

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**City of Edgewood**  
**Pierce County**

Audit Period  
**January 1, 2009 through December 31, 2009**

**Report No. 1004299**

Issue Date  
**September 27, 2010**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

September 27, 2010

Mayor and City Council  
City of Edgewood  
Edgewood, Washington

***Report on Financial Statements and Federal Single Audit***

Please find attached our report on the City of Edgewood's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

**BRIAN SONNTAG, CGFM  
STATE AUDITOR**

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Pierce County  
January 1, 2009 through December 31, 2009

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# Federal Summary

City of Edgewood  
Pierce County  
January 1, 2009 through December 31, 2009

The results of our audit of the City of Edgewood are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

## **FINANCIAL STATEMENTS**

An unqualified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

### **Internal Control Over Financial Reporting:**

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

## **FEDERAL AWARDS**

### **Internal Control Over Major Programs:**

- **Significant Deficiencies:** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- **Material Weaknesses:** We identified no deficiencies that we consider to be material weaknesses.

We issued an unqualified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.760	Water and Waste Disposal Systems for Rural Communities

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

**Independent Auditor's Report on Internal  
Control over Financial Reporting and on  
Compliance and Other Matters in Accordance  
with *Government Auditing Standards***

City of Edgewood  
Pierce County  
January 1, 2009 through December 31, 2009

Mayor and City Council  
City of Edgewood  
Edgewood, Washington

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Edgewood, Pierce County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 7, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

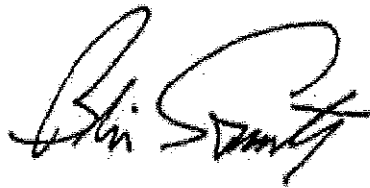
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Mayor and City Council, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is stylized with a large initial "B" and a long, sweeping underline.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 7, 2010

**Independent Auditor's Report on Compliance  
with Requirements Applicable to its Major  
Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133**

City of Edgewood  
Pierce County  
January 1, 2009 through December 31, 2009

Mayor and City Council  
City of Edgewood  
Edgewood, Washington

**COMPLIANCE**

We have audited the compliance of the City of Edgewood, Pierce County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. The City's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

**INTERNAL CONTROL OVER COMPLIANCE**

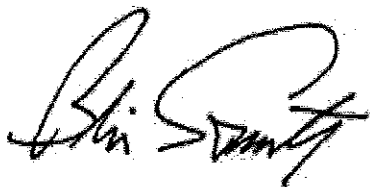
The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal

control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Mayor and City Council, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 7, 2010

# **Independent Auditor's Report on Financial Statements**

**City of Edgewood  
Pierce County  
January 1, 2009 through December 31, 2009**

Mayor and City Council  
City of Edgewood  
Edgewood, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Edgewood, Pierce County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed on page 9. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

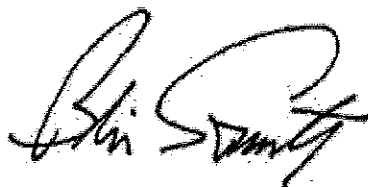
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Edgewood, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 10 through 18 and budgetary comparison on pages 54 through 55 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We

have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information has been subjected to the 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.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is stylized with a large, sweeping initial "B" and "S".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 7, 2010

# **Financial Section**

**City of Edgewood  
Pierce County  
January 1, 2009 through December 31, 2009**

## ***REQUIRED SUPPLEMENTAL INFORMATION***

Management's Discussion and Analysis – 2009

## ***BASIC FINANCIAL STATEMENTS***

Statement of Net Assets – 2009

Statement of Activities – 2009

Balance Sheet – Governmental Funds – 2009

Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental  
Funds – 2009

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental  
Funds – 2009

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities – 2009

Statement of Net Assets – Proprietary Funds – 2009

Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds –  
2009

Statement of Cash Flows – Proprietary Funds – 2009

Notes to Financial Statements – 2009

## ***REQUIRED SUPPLEMENTAL INFORMATION***

Budgetary Comparison Schedule – General Fund – 2009

Budgetary Comparison Schedule – Strategic Reserve Fund – 2009

## ***SUPPLEMENTAL INFORMATION***

Schedule of Expenditures of Federal Awards – 2009

Notes to the Schedule of Expenditures of Federal Awards – 2009

**City of Edgewood, Washington**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2009**

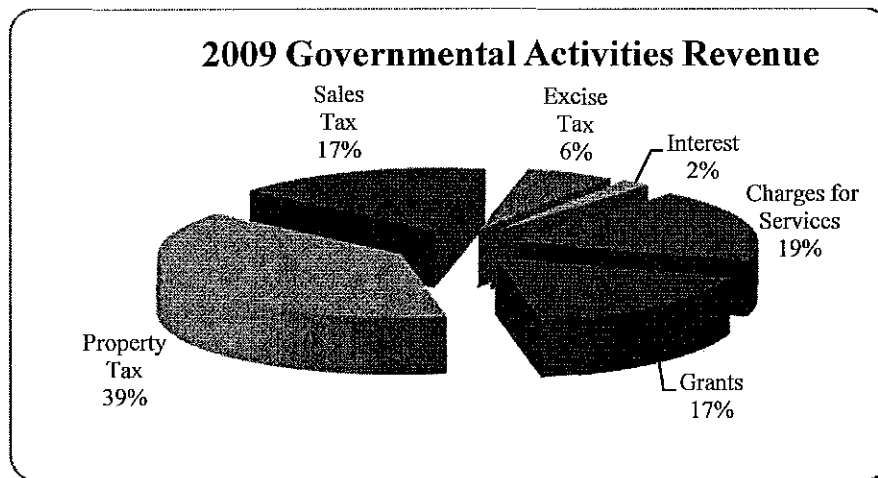
The discussion and analysis of the City of Edgewood's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole. It is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, and identify fund issues or concerns. Since the Management Discussion and Analysis (MD&A) is designed to focus on the report year's activities, resulting changes, and currently known facts, it should be read in conjunction with the City's financial statements.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- On the Statement of Net Assets, the unrestricted net asset balance in governmental funds as of December 31, 2009 is reported as \$2,839,218. A portion of these reserves have been designated for facilities, equipment replacement, road improvements, and park acquisition and improvements.
- Also shown on the Statement of Net Assets is the unrestricted net asset balance of (\$144,963) in business-type activities. The City has only two funds which are categorized as business-type activities: the Sewer Utility Fund and the Surface Water Fund. The Sewer Utility Fund, which was created in June 2005, accounts for the development of the utility and its operations. The unrestricted net asset balance in this fund was (\$485,535). In the Surface Water Fund, monies are intended to be used for major system improvements. The reserves of \$340,572 will provide a cushion against significant downturns in revenues, maintain sufficient working capital and cash flow to meet daily financial needs, and minimize future debt.
- The City issued Long-Term General Obligation Bonds in April, 2007 for \$5,565,000. Principal payments of \$650,000 have been made through 2009 and an additional \$205,000 is due within one year. The bonds were issued to finance the design and construction of the Civic Center which is being accounted for in the Capital Projects – General Government Fund. Other non-current liabilities on the Statement of Net Assets are compensated absences of \$40,180 in governmental activities and \$6,468 in business-type activities, a \$1,000,000 Public Works Trust Fund Loan in business-type activities for sewer design and \$3,125,000 in Bond Anticipation Notes in business-type activities for sewer design and construction. The Public Works Trust Fund Loan is a five-year loan that was issued in July 2008 and the Bond Anticipation Notes are due June 30, 2011.
- Taxes account for the largest revenue category in the governmental funds, generating approximately 62% of the total revenue. Included in this category are Property, Retail Sales & Use, Criminal Justice, Gambling, Liquor Excise, and Real Estate Excise taxes.

- From the Statement of Activities on pages 10 and 11, General Revenues, primarily from Property, Retail, and other taxes were used to support the following major activities:
  1. \$999,473 for General Government purposes
  2. \$1,489,512 for Security of Persons and Property - Law Enforcement and Jail Services
  3. \$27,009 for Physical Environment – Animal Control
  4. \$291,374 for Economic Environment – Planning and Building
  5. \$29,481 for Culture and Recreation – General Parks Maintenance and Master Plan
  6. \$220,200 for Interest on Long-Term Debt



### Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Edgewood as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The focus is on both the City as a whole and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (whether year to year or government to government), and enhance the City's accountability.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City of Edgewood finances, in a manner similar to a private sector business.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term

view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what dollars remain for future spending.

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

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The Statement of Activities is focused on both the gross and net costs of various activities. This is intended to summarize and simplify the reader's analysis of the revenues and costs of various City activities and the degree to which activities either contribute to or take away from the City's general revenue.

**Fund Financial Statements** – Traditional readers of governmental financial statements will find the fund financial statements presentation familiar. However, the focus is now on major funds, rather than fund types.

A fund is a grouping of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The City of Edgewood uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for use in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents.

*Proprietary funds* are used when the City charges customers for services it provides. Proprietary funds use the same basis of accounting as business-type activities. The City of Edgewood maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. *Internal service funds* represent an accounting device used to accumulate and allocate costs internally.

*Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to finance the City's operations. The City of Edgewood has no fiduciary funds.

*Notes to the financial statements* (pages 24 - 47) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

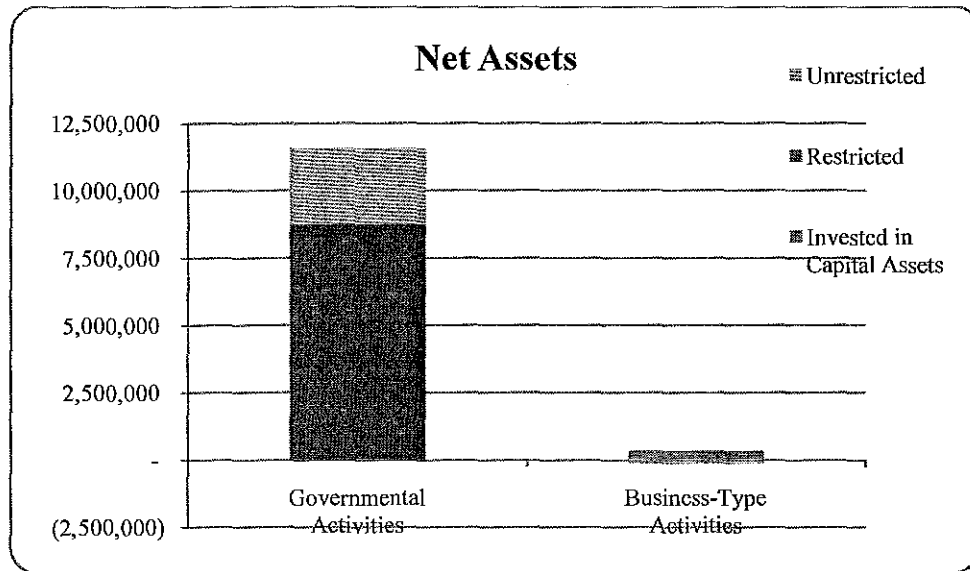
*Other required information* is in addition to the discussion and analysis that presents required supplementary information on budgetary comparisons.

**Government-Wide Statements**

**Statement of Net Assets**

The Statement of Net Assets looks at the City as a whole. The following table provides a summary of the City's net assets for 2009 compared to 2008.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>						
Current and other assets	\$3,880,643	\$5,817,999	\$361,252	\$684,351	\$4,241,895	\$6,502,349
Capital assets	13,118,520	12,456,059	4,463,516	1,726,937	17,582,036	14,182,996
Total assets	16,999,163	18,274,058	4,824,768	2,411,288	21,823,931	20,685,346
<b>Liabilities</b>						
Long-term debt	4,955,180	5,150,274	4,131,468	1,053,938	9,086,648	6,204,212
Other liabilities	483,922	814,776	499,748	591,206	983,670	1,405,981
Total liabilities	5,439,102	5,965,050	4,631,216	1,645,144	10,070,318	7,610,193
<b>Net Assets</b>						
Invested in capital	8,203,520	7,341,059	338,516	976,937	8,542,036	8,317,996
Restricted	517,323	349,854	0	0	517,323	349,854
Unrestricted	2,839,218	4,618,095	(144,963)	(210,793)	2,694,255	4,407,302
Total net assets	\$11,560,061	\$12,309,008	\$193,553	\$766,144	\$11,753,614	\$13,075,152



**Statement of Activities**

The following table shows the changes in net assets for the year 2009 compared to 2008.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
<b>Program Revenues:</b>						
Charges for Svs.	\$617,407	\$746,740	189,046	195,274	\$806,453	\$942,014
Oper. Grants/Cont.	27,385	39,233	76,752	1,698	104,137	40,931
Capital Grants/Cont.	549,848	235,347			549,848	235,347
<b>General Revenues:</b>						
Property Taxes	1,307,565	1,278,571			1,307,565	1,278,571
Retail Sales Tax	566,743	767,700			566,743	767,700
Other Taxes	193,332	263,801			193,332	263,801
Interest/Inv. Earnings	66,617	308,168	4,413	32,052	71,030	340,220
Premium on L-T Debt						
Contributed Capital						
Transfers						
<b>Total Revenues</b>	<b>\$3,328,897</b>	<b>\$3,639,560</b>	<b>\$270,211</b>	<b>\$229,024</b>	<b>\$3,599,108</b>	<b>\$3,868,584</b>

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Program Expenses:						
Gen. Government	1,164,640	986,630			1,164,640	986,630
Sec. Persons/Property	1,560,686	1,465,784			1,560,686	1,465,784
Phys. Environment	27,128	26,213			27,128	26,213
Transportation	570,155	549,049			570,155	549,049
Econ. Environment	467,101	570,527			467,101	570,527
Physical Health		4,215				4,215
Culture and Recr.	67,934	62,517			67,934	62,517
Interest on L-T Debt	220,200	219,527			220,200	219,527
Sewer Utility			421,901	196,678	421,901	196,678
Stormwater			420,902	324,513	420,902	324,513
Transfers						
Total Expenses	\$4,077,844	\$3,884,462	\$842,803	\$521,191	\$4,920,647	\$4,405,653
Net increase (decrease) in Net Assets	(\$748,947)	(\$244,902)	(\$572,591)	(\$292,167)	(\$1,321,539)	(\$537,069)
Net Assets – Beginning of Year	\$12,309,008	\$12,553,910	\$766,144	\$1,058,311	\$13,075,152	\$13,612,221
Net Assets – Ending of Year	\$11,560,061	\$12,309,008	\$193,553	\$766,144	\$11,753,614	\$13,075,152

### Governmental Funds

The governmental funds, as presented on the balance sheet on pages 12 and 13, reported a combined fund balance of \$3,280,924 which is 33% less than the beginning of the year.

**General Fund** – Total fund balance decreased by \$1,756,389 in 2009. This fund transferred \$100,000 to the Street Fund for general operations, \$500,000 to the Capital Projects – General Government Fund for the Civic Center Project, \$20,250 to the Capital Projects – Road Fund for utility undergrounding design, \$65,322 to the Capital Projects – Parks Fund for future capital and \$254,920 to the Civic Center Bond Fund for debt service. Decreases in Retail Sales Tax and Community Development revenues due to the economy also contributed to the decrease in fund balance. Outstanding Interfund Loan Receivables are \$580,000.

**Strategic Reserve Fund** – Outstanding Interfund Loan Receivables are \$250,000.

**Capital Projects – General Government Fund** – Total fund balance reserved for the Civic Center project increased by \$167,469 in 2009. This fund received an operating transfer from the General Fund of \$500,000. Additional capital expenditures of \$251,292 for the Civic Center occurred in 2009 with project completion expected in 2010.

## Business-Type Funds

**Sewer Utility Fund** – This fund accounts for design and construction of the Sewer Utility. Outstanding interfund loan balances with the General Fund were paid 2009 after interim financing from U.S. Bank was secured in April. Capital expenditures of \$2,611,158 occurred in 2009 for remaining design and beginning construction of sewer LID No.1 with project completion expected in 2010.

**Surface Water Fund** – A surface water assessment of \$40 per residential parcel finances the activities in this fund. Salary related expenses of \$112,527, public works maintenance costs of \$115,685 and Jovita Culvert replacement costs of \$129,922 account for the major expenses in this fund. There was a decrease of \$151,043 in net assets in 2009.

## Budgetary Highlights

The following is a brief review of the significant budgeting changes from the adopted to the amended final budget for the General Fund.

- The 2009 Budget was amended to decrease Tax revenue by \$431,900, License and Permit revenue by \$48,400, Charges for Services revenue by \$115,810 and Interest revenue by \$64,000 due to the economy. Interfund Principal Payment received was increased by \$516,000 due to repayment from the Sewer Utility Fund.
- Significant changes to expenditures in the 2009 include an increase in City Manager – Contracted Labor of \$83,600 for interim City Manager services, an additional Interfund Loan to the Sewer Utility Fund of \$450,000, an increase of \$50,000 in the Operating Transfer – Civic Center Bond Fund, an increase of \$500,000 in the Operating Transfer – Capital Projects General Government Fund for the Civic Center Project and an increase of \$20,250 in the Operating Transfer – Capital Projects Road Fund for Utility Undergrounding design.

The following is a brief review of the significant differences between the final amended budget for the General Fund and the actual amounts.

- Significant decreases in tax revenues were a result of the poor economy. Reduced expenditures in the General Fund were due to the reduction in staffing in the last quarter of 2009.

## Capital Assets

Detailed capital asset activity is presented in Note 6 of the Notes to the Financial Statements.

The City of Edgewood is a Phase 3 government for GASB Statement No. 34 implementation. Major general infrastructure assets are not reported retroactively. There have been no additions in general infrastructure assets since 2004. The City is using the depreciation method for reporting infrastructure.

<b>Capital Activity 2009</b>				
<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Land	\$ 3,478,856			\$ 3,478,856
Construction in Progress	7,372,744	728,549	5,605	8,095,688
Total Non Depreciable	10,851,600	728,549	5,605	11,574,544
Buildings	256,215	59,227		315,442
Improvements	1,794,479			1,794,479
Machinery/Equipment	253,755	15,746		269,501
Total Depreciable	2,304,449	74,973		2,379,422
Accumulated Depreciation	(699,991)	(135,455)		(835,446)
Total Depreciable, net	1,604,458	(60,482)		1,543,976
Governmental Activities Capital Assets, net	\$ 12,456,058	\$ 668,067	\$ 5,605	\$ 13,118,520
<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Land	\$ 333,976			\$ 333,976
Construction in Progress	1,295,533	2,611,158		3,906,691
Total Non Depreciable	1,629,509	2,611,158		4,240,667
Improvements	112,511	129,922		242,433
Total Depreciable	112,511	129,922		242,433
Accumulated Depreciation	(15,083)	(4,501)		(19,584)
Total Depreciable, net	97,428	125,421		222,849
Business-Type Activities Capital Assets, net	\$ 1,726,937	\$ 2,736,579	\$ 0	\$ 4,463,516

## Long – Term Debt

Detailed long-term debt activity is presented in Note 9 of the Notes to the Financial Statements.

The City issued Long-Term General Obligation Bonds in April 2007 for construction of the Civic Center in the amount of \$5,565,000. Principal payments of \$650,000 have been made through 2009 and an additional \$205,000 is due within one year.

In business-type activities, a \$1,000,000 Public Works Trust Fund with a repayment date of July 1, 2013 and an interest rate of 0.5% per annum is outstanding on December 31, 2009. The loan is for design development of the Sewer LID No. 1 project.

In April, 2009, the City of Edgewood received a Multiple Draw – Bond Anticipation Note (BAN) for an amount not-to-exceed \$20 million through a variable line-of-credit with U.S. Bank. The interest rate is a variable rate equal to 72% of U.S. Bank's prime rate and the maturity date is 27 months from the delivery date, or July 6, 2011. An unused fee equivalent to 45 basis points (annually) will be charged on the daily unused principal balance of the line and will be payable each quarter of year in arrears. In 2009, the City received BAN proceeds of \$3,125,000. Funds are being used to finance construction of sewer facilities for the City of Edgewood Local Improvement District (LID) No. 1.

Other non-current liabilities on the Statement of Net Assets are compensated absences of \$40,180 in governmental activities and \$6,468 in business-type activities.

### **Economic Factors**

The State of Washington does not have a state personal income tax and therefore operates primarily using property, sales, utility, and gas taxes. The City primarily relies on Sales and Property taxes for government activities. There are a limited number of state-shared revenues and recurring and non-recurring grants from both the state and federal governments.

For the business-type and certain governmental activities such as permitting, the user pays a fee or charge associated with the service provided.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Edgewood's finances for those with an interest in the City's finances. If you have any questions concerning the information provided in this report or would like additional information, please contact the City of Edgewood Finance Department at:

2224 104<sup>th</sup> Avenue East  
Edgewood, WA 98372-1513  
(253) 952-3299  
[www.cityofedgewood.org](http://www.cityofedgewood.org)

**City of Edgewood**  
**Statement of Net Assets**  
December 31, 2009

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 3,501,946	\$ 361,252	\$ 3,863,198
Investments	-	-	-
Receivables	98,779	-	98,779
Escrow Accounts	279,918	-	279,918
Capital Assets:			
Non-Depreciable	11,574,544	4,240,667	15,815,211
Depreciable, Net	1,543,976	222,849	1,766,825
<b>Total Assets</b>	<b>16,999,163</b>	<b>4,824,768</b>	<b>21,823,931</b>
<b>Liabilities</b>			
Accounts Payable	323,399	362,489	685,888
Deferred Revenue	90,774	-	90,774
Custodial Accounts	69,749	137,259	207,008
Non-Current Liabilities:			
Due Within One Year	245,180	6,468	251,648
Due in More Than One Year	4,710,000	4,125,000	8,835,000
<b>Total Liabilities</b>	<b>5,439,102</b>	<b>4,631,216</b>	<b>10,070,318</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	8,203,520	338,516	8,542,036
Restricted For:			
Capital Projects	-	-	-
Debt Service	-	-	-
Unrestricted	3,356,541	(144,963)	3,211,578
<b>Total Net Assets</b>	<b>\$ 11,560,061</b>	<b>\$ 193,553</b>	<b>\$ 11,753,614</b>

The notes to the financial statements are an integral part of this statement.

**City of Edgewood**  
**Statement of Activities**

For the Year Ended December 31, 2009

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 1,164,640	\$ 168,842	\$ (3,674)	\$ -	\$ (999,473)	\$ -	\$ (999,473)
Security of Persons & Property	\$ 1,560,686	59,527	11,648	-	(1,489,512)	-	(1,489,512)
Physical Environment	\$ 27,128	119	-	-	(27,009)	-	(27,009)
Transportation	\$ 570,155	216,857	12,912	514,230	173,844	-	173,844
Economic Environment	\$ 467,101	169,227	6,500	-	(291,374)	-	(291,374)
Mental and Physical Health	\$ -	-	-	-	-	-	-
Culture and Recreation	\$ 67,934	2,835	-	35,617	(29,481)	-	(29,481)
Interest on Long-Term Debt	\$ 220,200	-	-	-	(220,200)	-	(220,200)
<b>Total Governmental Activities</b>	<b>\$ 4,077,844</b>	<b>\$ 617,407</b>	<b>\$ 27,385</b>	<b>\$ 549,848</b>	<b>\$ (2,883,204)</b>	<b>\$ -</b>	<b>\$ (2,883,204)</b>
<b>Business-Type Activities:</b>							
Sewer Utility	421,901	-	-	-	-	(421,901)	(421,901)
Stormwater	420,902	189,046	76,752	-	-	(155,103)	(155,103)
<b>Total Business-Type Activities</b>	<b>\$ 842,803</b>	<b>\$ 189,046</b>	<b>\$ 76,752</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (577,004)</b>	<b>\$ (577,004)</b>
<b>Total Primary Government</b>	<b>\$ 4,920,647</b>	<b>\$ 806,453</b>	<b>\$ 104,137</b>	<b>\$ 549,848</b>	<b>\$ (2,883,204)</b>	<b>\$ (577,004)</b>	<b>\$ (3,460,209)</b>
<b>General Revenues:</b>							
Property Taxes					\$ 1,307,565	\$ -	\$ 1,307,565
Retail Sales & Use Taxes					566,743	-	566,743
Excise Taxes					193,332	-	193,332
Interest and Investment Earnings					66,617	4,413	71,030
Transfers					-	-	-
<b>Total General Revenues, Special Items, and Transfers</b>					<b>\$ 2,134,257</b>	<b>\$ 4,413</b>	<b>\$ 2,138,670</b>
Change in Net Assets					(748,947)	(572,591)	(1,321,539)
Net Assets Beginning of Year					12,309,008	766,144	13,075,152
<b>Net Assets End of Year</b>					<b>\$ 11,560,061</b>	<b>\$ 193,553</b>	<b>\$ 11,753,614</b>

**City of Edgewood**  
**Balance Sheet - Governmental Funds**  
December 31, 2009

	<u>General</u>	<u>Strategic Reserve</u>	<u>Capital Projects General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,615,412	\$ 798,107	\$ 269,086	\$ 703,544	\$ 3,386,149
Deposits	-	-	279,918	-	279,918
Investments	-	-	-	-	-
Taxes Receivable	98,779	-	-	-	98,779
Interfund Loan Receivable	580,000	250,000	-	80,000	910,000
<b>Total Assets</b>	<b><u>\$ 2,294,192</u></b>	<b><u>\$ 1,048,107</u></b>	<b><u>\$ 549,004</u></b>	<b><u>\$ 783,544</u></b>	<b><u>\$ 4,674,846</u></b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts Payable	195,555	-	31,681	96,164	323,400
Interfund Loan Payable	-	-	-	910,000	910,000
Deferred Revenue	90,774	-	-	-	90,774
Custodial Accounts	9,172	-	-	60,576	69,748
<b>Total Liabilities</b>	<b><u>295,501</u></b>	<b><u>-</u></b>	<b><u>31,681</u></b>	<b><u>1,066,740</u></b>	<b><u>1,393,922</u></b>
Fund Balances:					
Reserved for:					
Capital Projects	-	-	517,323	-	517,323
Unreserved, Reported in:					
General Fund	1,998,691	-	-	-	1,998,691
Special Revenue Funds	-	1,048,107	-	(428,138)	619,968
Capital Projects Funds	-	-	-	144,942	144,942
<b>Total Fund Balances</b>	<b><u>1,998,691</u></b>	<b><u>1,048,107</u></b>	<b><u>517,323</u></b>	<b><u>(283,196)</u></b>	<b><u>3,280,924</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,294,192</u></b>	<b><u>\$ 1,048,107</u></b>	<b><u>\$ 549,004</u></b>	<b><u>\$ 783,544</u></b>	<b><u>\$ 4,674,846</u></b>

The notes to the financial statements are an integral part of this statement.

**City of Edgewood**  
**Reconciliation of the Balance Sheet**  
**to the Statement of Net Assets**  
**Governmental Funds**  
December 31, 2009

Fund Balances - Total Governmental Funds		\$ 3,280,924
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 are not reported in the governmental funds.		
Land	\$ 3,478,856	
Construction in Progress	8,095,688	
Buildings and Structures, net of depreciation	140,355	
Improvements, net of depreciation	1,322,533	
Machinery and Equipment, net of depreciation	<u>78,576</u>	13,116,008
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
Total assets and liabilities of the internal service funds that are reported with governmental activities.	<u>118,308</u>	118,308
Long-term liabilities, including bonds payable, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,955,180)</u>	(4,955,180)
<b>Net Assets of Governmental Activities</b>		<b><u>\$ 11,560,061</u></b>

The accompanying notes are an integral part of this financial statement.

**City of Edgewood**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended December 31, 2009

	General	Strategic Reserve	Capital Projects General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 1,876,320	\$ -	\$ -	\$ 144,432	\$ 2,020,752
Licenses and Permits	146,149	-	-	6,726	152,875
Intergovernmental	196,628	-	-	771,495	968,123
Charges for Services	88,613	-	-	24,268	112,881
Fines and Forfeits	2,584	-	-	1,395	3,980
Investment Earnings	50,508	8,139	858	7,112	66,617
Miscellaneous	3,669	-	-	-	3,669
<b>Total Revenues</b>	<b>2,364,472</b>	<b>8,139</b>	<b>858</b>	<b>955,428</b>	<b>3,328,897</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	1,061,648	-	82,097	-	1,143,745
Security of Persons & Property	1,559,562	-	-	-	1,559,562
Physical Environment	26,386	-	-	-	26,386
Transportation	-	-	-	482,365	482,365
Economic Environment	472,447	-	-	-	472,447
Mental and Physical Health	-	-	-	-	-
Culture and Recreation	40,669	-	-	-	40,669
<b>Debt Service:</b>					
Principal	-	-	-	200,000	200,000
Interest and Other Charges	-	-	-	220,200	220,200
Capital Outlay	9,657	-	251,292	536,968	797,916
<b>Total Expenditures</b>	<b>3,170,369</b>	<b>-</b>	<b>333,389</b>	<b>1,439,533</b>	<b>4,943,291</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(805,898)</b>	<b>8,139</b>	<b>(332,531)</b>	<b>(484,105)</b>	<b>(1,614,394)</b>
<b>Other Financing Sources (Uses)</b>					
Long-Term Capital Related Debt Issued	-	-	-	-	-
Premium on Long-Term Debt Issued	-	-	-	-	-
Transfers In	-	-	500,000	710,092	1,210,092
Transfers Out	(940,492)	-	-	(269,600)	(1,210,092)
<b>Total Other Financing Sources (Uses)</b>	<b>(940,492)</b>	<b>-</b>	<b>500,000</b>	<b>440,492</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,746,390)</b>	<b>8,139</b>	<b>167,469</b>	<b>(43,613)</b>	<b>(1,614,394)</b>
Fund Balances Beginning of Year	3,745,080	1,039,967	349,854	(239,583)	4,895,318
<b>Fund Balances End of Year</b>	<b>\$ 1,998,691</b>	<b>\$ 1,048,107</b>	<b>\$ 517,323</b>	<b>\$ (283,196)</b>	<b>\$ 3,280,924</b>

The notes to the financial statements are an integral part of this statement.

**City of Edgewood**  
**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, 2009**

Net Changes in Fund Balances - Total Governmental Funds \$ (1,614,394)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives.

Expenditures for Capital Assets	\$ 797,916	
Less Current Year Depreciation	<u>(129,134)</u>	668,782

Compensated Absences 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.	<u>(4,906)</u>	(4,906)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds and internal balances is reported with governmental activities.	<u>1,571</u>	1,571
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Bond proceeds provide current financial resources to governmental funds but issuing debt increases non-current liabilities in the Statement of Net Assets. Repayment of non-current debt is an expenditure in the governmental funds but on the Statement of Net Assets it reduces the liability.

Long-Term General Obligation Bonds Issued	-	
Principal Repayment	<u>200,000</u>	200,000

**Change in Net Assets of Governmental Activities \$ (748,947)**

The accompanying notes are an integral part of this financial statement.

**City of Edgewood**  
**Statement of Net Assets - Proprietary Funds**  
December 31, 2009

	Business - Type Activities Enterprise Funds			Governmental Activities
	Sewer Utility	Storm Water	Total	Internal Service Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,840	\$ 357,413	\$ 361,252	\$ 115,797
Investments	-	-	-	-
Receivables	-	-	-	-
Capital Assets:			-	
Non-Depreciable	-	333,976	333,976	-
Depreciable, Net	-	222,849	222,849	2,511
Construction in Progress	3,906,691	-	3,906,691	-
<b>Total Assets</b>	<u>3,910,530</u>	<u>914,238</u>	<u>4,824,768</u>	<u>118,308</u>
<b>Liabilities</b>				
Accounts Payable	349,015	13,474	362,489	-
Deferred Revenue	-	-	-	-
Custodial Accounts	137,259	-	137,259	-
Non-Current Liabilities:				
Due Within One Year	3,101	3,367	6,468	-
Due in More Than One Year	4,125,000	-	4,125,000	-
<b>Total Liabilities</b>	<u>4,614,375</u>	<u>16,841</u>	<u>4,631,216</u>	<u>-</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	(218,309)	556,825	338,516	2,511
Restricted For:				
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Unrestricted	(485,535)	340,572	(144,963)	115,797
<b>Total Net Assets</b>	<u>\$ (703,844)</u>	<u>\$ 897,397</u>	<u>\$ 193,553</u>	<u>\$ 118,308</u>

The notes to the financial statements are an integral part of this statement.

**City of Edgewood**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
December 31, 2009

	Business - Type Activities Enterprise Funds			Governmental Activities
	Sewer Utility	Storm Water	Total	Internal Service Funds
<b>Operating Revenues</b>				
Charges for Services	\$ -	\$ 189,046	\$ 189,046	\$ -
Other Operating Revenue	-	-	-	7,067
<b>Total Operating Revenues</b>	<u>-</u>	<u>189,046</u>	<u>189,046</u>	<u>7,067</u>
<b>Operating Expenses</b>				
Operating Expenses	295,342	300,716	596,058	-
Other Supplies and Expenses	-	-	-	-
Maintenance Expense	-	115,685	115,685	-
Depreciation Expense	-	4,501	4,501	6,322
<b>Total Operating Expenses</b>	<u>295,342</u>	<u>420,902</u>	<u>716,244</u>	<u>6,322</u>
<b>Operating Income (Loss)</b>	<u>(295,342)</u>	<u>(231,856)</u>	<u>(527,198)</u>	<u>745</u>
<b>Non-Operating Revenues (Expenses)</b>				
Grant Revenue	-	76,752	76,752	-
Investment Earnings	353	4,060	4,413	825
Interest Expense	(126,558)	-	(126,558)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(126,206)</u>	<u>80,813</u>	<u>(45,393)</u>	<u>825</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>(421,548)</u>	<u>(151,043)</u>	<u>(572,591)</u>	<u>1,571</u>
Transfers In (Out)	-	-	-	-
<b>Change in Net Assets</b>	<u>(421,548)</u>	<u>(151,043)</u>	<u>(572,591)</u>	<u>1,571</u>
<b>Total Net Assets Beginning of Year</b>	<u>(282,296)</u>	<u>1,048,440</u>	<u>766,144</u>	<u>116,738</u>
<b>Total Net Assets End of Year</b>	<u>\$ (703,844)</u>	<u>\$ 897,397</u>	<u>\$ 193,553</u>	<u>\$ 118,308</u>

The notes to the financial statements are an integral part of this statement.

**City of Edgewood**  
**Statement of Cash Flows - Proprietary Funds**  
For the Year Ended December 31, 2009

	Business - Type Activities Enterprise Funds			Governmental Activities
	Sewer Utility	Storm Water	Total	Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ -	\$ 189,046	\$ 189,046	\$ 7,067
Payments to Suppliers	(197,199)	(353,958)	(551,157)	-
Payments to Employees	(91,276)	(112,197)	(203,473)	-
Net Cash Provided (Used) by Operating Activities	<u>(288,475)</u>	<u>(277,109)</u>	<u>(565,584)</u>	<u>7,067</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Grant Proceeds - Noncapital	-	76,752	76,752	-
Operating Transfers In (Out) to Other Funds	-	-	-	-
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>76,752</u>	<u>76,752</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from Capital Debt	3,375,000	-	3,375,000	-
Operating Transfers In (Out) to Other Funds	(300,000)	-	(300,000)	-
Purchase of Capital Assets	(2,683,140)	(123,436)	(2,806,576)	-
Interest Paid on Capital Debt	(107,103.46)	-	(107,103)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>284,757</u>	<u>(123,436)</u>	<u>161,321</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Proceeds from Sales and Maturities of Investments	-	-	-	-
Interest and Dividends	353	4,060	4,413	825
Net Cash Provided by Investing Activities	<u>353</u>	<u>4,060</u>	<u>4,413</u>	<u>825</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,365)</u>	<u>(319,733)</u>	<u>(323,098)</u>	<u>7,892</u>
Cash and Cash Equivalents Beginning of Year	<u>7,205</u>	<u>677,146</u>	<u>684,351</u>	<u>107,905</u>
<b>Cash and Cash Equivalents End of Year</b>	<u><b>\$ 3,840</b></u>	<u><b>\$ 357,413</b></u>	<u><b>\$ 361,252</b></u>	<u><b>\$ 115,797</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	(295,342)	(231,856)	(527,198)	745
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	-	4,501	4,501	6,322
Increase (Decrease) in Compensated Absences	2,756	(226)	2,530	-
Increase (Decrease) in Accounts Payable	4,111	(49,529)	(45,417)	-
Total Adjustments	<u>6,867</u>	<u>(45,253)</u>	<u>(38,386)</u>	<u>6,322</u>
<b>Net Cash Provided by Operating Activities</b>	<u><b>\$ (288,475)</b></u>	<u><b>\$ (277,109)</b></u>	<u><b>\$ (565,584)</b></u>	<u><b>\$ 7,067</b></u>

There were no noncash investing, capital, or financing activities to report in 2009.

The notes to the financial statements are an integral part of this statement.

**City of Edgewood, Washington**  
**Notes to the Financial Statements**  
**January 1, 2009 through December 31, 2009**

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

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

The financial statements of the City of Edgewood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**A. REPORTING ENTITY**

The City of Edgewood, Pierce County, Washington was incorporated on February 28, 1996, and operates under the Revised Code of Washington applicable to an Optional Municipal Code City (RCW 35A) with a Council-Manager form of government. Under the Council-Manager form of government, the voters elect at-large a seven member City Council and the Council elects one of its members to serve as Mayor. The Council appoints a City Manager who serves at the pleasure of the City Council.

The City of Edgewood is a general-purpose government. As a "contract" City, the majority of the City's services are provided by Pierce County and other organizations. The City's combined financial statements include the financial position and results of operations of the funds that are controlled by or dependent on the City of Edgewood. Control by, or dependence on, the City is determined on the basis of budget adoption, taxing authority, outstanding debt service secured by revenues, or general obligations of the City.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. 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. Our policy is to not allocate indirect costs to a specific function or segment. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and
- 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 fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 of Edgewood considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year end. 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.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment 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 City.

The City reports the following major governmental funds:

- **General Fund:** The General Fund is the City's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Strategic Reserve Fund:** The Strategic Reserve Fund is a special revenue fund. It is a contingency fund which is used for emergency purposes that was funded by transfers from the General Fund.
- **Capital Projects – General Government Fund:** This capital projects fund is used to account for capital improvements for general governmental purposes.

The City reports the following major proprietary funds:

- **Sewer Utility Fund:** The Sewer Utility Fund is an enterprise fund. All fees and charges related to the development of and the operation of the sewer utility shall be placed in this fund.
- **Surface Water Fund:** The Surface Water Fund is an enterprise fund. An assessment on each parcel in the City finances the activity in this fund.

Additionally, the City reports the following fund types:

- **Internal Service Fund:** The Internal Service Fund accounts for equipment rental and replacement provided to other departments of the City on a cost reimbursement basis.

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

As a general rule the effect of the interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include:

- Charges to customers;
- Operating grants and contributions; and
- Capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Surface Water Fund are the Surface Water Assessments charged on each parcel in the City. The principal operating revenues of the Equipment Rental and Replacement Fund are Interfund Equipment Leases. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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 needed.

#### **D. BUDGETARY INFORMATION**

##### **1. Scope of Budget**

Annual appropriated budgets are adopted for the general and special revenue funds and for all proprietary funds on the modified accrual basis of accounting. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

Other budgets are adopted at the level of the fund, except in the General Fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level.

Appropriations for general and special revenue funds lapse at year-end.

##### **2. Amending the Budget**

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund of the City, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding one public hearing.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

**3. Excess of Expenditures Over Appropriations**

Expenditures did not exceed appropriations in any of the funds in 2009.

**4. Deficit Fund Equity**

The Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds, shows negative fund balances of \$239,583 for other governmental funds. Non-major funds with negative fund balances attributing to this are as follows:

- The Park Impact Fee Fund has a negative ending fund balance of \$65,346 on December 31, 2009 due to an outstanding interfund loan with the Municipal Capital Reserve – REET1 Fund.
- The Traffic Mitigation Impact Fee Fund has a negative ending fund balance of \$209,123 due to an outstanding interfund loan with the General Fund.
- The Municipal Capital Reserve – REET1 Fund has a negative ending fund balance of \$62,510 due to an outstanding interfund loan with the Strategic Reserve Fund.
- The Municipal Capital Reserve – REET2 Fund has a negative ending fund balance of \$151,545 due to an outstanding interfund loan with the General Fund.
- The Capital Projects – Roads Fund has a negative ending fund balance of \$6,501 due to a delayed receipt of grant revenue.
- The Capital Projects – Transportation Improvement Board (TIB) Fund has a negative ending fund balance of \$3,658 due to a delayed receipt of grant revenue.

The Sewer Utility Fund shows negative fund net assets of \$485,535 on the Statement of Net Assets – Proprietary Funds due to this fund's outstanding liabilities.

**E. ASSETS, LIABILITIES AND EQUITIES**

**1. Cash and Cash Equivalents**

It is the City's policy to invest all temporary cash surpluses. On December 31, 2009, the City was holding \$3,863,198, which is classified on the balance sheet as cash and cash equivalents in various funds. Of this amount, \$2,628,201 was invested with the State of Washington Local Government Investment Pool (LGIP). The interest on these investments is prorated to the various funds.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2009 were approximately \$70,000.

On December 31, 2009, the fair market value of the assets held in the Managed Account Program (MAP) at Edward Jones was \$1,010,471 which is also included in the total cash and cash equivalents. The program is managed by Boyd Watterson and consists of investments in several bonds and treasury notes with varying interest rates and maturities. There are no maximum time limits and funds can be withdrawn within a few days. Each of the bonds and notes in MAP have varying coupon rates with payments twice a year. The City then receives monthly coupon payments of varying amounts.

For the purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**2. Investments – See Note #4**

**3. Receivables**

Taxes receivable consist of property taxes and related interest and penalties. See Note #5

**4. Amounts Due to and from Other Funds and Governments, Interfund Loans, and Advances Receivable**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." 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." A separate schedule of interfund loans receivable and payable is furnished in Note #13.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**5. Inventories**

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time the individual inventory items are purchased. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

**6. Restricted Assets and Liabilities**

These accounts contain resources for construction and debt service, including current and delinquent special assessments receivable, in enterprise funds. On December 31, 2009, there were no restricted assets or current portions of related liabilities to record.

**7. Capital Assets – See Note #6**

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

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line basis over the following estimated useful lives:

Assets	Years
Buildings	15 – 50
Building Improvements	15 – 50
Other Improvements	5 – 50
Machinery and Equipment	5 – 15
Infrastructure	25 – 50

Infrastructure assets, historically a government’s largest group of assets, have not been reported nor depreciated in the government financial statements in the past. GASB Statement #34 requires that these assets be valued and reported within the government activities column of the government-wide financial statements. The City of Edgewood is a Phase 3 government for GASB Statement No. 34 implementation. Major general infrastructure assets are not reported retroactively. There have been no additions in general infrastructure assets since 2004.

The City is using the Depreciation method for reporting infrastructure. Under this approach, depreciation expense for infrastructure is calculated the same way as for any other asset.

**8. Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation leave and compensation time. All vacation and compensation time pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Vacation pay, which may be accumulated up to 240 hours, is payable upon separation from service if an employee has been employed for at least six months. Any compensation time accrued by an employee is also payable at separation regardless of the length of employment. City of Edgewood employees will not be paid for any unused sick leave upon leaving service.

**9. Long - Term Debt – See Note #9**

**10. Custodial Accounts**

These accounts reflect the liability for net monetary assets being held by the City in its trustee or agency capacity.

**11. Deferred Revenues**

This account includes amounts recognized as receivables, but not revenues in governmental funds, because the revenue recognition criteria have not been met.

**12. Fund Reserves and Designations**

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. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS****A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

The governmental funds' Balance Sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide Statement of Net Assets.

Amounts reported for governmental activities in the Statement of Net Assets are different from the Balance Sheet because:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds;
- Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds; and
- Assets and liabilities of the Equipment Rental and Replacement Fund, which is used by management to charge the costs of equipment replacement to individual funds, are reported with governmental activities.

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental funds' 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.

Amounts reported for changes in net assets are different from the changes in fund balances because:

- Governmental funds report capital outlays as expenditures and in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives;
- Compensated absences 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; and
- The net revenue or expense of the Equipment Rental Fund is reported with governmental activities; and
- Repayment of non-current debt is an expenditure in the governmental funds but on the Statement of Net Assets it reduces the liability.

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

The City’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). On December 31, 2009, the City’s total deposits consisted of the following:

Frontier Bank Accounts	\$ 244,447
Petty Cash	<u>400</u>
Total Deposits	<u>\$ 244,847</u>

The total of \$244,447 in Frontier Bank Accounts does not include outstanding checks and deposits of \$20,321.

**B. INVESTMENTS**

As required by state law, all investments of the City’s funds are obligations of the U.S. Government, U.S. agency issue, obligations of the State of Washington, general obligations of Washington State municipalities, the State Treasurer’s Investment Pool, banker’s acceptances or certificates of deposit with Washington State banks, and savings and loan institutions. Investments of pension funds are not subject to the preceding limitations. Investments are reported at fair market value.

As of December 31, 2009, the City had the following investments:

Investment	Value on 12/31/09
Local Government Investment Pool (LGIP)	\$ 2,628,201
Managed Account Program (MAP) – Boyd Watterson	1,010,471
<b>Total Investments</b>	<b>\$ 3,638,672</b>

The LGIP is an un-rated 2a-7 like pool, as defined by GASB 31. Accordingly, participants’ balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the U.S. government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are all classified as category 1 risk level investments. They are either insured or held by a third-party custody provider in the LGIP’s name.

The City’s investment in the Managed Account Program (MAP) with Boyd Watterson consists of 98.3% U.S. Government Securities and 1.7% in liquid reserves. MAP is not subject to credit risk because the investments are obligations of the U.S. government or obligations of the U.S. government agencies that are explicitly guaranteed by the U.S. government. The weighted average life of the portfolio is 0.47 years. The weighted average yield to maturity is 0.32%. The City receives monthly income payments of varying amounts based on the rates of each individual security in the portfolio. All securities have a Standard & Poor’s rating of AAA.

All security transactions entered into by the City of Edgewood, shall be conducted on a delivery versus payment basis. Securities purchased by the City will be delivered against payment and held in a custodial safekeeping account. Securities will be held by a third party custodian and safekeeping receipts will evidence all transactions.

**NOTE 5 - PROPERTY TAXES RECEIVABLE**

The Pierce County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed monthly via wire transfer from the County.

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 levied by the Pierce County Assessor and collected by the County’s Budget and Finance office. A lien is placed on the property on the first day of the levy year and may be paid in two equal installments if the total amount exceeds \$50. Delinquent taxes are charged an interest rate of 1% per month on the full amount due from the month of delinquency to the month of payment. A penalty of 3% on current year taxes will be assessed on the amount unpaid on June 1. An additional 8% penalty will be assessed on the amount of current year taxes unpaid on December 1.

During the year, property tax revenues are recognized when the cash is received. At year-end, property taxes are recorded as a receivable with the portion not expected to be collected within 30 days offset by deferred revenue.

The statutory limit for the City’s Property Tax levy for general governmental services is \$1.60 per \$1,000 of assessed valuation. The limits for the Fire District and the Regional Library are \$1.50 and \$.50 per \$1,000 of assessed valuation respectively. The City does have the authority to exceed the \$1.60 rate if the other two taxing authorities do not levy at their maximum rate.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

The City of Edgewood’s regular levy for 2009 was \$0.95155745 per \$1,000 on an assessed valuation of \$1,390,286,001 for a total regular levy of \$1,322,937.

**NOTE 6 – CAPITAL ASSETS**

**A. Capital Assets**

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

<b>Governmental Activities:</b>	
General Government	\$ 14,991
Security of Persons & Property	1,124
Physical Environment	742
Transportation	87,193
Economic Environment	2,314
Culture and Recreation	29,091
<b>Total Depreciation – Governmental</b>	<b>\$ 135,455</b>

Capital assets activity for the year ended December 31, 2009 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets, not being depreciated:				
Land	\$ 3,478,856	\$ 0	\$ 0	\$ 3,478,856
Construction in Progress	7,372,744	728,549	5,605	8,095,688
Total Capital Assets, not being depreciated:	\$ 10,851,600	\$ 728,549	\$ 5,605	\$ 11,574,544

<b>Governmental Activities (continued)</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets, being depreciated:				
Buildings	256,215	59,227	0	315,442
Improvements other than Buildings	1,794,479	0	0	1,794,479
Machinery and Equipment	253,755	15,746	0	269,501
Total Capital Assets, being depreciated	\$ 2,304,449	\$ 74,973	\$ 0	\$ 2,379,422
Less Accumulated Depreciation for:				
Buildings	(65,422)	(12,505)	0	(77,927)
Improvements other than Buildings	(470,386)	(98,719)	0	(569,105)
Machinery and Equip.	(164,183)	(24,231)	0	(188,414)
Total Accumulated Depreciation	(\$ 699,991)	(\$ 135,455)	(\$ 0)	(\$ 835,446)
Total Capital Assets, being depreciated, net	\$ 1,604,458	(\$ 60,482)	\$ 0	\$ 1,543,976
Governmental Activities Capital Assets, net	\$ 12,456,058	\$ 668,067	\$ 5,605	\$ 13,118,520
<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets, not being depreciated:				
Land	\$ 333,976	\$ 0	\$ 0	\$ 333,976
Construction in Progress	1,295,533	2,611,158	0	3,906,691
Total Capital Assets, not being depreciated:	\$ 1,629,509	\$ 2,611,158	\$ 0	\$ 4,240,667
Capital Assets, being depreciated:				
Improvements other than Buildings	\$ 112,511	\$ 129,922	\$ 0	\$ 242,433
Total Capital Assets, being depreciated	\$ 112,511	\$ 129,922	\$ 0	\$ 242,433

<b>Business-Type Activities (continued)</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Less Accumulated Depreciation for:				
Improvements other than Buildings	(\$ 15,083)	(\$ 4,501)	(\$ 0)	(\$ 19,584)
Total Capital Assets, being depreciated, net	\$ 97,428	\$ 125,421	\$ 0	\$ 222,849
Business-Type Activities Capital Assets, net	\$ 1,726,937	\$ 2,736,579	\$ 0	\$ 4,463,516

### B. Construction Commitments

The City has three active construction projects as of December 31, 2009. At year-end the government's commitments with contractors are as follows:

<b>Project</b>	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Civic Center – Construction	\$ 6,027,510	\$ 79,410
Jovita Boulevard Realignment Design	402,605	205,325
Sewer LID No. 1 – Construction Mgmt.	236,574	1,974,121
Sewer LID No. 1 – Pipeline Const.	103,836	5,711,326
Sewer LID No. 1 – Pump Station Const.	0	3,162,141

Amounts in the above table represent the outstanding construction contract only and do not reflect the total project cost.

### NOTE 7 – PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50 *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

**A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLANS 1, 2, AND 3****1. 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 defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating 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. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

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.

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

COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

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

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

There are 1,192 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Retirees and Beneficiaries Receiving Benefits	73,122
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	27,267
Active Plan Members Vested	105,212
Active Plan Members Non-vested	56,456
<b>Total</b>	<b>262,057</b>

**2. Funding Policy**

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 six percent for state agencies and local government unit employees, and 7.5 percent 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. 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.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, are as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
<b>Employer*</b>	5.31%**	5.31%**	5.31%***
<b>Employee</b>	6.00%****	3.90%****	*****

\*The employer rates include the employer administrative expense fee currently set at 0.16%.  
 \*\*The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.  
 \*\*\*Plan 3 defined benefit portion only.  
 \*\*\*\*The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.  
 \*\*\*\*\*Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
<b>2009</b>	\$ 0.00	\$ 50,289.55	\$ 5,836.32
<b>2008</b>	0.00	52,948.97	10,814.20
<b>2007</b>	0.00	39,307.57	6,624.98

**B. CITY OF EDGEWOOD MONEY PURCHASE RETIREMENT TRUST**

The City of Edgewood Money Purchase Retirement Trust is a defined contribution plan, which was established as an alternative to the Federal Social Security System. With an effective date of April 20, 1996, this alternative plan is designed to provide the employees with benefits that equal or exceed the present Social Security System. Contributions into the plan are not subject to federal income taxation as is the case with Social Security contributions. Amendments to contribution requirements and plan provisions must be approved by the City Council.

All regular full-time and regular part-time employees are required to participate. Under this program, employees contribute 6.2% of their salary into a deferred savings account. The City contributes, on behalf of each employee, an amount equal to what the City would have paid to Social Security. Vesting of the employee's contribution is 100%. The City's contribution is vested at 20% per year with 100% vesting at the end of the fifth year. The City's contribution amount is a composite of a cash match, which includes an optional life insurance death benefit of \$100,000 with additional allowances for surviving children as selected by the employee. Long-term disability and additional life insurance equal to one year's salary is provided through AWC as part of the employee's benefit package.

As of December 31, 2009, there were 11 regular full-time employees in the City of Edgewood Retirement Trust in accordance with Internal Revenue Code Section 401(a). The seven councilmembers contribute 6.2% of their monthly salary and the City contributes 1.3% into a deferred compensation plan in accordance with Internal Revenue Code Section 457. See Note #14. The City's covered payroll for the year ending December 31, 2009, in the 401(a) was \$773,680. Actual employee contributions during the year amounted to \$47,968. Actual employer contributions were \$47,968 of which \$47,660 was for contributions to the plan and \$308 was for insurance premiums.

Actuarial determinations are not required because survivor income insurance is provided by a group insurance policy with National Life of Vermont. Benefits paid to participants upon retirement are limited to:

- A nonforfeitable, nontransferable annuity contract purchased by the plan's trustee;
- Retirement benefits paid from the employee's deferred savings to which no contributions by the City or the participants can be added after retirement; or
- A single lump-sum payment equal to the accumulated balance in the employee's deferred savings account as of his or her retirement date.

Each employee may direct his/her investment amount in various investment options for both employee and employer contributions. An employee who terminates his employment with the City of Edgewood may receive distribution of his/her accrued benefit within a reasonable time after termination of employment. Normal retirement age under this plan was established at 59 ½.

**NOTE 8 - RISK MANAGEMENT****A. WASHINGTON CITIES INSURANCE AUTHORITY (WCIA)**

The City of Edgewood is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 136 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence in the self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

There have been no settlements which exceeded insurance coverage in the past three years.

## **B. INDUSTRIAL INSURANCE COVERAGE**

The City's industrial insurance is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per work hour and is computed by the total number of hours worked by employees multiplied by the basic premium rate assigned to the business risk classification.

## **C. UNEMPLOYMENT INSURANCE**

The City's unemployment insurance is through the federal/state system, which provides compensation to workers who are temporarily and involuntarily unemployed. The Employment Security Department, in accordance with the provisions of the Employment Security Act, administers the insurance in Washington State (Chapter 50, Revised Code of Washington). The tax rate is computed using an experience rating system. In 2009, the tax rate paid by the City of Edgewood was 0.2%.

### ***NOTE 9 - LONG-TERM DEBT***

The liability for accumulated employee vacation and compensation time balances for governmental funds recorded at year-end was \$40,180. The governmental funds represented by this total are the General and Street funds. The combined liability for accumulated employee vacation and compensation time balances for both the Sewer and Surface Water proprietary funds recorded at year-end was \$6,468.

The City issued general obligation bonds to finance the construction of the Civic Center. General obligation bonds have been issued for general government activities and are being repaid from the applicable resources. The issuance amount was \$5,565,000 with an interest rate of 4.00% and a maturity of December 1, 2026.

The remaining annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2009	200,000	204,920
2010	205,000	196,920
2011	215,000	188,720
2012	225,000	180,120
2013	235,000	171,120
2014	245,000	161,720
2015	250,000	151,920
2016	260,000	141,920
2017 - 2021	1,480,000	545,045
2022 - 2026	1,800,000	224,775
<b>Total</b>	<b>\$ 5,115,000</b>	<b>\$ 2,167,180</b>

In June, 2008, the City of Edgewood entered into a loan agreement with the Washington State Public Works Board for the design of a sewer system within City of Edgewood Phase I Sewer Plan. The loan amount shall not exceed \$1,000,000 and the interest rate shall be 0.50% per annum on the outstanding principal balance. The term of the loan shall not exceed 5 years, with the final payment due July 1, 2013. The outstanding loan balance on December 31, 2009 was \$1,000,000.

In April, 2009, the City of Edgewood received a Multiple Draw – Bond Anticipation Note (BAN) for an amount not-to-exceed \$20 million through a variable line-of-credit with U.S. Bank. The interest rate is a variable rate equal to 72% of U.S. Bank's prime rate and the maturity date is 27 months from the delivery date, or July 6, 2011. An unused fee equivalent to 45 basis points (annually) will be charged on the daily unused principal balance of the line and will be payable each quarter of year in arrears. In 2009, the City received BAN proceeds of \$3,125,000. Interest payments will be made semi-annually and a single principal payment will be due at maturity. Funds are being used to finance construction of sewer facilities for the City of Edgewood Local Improvement District (LID) No. 1.

The City is aware of the applicability of federal arbitrage regulations, however it does not apply.

**NOTE 10 – CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2009, the following changes occurred in long-term liabilities:

	<b>Beginning Balance 1/1/09</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/09</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 5,115,000	\$ 0	\$ 200,000	\$ 4,915,000	\$ 205,000
Compensated Absences	35,274	4,906		40,180	40,180
<b>Governmental Long- Term Liabilities</b>	<b>\$ 5,150,274</b>	<b>\$ 4,906</b>	<b>\$ 200,000</b>	<b>\$ 4,955,180</b>	<b>\$ 245,180</b>
<b>Business-Type Activities:</b>					
Interfund Loan Payable-General Fund	300,000	450,000	750,000	0	0
Loan – Public Works Trust Fund	750,000	250,000		1,000,000	0
Bond Anticipation Notes	0	3,125,000		3,125,000	0
Compensated Absences	3,938	2,530		6,468	6,468
<b>Business-Type Long- Term Liabilities</b>	<b>\$ 1,053,938</b>	<b>\$ 3,827,530</b>	<b>\$ 750,000</b>	<b>\$ 4,131,468</b>	<b>\$ 6,468</b>

**NOTE 11 – OPERATING LEASES**

The City has had a rental lease agreement with Pacific Mobile Structures, Inc. since the Civic Center property was acquired in 1999 for two modular buildings to be used as a temporary City Hall.

The rental lease agreement started on June 1, 1999 and expired June 1, 2002. The City exercised renewal options for all subsequent annual terms at the same rate. The rental lease agreement is renewed annually and expires on June 1<sup>st</sup> of each year. The monthly rental fee, including applicable taxes, for the two modular buildings constructed on the City's property, was \$2,600.

In February 2009, after City services were relocated to the new City Hall building, the modular buildings were removed and the lease with Pacific Mobile Structures, Inc. was terminated. The cost for removing the buildings, per contract, was \$13,818.

**NOTE 12 - CONTINGENCIES AND LITIGATION**

The City's financial statements include all material liabilities. There are no material contingent liabilities to record.

The City participates in a number of federal-assisted and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

**NOTE 13 - INTERFUND BALANCES AND TRANSFERS**

Interfund transactions are classified as follows:

- Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City.
- Transfers to support the operations of other funds are recorded as "Operating Transfers" and classified with "Other Financing Sources or Uses". Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.
- Contributions to the capital of enterprise or internal service funds, transfers of capital assets between proprietary and governmental funds, transfers to establish or reduce working capital in other funds, and transfers of remaining balances when funds are closed are classified as non-operating revenue.
- Loans between funds are classified as interfund loans receivable and payable or as advances to and from other funds in the fund statements. Interfund loans do not affect total fund equity, but advances to other funds are offset by a reservation of fund equity.

**A. INTERFUND BALANCES**

An outstanding Interfund Loan balance of \$80,000 remains in the Park Impact Fee Fund on December 31, 2009 that is expected to be paid to the Municipal Capital Reserve - REET1 Fund by December 31, 2011. The original \$400,000 loan was for the Park Impact Fee Fund's share of the acquisition of park land at 36<sup>th</sup> Street East and Meridian Avenue East.

An Interfund Loan between the General Fund and the Traffic Mitigation Impact Fee Fund was authorized in 2007 for right-of-way acquisition for the parallel road network. The loan was for \$251,000 and is scheduled to be repaid by June 30, 2012. The outstanding loan balance on December 31, 2009 was \$230,000.

Repayment of the interfund loan between the General Fund and the Sewer Utility Fund occurred in 2009 after interim financing for Sewer LID No. 1 was been secured.

On December 31, 2009, an outstanding interfund loan balance of \$350,000 remains between the General Fund and the Municipal Capital Reserve – REET2 Fund for road improvements in the Civic Center Project. Payment of \$100,000 in principal was made in 2009.

Due to lower than anticipated revenue in the Municipal Capital Reserve – REET1 Fund, the Council authorized an Interfund Loan with the Strategic Reserve Fund for \$250,000. It is estimated that the loan will be repaid by 2012.

Interfund balances at December 31, 2009 were as follows:

Due To	Due From	Amount
General Fund	Traffic Mitigation Impact Fee Fund	\$ 230,000
General Fund	Municipal Capital Reserve – REET2 Fund	350,000
Strategic Reserve Fund	Municipal Capital Reserve – REET1 Fund	250,000
Municipal Capital Reserve – REET1 Fund	Park Impact Fee Fund	80,000
<b>Total</b>		<b>\$ 910,000</b>

**B. INTERFUND TRANSFERS**

There were no residual equity transfers in 2009. Operating transfer activity in 2009 is as follows:

Fund	Purpose	Amounts Transferred Out	Amounts Transferred In
General Fund	Routine Transfer - Local Parks Sales Tax	\$ 65,322	
General Fund	Street Operations	100,000	
General Fund	Debt Service Payment	254,920	
General Fund	Civic Center Project	500,000	
General Fund	Utility Undergrounding Design	20,250	
Street	Street Operations		100,000
Street	Chip Seal Program		109,600
Traffic Mitigation Impact Fee	Jovita Boulevard Realignment Project	10,000	
Municipal Capital Reserve – REET1	Debt Service Payment	150,000	
Municipal Capital Reserve – REET2	Chip Seal Program	109,600	

(continued) Fund	Purpose	Amounts Transferred Out	Amounts Transferred In
Civic Center Bond	Debt Service		404,920
Capital Projects – General Government	Civic Center Project		500,000
Capital Projects – Parks	Routine Transfer - Local Parks Sales Tax		65,322
Capital Projects – Roads	Utility Undergrounding Design		20,250
Capital Projects – TIB	Jovita Boulevard Realignment Project		10,000
<b>Totals</b>		<b>\$ 1,210,092</b>	<b>\$ 1,210,092</b>

#### **NOTE 14 - DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by Nationwide Retirement Solutions, Inc., formerly known as Public Employees Benefit Services Corporation (PEBSCO). The account value for the City of Edgewood as of December 31, 2009 was \$236,925. This value is recorded as an investment and corresponding liability in the Deferred Compensation Fund.

##### **A. DEFERRED COMPENSATION FOR COUNCILMEMBERS**

The plan that is available to Councilmembers is used as an alternative to the Social Security System. Councilmembers contribute 6.2% of their salary to the plan and the City contributes 1.3%. The City's covered payroll for the year ending December 31, 2009, was \$16,575. Actual employee contributions during the year amounted to \$1,028 and employer contributions amounted to \$216. Councilmembers may also elect to defer an additional portion of their earnings. Elective deferrals totaled \$694 in 2009.

##### **B. DEFERRED COMPENSATION FOR EMPLOYEES**

The City also offers its regular full-time and regular part-time employees a deferred compensation plan which permits them to defer, until future years, an additional portion of their salary and/or 50% of money left from their benefit package. Elective deferrals totaled \$2,400 and money left from the benefit package totaled \$17,014 in 2009.

Temporary and part-time employees not eligible for the City's 401(a) plan are enrolled in the 457 plan for their Social Security replacement. Both the employee and employer contributions are 6.2% of gross wages. A temporary or part-time employee may also choose to defer an additional portion of his or her wages. Employee and employer contributions totaled \$7,759 in 2009.

The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Compensation deferred under the plan and all income attributable to the plan is held in a custodial account with Bank One Trust Company,

N.A. located in Columbus, Ohio. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

#### **NOTE 15 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS**

The City of Edgewood has implemented GASB Statement No. 45. The City of Edgewood is a member of the Association of Washington Cities (AWC) Employee Benefit Trust. To obtain compliance with GASB Statements No. 43 and No. 45, AWC prepared a report with the assistance of Milliman and Stoel Rives LLP. A copy of this report is available at Edgewood City Hall.

##### **A. TRUST DESCRIPTION**

The City is a Participating Employer in the Association of Washington Cities Employee Benefit Trust ("Trust"), a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of Participating Employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and the nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and requires supplementary information for Trust. That report, along with a copy of the Trust document, may be obtained by writing to Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346 or by calling 1-800-562-8981.

##### **B. FUNDING POLICY**

The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute \$644.35 per month for non-Medicare enrolled retiree-only coverage, \$1,288.70 for non-Medicare enrolled retiree and spouse coverage, \$987.25 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$685.80 for Medicare-enrolled retiree and spouse coverage.

Participating Employers are contractually required to contribute at a rate assessed each year by Trust, currently 14.7 percent of annual covered payroll. The City's contributions to the Trust for the year ended December 31, 2009, were \$137,444, which equaled the required contributions of that year.

**City of Edgewood**  
**Budgetary Comparison Schedule**  
**General Fund**

For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	(Budgetary Basis)	
<b>Budgetary Fund Balance, January 1</b>	\$ 3,340,774	\$ 3,745,074	\$ 3,745,080	\$ 6
<b>Resources (Inflows):</b>				
Taxes	2,365,100	1,933,200	1,876,320	(56,880)
Licenses and Permits	205,180	156,780	146,149	(10,631)
Intergovernmental	176,080	176,080	196,628	20,548
Charges for Services	216,750	100,940	88,613	(12,327)
Fines and Forfeitures	1,000	1,000	2,584	1,584
Miscellaneous	127,800	63,800	54,177	(9,623)
Transfers from Other Funds	-	-	-	-
Amounts Available for Appropriation	3,091,910	2,431,800	2,364,472	(67,328)
<b>Charges to Appropriations (Outflows):</b>				
<b>Current:</b>				
General Government	1,060,370	1,148,070	1,061,648	86,422
Security of Persons & Property	1,607,210	1,587,960	1,559,562	28,398
Physical Environment	26,390	26,390	26,386	4
Economic Environment	560,550	563,180	472,447	90,733
Mental and Physical Health	-	-	-	-
Culture and Recreation	56,480	53,300	40,669	12,631
Capital Outlay	-	15,700	9,657	6,043
Transfer to Other Funds	381,420	938,670	940,492	(1,822)
Total Charges to Appropriations	3,692,420	4,333,270	4,110,861	222,409
<b>Budgetary Fund Balance, December 31</b>	2,740,264	1,843,604	1,998,691	155,087

**City of Edgewood**  
**Budgetary Comparison Schedule**  
**Strategic Reserve Fund**  
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	
<b>Budgetary Fund Balance, January 1</b>	\$ 1,018,704	\$ 1,018,704	\$ 1,039,967	\$ 21,263
<b>Resources (Inflows):</b>				
Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	31,400	31,400	8,139	(23,261)
Transfers from Other Funds	-	-	-	-
Amounts Available for Appropriation	<u>31,400</u>	<u>31,400</u>	<u>8,139</u>	<u>(23,261)</u>
<b>Charges to Appropriations (Outflows):</b>				
Transfer to Other Funds	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Budgetary Fund Balance, December 31</b>	<u>1,050,104</u>	<u>1,050,104</u>	<u>1,048,107</u>	<u>(1,997)</u>

**City of Edgewood**  
**Schedule of Expenditures of Federal Awards**  
For The Year Ended December 31, 2009

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures		Total
				From Pass- Through Awards	From Direct Awards	
U.S. Department of Agriculture - Rural Development	Water and Waste Disposal System for Rural Communities	10.760			3,125,000	3,125,000
U.S. Department of Transportation/Pass- Through from WA State Dept. of Transportation	Highway Planning and Construction	20.205	CM-0161(029) ER-0902(414) ER-0902(413)	115,235	-	115,235
U.S. Department of Homeland Security/Pass- Through from WA State Military Department	Disaster Grants - Public Assistance	97.036	1825-DR-WA	12,569	-	12,569
U.S. Department of Transportation-National Highway Traffic Safety Admin./Pass-Through WA State Association of Police Chiefs	State and Community Highway Safety	20.600		7,676	-	7,676
<b>TOTAL FEDERAL ASSISTANCE</b>						<u><u>\$ 3,260,480</u></u>

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

**City of Edgewood, Washington**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**And State/Local Financial Assistance**  
**January 1, 2009 through December 31, 2009**

**The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards and the Schedule of State and Local Financial Assistance.**

***NOTE 1 – BASIS OF ACCOUNTING***

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the current financial resources measurement focus and the modified accrual basis of accounting.

***NOTE 2 – PROGRAM COSTS***

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

***NOTE 3 – FEDERAL LOANS***

The City received an obligation of funds from the U.S. Department of Agriculture (USDA) for a loan of \$20,000,000. The amount listed represents proceeds of Bond Anticipation Notes for interim financing for Sewer LID No. 1. The Bond Anticipation Notes are also reported on the City's Schedule of Long-Term Debt.



## **ABOUT THE STATE AUDITOR'S OFFICE**

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Jim Brittain, CPA**  
**Jan Jutte, CPA, CGFM**  
**Ivan Dansereau**  
**Mike Murphy**  
**Mindy Chambers**  
**Mary Leider**  
**(360) 902-0370**  
**(866) 902-3900**

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