CITY OF REDMOND, WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CityofRedmond
WASHINGTON

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

PREPARED BY THE FINANCE DEPARTMENT

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redmond Washington

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2005

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 REDMOND ELECTED OFFICIALS

CityofRedmond
WASHINGTON

MAYOR
Rosemarie M. Ives

Rosemarie M. Ives

COUNCIL

Nancy McCormick
President

John "Pat" Vache
Vice President

Kim Allen

Richard Cole

John Marchione

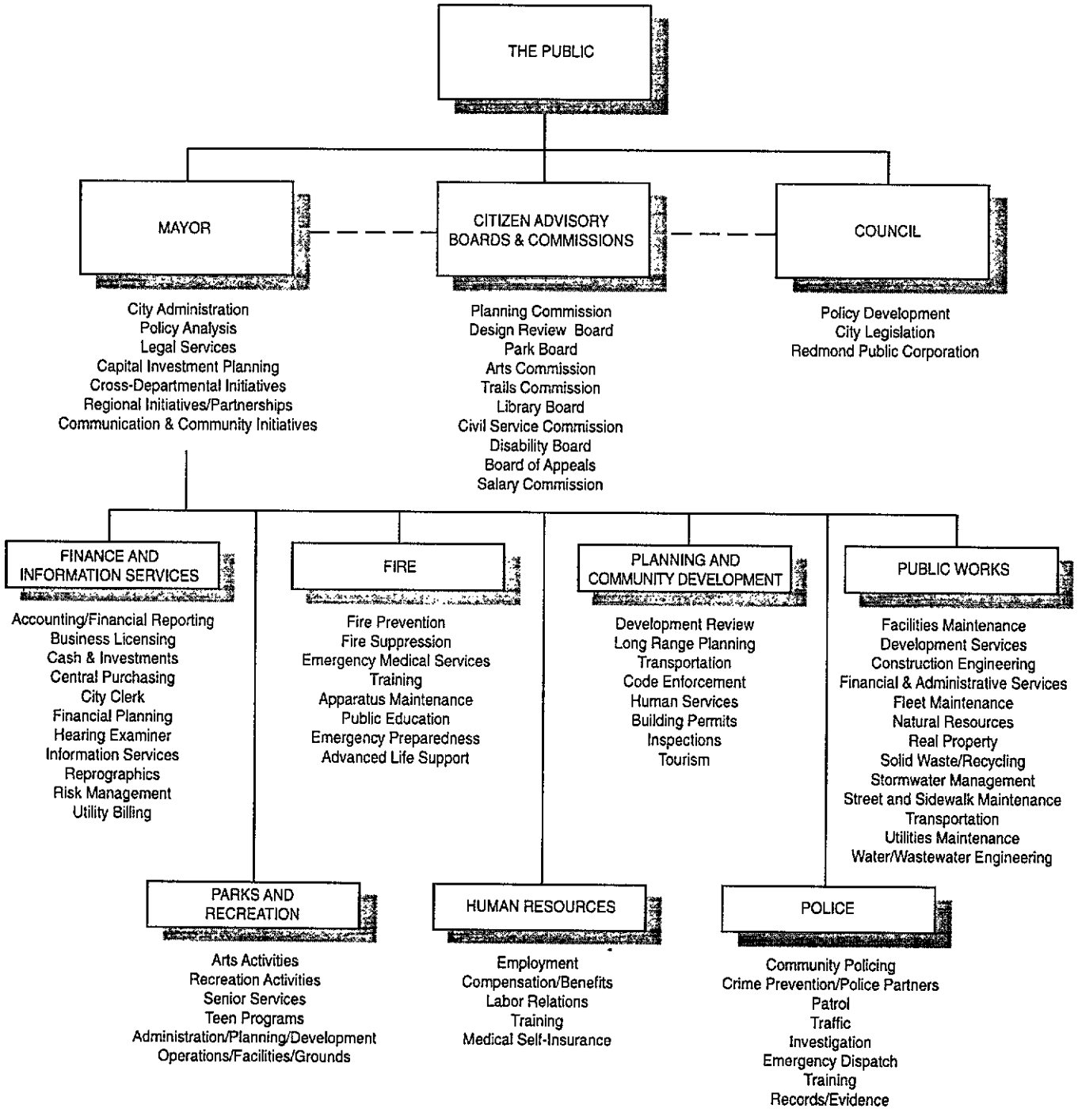
John Resha

Jim Robinson

EXECUTIVE STAFF AND LEGAL COUNSEL

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

CITY OF REDMOND
ORGANIZATIONAL STRUCTURE



City of Redmond
WASHINGTON

June 20, 2007

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

The Comprehensive Annual Financial Report of the City of Redmond for the fiscal year ended December 31, 2006, is submitted herewith. This report is published to comply with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the State Auditor's Office within 150 days after the close of each fiscal year.

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

Cities and counties of the State of Washington must comply with the Budgeting, Accounting and Reporting System (BARS) prescribed by the Office of the State Auditor. State law also provides for an annual independent audit by the Office of the State Auditor.

As a recipient of federal, state, and county financial assistance the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, Budget Circular A-133, *Audits of State and Local Governments*, and the March 2006 Compliance Supplement. This audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit. The results of the City's single annual audit for the fiscal year ended December 31, 2006 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Redmond's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

Incorporated in 1912, Redmond is the sixteenth largest city in the state of Washington encompassing an area of 16.94 square miles east of downtown Seattle on the east side of Lake Washington. Redmond has grown from a population of 1,453 in 1960 to a 2006 population of 49,890.

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

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

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

The City prepares budgets on the modified accrual basis in accordance with the Revised Code of Washington (RCW) 35A.33. Biennial budgets must be adopted by the City Council prior to the first of each odd numbered calendar year. Reviews are conducted at mid-biennium and any changes for the second half of the biennium are adopted by the City Council.

The biennial budget serves as the foundation for the City of Redmond's financial planning and control. The budget is prepared by fund and department. A budget increase or decrease to a fund must be authorized by the City Council, while appropriation changes within a fund may be authorized by the Mayor. All budgets are controlled on a fund basis.

Local Economy

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

Redmond's economy continued to rebound from the economic recession that began in 2001, albeit at a modest rate. Sales tax revenues, employment growth, and development activity all increased as the economy strengthened. For the first time in five years, sales tax revenues for 2006 were above sales tax revenues for 2000 led by sales in the retail and communications sectors. Employment growth in the Puget Sound region was 3.6% in 2006 with expected growth of 2.8% and 2.6%, respectively, in 2007 and 2008. Much of the employment growth in Redmond is led by Microsoft, adding 1,600 to 2,000 new jobs per year at its Redmond campus. Microsoft attracts other technology businesses to the area, contributing further to the employment growth. Development activity is also being pushed by Microsoft as they invest $1 billion over the next three years adding 14 new buildings with 3.1 million square feet of office space. Microsoft has pledged $35 million to support City infrastructure in conjunction with their development projects. Ongoing revenue from these projects to support City operations is not expected to be material. Two other significant projects in the downtown area are a large condominium development and a new Sound Transit center with an adjoining apartment complex scheduled to begin construction in 2007.

To ensure the City keeps abreast of and incorporates economic conditions into its financial plans, revenues are projected for the next six years and the forecast is updated annually. Operating expenses are supported by ongoing revenues per City policy. From 2001 to 2006 significant cost cutting measures were implemented to keep City expenses in line with actual revenues, and this trend will continue into the next biennium.

Long-term Financial Planning and Relevant Financial Policies

In early 2006 the Redmond City Council adopted a 6-year financial plan to address existing service deficiencies. In line with the City's financial policy to maintain a diversified and stable revenue system, the financial strategy calls for increases in four revenue sources for 2006. Three of these revenue sources were increased by Council vote. The utility tax rate and the business license fee increased to ensure residents do not shoulder the entire burden of increased revenues. Developer fees increased to establish user fees at a level related to the cost of providing the service consistent with existing fiscal policies.

The fourth proposed revenue source, an increase in the property tax levy above the 1% maximum allowed by law, was rejected by the voters. The Council will pursue the property tax levy increase with the voters in 2007 to raise the revenues needed to fund some public safety needs and parks programs. Despite these revenue increases, services to the public are expected to continue to decline due to limited resources in the General Fund.

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

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

Major Initiatives

The City received several awards for excellence in 2006 including a Davey, an international creative award, for design of the Focus on Redmond magazine and the Arts in the Parks brochure; a City Livability Award from the U.S. Conference of Mayors and Waste Management for its R-

Trip commute trip reduction program; and a Website Merit Award from the Washington Recreation and Parks Association for the City's tourism website.

Significant construction projects completed in 2006 ranged from well rehabilitation to playground equipment. The City embarked on a Water Source Improvement Project several years ago to completely renovate four of its five wells. Rehabilitation of Well 5 was completed in 2006. Property was acquired to move Wells 1 and 2 from Anderson Park and construction is scheduled to begin in the fall of 2007 or early spring of 2008. Well 3 is scheduled for rehabilitation beginning in the spring of 2007. Well 4 has been rehabilitated and is in operation. Park projects were completed in 2006 at Idylwood Beach Park with the addition of play equipment and at Hartman Park where new field turf and floodlights were installed. Land was acquired and work done to complete a missing section of the Bear Creek Trail and 3.5 acres of open space was acquired at Perrigo Heights.

Two successful ongoing community events were featured in 2006, Derby Days and Redmond Lights. Derby Days, held in mid-July, celebrates the 4th of July holiday and Redmond's bicycling heritage. Community events for the whole family include a carnival, a criterium bicycle race, children's parade, live music for all musical tastes, and family entertainment from jugglers to reptiles. Redmond Lights is the City's annual year-end holiday celebration, running from early December through early January. This event celebrates holiday traditions from many countries and features music, lights, children's crafts, and a food and toy drive.

Other initiatives of note in 2006 were the adoption of school impact fees to be collected by the City on behalf of the Lake Washington School District and the adoption of the North Redmond Neighborhood Plan by the City Council. Neighborhood plans provide guidelines for the infrastructure, public safety, design standards, growth, etc. of neighborhoods and are developed or updated with input from neighborhood citizen committees.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redmond for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005. This was the twenty-first consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The GFOA has also awarded the Distinguished Budget Presentation Award to the City of Redmond for its 2005-2006 biennial budget document. This is the first time in many years the City has submitted its budget to GFOA due to staff limitations in the City's Financial Planning Division. The GFOA gives this award to governments whose budget document meets the GFOA's criteria as an effective policy document, operations guide, financial plan, and communication device.

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

Respectfully submitted,

Lenda Crawford
Finance Director

Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 15, 2007

Mayor and City Council
City of Redmond
Redmond, Washington

We have audited the accompanying financial statements of the the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redmond, King County, Washington, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redmond, King County, Washington, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Advance Life Support Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2006, the City has implemented the Governmental Accounting Standards Board's Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

The management's discussion and analysis on pages 11 through 24 and pension trust fund information on pages 75 through 76 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

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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 79 through 130 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management discussion and analysis section of the City of Redmond's annual financial report provides an overview of the City's financial activities for and financial position at the end of December 31, 2006. This information should be read in conjunction with the preceding letter of transmittal and the financial statements and notes to the financial statements that follow.

Financial Highlights

- Net assets, the amount by which total assets exceed total liabilities, equaled $505,659,895 at the end of 2006. A total of 80% or $403,412,684 of total net assets is invested in capital assets such as streets, land, buildings, and utility pipes. Of the remaining net assets of $102,247,211, the majority are legally restricted, reserved by City policy for specific purposes, or are the net assets of business-type activities restricted for use by the City's utilities.

  The City's net assets increased by $38,579,812 in 2006. The overall increase was split between governmental activities and business-type activities at $22,380,363 and $16,199,449 respectively. The capital asset category of net assets increased $33,112,782 including $11 million contributed by developers. Net assets not invested in capital assets increased $5.4 million between 2005 and 2006.

  In the governmental activities category, net assets not invested in capital assets increased $11,107,691 or 16.3% in 2006. Net assets restricted for Debt Service and Special Revenue Funds increased $5,052,217 while net assets restricted for capital projects rose $830,421. Unrestricted net assets increased $5,225,053. Net assets not invested in capital assets in the business-type activities category declined $5,640,661 or 19.8% between 2005 and 2006.

- Governmental fund balances at year end were $74,545,242, an increase of $11,097,074 or 17.5% from the prior year. Of this amount, $9,058,520 is unreserved and available to fund ongoing activities. $1,550,360 is legally restricted for debt service and the remaining $63,936,362 is legally restricted or reserved by City policy for capital projects ($39,687,938) or Special Revenue Fund purposes ($24,248,424).

- Unreserved fund balance in the general fund was $9,035,080, an increase of $2,853,476 from the prior year. An additional fund balance of $5,073,832 is available in the operating reserve fund to provide the capacity to offset significant downturns and revisions in any general municipal purpose fund in accordance with the City's operating reserve policy.

- Total City debt, excluding special assessment debt, decreased $1,403,258 from 2005 to 2006. Outstanding bonded debt, loans, and long term contracts at year end totaled $46,198,052.

Overview of the Financial Statements

The City's basic financial statements are presented in three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information in addition to the basic financial statements is also contained in this report. This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to give the reader a picture of the financial condition and activities of the City as a whole. This broad overview is similar to the financial reporting of private-sector businesses. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the City include general government (finance, executive, human resources), security (police and fire), physical environment, economic environment, transportation, mental/physical health, and culture and recreation. The City's business-type activities are limited to water/wastewater and stormwater utilities. Governmental activities are primarily supported by taxes, charges for services, and grants while business-type activities are self-supporting through user fees and charges.

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

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

Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Redmond, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions as are reported as governmental activities in the government-wide financial statements. The basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on near term revenues/financial resources and expenditures while the government-wide financial statements include both near term and long term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances.

The City of Redmond maintains twenty-five individual governmental funds. The City's three major governmental funds, the general fund, the advanced life support fund, and the capital improvements program fund are presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column labeled other governmental funds. Individual fund data for each of the other governmental funds can be found in combining statements later on in this report.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement is presented for the general fund and the advanced life support fund as basic financial statements. Other budgetary comparison schedules are included following the other governmental funds' combining statements in this report.

Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City of Redmond has two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various City departments.

Enterprise funds of the City are used to report the same functions presented as business-type activities in the

government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's water/wastewater utility, an Urban Planned Development (UPD) water/wastewater utility outside the city limits, and the City's stormwater utility.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, insurance premiums and claims, medical self-insurance, workmen's compensation self-insurance program, information technology, and one blended component unit, Redmond Community Properties. Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities. Internal service fund assets and liabilities are predominantly governmental and have been included in the governmental activities column of the government-wide statement of net assets.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City of Redmond's activities.

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

Notes to the financial statements

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

Other information

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

The combining statements for other governmental funds, internal service funds, and agency-type fiduciary funds are presented immediately following the required supplementary information.

Government–wide Financial Analysis

Statement of net assets

The statement of net assets can serve as a useful indicator of the City's financial position. The City of Redmond's net assets at December 31, 2005 and 2006 total $467,080,083 and $505,659,895, respectively. Following is a condensed version of the government-wide statement of net assets for 2006 compared to 2005.

City of Redmond's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	$ 95,472,626	$ 85,495,488	$ 30,753,671	$ 32,681,116	$ 126,226,297	$ 118,176,604
Capital assets, net of accumulated depreciation	254,724,288	243,693,358	188,964,942	172,085,401	443,689,230	415,778,759
Total assets	$ 350,196,914	$ 329,188,846	$ 219,718,613	$ 204,766,517	$ 569,915,527	$ 533,955,363
Long-term liabilities	$ 48,714,497	$ 50,072,520	$ 1,116,952	$ 854,691	$ 49,831,449	$ 50,927,211
Other liabilities	12,095,342	12,109,614	2,328,841	3,838,455	14,424,183	15,948,069
Total liabilities	$ 60,809,839	$ 62,182,134	$ 3,445,793	$ 4,693,146	$ 64,255,632	$ 66,875,280
Net assets						
Invested in capital assets, net of related debt	$ 209,980,911	$ 198,708,239	$ 193,431,773	$ 171,591,663	$ 403,412,684	$ 370,299,902
Restricted	23,427,801	17,545,163	-	-	23,427,801	17,545,163
Unrestricted	55,978,363	50,753,310	22,841,047	28,481,708	78,819,410	79,235,018
Total net assets	$ 289,387,075	$ 267,006,712	$ 216,272,820	$ 200,073,371	$ 505,659,895	$ 467,080,083

As noted earlier, the statement of net assets can serve as one indicator of the City's overall financial health. The City of Redmond's assets exceeded liabilities by $505,659,895 as of December 31, 2006 and by $467,080,083 as of December 31, 2005.

The largest component of the City's net assets, 80% or $403,412,684, is its investment in capital assets less any related outstanding debt issued to acquire those assets. These capital assets such as streets, trails, water pipes, parks, fire and police vehicles, are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending. The City has elected the GASB 34 reporting option to include all general infrastructure of the City acquired or substantially renovated since 1980.

The remaining $102,247,211 of net assets represents both restricted and unrestricted assets. Approximately 2.4% or $11,906,381 of the total net assets of the City are legally restricted for general government construction projects such as renovation and construction of sports fields in City parks, and street additions/improvements. The City attempts to fund its capital construction projects on a pay as you go basis, aggressively pursuing transportation grant funding and cost sharing with developers wishing to construct large projects in the City that impact the transportation system. A total of $1,550,360 (.3% of total net assets) is restricted for debt service payments. Net assets of $9,971,060 are restricted for special purposes and designated to fund activities such as advanced life support services, tourism activities, park maintenance and operation, and capital construction transfers.

A total of $78,819,410 represents the unrestricted net assets of the City. The business-type activities portion of $22,841,047 may only be spent on water/wastewater and stormwater utility activities. Maintenance of utility delivery systems (water lines, pump stations, wells), storm drain flushing, water meter reading, and capital construction projects such as well rehabilitation are examples of utility activities. Of the remaining $55,978,363 in funds not subject to legal restrictions, $46,943,283 is reserved for specific activities by City policy. Examples of the net assets reserved by City policy are funds earmarked for equipment replacement, rainy day funds, recreation activities, recycling, capital construction projects funded by general tax revenues, and transportation flow improvements. $9,035,080 of the City's net assets are unreserved.

At the end of the fiscal year, the City of Redmond reported positive balances in all three categories of net assets, for the government as a whole, as well as for the separate governmental and business-type activities.

Changes in net assets

The changes in net assets table illustrates the increases or decreases in net assets of the City resulting from its operating activities. The City of Redmond's net assets increased approximately $38.6 million in 2006. The increase was split between the government activities ($22.4 million) and the business-type activities ($16.2 million).

Following is a condensed version of the City's changes in net assets. The table shows the revenues, expenses, and related changes in net assets in tabular form for the governmental activities separate from the business-type activities for 2005 and 2006. The graphs that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities for 2006.

City of Redmond's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	$ 26,734,394	$ 20,877,123	$ 31,914,057	$ 31,626,370	$ 58,648,451	$ 52,503,493
Operating grants and contributions	6,967,499	5,157,603	-	-	6,967,499	5,157,603
Capital grants and contributions	5,312,005	2,778,360	13,341,158	7,808,693	18,653,163	10,587,053
General revenues						
Property taxes	12,620,764	14,691,641	-	-	12,620,764	14,691,641
Sales taxes	20,070,662	18,647,890	-	-	20,070,662	18,647,890
Other taxes	22,174,191	18,705,429	-	-	22,174,191	18,705,429
Investment interest	3,664,879	1,927,511	1,298,037	785,340	4,962,916	2,712,851
Miscellanoues	588,763	623,081	149,333	63,368	738,096	686,449
Total revenues	$ 98,133,157	$ 83,408,638	$ 46,702,585	$ 40,283,771	$ 144,835,742	$ 123,692,409
Expenses:						
General government	$ 14,024,271	$ 14,497,527	$ -	$ -	$ 14,024,271	$ 14,497,527
Security	34,353,317	31,089,219	-	-	34,353,317	31,089,219
Physical environment	3,394,541	3,054,857	-	-	3,394,541	3,054,857
Economic environment	3,458,336	3,160,282	-	-	3,458,336	3,160,282
Transportation	9,533,011	9,150,474	-	-	9,533,011	9,150,474
Mental/physical health	98,479	94,300	-	-	98,479	94,300
Culture and recreation	8,907,741	8,121,462	-	-	8,907,741	8,121,462
Interest on long term debt	2,012,235	461,621	-	-	2,012,235	461,621
Water/wastewater	-	-	20,915,291	20,617,211	20,915,291	20,617,211
UPD water/wastewater	-	-	3,610,047	4,003,077	3,610,047	4,003,077
Stormwater	-	-	5,948,661	5,332,367	5,948,661	5,332,367
Total expenses	$ 75,781,931	$ 69,629,742	$ 30,473,999	$ 29,952,655	$ 106,255,930	$ 99,582,397
Increases in net assets before transfers and special items	$ 22,351,226	$ 13,778,896	$ 16,228,586	$ 10,331,116	$ 38,579,812	$ 24,110,012
Transfers	29,137	28,494	(29,137)	(28,494)	-	-
Increase in net assets	22,380,363	13,807,390	16,199,449	10,302,622	38,579,812	24,110,012
Net assets - beginning	267,006,712	253,199,322	200,073,371	189,770,749	467,080,083	442,970,071
Net assets - ending	$ 289,387,075	$ 267,006,712	$ 216,272,820	$ 200,073,371	$ 505,659,895	$ 467,080,083

Governmental activities contributed $22,380,363 of the total change in net assets of $38,579,812. The increase in net assets in 2006 was higher than the change in net assets for 2005 by $8.5 million. Key elements of the 2006 increase are as follows:

- The City's net investment in general government capital assets increased $11,272,672 while net assets legally restricted or reserved by City policy for capital expenses increased $830,421 from 2005 to 2006. These two capital asset categories accounted for 54.1% of the total increase in governmental activities net assets. Revenues to fund capital asset purchases and construction are recorded as program or general revenues in the Statement of Activities. These revenues primarily include impact fees, business transportation taxes, developer contributions, Local Improvement District assessments, and grants. The associated asset acquisition costs are not recorded as expenses in the year of acquisition but rather are included in the Statement of Net Assets as capital assets. The asset costs are allocated to expense over the lives of the assets through depreciation. The remaining components of net assets increased 18% or $10,277,270 from 2005 to 2006.

- Governmental revenues increased $14.7 million or 17.6% from 2005 to 2006. Approximately $6 million of this amount is available to fund increases in basic City operating costs. The remaining $8.7 million is legally restricted or reserved by City policy for specific purposes such as capital improvement projects and funding advanced life support services.

- Sales, property, and utility taxes are the primary sources of tax revenue available to fund general city operations. Retail sales and use tax increased $1,422,772 (7.6%) primarily from growth in the retail and telecommunications sectors. Property tax collections available for general use were flat, although total property taxes decreased just over $2 million as the final levy collection was made in 2005 to pay for a voted bond issue. Utility tax revenue was $1.4 million higher in 2006 than in 2005 due primarily to increases in Puget Sound Energy rates near the end of 2005.

- Development fees, including permits, inspections, and plan review services, increased by $1.84 million over 2005. Strong residential and commercial building activity contributed to this growth. Business license revenue available to fund general government activities increased just over $100,000 as the employee base increased. Redmond's business license fee is based on the number of employees working in the City.

- Increases in contract revenues of $900,000 from King County for advanced life support services and $450,000 from other governments for fire services provided by the City were used to pay for the higher costs of these services. The result was no net change to the net assets of the City's governmental activities. Investment interest increased 90% over 2005 due to several increases in interest rates and more cash available to invest. Of the $1.7 million increase in interest revenue, approximately $1 million may be used to fund basic services with the remainder earmarked for capital projects.

- Capital grants and contributions increased $2.5 million. Revenue in this category is restricted for specific purposes by the granting agency or the donor with the majority funding transportation projects.

- Overall, governmental activities expenses increased in 2006 over 2005 by 8.8% at $6,152,189. Personnel costs, which make up about 70% of the City's expenses, increased $1.8 million or 4.2% from 2005. Approximately $460,000 of this increase was due to a 50% increase in the rate charged to the City for retirement benefits by the State Department of Retirement Systems.

- Expenses in the general government function decreased $473,256 in total. A one-time expense in 2005 for furniture in the new City Hall resulted in reduction of expenses between 2005 and 2006 of approximately $1.4 million. This was offset by increased personnel costs, legal fee increases of just over $570,000 due to labor negotiation costs and litigation, and $178,602 in election costs in 2006.

- Other functions with notable increases for 2006 were security, encompassing police, fire, and inspections; transportation; and culture and recreation. Operating expenses for advanced life

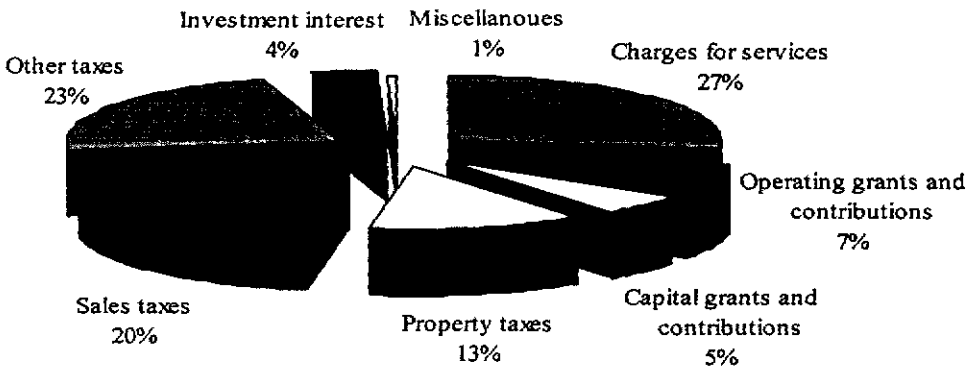
support services in the Fire Department increased approximately $470,000 in 2006. These expenses were funded by additional revenue from King County per contract. Jail costs increased by $330,000 between 2005 and 2006 due to increases in the cost of contracts for jail beds and more arrests by Redmond police. Included in security expenses for the first time in 2006 due to implementation of a new accounting standard is an expense of $437,092 for future medical costs for uniformed personnel accorded full lifetime medical coverage by State law. Other expenses contributing to the increase in security expenses were personnel costs, primarily due to retirement rate increases and vacancies in the Police Department being filled for a full year, start up costs for a new fire station, purchases of emergency response equipment, and higher fuel and energy costs.

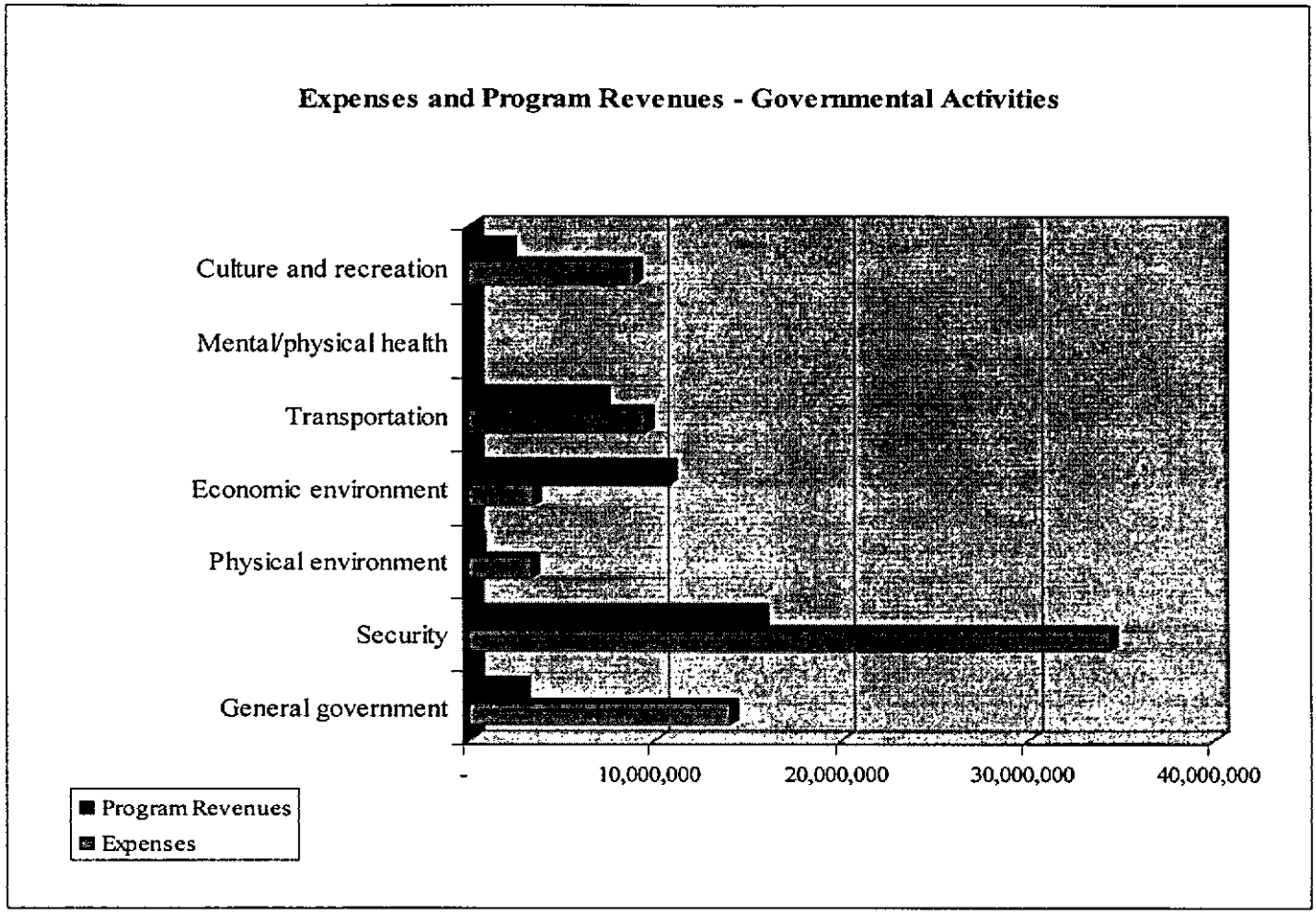
- Transportation function expenses were up $382,537 or about 4.2% in 2006. Personnel costs make up about two-thirds of this increase as salary and benefit costs rise throughout the City. Other contributing factors are depreciation as the City's transportation infrastructure grows and fluctuations from year to year in the cost of street maintenance activities such as repaving and road striping.

- Culture and recreation expenses increased 9.7% or $786,269 in 2006. Popular recreation classes required additional supplemental staff to lead the classes resulting in increased supplemental staff personnel costs. These costs are offset by an increase in recreation class fees. Maintenance and depreciation expenses for City parks increased more than $300,000 over 2005 as the number of amenities and popularity of the parks continued to grow. The remaining two functional areas, physical environment and mental/physical health, experienced increases of less than 5%, primarily for personnel costs, as their activities remain relatively stable.

- The City updates its revenue forecasts during the year and closely monitors incoming revenues to ensure sufficient funding will be available to maintain basic City functions. Should revenues fall short of expectations, immediate steps are taken to limit expenses to maintain the City's fiscal health. The City's fiscal prudence for the past several years enabled Redmond to end 2006 on a positive financial note.

Revenues by Source - Governmental Activities





Business-type activities of the City's utilities increased the City of Redmond's net assets by $16,199,449, accounting for 42% of the total growth in the government's net assets.

Key elements of this increase are as follows:

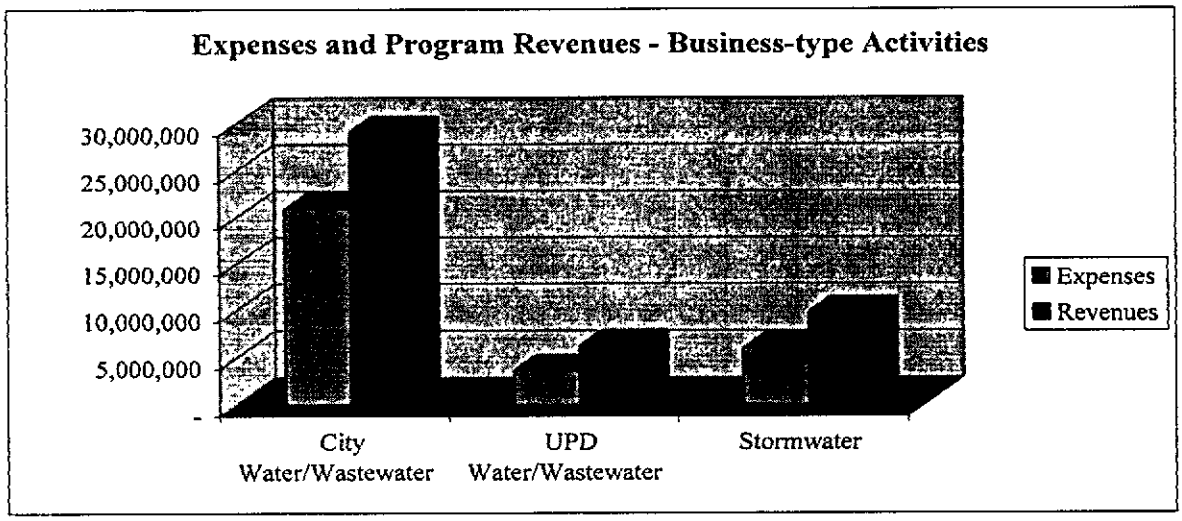
- Capital contributions were a major revenue source for the utilities again this year, producing over $13.3 million in revenue. Capital assets totaling $9.3 million were contributed to the utilities, consisting of $4.6 million in assets to the City water/wastewater utility, $2.9 million to the Redmond Ridge Urban Planned Development (UPD) and $1.8 million to the stormwater utility. The remaining $4 million is attributable to connection fees and capital facility charges.

- Water/wastewater operating revenues for 2006 were $21,085,081, a 2% increase over 2005. This increase was due to growth and increased water consumption of 8%.

- UPD water/wastewater operating revenues for 2006 were $3,363,008, an 11.6% decline from 2005. While water sales increased 17% due to growth in the UPD development, regional capital facility charges and depreciation reserve surcharge fees declined due to a delay in new construction at Redmond Ridge East.

- Stormwater operating revenues for 2006 were $7,465,968, a 4% increase over 2005 due to a 1% growth in stormwater service, a $90,571 increase in engineering fees, and $122,242 from King County for assuming the West Lake Sammamish Flood Control Zone District.

- Investment earnings for the business-type activities increased $512,697, a 65% increase over 2005 due to higher interest rates.



Financial Analysis of the Government's Funds

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

Governmental funds

The purpose of the City's governmental funds is to report on near term revenues/financial resources and expenditures. This information helps determine the City's financial requirements in the near future. In particular, fund balance is a good indicator of the City's resources available at the end of the year.

At the end of the current year the City's combined ending governmental fund balance was $74,545,242. This was an increase of $11,097,074 or 17.5% from the ending fund balance of the prior year. Of the $74,545,242, a total of $1,550,360 is reserved for debt service, $39,687,938 is earmarked for capital construction projects and $24,248,424 resides with special revenue funds. Significant special revenue fund balances include $5,073,832 in the operating reserve fund, including general reserves and development reserves, $4,058,243 in equipment reserve funds, $8,554,095 in the real estate excise tax fund, and $1,070,634 in the business license surcharge fund for future transportation projects. Special revenue fund balances are either legally restricted or reserved by City policy for particular purposes.

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2006 the fund balance of the general fund was $9,058,520. As a measure of the fund's liquidity, the ending fund balance is 17% of the fund's 2006 expenditures. This meets the City's goal to have a balance sufficient to cover daily financial needs without carrying an excessive balance forward at year end.

The general fund balance increased $2,853,496 from the prior year. Revenues rose faster than expenditures from 2005 to 2006, increasing 13.2% and 9.1% respectively. Expenditure increases were small in 2006 in part due to unsettled union contracts. The Police and Fire contracts expired at the end of 2004 and the City continues negotiations with the two unions. Revenues exceeded expenditures in the general fund by $8,750,776 in 2006. In keeping with the City's policy to fund capital projects on a pay as you go basis, net transfers out of the general fund totaled $5,899,080, primarily for capital activities.

Taxes are the primary source of revenue in the General Fund, at 67% of the fund's 2006 revenues. Sales tax revenues, the City's largest single revenue source, increased $1,387,555 from 2005 to 2006 or 8%, up from an increase of 5.5% in 2005. After five years of slow growth sales tax collections in 2006 finally rose above collections for 2000.

Changes of note occurred in several other General Fund revenues. License and permit revenue was up

significantly, increasing by $2,090,476 over 2005 with building permit revenue leading the way at $1,800,000, primarily for commercial, electrical and heating building permits. An increase in the gas and electric rates by Puget Sound Energy brought in an additional $1,000,000 in utility taxes in 2006.

Prudent management dictates that the City closely monitor expenditures to not exceed revenues and that the impact of any service adjustments be fully evaluated in light of community and organizational goals. The City's largest General Fund expenditure category, at 52% of total expenditures, is security encompassing Police and Fire services. Expenditures in this category were up only 5.7%. Police vacancies filled during 2005 were included as expenditures for a full year in 2006, increasing personnel costs for the department. The Police Department also experienced a $330,000 increase in jail costs and invested in additional security equipment. A new fire station was opened in 2006, resulting in purchases of equipment and office furniture. The Police and Fire union contracts remained unsettled in 2006, leaving salaries for these two groups at their 2004 rates during all of 2005 and 2006. Funds will be set aside to cover cost increases resulting from future settlement of these contracts. General government expenditures increased 15.8% at $1,567,547 as legal costs jumped $570,000, election costs were up $178,000 and general personnel costs rose.

The Advanced Life Support (ALS) Fund's purpose is to account for the cost of providing advanced life support services to several eastside cities and areas of East King County. These services are funded by an Emergency Medical Services property tax levy collected by King County. As Redmond incurs the costs of providing these services, King County is billed for the services by Redmond. Therefore revenues and expenditures in this fund are relatively equal each year with little or no year ending fund balance. Expenditures for ALS services were approximately $880,200 higher than in 2005 due to an increase in service capacity.

The Capital Improvements Program Fund ending fund balance was $39,423,426, an increase of $6,176,732 from 2005. Several factors contributed to this increase as compared to 2005. Revenues and transfers in were up close to $5.5 million while expenditures and transfers out were down approximately $600,000. The City requires developers to directly contribute to some transportation capital projects if the developers will benefit from the project or their development will greatly impact the City's transportation system. Contributions from developers rose $3.2 million in 2006. Capital construction project expenditures were about the same in 2005 with several major road projects in the engineering or construction phase in 2006. Investment income was up $611,763 from 2005 due to increasing interest rates and cash available to invest.

Proprietary funds

The City of Redmond's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City of Redmond budgets on a biennial basis with each budget beginning in an odd numbered year by state law. The difference between the 2005/2006 biennial budget adopted at the end of 2004 and the final 2005/2006 biennial budget at December 31, 2006 amounts to $3,818,943.

Revenues increased in the following categories:

- Beginning fund balance increased $1,091,507 due to a higher than anticipated ending fund balance at December 31, 2004.
- Taxes $1,933,960
- Contributions $8,900
- Intergovernmental revenue $720,272
- Charges for services $6,047
- Miscellaneous $58,257

Expenditure increases in the following areas were funded by the $1,091,507 increase in beginning fund balances:

- Planning Department technology project expenditures increased $7,015 as a result of unspent technology surcharge funds from the previous biennium. Printing costs of $11,100 for the 5 year comprehensive plan and a specialized training program for the development review team at $30,000 round out the expenditure increases funded in the Planning Department.

- Public Works was allotted $8,850 in additional funding for transportation consulting services.

- The Fire Department received an additional $23,928 for rescue equipment, and $500,000 for firefighter overtime.

- A Parks bond study was funded at $78,000 and $261,467 was set aside as a salary and benefit contingency for future contract settlements.

- $171,147 was transferred to the Capital Improvement Program Fund for City Hall furniture purchases.

The $1,933,960 increase in taxes funded Fire Department overtime, salary and benefit contingencies for unsettled union contracts, and increased transfers to the Workman's Compensation Fund.

The $8,900 increase in contributions was budgeted for additional Public Works Department consultant services, police personnel costs, and Planning Department neighborhood meetings.

The $720,272 increase in intergovernmental revenue consisted of grants to fund a neighborhood master plan, police personnel costs for a DUI task force, forensics equipment, Hurricane Katrina fire personnel, emergency preparedness, $359,904 from Fire District 34 for overtime costs, and $174,862 to recognize fire insurance premium tax in the General Fund.

Increases in miscellaneous revenue of $58,257 and $6,047 in charges for services funded traffic flagging for developers and street light replacement and repair covered by private insurance.

Capital Asset and Debt Administration

Capital Assets

The City of Redmond's investment in capital assets for its governmental and business-type activities as of December 31, 2006 amounts to $443,689,230 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission/distribution systems, roads, and bridges.

- General government capital investment street projects were completed at a cost of $6.2 million.

- General government capital investment projects currently under construction are valued at $14,526,409. These include road work at Redmond Way and Highway 202, extension of Bear Creek Parkway, and transportation projects in the Overlake area.

- Capital assets totaling $4.5 million were contributed to the City water/wastewater utility including the Lakeshore Estates Sewer Pump Station valued at $1,030,349.

- Quadrant Corporation contributed capital assets valued at $2.9 million to the UPD water/wastewater utility including Sewer Pump Station #55 valued at $1,012,832.

- The stormwater utility received capital assets totaling $1.8 million including the West Lake Sammamish Flood Control Zone District assets from King County valued at $227,678.

Major capital assets changes during 2006 included the following:

- 116th Street improvements were completed at a cost of $1.97 million.

- King County donated 1.16 acres of land on the Sammamish River to Redmond for open space valued at $1.8 million.

- Park land was purchased for the Bear Creek/Avondale trail and adjacent to Perrigo Park at a cost of $900,000.

- Hartman Park soccer fields were completed at a cost of $1.3 million.

- Several large play structures were installed at Grass Lawn Park.

- Renovation of water well 5 was completed for a cost of $4.7 million and will begin operation in early 2007.

- Land was purchased for $853,787 for the relocation of wells 1 and 2 and their related treatment facilities with construction scheduled to begin in the fall of 2007. Construction of well 3 is scheduled to begin in spring of 2007. Total cost to date for the design and new land for wells 1, 2, and 3 is $3.9 million.

- The Willows Stream daylighting project was completed, creating 680 feet of new open channel and abandoning the existing pipe for a cost of $800,139.
- Peters Creek culvert was replaced with a large box culvert under the street with upstream and downstream channel improvements for a total cost of $406,542.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$ 49,591,117	$ 45,546,424	$ 6,757,847	$ 4,995,515	$ 56,348,964	$ 50,541,939
Buildings/Building Improvements	54,222,366	55,154,820	17,774,019	13,711,591	71,996,385	68,866,411
Improvements other than buildings	17,143,163	16,333,702	155,454,420	140,555,367	172,597,583	156,889,069
Machinery and equipment	10,558,400	9,366,836	339,077	382,403	10,897,477	9,749,239
Construction in progress	14,526,408	14,379,147	8,639,579	12,440,525	23,165,987	26,819,672
Infrastructure	108,384,728	104,037,239	-	-	108,384,728	104,037,239
Art	298,106	295,624	-	-	298,106	295,624
Total	$ 254,724,288	$ 245,113,792	$ 188,964,942	$ 172,085,401	$ 443,689,230	$ 417,199,193

Additional information on the City of Redmond's capital assets can be found in Note 8 of this report.

Long-term debt

At the end of the current fiscal year, the City of Redmond had total bonded debt outstanding of $43,284,603. Of this amount, $42,504,603 is general obligation bonds, and $780,000 is special assessment debt with governmental commitment. The Business-Type Activities had no bonded debt outstanding at the end of the current fiscal year.

City of Redmond's Outstanding Debt - General Obligation Bonds

	Governmental Activities		Total	
	2006	2005	2006	2005
General obligation bonds	$ 42,504,603	$ 43,454,879	$ 42,504,603	$ 43,454,879
Special assessment debt with governmental commitment	780,000	1,045,000	780,000	1,045,000
Total	$ 43,284,603	$ 44,499,879	$ 43,284,603	$ 44,499,879

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

Washington State statutes limit the amount of general obligation debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to a 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and

2.5% for utilities. Non-voted (limited tax) general obligation indebtedness is limited to 1.5% of assessed valuation. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5% of assessed valuation. The City's assessed valuation for 2006 was $10,310,923,556 and remaining debt capacity is as follows:

General	$ 215,514,233
Open Space/Park Facilities	257,773,088
Utilities	257,773,088
TOTAL	$ 731,060,409

The total amount of unlimited tax and limited tax general obligation debt the City may issue is $773,319,264. Additional information on the City of Redmond's long-term debt can be found in Note 13 of this report and in the Statistical Section of the report.

Economic Factors and Next Year's Budgets and Rates

Several factors that affect the economic climate in Redmond were considered when preparing the City's 2007-2008 biennial budget. The outlook for the nation, state and region was weighed in relation to its expected impact on Redmond. The character of the City, including its current and future business activity and its attraction as a place to live, was evaluated. Current financial position and the ability and desire of the City to enhance revenues were also given consideration. Particular attention was paid to labor and medical inflation rates as 70% of the City's budget is personnel costs. Based on this review, Redmond's economic outlook is promising with strong regional and local economies. The City's challenge lies in allocating its revenues wisely among competing current operational and long term capital needs.

Commercial and residential development is very strong in Redmond. Condominium residences are rising in the downtown area and the city's largest employer, Microsoft Corporation, has recently announced that it would accelerate its expansion plans in Redmond. Growth that was expected to take place over a twenty-year period is now planned within the next three years. This has prompted the City to increase staff to handle the development review activities associated with over 7 million square feet of Microsoft office and garage space. The City will be cautious in budgeting for increases in ongoing services due to this expansion, as the primary increase in revenue to be received is limited to property tax under the City and state's current tax system.

Redmond Town Center, a large open air mall, continues to thrive with its hotels, shopping, and entertainment options as do retail centers that house stores such as Home Depot, Target and Fred Meyer. Overall job growth in Redmond is 3% to 4% per year, which adds between 3,000 and 4,000 jobs per year. Population growth is expected to continue at about 1,000 new residents per year.

Redmond as a place to live has many attractions with parks and open spaces, beautiful landscape, and proximity to employment centers. Evidence of the City's attraction can be seen in residential development which has remained strong through 2006 and is continuing into 2007.

Redmond has a history of excellent financial management and prudent fiscal policies. To that end the City reviews its rates and fees on an annual or biennial basis depending on the rate. Business license fees were increased in 2005 and 2007 for inflation. Water/wastewater and stormwater rates are reviewed annually to ensure the City's utilities will remain financially healthy. City water rates will increase 12% for 2007 and 6% for 2008. City wastewater rates will increase 19% in 2007 and 6% in 2008, and the King County wastewater treatment rates passed through to City customers will go up 9.2% in 2007. Stormwater rates will increase 44% in 2007. UPD water rates will increase in 2007 due to a change in the tier structure. The rate increase will average 9.6%. There were no utility rate increases in 2006.

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

Requests for Information

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

STATEMENT OF NET ASSETS
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 10,536,566	$ 2,145,148	$ 12,681,714
Cash with outside agencies	10,000	-	10,000
Investments (Note 5)	73,013,427	26,258,067	99,271,494
Receivables:			
Taxes	1,047,793	-	1,047,793
Accounts	931,672	611,350	1,543,022
Interest	1,175,115	388,703	1,563,818
Special assessments	803,580	-	803,580
Due from other governments	5,510,007	-	5,510,007
Due from Firemen's Pension Fund	333,476	-	333,476
Internal balances	(174,090)	174,090	-
Inventory	27,497	94,158	121,655
Deferred charges	13,026	384,703	397,729
Prepaid Insurance	361,945	-	361,945
Prepaid rent	326,333	-	326,333
Restricted assets:			
Deposit cash	28,716	-	28,716
Deposit investments	1,527,563	697,452	2,225,015
Capital assets (Note 8):			
Land, artwork, construction in progress	64,415,631	15,397,426	79,813,057
Depreciable capital assets, net	190,308,657	173,567,516	363,876,173
Total Assets	350,196,914	219,718,613	569,915,527
LIABILITIES			
Accounts/claims payable	5,539,579	1,308,703	6,848,282
Employee wages payable	1,408,519	228,413	1,636,932
Interest	61,396	5,414	66,810
Due to other governments	285,851	-	285,851
Unearned revenues	3,243,718	88,860	3,332,578
Customer deposits	1,556,279	697,452	2,253,731
Noncurrent liabilities (Note 13):		-	
Due within one year	4,568,177	530,513	5,098,690
Due in more than one year	43,366,320	586,438	43,952,758
Special assessment debt with governmental commitment	780,000	-	780,000
Total Liabilities	60,809,839	3,445,793	64,255,632
NET ASSETS			
Invested in capital assets net of related debt	209,980,911	193,431,773	403,412,684
Restricted for:			
Capital projects	11,906,381	-	11,906,381
Special revenue funds	9,971,060	-	9,971,060
Debt service	1,550,360	-	1,550,360
Unrestricted	55,978,363	22,841,047	78,819,410
Total Net Assets	$ 289,387,075	$ 216,272,820	$ 505,659,895

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:							
General government	$ 14,024,271	$ 2,746,086	$ 55,000	$ -	$ (11,223,185)	$ -	$ (11,223,185)
Security	34,353,317	10,687,118	5,039,600	-	(18,626,599)	-	(18,626,599)
Physical environment	3,394,541	375,702	85,514	-	(2,933,325)	-	(2,933,325)
Economic environment	3,458,336	10,573,143	186,437	-	7,301,244	-	7,301,244
Transportation	9,533,011	651,838	1,166,322	5,312,005	(2,402,846)	-	(2,402,846)
Mental/physical health	98,479	-	-	-	(98,479)	-	(98,479)
Culture and recreation	8,907,741	1,700,507	434,626	-	(6,772,608)	-	(6,772,608)
Interest on long-term debt	2,012,235	-	-	-	(2,012,235)	-	(2,012,235)
Total governmental activities	75,781,931	26,734,394	6,967,499	5,312,005	(36,768,033)	-	(36,768,033)
Business-type activities							
Water/Wastewater	20,915,291	21,085,081	-	8,117,202	-	8,286,992	8,286,992
UPD Water/Wastewater	3,610,047	3,363,008	-	2,914,084	-	2,667,045	2,667,045
Stormwater	5,948,661	7,465,968	-	2,309,872	-	3,827,179	3,827,179
Total business-type activities	30,473,999	31,914,057	-	13,341,158	-	14,781,216	14,781,216
Total government	$ 106,255,930	$ 58,648,451	$ 6,967,499	$ 18,653,163	(36,768,033)	14,781,216	(21,986,817)
General revenues							
Taxes							
Property					12,620,764	-	12,620,764
Sales					20,070,662	-	20,070,662
Other					22,174,191	-	22,174,191
Unrestricted investment interest					3,664,879	1,298,037	4,962,916
Miscellaneous					582,260	149,333	731,593
Gain on sale of capital assets					6,503	-	6,503
Transfers, internal activities					29,137	(29,137)	-
Total general revenues and transfers					59,148,396	1,418,233	60,566,629
Change in net assets					22,380,363	16,199,449	38,579,812
Net assets-beginning					266,676,212	200,403,871	467,080,083
Prior Period Adjustment (Note 15)					330,500	(330,500)	-
Net assets-ending					$ 289,387,075	$ 216,272,820	$ 505,659,895

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

	General	Advanced Life Support Fund	Capital Improvements Program Fund	Other Governmental Funds	Governmental Funds Total
ASSETS					
Cash and cash equivalents	$ 3,659,937	$ -	$ 3,078,432	$ 2,544,905	$ 9,283,274
Cash with outside agency	-	-	-	10,000	10,000
Investments	4,546,369	-	39,127,014	21,721,797	65,395,180
Receivables:					
Taxes	240,667	-	-	807,126	1,047,793
Accounts	799,834	-	24,380	45,839	870,053
Interest	151,104	-	228,751	101,259	481,114
Special assessments	-	-	-	803,580	803,580
Due from other funds	-	-	-	958,538	958,538
Due from other governments	3,770,770	1,204,863	534,374	-	5,510,007
Prepaid rent	-	-	326,333	-	326,333
Restricted assets:					
Deposit cash	-	-	-	26,943	26,943
Deposit investments	1,413,845	-	113,718	-	1,527,563
Total Assets	$ 14,582,526	$ 1,204,863	$ 43,433,002	$ 27,019,987	$ 86,240,378
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts/claims payable	$ 2,731,550	$ 111,834	$ 1,074,585	$ 364,625	$ 4,282,594
Employee wages payable	1,082,702	134,491	24,819	53,850	1,295,862
Due to other funds	-	958,538	-	-	958,538
Due to other governments	-	-	285,851	-	285,851
Payable from restricted assets:					
Deposits payable	1,413,845	-	113,718	26,943	1,554,506
Unearned revenues	295,909	-	2,510,603	511,273	3,317,785
Total Liabilities	5,524,006	1,204,863	4,009,576	956,691	11,695,136
Fund balances:					
Reserved for:					
Debt service	-	-	-	1,550,360	1,550,360
Petty cash	23,440	-	-	-	23,440
Unreserved, reported in:					
General fund	9,035,080	-	-	-	9,035,080
Special revenue funds	-	-	-	24,248,424	24,248,424
Capital projects funds	-	-	39,423,426	264,512	39,687,938
Total Fund Balances	9,058,520	-	39,423,426	26,063,296	74,545,242
Total Liabilities and Fund Balances	$ 14,582,526	$ 1,204,863	$ 43,433,002	$ 27,019,987	

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	250,211,258
Net pension obligation paid in over required	(333,476)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Note 3)	1,430,476
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets.	12,313,643
Some liabilities, including bonds,loans, and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 3)	(48,780,068)
Net assets of governmental activities	$ 289,387,075

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	General Fund	Advanced Life Support Fund	Capital Improvements Program Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 40,804,613	$ -	$ 1,100,000	$ 12,447,964	$ 54,352,577
Special assessments	-	-	-	273,089	273,089
Licenses and permits	7,639,203	-	-	-	7,639,203
Contributions from property owners	22,129	1,100	3,735,741	275,994	4,034,964
Intergovernmental	7,324,791	4,764,775	2,699,455	268,131	15,057,152
Charges for services	4,100,231	366	1,842,372	2,063,871	8,006,840
Fines and forfeitures	52,362	-	-	-	52,362
Investment income	698,719	-	1,454,939	992,034	3,145,692
Miscellaneous	179,337	-	217,312	184,619	581,268
Total Revenues	60,821,385	4,766,241	11,049,819	16,505,702	93,143,147
EXPENDITURES					
Current					
General government	11,479,898	-	1,211,786	271,131	12,962,815
Security of persons and property	27,187,662	4,336,678	1,586,261	136,940	33,247,541
Physical environment	2,958,818	-	-	457,167	3,415,985
Transportation	2,752,048	-	750,357	912,324	4,414,729
Economic environment	2,619,294	-	240,000	664,254	3,523,548
Mental/physical health	10,224	-	-	88,255	98,479
Culture and recreation	4,805,112	-	341,064	2,925,517	8,071,693
Capital outlay	257,553	413,845	10,263,495	1,367,721	12,302,614
Debt service:					
Principal	-	-	725,232	1,215,276	1,940,508
Interest and debt issue costs	-	-	1,887,905	221,961	2,109,866
Total Expenditures	52,070,609	4,750,523	17,006,100	8,260,546	82,087,778
Excess (deficiency) of revenues over (under) expenditures	8,750,776	15,718	(5,956,281)	8,245,156	11,055,369
OTHER FINANCING SOURCES (USES)					
Disposition of capital assets	1,800	-	-	1,750	3,550
Transfers in (Note 12)	19,000	-	13,251,299	4,064,744	17,335,043
Transfers out (Note 12)	(5,918,080)	(15,718)	(1,118,286)	(10,244,804)	(17,296,888)
Total other financing sources and uses	(5,897,280)	(15,718)	12,133,013	(6,178,310)	41,705
Net change in fund balances	2,853,496	-	6,176,732	2,066,846	11,097,074
Fund balances-beginning	6,205,024	-	35,873,289	23,996,450	66,074,763
Prior Period Adjustment	-	-	(2,626,595)	-	(2,626,595)
Fund balances-restated	6,205,024	-	33,246,694	23,996,450	63,448,168
Fund balances-ending	$ 9,058,520	$ -	$ 39,423,426	$ 26,063,296	$ 74,545,242

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Amounts reported for governmental funds in the statement of activities are different because:		
Net change in fund balances-total governmental funds.	$	11,097,074
Governmental funds report capital outlays as expenditures. However in the statement of activites the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($10,669,088) exceeded depreciation ($6,537,919) in the current period.		4,131,169
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Note 3)		4,551,460
Receipt of long-term debt proceeds increases the current financial resources of governmental funds and repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. (Note 3)		1,857,175
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		1,265,519
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 3)		(522,034)
Change in net assets of governmental activities.	$	22,380,363

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property	$ 21,342,852	$ 22,775,001	$ 22,686,223	$ (88,778)
Sales	36,429,271	36,429,271	36,000,619	(428,652)
Other	18,781,560	19,283,371	19,602,784	319,413
Licenses and permits	9,965,415	9,965,415	13,187,930	3,222,515
Intergovernmental	13,043,350	13,763,622	13,925,041	161,419
Charges for services	6,832,311	6,838,358	7,573,354	734,996
Fines and forfeitures	201,969	201,969	141,661	(60,308)
Investment income	669,564	669,564	989,815	320,251
Miscellaneous	332,745	399,902	445,475	45,573
Total Revenues	107,599,037	110,326,473	114,552,902	4,226,429
EXPENDITURES				
Current				
General government	22,263,067	22,597,029	21,392,249	1,204,780
Security of persons and property	49,174,746	53,087,997	52,903,948	184,049
Physical environment	5,957,213	6,340,848	5,546,382	794,466
Transportation	5,298,406	5,437,844	5,454,524	(16,680)
Economic development	4,910,835	5,147,211	4,962,924	184,287
Mental/physical health	19,255	19,255	21,010	(1,755)
Culture and recreation	8,658,099	8,973,689	9,211,688	(237,999)
Capital outlay	8,400	47,430	313,857	(266,427)
Debt service				
Principal	972,930	-	-	-
Total Expenditures	97,262,951	101,651,303	99,806,582	1,844,721
Excess (deficiency) of revenues over (under) expenditures	10,336,086	8,675,170	14,746,320	6,071,150
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	1,897	1,897	1,800	(97)
Transfers in	38,000	38,000	38,000	-
Transfers out	(9,589,848)	(10,908,787)	(10,758,554)	150,233
Total other financing sources and uses	(9,549,951)	(10,868,890)	(10,718,754)	150,136
Net change in fund balance	786,135	(2,193,720)	4,027,566	6,221,286
Fund balance-beginning	2,739,447	3,830,954	5,030,954	1,200,000
Fund balance-ending	$ 3,525,582	$ 1,637,234	$ 9,058,520	$ 7,421,286

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ADVANCED LIFE SUPPORT SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 7,543,712	$ 8,711,327	$ 8,610,528	$ (100,799)
Charges for services	-	-	366	366
Contributions	-	-	1,100	1,100
Total Revenues	7,543,712	8,711,327	8,611,994	(99,333)
EXPENDITURES				
Security of persons and property	7,160,019	8,359,545	8,206,936	152,609
Capital outlay	387,517	387,517	413,845	(26,328)
Total Expenditures	7,547,536	8,747,062	8,620,781	126,281
Excess (deficiency) of revenues over (under) expenditures	(3,824)	(35,735)	(8,787)	26,948
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	24,505	24,505
Transfers out			(15,718)	(15,718)
Total other financing sources (uses)	-	-	8,787	8,787
Net change in fund balance	(3,824)	(35,735)	-	35,735
Fund balance-beginning	582,089	582,089	-	(582,089)
Fund balance-ending	$ 578,265	$ 546,354	$ -	$ (546,354)

See accompanying notes to the financial statements.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2006

	Business-type Activities Enterprise Funds				Governmental Activities
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,047,841	$ 434,665	$ 662,642	$ 2,145,148	$ 1,253,292
Investments	13,212,329	4,766,935	8,278,803	26,258,067	7,618,247
Accounts and contracts receivable	420,389	45,602	145,359	611,350	61,619
Interest receivable	195,906	73,240	119,557	388,703	108,213
Inventory	94,158	-	-	94,158	27,497
Pre-Paid Insurance	-	-	-	-	361,945
Restricted assets:					
Customer deposits:					
Cash and cash equivalents	-	-	-	-	1,773
Investments	373,222	312,062	12,168	697,452	-
Total current assets	15,343,845	5,632,504	9,218,529	30,194,878	9,432,586
Noncurrent assets:					
Deferred charges	384,703	-	-	384,703	-
Capital assets:					
Land	1,963,824	3,087,184	1,698,064	6,749,072	584,292
Buildings	9,342,598	9,499,195	738,100	19,579,893	619,494
Improvements other than buildings	111,406,955	45,098,444	32,111,882	188,617,281	256,983
Equipment	166,750	443,369	131,614	741,733	9,129,759
Construction in progress	5,975,306	-	2,664,273	8,639,579	-
Other property	8,775	-	-	8,775	-
Less accumulated depreciation	(24,781,772)	(4,924,956)	(5,664,663)	(35,371,391)	(6,077,498)
Total capital assets (net of depreciation)	104,082,436	53,203,236	31,679,270	188,964,942	4,513,030
Total noncurrent assets	104,467,139	53,203,236	31,679,270	189,349,645	4,513,030
Total Assets	$ 119,810,984	$ 58,835,740	$ 40,897,799	$ 219,544,523	$ 13,945,616

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2006

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
LIABILITIES					
Current liabilities:					
Accounts payable	$ 1,022,958	$ 63,075	$ 222,670	$ 1,308,703	$ 1,256,985
Employee wages payable	130,243	7,522	90,648	228,413	112,659
Compensated absences	194,470	11,254	148,098	353,822	135,929
Due to other governments	110,860	-	35,467	146,327	-
Current LID payable	35,777	-	-	35,777	-
Unearned revenues	-	88,860	-	88,860	90,643
Liabilities payable from restricted assets:					
Customer deposits payable	373,222	312,062	12,168	697,452	1,773
Total current liabilities	1,867,530	482,773	509,051	2,859,354	1,597,989
Noncurrent liabilities:					
Loans payable	170,712	-	294,673	465,385	-
LID assessment	32,599	-	-	32,599	-
Compensated absences	48,618	2,813	37,024	88,455	33,984
Total noncurrent liabilities	251,929	2,813	331,697	586,439	33,984
Total Liabilities	2,119,459	485,586	840,748	3,445,793	1,631,973
NET ASSETS					
Invested in capital assets, net of related debt	103,732,489	58,350,154	31,349,130	193,431,773	4,513,030
Unrestricted	13,959,036	-	8,707,921	22,666,957	7,800,613
Total Net Assets	$ 117,691,525	$ 58,350,154	$ 40,057,051	216,098,730	$ 12,313,643

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	174,090
Net assets of business-type activities	$ 216,272,820

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
Operating revenues:					
Charges for services	$ 13,008,108	$ 2,632,351	$ 7,465,968	$ 23,106,427	$ 3,990,217
Metro service	8,076,973	730,657	-	8,807,630	-
Charges for replacement	-	-	-	-	1,501,574
Charges for insurance	-	-	-	-	7,669,737
Total Operating Revenues	21,085,081	3,363,008	7,465,968	31,914,057	13,161,528
Operating expenses:					
Administrative and general	3,688,074	521,953	3,642,858	7,852,885	11,320,358
Purchased water	3,876,813	1,175,926	-	5,052,739	-
Metro service	7,898,305	671,933	-	8,570,238	-
Supplies	-	-	-	-	504,405
Maintenance and operations	2,429,571	251,465	1,394,306	4,075,342	378,770
Taxes	496,044	83,316	99,735	679,095	-
Depreciation and amortization	2,537,612	905,454	811,622	4,254,688	839,376
Total Operating Expenses	20,926,419	3,610,047	5,948,521	30,484,987	13,042,909
Operating Income (Loss)	158,662	(247,039)	1,517,447	1,429,070	118,619
Nonoperating revenues (expenses):					
Interest and investment revenue	648,338	235,351	414,348	1,298,037	377,072
Grants	-	-	88,250	88,250	-
Interest expense	(8,626)	-	(140)	(8,766)	-
Gain on sale of capital assets	-	-	-	-	56,121
Miscellaneous	92,882	56,109	342	149,333	677,637
Total nonoperating revenues (expenses)	732,594	291,460	502,800	1,526,854	1,110,830
Income before contributions and transfers	891,256	44,421	2,020,247	2,955,924	1,229,449
Capital contributions	8,117,202	2,914,084	2,221,622	13,252,908	-
Transfers in	-	-	-	-	93,977
Transfers out	-	-	(29,137)	(29,137)	(38,155)
Change in net assets	9,008,458	2,958,505	4,212,732	16,179,695	1,285,271
Total net assets - beginning	108,683,067	55,391,649	36,174,819	200,249,535	11,028,372
Prior period adjustments (Note 15)	-	-	(330,500)	(330,500)	-
Total net assets - ending	$ 117,691,525	$ 58,350,154	$ 40,057,051	216,098,730	$ 12,313,643
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				19,754	
Change in net assets of business-type activities				$ 16,199,449	

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 21,105,087	$ 3,368,437	$ 7,498,406	$ 31,971,930	$ 11,649,972
Cash received for replacement	-	-	-	-	1,501,574
Cash payments to suppliers	(5,286,873)	(1,899,251)	(1,038,510)	(8,224,634)	(8,699,367)
Cash payments to employees	(2,702,225)	(277,135)	(2,138,662)	(5,118,022)	(2,851,036)
Cash payments to other governments	(8,394,349)	(755,249)	(99,735)	(9,249,333)	-
Internal activity - payments to other funds	(2,167,660)	(361,428)	(1,938,418)	(4,467,506)	(483,065)
Other operating receipts	-	-	-	-	674,935
Other operating payments	(279,682)	(243,503)	(73,513)	(596,698)	(198,552)
Net cash provided (used) by operating activities	2,274,298	(168,129)	2,209,568	4,315,737	1,594,461
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	-	-	(29,137)	(29,137)	(38,155)
Net cash used by noncapital financing activities	-	-	(29,137)	(29,137)	(38,155)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(8,623,320)	(189,575)	(1,336,448)	(10,149,343)	(1,670,655)
Proceeds from sale of capital assets	-	-	-	-	73,700
Proceeds from sale of other assets	92,882	56,109	342	149,333	2,701
Capital contributions	3,564,932	17,685	374,535	3,957,152	-
Prior Period Adjustment (Note 15)	-	-	(330,500)	(330,500)	-
Loan/grant proceeds	-	-	418,250	418,250	-
Principal paid on other debt	(141,224)	-	-	(141,224)	-
Interest paid on other debt	(11,193)	-	-	(11,193)	-
Net cash used for capital and related financing activities	(5,117,923)	(115,781)	(873,821)	(6,107,525)	(1,594,254)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment purchases	-	-	(1,543,234)	(1,543,234)	(890,726)
Investment sales/maturities	2,051,137	83,118	-	2,134,255	781,097
Interest on investments	607,143	213,186	348,817	1,169,146	341,782
Net cash provided (used) in investing activities	2,658,280	296,304	(1,194,417)	1,760,167	232,153
Net increase (decrease) in cash and cash equivalents	(185,345)	12,394	112,193	(60,758)	194,205
Cash and cash equivalents-beginning of year	1,233,186	422,271	550,449	2,205,906	1,060,860
Cash and cash equivalents-end of year	$ 1,047,841	$ 434,665	$ 662,642	$ 2,145,148	$ 1,255,065

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
Cash at the end of the year consists of:					
Operating fund cash	$ 1,047,841	$ 434,665	$ 662,642	2,145,148	$ 1,253,292
Customer deposits	-	-	-	-	1,773
Total cash at end of year	$ 1,047,841	$ 434,665	$ 662,642	$ 2,145,148	$ 1,255,065
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ 158,662	$ (247,039)	$ 1,517,447	$ 1,429,070	$ 118,619
Adjustments to reconcile operating income to net cash provided by Operating activities:					
Depreciation	2,537,612	905,454	811,622	4,254,688	839,376
Decrease (increase) in accounts receivable	8,010	5,429	32,438	45,877	(61,619)
Decrease (increase) in inventory	7,809	-	-	7,809	(460)
Increase in prepaid expenses	-	-	-	-	(237,558)
Decrease in due from other governments	11,996	-	-	11,996	-
Increase (decrease) in accounts payable	(216,137)	(591,513)	(108,085)	(915,735)	163,238
Increase (decrease) in employee wages payable	12,514	321	(7,449)	5,386	(2,062)
Increase in compensated absences payable	33,514	2,722	37,108	73,344	9,348
Reclassify other income	-	-	-	-	674,936
Decrease in customer deposits payable	(279,682)	(232,188)	(73,513)	(585,383)	-
Decrease (increase) in unearned revenues	-	(11,315)	-	(11,315)	90,643
Net cash provided (used) by operating activities	$ 2,274,298	$ (168,129)	$ 2,209,568	$ 4,315,737	$ 1,594,461
Noncash investing, capital and financing activities:					
Developers contributed infrastructure valued at	$ 4,552,270	$ 2,896,399	$ 1,847,087	$ 9,295,756	$ -
Other funds of the city transferred vehicles valued at	-	-	-	-	93,977
Fair value of investments increased by	61,678	23,058	37,641	122,377	34,586

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
As of December 31, 2006

	Firemen's Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 36,353	$ 597,046
Invested in Federal Agency Notes	427,022	-
Receivables		
Interest	3,665	-
Total Assets	$ 467,040	$ 597,046
LIABILITIES		
Due to other governments	$ -	$ 12,525
Custodial	-	38,260
Trust account	-	546,261
Total Liabilities	-	$ 597,046
NET ASSETS		
Held in trust for pension benefits	$ 467,040	

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2006

	Firemen's Pension Fund
ADDITIONS	
Fire insurance premium contributions	$ 98,572
Investment interest	18,216
Total additions	116,788
DEDUCTIONS	
Benefit payments	3,636
Administrative expenses	2,332
Total deductions	5,968
Change in net assets	110,820
Net assets-beginning	356,220
Net assets-ending	$ 467,040

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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NOTE 1:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Reporting Entity

The City's Comprehensive Annual Financial Report (CAFR) includes the financial statements for the City of Redmond and its component units, entities for which the City is considered to be financially accountable. The City has two blended component units, the Redmond Public Corporation and Redmond Community Properties. Although legally separate entities blended component units are, in substance, part of the City's operations. (See Note 16 for descriptions.)

Basic Financial Statements

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

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Under the modified accrual basis of accounting, property taxes, sales taxes, utility taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Grant revenue is recognized for cost reimbursement grants when the expenditure occurs in accordance with GASB Statement 1. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue. Entitlement grant revenue is not tied to expenditures and is recognized when the City is entitled to receive it according to the grant agreement. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Financial Statement Presentation

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally the City reports the following fund types:

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

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

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

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

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

taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary fund statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility funds and internal service funds are charges to customers for sales and services, vehicle replacement, and insurance. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

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

The biennial budget is proposed by the Mayor and adopted by the City Council with legal budgetary control at the fund level, i.e. expenditures and other financing uses may not exceed budgeted appropriations at the fund level. The Mayor may authorize transfers within funds, however, the City Council must approve by ordinance any additional appropriations which increase the total for the fund. Any unexpended appropriation balances lapse at the end of the biennium.

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

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

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

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

- Prior to the beginning of the first calendar year of the biennial budget, the City Council, by a majority of the members present, adopts a final operating budget by ordinance.

- The Final Budget document is printed and distributed after adoption.

Assets, Liabilities, and Net Assets or Equity

Cash and investments

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

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

The City reports its deposit and investment risk disclosures in accordance with GASB 40 (see Note 5).

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

Receivables

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

Property Taxes
Uncollected property taxes levied for the current year are reported as receivable at year-end. The City's property tax collections records show that approximately 99% of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected, therefore no allowance for uncollectible taxes is recorded.

Sales Taxes
Sales taxes collected for November and December but not remitted by the state to the City until January and February of the following year are reported as receivables at year end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the state.

Investment Interest
Interest receivable consists of interest earned on investments at the end of the year, accrued interest on investments purchased between interest dates, and accrued interest and penalties on special assessments receivable. In proprietary funds and the government-wide statement of net assets investment interest is recorded as receivable, regardless of its payment date. In the governmental fund statements and schedules investment interest is recorded as receivable if it will be paid to the City within 60 days of year end.

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

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

Accounts Receivable
Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided. Uncollectible amounts are considered immaterial and the direct write-off method is used.

Interfund Transactions

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

Inventories

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

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

Restricted Assets

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

Deferred Charges

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

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds. Capital assets are defined by the City as land and buildings with an original cost of $50,000 or more each, machinery, equipment, software and other improvements with an original cost of $10,000 or more each and an estimated useful life of more than one year; and all vehicles, artwork, transportation and utility infrastructure, regardless of their initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time in lieu of overtime, and sick leave benefits. Twenty-five percent of unused sick leave is payable at retirement or death. Any outstanding sick leave is lost at resignation; therefore, outstanding sick leave at year end is not accrued because

the payment cannot be deemed probable nor can the amount be reasonably estimated. All vacation and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Other Post-Employment Benefits

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2:
STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

During 2006 no funds exceeded their authorized appropriations at the fund level.

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

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

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

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

Unearned special assessment revenue due beyond the City's 60 day measurable and available period	$ 498,186
Excess payments to pension plan	333,476
Investment interest accrued beyond the City's 60 day measurable and available period	585,788
Deferred charge for bond issue costs	13,026
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	$ 1,430,476

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

G.O Bonds payable	$ (42,504,603)
Less: Issuance discounts	25,024
Special assessment bonds payable	(780,000)
Loans payable	(2,238,774)
Accrued interest payable	(61,396)
Compensated absences	(2,609,137)
Other post-employment benefits	(437,092)
Due to business-type activities – charges by internal service funds in excess of cost	(174,090)
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	$ (48,780,068)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The details of the aggregated differences are presented below.

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

Developer/Private asset contributions	$	4,624,260
Change in unearned special assessment revenue		(218,491)
Change in investment interest receivable due beyond the City's 60 day measurable and available period		145,691
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net assets - governmental activities	$	4,551,460

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

General obligation bonds repayment	$	950,276
LID bonds repayment		265,000
Public Works Trust Fund loans repayment		371,717
Contract Payable repayment		270,182
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net assets of governmental activities	$	1,857,175

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

Change in accrued interest payable	$	21,948
Amortization of debt issue costs		(1,860)
Amortization of debt discount		(3,576)
Change in compensated absences payable		(49,136)
Change in other post-employment benefits payable		(437,092)
Loss on vehicle sale		(52,318)
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net assets of governmental funds	$	(522,034)

NOTE 4:
BUDGET TO GAAP RECONCILIATION

	General Fund	Advanced Life Support Fund
REVENUES AND OTHER SOURCES:		
Budget and Actual Statement 2005/2006 Biennium	$ 114,592,702	$ 8,636,499
Less: 2005 Revenues and other sources	53,750,517	3,870,258
Statement of Revenues and Expenditures	$ 60,842,185	$ 4,766,241
EXPENDITURES AND OTHER USES:		
Budget and Actual Statement 2005/2006 Biennium	$ 110,565,136	$ 8,636,499
Less: 2005 Expenditures and other uses	52,576,447	3,870,258
Statement of Revenues and Expenditures	$ 57,988,689	$ 4,766,241

NOTE 5:
CASH AND INVESTMENTS

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

As of December 31, 2006 the carrying amount of the City's cash demand deposits with Bank of America (B of A) was $2,567,880 and the bank balance was $1,809,359. Seized cash on deposit at B of A awaiting court decisions totaled $19,351. The carrying amount and bank balance of the City's cash demand deposits at U.S. Bank at December 31, 2006 was $417,994. $438,437 retained from contractors pending acceptance of City construction projects was held in escrow or savings accounts at various banks. $130,317 is held by Redmond Community Properties, a blended component unit of the City. Petty cash totaled $23,500, of which $23,440 was allocated to various City offices and $60 was unallocated and remains in the City's demand deposit account at Bank of America. $10,000 is held by the City of Bellevue for use by the Eastside Narcotics Task Force. The City held $33,184,991 in certificates of deposit at various banks.

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

As of December 31, 2006, the City had the following investments and maturities:

		Investment Maturities (In Years)	
Investment Type	Fair Value	Less Than 1	1 to 5
Federal Home Loan Bank	$ 26,944,924	$ 9,975,340	$ 16,969,584
Federal Farm Credit Bank	2,990,296	999,060	1,991,236
Federal National Mortgage Association	20,882,040	10,923,580	9,958,460
Federal Home Loan Mortgage Corporation	15,929,945	8,982,215	6,947,730
U.S. Treasury Notes	1,991,330	992,270	999,060
State Investment Pool	9,590,811	9,590,811	-
Mutual Bond Fund	155,689	155,689	-
Total	$ 78,485,035	$ 41,618,965	$ 36,866,070

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the City diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash

flow needs and restricts the maximum investment term to less than five years from the purchase date.

Credit Risk. State law and City policy limit investments to those authorized by state statute including commercial paper and bonds of the State of Washington and any local government in the State of Washington which have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency. The City further limits its holdings in commercial paper to 10% of the portfolio and 10% per issuer, and local government bonds to 25% of the portfolio and 10% of issuer. At December 31, 2006 the City held no investments in commercial paper or local government bonds.

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

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

Investment Type	Standard and Poor's Rating	Percentage of Portfolio
Federal Home Loan Bank	AAA	24%
Federal Farm Credit Bank	AAA	3%
Federal National Mortgage Association	AAA	19%
Federal Home Loan Mortgage Corporation	AAA	14%
U.S. Treasury Notes	AAA	2%
Mutual Bond Fund	AAAm	0.10%
State Investment Pool	Not Rated	9%

Concentration of Credit Risk. The City diversifies its investments by security type and institution. 100% of the City's portfolio may be invested in US Treasury Notes, Bonds or Certificates, US Government Sponsored Corporations, or the State Investment Pool. 50% of the portfolio may be invested in Certificates of Deposit with no more than 10% held by any one issuer and not exceeding 20% of the issuer's net worth. 25% of the portfolio may be invested in Bankers Acceptances (10% per issuer), State of Washington or Local Government Bonds (10% per issuer), and Repurchase Agreements (25% per dealer). 10% of the portfolio may be invested in Commercial Paper and other authorized investments. On December 31, 2006 more than five percent of the City's investments were in the Federal Home Loan Bank, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation.

NOTE 6:
RECEIVABLES

Property Taxes

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

	Property Tax Calendar
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

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

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

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

> Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, after adjustments for new construction and annexations unless an increase greater than this limit is approved by the voters. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
>
> The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or $10 per $1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

Accordingly, the City levied $1.20765 per $1,000 of assessed value for general governmental services, and an additional $0.02953 per $1,000 of assessed value for voter approved excess tax levy, for a combined total of $1.23718 per $1,000 of assessed value.

NOTE 7:
INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund receivables and payables as of December 31, 2006 is as follows:

	Due to	Due From
Operating Reserves Fund	$ 958,538	$ -
Advanced Life Support Fund	-	958,538

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

NOTE 8:
CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

Primary Government

	BEGINNING BALANCE (RESTATED)*	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 45,546,424	$ 4,044,693	$ -	$ 49,591,117
Construction In Progress	12,958,713	10,000,577	(8,432,882)	14,526,408
Art	295,624	2,482	-	298,106
Total Capital Assets, Not Being Depreciated	58,800,761	14,047,752	(8,432,882)	64,415,631
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	62,205,163	355,454	-	62,560,617
Improvements Other than Buildings	20,280,613	1,633,213	-	21,913,826
Machinery and Equipment	19,857,884	2,962,053	(1,530,547)	21,289,390
Infrastructure	153,963,222	7,912,832	-	161,876,054
Total Capital Assets, Being Depreciated	256,306,882	12,863,552	(1,530,547)	267,639,887
Less Accumulated Depreciation for:				
Buildings/Building Improvements	7,050,343	1,287,908	-	8,338,251
Improvements Other Than Buildings	3,946,911	823,752	-	4,770,663
Machinery and Equipment	10,491,048	1,700,291	(1,460,349)	10,730,990
Infrastructure	49,925,983	3,565,343	-	53,491,326
Total Accumulated Depreciation	71,414,285	7,377,294	(1,460,349)	77,331,230
Total Captial Assets, Being Depreciated, Net	184,892,597	5,486,258	(70,198)	190,308,657
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 243,693,358	$ 19,534,010	$ (8,503,080)	$ 254,724,288

	BEGINNING BALANCE (RESTATED)*	INCREASES	DECREASES	ENDING BALANCE
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 4,995,515	$ 1,762,332	$ -	$ 6,757,847
Construction In Progress	12,440,525	9,940,339	(13,741,285)	8,639,579
Total Capital Assets, Not Being Depreciated	17,436,040	11,702,671	(13,741,285)	15,397,426
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	15,130,557	4,449,336	-	19,579,893
Improvements Other Than Buildings	172,258,063	18,530,646	(2,171,428)	188,617,281
Machinery and Equipment	701,342	40,391	-	741,733
Total Capital Assets, Being Depreciated	188,089,962	23,020,373	(2,171,428)	208,938,907
Less Accumulated Depreciation for:				
Buildings/Building Improvements	1,418,966	386,908	-	1,805,874
Improvements Other Than Buildings	31,702,696	3,631,593	(2,171,428)	33,162,861
Machinery and Equipment	318,939	83,717	-	402,656
Total Accumulated Depreciation	33,440,601	4,102,218	(2,171,428)	35,371,391
Total Capital Assets, Being Depreciated, Net	154,649,361	18,918,155	-	173,567,516
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 172,085,401	$ 30,620,826	$ (13,741,285)	$ 188,964,942

* Construction in progress increased $1,536,661 in the governmental activities and decreased by the same amount in the business-type activities (see Note 15).

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

Governmental Activities:	
General Government	$ 1,177,829
Security	903,637
Physical Environment	9,285
Transportation, Including Depreciation of General Infrastructure Assets	3,566,586
Economic Environment	80,102
Culture and Recreation	800,479
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on Their Usage of the Assets	839,376
Total Depreciation Expense – Governmental Activities	$ 7,377,294
Business-type Activities:	
Water/Wastewater	$ 2,385,143
UPD Water/Wastewater	905,454
Stormwater	811,621
Total Depreciation Expense – Business-type Activities	$ 4,102,218

NOTE 9:
PENSION PLANS

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

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

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

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

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

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; employees of community and technical colleges; college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 participants are eligible to retire at age 55 with 25 years of service, age 60 with 5 years of service, or at any age with 30 years of service. The annual pension benefit is 2% of the average final compensation times the number of years of service, based on the highest consecutive two-year period. Benefits may be paid to the participant for their lifetime or a reduced benefit may be paid to the participant with their surviving beneficiary receiving the same reduced benefit for the beneficiary's lifetime. Retirement benefits may not exceed 60% of final average compensation. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit and is capped at 3% annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 participants are eligible to retire at age 65 with 5 years of service or at age 55 with 20 years of service, receiving a reduced benefit. If retirement is at age 55 with 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The total annual pension benefit is 2% of the average final compensation times the number of years of service, based on the highest consecutive five-year period. Average final compensation does not include severance pay such as lump sum deferred sick pay or vacation pay. There is no cap on years of service credit. Retirement benefits are indexed to the Seattle consumer price index with a maximum of 3% increase annually.

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

member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members became eligible for retirement if they had at least ten years of service; or five years including twelve months that were earned after age 44; 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. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees and 7.5% for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

There are 1,181 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans as of September 30, 2005:

Retirees and Beneficiaries Receiving Benefits	68,609
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	22,567
Active Plan Members Vested	104,574
Active Plan Members Nonvested	51,004
Total	**246,754**

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

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan. LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members

are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

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

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

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

There are 376 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

Retirees and Beneficiaries Receiving Benefits	8,723
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	577
Active Plan Members Vested	12,348
Active Plan Members Nonvested	3,543
Total	**25,191**

PERS and LEOFF Plan Information

	PERS			LEOFF	
	PLAN 1	PLAN 2	PLAN 3	PLAN 1	PLAN 2
Employee contribution rate as a percentage of covered payroll as of December 31, 2006	6.00%	3.50%	**	-	7.85%
Employer contribution rate as a percentage of covered payroll as of December 31, 2006*	3.69%	3.69%	3.69%***	0.18%	4.90%
State of Washington contribution rates as of December 31, 2006	-	-	-	-	3.13%

* Includes Administrative cost rate currently set at 0.18%.
** Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.
***Plan 3 defined benefit portion only.

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

	PERS 1	PERS 2	PERS 3	LEOFF 1	LEOFF 2
2006	$ 53,902	$555,010	$149,232	$ 1,135	$ 723,205
2005	$ 43,271	$334,823	$ 86,957	$ 1,379	$ 585,695
2004	$ 35,214	$234,850	$ 54,929	-	$ 506,533

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

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

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

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

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

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

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

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

The first actuarial valuation of the PSERS system was effective as of September, 2006 and will be reported in the year 2007.

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2006, were as follows:

	PSERS Plan 2
Employer*	6.76%
Employee	6.57%

*The employer rate includes an employer administrative expense fee of 0.18%.

Both the City and the employees made the required contributions. The City's required contributions for the year ended December 31, 2006 were as follows:

	PSERS Plan 2
2006	$3,070

Firemen's Pension Plan

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

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

Under State law, the FPP is provided an allocation of 25% of all moneys received by the State from taxes on fire insurance premiums, interest earnings, member contributions made prior to the inception of LEOFF, and City contributions required to meet projected future pensions obligations. The actuary has determined that no City contribution is required. The fire insurance premium for 2006 was $98,572, which was sufficient to pay the 2006 Firemen's Pension Fund expenses of $5,968.

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

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2004	$ 12,992	530.4%	$ (164,681)
December 31, 2005	$ 13,866	630.53%	$ (238,246)
December 31, 2006	$ 3,342	2,949.49%	$ (333,476)

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

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

Actuarial Assumptions:

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

Annual Pension Cost and Net Pension Obligation

		Year Ending 12/31/04	Year Ending 12/31/05	Year Ending 12/31/06
1.	Annual Normal Cost, beginning of year	$ -	$ -	$ -
2.	Amortization of UAL, beginning of year	11,224	11,390	566
3.	Interest to end of year	786	797	40
4.	Annual required contribution at end of year (1 + 2 + 3)	$ 12,010	$ 12,187	$ 606
5.	Interest on net pension obligation	$ (7,613)	$ (11,528)	$ (16,677)
6.	Adjustment to annual required contribution	8,595	13,207	19,413
7.	Annual pension cost (4 + 5 + 6)	$ 12,992	$ 13,866	$ 3,342
8.	Employer Contributions	$ (68,912)	$ (87,431)	$ (98,572)
9.	Change in net pension obligation (7 + 8)	$ (55,920)	$ (73,565)	$ (95,230)
10.	Net pension obligation at beginning of year	$ (108,761)	$ (164,681)	$ (238,246)
11.	Net pension obligation at end of year (9 + 10)	$ (164,681)	$ (238,246)	$ (333,476)

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

Municipal Employees Benefit Trust

By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418 (g) effective January 1, 1975. Permanent employees working 1040 or more hours per year are eligible but not required to participate in the plan. Temporary employees working less than 1040 hours per year are required to participate in the plan. Participating permanent employees may choose to defer income tax in accordance with Internal Revenue Code Section 401K, on all, part or none of their contribution while temporary employees may not defer income tax on any of their contribution. There were 650 permanent and 222 temporary participants with account balances at December 31, 2006.

The Municipal Employees Benefit Trust Plan is a defined contribution plan with participants contributing an amount equal to the current Social Security rate (7.65%). One hundred percent of the contributions made by employees hired before April 1, 1986 go to MEBT. Employees hired on or after April 1, 1986 contribute 6.2% to MEBT and 1.45% to Medicare. Permanent employees may make additional contributions up to the limit set by the Internal Revenue Code. The City contributes 7.65% for permanent employees and 4.75% for temporary employees. Of the City's contribution, 1.45% goes to Medicare for employees hired on or after April 1, 1986. Eighty percent of the remaining City contribution goes to MEBT and 20% to administrative fees. The City's contribution is based on the payroll for all employees who are eligible to participate in the plan, regardless of the number of participants. City payroll for participating employees in 2006 was $42,319,697. Employee contributions were $3,262,712. City contributions were $2,632,050. The City's total payroll was $42,403,401.

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

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

NOTE 10:
OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2006. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of $437,092 is included as a noncurrent liability on the Statement of Net Assets.

	Year Ending 12/31/06
Determination of Annual Required Contribution:	
Normal Cost at year end	$ 71,001
Amortization of UAAL*	585,691
Annual Required Contribution	$656,692
Determination of Net OPEB Obligation:	
Annual Required Contribution	$656,692
Interest on prior year Net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB Cost	656,692
Contributions made	219,600
Increase in Net OPEB Obligation	$437,092
Net OPEB Obligation-beginning of year	$ -
Net OPEB Obligation-end of year	$437,092

*Unfunded Actuarial Accrued Liability (UAAL)

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2006 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2006	$656,692	33.4%	$437,092

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

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

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at January 1, 2006 was 30 years.

NOTE 11:
CONSTRUCTION COMMITMENTS

At December 31, 2006 the City had significant contractual obligations on construction projects.

Police Projects	$ 38,976
Parks Projects	55,715
Street Projects	2,455,485
Utilities Projects	5,670,089
	$ 8,220,265

NOTE 12:
INTERFUND TRANSFERS

FUND	TRANSFER IN	TRANSFER OUT
General Fund	$ 19,000	$ 5,918,080
Advanced Life Support Fund	-	15,718
Capital Improvements Program Fund	13,251,299	1,118,286
Non-Major Governmental Funds	4,064,744	10,244,804
Water/Wastewater Fund	-	29,137
Internal service Funds	93,977	38,155
TOTAL TRANSFERS	$17,429,020	$17,364,180

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, to move receipts for debt service from the funds collecting the receipts to a debt service fund as debt service payments become due, to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and to transfer the cost of vehicles purchased by other funds to an internal service fund.

The $64,840 excess of transfers in over transfers out is due to vehicles recorded as expenditures in the General Fund and transfers into the Fleet Maintenance Fund.

NOTE 13:
LONG-TERM OBLIGATIONS

General Obligation Bonds

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

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

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

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

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

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2006
1994 GO/Refunding*	3/1/1994	12/1/2013	4.0% - 5.65%	$ 9,310,000	$ 7,575,000	$ 1,735,000
2003 LTGO Bonds	6/26/2003	6/1/2008	3.45%	3,698,472	2,158,869	1,539,603
2004 LTGO Lease-Revenue Bonds	4/1/2004	12/1/2035	2.0% - 5.25%	39,230,000	-	39,230,000
Total General Obligation Bonds				$ 52,238,472	$ 9,733,869	$ 42,504,603

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

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

	Governmental Activities	
Year	Principal	Interest
2007	$ 1,973,219	$ 1,958,233
2008	2,021,384	1,899,633
2009	1,280,000	1,849,326
2010	1,325,000	1,804,254
2011	1,390,000	1,697,597
2012-2016	7,140,000	7,647,100
2017-2021	7,570,000	5,657,042
2022-2026	5,695,000	4,206,379
2027-2031	7,090,000	2,809,064
2032-2035	7,020,000	898,334
	$ 42,504,603	$ 30,426,962

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

	1994 Refunding Bonds
Bonds Outstanding	$ 1,735,000
Less Unamortized Bond Discount	(25,024)
Bonds Outstanding, Net	$ 1,709,976

Special Assessment Debt with Governmental Commitment

Special Assessment Bonds are not a direct responsibility of the City, but are funded from the collection of special assessment payments. Debt service principal and interest costs are paid from the LID Control Fund. The City is obligated for special assessment debt to the extent that it is required to establish a guaranty fund, for the purpose of guaranteeing the payment of local improvement bonds and warrants, in the event there are insufficient funds in the LID Control Fund. The Guaranty Fund is funded from interest income and surplus from the LID Control Fund, and is maintained at approximately 10% of the total original bond issue amounts. Delinquent special assessments receivable totaled $175,125 in principal and $130,264 in interest at the close of 2006. The fund balance in the LID Guaranty Fund stood at $919,679.

Bonds, Issuances, Redemptions and Balances Outstanding

LID	Issue Date	Maturity Date	Interest Rate	Original Amount Issued	Redemptions to Date	Bonds Outstanding 12/31/06
1995	2/15/1995	2/15/2007	5.25% - 6.8%	$ 1,515,830	$ 1,515,830	$ -
1998	3/1/1998	3/1/2010	4.0% - 5.0%	1,241,036	656,036	585,000
1999	7/15/1999	7/15/2011	4.1% - 5.5%	2,355,410	2,160,410	195,000
Total Special Assessment Bonds:				$ 5,112,276	$ 4,332,276	$ 780,000

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

	Governmental Activities	
Year	Principal	Interest
2007	$ -	$ 38,835
2008	-	38,835
2009	-	38,835
2010	585,000	38,835
2011	195,000	10,725
	$ 780,000	$ 166,065

Public Works Trust Fund Loans

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. Redmond currently has nine such loans. Six loans with an outstanding principal balance of $2,238,775 are being repaid from General Fund revenues which are transferred to the Capital Improvements Program Fund where the loan payments are recorded. Three loans with an outstanding principal balance of $279,337 are being repaid from water and wastewater revenues.

	Governmental Activities		Business-Type Activities	
Year	Principal	Interest	Principal	Interest
2007	$ 371,717	$ 41,430	$ 108,625	$ 4,470
2008	371,717	34,720	85,356	2,515
2009	333,611	28,011	85,356	1,257
2010	333,611	22,063	-	-
2011	279,430	16,115	-	-
2012-2015	548,689	18,941	-	-
	$ 2,238,775	$ 161,280	$ 279,337	$ 8,242

Water Pollution Control Revolving Fund Loan

The State of Washington Water Pollution Control Revolving Fund Loan with the Department of Ecology (DOE) is a direct responsibility of the City. The principal balance of $330,140 will be repaid from stormwater revenues.

	Business-Type Activities	
Year	Principal	Interest
2007	$ 35,467	$ 1,782
2008	73,117	1,382
2009	73,483	1,016
2010	73,851	648
2011	74,222	279
	$ 330,140	$ 5,107

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	$ 43,454,879	$ -	$ (950,276)	$ 42,504,603	$ 1,973,219
Special assessment debt with government commitment	1,045,000	-	(265,000)	780,000	-
Less deffered amounts:					
For issuance discounts	(28,600)	-	3,576	(25,024)	-
Total bonds payable	44,471,279	-	(1,211,700)	43,259,579	1,973,219
PWTF loans	$ 2,610,492	$ -	$ (371,717)	$ 2,238,775	$ 371,717
Contract payable	270,181	-	(270,181)	-	-
Other post-employment benefits payable	-	437,092	-	437,092	-
Compensated absences	2,720,568	1,883,277	(1,824,794)	2,779,051	2,223,241
Governmental activity long-term liabilities	$ 50,072,520	$ 2,320,369	$ (3,678,392)	$ 48,714,497	$ 4,568,177
Business-Type Activities:					
LID Assessment	$ 97,796	$ -	$ (32,599)	$ 65,197	$ 32,599
PWTF loans	387,962	-	(108,625)	279,337	108,625
DOE loan	-	330,140	-	330,140	35,467
Compensated absences	368,933	363,518	(290,174)	442,277	353,822
Business-type activity long-term liabilities	$ 854,691	$ 693,658	$ (431,398)	$ 1,116,951	$ 530,513

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end $169,914 of internal service funds compensated absences are included in the above amounts. Compensated absences for governmental activities are liquidated in the governmental fund from which the employee's salary is paid. Governmental funds typically used to liquidate compensated absences are the General Fund, Recreation Activities Fund, Arts Activity Fund, Parks Maintenance and Operation Fund, Advanced Life Support Fund, and the Recycling Fund.

NOTE 14:
CAPITAL LEASES

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

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

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

NOTE 15:
PRIOR PERIOD ADJUSTMENTS

Construction costs of $1,536,661 and contributed capital of $330,500 for the street portion of a joint street and stormwater utility project were recorded in error to the City's Stormwater Utility Fund in 2005. Construction in progress was overstated and cash understated in the Stormwater Fund and construction in progress was understated and cash overstated in the General Government column of the Statement of Net Assets by $1,536,661. Capital grants and contributions were understated by $330,500 in the Governmental Activities section of the Statement of Activities and overstated by $330,500 in the Business-type Activities section.

Transportation expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds Capital Improvements Program Fund column were understated by $1,536,661 and contributions were understated by $330,500. Transportation expenditures of $1,420,434 incurred in a prior year were paid in 2006. The beginning fund balance in the Capital Improvements Program Fund has been restated by ($2,656,595) to reflect these corrections.

The 2005 balances in three tables in the Management Discussion and Analysis have been restated to incorporate these changes. The three tables are the City of Redmond's Net Assets, the City of Redmond's Changes in Net Assets, and the City of Redmond's Capital Assets (net of depreciation). Adjustments have been made to the beginning balances in Note 8, Capital Assets.

NOTE 16:
BLENDED COMPONENT UNITS INCLUDED IN REPORTING ENTITY

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

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

Revenue bonds issued by the corporation are payable from revenues of the industrial development facility funded by the revenue bonds.

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

Although the Redmond Public Corporation is included in the reporting entity as a blended component unit, no financial impact is reported in the statements. The bonds are not a liability or a contingent liability of the City of Redmond or lien on any of its properties or revenues. Principal and interest on the bonds are payable solely from the funds provided for this payment from the revenues of the industrial development facilities funded by the revenue as provided in the RCW. Records regarding the financial statements of the entities on whose balance sheets the bond liabilities are reported are in the Office of the City Attorney, who acts as the Secretary of the Public Corporation.

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

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

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

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

NOTE 17:
JOINT VENTURES

In February 1990, the City of Redmond joined with the City of Bellevue to construct, operate, and maintain a joint-use water storage and pumping facility located on the common boundary of the two cities. The City of Redmond has an undivided interest in the facility of 44% and the City of Bellevue has an undivided interest of 56%. The City's share of costs to construct the joint-use facility totaled $2,078,539 and is reported on the business-type activity financial statements as improvements other than buildings. Accumulated depreciation totals $762,823 with a net book value of $1,315,716. The City reimbursed the City of Bellevue $10,125 for its share of operating costs in 2006. The joint venture does not issue separate financial statements.

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

The Alliance is governed by a board of directors consisting of one individual representative appointed by resolution of the member's legislative authority. Each member entity must pay annual dues based on the number of units served by the water system within their jurisdiction. The Alliance collected membership dues for 2006 totaling $715,781, of which Redmond's share was $121,695. Redmond also paid the Alliance $999,583 in 2006 for Regional Capital Facilities Charges for new

hookups to the water system that Redmond collected from new customers.

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

Audited financial information can be obtained from Pamela Higbee, Cascade Water Alliance, 11400 SE 8th Street, Suite 440, Bellevue, WA 98004.

NOTE 18:
CONTINGENCIES AND LITIGATION

As of December 31, 2006, there were a number of damage claims and lawsuits pending against the City. However, in our opinion, with which the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would affect materially the financial condition of the City.

NOTE 19:
SUBSEQUENT EVENTS

In March 2007 the City entered into an agreement with the Microsoft Corporation to provide accelerated construction permit application and inspection services to enable Microsoft to expand its world headquarters in Redmond by at least 3.1 million square feet within three years. Microsoft will pay the City approximately $6.1 million over the three-year period to provide sufficient staff and resources to handle the extra workload.

NOTE 20:
RISK MANAGEMENT

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

The claims payment portion of the Insurance Claims and Reserve Fund provides coverage up to a maximum of $100,000 per occurrence for insurance related claims and expenses. Two claims in the past three years exceeded the City's insurance coverage. None of the current claims or

lawsuits made or expected to be made against the City appear to have any reasonable likelihood of significantly affecting the City's financial situation for 2006. Reserves for open claims are established by an independent claims adjusting firm on a case reserve basis based on the assessment of the settlement potential and costs specifically associated with a particular claim given the information available at the time. Cases are reviewed no less than monthly and are subject to periodic audits. Lawsuits are reviewed and handled directly by the City Attorney or the excess insurer's appointed legal counsel. Reserves are established for estimated ultimate loss costs and related loss adjustment expenses.

The Medical Self-Insurance Fund provides coverage up to a maximum of $120,000 per person per calendar year with the excess insurance covering up to a lifetime major medical maximum of $1,000,000. There was one claim in excess of the per person limit in 2006, two claims in 2005, and one claim in excess in 2004. All funds of the City from which employee wages are paid make premium payments to the Medical Self-Insurance Fund based on health insurance rates derived from actual fund experience and Consumer Price Index increases.

Council authorized the City to self-insure workers' compensation benefits effective January 1, 1998 for employee injuries and illnesses. The City self-insures $350,000 of each accident or illness ($500,000 for Police and Fire) and purchases excess insurance above that, up to the statutory requirements. No reported claim for 2006, 2005, or 2004 exceeded the City's self insurance coverage. Claims handling is currently contracted to an independent, qualified third party administrator (TPA).

As of December 31, 2006, the City had reserves of $672,275 in the Insurance Fund, $2,226,549 in the Medical Self-Insurance Fund, and $45,748 in the Workman's Compensation Fund to provide against risk of future loss. Claims liabilities of $993,602 have been reported in the Medical Self-Insurance Fund and $79,538 in the Workman's Compensation Fund based on estimates provided by the City's third party administrators. Historically claims liabilities for IBNR in the Insurance Claims and Reserve Fund average 15% to 20% of paid claims for the year. At the end of 2006, there is a reasonable possibility the City is liable for insurance claims in the range of $20,000 to $30,000. This claims liability has not been accrued due to the uncertain outcome of the claims outstanding. Reported claims liabilities are based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the self-insurance funds' claims liabilities in 2005 and 2006 were:

	Beginning of Year Liability	Current Year Claims & Changes in Estimates	Claims Payments	End of Year Liability
Insurance Fund				
2005	$ -	$ 135,624	$ 135,624	$ -
2006	$ -	$ 209,383	$ 209,383	$ -
Medical Insurance Fund				
2005	$ 618,981	$4,685,719	$4,397,749	$ 906,951
2006	$ 906,951	$4,535,657	$4,449,006	$ 993,602
Workman's Compensation Fund				
2005	$ 20,475	$ 498,469	$ 421,966	$ 96,978
2006	$ 96,978	$ 455,101	$ 472,541	$ 79,538

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

	Coverage	Self-Insured Retention
Blanket building and personal property	$50,000,000	$100,000 except earthquake at 3% of values at risk subject to a $100,000 minimum per location
Law enforcement	$21,000,000	$100,000
Errors and omissions liability	$21,000,000	$100,000
Employment related practices	$ 5,000,000	$100,000
General and automobile liability coverage	$21,000,000	$100,000
Blanket fidelity (employee dishonesty)	$ 1,000,000	$ 10,000 deductible
Excess Workers Compensation	statutory	$350,000; $500,000 Police and Fire
Excess Medical Insurance	$ 1,000,000	$120,000
Underground storage tank pollution liability	$ 1,000,000	$ 5,000 deductible

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

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

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

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

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

Non-Major Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Improvement Committee and then submitted to the Council for approval.

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

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

Debt Service Funds

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

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

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

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

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

Capital Projects Funds

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

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

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

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006

	Special Revenue Funds			
	Recreation Activities	Arts Activity	Parks Maintenance and Operation	Community Events
ASSETS				
Cash and cash equivalents	$ 40,792	$ 16,472	$ 33,801	$ 22,034
Cash with outside agency	-	-	-	-
Investments	562,976	200,540	397,229	-
Receivables:				
Taxes	-	-	-	-
Accounts	-	-	-	-
Interest	3,016	900	2,048	-
Special assessments	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets:				
Deposit cash	6,925	-	-	-
Total Assets	$ 613,709	$ 217,912	$ 433,078	$ 22,034
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 24,584	$ 2,139	$ 5,538	$ 21,608
Employee wages payable	24,104	1,646	13,398	426
Payable from restricted assets:				
Deposits payable	6,925	-	-	-
Unearned revenues	-	-	-	-
Total Liabilities	55,613	3,785	18,936	22,034
Fund balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved	558,096	214,127	414,142	-
Total Fund Balances	558,096	214,127	414,142	-
Total Liabilities and Fund Balances	$ 613,709	$ 217,912	$ 433,078	$ 22,034

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006

	Special Revenue Funds			
	Cable Access	Operating Grants	Human Services Grants	Operating Reserves
ASSETS				
Cash and cash equivalents	$ 61,430	$ 174,576	$ 107,517	$ 280,687
Cash with outside agency	-	-	-	-
Investments	816,015	2,196,030	-	3,834,994
Receivables:				
Taxes	-	-	-	-
Accounts	45,839	-	-	-
Interest	4,492	12,653	-	-
Special assessments	-	-	-	-
Due from other funds	-	-	-	958,538
Restricted assets:				
Deposit cash	-	-	-	-
Total Assets	$ 927,776	$ 2,383,259	$ 107,517	$ 5,074,219
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ 41,975	$ 53,971	$ 387
Employee wages payable	-	7,638	-	-
Payable from restricted assets:				
Deposits payable	-	-	-	-
Unearned revenues	-	-	-	-
Total Liabilities	-	49,613	53,971	387
Fund balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved	927,776	2,333,646	53,546	5,073,832
Total Fund Balances	927,776	2,333,646	53,546	5,073,832
Total Liabilities and Fund Balances	$ 927,776	$ 2,383,259	$ 107,517	$ 5,074,219

Special Revenue Funds

Capital Equipment	Fire Equipment	Real Estate Excise Tax	Felony Seizure	Emergency Dispatch
$ 108,764	$ 228,758	$ 608,860	$ 65,126	$ 9,693
-	-	-	10,000	-
1,335,340	2,509,371	7,110,031	-	-
-	-	793,977	-	-
-	-	-	-	-
7,523	14,376	41,227	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	20,018	-
$ 1,451,627	$ 2,752,505	$ 8,554,095	$ 95,144	$ 9,693
$ 145,889	$ -	$ -	$ 79	$ -
-	-	-	-	-
-	-	-	20,018	-
-	-	-	-	-
145,889	-	-	20,097	-
-	-	-	-	-
1,305,738	2,752,505	8,554,095	75,047	9,693
1,305,738	2,752,505	8,554,095	75,047	9,693
$ 1,451,627	$ 2,752,505	$ 8,554,095	$ 95,144	$ 9,693

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006

	Special Revenue Funds			
	Business License Surcharge	Tourism	Solid Waste Recycling	Total
ASSETS				
Cash and cash equivalents	$ 42,029	$ 26,069	$ 49,478	$ 1,876,086
Cash with outside agency	-	-	-	10,000
Investments	1,022,905	312,391	587,987	20,885,809
Receivables:				
Taxes	-	-	-	793,977
Accounts	-	-	-	45,839
Interest	5,700	1,553	3,162	96,650
Special assessments	-	-	-	-
Due from other funds	-	-	-	958,538
Restricted assets:				
Deposit cash	-	-	-	26,943
Total Assets	$ 1,070,634	$ 340,013	$ 640,627	$ 24,693,842
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ 20,964	$ 47,491	$ 364,625
Employee wages payable	-	5	6,633	53,850
Payable from restricted assets:				
Deposits payable	-	-	-	26,943
Unearned revenues	-	-	-	-
Total Liabilities	-	20,969	54,124	445,418
Fund balances				
Reserved for:				
Debt service	-	-	-	-
Unreserved	1,070,634	319,044	586,503	24,248,424
Total Fund Balances	1,070,634	319,044	586,503	24,248,424
Total Liabilities and Fund Balances	$ 1,070,634	$ 340,013	$ 640,627	$ 24,693,842

Debt Service Funds

Regular Levy	Special Levy	L.I.D. Control	L.I.D. Guaranty	Total
$ -	$ 244,133	$ 81,092	$ 79,082	$ 404,307
-	-	-	-	-
-	-	-	835,988	835,988
-	13,149	-	-	13,149
-	-	-	-	-
-	-	-	4,609	4,609
-	-	803,580	-	803,580
-	-	-	-	-
-	-	-	-	-
$ -	$ 257,282	$ 884,672	$ 919,679	$ 2,061,633
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	13,080	498,193	-	511,273
-	13,080	498,193	-	511,273
-	244,202	386,479	919,679	1,550,360
-	-	-	-	-
-	244,202	386,479	919,679	1,550,360
$ -	$ 257,282	$ 884,672	$ 919,679	$ 2,061,633

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2006

	Capital Projects Funds			
	Park Acquisition and Renovation	G.O. Bonds Fire	Total	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 181,917	$ 82,595	$ 264,512	$ 2,544,905
Cash with outside agency	-	-	-	10,000
Investments	-	-	-	21,721,797
Receivables:				
Taxes	-	-	-	807,126
Accounts	-	-	-	45,839
Interest	-	-	-	101,259
Special assessments	-	-	-	803,580
Due from other funds	-	-	-	958,538
Restricted assets:				
Deposit cash	-	-	-	26,943
Total Assets	$ 181,917	$ 82,595	$ 264,512	$ 27,019,987
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ -	$ -	$ 364,625
Employee wages payable	-	-	-	53,850
Payable from restricted assets:				
Deposits payable	-	-	-	26,943
Unearned revenues	-	-	-	511,273
Total Liabilities	-	-	-	956,691
Fund balances				
Reserved for:				
Debt service	-	-	-	1,550,360
Unreserved	181,917	82,595	264,512	24,512,936
Total Fund Balances	181,917	82,595	264,512	26,063,296
Total Liabilities and Fund Balances	$ 181,917	$ 82,595	$ 264,512	$ 27,019,987

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	Special Revenue Funds		
	Recreation Activities	Arts Activity	Park Maintenance and Operation
REVENUES			
Taxes	$ -	$ -	$ 679,912
Special assessments	-	-	-
Contributions	4,228	10,878	27,842
Intergovernmental	23,490	11,415	70,000
Charges for services	1,539,149	5,979	74,423
Fines and forfeitures	-	-	-
Investment income	28,426	7,072	14,316
Miscellaneous	133,723	213	23,397
Total Revenues	1,729,016	35,557	889,890
EXPENDITURES			
Current			
General government	-	-	-
Security of persons and property	-	-	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Mental/physical health	-	-	-
Culture and recreation	1,540,910	131,743	883,137
Capital outlay	-	1,283	14,981
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	1,540,910	133,026	898,118
Excess (deficiency) of revenues over (under) expenditures	188,106	(97,469)	(8,228)
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	-	161,721	-
Transfers out	(18,699)	-	-
Total other financing sources (uses)	(18,699)	161,721	-
Net change in fund balances	169,407	64,252	(8,228)
Fund balances-beginning	388,689	149,875	422,370
Fund balances-ending	$ 558,096	$ 214,127	$ 414,142

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	Special Revenue Funds		
	Community Events	Cable Access	Operating Grants
REVENUES			
Taxes	$ -	$ -	$ -
Special assessments	-	-	-
Contributions	71,900	153,400	-
Intergovernmental	1,500	-	76,212
Charges for services	19,909	8	53,700
Fines and forfeitures	-	-	-
Investment income	-	35,201	91,161
Miscellaneous	8,782	-	-
Total Revenues	102,091	188,609	221,073
EXPENDITURES			
Current			
General government	-	-	-
Security of persons and property	12,843	-	-
Physical environment	-	-	-
Transportation	-	-	912,324
Economic environment	-	32,837	-
Mental/physical health	-	-	-
Culture and recreation	269,804	-	-
Capital outlay	-	13,769	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	282,647	46,606	912,324
Excess (deficiency) of revenues over (under) expenditures	(180,556)	142,003	(691,251)
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	180,556	-	850,000
Transfers out	-	-	-
Total other financing sources (uses)	180,556	-	850,000
Net change in fund balances	-	142,003	158,749
Fund balances-beginning	-	785,773	2,174,897
Fund balances-ending	$ -	$ 927,776	$ 2,333,646

Special Revenue Funds

Human Services Grants	Operating Reserve	Capital Equipment	Fire Equipment
$ -	$ -	$ -	$ -
-	-	-	-
1,537	-	-	6,209
-	-	-	-
-	-	-	-
-	-	-	-
-	-	51,559	110,921
-	-	-	18,504
1,537	-	51,559	135,634
-	-	271,131	-
-	11,039	28,115	81,700
-	-	1,097	-
-	-	-	-
500,893	-	-	-
88,255	-	-	-
-	-	99,923	-
-	-	519,692	10,147
-	-	-	-
-	-	-	-
589,148	11,039	919,958	91,847
(587,611)	(11,039)	(868,399)	43,787
-	-	-	1,750
556,977	38,155	1,000,000	461,000
-	-	-	-
556,977	38,155	1,000,000	462,750
(30,634)	27,116	131,601	506,537
84,180	5,046,716	1,174,137	2,245,968
$ 53,546	$ 5,073,832	$ 1,305,738	$ 2,752,505

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	Special Revenue Funds		
	Real Estate Excise Tax	Felony Seizure	Emergency Dispatch
REVENUES			
Taxes	$ 7,385,869	$ -	$ -
Special assessments	-	-	-
Contributions	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment income	262,135	-	-
Miscellaneous	-	-	-
Total Revenues	7,648,004	-	-
EXPENDITURES			
Current	-	-	-
General government	-	-	-
Security of persons and property	-	3,243	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Mental/physical health	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	-	3,243	-
Excess (deficiency) of revenues over (under) expenditures	7,648,004	(3,243)	-
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(2,740,000)	-	-
Total other financing sources (uses)	(2,740,000)	-	-
Net change in fund balances	4,908,004	(3,243)	-
Fund balances-beginning	3,646,091	78,290	9,693
Fund balances-ending	$ 8,554,095	$ 75,047	$ 9,693

Special Revenue Funds

Business License Surcharge	Tourism	Solid Waste Recycling	Total
$ 3,789,649	$ 276,575	$ -	$ 12,132,005
-	-	-	-
-	-	-	275,994
-	-	85,514	268,131
-	-	370,703	2,063,871
-	-	-	-
280,101	12,370	27,452	920,714
-	-	-	184,619
4,069,750	288,945	483,669	15,845,334
-	-	-	271,131
-	-	-	136,940
-	-	456,070	457,167
-	-	-	912,324
-	130,524	-	664,254
-	-	-	88,255
-	-	-	2,925,517
-	-	-	559,872
-	-	-	-
-	-	-	-
-	130,524	456,070	6,015,460
4,069,750	158,421	27,599	9,829,874
-	-	-	1,750
-	-	-	3,248,409
(7,400,000)	(86,105)	-	(10,244,804)
(7,400,000)	(86,105)	-	(6,994,645)
(3,330,250)	72,316	27,599	2,835,229
4,400,884	246,728	558,904	21,413,195
$ 1,070,634	$ 319,044	$ 586,503	$ 24,248,424

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2006

	Debt Service Funds			
	Regular Levy	Special Levy	L.I.D. Control	L.I.D. Guaranty
REVENUES				
Taxes	$ -	$ 315,959	$ -	$ -
Special assessments	-	-	273,089	-
Contributions	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	45,535
Miscellaneous	-	-	-	-
Total Revenues	-	315,959	273,089	45,535
EXPENDITURES				
Current				
General government	-	-	-	-
Security of persons and property	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	750,276	200,000	265,000	-
Interest	66,059	100,370	55,532	-
Total Expenditures	816,335	300,370	320,532	-
Excess (deficiency) of revenues over (under) expenditures	(816,335)	15,589	(47,443)	45,535
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	-	-
Transfers in	816,335	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	816,335	-	-	-
Net change in fund balances	-	15,589	(47,443)	45,535
Fund balances-beginning	-	228,613	433,922	874,144
Fund balances-ending	$ -	$ 244,202	$ 386,479	$ 919,679

Debt Service Funds	Capital Projects Funds			Total Nonmajor Governmental Funds
Total	Park Acquisition and Renovation	G.O. Bonds Fire	Total	
$ 315,959	$ -	$ -	$ -	$ 12,447,964
273,089	-	-	-	273,089
-	-	-	-	275,994
-	-	-	-	268,131
-	-	-	-	2,063,871
-	-	-	-	-
45,535	24,593	1,192	25,785	992,034
-	-	-	-	184,619
634,583	24,593	1,192	25,785	16,505,702
-	-	-	-	271,131
-	-	-	-	136,940
-	-	-	-	457,167
-	-	-	-	912,324
-	-	-	-	664,254
-	-	-	-	88,255
-	-	-	-	2,925,517
-	807,849	-	807,849	1,367,721
1,215,276	-	-	-	1,215,276
221,961	-	-	-	221,961
1,437,237	807,849	-	807,849	8,260,546
(802,654)	(783,256)	1,192	(782,064)	8,245,156
-	-	-	-	1,750
816,335	-	-	-	4,064,744
-	-	-	-	(10,244,804)
816,335	-	-	-	(6,178,310)
13,681	(783,256)	1,192	(782,064)	2,066,846
1,536,679	965,173	81,403	1,046,576	23,996,450
$ 1,550,360	$ 181,917	$ 82,595	$ 264,512	$ 26,063,296

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RECREATION ACTIVITIES SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 8,000	$ 8,000	$ 23,490	$ 15,490
Charges for services	2,702,000	2,834,000	2,981,318	147,318
Contributions	20,000	20,000	60,010	40,010
Investment income	12,000	12,000	39,087	27,087
Miscellaneous	192,000	232,000	250,361	18,361
Total Revenues	2,934,000	3,106,000	3,354,266	248,266
EXPENDITURES				
Culture and recreation	2,834,624	3,018,536	2,902,446	116,090
Total Expenditures	2,834,624	3,018,536	2,902,446	116,090
Excess (deficiency) of revenues over (under) expenditures	99,376	87,464	451,820	364,356
OTHER FINANCING SOURCES (USES)				
Transfers out	(38,000)	(38,000)	(38,000)	-
Total other financing sources (uses)	(38,000)	(38,000)	(38,000)	-
Net change in fund balance	61,376	49,464	413,820	364,356
Fund balance-beginning	139,618	144,276	144,276	-
Fund balance-ending	$ 200,994	$ 193,740	$ 558,096	$ 364,356

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ARTS ACTIVITY SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 29,100	$ 29,100	$ 14,040	$ (15,060)
Charges for services	3,000	3,000	10,016	7,016
Contributions	21,000	21,000	24,896	3,896
Investment income	6,200	6,200	9,407	3,207
Miscellaneous	34,100	34,100	1,430	(32,670)
Total Revenues	93,400	93,400	59,789	(33,611)
EXPENDITURES				
Culture and recreation	310,936	311,040	235,130	75,910
Capital outlay	50,739	50,739	9,783	40,956
Total Expenditures	361,675	361,779	244,913	116,866
Excess (deficiency) of revenues over (under) expenditures	(268,275)	(268,379)	(185,124)	83,255
OTHER FINANCING SOURCES (USES)				
Transfers in	182,784	182,784	257,735	74,951
Total other financing sources (uses)	182,784	182,784	257,735	74,951
Net change in fund balance	(85,491)	(85,595)	72,611	158,206
Fund balance-beginning	145,491	145,491	141,516	(3,975)
Fund balance-ending	$ 60,000	$ 59,896	$ 214,127	$ 154,231

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARKS MAINTENANCE AND OPERATION SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 1,333,030	$ 1,333,030	$ 1,353,092	$ 20,062
Intergovernmental	-	50,000	90,000	40,000
Charges for services	-	-	74,423	74,423
Contributions	1,000	26,000	29,889	3,889
Investment income	4,000	4,000	20,086	16,086
Miscellaneous	49,734	49,734	170,861	121,127
Total Revenues	1,387,764	1,462,764	1,738,351	275,587
EXPENDITURES				
Culture and recreation	1,501,187	1,589,612	1,551,366	38,246
Capital Outlay	-	-	14,981	(14,981)
Total Expenditures	1,501,187	1,589,612	1,566,347	23,265
Excess (deficiency) of revenues over (under) expenditures	(113,423)	(126,848)	172,004	298,852
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(40,000)	(40,000)
Total other financing sources (uses)	-	-	(40,000)	(40,000)
Net change in fund balance	(113,423)	(126,848)	132,004	258,852
Fund balance-beginning	174,112	282,138	282,138	-
Fund balance-ending	$ 60,689	$ 155,290	$ 414,142	$ 258,852

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY EVENTS SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ -	$ 1,500	$ 1,500
Charges for services	28,600	28,600	31,100	2,500
Contributions	184,100	184,100	139,740	(44,360)
Miscellaneous	187,200	187,200	17,875	(169,325)
Total Revenues	399,900	399,900	190,215	(209,685)
EXPENDITURES				
Security of Persons and Property	-	-	12,843	(12,843)
Culture and recreation	576,200	576,767	550,976	25,791
Total Expenditures	576,200	576,767	563,819	12,948
Excess (deficiency) of revenues over (under) expenditures	(176,300)	(176,867)	(373,604)	(196,737)
OTHER FINANCING SOURCES (USES)				
Transfers in	215,000	215,000	351,357	136,357
Total other financing sources (uses)	215,000	215,000	351,357	136,357
Net change in fund balance	38,700	38,133	(22,247)	(60,380)
Fund balance-beginning	17,780	22,247	22,247	-
Fund balance-ending	$ 56,480	$ 60,380	$ -	$ (60,380)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CABLE ACCESS SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	$ -	$ -	$ 8	$ 8
Contributions	345,000	345,000	252,476	(92,524)
Investment interest	5,000	5,000	54,881	49,881
Total Revenues	350,000	350,000	307,365	(42,635)
EXPENDITURES				
Economic development	582,053	665,092	103,948	561,144
Capital outlay	484,875	544,026	154,759	389,267
Total Expenditures	1,066,928	1,209,118	258,707	950,411
Excess (deficiency) of revenues over (under) expenditures	(716,928)	(859,118)	48,658	907,776
Net change in fund balance	(716,928)	(859,118)	48,658	907,776
Fund balance-beginning	736,928	879,118	879,118	-
Fund balance-ending	$ 20,000	$ 20,000	$ 927,776	$ 907,776

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OPERATING GRANTS SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 163,942	$ 818,429	$ 401,936	$ (416,493)
Charges for services	123,000	176,700	53,700	(123,000)
Investment income	-	-	137,679	137,679
Total Revenues	286,942	995,129	593,315	(401,814)
EXPENDITURES				
Transportation	3,115,630	4,423,817	1,610,432	2,813,385
Total Expenditures	3,115,630	4,423,817	1,610,432	2,813,385
Excess (deficiency) of revenues over (under) expenditures	(2,828,688)	(3,428,688)	(1,017,117)	2,411,571
OTHER FINANCING SOURCES (USES)				
Transfers in	900,000	1,500,000	1,500,000	-
Total other financing sources (uses)	900,000	1,500,000	1,500,000	-
Net change in fund balance	(1,928,688)	(1,928,688)	482,883	2,411,571
Fund balance-beginning	1,928,688	1,928,688	1,850,763	(77,925)
Fund balance-ending	$ -	$ -	$ 2,333,646	$ 2,333,646

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HUMAN SERVICES GRANTS SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 119,443	$ 233,629	$ 173,549	$ (60,080)
Contributions	-	-	1,537	1,537
Total Revenues	119,443	233,629	175,086	(58,543)
EXPENDITURES				
Economic development	1,058,977	1,220,389	1,108,999	111,390
Mental/physical health	168,768	168,768	171,768	(3,000)
Total Expenditures	1,227,745	1,389,157	1,280,767	108,390
Excess (deficiency) of revenues over (under) expenditures	(1,108,302)	(1,155,528)	(1,105,681)	49,847
OTHER FINANCING SOURCES (USES)				
Transfers in	1,098,548	1,098,548	1,098,548	-
Total other financing sources (uses)	1,098,548	1,098,548	1,098,548	-
Net change in fund balance	(9,754)	(56,980)	(7,133)	49,847
Fund balance-beginning	13,505	60,679	60,679	-
Fund balance-ending	$ 3,751	$ 3,699	$ 53,546	$ 49,847

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OPERATING RESERVE SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Security of persons and property	$ 140,000	$ 140,000	$ 41,566	$ (98,434)
Total expenditures	140,000	140,000	41,566	(98,434)
OTHER FINANCING SOURCES (USES)				
Transfers in	140,000	140,000	136,407	(3,593)
Total other financing sources (uses)	140,000	140,000	136,407	(3,593)
Net change in fund balance	-	-	94,841	94,841
Fund balance-beginning	4,906,390	4,978,991	4,978,991	-
Fund balance-ending	$ 4,906,390	$ 4,978,991	$ 5,073,832	$ 94,841

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL EQUIPMENT SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Investment income	$ 125,000	$ 125,000	$ 81,543	$ (43,457)
Total Revenues	125,000	125,000	81,543	(43,457)
EXPENDITURES				
Current				
General government	1,301,328	1,301,328	685,589	615,739
Security of persons and property	105,928	105,928	110,471	(4,543)
Physical environment	11,000	11,000	1,097	9,903
Economic environment	56,500	56,500	6,438	50,062
Culture and recreation	129,850	129,850	250,878	(121,028)
Capital outlay	1,111,300	1,111,300	1,099,494	11,806
Total Expenditures	2,715,906	2,715,906	2,153,967	561,939
Excess (deficiency) of revenues over (under) expenditures	(2,590,906)	(2,590,906)	(2,072,424)	518,482
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000,000	2,000,000	2,000,000	-
Total other financing sources (uses)	2,000,000	2,000,000	2,000,000	-
Net change in fund balance	(590,906)	(590,906)	(72,424)	518,482
Fund balance-beginning	1,283,877	1,375,162	1,378,162	3,000
Fund balance-ending	$ 692,971	$ 784,256	$ 1,305,738	$ 521,482

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE EQUIPMENT SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Contributions	$ 30,000	$ 30,000	$ 15,945	$ (14,055)
Investment income	40,000	40,000	156,605	116,605
Miscellaneous	52,658	52,658	50,532	(2,126)
Total Revenues	122,658	122,658	223,082	100,424
EXPENDITURES				
Security of persons and property	100,000	100,000	112,197	(12,197)
Capital outlay	1,700,272	1,700,272	31,940	1,668,332
Total Expenditures	1,800,272	1,800,272	144,137	1,656,135
Excess (deficiency) of revenues over (under) expenditures	(1,677,614)	(1,677,614)	78,945	1,756,559
OTHER FINANCING SOURCES (USES)				
Disposition of fixed assets	25,000	25,000	5,500	(19,500)
Transfers in	922,000	922,000	922,000	-
Total other financing sources (uses)	947,000	947,000	927,500	(19,500)
Net change in fund balance	(730,614)	(730,614)	1,006,445	1,737,059
Fund balance-beginning	1,394,693	1,746,060	1,746,060	-
Fund balance-ending	$ 664,079	$ 1,015,446	$ 2,752,505	$ 1,737,059

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REAL ESTATE EXCISE TAX SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 5,400,000	$ 5,400,000	$ 12,844,554	$ 7,444,554
Investment income	40,000	40,000	327,324	287,324
Total Revenues	5,440,000	5,440,000	13,171,878	7,731,878
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,042,707)	(9,042,707)	(9,042,707)	-
Total other financing sources (uses)	(9,042,707)	(9,042,707)	(9,042,707)	-
Net change in fund balance	(3,602,707)	(3,602,707)	4,129,171	7,731,878
Fund balance-beginning	3,602,707	4,424,924	4,424,924	-
Fund balance-ending	$ -	$ 822,217	$ 8,554,095	$ 7,731,878

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FELONY SEIZURE SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	$ 3,400	$ 3,400	$ 7,325	$ 3,925
Total Revenues	3,400	3,400	7,325	3,925
EXPENDITURES				
Security of persons and property	74,304	74,304	18,979	55,325
Total Expenditures	74,304	74,304	18,979	55,325
Excess (deficiency) of revenues over (under) expenditures	(70,904)	(70,904)	(11,654)	59,250
Net change in fund balance	(70,904)	(70,904)	(11,654)	59,250
Fund balance-beginning	70,904	76,250	86,701	10,451
Fund balance-ending	$ -	$ 5,346	$ 75,047	$ 69,701

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EMERGENCY DISPATCH SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUSINESS LICENSE SURCHARGE SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 7,008,157	$ 7,008,157	$ 7,391,688	$ 383,531
Investment income	200,000	200,000	432,115	232,115
Total Revenues	7,208,157	7,208,157	7,823,803	615,646
OTHER FINANCING SOURCES (USES)				
Transfers out	(800,000)	(5,024,000)	(11,624,000)	(6,600,000)
Total other financing sources (uses)	(800,000)	(5,024,000)	(11,624,000)	(6,600,000)
Net change in fund balance	6,408,157	2,184,157	(3,800,197)	(5,984,354)
Fund balance-beginning	4,616,890	4,870,831	4,870,831	-
Fund balance-ending	$ 11,025,047	$ 7,054,988	$ 1,070,634	$ (5,984,354)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TOURISM SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 395,600	$ 439,157	$ 517,934	$ 78,777
Investment income	5,000	5,000	17,236	12,236
Total Revenues	400,600	444,157	535,170	91,013
EXPENDITURES				
Economic development	495,281	619,193	237,057	382,136
Total Expenditures	495,281	619,193	237,057	382,136
Excess (deficiency) of revenues over (under) expenditures	(94,681)	(175,036)	298,113	473,149
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(154,105)	(154,105)
Total other financing sources (uses)	-	-	(154,105)	(154,105)
Net change in fund balance	(94,681)	(175,036)	144,008	319,044
Fund balance-beginning	94,681	175,036	175,036	-
Fund balance-ending	$ -	$ -	$ 319,044	$ 319,044

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SOLID WASTE RECYCLING SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 100,000	$ 100,000	$ 85,514	$ (14,486)
Charges for services	704,200	704,200	735,561	31,361
Investment income	24,000	24,000	41,773	17,773
Miscellaneous	4,200	4,200	68	(4,132)
Total Revenues	832,400	832,400	862,916	30,516
EXPENDITURES				
Physical environment	1,209,293	1,210,264	863,596	346,668
Capital outlay	-	-	12,125	(12,125)
Total Expenditures	1,209,293	1,210,264	875,721	334,543
Excess (deficiency) of revenues over (under) expenditures	(376,893)	(377,864)	(12,805)	365,059
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(10,000)	(10,000)
Total other financing sources (uses)	-	-	(10,000)	(10,000)
Net change in fund balance	(376,893)	(377,864)	(22,805)	355,059
Fund balance-beginning	487,417	609,308	609,308	-
Fund balance-ending	$ 110,524	$ 231,444	$ 586,503	$ 355,059

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REGULAR LEVY DEBT SERVICE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Principal	$ 1,645,610	$ 1,645,610	$ 1,487,829	$ 157,781
Interest	-	-	157,781	(157,781)
Total Expenditures	1,645,610	1,645,610	1,645,610	-
OTHER FINANCING SOURCES (USES)				
Transfers in	1,645,610	1,645,610	1,645,610	-
Total other financing sources (uses)	1,645,610	1,645,610	1,645,610	-
Net change in fund balance	-	-	-	-
Fund balance-beginning	-	-	-	-
Fund balance-ending	$ -	$ -	$ -	$ -

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL LEVY DEBT SERVICE FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 3,982,593	$ 3,982,593	$ 3,273,089	$ (709,504)
Total Revenues	3,982,593	3,982,593	3,273,089	(709,504)
EXPENDITURES				
Principal	2,935,000	2,935,000	2,935,000	-
Interest	332,133	332,133	332,613	(480)
Total Expenditures	3,267,133	3,267,133	3,267,613	(480)
Excess (deficiency) of revenues over (under) expenditures	715,460	715,460	5,476	(709,984)
Net change in fund balance	715,460	715,460	5,476	(709,984)
Fund balance-beginning	209,343	238,726	238,726	-
Fund balance-ending	$ 924,803	$ 954,186	$ 244,202	$ (709,984)

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS PROGRAM CAPITAL PROJECTS FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
Taxes	$ 2,200,000	$ 2,200,000	$ 2,200,000	$ -
Intergovernmental	3,128,467	6,182,967	4,649,522	(1,533,445)
Charges for Services	2,760,000	2,760,000	2,805,962	45,962
Contributions	100,000	4,195,472	4,613,155	417,683
Investment Income	1,585,085	1,585,085	2,298,116	713,031
Miscellaneous	2,715,000	2,792,805	312,613	(2,480,192)
Total Revenues	12,488,552	19,716,329	16,879,368	(2,836,961)
EXPENDITURES				
Current				
General Government	9,045,840	9,216,987	3,501,168	5,715,819
Security of Persons and Property	1,150,509	1,150,509	1,839,230	(688,721)
Transportation	6,365,555	8,127,555	4,123,798	4,003,757
Economic Development	339,243	339,243	400,828	(61,585)
Culture and Recreation	719,891	719,891	594,551	125,340
Capital Outlay	37,529,269	89,308,046	23,161,993	66,146,053
Debt Service				
Principal	-	735,071	1,356,116	(621,045)
Interest	-	102,990	2,088,121	(1,985,131)
Total Expenditures	55,150,307	109,700,292	37,065,805	72,634,487
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,661,755)	(89,983,963)	(20,186,437)	69,797,526
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	36,089,000	-	(36,089,000)
Transfers In	16,183,159	26,578,306	26,042,890	(535,416)
Transfers Out	(2,770,702)	(2,770,702)	(2,197,563)	573,139
Total Other Financing Sources and Uses	13,412,457	59,896,604	23,845,327	(36,051,277)
Net Change in Fund Balance	(29,249,298)	(30,087,359)	3,658,890	33,746,249
Fund Balance-Beginning	37,221,934	38,593,738	35,764,536	(2,829,202)
Fund Balance-Ending	$ 7,972,636	$ 8,506,379	$ 39,423,426	$ 30,917,047

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARK ACQUISITION AND RENOVATION CAPITAL PROJECTS FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Investment Income	$ 10,000	$ 10,000	$ 52,221	$ 42,221
Total Revenues	10,000	10,000	52,221	42,221
EXPENDITURES				
Current				
Culture and Recreation	944,221	944,221	-	944,221
Capital Outlay	-	-	807,849	(807,849)
Total Expenditures	944,221	944,221	807,849	136,372
Excess (Deficiency) of Revenues Over (Under) Expenditures	(934,221)	(934,221)	(755,628)	178,593
Net Change in Fund Balance	(934,221)	(934,221)	(755,628)	178,593
Fund Balance-Beginning	934,221	937,545	937,545	-
Fund Balance-Ending	$ -	$ 3,324	$ 181,917	$ 178,593

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
G.O. BONDS FIRE CAPITAL PROJECTS FUND
For the Biennium Ended December 31, 2006

	Original Budget 2005-2006	Final Budget 2005-2006	Actual 2005-2006 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Investment Income	$ 600	$ 600	$ 1,957	$ 1,357
Total Revenues	600	600	1,957	1,357
EXPENDITURES				
Current				
Security of Persons and Property	300	300	-	300
Total Expenditures	300	300	-	300
Excess (Deficiency) of Revenues Over (Under) Expenditures	300	300	1,957	1,657
Net Change in Fund Balance	300	300	1,957	1,657
Fund Balance-Beginning	80,708	80,708	80,638	(70)
Fund Balance-Ending	$ 81,008	$ 81,008	$ 82,595	$ 1,587

Internal Service Funds

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

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

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

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

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

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

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

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

December 31, 2006

	Fleet Maintenance	Insurance	Medical Self-Insurance
ASSETS			
Current assets:			
Cash and cash equivalents	$ 376,249	$ 31,957	$ 286,393
Investments	4,241,025	368,664	2,894,845
Receivables:			
Accounts and Contracts			
Interest	61,156	5,316	41,077
Inventory	27,497	-	-
Prepaid insurance	-	322,939	-
Restricted assets:			
Deposits	-	1,576	197
Total current assets	4,705,927	730,452	3,222,512
Noncurrent assets:			
Land	584,292	-	-
Buildings	510,196	-	-
Improvements other than buildings	248,876	-	-
Equipment	8,987,696	-	-
Less accumulated depreciation	(6,013,892)	-	-
Total noncurrent assets	4,317,168	-	-
Total Assets	$ 9,023,095	$ 730,452	$ 3,222,512
LIABILITIES			
Current liabilities:			
Accounts payable	$ 82,392	$ 16,854	$ 995,603
Employee wages payable	15,638	11,778	163
Compensated absences	25,750	22,375	-
Customer deposits payable	-	1,576	197
Unearned Revenues	-	-	-
Total current liabilities	123,780	52,583	995,963
Noncurrent liabilities:			
Compensated absences	6,438	5,594	-
Total noncurrent liabilites	6,438	5,594	-
Total Liabilities	130,218	58,177	995,963
NET ASSETS			
Invested in capital assets, net of related debt	4,317,168	-	-
Unrestricted	4,575,709	672,275	2,226,549
Total Net Assets	$ 8,892,877	$ 672,275	$ 2,226,549

Workman's Compensation	Information Technology	Redmond Community Properties	Total
$ 10,909	$ 417,467	$ 130,317	$ 1,253,292
113,713	-	-	7,618,247
		61,619	61,619
664	-	-	108,213
-	-	-	27,497
-	-	39,006	361,945
	-	-	1,773
125,286	417,467	230,942	9,432,586
-	-	-	584,292
-	109,298	-	619,494
-	8,107	-	256,983
-	142,063	-	9,129,759
-	(63,606)	-	(6,077,498)
-	195,862	-	4,513,030
$ 125,286	$ 613,329	$ 230,942	$ 13,945,616
$ 79,538	$ 30,653	$ 51,945	$ 1,256,985
-	69,014	16,066	112,659
-	87,804	-	135,929
-	-	-	1,773
-	-	90,643	90,643
79,538	187,471	158,654	1,597,989
-	21,952	-	33,984
-	21,952	-	33,984
79,538	209,423	158,654	1,631,973
-	195,862	-	4,513,030
45,748	208,044	72,288	7,800,613
$ 45,748	$ 403,906	$ 72,288	$ 12,313,643

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the year ended December 31, 2006

	Fleet Maintenance	Insurance	Medical Self-Insurance
Operating revenues:			
Charges for services	$ 255,777	$ -	$ -
Charges for replacement	1,501,574	-	-
Charges for insurance	-	1,104,309	5,791,117
Total Operating Revenues	1,757,351	1,104,309	5,791,117
Operating expenses:			
Administrative and general	855,939	961,511	5,603,663
Maintenance and operations	-	-	-
Supplies	396,309	430	1,378
Depreciation and amortization	824,398	-	-
Total Operating Expenses	2,076,646	961,941	5,605,041
Operating income (loss)	(319,295)	142,368	186,076
Nonoperating revenues (expenses):			
Interest and investment revenue	216,865	21,460	136,349
Gain on sale of capital assets	56,121	-	-
Miscellaneous	2,701	-	619,936
Total nonoperating revenues (expenses)	275,687	21,460	756,285
Income (loss) before contributions and transfers	(43,608)	163,828	942,361
Transfers in	93,977	-	-
Transfers out	-	-	(38,155)
Change in net assets	50,369	163,828	904,206
Total net assets - beginning	8,842,508	508,447	1,322,343
Total net assets - ending	$ 8,892,877	$ 672,275	$ 2,226,549

Workman's Compensation	Information Technology	Redmond Community Properties	Total
$ -	$ 2,738,295	$ 996,145	$ 3,990,217
-	-	-	1,501,574
774,311	-	-	7,669,737
774,311	2,738,295	996,145	13,161,528
665,720	2,688,438	545,087	11,320,358
-	-	378,770	378,770
-	106,288	-	504,405
-	14,978	-	839,376
665,720	2,809,704	923,857	13,042,909
108,591	(71,409)	72,288	118,619
2,398	-	-	377,072
-	-	-	56,121
-	55,000	-	677,637
2,398	55,000	-	1,110,830
110,989	(16,409)	72,288	1,229,449
-	-	-	93,977
-	-	-	(38,155)
110,989	(16,409)	72,288	1,285,271
(65,241)	420,315	-	11,028,372
$ 45,748	$ 403,906	$ 72,288	$ 12,313,643

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2006

	Fleet Maintenance	Insurance	Medical Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 255,777	$ 1,104,309	$ 5,791,117
Cash received for replacement	1,501,574	-	-
Cash payments to suppliers	(354,857)	(712,707)	(5,516,532)
Cash payments to employees	(633,427)	(211,353)	163
Internal activity - payments to other funds	(239,114)	(22,419)	(1,010)
Other operating receipts	-	-	619,935
Other operating payments	-	(198,552)	-
Net cash provided (used) by operating activities	529,953	(40,722)	893,673
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	-	-	(38,155)
Net cash used by noncapital financing activities	-	-	(38,155)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,609,936)	-	-
Proceeds from sale of capital assets	73,700	-	-
Proceeds from sale of other assets	2,701	-	-
Net cash used for capital and related financing activities	(1,533,535)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment purchases	-	-	(777,013)
Investment sales/maturities	762,543	18,554	-
Interest on investments	204,756	19,521	115,771
Net cash provided (used) in investing activities	967,299	38,075	(661,242)
Net increase (decrease) in cash and cash equivalents	(36,283)	(2,647)	194,276
Cash and cash equivalents-beginning of year	412,532	36,180	92,314
Cash and cash equivalents-end of year	$ 376,249	$ 33,533	$ 286,590
Cash at the end of the year consists of:			
Operating fund cash	$ 376,249	$ 31,957	$ 286,393
Customer deposits	-	1,576	197
Total cash at end of year	$ 376,249	$ 33,533	$ 286,590

Workman's Compensation	Information Technology	Redmond Community Properties	Total
$ 774,311	$ 2,738,295	$ 986,163	$ 11,649,972
-	-	-	1,501,574
(683,160)	(796,823)	(635,288)	(8,699,367)
-	(1,785,861)	(220,558)	(2,851,036)
-	(220,522)	-	(483,065)
-	55,000	-	674,935
-	-	-	(198,552)
91,151	(9,911)	130,317	1,594,461
-	-	-	(38,155)
-	-	-	(38,155)
-	(60,719)	-	(1,670,655)
-	-	-	73,700
-	-	-	2,701
-	(60,719)	-	(1,594,254)
(113,713)	-	-	(890,726)
-	-	-	781,097
1,734	-	-	341,782
(111,979)	-	-	232,153
(20,828)	(70,630)	130,317	194,205
31,737	488,097	-	1,060,860
$ 10,909	$ 417,467	$ 130,317	$ 1,255,065
$ 10,909	$ 417,467	$ 130,317	$ 1,253,292
-	-	-	1,773
$ 10,909	$ 417,467	$ 130,317	$ 1,255,065

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2006

	Fleet Maintenance	Insurance	Medical Self-Insurance
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ (319,295)	$ 142,368	$ 186,076
Adjustments to reconcile operating income to net cash provided by Operating activities:			
Depreciation	824,398	-	-
Increase in accounts receivable	-	-	-
Decrease in inventory	(460)	-	-
Increase in prepaid expenses	-	(198,552)	-
Increase (decrease) in accounts payable	41,912	9,764	87,498
Increase (decrease) in employee wages payable	(17,441)	830	163
Increase in compensated absences	839	4,868	-
Increase (decrease) in customer deposits payable	-	-	-
Reclassify other income	-	-	619,936
Increase in deferred revenue			
Net cash provided (used) by operating activities	$ 529,953	$ (40,722)	$ 893,673

Workman's Compensation	Information Technology	Redmond Community Properties	Total
$ 108,591	$ (71,409)	$ 72,288	$ 118,619
-	14,978	-	839,376
-	-	(61,619)	(61,619)
-	-	-	(460)
-	-	(39,006)	(237,558)
(17,440)	(10,441)	51,945	163,238
-	(1,680)	16,066	(2,062)
-	3,641	-	9,348
-	-	-	-
-	55,000	-	674,936
-	-	90,643	90,643
$ 91,151	$ (9,911)	$ 130,317	$ 1,594,461

Noncash investing, capital and financing activities:

Other funds of the city transferred vehicles valued at	$ 93,977
The fair value of investments in the Fleet Maintenance Fund increased by	19,254
The fair value of investments in the Insurance Fund increased by	1,674
The fair value of investments in the Medical Self-Insurance Fund increased by	13,142
The fair value of investments in the Workman's Compensation Fund increased by	516

Agency Funds

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

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

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

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

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
December 31, 2006

	Inter-Governmental Custodial	MEBT	Contractor's Deposits	Total
ASSETS				
Cash and cash equivalents	$ 12,525	$ 38,260	$ 546,261	$ 597,046
Total assets	$ 12,525	$ 38,260	$ 546,261	$ 597,046
LIABILITIES				
Due to other governments	$ 12,525	$ -	$ -	$ 12,525
Custodial	-	38,260	-	38,260
Trust account	-	-	546,261	546,261
Total liabilities	$ 12,525	$ 38,260	$ 546,261	$ 597,046

COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2006

	1-1-06 BALANCE	ADDITIONS	DELETIONS	12-31-06 BALANCE
INTERGOVERNMENTAL CUSTODIAL				
ASSETS				
Cash and cash equivalents	$ 10,854	$ 109,528	$ 107,857	$ 12,525
Total Assets	$ 10,854	$ 109,528	$ 107,857	$ 12,525
LIABILITIES				
Due to other governments	$ 10,854	$ 105,668	$ 103,997	$ 12,525
Total Liabilities	$ 10,854	$ 105,668	$ 103,997	$ 12,525
MEBT				
ASSETS				
Cash and cash equivalents	$ 74,376	$ 3,495,516	$ 3,531,632	$ 38,260
Total Assets	$ 74,376	$ 3,495,516	$ 3,531,632	$ 38,260
LIABILITIES				
Custodial	$ 74,376	$ 3,500,457	$ 3,536,573	$ 38,260
Total Liabilities	$ 74,376	$ 3,500,457	$ 3,536,573	$ 38,260
CONTRACTORS DEPOSIT				
ASSETS				
Cash and cash equivalents	$ 567,918	$ 233,196	$ 254,853	$ 546,261
Total Assets	$ 567,918	$ 233,196	$ 254,853	$ 546,261
LIABILITIES				
Trust account	$ 567,918	$ 349,603	$ 371,260	$ 546,261
Total Liabilities	$ 567,918	$ 349,603	$ 371,260	$ 546,261

COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2006

	1-1-06 BALANCE	ADDITIONS	DELETIONS	12-31-06 BALANCE
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 653,148	$ 3,838,240	$ 3,894,342	$ 597,046
Total Assets	$ 653,148	$ 3,838,240	$ 3,894,342	$ 597,046
LIABILITIES				
Due to other governments	$ 10,854	$ 105,668	$ 103,997	$ 12,525
Custodial	74,376	3,500,457	3,536,573	38,260
Trust account	567,918	349,603	371,260	546,261
Total Liabilities	$ 653,148	$ 3,955,728	$ 4,011,830	$ 597,046

Capital Assets
Used in the Operation
of Governmental Funds

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
December 31, 2006 and 2005

	2006	2005
Governmental funds capital assets:		
Land	$ 49,006,826	$ 44,962,134
Buildings	61,941,123	61,585,669
Improvements other than buildings	21,656,843	20,031,737
Machinery and equipment	12,159,631	11,285,860
Artwork	298,107	295,624
Infrastructure	161,876,048	153,963,222
Construction in progress	14,526,408	14,379,149
Total governmental funds capital assets	$ 321,464,986	$ 306,503,395

Investments in governmental funds capital assets by source:		
General fund	$ 221,065,181	$ 212,556,163
Special revenue funds	7,345,215	7,126,087
Impact fees	7,881,922	7,093,315
Federal grants	667,012	654,283
General obligation bonds	68,133,856	67,326,007
Private gifts	16,371,800	11,747,540
Total governmental funds capital assets	$ 321,464,986	$ 306,503,395

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

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2006

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	ARTWORK	INFRA-STRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General government								
Finance	$ -	$ -	$ -	$ 3,386,849	$ -	$ -	$ -	$ 3,386,849
Planning	-	-	-	437,733	-	-	-	437,733
General government	9,061,967	36,574,185	5,829,103	169,414	-	-	170,988	51,805,657
Public works/general	1,084,046	845,958	267,533	205,766	-	-	-	2,403,303
Total general government	10,146,013	37,420,143	6,096,636	4,199,762	-	-	170,988	58,033,542
Security								
Police	-	4,914,770	92,458	1,549,879	-	-	-	6,557,107
Fire	2,226,995	11,360,558	190,282	6,215,676	-	-	-	19,993,511
Total security	2,226,995	16,275,328	282,740	7,765,555	-	-	-	26,550,618
Transportation	21,806,325	-	-	51,977	-	154,196,934	12,369,559	188,424,795
Culture and recreation								
Parks and recreation	14,720,679	6,423,127	15,077,467	108,677	298,107	7,679,114	1,985,861	46,293,032
Senior center	106,814	1,822,525	200,000	33,660	-	-	-	2,162,999
Total culture and recreation	14,827,493	8,245,652	15,277,467	142,337	298,107	7,679,114	1,985,861	48,456,031
Total governmental funds capital assets	$ 49,006,826	$ 61,941,123	$ 21,656,843	$ 12,159,631	$ 298,107	$ 161,876,048	$ 14,526,408	$ 321,464,986

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

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Year Ended December 31, 2006

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets 1-1-06	Additions	Deductions	Governmental Funds Capital Assets 12-31-06
General government				
Finance	$ 3,165,332	$ 254,700	$ 33,183	$ 3,386,849
Planning	404,977	90,866	58,110	437,733
General government	51,617,379	188,278	-	51,805,657
Public works/general	2,369,379	33,924	-	2,403,303
Total general government	57,557,067	567,768	91,293	58,033,542
Security				
Police	6,380,477	188,013	11,383	6,557,107
Fire	19,741,003	448,508	196,000	19,993,511
Total security	26,121,480	636,521	207,383	26,550,618
Transportation	185,280,820	9,288,212	6,144,237	188,424,795
Culture and recreation				
Parks and recreation	35,381,029	13,233,728	2,321,725	46,293,032
Senior center	2,162,999	-	-	2,162,999
Total culture and recreation	37,544,028	13,233,728	2,321,725	48,456,031
Total governmental funds capital assets	$ 306,503,395	$ 23,726,229	$ 8,764,638	$ 321,464,986

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

STATISTICAL SECTION

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

Contents **Page**

Financial Trends 132
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 138
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity 142
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 147
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information 149
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

Schedule 1

Net Assets by Component

Last Five Fiscal Years*

Accrual Basis of Accounting

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

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

Schedule 2

Changes in Net Assets

Last Five Fiscal Years*

Accrual Basis of Accounting

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

Schedule 2 (continued)

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

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

Schedule 3

Fund Balances, Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund	$ 5,921,618	$ 7,691,550	$ 10,809,178	$ 12,448,838	$ 5,978,351	$ 5,037,773	$ 5,308,926	$ 5,030,954	$ 6,205,024	$ 9,058,520
All Other Governmental Funds										
Reserved	$ 4,632,348	$ 2,800,370	$ 2,693,953	$ 3,553,071	$ 3,078,038	$ 1,923,869	$ 1,593,045	$ 1,674,975	$ 1,536,679	$ 1,550,360
Unreserved, reported in:										
Special revenue funds	11,165,284	11,415,778	12,133,548	13,234,408	16,570,706	20,301,677	21,500,130	21,669,832	21,413,195	24,248,424
Capital projects funds	16,158,426	22,958,092	25,877,123	33,627,604	40,560,272	39,797,635	35,773,405	36,782,719	34,293,270	39,687,938
Total all other governmental funds:	$ 31,956,058	$ 37,174,240	$ 40,704,624	$ 50,415,083	$ 60,209,016	$ 62,023,181	$ 58,866,580	$ 60,127,526	$ 57,243,144	$ 65,486,722

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

Schedule 4

Changes in Fund Balances, Governmental Funds

Last Five Fiscal Years*

Modified Accrual Basis of Accounting

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

Schedule 4 (continued)

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

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

Schedule 5

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Valuation	Total Direct Tax Rate*
1997	$ 3,838,286,137	$ 614,227,745	$ 4,452,513,882	$ 2.39
1998	4,255,840,237	764,865,917	5,020,706,154	2.30
1999	4,897,827,903	801,888,874	5,699,716,777	2.13
2000	5,366,326,049	865,539,761	6,231,865,810	1.96
2001	6,115,398,537	1,061,261,507	7,176,660,044	1.76
2002	6,941,422,915	1,288,207,660	8,229,630,575	1.60
2003	7,409,495,346	1,181,627,039	8,591,122,385	1.57
2004	7,762,955,643	1,038,619,530	8,801,575,173	1.59
2005	8,114,876,599	1,205,491,934	9,320,368,533	1.58
2006	8,759,508,942	1,551,414,614	10,310,923,556	1.23

Source: King County Accounting Division

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

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

Schedule 6

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

	City Direct Rates			Overlapping Rates							
	General Fund	General Obligation Debt Service	Total Direct Rate*	WA State	King County	Port Of Seattle	School District #414	Hospital District #2	King Co. Library	Emer. Medical Service	Total Direct and Overlapping Rate
1997	$ 1.77	$ 0.62	$ 2.39	$ 3.52	$ 2.13	$ 0.28	$ 3.95	$ 0.44	$ 0.62	$ 0.25	$ 13.58
1998	1.75	0.55	2.30	3.51	1.85	0.26	3.52	0.43	0.60	-	12.47
1999	1.65	0.48	2.13	3.36	1.77	0.24	4.06	0.41	0.59	0.29	12.85
2000	1.59	0.37	1.96	3.30	1.69	0.22	4.02	0.41	0.60	0.27	12.47
2001	1.45	0.31	1.76	3.15	1.55	0.19	3.53	0.39	0.56	0.25	11.38
2002	1.31	0.29	1.60	2.99	1.45	0.19	3.18	0.36	0.53	0.25	10.55
2003	1.29	0.28	1.57	2.90	1.35	0.26	3.07	0.34	0.55	0.24	10.28
2004	1.33	0.26	1.59	2.76	1.43	0.25	2.96	0.34	0.60	0.24	10.17
2005	1.32	0.26	1.58	2.69	1.38	0.25	2.83	0.59	0.53	0.23	10.08
2006	1.20	0.03	1.23	2.50	1.33	0.23	2.65	0.54	0.53	0.22	9.23

Source: King County Assessor's Office

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

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

Schedule 7

Principal Property Taxpayers

Current Year and Nine Years Ago

	2006			1997		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value*	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value**
Microsoft (includes MSNBC)	$ 1,473,730,675	1	14.29%	$ 705,317,442	1	15.84%
PPR Redmond Retail LLC (Redmond Town Center)	156,175,255	2	1.51%	-		
Safeco	141,358,062	3	1.37%	-		
Archstone Communities Trust	116,316,300	4	1.13%	-		
Puget Sound Energy	106,139,104	5	1.03%	69,546,769	2	1.56%
Nintendo	63,887,569	6	0.62%	39,353,507	5	0.88%
BRE Properties	62,652,000	7	0.61%	-		
Yett Family Partnership LP	50,226,300	8	0.49%	29,343,290	7	0.66%
Verizon Northwest Inc.	44,518,461	9	0.43%	-		
Aerojet General Corporation (General Dynamics)	23,912,030	10	0.23%	-		
Eddie Bauer	-		-	51,972,534	3	1.17%
General Telephone	-		-	50,060,901	4	1.12%
Spacelabs Medical, Inc.	-		-	30,630,535	6	0.69%
Physio Control Corporation	-		-	23,205,842	8	0.52%
General American	-		-	23,103,800	9	0.52%
South Seventh Corporation (UPS)	-		-	23,098,461	10	0.52%
TOTAL	$ 2,238,915,756		21.71%	$ 1,045,633,081		23.48%

Source: King County Assessor

* In 2006 the estimated value of real and personal property in the City of Redmond was $10,310,923,556.

** In 1997 the estimated value of real and personal property in the City of Redmond was $4,452,513,882.

Schedule 8

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	10,609,811	10,514,469	99.10	126,388	10,640,857	100.29
1998	11,554,908	11,439,723	99.00	91,429	11,531,152	99.79
1999	12,096,945	11,929,378	98.61	126,781	12,056,159	99.66
2000	12,232,460	12,095,161	98.88	187,817	12,282,978	100.41
2001	12,582,147	12,463,331	99.06	96,392	12,559,723	99.82
2002	13,024,297	12,851,125	98.67	119,886	12,971,011	99.59
2003	13,424,237	13,203,511	98.36	103,163	13,306,674	99.12
2004	13,734,935	13,624,998	99.20	222,707	13,847,705	100.82
2005	14,682,653	14,565,908	99.20	135,829	14,701,737	100.13
2006	12,691,175	12,491,154	98.42	143,531	12,634,685	99.55

Source: King County Assessor
*Includes levy adjustments

Schedule 9

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

	Governmental Activities					Business-Type Activities				
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Public Works Trust Fund Loans	Capital Leases	Private Contract	Revenue Bonds	Loans	Total Primary Government	Percentage of Per Capita Personal Income*	Debt Per Capita**
1997	$ 20,465,000	$ 4,075,000	$ 4,456,081	$ 540,683	$ -	$ 4,695,000	$ 1,256,960	$ 35,488,724	2.45	$ 840
1998	18,270,000	4,411,036	4,147,039	451,003	-	4,355,000	1,148,335	32,782,413	1.98	755
1999	17,275,000	5,701,446	4,716,036	300,696	-	4,005,000	1,039,711	33,037,889	1.79	758
2000	15,315,000	4,975,410	4,352,079	138,960	-	3,640,000	931,086	29,352,535	1.50	667
2001	11,875,000	3,835,000	4,097,361	-	-	3,255,000	822,461	23,884,822	1.20	525
2002	9,635,000	2,485,000	3,725,644	-	1,016,417	2,855,000	713,837	20,430,898	1.00	444
2003	10,933,472	1,745,000	3,353,927	-	777,950	-	605,211	17,415,560	0.84	375
2004	46,927,432	1,410,000	2,982,210	-	529,348	-	496,587	52,345,577	2.26	1,116
2005	43,454,879	1,045,000	2,610,492	-	270,181	-	387,962	47,768,514	2.08	1,004
2006	42,504,603	780,000	2,238,775	-	-	-	609,477	46,132,855	-	925

* 2005 per capita income of $48,216 from US Bureau of Economic Analysis; data not yet available for 2006.

** 2006 population total of 49,890 from State of Washington Office of Financial Management.

Schedule 10

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property*	Per Capita
1997	$ 20,465,000	0.46	$ 485
1998	18,270,000	0.36	421
1999	17,275,000	0.3	396
2000	15,315,000	0.25	348
2001	11,875,000	0.17	261
2002	9,635,000	0.12	209
2003	10,933,472	0.13	235
2004	46,927,432	0.54	1,001
2005	43,454,879	0.47	913
2006	42,504,603	0.42	852

Source: King County Assessor

* In 2006 the estimated value of real and personal property in the City of Redmond was $10,310,923,556.
Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Schedule 11

Direct and Overlapping Governmental Activities Debt

As of December 31, 2006

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Overlapping Debt:			
King County	$ 849,789,000	3.81	$ 32,376,961
Port of Seattle	416,645,000	3.81	15,874,175
School District #405	238,039,318	6.28	14,948,869
School District #414	224,641,853	29.43	66,112,097
Hospital District #2	179,914,641	21.51	38,699,639
Fire District #34	226,639	21.10	47,821
King County Library	80,429,703	1.02	820,383
Total Overlapping Debt	$ 1,989,686,154		$ 168,879,945
Direct Debt:			
City of Redmond	$ 44,743,378	100.00%	$ 44,743,378
Total Direct and Overlapping Debt	$ 2,034,429,532		$ 213,623,323

Sources: King County Finance Office; King County Assessor

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

Schedule 12
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	$ 333,938,541	$ 376,552,962	$ 427,478,757	$ 467,389,935	$ 538,249,503	$ 617,222,292	$ 644,334,180	$ 660,118,138	$ 699,027,639	$ 773,319,264
Total net debt applicable to limit	20,673,479	18,368,304	17,291,883	15,130,424	11,675,092	10,438,503	11,498,059	47,218,055	43,496,447	42,258,855
Legal debt margin	$ 313,265,062	$ 358,184,658	$ 410,186,874	$ 452,259,511	$ 526,574,411	$ 606,783,789	$ 632,836,121	$ 612,900,083	$ 655,531,192	$ 731,060,409
Total net debt applicable to the limit as a percentage of debt limit	6.19%	4.88%	4.05%	3.24%	2.17%	1.69%	1.78%	7.16%	6.23%	5.46%

Note: Under state law voters may approve general obligation debt issues of up to 7.5% of assessed valuation.
This 7.5% debt capacity is allocated evenly among general government, parks/open space, and utilities resulting in a 2.5% limit for each.
Within the 2.5% limit, the City Council has authority to issue bonds without voter approval for a combined total of up to 1.5% of the City's assessed valuation.

Computation of Legal Debt Margin
As of December 31, 2006

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Parks and Open Space	Utility Purposes	
December 31, 2006 Assessed Value: $10,310,923,556					
2.50% of Assessed Value	$ -	$ 257,773,088	$ 257,773,088	$ 257,773,088	$ 773,319,264
1.50% of Assessed Value	154,663,853	(154,663,853)	-	-	-
Statutory Debt Limit	154,663,853	103,109,235	257,773,088	257,773,088	773,319,264
Debt Outstanding:					
Bonds	40,769,603	1,735,000	-	-	42,504,603
Total Debt Outstanding	40,769,603	1,735,000	-	-	42,504,603
Less amount available in Debt Service Fund	-	245,748	-	-	245,748
Net Debt Outstanding	40,769,603	1,489,252	-	-	42,258,855
Remaining Debt Capacity	$ 113,894,250	$ 101,619,983	$ 257,773,088	$ 257,773,088	$ 731,060,409

*Property assessed at 100% of the estimated value.

Schedule 13

Pledged-Revenue Coverage

Last Ten Fiscal Years

	Water/Wastewater Revenue Bonds						Special Assessment Bonds			
		Less:		Debt Service				Debt Service		
Fiscal Year	Utility Service Charges	Operating Expenses*	Net Available Revenue**	Principal	Interest	Coverage***	Special Assessment Collections	Principal	Interest	Coverage
1997	13,714,816	10,887,108	2,827,708	170,000	240,014	6.90	1,257,776	665,830	301,453	1.30
1998	15,023,229	11,759,671	3,263,558	340,000	233,469	5.69	1,213,974	905,000	258,754	1.04
1999	15,394,848	13,610,344	1,784,504	350,000	219,529	3.13	1,253,560	1,065,000	255,929	0.95
2000	16,432,448	14,194,689	2,237,759	365,000	204,479	3.93	1,756,271	726,036	304,622	1.70
2001	17,352,101	14,067,650	3,284,451	385,000	188,510	5.73	1,127,685	1,140,410	275,113	0.80
2002	19,605,245	15,955,300	3,649,945	400,000	170,800	6.39	981,313	1,350,000	226,862	0.62
2003	Revenue bond coverage ratio is not applicable as bonds were called early and paid off.					N/A	541,955	740,000	147,442	0.61
2004	Revenue bond coverage ratio is not applicable as bonds were called early and paid off.					N/A	487,101	335,000	106,935	1.10
2005	Revenue bond coverage ratio is not applicable as bonds were called early and paid off.					N/A	296,953	365,000	82,519	0.66
2006	Revenue bond coverage ratio is not applicable as bonds were called early and paid off.					N/A	273,089	265,000	55,532	0.85

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

* Excludes depreciation and amortization, includes operating transfers out.

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

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

Schedule 14
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population*	Personal Income (in thousands)**	Per Capita Personal Income**	School Enrollment***	Number of Housing Units	Unemployment Rate#
1997	42,230	$ 1,478,430	35,009	9,266	17,886	2.3
1998	43,399	1,659,621	38,241	9,647	18,509	2.1
1999	43,610	1,739,167	39,880	9,937	19,183	2.1
2000	44,020	1,681,168	38,191	7,489	19,504	2.3
2001	45,490	1,747,134	38,407	7,385	20,368	3.5
2002	46,040	1,743,914	37,878	7,401	20,654	4.5
2003	46,480	1,774,423	38,176	7,594	21,974	6.0
2004	46,900	1,983,824	42,299	7,822	22,183	4.5
2005	47,600	1,969,721	41,381	7,900	22,204	4.0
2006	49,890	-	-	8,014	22,616	3.6

* State of Washington, Office of Financial Management.

** Bureau of Economic Analysis; US Census Bureau, 1990 and 2000 Census of Population and Housing.

*** Lake Washington School District total as of October, 2006; includes schools with Redmond addresses, although some are located in unincorporated King County. Statistics are not available to determine the number of students from the Redmond/King County populace. 2000 decrease reflects schools formerly in Redmond but now in newly incorporated City of Sammamish.

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

Schedule 15

Principal Employers

Current Year and Nine Years Ago

	2006			1997		
Employer	Employees	Rank	Percentage of Total City Employment**	Employees	Rank	Percentage of Total City Employment***
Microsoft Corporation (includes MSNBC)	31,280	1	43.68%	9,428	1	22.23%
Genie Industries	2,213	2	3.09%	1,059	4	2.50%
Volt Technical Resources LLC (includes VMC Consulting)	1,896	3	2.65%	-	-	-
Cingular Wireless	1,683	4	2.35%	-	-	-
Safeco Insurance Company*	1,081	5	1.51%	1,429	3	3.37%
Group Health Cooperative Hospital*	1,080	6	1.51%	1,436	2	3.39%
Lake Washington School District*	897	7	1.25%	-	-	-
Honeywell International, Inc.	894	8	1.25%	710	9	1.67%
Eurest Dining Services at Microsoft	701	9	0.98%	-	-	-
Nintendo of America, Inc.	677	10	0.95%	752	7	1.77%
United Parcel Service	-	-	-	748	8	1.76%
Spacelabs Medical, Inc.	-	-	-	884	6	2.08%
Primex Aerospace Co.	-	-	-	686	10	1.62%
Eddie Bauer, Inc.	-	-	-	991	5	2.34%
TOTAL	42,402		59.21%	18,123		42.74%

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

*Employer exempt from business license requirement

**Total city employment including exempt businesses listed is 71,616 for 2006.

***Total city employment was 42,407 for 1997.

Schedule 16

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Function/Program										
General Government										
Executive	4.63	4.63	5.00	5.00	5.00	5.00	5.00	5.00	5.00	11.00
Finance and Information Services	44.03	44.03	49.22	49.22	55.22	55.22	58.60	58.60	58.60	58.60
Human Resources	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Legal	4.00	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Planning and Community Development	46.82	50.82	52.57	52.57	60.57	60.57	58.24	58.24	56.24	50.24
Security										
Police	102.50	104.50	107.50	107.50	110.50	110.50	110.50	110.50	110.50	110.50
Fire	101.70	103.70	104.20	104.20	106.20	106.20	134.20	134.20	137.20	141.20
Culture and Recreation	42.64	44.14	48.23	48.73	50.24	50.24	51.12	51.12	50.82	50.82
Public Works	71.81	80.81	83.87	83.87	91.68	91.68	84.18	84.18	77.18	77.18
Water/Wastewater	31.89	32.89	36.41	36.41	36.88	36.88	37.13	37.13	38.78	38.78
UPD Water/Wastewater	-	5.50	6.50	6.50	6.84	6.84	6.84	6.84	5.94	5.94
Stormwater Management	17.89	17.89	19.68	19.68	28.49	28.49	26.49	26.49	29.46	29.46
Total	474.91	499.91	525.43	525.93	563.87	563.87	584.55	584.55	581.97	585.97

Source: City Budget Office

Schedule 17

Operating Indicators by Function/Program

Last Ten Fiscal Years*

	Fiscal Year									
Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Calls dispatched	18,046	23,121	23,780	23,433	22,300	21,693	22,739	23,488	24,036	24,473
Parking violations	-	-	-	-	-	-	-	-	1,092	1,140
Traffic violations	-	-	-	-	-	-	-	-	7,183	8,120
Fire										
Calls for service (fire and aid)	5,869	6,436	6,179	6,364	6,273	6,625	7,999	9,736	9,733	10,905
Average reponse time (fire and aid) - minutes	-	-	-	-	-	-	7:06	6:54	7:11	7:27
Fire prevention maintenance inspections	-	-	-	-	-	-	-	-	803	1,421
Operations inspections	-	-	-	-	-	-	-	-	645	484
Culture and Recreation										
Preschool registrations	-	-	-	11,465	10,727	10,205	11,256	11,777	12,230	12,851
Youth registrations	-	-	-	16,154	16,600	15,388	17,307	18,684	19,132	20,292
Teen program registrations	-	-	-	7,135	16,314	13,171	21,642	21,264	27,753	25,843
Adult program registrations	-	-	-	14,749	17,183	18,947	37,656	37,843	47,044	54,585
Senior registrations	-	-	-	44,397	48,741	65,288	75,386	74,816	75,612	84,752
Utility Services**										
Residential units served	9,004	9,143	9,226	9,453	9,846	9,943	10,985	11,755	12,284	12,805
Commercial units served	1,223	1,253	1,267	1,306	1,319	1,333	1,380	1,389	1,416	1,440
Water										
Average daily demand (gallons)	5,660,000	5,660,000	6,130,000	6,090,742	5,700,000	5,916,880	7,009,225	7,026,998	6,489,890	6,981,844

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

** Sewage treatment provided by King County Wastewater Treatment Division

Schedule 18

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years*

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Function/Program										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	-	-	-	-	-	-	-	-	49	49
Fire										
Number of stations	6	6	6	6	6	6	6	6	6	6
Number of fire engines	-	-	-	-	8	8	8	9	9	9
Number of aid vehicles	-	-	-	-	7	7	**13	13	13	16
Transportation										
Center lane miles of paved roads	127	127	130	130	130	131	131	131	136	136
Traffic signals	62	64	65	69	78	80	83	87	89	89
Street lights	-	-	-	-	-	943	970	983	983	983
Bridges	7	7	7	7	8	8	8	8	9	9
Culture and Recreation										
Number of developed parks	20	21	21	21	22	25	28	29	30	30
Number of undeveloped parks	13	13	14	14	16	14	16	14	13	9
Acres of developed parks	1,018	1,025	1,025	1,025	1,046	1,087	1,129	1,131	1,168	1,200
Acres of undeveloped parks	259	291	334	340	319	216	189	173	148	105
Miles of developed trails	17	17	17	17	20	24	24	25	25	44
Miles of undeveloped trails	9	9	9	9	10	8	26	27	27	6

Schedule 18 (continued)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Utility Services										
Water										
Storage Capacity (gallons)	24,390,000	23,136,000	23,136,000	26,636,000	26,636,000	26,636,000	31,836,000	31,836,000	31,836,000	31,836,000
Number of wells	4	4	4	4	5	5	5	5	5	5
Miles of main	170	175	175	235	255	280	280	280	283	304
Sewer										
Number of manholes	5,000	5,000	5,000	5,400	5,464	5,609	6,743	6,791	6,791	5,918
Miles of main***	180	180	180	200	202	221	216	218	218	194
Number of pumplift stations***	16	16	16	16	16	16	15	15	15	21
Stormwater										
Number of manholes/catch basins	7,004	7,004	7,004	7,800	7,862	7,913	8,552	15,158	15,158	9,621
Miles of pipe***	225	225	225	235	238	252	164	169	169	162
Oil water separators***	174	174	174	200	201	211	24	24	24	24

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

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

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