	97,470	276,000	(8,428)	0	94,733
EXPENDITURES					
Current					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Transportation	18,418	0	0	112,933	0
Physical Environment	0	0	0	0	0
Culture and Recreation	0	0	0	0	14,301
Capital Outlay	118,404	0	332,245	106,929	331,860
Debt Service					
Principal	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	19,164
TOTAL EXPENDITURES	136,822	0	332,245	219,862	365,325
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(39,352)	276,000	(340,673)	(219,862)	(270,592)
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	300,000	0	600,000
Transfers (Out)	0	0	0	0	0
Sale of Capital Assets	0	0	0	0	494,719
TOTAL OTHER FINANCING SOURCES (USES)	0	0	300,000	0	1,094,719
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPEND-ITURES & OTHER USES	(39,352)	276,000	(40,673)	(219,862)	824,127
Fund Balances, January 1	126,486	0	311,988	2,409,822	(308,337)
Prior Period Adustments	0	0	0	0	0
FUND BALANCES, DECEMBER 31	$87,134	$276,000	$271,315	$2,189,960	$515,790

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

For the Year December 31,2008

	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	$478,737	$478,737
Licenses	0	0	0	0	0
Intergovernmental Revenues	0	0	609,880	0	0
Charges for Services	0	0	0	0	0
Fines & Forfeits	0	0	0	0	0
Miscellaneous - Interest	0	0	0	65,917	58,085
Other	0	0	0	0	0
TOTAL REVENUES	0	0	609,880	544,654	536,822
EXPENDITURES					
Current					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Transportation	0	0	19,567	0	0
Physical Environment	0	0	0	0	0
Culture and Recreation	0	0	0	0	0
Capital Outlay	7,856	21,697	886,530	0	0
Debt Service					
Principal	0	0	0	0	0
Interest and Fiscal Charges	0	0	659	0	0
TOTAL EXPENDITURES	7,856	21,697	906,756	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,856)	(21,697)	(296,876)	544,654	536,822
OTHER FINANCING SOURCES (USES)					
Transfers In	0	0	298,307	0	0
Transfers (Out)	0	0	0	(1,191,004)	(763,696)
Sale of Capital Assets	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	298,307	(1,191,004)	(763,696)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	(7,856)	(21,697)	1,431	(646,350)	(226,874)
Fund Balances, January 1	51,798	154,813	(36,109)	1,644,593	1,603,870
Prior Period Adjustments	0	0	0	0	0
FUND BALANCES, DECEMBER 31	$43,942	$133,116	($34,678)	$998,243	$1,376,996

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

For the Year December 31,2008

	CAPITAL PROJECT FUNDS			
	HARDWARE SOFTWARE UPGRADES	CAPITAL DEVELOPMENT PLAN	TOTAL	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes	$0	$0	$957,474	$5,628,173
Licenses	0	0	0	248,586
Intergovernmental Revenues	0	0	3,902,576	5,345,183
Charges for Services	0	0	0	102,978
Fines & Forfeits	0	0	0	28,182
Miscellaneous - Interest	0	94,828	218,830	484,853
Other	0	0	0	4,963
TOTAL REVENUES	0	94,828	5,078,880	11,842,918
EXPENDITURES				
Current				
General Government	37,940	0	37,940	39,942
Public Safety	0	0	0	164,574
Transportation	0	0	1,624,594	3,721,881
Physical Environment	0	0	0	97,734
Culture and Recreation	0	0	14,301	1,069,096
Capital Outlay	535,841	0	6,207,010	6,279,747
Debt Service			0	
Principal	0	0	0	1,146,118
Interest and Fiscal Charges	0	0	19,850	343,014
TOTAL EXPENDITURES	573,781	0	7,903,695	12,862,106
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(573,781)	94,828	(2,824,815)	(1,019,188)
OTHER FINANCING SOURCES (USES)				
Transfers In	591,838	1,148,000	4,861,566	6,619,339
Transfers (Out)	0	(793,776)	(2,748,476)	(9,480,638)
Sale of Capital Assets	0	206,970	701,689	701,689
TOTAL OTHER FINANCING SOURCES (USES)	591,838	561,194	2,814,779	(2,159,610)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	18,057	656,022	(10,036)	(3,178,798)
Fund Balances, January 1	0	2,538,757	8,890,412	19,798,897
Prior Period Adjustments	0	0	0	390
FUND BALANCES, DECEMBER 31	$18,057	$3,194,779	$8,880,376	$16,620,489

FIDUCIARY FUNDS
COMBINED STATEMENT OF NET ASSETS

December 31, 2008

	ARBITRAGE DEPOSIT FUND	PAYROLL FUND	CLAIMS FUND	COURT TRUST FUND	SUSPENSE FUND	TOTALS
ASSETS						
Cash and Equivalents	$0	$780,033	$979	$55,659	$95,806	$932,477
Investments	0	1,100,000	393,000	0	192,000	1,685,000
TOTAL ASSETS	$0	$1,880,033	$393,979	$55,659	$287,806	$2,617,477
LIABILITIES						
Accounts Payable	$0	$1,880,033	$393,979	$0	$0	$2,274,012
Deposits Payable	0	0	0	55,659	287,806	343,465
TOTAL LIABILITIES	0	1,880,033	393,979	55,659	287,806	$2,617,477
NET ASSETS	$0	$0	$0	$0	$0	$0

See Accompanying Notes to Financial Statements

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the year ended December 31, 2008

	BALANCE 1/1/08	ADDITIONS	DEDUCTIONS	BALANCE 12/31/08
ARBITRAGE DEPOSIT FUND				
Assets				
Cash and Equivalents	$927	$0	$927	$0
Investments	5,000	0	5,000	0
Total Assets	$5,927	$0	$5,927	$0
Liabilities				
Interest Payable	$5,927	$0	$5,927	$0
Total Liabilities	$5,927	$0	$5,927	$0
PAYROLL FUND				
Assets				
Cash and Equivalents	$1,431,355	$43,895,335	$44,546,657	$780,033
Investments	0	1,100,000	0	1,100,000
Total Assets	$1,431,355	$44,995,335	$44,546,657	$1,880,033
Liabilities				
Accounts Payable	$1,431,355	$31,194,997	$30,746,319	$1,880,033
Total Liabilities	$1,431,355	$31,194,997	$30,746,319	$1,880,033
CLAIMS FUND				
Assets				
Cash and Equivalents	$40,525	$38,155,971	$38,195,517	$979
Investments	720,000	410,000	737,000	393,000
Total Assets	$760,525	$38,565,971	$38,932,517	$393,979
Liabilities				
Accounts Payable	$760,525	$37,378,665	$37,745,211	$393,979
Total Liabilities	$760,525	$37,378,665	$37,745,211	$393,979
COURT TRUST FUND				
Assets				
Cash and Equivalents	$114,246	$195,529	$254,116	$55,659
Total Assets	$114,246	$195,529	$254,116	$55,659
Liabilities				
Deposits Payable	$114,246	$195,529	$254,116	$55,659
Total Liabilities	$114,246	$195,529	$254,116	$55,659

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the year ended December 31, 2008

	BALANCE 1/1/08	ADDITIONS	DEDUCTIONS	BALANCE 12/31/08
SUSPENSE FUND				
Assets				
Cash and Equivalents	$1,706	$3,431,740	$3,337,640	$95,806
Investments	362,000	692,000	862,000	192,000
Total Assets	$363,706	$4,123,740	$4,199,640	$287,806
Liabilities				
Deposts Payable	$363,706	$2,649,049	$2,724,949	$287,806
Total Liabilities	$363,706	$2,649,049	$2,724,949	$287,806

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Taxes	$165,926	$577,837	$411,911
Intergovernmental Revenues	1,476,374	511,540	(964,834)
Charges for Services	100	5	(95)
Miscellaneous - Interest	16,633	31,683	15,050
TOTAL REVENUES	1,659,033	1,121,065	(537,968)
EXPENDITURES			
Culture and Recreation	1,059,506	1,040,660	18,846
TOTAL EXPENDITURES	1,059,506	1,040,660	18,846
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	599,527	80,405	(519,122)
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(79,063)	(79,063)	0
TOTAL OTHER FINANCING SOURCES (U:	(79,063)	(79,063)	0
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER	520,464	1,342	(519,122)
Fund Balance, January 1	(38,621)	853,053	891,674
FUND BALANCES, DECEMBER 31	$481,843	$854,395	$372,552

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Fines & Forfeits	($91,477)	$28,182	$119,659
Miscellaneous - Interest	4,603	26,536	21,933
TOTAL REVENUES	(86,874)	54,718	141,592
EXPENDITURES			
Public Safety	315,914	69,640	246,274
Capital Outlay	14,128	33,703	(19,575)
TOTAL EXPENDITURES	330,042	103,343	226,699
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(416,916)	(48,625)	368,291
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	0	(226,699)	(226,699)
TOTAL OTHER FINANCING SOURCES (L	0	(226,699)	(226,699)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER	(416,916)	(275,324)	141,592
Fund Balance, January 1	230,017	881,292	651,275
FUND BALANCES, DECEMBER 31	($186,899)	$605,968	$792,867

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Taxes	$472,176	$582,369	$110,193
Intergovernmental Revenues	45,249	70,943	25,694
Charge for Services	0	49,580	49,580
Fines & Forfeits	0	0	0
Miscellaneous - Interest	15,327	39,970	24,643
Miscellaneous - Other	27,567	2,916	(24,651)
TOTAL REVENUES	560,319	745,778	185,459
EXPENDITURES			
Public Safety	401,838	92,943	308,895
Capital Outlay	954	0	954
TOTAL EXPENDITURES	402,792	92,943	309,849
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	157,527	652,835	495,308
OTHER FINANCING SOURCES (USES)			
Transfers In	2,438	2,438	0
Transfers (Out)	(1,247,230)	(1,508,688)	(261,458)
TOTAL OTHER FINANCING SOURCES (U	(1,244,792)	(1,506,250)	(261,458)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER	(1,087,265)	(853,415)	233,850
Fund Balance, January 1	996,823	1,411,676	414,853
FUND BALANCES, DECEMBER 31	($90,442)	$558,261	$648,703

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Intergovernmental Revenues	$20,000	$0	($20,000)
Miscellaneous - Interest	(381)	0	381
TOTAL REVENUES	19,619	0	(19,619)
EXPENDITURES			
Public Safety	(19,452)	0	(19,452)
Capital Outlay	20,000	0	20,000
TOTAL EXPENDITURES	548	0	548
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	19,071	0	(19,071)
Fund Balance, January 1	0	(390)	(390)
Prior Period Adjustments	0	390	390
FUND BALANCES, DECEMBER 31	$19,071	$0	($19,071)

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Taxes	$1,096,417	$1,139,861	$43,444
Licenses and Permits	(93,612)	243,622	337,234
Intergovernmental Revenues	640,968	567,722	(73,246)
Charge for Services	(15,531)	50,473	66,004
Miscellaneous - Interest	(10,117)	14,490	24,607
Other	39,685	1,157	(38,528)
TOTAL REVENUES	1,657,810	2,017,325	359,515
EXPENDITURES			
Transportation	1,835,604	1,911,677	(76,073)
Capital Outlay	81,866	39,034	42,832
TOTAL EXPENDITURES	1,917,470	1,950,711	(33,241)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(259,660)	66,614	326,274
OTHER FINANCING SOURCES (USES)			
Transfers In	268,999	37,565	(231,434)
Transfers (Out)	(53,336)	(58,456)	(5,120)
TOTAL OTHER FINANCING SOURCES (USES	215,663	(20,891)	(236,554)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USE	(43,997)	45,723	89,720
Fund Balance, January 1	15,852	313,466	297,614
FUND BALANCES, DECEMBER 31	($28,145)	$359,189	$387,334

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, 2008

	BUDGETED AMOUNTS			VARIANCE POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Intergovernmental Revenues	($658,428)	($658,428)	$252,915	$911,343
Miscellaneous - Interest	(6,105)	(6,105)	21,413	27,518
Miscellaneous -Other	300,000	300,000	0	(300,000)
TOTAL REVENUES	(364,533)	(364,533)	274,328	638,861
EXPENDITURES				
TOTAL EXPENDITURES	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(364,533)	(364,533)	274,328	638,861
OTHER FINANCING SOURCES (USES)				
Transfers In	303,000	303,000	300,000	(3,000)
Transfers (Out)	(1,148,264)	(1,798,264)	(1,548,264)	250,000
TOTAL OTHER FINANCING SOURCES (USES)	(845,264)	(1,495,264)	(1,248,264)	247,000
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	(1,209,797)	(1,859,797)	(973,936)	885,861
Fund Balance, January 1	190,000	840,000	1,285,061	445,061
FUND BALANCES, DECEMBER 31	($1,019,797)	($1,019,797)	$311,125	$1,330,922

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Intergovernmental Revenues	($8,839)	$3,896	$12,735
Miscellaneous -Interest	(471)	3,295	3,766
TOTAL REVENUES	(9,310)	7,191	16,501
EXPENDITURES			
Culture and Recreation	(22,629)	14,135	(36,764)
TOTAL EXPENDITURES	(22,629)	14,135	(36,764)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,319	(6,944)	(20,263)
OTHER FINANCING SOURCES (USES)			
Transfers In	25,125	25,125	0
Transfers (Out)	(40,200)	0	40,200
TOTAL OTHER FINANCING SOURCES (US	(15,075)	25,125	40,200
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER US	(1,756)	18,181	19,937
Fund Balance, January 1	0	84,990	84,990
FUND BALANCES, DECEMBER 31	($1,756)	$103,171	$104,927

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Intergovernmental Revenues	$0	$2,330.00	$2,330
Miscellaneous - Interest	61	1,264	1,203
TOTAL REVENUES	61	3,594	3,533
EXPENDITURES			
Capital Outlay	16,523	0	16,523
TOTAL EXPENDITURES	16,523	0	16,523
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,462)	3,594	20,056
OTHER FINANCING SOURCES (USES)			
Transfers In	15,000	15,000	0
TOTAL OTHER FINANCING SOURCES (USES)	15,000	15,000	0
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	(1,462)	18,594	20,056
Fund Balance, January 1	0	27,668	27,668
FUND BALANCES, DECEMBER 31	($1,462)	$46,262	$47,724

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Intergovernmental Revenues	($3,395)	$5,432	$8,827
Miscellaneous - Interest	(186)	1,253	1,439
Miscellaneous - Other	0	0	0
TOTAL REVENUES	(3,581)	6,685	10,266
EXPENDITURES			
TOTAL EXPENDITURES	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,581)	6,685	10,266
Fund Balance, January 1	0	31,454	31,454
FUND BALANCES, DECEMBER 31	($3,581)	$38,139	$41,720

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Taxes	$764,689	$2,357,123	$1,592,434
Miscellaneous - Interest	(9,516)	14,156	23,672
TOTAL REVENUES	755,173	2,371,279	1,616,106
EXPENDITURES			
TOTAL EXPENDITURES	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	755,173	2,371,279	1,616,106
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(2,539,152)	(2,376,558)	162,594
TOTAL OTHER FINANCING SOURCES (USES	(2,539,152)	(2,376,558)	162,594
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	(1,783,979)	(5,279)	1,778,700
Fund Balance, January 1	1,755,028	189,263	(1,565,765)
FUND BALANCES, DECEMBER 31	($28,951)	$183,984	$212,935

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Licenses	$41,004	$4,964	($36,040)
TOTAL REVENUES	41,004	4,964	(36,040)
EXPENDITURES			
Physical Environment	31,295	5,450	25,845
TOTAL EXPENDITURES	31,295	5,450	25,845
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,709	(486)	(10,195)
Fund Balance, January 1	0	117,886	117,886
FUND BALANCES, DECEMBER 31	$9,709	$117,400	$107,691

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, 2008

	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	3,399	3,399	$0
TOTAL OTHER FINANCING SOURCES (L	3,399	$3,399	$0
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER	3,399	3,399	0
Fund Balance, January 1	0	45,088	45,088
FUND BALANCES, DECEMBER 31	$3,399	$48,487	$45,088

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Taxes	$55,092	$55,082	($10)
Intergovernmental Revenues	16,585	19,963	3,378
Charge for Services	7,155	2,920	(4,235)
Miscellaneous - Other	500	890	390
TOTAL REVENUES	79,332	78,855	(477)
EXPENDITURES			
Physical Environment	71,084	78,190	(7,106)
TOTAL EXPENDITURES	71,084	78,190	(7,106)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,248	665	(7,583)
Fund Balance, January 1	0	12,220	12,220
FUND BALANCES, DECEMBER 31	$8,248	$12,885	$4,637

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, 2008

	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
Fund Balance, January 1	0	2,000,000	2,000,000
FUND BALANCES, DECEMBER 31	$0	$2,000,000	$2,000,000

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, 2008

	BUDGETED AMOUNTS			VARIANCE POSITIVE
	ORIGINAL	FINAL	ACTUAL	(NEGATIVE)
REVENUES				
Miscellaneous - Interest	(143,588)	(143,588)	87,770	231,358
TOTAL REVENUES	($143,588)	($143,588)	$87,770	$231,358
EXPENDITURES				
General Government	(6,881)	(6,881)	2,002	(8,883)
Public Safety	1,936	1,936	1,991	(55)
Transportation	466,934	521,934	185,610	336,324
Physical Environment	240,731	240,731	14,094	226,637
Culture and Recreation	29	29	0	29
Capital Outlay	(18,513)	(18,513)	0	(18,513)
TOTAL EXPENDITURES	684,236	739,236	203,697	535,539
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(827,824)	(882,824)	(115,927)	766,897
OTHER FINANCING SOURCES (USES)				
Transfers In	0	55,000	0	(55,000)
Transfers (Out)	(1,331,594)	(1,172,594)	(757,168)	415,426
TOTAL OTHER FINANCING SOURCES (U	(1,331,594)	(1,117,594)	(757,168)	360,426
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER U	(2,159,418)	(2,000,418)	(873,095)	1,127,323
Fund Balance, January 1	2,655,775	2,496,775	2,563,007	66,232
FUND BALANCES, DECEMBER 31	$496,357	$496,357	$1,689,912	$1,193,555

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE-POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	$0	$0	$0
EXPENDITURES			
Debt Service:			
Principal Retirement	135,000	135,000	0
Interest	30,932	30,932	0
TOTAL EXPENDITURES	165,932	165,932	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(165,932)	(165,932)	0
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	165,949	152,071	(13,878)
TOTAL OTHER FINANCING SOURCES (USES)	165,949	152,071	(13,878)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	17	(13,861)	(13,878)
Fund Balance, January 1	0	42,860	42,860
FUND BALANCE, DECEMBER 31	$17	$28,999	$28,982

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE-POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	$0	$0	$0
EXPENDITURES			
Debt Service:			
Principal Retirement	555,000	555,000	0
Interest	103,050	103,050	0
TOTAL EXPENDITURES	658,050	658,050	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(658,050)	(658,050)	0
OTHER FINANCING SOURCES (USES)			
Transfers In	657,113	601,484	(55,629)
TOTAL OTHER FINANCING SOURCES (USES)	657,113	601,484	(55,629)
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(937)	(56,566)	(55,629)
Fund Balance, January 1	0	261,792	261,792
FUND BALANCE, DECEMBER 31	($937)	$205,226	$206,163

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE-POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	$0	$0	$0
EXPENDITURES			
Debt Service:			
Principal Retirement	225,000	225,000	0
Interest	135,758	135,758	0
TOTAL EXPENDITURES	360,758	360,758	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(360,758)	(360,758)	0
OTHER FINANCING SOURCES (USES)			
Transfers In	331,191	361,164	29,973
TOTAL OTHER FINANCING SOURCES (USES)	331,191	361,164	29,973
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USE	(29,567)	406	29,973
Fund Balance, January 1	2	30,063	30,061
FUND BALANCE, DECEMBER 31	($29,565)	$30,469	$60,034

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE-POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	$0	$0	$0
EXPENDITURES			
Debt Service:			
Principal Retirement	45,624	116,965	(71,341)
Interest	102,239	30,898	71,341
TOTAL EXPENDITURES	147,863	147,863	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(147,863)	(147,863)	0
OTHER FINANCING SOURCES (USES)			
Transfers In	147,848	147,848	0
TOTAL OTHER FINANCING SOURCES (USES)	147,848	147,848	0
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(15)	(15)	0
Fund Balance, January 1	8	16,056	16,048
FUND BALANCE, DECEMBER 31	($7)	$16,041	$16,048

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE-POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	$0	$0	$0
EXPENDITURES			
Debt Service:			
Principal Retirement	38,232	38,232	0
Interest	8,080	8,080	0
TOTAL EXPENDITURES	46,312	46,312	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(46,312)	(46,312)	0
OTHER FINANCING SOURCES (USES)			
Transfers In	42,473	46,312	3,839
TOTAL OTHER FINANCING SOURCES (USES)	42,473	46,312	3,839
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(3,839)	0	3,839
Fund Balance, January 1	0	3,859	3,859
FUND BALANCE, DECEMBER 31	($3,839)	$3,859	$7,698

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, 2008

	ORIGINAL AND FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE-POSITIVE (NEGATIVE)
REVENUES			
TOTAL REVENUES	$0	$0	$0
EXPENDITURES			
Debt Service:			
Principal Retirement	50,921	50,921	0
Interest	14,446	14,446	0
TOTAL EXPENDITURES	65,367	65,367	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(65,367)	(65,367)	0
OTHER FINANCING SOURCES (USES)			
Transfers In	59,923	65,367	5,444
TOTAL OTHER FINANCING SOURCES (USES)	59,923	65,367	5,444
EXCESS (DEFICIENCY) OF REVENUES & OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(5,444)	0	5,444
Fund Balance, January 1	0	17,113	17,113
FUND BALANCE, DECEMBER 31	($5,444)	$17,113	$22,557

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

December 31, 2008

ASSETS	EQUIPMENT RENTAL	CENTRAL STORES	SELF-INSURANCE	RESERVE RETIREMENT CONTRIBUTION	TOTAL
CURRENT ASSETS					
Cash and Cash Equivalents	$320,951	$19,544	$178,803	$13,872	$533,170
Investments	3,540,000	50,000	675,000	200,000	4,465,000
Receivables	57,995	6,746	26,320	0	91,061
Inventories	0	210,337	0	0	210,337
TOTAL CURRENT ASSETS	$3,918,946	$286,627	$880,123	$213,872	$5,299,568
FIXED ASSETS					
Depreciable Assets (Net)	6,343,728	38,020	0	0	6,381,748
NET FIXED ASSETS	6,343,728	38,020	0	0	6,381,748
TOTAL ASSETS	$10,262,674	$324,647	$880,123	$213,872	$11,681,316
LIABILITIES AND FUND EQUITY					
CURRENT LIABILITIES					
Accounts Payable	$138,625	$69,348	$1,704	$0	$209,677
Compensated Absences	21,561	6,684	0	0	28,245
Claims and Judgments Payable	0	0	145,681	0	145,681
TOTAL LIABILITIES	160,186	76,032	147,385	0	383,603
NET ASSETS					
Invested in Capital Assets, Net of Debt	6,343,728	38,020	0	0	6,381,748
Unrestricted	3,758,760	210,595	732,738	213,872	4,915,965
TOTAL NET ASSETS	$10,102,488	$248,615	$732,738	$213,872	$11,297,713

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

For Year Ended December 31, 2008

	EQUIPMENT RENTAL	CENTRAL STORES	SELF-INSURANCE	RESERVE RETIREMENT CONTRIBUTION	TOTAL
OPERATING REVENUES					
Charges for Sales and Services	$1,764,073	$701,264	$576,465	$0	$3,041,802
Other Operating Revenues	0	115,626	5,212	0	120,838
TOTAL OPERATING REVENUES	1,764,073	816,890	581,677	0	3,162,640
OPERATING EXPENSES					
Administrative and General	378,818	141,697	0	0	520,515
Operations, Maintenance, and Service	1,278,538	728,912	397,077	0	2,404,527
Depreciation	598,042	2,190	0	0	600,232
TOTAL OPERATING EXPENSES	2,255,398	872,799	397,077	0	3,525,274
NET INCOME LOSS) BEFORE OPERATING TRANSFERS	(491,325)	(55,909)	184,600	0	(362,634)
OPERATING TRANSFERS					
Transfers In	519,430	2,621	0	66,535	588,586
Transfers (Out)	(35,000)	(13,625)	0	0	(48,625)
NET INCOME (LOSS) AFTER OPERATING TRANSFERS	(6,895)	(66,913)	184,600	66,535	177,327
NONOPERATING REVENUE (EXPENSES)					
Interest Revenue	157,121	0	23,148	6,244	186,513
Gain (Loss) on Sale of Fixed Assets	91,679	0	9,450	0	101,129
TOTAL NONOPERATING REVENUE (EXPENSE)	248,800	0	32,598	6,244	287,642
CHANGE IN NET ASSETS	241,905	(66,913)	217,198	72,779	464,969
TOTAL NET ASSETS - BEGINNING	9,851,776	315,528	515,539	141,093	10,823,936
Increase in Contributed Capital	0	0	0	0	0
Prior Period Correction	8,807	0	0	0	8,807
TOTAL NET ASSETS	$10,102,488	$248,615	$732,737	$213,872	$11,297,712

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

	EQUIPMENT RENTAL	CENTRAL STORES	SELF-INSURANCE	RESERVE RETIREMENT CONTRIBUTION	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$1,764,075	$523,464	$550,145	$0	$2,837,684
Other operating revenues	0	286,678	5,212	0	291,890
Cash payments to suppliers for goods and services	0	(529,922)	(397,078)	0	(927,000)
Cash payments for operating expenses	(1,200,261)	(148,825)	1,704	0	(1,347,382)
Cash payments to employees for services	(372,251)	(140,874)	0	0	(513,125)
NET CASH PROVIDED BY OPERATING ACTIVITIES	191,563	(9,479)	159,983	0	342,067
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Insurance Recovery	0	0	0	0	0
Transfers In	519,430	2,621	0	66,535	588,586
Transfers (out)	(35,000)	(13,625)	0	0	(48,625)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	484,430	(11,004)	0	66,535	539,961
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(1,686,394)	0	0	0	(1,686,394)
Proceeds from sale of equipment	234,412	0	9,450	0	243,862
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,451,982)	0	9,450	0	(1,442,532)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(3,540,000)	(50,000)	(675,000)	(200,000)	(4,465,000)
Proceeds from sale and maturities of investment securities	4,452,000	89,000	660,000	140,000	5,341,000
Interest and dividends on investments	169,154	0	23,148	6,244	198,546
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1,081,154	39,000	8,148	(53,756)	1,074,546
Net increase (decrease) in cash and cash equivalents	305,165	18,517	177,581	12,779	514,042
Cash and cash equivalents, January 1	15,786	1,027	1,222	1,093	19,128
CASH AND CASH EQUIVALENTS, DECEMBER 31	$320,951	$19,544	$178,803	$13,872	$533,170

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

	EQUIPMENT RENTAL	CENTRAL STORES	SELF-INSURANCE	RESERVE RETIREMENT CONTRIBUTION	TOTAL
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	($491,325)	($55,909)	$184,600	$0	($362,634)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization expense	598,042	2,190	0	0	600,232
Change in assets and liabilities:					
(Increase) Decrease in accounts receivable	0	(6,748)	(26,320)	0	(33,068)
(Increase) Decrease in inventories	0	(2,233)	0	0	(2,233)
Increase (Decrease) in accounts payable/wages	84,844	53,221	1,703	0	139,768
TOTAL ADJUSTMENTS	682,886	46,430	(24,617)	0	704,699
NET CASH PROVIDED BY OPERATING ACTIVITIES	$191,561	($9,479)	$159,983	$0	$342,065

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.

Capital Assets Used In the Operation of Governmental Funds

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

December 31, 2008 and 2007

	2008	2007
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	$38,620,451	$38,620,451
Buildings	24,992,905	24,992,905
Improvements other than Buildings	15,826,480	15,767,069
Equipment	5,346,766	5,448,980
TOTAL GOVERNMENTAL FUNDS CAPITAL ASETS	$84,786,602	$84,829,405
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
General Fund	$69,564,897	$69,508,379
Street Fund	10,175,397	10,274,718
Library Fund	4,694,093	4,694,093
Cumulative Arts Fund	352,215	352,215
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$84,786,602	$84,829,405

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

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

December 31, 2008

	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY & EQUIPMENT	TOTAL
GENERAL GOVERNMENT					
Administration	$19,759,728	$7,356,945	$683,456	$2,199,718	$29,999,847
TOTAL	19,759,728	7,356,945	683,456	2,199,718	29,999,847
PUBLIC SAFETY					
Police	499,632	2,805,350	31,158	1,190,732	4,526,872
Fire	221,530	3,485,379	110,800	323,164	4,140,873
TOTAL	721,162	6,290,729	141,958	1,513,896	8,667,745
PARKS, RECREATION AND CULTURE					
Parks	17,288,522	2,812,887	5,005,913	812,608	25,919,930
Recreation Center	93,025	3,152,663	180,467	164,344	3,590,499
TOTAL	17,381,547	5,965,550	5,186,380	976,952	29,510,429
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	213,631	10,257,475
TOTAL	278,344	0	9,765,500	213,631	10,257,475
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**	**$15,826,480**	**$5,346,766**	**$84,786,602**

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

For the Fiscal Year Ended December 31, 2008

	JANUARY 1, 2008	ADDITIONS	RETIREMENT	DECEMBER 31, 2008
GENERAL GOVERNMENT				
Administration	$30,076,317	$51,140	$0	$30,127,457
TOTAL	30,076,317	51,140	0	30,127,457
PUBLIC SAFETY				
Police	4,521,004	50,508	44,640	4,526,872
Fire	4,124,751	16,123	0	4,140,874
TOTAL	8,645,755	66,631	44,640	8,667,746
PARKS, RECREATION AND CULTURE				
Parks	25,891,011	28,919	0	25,919,930
Recreation Center	3,590,498	0	0	3,590,498
TOTAL	29,481,509	28,919	0	29,510,428
JOINT SHOP	1,304,798	0	0	1,304,798
TOTAL	1,304,798	0	0	1,304,798
PUBLIC WORKS	10,274,718	0	144,853	10,129,865
TOTAL	10,274,718	0	144,853	10,129,865
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	**$84,829,405**	**$146,690**	**$189,493**	**$84,786,602**

Supplemental Information

GENERAL FUND
SCHEDULE OF EXPENDITURES, COMPARED TO BUDGET

For the Year Ended December 31, 2008

	BUDGETED AMOUNTS			
GENERAL GOVERNMENT	ORIGINAL	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
LEGISLATIVE				
Personnel Services	$189,061	$189,061	$194,717	($5,656)
Supplies	19,806	19,806	4,154	15,652
Other Services and Charges	124,293	124,293	136,426	(12,133)
Intergovernmental Services	0	0	0	0
Total Legislative	333,160	333,160	335,297	(2,137)
JUDICIAL				
Personnel Services	892,509	892,509	877,161	15,348
Supplies	16,753	16,753	26,690	(9,937)
Other Services and Charges	295,911	295,911	530,682	(234,771)
Intergovernmental Services	0	0	0	0
Total Judicial	1,205,173	1,205,173	1,434,533	(229,360)
EXECUTIVE				
Personnel Services	357,878	357,878	347,635	10,243
Supplies	5,318	5,318	9,405	(4,087)
Other Services and Charges	166,233	166,233	130,372	35,861
Intergovernmental Services	38,682	38,682	45,150	(6,468)
Capital Outlay	0	0	0	0
Total Executive	568,111	568,111	532,562	35,549
FINANCE				
Personnel Services	2,203,828	2,203,828	1,772,260	431,568
Supplies	14,572	14,572	34,619	(20,047)
Other Services and Charges	245,255	245,255	365,012	(119,757)
Intergovernmental Services	4,409	4,409	1,588	2,821
Capital Outlay	1,964	1,964	70,495	(68,531)
Total Finance	2,470,028	2,470,028	2,243,974	226,054
INFORMATION SERVICES				
Personnel Services	949,532	949,532	1,034,876	(85,344)
Supplies	144,083	144,083	281,819	(137,736)
Other Services and Charges	695,026	710,786	360,444	350,342
Capital Outlay	20,136	20,136	67,211	(47,075)
Total Data Processing Services	1,808,777	1,824,537	1,744,350	80,187

GENERAL FUND
SCHEDULE OF EXPENDITURES, COMPARED TO BUDGET

For the Year Ended December 31, 2008

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
LEGAL SERVICES				
Other Services and Charges	451,908	451,908	1,002,914	(551,006)
Total Legal Services	451,908	451,908	1,002,914	(551,006)
OTHER GOVERNMENTAL SERVICES				
Personnel Services	812,084	812,084	713,718	98,366
Supplies	173,901	173,901	146,471	27,430
Other Services and Charges	582,900	654,213	695,443	(41,230)
Intergovernmental Services	0	0	0	0
Capital Outlay	(15,513)	(513)	30,492	(31,005)
Total Other Govt Services	1,553,372	1,639,685	1,586,124	53,561
TOTAL GENERAL GOVT	8,390,529	8,492,602	8,879,754	(387,152)
HUMAN SERVICES				
Personnel Services	465,279	465,279	399,252	66,027
Supplies	41,082	41,082	12,342	28,740
Other Services and Charges	226,969	226,969	204,811	22,158
Capital Outlay	27,000	27,000	14,220	12,780
TOTAL HUMAN SERVICES	760,330	760,330	630,625	129,705
PUBLIC SAFETY				
POLICE				
Personnel Services	9,609,642	9,609,642	9,751,610	(141,968)
Supplies	265,789	265,789	287,627	(21,838)
Other Services and Charges	1,370,304	1,370,304	1,283,158	87,146
Intergovernmental Services	813,498	813,498	687,713	125,785
Capital Outlay	964,666	964,666	16,805	947,861
Total Police	13,023,899	13,023,899	12,026,913	996,986

GENERAL FUND
SCHEDULE OF EXPENDITURES, COMPARED TO BUDGET

For the Year Ended December 31, 2008

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
FIRE				
Personnel Services	6,594,053	3,233,157	3,426,153	(192,996)
Supplies	139,043	139,043	76,739	62,304
Other Services and Charges	510,351	510,351	383,976	126,375
Intergovernmental Services	430,142	430,142	393,634	36,508
Capital Outlay	27,006	27,006	0	27,006
Total Fire	7,700,595	4,339,699	4,280,502	59,197
DETENTION AND CORRECTION				
Personnel Services	1,414,622	1,414,622	1,203,310	211,312
Supplies	105,897	105,897	137,637	(31,740)
Other Services and Charges	24,860	24,860	77,880	(53,020)
Intergovernmental Services	446,426	446,426	1,432,642	(986,216)
Capital Outlay	5,518	5,518	0	5,518
Total Detention and Correction	1,997,323	1,997,323	2,851,469	(854,146)
PERMITS AND INSPECTIONS				
Personnel Services	610,336	610,336	763,547	(153,211)
Supplies	(11,146)	(11,146)	6,910	(18,056)
Other Services and Charges	109,479	109,479	80,976	28,503
Capital Outlay	(5,651)	(5,651)	0	(5,651)
Total Permits & Inspections	703,018	703,018	851,433	(148,415)
EMERGENCY SERVICES				
Supplies	0	0	555	(555)
Intergovernmental Services	(1,762)	(1,762)	0	(1,762)
Total Emergency Services	(1,762)	(1,762)	555	(2,317)

GENERAL FUND
SCHEDULE OF EXPENDITURES,COMPARED TO BUDGET

For the Year Ended December 31, 2008

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
AMBULANCE RESCUE				
Personnel Service	296,605	3,657,501	3,629,498	28,003
Supplies	88,859	61,859	104,697	(42,838)
Other Services and Charges	166,984	166,984	126,706	40,278
Capital Outlay	0	27,000	16,123	10,877
Total Ambulance Rescue	552,448	3,913,344	3,877,024	36,320
TOTAL PUBLIC SAFETY	23,975,521	23,975,521	23,887,896	87,625
PHYSICAL ENVIRONMENT				
ENGINEERING				
Personnel Services	2,076,111	2,076,111	2,191,641	(115,530)
Supplies	15,499	15,499	38,663	(23,164)
Other Services and Charges	237,149	237,149	192,643	44,506
Intergovernmental Services	0	0	0	0
Total Engineering	2,328,759	2,328,759	2,422,947	(94,188)
WATERWORKS UTILITIES BILLING				
Personnel Services	148,574	148,574	147,598	976
Supplies	0	0	0	0
Other Services and Charges	2,384	2,384	844	1,540
Total Waterworks Utilities Billing	150,958	150,958	148,442	2,516
COMMUNITY DEVELOPMENT				
Personnel Services	1,855,917	1,855,917	1,450,292	405,625
Supplies	72,306	72,306	37,978	34,328
Other Services and Charges	408,819	408,819	339,129	69,690
Intergovernmental Services	0	0	0	0
Total Community Development	2,337,042	2,337,042	1,827,399	509,643

GENERAL FUND
SCHEDULE OF EXPENDITURES,COMPARED TO BUDGET

For the Year Ended December 31, 2008

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
ANIMAL CONTROL				
Personnel Services	154,126	154,126	150,087	4,039
Supplies	1,794	1,794	874	920
Other Services and Charges	62,561	62,561	55,435	7,126
Total Animal Control	218,481	218,481	206,396	12,085
TOTAL PHYSICAL ENVIRONMENT	5,035,240	5,035,240	4,605,184	430,056
CULTURE AND RECREATION				
PARKS AND RECREATION				
Personnel Services	1,253,531	1,263,531	1,151,466	112,065
Supplies	132,897	142,897	68,925	73,972
Other Services and Charges	301,996	301,996	291,165	10,831
Intergovernmental Services	0	0	0	0
Capital Outlay	0	0	0	0
Total Parks and Recreation	1,688,424	1,708,424	1,511,556	196,868
RECREATION CENTER				
Personnel Services	2,695,269	2,685,269	2,639,085	46,184
Supplies	33,032	95,928	138,217	(42,289)
Other Services and Charges	951,962	750,609	632,792	117,817
Intergovernmental Services	25,927	25,927	14,443	11,484
Capital Outlay	(119,611)	27,389	28,919	(1,530)
Total Recreation Center	3,586,579	3,585,122	3,453,456	131,666
LIBRARY				
Other Services and Charges	64,009	64,009	12,949	51,060
Total Library	64,009	64,009	12,949	51,060
TOTAL CULTURE AND RECREATION	5,339,012	5,357,555	4,977,961	379,594
TOTAL BEFORE DEBT SERVICE	43,500,632	43,621,248	42,981,420	639,828
DEBT SERVICE				
Interest and Fiscal Charges	1,935	1,935	607	1,328
TOTAL GENERAL FUND	$43,502,567	$43,623,183	$42,982,027	$641,156

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2008

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	OTHER IDENTIFICATION NUMBER	EXPENDITURES Pass-Through Awards	EXPENDITURES Direct Awards
Department of Justice				
Office of Juvenile Justice and Delinquency Prevention through the Federal Bureau of Investigation/Missing Missing Children's Assistance	16.543	N/A	$ 936	$ -
Violence Against Women Office through Snohomish County/Violence Against Women Formula Grants	16.588	N/A	1,760	
Bureau of Justice Assistance/Bulletproof Vest Partnership Program	16.607	2009-BU-BX-08044645		5,699
Edward Byrne Memorial Justice Assistance Grant	16.738	2005-DJ-BX-0660		1,427
Total Department of Justice			**$ 2,696**	**$ 7,126**
Department of Housing and Urban Development/				
Office of Community Planning and Development through Shohomish County/Community Development Block Grants/ Entitlement Grants	14.218	CDBG-F 2005 #3	**$ 97,470**	
Department of Homeland Security				
State of Washington Military Department/Disaster Grants -- Public Assistance	97.036	E07-938	18,494	
Homeland Security Division Washington State Patrol/ Port Security Grant Program	97.056	2006-GB-T6-0086 WSP C090238FED	11,667	
Total Department of Homeland Security			**$ 30,161**	**$ -**
Department of Transportation				
National Highway Traffic Safety Administration/				
State and Community Highway Safety through Wash. Assoc. of Sheriffs and Police Chiefs	20.600	N/A	3,000	
State and Community Highway Safety through Washington Traffic Safety Commission	20.600	N/A	13,108	
State and Community Highway Safety/Washington Traffic Safety Commission through Snohomish County Sheriff's Office	20.600	N/A	4,387	
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants through Washington Traffic Safety Commission	20.601	N/A	5,034	
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants/Washington Traffic Safety Commision through Snohomish County Sheriff's Office	20.601	N/A	2,686	
Occupant Protection Incentive Grants through Washington Traffic Safety Commission	20.602	N/A	16,186	
Subtotal National Highway Traffic Safety Commission			44,401	-
SUBTOTAL FEDERAL AWARDS EXPENDED			**$ 174,728**	**$ 7,126**

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2008

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	OTHER IDENTIFICATION NUMBER	EXPENDITURES Pass-Through Awards	EXPENDITURES 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	166,530	
2003 ITS/Intelligent Transportation System Deployment	20.205	ITS-2003(050)	47,911	
Lynnwood Traffic Management Center	20.205	ITS-2005(043)-1	57,758	
Heritage Park Phase 2	20.205	STPE-0715(004)	24,509	
Regional Traffic Operations Center	20.205	CM-9999(365)	210,625	
Olympic View Drive & 176th Signal	20.205	STPH-2548(003)	188,912	
Alderwood Mall Blvd. & 40th Signal	20.205	STPH-2558(001)	108,618	
Olympic View Drive Safety Improvements Phase I	20.205	STPUL-2558(002)	873,500	
Subtotal Highway Planning and Construction Program			1,678,363	0
Total Department of Transportation			**$ 1,722,764**	$ -
TOTAL FEDERAL DIRECT AND INDIRECT EXPENDITURES			**$ 1,853,091**	**$ 7,126**

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, 2008

GRANTOR/PROGRAM TITLE	OTHER IDENTIFICATION NUMBER	CURRENT YEAR EXPENDITURES
Transportation Improvement Board		
Urban Arterial Programs		
Olympic View Drive/168th St. SW to 76th Ave. W	8-1-140(018)-1	$ 1,230,483
Department of Ecology		
Waste Reduction and Recycling	G0800224	19,963
Local Government Storm Water Grant	G0800120	75,000
Total Department of Ecology		$ 94,963
Washington State Department of Health		
Trauma Care Fund/Prehospital Participation	FY08-31M07	$ 1,644
Washington Traffic Safety Commission		
HWY 99 Pedestrian Protection Project	N/A	$ 3,179
Washington State Patrol		
Fire Marshall/Fire Mobilization	N/A	$ 24,536
Washington State Historical Society		
Heritage Park Water Tower	CPF 07-13	$ 71,930
Washing State Arts Commission	N/A	$ 3,750
TOTAL STATE ASSISTANCE		$ 1,430,485

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

NOTES TO THE SCHEDULES OF EXPENDITURES OF FINANCIAL ASSISTANCE

For the Year Ended December 31, 2008

NOTE 1 -- 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 2 -- 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 3 -- NOT APPLICABLE (N/A)

The City was unable to obtain other identification numbers.

NOTE 4 -- AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended in the Federal Indirect Awards for the Port Security Grant Program is $4,667 that was passed through to a subrecipient.

Statistical Section

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.

Net Assets by Component

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related debt	$ 47,384	$ 56,334	$ 73,527	$60,585	$94,387	$95,505	$101,902
Restricted	13,328	11,181	18,105	8,734	11,482	11,403	10,824
Unrestricted	17,970	26,409	14,501	15,588	13,787	15,684	10,394
Total governmental activities net assets	$78,682	$93,924	$106,133	$84,907	$119,656	$122,592	$123,120
Business-type activities							
Invested in capital assets, net of related debt	$41,056	$43,767	$41,982	$43,655	$44,707	$44,126	$39,047
Restricted	3,220	881	(118)	779	695	645	6,202
Unrestricted	11,345	10,593	10,616	9,118	7,937	9,060	8,821
Total business-type activities net assets	$55,621	$55,241	$52,480	$53,551	$53,339	$53,831	$54,070
Primary government							
Invested in capital assets, net of related debt	$88,440	$100,102	$115,508	$104,239	$139,094	$139,631	$140,949
Restricted	16,548	12,062	17,987	9,513	12,177	12,048	17,026
Unrestricted	29,315	37,001	25,117	24,705	21,724	24,744	19,215
Total primary government net assets	$134,303	$149,165	$158,613	$138,458	$172,995	$176,423	$177,190

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.

Changes in Net Assets

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
General government	$ 5,728	$ 6,409	$ 6,518	$ 6,311	$ 6,884	$ 7,087	$ 7,947
Public safety	16,696	16,836	18,424	18,746	21,015	23,222	25,203
Physical Environment	3,423	3,621	3,737	3,508	4,122	4,407	4,594
Transportation	2,472	2,218	2,209	2,189	4,968	5,184	6,052
Human Services	324	356	432	383	458	498	616
Culture and recreation	6,314	5,039	7,002	6,552	6,658	7,154	6,507
Interest on long-term debt	1,451	1,130	1,063	981	959	828	669
Total governmental activities expenses	36,407	35,609	39,385	38,671	45,064	48,380	51,588
Business type activities:							
Water	3,194	3,171	3,348	3,202	3,551	3,604	3,855
Sewer	5,104	5,315	5,294	5,498	5,712	5,945	6,287
Golf	946	912	897	941	832	999	1,019
Storm Water	539	652	645	825	920	1,088	1,304
Total business-type activities expenses	9,783	10,050	10,183	10,467	11,015	11,636	12,465
Total primary government expenses	$46,190	$45,658	$49,568	$49,138	$56,079	$60,016	$64,053
Program Revenues							
Governmental activities:							
Charges for services:							
General government	$1,242	$1,460	$3,269	$3,680	$3,314	$5,465	$6,798
Culture and recreation	1,049	1,169	2,670	1,741	1,652	1,185	1,913
Other activities	3,780	5,265	3,159	2,104	1,979	3,452	3,305
Operating grants and contributions	1,870	967	908	982	1,061	1,690	1,045
Capital grants and contributions	6,697	14,101	10,993	4,135	1,938	1,887	3,918
Total governmental activities program revenues	14,638	22,961	21,000	12,643	9,944	13,679	16,979
Business type activities:							
Charges for services:							
Water	2,535	2,687	2,700	2,844	3,063	3,145	3,075
Sewer	4,123	4,723	4,895	5,019	5,218	5,856	6,575
Golf	1,341	1,323	1,280	1,269	1,205	1,199	1,075
Storm Water	726	766	773	770	785	1,298	1,837
Operating grants and contributions		-					
Capital grants and contributions	482	793	457	1,833	855	666	205
Total business-type activities revenues	9,207	10,292	10,106	11,734	11,126	12,164	12,767
Total primary government program revenue	$23,845	$33,254	$31,107	$24,377	$21,070	$25,843	$29,746
Net (expenses)/revenue							
Governmental activities	($21,769)	($12,647)	($18,385)	($26,028)	($35,120)	($34,701)	($34,609)
Business type activities	(576)	243	(77)	1,267	111	528	302
Total primary government net expense	($22,345)	($12,405)	($18,462)	($24,761)	($35,009)	($34,173)	($34,307)

Changes in Net Assets

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
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	$10,168
Sales taxes	15,236	16,080	16,792	18,339	19,550	20,573	19,255
Other taxes	1,503	2,213	2,285	3,252	4,413	4,267	3,752
Investment earnings	2,467	930	1,150	1,237	1,533	1,965	1,643
Miscellaneous	721	(1)	(500)	60	2,447	23	617
Transfers	341	542	2,532	563	481	532	496
Total governmental activities	27,657	27,720	30,356	31,841	37,186	37,148	35,931
Buisness-type activities:							
Taxes	-	(368)	(366)	-	-	-	-
Investment earnings	760	252	201	307	469	496	434
Transfers	(341)	(542)	(2,532)	(563)	(481)	(532)	(496)
Total business-type activities	419	(658)	(2,697)	(256)	(12)	(36)	(62)
Total primary government	$28,076	$27,062	$27,658	$31,585	$37,174	$37,112	$35,869
Changes in Net Assets:							
Govermental activities	$5,888	$15,073	$11,971	$5,813	$2,066	$2,447	$1,322
Business-type activities	(157)	(415)	(2,774)	1,011	99	492	240
Total primary government	$5,731	$14,657	$9,197	$6,824	$2,165	$2,939	$1,562

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.

Governmental Activities Tax Revenues by Source

Last Seven 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
2008	10,168	19,255	373	160	552	578	1,289	32,375

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.

Fund Balances of Governmental Funds

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General Fund							
Reserved	$ 102	$ 139	$ -	$ -	$ -	$ -	$ -
Unreserved	7,287	6,256	5,331	6,596	6,197	6,197	6,106
Total General Fund	$7,388	$6,395	$5,331	$6,596	$6,197	$6,197	$6,106
All other governmental funds							
Reserved	$3,174	$3,218	$3,081	$2,227	$2,160	$2,038	$1,943
Unreserved	-	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	-
Special revenue funds	9,485	9,853	8,459	8,871	8,935	9,824	6,896
Capital project funds	10,323	9,276	7,972	6,373	9,092	8,890	8,880
Permanent funds	-	-	-	-	-	-	-
Total all other governmental funds	$30,369	$28,742	$24,843	$24,067	$26,384	$26,949	$23,825

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.

Changes in Fund Balances of Governmental Funds

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues							
Taxes	$ 23,929	$ 25,459	$ 26,327	$ 29,174	$ 31,910	$ 33,706	$ 32,157
Licenses and permits	1,503	1,595	1,913	2,143	1,818	2,673	2,411
Intergovernmental	9,137	8,893	8,369	6,981	4,471	5,095	7,354
Charges for services	2,625	3,024	2,861	2,597	2,711	3,091	4,000
Fines	2,055	2,207	1,992	1,927	1,902	3,901	5,081
Investment earnings	2,319	840	1,071	1,099	1,362	1,747	1,457
Miscellaneous	462	617	463	493	479	397	478
Total revenues	42,031	42,635	42,995	44,413	44,653	50,610	52,938
Expenditures							
General government	5,793	6,908	6,698	6,567	7,114	7,906	8,751
Public safety	16,270	16,254	17,765	18,265	20,164	22,127	24,020
Physical Environment	3,738	3,596	3,986	3,707	3,942	4,376	4,703
Transportation	2,297	1,709	1,693	1,711	2,608	2,850	3,722
Health and Human Services	324	356	432	383	458	498	616
Culture and recreation	5,832	4,488	6,444	6,005	6,065	6,612	6,018
Capital outlay	8,599	8,656	8,637	5,560	2,241	2,379	6,524
Debt service							
Principal	1,850	1,570	1,734	2,712	1,576	1,488	1,501
Interest	1,363	1,053	992	917	904	781	669
Other charges	-	-	-	-	-	-	-
Total Expenditures	46,066	44,590	48,380	45,828	45,072	49,017	56,524
Excess of revenues over (under) expenditure	(4,035)	(1,955)	(5,384)	(1,415)	(419)	1,593	(3,586)
Other financing sources (uses)							
Transfers in	9,213	5,637	8,413	6,428	6,673	6,521	11,875
Transfers out	(9,288)	(5,325)	(8,182)	(5,897)	(6,312)	(7,640)	(11,919)
Refunidng 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	-	702
Total other financing sources (uses)	637	282	783	632	2,826	(1,119)	658
Net change in fund balances	($3,398)	($1,674)	($4,601)	($783)	$2,407	$474	($2,928)

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.

SALES TAX BY CATEGORY

Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Building Materials	$458,846	$471,220	$435,027	$420,060	$434,344	$436,093	$491,883	$545,340	$600,387	$601,277	$520,975
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	2,204,709
Food Stores	204,979	235,489	262,740	219,222	230,744	234,020	224,102	189,199	187,119	229,282	236,293
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	2,837,335
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	2,367,620
Furniture	538,005	648,689	657,836	686,988	635,652	617,177	648,171	808,945	881,811	947,054	750,055
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	1,316,459
Misc Retail Trade	565,253	594,712	636,676	604,141	624,098	636,886	704,706	782,964	846,351	950,222	918,524
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	6,984,366
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	$18,136,336

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

	CITY OF LYNNWOOD								
FISCAL YEAR	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	TOTAL	EDMONDS SCHOOL DISTRICT	SNOHOMISH COUNTY	WASH. STATE	OTHER	TOTAL
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
2008	1.460	0.450	0.000	1.910	3.190	0.720	1.910	0.470	8.200

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

SOURCE: Snohomish County Assessor's Office

PRINCIPAL PROPERTY TAXPAYERS

December 31, 2008

Rank	Party Number	Name	Amount	Percentage of Total Taxable Assessed Value
1	50878910	ALDERWOOD MALL LLC	$132,110,500	2.5%
2	50975603	TRANSWESTERN INVESTMENT CO.	$40,600,500	0.8%
3	50903916	NORTHVIEW CORPORATE CENTER LLC	$38,680,300	0.7%
4	50950203	ECI THREE ALDERWOOD LLC	$37,297,400	0.7%
5	50589161	ALDERWOOD PLAZA LLC	$30,229,500	0.6%
6	21139127	LYNNWOOD CENTER LLC	$28,520,809	0.5%
7	22263851	VERIZON NORTHWEST INC	$25,814,282	0.5%
8	50000521	FRED MEYER STORES INC	$20,793,400	0.4%
9	50964377	MACYS	$20,669,200	0.4%
10	50702174	ALDERWOOD SHOPPING CENTER 04 E LLC	$19,691,800	0.4%
11	21062335	LYNNWOOD SQUARE	$19,517,400	0.4%
12	50913989	WINDSOR CAPITAL GROUP	$19,200,000	0.4%
13	21062200	DESIGN R/E ASSOC LTD	$17,943,800	0.3%
14	50867502	MATTESON LYNWOOD INVESTORS I LLC	$17,574,000	0.3%
15	50596457	ALDERWOOD PARKWAY PLAZA LP	$15,982,900	0.3%
16	11138798	WHISPERING CEDARS	$15,120,000	0.3%
17	50964291	BOLTZ FAMILY LLC	$15,024,000	0.3%
18	21176743	NORDSTROM INC	$14,777,600	0.3%
19	50531799	GFS ALDERWOOD LLC	$14,641,300	0.3%
20	21176738	SEARS ROEBUCK & CO	$14,217,400	0.3%
21	50790703	LOWE'S COMPANIES OF 285	$13,704,400	0.3%
22	50851241	GOLDE CREEK PLAZA LP	$13,668,500	0.3%
23	21002273	JAMES VILLAGE LYNNWOOD INC	$13,331,100	0.3%
24	50905050	D LANGLEY MONTCLAIR HOTEL INVESTORS	$13,120,000	0.3%
25	50474085	LYNNWOOD PLAZA INVESTMENT ASSOC	$12,877,100	0.2%
26	50933539	RH LYNNWOOD CORP CENTER ASSOC LLC	$12,855,100	0.2%
27	50465706	AT&T	$12,819,000	0.2%
28	50871414	J C PENNEY #2011-5	$12,648,700	0.2%
29	50596496	ALDERWOOD PARKWAY PLACE	$12,571,000	0.2%
30	50481325	KILBY CAROL D	$12,116,000	0.2%

(1) Information made available from the Snohomish County Tax Assessor's Office.

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

FISCAL YEAR	TOTAL TAX LEVY	CURRENT TAX COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS TO TAX LEVY	OUTSTANDING DELINQUENT TAXES	PERCENT OF DELINQUENT TAXES TO TAX LEVY
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%
2008	9,962,083	9,776,666	98	169,918	9,946,584	100	246,230	2.47%

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

FISCAL YEAR	POPULATION	ASSESSED VALUE (1)	GROSS BONDED DEBT	DEBT SERVICE FUNDS AVAILABLE	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA	PERCENTAGE OF PERSONAL INCOME (2)
1999	33,140	$2,212,368,299	$13,320,107	$327,207	$12,992,900	0.59%	$392.06	1.45%
2000	32,990	2,635,336,634	12,582,292	316,896	12,265,396	0.47%	371.79	1.22%
2001	34,010	2,647,682,807	11,919,231	334,220	11,585,011	0.44%	340.64	0.95%
2002	33,090	2,677,290,610	11,154,121	349,562	10,804,559	0.40%	326.52	0.97%
2003	34,500	2,713,237,600	10,351,279	351,012	10,000,267	0.37%	289.86	0.93%
2004	34,540	3,258,200,242	10,330,693	373,237	9,957,456	0.31%	288.29	0.90%
2005	34,830	3,434,830,302	9,357,882	369,365	8,988,517	0.26%	258.07	0.88%
2006	35,230	3,967,684,480	8,367,053	331,943	8,035,110	0.20%	228.08	0.78%
2007	35,490	4,639,280,269	7,342,883	371,743	6,971,140	0.15%	196.43	0.67%
2008	35,680	5,198,902,581	6,252,663	301,707	5,950,956	0.11%	166.79	0.67%

(1) Snohomish County Assessor's Office
(2) See the Schedule of Demographic Statistics for personal income information

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			
				PRINCIPAL	INTEREST	TOTAL	COVERAGE
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
2008	10,243,267	7,438,820	2,804,447	835,000	405,850	1,240,850	2.26

* 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

FISCAL YEAR	CURRENT ASSESSMENT DUE (1)	CURRENT ASSESSMENT COLLECTED	RATIO OF COLLECTIONS TO AMOUNT DUE
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%
2008	488,056	481,326	98.62%

(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, 2008

JURISDICTION	NET G.O. DEBT OUTSTANDING(1)	PERCENTAGE APPLICABLE TO LYNNWOOD (2)	AMOUNT APPLICABLE TO LYNNWOOD
City of Lynnwood	$31,431,955	100.00%	$31,431,955
OVERLAPPING			
Edmonds School Dist.	244,230,000	23.194%	56,646,706
Stevens Hospital	4,960,000	21.770%	1,079,792
Snohomish County	373,675,451	5.313%	19,851,508
TOTAL OVERLAPPING	622,865,451		77,578,006
TOTALS	**$654,297,406**		**$109,009,961**

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

(2) Source: Snohomish County Assessors Office

SCHEDULE OF LIMITATION OF INDEBTEDNESS

December 31, 2008

			REMAINING DEBT CAPACITY
Total Taxable Property Value	**$ 5,198,902,581**		
2.5% general purposes limit is allocated between:		$ 129,972,565	
Up to 1.5% debt without a vote (councilmanic)		$ 77,983,539	
Less: outstanding debt		31,732,663	
Less: contracts payable		-	
Less: excess of debt with a vote		-	
Add: available assets		300,708	
Equals: remaing debt capacity without a vote			$ 46,551,584
1% general purposes debt with a vote		$ 51,989,026	
Less: outstanding debt		-	
Less: contracts payable		-	
Add: available assets		-	
Equals: remaining debt capacity with a vote			$ 51,989,026
2.5% utility purpose limit, voted		$ 129,972,565	
Less: outstanding debt		-	
Less: contracts payable		-	
Add: available assets		-	
Equals: remaining debt capacity - utility purpose, voted			$ 129,972,565
2.5% open space, park and capital facilities, voted		$ 129,972,565	
Less: outstanding debt		-	
Less: contracts payable		-	
Add: available assets		-	
Equals: remaining debt capacity - open space park and capital facilities voted			$ 129,972,565

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

FISCAL YEAR	POPULATION	PERSONAL INCOME	PER CAPITA INCOME (1)	MEDIAN AGE (2)	SCHOOL ENROLLMENT(3)	UNEMPLOYMENT RATE (4)
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	35.76	10,336	4.5%
2008	35,680	1,392,145,470	39,017	35.76	9,840	5.2%

(1) Source: Puget Sound Regional Council from Bureau of Economic Analysis for Snohomish County
(2) Source: Office of Financial Management, Olympia, Washington, for Snohomish County
(3) Source: Edmonds School District Administration - number of students in district w/ Lynnwood addresses
(4) Source: Washington State Employment Security Department for Snohomish County annual average for 2008

PRINCIPAL EMPLOYERS

December 31,2008

TAXPAYER	RANK	EMPLOYEES	% OF TOTAL EMPLOYEES
NORDSTROM	1	448	2.24%
MACY'S	2	368	1.84%
VOLUNTEERS OF AMERICA	3	350	1.75%
J C PENNEY	4	314	1.57%
COBALT GROUP, THE	5	286	1.43%
FRED MEYER	6	217	1.09%
RECEIVABLES PERFORMANCE MGT	7	207	1.04%
DIRECTTV HOME SERVICES	8	149	0.75%
PEMCO MUTUAL INSURANCE	9	149	0.75%
SEARS ROEBUCK & CO	10	140	0.70%
ARMSTRONG IN-HOME CARE	11	139	0.70%
VERIZON NORTHWEST	12	128	0.64%
HARRIS FORD	13	126	0.63%
CLAIM JUMPER RESTAURANT	14	125	0.63%
LOWE'S	15	122	0.61%
24 HOUR FITNESS	16	120	0.60%
ALDERWOOD COMMUNITY SERVICES OF	17	120	0.60%
KOHL'S	18	117	0.59%
COSTCO BUSINESS CENTER	19	115	0.58%
SMITHWRIGHT SERVICES	20	114	0.57%
ACCOUNTEMPS OFFICETEAM	21	112	0.56%
MANOR CARE HEALTH SERVICE	22	110	0.55%
OLD SPAGHETTI FACTORY, THE	23	110	0.55%
ROMANO'S MACARONI GRILL	24	108	0.54%
P F CHANG'S CHINA BISTRO	25	101	0.51%
TOTAL		4395	

Information is from City of Lynnwood's Tax Tools software
Total employees in 2008 - 19,999

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Seven Fiscal Years

	Full-Time Equivalent Employees as of December 31							
FUNCTION	2001	2002	2003	2004	2005	2006	2007	2008
General Government	92.25	95.25	94.75	94.75	94.75	95.60	97.25	91.50
Public Safety								
Police								
Officers	65.50	66.50	66.50	68.50	68.50	68.50	72.50	77.00
Civilians	13.00	13.00	14.00	14.00	14.00	14.00	14.00	16.00
Detention and Corrections	12.00	12.00	12.00	12.00	12.00	13.00	15.00	16.00
Animal Control	2.00	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	57.00
Civilians	2.25	2.25	2.25	2.25	2.25	2.15	2.15	3.00
Public Works								
Engineering and Inspections	19.00	19.00	17.00	17.00	17.00	17.00	16.00	24.50
Street Maintenance	25.00	27.50	25.50	25.50	25.50	25.00	20.00	20.00
Water	6.00	10.30	9.00	9.00	9.00	9.00	9.00	5.00
Sewer	19.50	14.70	17.00	17.00	17.00	17.00	17.00	15.00
Storm Drainage	2.00	4.00	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	51.00
Totals	352.25	360.25	366.25	368.25	368.25	370.50	373.50	382.00

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

Information obtained from City of Lynnwood Information Services Department.

OPERATING INDICATORS BY FUNCTION

Function	2007	2008
General Government		
Business Licenses - Resident	2,581	2,549
Business Licenses - Non-Resident	1,662	1,793
Building Permits	1,969	2,084
Public Safety		
Police		
Physical arrests (UCR)	3,590	3,695
Inmates Booked	5,881	6,237
Traffic Violations	18,430	19,327
Fire		
Number of calls answered	6,421	6,354
Inspections	2,490	2,726
Transportation		
Street resurfacing (Miles)	4.25	6.38
Potholes repaired	N/A for 2007	N/A for 2008
Culture and recreation		
Total recreation program registrations	28,071	30,532
Recreation center useage	102,110	109,348
Water		
New connections	44	18
Average dailey consumption		4156 ccf
hydrants inspected/repaired	1,487	1,607
Sewer		
Average dailey sewage treatment	4 MGD	4 MGD

Information obtained from various City departments responsible for the above functions.

This is a new schedule for the City and was first presented in 2007.

CAPITAL ASSET STATISTICS BY FUNCTION

Function	2007	2008
Public Safety		
Police		
Number of stations	1	1
Number of patrol units	31	33
Fire		
Number of stations	2	2
Transportation		
Miles of streets	101.4	101.4
Number of signals	55	56
Number of street lights	2300	2335
Culture and recreation		
Number of parks	17	17
Open space and undeveloped parks	125	125
Miles of trails outside of parks	7.1	7.1
Golf courses	1	1
Recreation centers	1	1
Senior centers	1	1
Water		
Number of consumers	8397	8414
Miles of water mains	120	138
Fire hydrants	1487	1607
Sewer		
Miles of sanitary sewers	102.8	96.6
Number of sewer customers	8032	8045
Maximum dailey treatment plant capacity	14 MGD	14 MGD

Information obtained from various City departments responsible for the above functions.

This is a new schedule for the City and was first presented in 2007.