

City of



COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

City of



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Prepared by the Finance Department

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"The City of Bonney Lake's mission is to protect the community's livable identity and scenic beauty through responsible growth planning and by providing accountable, accessible and efficient local government services"

December 15, 2008

**To the Honorable Neil Johnson, Mayor
Members of the City Council
Citizens of the City of Bonney Lake**

State law requires cities to publish financial statements, either in conformity with generally accepted accounting principles (GAAP) or on a cash basis, and audited in accordance with generally accepted auditing standards by the Washington State Auditor's Office under the *Revised Code of Washington* (RCW) 43.09.020. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the City of Bonney Lake for the fiscal year ended December 31, 2007. The City has elected to report its financial condition in conformity with generally accepted accounting principles (GAAP).

The report consists of management's representations concerning the finances of the City of Bonney Lake (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Bonney Lake's financial statements have been audited by the Washington State Auditor's Office. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2007, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that although the City was issued a "SAS 112 Finding" (a reporting issue) there was reasonable basis for rendering an unqualified or "clean" opinion and that the City of Bonney Lake's financial statements for the fiscal year ended December 31, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is present as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Bonney Lake was part of a broader State mandate that requires the Washington State Auditor's Office to perform additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the City complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. The City's State compliance report is also available separately upon request.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is

designed to complement and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

Incorporated on February 28, 1949, the City of Bonney Lake is nestled off State Highway Route 410 between Mount Rainier and the Puget Sound, along the southern shores of Lake Tapps. The City is located in the southern part of Pierce County, considered to be one of the top growth areas in both the state and county. The City of Bonney Lake is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

With a 2007 population of 15,740, Bonney Lake is the fifth largest city in Pierce County and the fifty-ninth largest city in the state. The 2008 population is estimated by the State Department of Financial Management to be 16,220. The City's boundaries now encompass approximately seven square miles.

The City of Bonney Lake operates under the laws of the State of Washington applicable to a code city with a Mayor-Council form of government. The Mayor is elected and is Chief Executive Officer. The Mayor appoints the operating unit directors and hires all employees. The Council exercises confirmation authority on some positions. Policy-making and legislative authority are vested in a City Council consisting of the Mayor and seven other members, all elected on a non-partisan basis. Both the Mayor and Council members serve four-year terms, with three members plus the Mayor or four members selected every two years. The Mayor and two Council members are elected at large; the remaining Council members are elected by ward.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Bonney Lake's financial planning and control. The budget is prepared by fund, function (e.g. public safety), and department (e.g. police). With the approval of the Mayor, department heads may make transfers of appropriations within a department between major categories of services and supplies. The Mayor may authorize transfers within a fund. All transfers between funds must be approved by the City Council.

Services Provided

The City provides a range of municipal services normally associated with a municipality including police, street construction and maintenance, planning and zoning, building inspection, municipal court, senior center, and general administration services. The City also operates as enterprise funds the following business-type activities: water utility, wastewater utility, and storm and surface water utility. Fire, library, animal control, and recreation are provided for via contracts with other providers.

Cities and counties of the State of Washington must comply with the Budgeting, Accounting, and Reporting System (BARS) prescribed by the Office of the State Auditor as authorized under *Revised Code of Washington* (RCW) 43.09.200 and RCW 43.09.230. State law also provides for annual independent audits by the Office of the State Auditor and requires timely submission of annual financial reports to the state for review. The financial system of the City of Bonney Lake incorporates a system of financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. Consequently they are designed to provide reasonable assurance that transactions are processed in accordance with management authorization, recorded in conformity with generally accepted accounting principles (GAAP), that accountability of control over assets and obligations exists, and that sufficient reporting and review exists to provide adequate information for analysis and comparability of data. Internal control is an area of audit by the State Auditor as well, and City management receives and takes action upon recommendations made during the audit engagement.

The City of Bonney Lake prepares budgets in accordance with RCW 35.34. As background to the process, the City prepares a biennial financial forecast of general operations. Biennial budgets are adopted by the City Council for funds providing customary government services. Long-term project oriented budgets are adopted as required and amended as additional appropriations are needed. An increase or decrease in total budgeted appropriations of a fund

must be authorized by the City Council. Transfers of appropriations within a fund may be authorized by the City Administrator. All budgets are accounted for on a line-item basis with control at the object summary total level. Estimated purchase order amounts are encumbered prior to the release of the order to the vendor. Such encumbrances also serve to provide budgetary control. Open encumbrances lapse at year-end and must be re-appropriated or absorbed in the next year's operating budget.

Local Economy

From 2002 through 2006 General Fund revenues increased by an average of approximately \$1.0 million per year, reflecting the rapid pace of growth in the City and the strength of the local economy. Management anticipates that the City's economy will continue to grow but at a much slower rate given the financial circumstances facing the Nation in general. Since the early stages of 2007 we have experienced a general decline in housing sales, although commercial development continued to remain strong throughout the year. Accordingly building permit fees as well as Real Estate Excise Tax (REET) revenues are performing below our 5-year average.

As a result of the volatility in the national economy, both revenue and expenditure budget projections have been compiled in a very conservative fashion. We have updated our long range financial planning model that is tied to the capital improvement plans of the City. During the upcoming biennium we will need to continually refine and update the model to give City officials the tools they need to make sound financial decisions regarding operations, maintenance, and capital investment.

In the near future the City will continue to pursue alternative sources of revenue to supplement our normal revenue streams of property taxes, sales taxes, etc. In the most recent biennium the City has secured more than \$2 million in grant funds for streets, sidewalks, public safety and community service projects.

Over the years rapid growth has continued to be a challenge for the City in relation to expanded services and facilities. Increases in population, tax base, development fees, traffic impact fees, annexations, and commercial and retail activity continue to provide additional revenue to mitigate these costs.

The geographical area of the City designated as "East Town" is located along and around the eastern most region of SR 410 as the highway proceeds to the eastern most boundary of the City. East Town is the City's last major commercial development zone and we anticipate it to be built-out over a span of several years hence.

Additionally management expects a slow but steady transition and renovation of the downtown core area. The City has adopted unprecedented incentives to encourage downtown redevelopment and we expect to explore additional processes to influence future redevelopment in this region.

Residential

There are many factors which contribute to Bonney Lake's exceptional quality of life. Illustrative points include availability of local goods and services, excellent schools, a local library, desirable residential neighborhoods, exceptional local government services, and excellent recreational opportunities.

The City's residential real estate marketplace has gained popularity in the past decade as a result of burgeoning real estate markets in the King County and Pierce County areas. As available buildable residential capacity diminishes in the Seattle and Tacoma areas, Bonney Lake's close proximity to these metropolitan areas has become more and more attractive to many prospective buyers. Adding to the attractiveness of our physical location is the availability of multiple commuter routes into the larger metropolitan areas mentioned.

Although residential building permit activity has declined considerably throughout the year, our planning and building department administrators are optimistic that this trend will recover somewhat faster than the predicted national average due to the positive characteristics in our real estate marketplace as outlined above.

Retail

A key indicator of a city's economic health and vitality is local sales tax collections. The City has enjoyed steadily increasing sales tax collections each of the past several years as the City has become the retail center of the east county plateau region. It is anticipated that with the planned growth of the region and future development of the Eastown area, this trend will continue.

Two notable development projects underway during 2007 have contributed substantially to the City's sales tax base. Lowe's developed a new retail outlet along State Route Highway 410 in what is commonly referred to as our "Mid Town" region. The new Lowe's store is scheduled to open in mid 2008. Within this same Mid Town region, Wal-Mart expanded an existing outlet to comply with their internal designation of "Super Store." This redevelopment completed during 2007 and positive retail sales tax results have been experienced during the first quarters of 2008.

Other Economic Indicators

The labor force of the Bonney Lake area is divided between those who work within the City and those who commute to work outside the area, in the nearby cities of Puyallup, Tacoma, Seattle, Renton, Kent, Auburn and Olympia. Therefore, the Bonney Lake area functions as a suburban-residential community as well as a center for trade and commerce based primarily on residential and commercial Real Estate Development and Retail sales within its boundaries.

The top four retail sales tax categories or classes of collections within the City have historically been Retail Trade at 57.5% of total collections; Construction at 17.2% of total collections; Food Services at 14.6% of total collections; and Other miscellaneous categories at 10.7%.

Capital Projects

During the next budgetary biennium the City has an aggressive capital project program. During this period the City of Bonney Lake will finalize facilities and infrastructure projects that have been planned and budgeted in prior years. Additionally the City plans to aggressively pursue significant construction projects during years hence, as illustrated in the six-year capital improvement plan, a sampling of which follows:

- Completion of the Regional Storm Water Detention Pond;
- Construction of the Interim Justice Center;
- Intersection Improvements – Sumner Old Buckley Highway and SR 410;
- Eastown water main extension;
- Continuation of the Leaky Water Main program;
- Tacoma Intertie;
- Sewer Trunk Line Improvements;
- Design of the Public Works Maintenance Facility;
- Link the Fennel Creek Trail through the Safe Routes Grant.

Long-Term Financial Planning

The City will continue to use its business planning model and budgetary process to review funding priorities for the long-term operating and capital needs of the City. During the coming year, we are faced with the challenge to accommodate growth while ensuring that the City develops as a place where people want to live, work, and play. Due to current economic uncertainty at the national level City management recognizes the need to assure reserves for future revenue shortfalls in the event of economic downturns, and is proceeding conservatively in daily operations. We are committed to working with citizens, businesses, and other governmental agencies in delivering efficient

services to our community in a cost effective means.

Cash Management Policies and Practices

It is the policy of the City of Bonney Lake to invest public funds to (1) preserve principal while maintaining liquidity to meet the City's cash-flow needs; (2) conform to all state and local statutes governing the investment of public funds; and (3) maximize investment return within the framework of the provisions of its' investment policy. Idle cash may be invested in obligations of the U.S. Treasury, Federal Agencies, corporate bonds, repurchase agreements and the State investment pool. Increases or decreases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity. The City of Bonney Lake primarily invests its idle funds in the Local Government Investment Pool (LGIP) managed by the Washington State Office of the State Treasurer.

The overall strategy of holding deposits and investing excess cash is to expose the City to a minimum amount of credit and market risk. All bank balances of deposit as of the balance sheet date are entirely insured or collateralized with securities held by the City or by its agent in the City's name.

Risk Management

Liability and property coverage is provided through the Washington Cities Insurance Authority (WCIA), of which the City of Bonney Lake subscribes as a member. Pursuant to 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. Currently WCIA has a total of 126 Members.

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 reinsurance.

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 agreement, WCIA retains the right to additionally assess the membership for any funding shortfall.

Pension and Other Postemployment Benefits

The City of Bonney Lake provides pension benefits for its other employees through the Public Employees Retirement System (PERS) or the Law Enforcement Officer's and Fire Fighter (LEOFF) Retirement System.

These plans are administered by the State of Washington Department of Retirement Systems (DRS), a department within the primary government of the State of Washington under a cost-sharing multiple-employer public employee retirement system. The City of Bonney Lake has no obligation in connection with employee benefits offered through these plans beyond its annual contractual payments to DRS.

The City provides postretirement health care benefits in accordance with statute to retired police employees who are eligible under the Law Enforcement Officers and Firefighters Retirement System (Chapter 41.26 RCW).

Additional information on the City of Bonney Lake's pension plans and post employment benefits can be found in the

notes to financial statements, "Note 6 -- Pension Plans", pages 56-61; and "Note 7C -- Other Post Employment Benefits," page 63.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated staff of the Finance Department; specifically the Accounting division. I would like to express my appreciation to the employees and the citizens whose continued cooperation, support, and assistance have contributed greatly to the financial stability of the City of Bonney Lake.

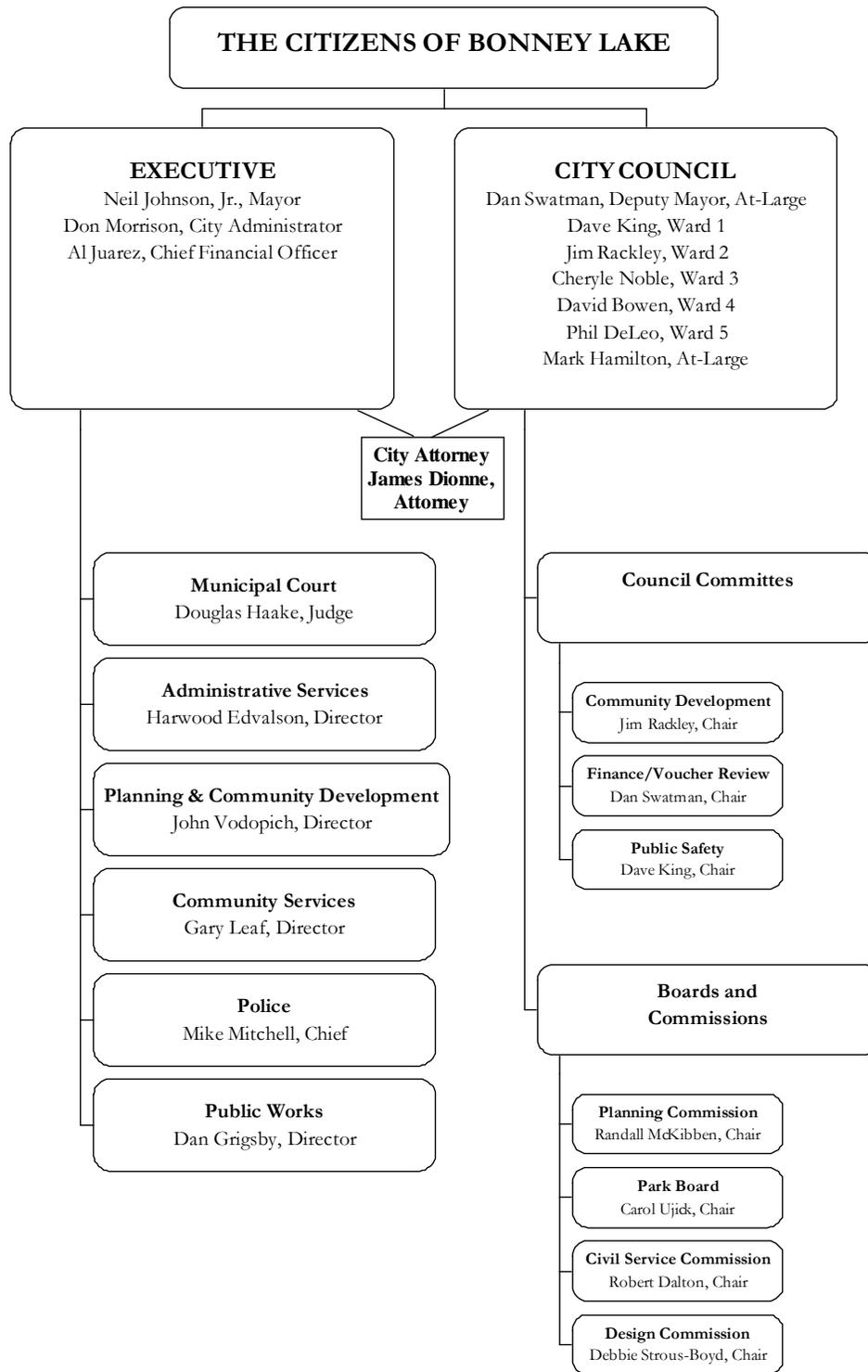
Further appreciation is also extended to the City's management team, Mayor and members of the City Council for their encouragement, interest and support in conducting the financial operations of the City in a sound and progressive manner and for maintaining the highest standards of professionalism in the management of the City of Bonney Lake's finances.

Respectfully submitted,



Al Juarez, MBA
Chief Financial Officer

City of Bonney Lake Organization Chart



City of Bonney Lake
Elected and Appointed Officials
December 31, 2007

Elected Officials

<u>Councilmember</u>	<u>District</u>	<u>Term(s) Commenced</u>	<u>Term Expiries</u>
Neil Johnson, Mayor		January 3, 2006	December 31, 2009
		<i>Mayor Johnson was Councilmember January 8, 2002 – December 2005</i>	
Dan Swatman, Deputy Mayor	At-Large	October 27, 1998	December 31, 2009
Mark Hamilton	At-Large	November 25, 2003	December 31, 2011
Dave King	Ward 1	November 27, 2001	December 31, 2009
James Rackley	Ward 2	December 28, 1999	December 31, 2011
Cheryle Noble	Ward 3	April 22, 2003	December 31, 2007
David Bowen	Ward 4	December 13, 2005	December 31, 2009
Phil DeLeo	Ward 5	April 22, 2003	December 31, 2007

Appointed Officials

<u>Title</u>	<u>Name</u>	<u>Date of Appointment</u>
Administrative Services Director/City Clerk	Harwood Edvalson	March 28, 2006
Chief Financial Officer	Al Juarez	October 16, 2007
City Administrator	Don Morrison	March 28, 2006
City Attorney	James Dionne	March 22, 1994
Community Services Director	Gary Leaf	March 28, 2006
Municipal Court Judge	Doug Haake	January 8, 2008
Planning and Community Development Director	John Vodopich	June 26, 2007
Police Chief	Mike Mitchell	September 26, 2006
Public Works Director	Dan Grigsby	July 27, 2004



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

February 13, 2009

Mayor and City Council
City of Bonney Lake
Bonney Lake, 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 Bonney Lake, Pierce County, Washington, as of and for the year ended December 31, 2007 which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The management's discussion and analysis on pages 11 through 22 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages 66 through 78 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

**City of Bonney Lake
Management's Discussion and Analysis
For the Year Ending December 31, 2007**

As management of the City of Bonney Lake (the City), we offer this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Financial Highlights

- As of December 31, 2007 total assets of the City exceeded its liabilities by \$123.2 million. Of this amount, \$27.9 million was reported as unrestricted net assets, amounts which are available for use to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$28.2 million.
- Capital assets increased approximately \$26 million, largely due to the valuation and recording of historical infrastructure assets for roads, sidewalks, etc.
- The City's governmental funds reported combined ending fund balances of \$23.6 million.
- The General Fund reported an unreserved fund balance of \$4.4 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

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

The *statement of net assets* presents information on all of 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 government'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 (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Assets and the Statement of Activities differentiate the functions of general government from the functions of business-type activities. Governmental activities reflect the City's basic functions such as general government, public safety, highways and streets, economic

development, and culture and recreation and are primarily supported by taxes and intergovernmental revenues. Business-type activities, primarily utilities, are intended to recover their costs through user fees and charges. The City's utilities include the water distribution system, the sewer collection and treatment system and the stormwater collection system.

The City has no separately identified component units and none are included in these financial statements.

Fund financial statements

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Construction Fund, the General Government Construction Fund, and the Civic Center Construction Fund which are all considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all of its funds. The basic financial statements include budgetary comparison statements for the General Fund to demonstrate compliance with this budget.

Proprietary funds

The City 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. The City uses enterprise funds to account for its Water, Sewer, and Stormwater Funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and to provide insurance coverage for all funds and departments. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Stormwater Funds. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Data from the other two proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of *combining statements* elsewhere in this report. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

Notes to the financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's financial results. Combining and individual fund statements and schedules for the non-major governmental funds and the internal service funds can be found under this section.

The City as a Whole

The table below summarizes the City's Statement of Net Assets for the years 2007 and 2006.

CONDENSED STATEMENT OF NET ASSETS						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 28,836,607	\$ 17,829,436	\$ 25,745,468	\$ 25,426,104	\$ 54,582,075	\$ 43,255,540
Land	13,502,488	8,451,446	490,813	490,815	13,993,301	8,942,261
Capital assets, net of accum dep	16,755,840	8,441,565	82,133,501	69,925,003	98,889,341	78,366,568
TOTAL ASSETS	59,094,935	34,722,447	108,369,782	95,841,922	167,464,717	130,564,369
Long-term liabilities	11,703,416	3,786,195	25,303,737	27,030,806	37,007,153	30,817,001
Other liabilities	3,062,895	1,518,758	4,148,891	3,210,594	7,211,786	4,729,352
TOTAL LIABILITIES	14,766,311	5,304,953	29,452,628	30,241,400	44,218,939	35,546,353
NET ASSETS:						
Invested in capital assets, net of related debt	27,911,635	14,598,011	56,241,711	41,048,881	84,153,346	55,646,892
Restricted	10,107,072	8,527,472	998,000	22,797,672	11,105,072	31,325,144
Unrestricted	6,309,917	6,292,011	21,677,443	1,753,970	27,987,360	8,045,981
TOTAL NET ASSETS	\$ 44,328,624	\$ 29,417,494	\$ 78,917,154	\$ 65,600,523	\$ 123,245,778	\$ 95,018,017

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At year end 2007, the City, assets exceeded liabilities by \$123.2 million.

The largest portion of the City's net assets (68.3%) reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and intangible assets such as water rights and sewer capacity); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of *unrestricted net assets* (\$27.9 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2007 and 2006 fiscal years, the City reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The table below summarizes the City's Statement of Activities for the years 2007 and 2006.

Condensed Statement of Activities

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 6,693,578	\$ 4,369,238	\$ 13,506,859	\$ 9,086,267	\$ 20,200,437	\$ 13,455,505
Operating grants and contributions	1,159,180	112,192	54,938	-	1,214,118	112,192
Capital grants and contributions	200,267	89,800	-	7,702,368	200,267	7,792,168
General revenues:						
Property taxes	2,509,267	2,326,829	-	-	2,509,267	2,326,829
Sales taxes	3,117,359	3,473,570	-	-	3,117,359	3,473,570
B&O taxes	1,978,886	-	-	-	1,978,886	-
Excise taxes	1,637,878	1,164,885	-	-	1,637,878	1,164,885
Utility	675,217	1,877,030	-	-	675,217	1,877,030
Other taxes	43,413	385,016	-	-	43,413	385,016
Interest earnings on investments	753,128	581,532	1,386,495	1,137,303	2,139,623	1,718,835
Gain on sale of capital assets	-	5,746	-	1,325	-	7,071
Miscellaneous revenues	22,374	391,023	30,564	31,727	52,938	422,750
Total revenues	18,790,547	14,776,861	14,978,856	17,958,990	33,769,403	32,735,851
Expenses						
General government	5,247,534	1,993,973	-	-	5,247,534	1,993,973
Public safety	4,131,158	3,870,953	-	-	4,131,158	3,870,953
Physical environment	573,151	212,661	-	-	573,151	212,661
Transportation	1,433,858	996,757	-	-	1,433,858	996,757
Health and human services	23,256	3,081	-	-	23,256	3,081
Economic environment	1,626,345	1,455,993	-	-	1,626,345	1,455,993
Culture and recreation	725,910	350,970	-	-	725,910	350,970
Interest on long term debt	177,652	430,120	-	785,963	177,652	1,216,083
Water	-	-	5,329,548	4,058,335	5,329,548	4,058,335
Sewer	-	-	3,756,329	3,494,295	3,756,329	3,494,295
Stormwater	-	-	486,495	536,285	486,495	536,285
Total expenses	13,938,864	9,314,508	9,572,372	8,874,878	23,511,236	18,189,386
Change in net assets before transfers	4,851,683	5,462,353	5,406,484	9,084,112	10,258,167	14,546,465
Transfers	1,791,026	653,968	(1,791,026)	(1,794,787)	-	(1,140,819)
Change in net assets	6,642,709	6,116,321	3,615,458	7,289,325	10,258,167	13,405,646
Net assets as of January 1	29,417,494	23,301,173	65,600,523	58,311,198	95,018,017	81,612,371
Prior period adjustments	8,268,421	-	9,701,173	-	17,969,594	-
Net assets as of December 31	\$ 44,328,624	\$ 29,417,494	\$ 78,917,154	\$ 65,600,523	\$ 123,245,778	\$ 95,018,017

Prior period adjustments were made to both governmental activities and business-type activities to record infrastructure assets for historical balances. The City retained the services of an independent appraiser for valuation and assessment of these types of assets. Additional information on prior period adjustments can be found at Note 5H.

Significant Transactions and Changes in Individual Funds

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

Governmental funds

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

The following table provides a summary of Revenues, Expenditures and Changes in Fund Balances for the General Fund.

<u>General Fund</u>	<u>2007</u>	<u>2006</u>	<u>Variance</u>
Total revenues	\$ 12,583,350	\$ 10,569,400	\$ 2,013,950
Total expenditures	10,981,394	8,461,360	2,520,034
Total other financing sources and uses	<u>(5,511,252)</u>	44,060	<u>(5,555,312)</u>
Net Change in fund balances	<u>(3,909,296)</u>	<u>2,152,100</u>	<u>(6,061,396)</u>
Fund balances, beginning of year	6,873,753	4,721,653	2,152,100
Prior period adjustment	<u>1,467,410</u>	-	<u>1,467,410</u>
Fund balances, end of year	<u>\$ 4,431,867</u>	<u>\$ 6,873,753</u>	<u>\$ (2,441,886)</u>

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$4.4 million.

The top five categories of revenue collected within the general fund, in order of dollars received is: Sales Tax, Property Tax, Building Permits, Utility Tax, and Fines and Forfeitures. Sales tax and property tax, as has been our experience during the past six years continued to increase during calendar year 2007, although a slowing of sales tax was experienced during the fourth quarter of the year. Building permits issued during 2007 were actually down from the prior year. The revenue distribution between commercial and residential permits, however, resulted in actual revenue collections exceeding budget projections reflecting a net increase in this revenue source.

Operating expenditures in the general fund conversely increased as well. This growth, in part, may be attributed to inflation as well as programmed increases within the grand objects for salaries and wages, benefits, professional services and capital outlay.

In the later portion of 2006 and early portion of 2007 economic indicators illustrated that a slowing in the real estate development marketplace was upon us. City administration's philosophy was to continue conservative management practices whereby we would continue to monitor future operational results of revenue and expenditure activity carefully and frequently to anticipate and respond to near future results based on current period trends.

As illustrated in the above analysis of Fund Balance, prior period adjustments were made to correct the presentation of inter-fund loans. Additional information on prior period adjustments can be found at Note 5H.

Also illustrated in the above analysis of Fund Balance, the line item titled "Total other financing sources and uses" illustrates a net decrease in fund balance from 2006 to 2007. This aggregate figure represents several transactions both in sources and uses. The more significant transactions represented include: (a) As a result of a preliminary analysis of internal charges for service, it was determined that an equitable methodology for assessing internal charges for various administrative and IT services had not been performed for a number of years. Current administration developed a more equitable allocation based on an annual labor distribution analysis as well as actual administrative charges for service, insurance, etc; (b) In compliance with the GASB 34 pronouncement addressing valuation and reporting of an entity's infrastructure assets, the City retained a professional infrastructure asset appraiser to perform this inventory and valuation as of December 31, 2007. The aggregate effect of the inventory valuation is illustrated within this category.

The following table provides a summary of Revenues, Expenditures and Changes in Fund Balances for the Street Construction Fund.

<u>Street Construction Fund</u>	<u>2007</u>	<u>2006</u>	<u>Variance</u>
Total revenues	\$ 3,021,977	\$ 2,368,473	\$ 653,504
Total expenditures	1,765,727	1,219,010	546,717
Total other financing sources and uses	<u>897,947</u>	<u>3,655,811</u>	<u>(2,757,864)</u>
Net Change in fund balances	<u>2,154,197</u>	<u>4,805,274</u>	<u>(2,651,077)</u>
Fund balances, beginning of year	<u>4,805,274</u>	<u>-</u>	<u>4,805,274</u>
Fund balances, end of year	<u>\$ 6,959,471</u>	<u>\$ 4,805,274</u>	<u>\$ 2,154,197</u>

As is the case in any Capital Improvement Fund, activity from year to year is based upon an entity's capacity to sustain funding for future project. Dedicated revenue sources in this particular fund flow into the City, in great part, as a result of Real Estate Excise Taxes. Although robust through 2007 this source appears to be headed towards a significant slowing and eventual downturn in years hence.

The category "other financing sources and uses" illustrated in the spreadsheet above reflects an aggregate summary of both uses and sources. Significant other sources result in the form of grants, loans, etc. that may have been received from other governmental agencies in support of our Street Construction activities.

The following table provides a summary of Revenues, Expenditures and Changes in Fund Balances for the Civic Center Construction Fund.

<u>Civic Center Construction Fund</u>	<u>2007</u>	<u>2006</u>	<u>Variance</u>
Total revenues	\$ -	\$ -	\$ -
Total expenditures	44,266	-	44,266
Total other financing sources and uses	<u>10,107,072</u>	-	<u>10,107,072</u>
Net Change in fund balances	<u>10,062,806</u>	-	<u>10,062,806</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 10,062,806</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,062,806</u></u>

The Civic Center Construction Fund is a new fund for 2007. Other financing sources and uses are comprised of a new debt issue of \$10.1 million.

The Civic Center Construction Fund reimbursed the General Government Capital Improvement Fund in early 2008 for prior period land acquisition costs in the amount of \$3.8 million. Accordingly this transaction will be reflected in the 2008 financial statements. To facilitate this transaction, Council enacted a reimbursement resolution at the time the bond sale was initiated through our bond underwriters to recover these specific costs related to Civic Campus development.

For additional information on the City's debt, see Note 5 D and E.

General Fund Budgetary Highlights

The City adopted an original budget for revenues and transfers in of \$11.8 million; the City adopted an original budget for expenditures and transfers out of \$15.7 million. The City's final budget for revenues and transfers in was \$12.8 million; the City's final budget for expenditures and transfers out was \$15.6 million. The overall increase between original and final budgets was \$914,885 for revenues and transfers in and \$(29,750) for expenditures and transfers out. In the adopted budget ordinance, the City appropriates total expenditures, other financing uses, and ending fund balance as one expenditure total.

Capital Assets

The following table summarizes the City's capital asset balances at December 31, 2007 and 2006.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Land	\$ 13,502,488	\$ 8,451,446	\$ 490,813	\$ 490,813	\$ 13,993,301	\$ 8,942,259
Construction in progress	211,742	-	4,729,154	-	4,940,896	-
Buildings	1,559,408	1,692,398	4,550,490	165,552	6,109,898	1,857,950
Leasehold improvements	-	-	17,237,025	-	17,237,025	-
Improvements other than buildings	674,888	508,478	35,777,803	48,725,843	36,452,691	49,234,321
Machinery and equipment	532,577	660,031	200,559	233,978	733,136	894,009
Infrastructure	11,267,552	3,142,332	-	-	11,267,552	3,142,332
Intangible assets	-	-	19,638,470	20,799,630	19,638,470	20,799,630
Rolling stock	2,509,673	2,438,326	-	-	2,509,673	2,438,326
Total	<u>\$ 30,258,328</u>	<u>\$ 16,893,011</u>	<u>\$ 82,624,314</u>	<u>\$ 70,415,816</u>	<u>\$ 112,882,642</u>	<u>\$ 87,308,827</u>

Changes occurred in all asset categories as a result of 2007 activity and the valuation and recording of historical infrastructure assets. The City retained the services of an appraiser to assess and value the City's roads, sidewalks, reservoirs, etc. Included in the 2007 financial statements are adjustments to record \$8.3 million of infrastructure assets (net of accumulated depreciation) for governmental activities and \$-1.2 million of infrastructure assets for business-type activities (net of accumulated depreciation).

Another significant change in capital assets was approximately \$5 million of land acquisitions for governmental activities. The City acquired land for its Civic Center construction project.

Another significant change in capital assets was approximately \$4.9 million increase in Construction in progress. The City's construction projects include \$3.5 million for the Peaking storage reservoir; \$526,896 for the Deer Island Water main and \$645,481 for various water main replacements.

Additional information on the City's capital assets can be found in Note 5 C.

Additional information on the City's infrastructure valuation can be found in Note 5 H.

Debt Administration

The City's debt liabilities increased \$10.1 million for governmental activities. The City issued \$10.2 million in 2007 General Obligation Bonds and premium for the construction of a civic center.

The City's debt liabilities increased \$4.9 million for business-type activities. The City issued \$4.6 million in 2007 Revenue Refunding Bonds and incurred an additional \$228,302 in Public Works Trust Fund loans.

Additional information on the City's long-term debt can be found in Notes 5 D and E.

Economic Factors and Other Information

Entering calendar year 2007 national and regional economic factors in the housing and real estate marketplace indicated that a slowing of the economy in general was looming. For years economists had been predicting that the real estate bubble may burst at any time and early 2007 indicators illustrated that their predictions may soon transpire.

The City utilizes a biennial budget and thus the 2007/2008 budget document was adopted in late December 2006. Responding to economic indicators, City management's philosophy was to continue conservative management practice whereby we would continue to monitor 2007 operational results of revenue and expenditure activity carefully and frequently to anticipate and respond to near future results based on current year trends. Sales tax and property tax collections remained strong throughout the year although fourth quarter results illustrated a slight softening trend.

The top five categories of revenue collected within the general fund, in order of dollars received is illustrated as follows:

- Sales Tax
- Property Tax
- Building Permits
- Utility Tax
- Fines and Forfeitures

Sales tax is a predominant indicator for many cities in the State of Washington. The Washington State retail market may reflect as a benchmark to evaluate how an entity is performing compared to market averages and identify problem areas at an early stage. Government officials with responsibilities for urban planning, tax revenue forecasting and economic development may use the retail marketplace to compare the performance of their community with neighboring cities and counties, identify areas of weakness and competitive advantage and develop more effective policy initiatives.

Utilizing the WA State Retail Survey, a county's relative strength index may be determined within the state as a whole. The relative strength index is calculated by dividing the 5 year compound annual growth rate of retail sales for a specific county by the comparable statistic for the entire state market. Within the general merchandise group, Pierce County experienced a 7.8%, 5 year compound annual growth rate and the statewide growth figure was 5.3%. The resulting relative strength index is 1.47. This index tells us that Pierce County has been growing 47% faster than the statewide norm.

Building permits issued during 2007 were down approximately 19% from the prior year. The distribution between commercial and residential permits, however, resulted in actual revenue collections exceeding budget projections by approximately 7%.

Two notable development projects that began during the year will contribute substantially to the City's sales tax base. Lowe's is developing a new store along State Route Highway 410 in what is commonly referred to as our Mid Town Region that is scheduled to open in mid 2008. In this same Mid Town Region, Wal-Mart expanded an existing store leading to their Super Store designation. This redevelopment completed during 2007.

As a result of years of strategic planning the City proceeded with the first stage in development of the Downtown Civic Center. Multiple land acquisitions took place during 2007 that will provide the contiguous footprint for the future finished campus. A consulting firm was engaged to provide guidance and design of the first structure in the campus, a new Justice Center. A site plan and schematics were presented to the Design Commission and Council for feedback and future direction.

Several improvement projects were completed during 2007 in our Community Services Department. Cedarview Park experienced a considerable face lift. Several tons of fill were brought in to prepare the landscape more uniformly. Ball fields were also leveled and reseeded as utility and irrigation lines were installed. New amenities added include a tricycle path, full court basketball and paved parking spaces facilitating handicap access.

The City was awarded a Conservation Futures grant to help pay for acquisition of 10 acres along Angeline Road that will be an ideal location for a trailhead to Fennel Creek Trail. Staff prepared a land acquisition plan for future expansion of the trail and open space that was presented and approved by City Council.

In the Public Works Department, our Peaking Water Storage Tank that was started in 2006 substantially completed in 2007 culminating several years of planning and engineering efforts. This tank provides 15 million gallons of water capacity for utility customers of the City. Additionally the Booster Pump Station telemetry portion of this project is scheduled to be finished and on-line during late winter of 2008.

Multiple projects of lesser significance but of no less importance also were completed during 2007 in our Sanitary Sewer Utility as well as our Storm Water Utility. Considerable hours of planning and engineering have gone into our Sanitary Sewer Comprehensive Plan amendments and have been presented to City Council for study and approval. Within our Storm Water Utility, design of our Downtown Regional Storm Water Pond commenced during 2007. This effort in support of a projected million dollar storm retention pond should be completed during late winter of 2008 precipitating submittal to City Council for further direction.

Major Street Projects that were brought to completion during 2007 include: Installation of a safety wall barrier that will prevent landslide encroachment along Myers Road; The Old Sumner Buckley Highway and Church Lake Road Entryway Beautification Project that included excavation and construction of a block wall and base drains, and Construction of a gravel pathway and finish grading and topsoil overlayment of the overall site.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's financial accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, City of Bonney Lake, 19306 Bonney Lake Blvd., P.O. Box 7380, Bonney Lake, WA 98391-0944. Personal inquiries may be directed to Ms. Cassandra Raymond, Senior Accountant, at (253) 447-4316, RaymondK@ci.bonney-lake.wa.us; or Mr. Al Juarez, Chief Financial Officer, at (253) 447-4314, JuarezA@ci.bonney-lake.wa.us.

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City of Bonney Lake
Statement of Net Assets
December 31, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,868,247	\$ 17,474,115	\$ 34,342,362
Deposits with fiscal agents	-	-	-
Investments	-	6,023,013	6,023,013
Receivables (net)	12,744,154	167,691	12,911,845
Due from other governmental units	385,148	-	385,148
Internal balances	(1,601,164)	1,601,164	-
Inventories	-	23,578	23,578
Prepaid and other current assets	5,901	-	5,901
Deferred charges	-	-	-
Restricted assets - cash and cash equivalents	434,321	455,907	890,228
Capital assets:			
Land	13,502,488	490,813	13,993,301
Construction in Progress	211,742	4,729,154	4,940,896
Buildings	4,557,515	5,479,434	10,036,949
Leasehold Improvements	-	19,422,000	19,422,000
Improvements Other Than Buildings	1,111,703	44,487,299	45,599,002
Machinery and Equipment	1,851,534	832,903	2,684,437
Infrastructure	16,610,621	-	16,610,621
Intangible	-	24,871,035	24,871,035
Rolling Stock	4,323,960	-	4,323,960
Accumulated Depreciation	(11,911,235)	(17,688,324)	(29,599,559)
TOTAL ASSETS	59,094,935	108,369,782	167,464,717
LIABILITIES			
Accounts payable and other current liabilities	1,326,830	1,188,550	2,515,380
Deposits	731,449	309,473	1,040,922
Accrued interest payable	-	574,002	574,002
Due to other governments	-	-	-
Deferred Revenue	254,267	-	254,267
Due within one year	750,349	2,076,866	2,827,215
Due in more than one year	11,703,416	25,303,737	37,007,153
TOTAL LIABILITIES	14,766,311	29,452,628	44,218,939
NET ASSETS			
Invested in capital assets, net of related debt	27,911,635	56,241,711	84,153,346
Restricted for:			
Debt service	10,107,072	998,000	11,105,072
Future capital expenditures	-	-	-
Unrestricted	6,309,917	21,677,443	27,987,360
TOTAL NET ASSETS	\$ 44,328,624	\$ 78,917,154	\$ 123,245,778

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

City of Bonney Lake
Statement of Activities
For the Year Ended December 31, 2007

page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 5,247,534	\$ 3,017,762	\$ 47,211	\$ 200,267
Public safety	4,131,158	1,023,563	134,088	-
Physical environment	573,151	88,862	-	-
Transportation	1,433,858	1,855,917	930,427	-
Economic environment	1,626,345	661,818	-	-
Culture and recreation	725,910	37,691	11,484	-
Health and human services	23,256	7,965	35,970	-
Interest and other fiscal charges	177,652	-	-	-
Total Governmental Activities	13,938,864	6,693,578	1,159,180	200,267
Business-type Activities:				
Water	5,329,548	7,922,159	18,100	-
Wastewater	3,756,329	4,977,733	30,179	-
Storm and surface water	486,495	606,967	6,659	-
Total Business-type Activities	9,572,372	13,506,859	54,938	-
Total Function/Program Activities	\$ 23,511,236	\$ 20,200,437	\$ 1,214,118	\$ 200,267
General Revenues				
Taxes:				
Property		\$ 2,509,267	\$ -	\$ 2,509,267
Sales and Use		3,117,359	-	3,117,359
Business and Occupation		1,978,886	-	1,978,886
Excise		1,637,878	-	1,637,878
Utility		675,217	-	675,217
Other Taxes		43,413	-	43,413
Investment earnings		753,128	1,386,495	2,139,623
Gain on sale of capital assets		-	-	-
Miscellaneous		22,374	30,564	52,938
Transfers		1,791,026	(1,791,026)	-
Total general revenues and transfers		12,528,548	(373,967)	12,154,581
Change in net assets		6,642,709	3,615,458	10,258,167
Net assets - beginning		29,417,494	65,600,523	95,018,017
Prior Period Adjustments		8,268,421	9,701,173	17,969,594
Net assets - ending		\$ 44,328,624	\$ 78,917,154	\$ 123,245,778

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

City of Bonney Lake
 Statement of Activities
 For the Year Ended December 31, 2007

page 1 of 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
Governmental Activities:			
General government	\$ (1,982,294)	\$ -	\$ (1,982,294)
Public safety	(2,973,507)	-	(2,973,507)
Physical environment	(484,289)	-	(484,289)
Transportation	1,352,486	-	1,352,486
Economic environment	(964,527)	-	(964,527)
Culture and recreation	(676,735)	-	(676,735)
Health and human services	20,679	-	20,679
Interest and other fiscal charges	(177,652)	-	(177,652)
Total Governmental Activities	(5,885,839)	-	(5,885,839)
Business-type Activities:			
Water	-	2,610,711	2,610,711
Wastewater	-	1,251,583	1,251,583
Storm and surface water	-	127,131	127,131
Total Business-type Activities	-	3,989,425	3,989,425
Total Function/Program Activities	\$ (5,885,839)	\$ 3,989,425	\$ (1,896,414)

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

City of Bonney Lake
Balance Sheet
Governmental Funds
December 31, 2007

page 1 of 2

	General Fund	Street Construction Fund	General Gov't Construction Fund
ASSETS			
Cash and cash equivalents	\$ 4,058,985	\$ 6,094,200	\$ -
Deposits with fiscal agents	-	-	-
Investments	-	-	-
Receivables (net)	1,099,555	939,393	-
Due from other funds	440,844	-	-
Interfund loans receivable	-	-	-
Due from other governmental units	355,201	29,947	-
Prepaid and other current assets	5,901	-	-
Restricted assets - cash and cash equivalent	434,321	-	-
Advances to other funds	-	-	-
TOTAL ASSETS	6,394,807	7,063,540	-
LIABILITIES AND FUND BALANCES			
Liabilities:			
Current payables	987,663	59,383	1,196
Interfund loans payable	-	-	-
Due to other funds	-	-	431,344
Due to other governmental units	8,296	-	-
Deposits Payable	731,449	-	-
Deferred revenue	205,501	44,686	725
Other Liabilities	30,030	-	-
Total liabilities	1,962,939	104,069	433,265
Fund balances			
Reserved for:			
Encumbrances	-	-	-
Continuing Appropriations	-	-	-
Debt service	-	-	-
Unreserved designated for:			
Operating reserve	-	-	-
Carryover	-	-	-
Developer balances	-	-	-
Future capital expenditures	-	-	-
Unreserved undesignated, reported in:			
General Fund	4,431,868	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	6,959,471	(433,265)
Total fund balances	4,431,868	6,959,471	(433,265)
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,394,807	\$ 7,063,540	\$ -

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

City of Bonney Lake
Balance Sheet
Governmental Funds
December 31, 2007

page 2 of 2

	Civic Center Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 4,310,202	\$ 14,463,387
Deposits with fiscal agents	-	-	-
Investments	-	-	-
Receivables (net)	10,107,072	3,369	12,149,389
Due from other funds	-	-	440,844
Interfund loans receivable	-	-	-
Due from other governmental units	-	-	385,148
Prepaid and other current assets	-	-	5,901
Restricted assets - cash and cash equivalent	-	-	434,321
Advances to other funds	-	-	-
TOTAL ASSETS	10,107,072	4,313,571	27,878,990
LIABILITIES AND FUND BALANCES			
Liabilities:			
Current payables	141,838	11,146	1,201,226
Interfund loans payable	-	1,601,164	1,601,164
Due to other funds	9,500	-	440,844
Due to other governmental units	-	1,253	9,549
Deposits Payable	-	-	731,449
Deferred revenue	-	3,355	254,267
Other Liabilities	-	-	30,030
Total liabilities	151,338	1,616,918	4,268,529
Fund balances			
Reserved for:			
Encumbrances	-	-	-
Continuing Appropriations	-	-	-
Debt service	-	-	-
Unreserved designated for:			
Operating reserve	-	-	-
Carryover	-	-	-
Developer balances	-	-	-
Future capital expenditures	-	-	-
Unreserved undesignated, reported in:			
General Fund	-	-	4,431,868
Special revenue funds	-	1,806,476	1,806,476
Debt service funds	-	213,020	213,020
Capital projects funds	9,955,734	677,157	17,159,097
Total fund balances	9,955,734	2,696,653	23,610,461
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,107,072	\$ 4,313,571	\$ 27,878,990

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

City of Bonney Lake
 Reconciliation of Governmental Fund Balances
 To Net Assets of Governmental Activities
 December 31, 2007

Total Governmental Fund Balances	\$	23,610,461
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Amounts reported for governmental activities in the statement of net assets are different because:

Receivables for fines and forfeitures and the related allowance for uncollectible accounts are not current financial resources and, therefore not reported in the funds.		594,764
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,258,328
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Long-term liabilities applicable to the City's activities are not due and payable in the current period and are not reported as fund liabilities:		
Debt and notes payable		(11,965,834)
Compensated Absences		(487,931)

Internal service funds are used by management to charge the costs of insurance and information services to individual funds.		
Total assets and liabilities of the internal service funds that are reported with governmental activities, net of amounts reported above.		<u>2,318,836</u>

Net assets of governmental activities	\$	<u><u>44,328,624</u></u>
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The notes to the financial statements are an integral part of this statement

City of Bonney Lake
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General Fund	Street Construction Fund	General Gov't Construction Fund	Civic Center Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$ 2,143,323	\$ -	\$ -	\$ -	\$ 365,943	\$ 2,509,266
Sales	3,117,359	-	-	-	-	3,117,359
Business & Occupation	1,978,886	-	-	-	-	1,978,886
Excise	-	956,105	182,807	-	426,550	1,565,462
Other	718,631	-	-	-	-	718,631
Licenses and permits	1,356,571	-	-	-	-	1,356,571
Intergovernmental	429,147	-	-	-	-	429,147
Charges for services	1,487,599	1,846,885	15,661	-	616,337	3,966,482
Fines and forfeitures	957,497	-	-	-	-	957,497
Special assessments	-	-	-	-	3,258	3,258
Miscellaneous	-	-	-	-	-	-
Interest Earnings	260,452	218,987	32,982	-	157,053	669,474
Other	133,885	-	-	-	46,463	180,348
Total revenues	12,583,350	3,021,977	231,450	-	1,615,604	17,452,381
EXPENDITURES						
Current:						
General government	4,115,654	-	3,411	-	-	4,119,065
Public safety	3,730,985	-	-	-	17,972	3,748,957
Utilities & Environment	411,349	-	-	-	-	411,349
Transportation	612,818	572,604	-	-	-	1,185,422
Economic environment	1,639,953	-	-	-	-	1,639,953
Culture and recreation	350,385	-	-	-	76,961	427,346
Health and human services	4,520	-	-	-	-	4,520
Capital outlay	115,730	1,183,202	4,154,788	-	216,309	5,670,029
Debt service:						
Principal retirement	-	5,400	-	-	285,001	290,401
Interest	-	4,522	-	-	173,131	177,653
Total expenditures	10,981,394	1,765,728	4,158,199	-	769,374	17,674,695
Excess (deficiency) of revenues over expenditures	1,601,956	1,256,249	(3,926,749)	-	846,230	(222,314)
OTHER FINANCING SOURCES (USES)						
Developer Contributions	-	892,361	-	-	-	892,361
Contributions from Property Owners	-	5,586	-	-	-	5,586
Transfers in	1,055,818	-	2,925,000	-	2,769,237	6,750,055
Debt proceeds	-	-	-	10,000,000	-	10,000,000
Premium on bond issue	-	-	-	107,072	-	107,072
Debt Issue costs	-	-	-	(151,338)	-	(151,338)
Transfers out	(6,618,896)	-	-	-	-	(6,618,896)
Total other financing sources (uses)	(5,563,078)	897,947	2,925,000	9,955,734	2,769,237	10,984,840
Net change in fund balances	(3,961,122)	2,154,196	(1,001,749)	9,955,734	3,615,467	10,762,526
FUND BALANCES, BEGINNING	6,873,754	4,805,275	568,484	-	2,401,732	14,649,245
PRIOR PERIOD ADJUSTMENT	1,519,236	-	-	-	(3,320,546)	(1,801,310)
FUND BALANCES, ENDING	\$ 4,431,868	\$ 6,959,471	\$ (433,265)	\$ 9,955,734	\$ 2,696,653	\$ 23,610,461

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

City of Bonney Lake
 Reconciliation of The Statement of Revenue, Expenditures,
 And Changes In Fund Balances of Governmental Funds
 To the Statement of Activities
 For The Year Ended December 31, 2007

Net changes in fund balances - total governmental funds \$ 10,762,526

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

New increases to the Court receivables and related allowance for doubtful accounts do not require the use of current financial resources and therefore are not reported as revenues or expenditures in the funds.

152,605

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. Amounts related to capital assets are:

Capital asset purchases capitalized	5,670,029	
Capital asset donations	200,267	
Depreciation expense	(850,196)	5,020,100

Expenses for 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.

(196,628)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This is the amount of the net effect of these differences in the treatment of long-term debt and related items.

Bonds issued	(10,000,000)	
Premium on bonds issued	(107,072)	
Bond issue costs	151,338	
Bond principal retired	290,401	(9,665,333)

Internal service funds are used by management to charge the costs of insurance and information services to individual funds. The net revenue of the internal service funds is reported with the governmental activities.

Change in net assets		569,439
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Change in net assets of governmental activities

\$ 6,642,709

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

City of Bonney Lake
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget (GAAP Basis) and Actual
 For the Year Ended December 31, 2007

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
Property	\$ 2,166,980	\$ 2,216,980	\$ 2,143,323	\$ (73,657)
Sales	3,602,100	3,616,600	3,117,359	(499,241)
Business & Occupation	1,274,940	1,615,180	1,978,886	363,706
Other	750,200	750,200	718,631	(31,569)
Licenses and permits	1,523,624	1,543,774	1,356,571	(187,203)
Intergovernmental	177,537	342,457	429,147	86,690
Charges for services	135,030	240,255	1,487,599	1,247,344
Fines and forfeitures	932,512	982,402	957,497	(24,905)
Miscellaneous				
Interest Earnings	148,365	295,000	260,452	(34,548)
Other	153,040	176,365	133,885	(42,480)
Total revenues	<u>10,864,328</u>	<u>11,779,213</u>	<u>12,583,350</u>	<u>804,137</u>
EXPENDITURES				
Current:				
General government	3,121,347	3,103,597	4,115,654	(1,012,057)
Public safety	4,172,006	4,172,006	3,730,985	441,021
Utilities and environment	422,430	421,430	411,349	10,081
Transportation	695,643	691,643	612,818	78,825
Economic environment	1,776,501	1,771,501	1,639,953	131,548
Culture and recreation	436,595	434,595	350,385	84,210
Health and human services	5,000	5,000	4,520	480
Capital Outlay	<u>230,000</u>	<u>230,000</u>	<u>115,730</u>	<u>114,270</u>
Total expenditures	<u>10,859,522</u>	<u>10,829,772</u>	<u>10,981,394</u>	<u>(151,622)</u>
Excess (deficiency) of revenues over expenditures	4,806	949,441	1,601,956	652,515
OTHER FINANCING SOURCES (USES)				
Transfers in	984,740	984,740	1,055,818	71,078
Transfers out	<u>(5,099,659)</u>	<u>(5,099,659)</u>	<u>(6,618,896)</u>	<u>(1,519,237)</u>
Total other financing sources (uses)	<u>(4,114,919)</u>	<u>(4,114,919)</u>	<u>(5,563,078)</u>	<u>(1,448,159)</u>
Net change in fund balances	(4,110,113)	(3,165,478)	(3,961,122)	(795,644)
FUND BALANCES, BEGINNING	6,873,753	6,873,753	6,873,753	-
PRIOR PERIOD ADJUSTMENTS	1,519,236	1,519,236	1,519,236	-
FUND BALANCES, ENDING	<u>\$ 4,282,876</u>	<u>\$ 5,227,511</u>	<u>\$ 4,431,867</u>	<u>\$ (795,644)</u>

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

City of Bonney Lake
Statement of Net Assets
Proprietary Funds
12/31/2007

	Business Type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Storm & Surface Water	Total	Internal Service Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 8,040,927	\$ 9,086,273	\$ 346,916	\$ 17,474,116	\$ 2,404,860
Investments	6,023,013	-	-	6,023,013	-
Restricted cash and cash equivalents	37,180	418,727	-	455,907	-
Receivables (net of allowance for uncollectible accounts)	38,918	128,473	299	167,690	-
Interfund loans receivable, current	-	200,145	-	200,145	-
Due from other governmental units	-	-	-	-	-
Inventories	20,337	3,241	-	23,578	-
Prepaid and other current assets	-	-	-	-	-
Total Current Assets	14,160,375	9,836,859	347,215	24,344,449	2,404,860
Noncurrent Assets					
Interfund Loan Receivable	-	1,401,019	-	1,401,019	-
Capital Assets					
Land	255,950	234,863	-	490,813	-
Construction in Progress	4,722,354	-	6,800	4,729,154	-
Buildings	2,342,761	3,136,673	-	5,479,434	-
Leasehold Improvements	-	19,422,000	-	19,422,000	-
Improvements other than building	37,406,905	552,478	6,527,916	44,487,299	-
Machinery and Equipment	30,467	802,436	-	832,903	4,323,960
Intangible Assets	9,244,346	15,496,192	130,497	24,871,035	-
Accumulated Depreciation	(8,961,322)	(7,368,737)	(1,358,265)	(17,688,324)	(1,814,287)
Total Noncurrent Assets	45,041,461	33,676,924	5,306,948	84,025,333	2,509,673
TOTAL ASSETS	59,201,836	43,513,783	5,654,163	108,369,782	4,914,533
LIABILITIES					
Current liabilities					
Accounts Payable and Accrued Expenses	396,849	766,023	5,053	1,167,925	86,028
Due to other governmental units	-	20,626	-	20,626	-
Deposits	(17,552)	327,025	-	309,473	-
Accrued interest payable	461,637	112,365	-	574,002	-
Current portion of long-term debt	1,539,599	537,267	-	2,076,866	-
Total current liabilities	2,380,533	1,763,306	5,053	4,148,892	86,028
Long-term liabilities					
Compensated Absences	60,143	26,575	-	86,718	3,564
Subtotal long-term liabilities	60,143	26,575	-	86,718	3,564
Bonds and Loans Payable:					
Revenue Bonds	3,952,932	813,032	-	4,765,964	-
Public Works Trust Fund Payable	9,740,867	7,475,292	-	17,216,159	-
Contract payable for purchase of water rights	3,234,895	-	-	3,234,895	-
Subtotal bonds and loans payable	16,928,694	8,288,324	-	25,217,018	-
Total long-term liabilities	16,988,837	8,314,899	-	25,303,736	3,564
TOTAL LIABILITIES	19,369,370	10,078,205	5,053	29,452,628	89,592
NET ASSETS					
Invested in capital assets, net of related debt	27,571,169	23,450,314	5,306,948	56,328,431	2,509,673
Restricted for debt service	998,001	-	-	998,001	-
Restricted for future capital expenditures	-	-	-	-	-
Unrestricted	11,263,296	9,985,264	342,162	21,590,722	2,315,268
TOTAL NET ASSETS	\$ 39,832,466	\$ 33,435,578	\$ 5,649,110	\$ 78,917,154	\$ 4,824,941

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

City of Bonney Lake
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

	Business Type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Storm and Surface Water	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 4,874,870	\$ 2,922,340	\$ 606,967	\$ 8,404,177	\$ -
Other operating revenues	-	-	-	-	-
Total operating revenues	4,874,870	2,922,340	606,967	8,404,177	-
OPERATING EXPENSES					
Cost of Sales & Service	1,886,189	1,092,523	232,663	3,211,375	503,565
Administration	625,556	322,166	61,134	1,008,856	40,675
Insurance	-	-	-	-	277,173
External and Internal Taxes	737,475	1,089,243	58,927	1,885,645	-
Depreciation	1,309,823	1,216,113	133,771	2,659,707	356,361
Total operating expenses	4,559,043	3,720,045	486,495	8,765,583	1,177,774
Operating income (loss)	315,827	(797,705)	120,472	(361,406)	(1,177,774)
NON-OPERATING REVENUES (EXPENSES)					
Investment earnings	947,048	429,297	10,150	1,386,495	83,656
Other non-operating revenues	30,562	794	-	31,356	3,689
Interest and fiscal charges	(770,507)	(36,284)	-	(806,791)	-
Gain (Loss) on sale of capital assets	-	-	-	-	-
Non-operating revenues net of expenses	207,103	393,807	10,150	611,060	87,345
Income before contributions and transfers	522,930	(403,898)	130,622	249,654	(1,090,429)
System Development Fees	3,047,289	1,870,609	183,994	5,101,892	-
Capital Contributions	-	15,654	-	15,654	-
FEMA Grant	18,100	14,525	6,659	39,284	-
Transfers In	-	-	-	-	1,735,567
Transfers Out	(968,704)	(559,888)	(262,434)	(1,791,026)	(75,700)
Change in net assets	2,619,615	937,002	58,841	3,615,458	569,438
Net assets at beginning of year	35,359,990	28,631,817	1,608,716	65,600,523	4,255,503
Prior Period Adjustments	1,852,861	3,866,759	3,981,553	9,701,173	-
Net assets at end of year	\$ 39,832,466	\$ 33,435,578	\$ 5,649,110	\$ 78,917,154	\$ 4,824,941

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

City of Bonney Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Business Type Activities - Enterprise Funds				Governmental
	Water	Wastewater	Storm & Surface Water	Total	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 5,904,741	\$ 3,392,255	\$ 650,487	\$ 9,947,483	\$ -
Payments for external and internal taxes	(737,475)	(1,089,243)	(58,927)	(1,885,645)	-
Payments to employees	(1,252,083)	(776,667)	(257,265)	(2,286,015)	(116,604)
Payments for goods and services	(1,365,465)	(33,514)	(41,998)	(1,440,977)	(702,017)
Net cash provided (used) by operating activities	2,549,718	1,492,831	292,297	4,334,846	(818,621)
Cash flows from noncapital financing activities:					
Grants and Contributions	18,100	14,525	6,659	39,284	-
Interfund Loans	-	200,145	-	200,145	-
Payments from other governments	-	605,450	-	605,450	-
Transfers from other funds	-	-	-	-	1,735,567
Transfers to other funds	(968,704)	(559,888)	(262,434)	(1,791,026)	(75,700)
Nonoperating system development fees	3,047,289	1,870,609	183,994	5,101,892	-
Nonoperating miscellaneous revenue	30,562	794	-	31,356	3,689
Net cash provided (used) by noncapital financing activities	2,127,247	2,131,635	(71,781)	4,187,101	1,663,556
Cash flows from capital and related financing activities:					
Proceeds from capital debt	3,915,551	882,751	-	4,798,302	-
Principal paid on debt	(4,353,106)	(2,133,423)	-	(6,486,529)	-
Interest paid on debt	(665,058)	(66,035)	-	(731,093)	-
Proceeds from sale of capital assets	-	-	-	-	-
Payment for capital acquisitions	(4,812,469)	(288,778)	(24,771)	(5,126,018)	(427,707)
Net cash provided (used) by capital and related financing activities	(5,915,082)	(1,605,485)	(24,771)	(7,545,338)	(427,707)
Cash flows from investing activities:					
Purchase of investments	(6,023,012)	-	-	(6,023,012)	-
Interest on cash and investments	943,878	429,297	10,150	1,383,325	83,656
Other	-	-	-	-	(908)
Net cash provided (used) by investing activities	(5,079,134)	429,297	10,150	(4,639,687)	82,748
Net increase in cash and cash equivalents	(6,317,251)	2,448,278	205,895	(3,663,078)	499,976
Cash and cash equivalents, beginning of year	14,395,358	7,056,722	141,021	21,593,101	1,904,884
Cash and cash equivalents, end of year	\$ 8,078,107	\$ 9,505,000	\$ 346,916	\$ 17,930,023	\$ 2,404,860
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:					
Income(loss) from operations	\$ 315,827	\$ (797,705)	\$ 120,472	\$ (361,406)	\$ (1,177,774)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:					
Depreciation	1,309,823	1,216,113	133,771	2,659,707	356,361
Change in assets and liabilities:					
Decrease (increase) in receivables	1,030,686	142,891	43,620	1,217,197	-
Decrease (increase) in prepaids & other current assets	-	-	-	-	-
Decrease (increase) in inventory	-	-	-	-	-
Increase (decrease) in deposits	-	327,025	-	327,025	-
Increase (decrease) in accounts payable	(115,655)	597,633	(5,566)	476,412	453
Increase (decrease) in compensated absences	9,037	6,874	-	15,911	2,339
Net cash provided (used) by operating activities	\$ 2,549,718	\$ 1,492,831	\$ 292,297	\$ 4,334,846	\$ (818,621)
Noncash capital asset additions were:					
Amortization of bond premium/discount	-	1,021	-	1,021	-
Unrealized gain (loss) on investments	-	-	-	-	(1,947)

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

CITY OF BONNEY LAKE
Notes to the Financial Statements
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bonney Lake 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 Bonney Lake, organized as a non-chartered code city, was incorporated in 1949 utilizing the Mayor/Council form of government. The City's legislative authority, the City Council, consists of a Mayor and seven Council members who are elected to overlapping four-year terms of office. The Council is responsible for assuring citizen representation through policy direction and adoption of local codes and legislation.

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 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. Business-type activities are those that 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available (susceptible to accrual) 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 accrued 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:

- 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.
- The Street Construction Fund is used for capital purposes such as roads, streets, sidewalks and street lights.
- The General Government Construction Fund is used for capital purposes.
- The Civic Center Construction Fund is used for capital purposes.

The City has three proprietary funds and considers them all to be major. The Water Fund and Sewer Fund account for the activities of water distribution and sewer collection for the City. The City operates a water distribution system. In addition, the City has a capacity agreement with the City of Sumner, who operates the sewer treatment plant. The City operates its sewage pumping stations and collection systems. The Stormwater Fund accounts for the activities of stormwater treatment and disposal.

Additionally, the City reports the following fund types:

Internal Service Funds account for fleet management services and insurance provided to other departments of the government 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 for the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are water distribution and sewage collection. 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 non-operating revenues and expenses.

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

D. Budgetary Information

The City adopts a Biennial Budget; however, for administrative purposes, each year is adopted as a separate operating budget. Annual budgets are adopted for all governmental funds on a basis consistent with generally accepted accounting principles. Budgets are adopted at the level of the fund, and the budgets constitute the legal authority for expenditures at that level. Appropriations lapse at year-end.

The City presents required budgetary comparisons for the General Fund as a basic governmental fund financial statement. The budgetary comparison statement is presented using generally accepted accounting principles.

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 year.

(See additional information at notes Property Taxes Note No 4.)

E. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

The City considers all highly liquid investments including restricted assets with a maturity of three months or less when purchased to be a cash equivalent.

It is the City's policy to invest all temporary cash surpluses. At December 31, 2007, the treasurer was holding \$34,342,362 in cash and cash equivalents.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered.

2. Investments

Investments are valued at fair market value.

(See additional information at notes Property Taxes Note No 5A.)

3. Restricted Assets

Proceeds of the City's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The City also has restricted assets for capital purposes.

4. Receivables

Taxes receivable consists of property taxes and related interest and penalties.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2007, four special assessment accounts were delinquent for a sum of \$3,818.16..

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

(See additional information at notes Property Taxes Note No 5B.)

5. Amounts Due to and from Other Funds, Governments, and Interfund Loans

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund loans receivable/payable”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

(See additional information at notes Property Taxes Note No 5F.)

6. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

Inventories in proprietary funds are valued by the LIFO method (which approximates the market value).

7. Capital Assets See Capital Assets Note No 6.

Capital assets are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets include, but are not limited to property, plant, equipment, infrastructure, and intangible assets. Examples of common types of infrastructure include roads, bridges, sidewalks, and similar items. Examples of common types of intangible assets include water rights and sewer capacity. 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 three 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, including governmental infrastructure constructed or acquired during the current year.

Under the requirements of GASB 34, the City recorded the remainder of its infrastructure assets in 2007. Those amounts are reflected in these financial statements. Interest incurred during the construction phase of the capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Office furniture	10
Computer equipment	4 - 5
Machinery and equipment	5 - 50
Other improvements	30 - 40
Buildings and structures	45 - 50
Infrastructure	30 - 60

(See additional information at Note 5C.)

8. Compensated Absences

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

Vacation pay may be accumulated up to a maximum of 240 hours or 30 days.

In accordance with the provisions of GASB No. 16, Accounting for “Compensated Absences,” no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement. Sick leave may accumulate up to a maximum of 960 hours. After 5 years employment, 25% of accumulated sick leave up to a maximum of 720 hours is payable upon resignation or layoff. Upon retirement, or death, 100% of accumulated sick leave up to a maximum of 720 hours is payable.

9. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in all statements other than those statements prepared on the modified accrual basis of accounting (the governmental fund statements). Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period as other financing sources or uses; the face amount of debt issued is reported as other financing sources.

(See additional information at Note 5D and E.)

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced

by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net assets reported as restricted for debt service represent unspent debt proceeds.

(See additional information at Note 5G.)

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 reconciliation between fund balance (total governmental funds and net assets) governmental activities as reported in the government-wide statement of net assets.

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 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).

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 – PROPERTY TAXES

The County Assessor-Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are on approximately the 10th of each month for the prior month collections.

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
October 31	Second installment is due.

Property taxes are recorded as a receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenue and

recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The city may levy up to \$3.6 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

1. Washington State (RCW 84.55.010) limits the growth of regular property taxes to one percent per year unless approved by a majority of the voters at an election as provided in RCW 84.55.050. Under this statute, local governments are free to place measures on the ballot seeking approval of property tax increases for: Specific dollar amounts, specific periods of time, which can exceed one year, and/or general or limited purposes;
2. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

The City levy does not include voter approved special levy for payment of debt on the Public Safety Building. Because the city belongs to the local fire district and library district, according to law the local fire district's levy and the library district's levy must be subtracted from the City's levy. Since these districts are currently levying their maximum amounts, the local levy can be no higher than \$1.60 per \$1,000. (\$3.60 less \$1.50 for the fire district less \$.50 for the library district = \$1.60.)

Special property tax levies approved by the voters are not subject to the limitations listed above.

The City's regular tax levy for 2007 was \$1.11 on an assessed valuation of \$1.94 billion for a total regular levy of \$2,151,747. Additionally, a special levy for debt service on the Public Safety Building was \$.1895 per \$1,000 for a total additional levy of \$365,866. The total City property tax levies for tax year 2007 was \$1.30 per \$1,000 of assessed value yield \$2,517,613.

NOTE 5 – DETAILED NOTES ON FINANCIAL STATEMENT BALANCES

A. Deposits and Investments

At year end, the City's cash and cash equivalents amounted to \$34,342,362. The book values of deposits do not differ materially from the bank balances of deposits.

Deposit custodial credit risk is the risk that in the event of a bank failure, the city's deposits may not be recovered. The Federal Deposit Insurance Commission (FDIC) insures the City's deposits up to \$100,000. The Washington Public Deposit Protection Commission (WPDPC) insures amounts over \$100,000. The WPDPC is a multiple financial institution collateral pool established by state statute, to protect public funds against loss. At year end 2007, the bank

balances of deposits were entirely insured through the FDIC and the WPDPC. The City had no custodial credit risk for deposits for the year ended 2007.

Investments for the City are reported at fair value. The City’s investment policy allows for authorized investments up to 36 months to maturity. The City’s investment policy is to apply the prudent-person rule: In acquiring, retaining, managing, and disposing of investments, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds, considering the probable income as well as the probable safety of the capital.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Using the specific identification method, the City had the following investments as of December 31, 2007:

Investment Type	Maturity (Days)	Fair Value
Fed Home Loan Bank	46	\$ 2,011,852
Fed Home Loan Bank	183	2,010,625
Freddie Mac	393	2,000,536
		\$ 6,023,013

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Concentration of credit risk* is the risk of loss attributed to the magnitude of an investment in a single issuer. The ratings and concentration of debt securities as of December 31, 2007 are:

Credit Quality Distribution of Securities With Credit Exposure as a Percentage of Total Investments		
Investment Type	% Invested	S&P Rating
Federal Home Loan Bank	67%	AA
Federal HomeMortgage Corporation	33%	AAA

Investment custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. During 2007, the city did not have any custodial credit risk because all investments were held by the State Treasurer in the Local Government Investment Pool, or held by the City in its own trust account.

B. Receivables

A summary of accounts receivable balances for the year ended December 31, 2007 is as follows:

	Governmental Activities	Business-type Activities
Debt proceeds receivable	\$ 10,107,072	\$ -
Taxes receivable	87,275	-
Taxes receivable, delinquent	108,452	-
Accounts receivable	1,796,203	167,691
Accounts receivable, Court; net of allowance for doubtful accounts of \$1,888,785	594,765	-
Special assessment receivable, current	4,469	-
Special assessment receivable, long-term	3,355	-
Special assessment receivable, deferred	40,217	-
Interest receivable, special assessments	2,346	-
Total Accounts Receivable	<u>\$ 12,744,154</u>	<u>\$ 167,691</u>

The *Debt proceeds receivable* of \$10.1 million relates to a debt instrument that was issued in December 2007, but the proceeds were not received until January 2008.

C. Capital Assets

A summary of capital assets activity for the year ended December 31, 2007 is as follows:

	Beginning Balance	Prior Period Adjustments	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 8,451,446	\$ -	\$ 5,051,042	\$ -	\$ 13,502,488
Construction in progress	-	-	211,742	-	211,742
Total capital assets, not being depreciated:	<u>8,451,446</u>	<u>-</u>	<u>5,262,784</u>	<u>-</u>	<u>13,714,230</u>
Capital assets, being depreciated:					
Building	4,538,664		18,851		4,557,515
Improvements other than buildings	917,842		193,861		1,111,703
Machinery and Equipment	1,751,645		99,890		1,851,535
Rolling Stock	3,896,258		427,702		4,323,960
Infrastructure	3,385,483	13,225,137	-		16,610,620
Total capital assets being depreciated	<u>14,489,892</u>	<u>13,225,137</u>	<u>740,304</u>	<u>-</u>	<u>28,455,333</u>
Less accumulated depreciation for:					
Building	(2,846,266)		(151,841)		(2,998,107)
Improvements other than buildings	(409,364)		(27,451)		(436,815)
Machinery and Equipment	(1,091,614)		(227,343)		(1,318,957)
Rolling Stock	(1,457,926)		(356,361)		(1,814,287)
Infrastructure	(243,151)	(4,656,365)	(443,553)		(5,343,069)
Total accumulated depreciation	<u>(6,048,321)</u>	<u>(4,656,365)</u>	<u>(1,206,549)</u>	<u>-</u>	<u>(11,911,235)</u>
Total capital assets, being depreciated, net	<u>8,441,571</u>	<u>8,568,772</u>	<u>(466,245)</u>	<u>-</u>	<u>16,544,098</u>
Governmental activities capital assets, net	<u>\$ 16,893,017</u>	<u>\$ 8,568,772</u>	<u>\$ 4,796,539</u>	<u>\$ -</u>	<u>\$ 30,258,328</u>

	Beginning Balance	Prior Period Adjustments	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 490,815	\$ -	\$ -	\$ -	\$ 490,815
Construction in progress	-	-	4,729,154	-	4,729,154
Total capital assets, not being depreciated:	<u>490,815</u>	<u>-</u>	<u>4,729,154</u>	<u>-</u>	<u>5,219,969</u>
Capital assets, being depreciated:					
Building	302,727	5,176,708	-	-	5,479,435
Leasehold improvements	-	19,422,000	-	-	19,422,000
Improvements other than buildings	64,420,729	(20,312,323)	378,893	-	44,487,299
Machinery and Equipment	832,903	-	-	-	832,903
Intangible assets	24,853,064	17,971	-	-	24,871,035
Total capital assets being depreciated	<u>90,409,423</u>	<u>4,304,356</u>	<u>378,893</u>	<u>-</u>	<u>95,092,672</u>
Less accumulated depreciation for:					
Building	(137,175)	(689,503)	(102,267)	-	(928,945)
Leasehold improvements	-	(1,699,425)	(485,550)	-	(2,184,975)
Improvements other than buildings	(15,694,887)	7,909,166	(923,776)	-	(8,709,497)
Machinery and Equipment	(598,924)	-	(33,419)	-	(632,343)
Intangible Assets	(4,117,872)	-	(1,114,695)	-	(5,232,567)
Total accumulated depreciation	<u>(20,548,858)</u>	<u>5,520,238</u>	<u>(2,659,707)</u>	<u>-</u>	<u>(17,688,327)</u>
Total capital assets, being depreciated, net	<u>69,860,565</u>	<u>9,824,594</u>	<u>(2,280,814)</u>	<u>-</u>	<u>77,404,345</u>
Governmental activities capital assets, net	<u>\$ 70,351,380</u>	<u>\$ 9,824,594</u>	<u>\$ 2,448,340</u>	<u>\$ -</u>	<u>\$ 82,624,314</u>

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

General government	\$ 258,901
Public safety	269,306
Physical environment	172,816
Transportation	445,257
Health & human services	18,736
Economic environment	4,129
Culture and recreation	37,405
Total	<u>\$ 1,206,550</u>

At year end the city's commitments are as follows:

The City has active construction projects as of December 31, 2007. The projects include at grade storage tank, replacement of oldest and key water mains, water treatment facility, and replacing the main sewer line from the City to the Wastewater Treatment Plant in the City of Sumner. During 2004, the City received authorization for \$10,000,000 in additional Public Works Trust Fund loans of which all funds have been drawn thru December 31, 2007. During 2006, the City received authorization for \$1,500,000 in additional Public Works Trust Fund loans of which we have drawn \$1,478,302 to date. The City has commitments to spend these funds as well for improvements to water and Sewer systems and the design of the 192nd Ave. East Corridor under existing contracts.

At year end the city's commitments are as follows:

Governmental Activities

Project	Spent-to-Date	Remaining Commitment
Parks Capital Projects		
Fennel Creek Trail Construction	\$ 24,116	\$ 879,884
Lake Bonney Park Improvements	20,923	57,077
Cedarview Park Improvements	112,985	-
Expansion of Allan Yorke Park Construction	21,975	48,025
Bonney Lake Elementary Property	13,581	16,419
Subtotal Parks Capital Improvement Fund	193,580	1,001,405
Streets Capital Projects		
South Prairie Road East	345,724	2,405,029
South Tapps Overlay	685	415,860
184th to 182nd Avenue East	347,120	952,880
192nd Ave E Connection	616,907	583,093
SR 410 Street Light Project	-	80,000
Old Buckley Highway and SR 410 with signal	92,391	1,597,609
Chip seal Program	183,393	1,607
Maintenance Overlay Program	9,968	155,032
Street Light Project	60,860	-
Street Reconstruction	29,037	168,963
Sidewalk Reconstruction Program	-	83,000
75th Street Overlay	19,382	15,618
Subtotal Street Capital Improvement Fund	1,705,467	6,458,691
General Government Capital Projects		
Downtown Civic Center Land Acquisition	4,135,936	-
Subtotal General Government Capital Improvement Fund	4,135,936	-
Total Governmental Funds	6,034,983	7,460,096

Business-Type Activities

Project	Spent-to-Date	Remaining Commitment
Water Fund Projects		
Peaking Storage Reservoir (at-grade tank)	3,624,845	130,359
Capital Replacement and other projects	30,130	79,170
Replacements of oldest and key water mains	1,191,866	2,072,230
Eastown Water Mains	50,482	799,518
Public Works Facility (partial)	4,000	1,169,223
Lakeridge 748 Zone Tank Cleaning and Recoating	13,721	246,280
Ballpark Well Treatment Facility/Mains	-	150,000
TWD Intertie, BPS, and Water Main	14,237	1,678,721
Replacements & Unscheduled Projects	14,929	50,071
Water Rights Banking Program	19,908	218,020
Pressure Relief Stations Reconstruction	-	52,000
Leak Detection Program	10,679	65,876
192nd Corridor Waterline	-	45,000
Meter Replacement Program	40,418	-
NW Plateau Reconfiguration	-	40,000
Tank Video and Cleaning	-	57,531
Telemetry Upgrades	8,443	1,557
Subtotal Water Fund Projects	5,023,658	6,855,556
Sewer Fund Projects		
Sumner WWTP Upgrade Construction	-	1,500,000
Sewer Trunk Line Section Replacements	335,026	264,974
Public Works Facility (partial)	6,398	343,602
Sumner WWTP "True-Up" Payments	153,858	46,142
Sewer Line Repair	-	100,000
Video Sewer Lines	55,469	24,531
Replacements and Unscheduled Projects	7,204	57,796
192nd Corridor Project	-	35,000
Manhole Repair	8,573	17,427
Telemetry Upgrades	14,985	5,015
Equipment Upgrades	19,272	1,728
Lift Station Improvements	12,368	3,632
Subtotal Sewer Fund Projects	613,153	2,399,847
Stormwater Fund Projects		
Lake Jane & Lake Bonney Drainage System Improvements	-	115,000
Downtown West Drainage	2,616	-
Ditch/Construction Equipment	-	20,000
Public Works Facility (partial)	-	30,000
Subtotal Stormwater Fund Projects	2,616	165,000
Total Business-Type Activities	5,639,427	9,420,403
Total All Funds	11,674,410	16,880,499

The improvements to the water system are being funded by Public Works Trust Fund Loans, notes from the City of Tacoma, system development fees, and its own funds. The notes from the City of Tacoma are secured by water revenues. The upgrade to the City of Sumner’s wastewater treatment plant is being funded by a Public Works Trust Fund Loan, which is secured by sewer revenues.

For Street Projects and Park Projects the main source of revenue is Real Estate Excise Taxes, impact fees, and its own revenue.

D. Long-Term Debt

General Obligation Bonds

At December 31, 2007, the general obligation bonds payable consist of the following issues for governmental activities:

2007 General Obligation Bonds, dated December 11, 2007, due in annual installments through December 1, 2022, bearing interest rates of 3.15% - 4.5%.	\$10,000,000
1997 General Obligation Bonds, due in annual installments through December 1, 2011, bearing interest rates of 4.1% - 5.25%. The City +used this bond issue to refund its 1992 General Obligation Bonds in the authorized amount of \$2,865,000.	<u>1,260,000</u>
Total General Obligation Bonds payable	<u>\$11,260,000</u>

Public Works Trust Fund Loans

At December 31, 2007, the Public Works Trust Fund loans payable consist of the following issues:

<u>Governmental Activities</u>					
Loan Number	Purpose	Interest Rate	Annual Installments Required Through	Annual Installment	End of Year Balance
PW-06-962-PRE-101	192nd Ave E. connection	0%	2011	\$ 187,500	\$ 750,000
<u>Business-Type Activity</u>					
Loan Number	Purpose	Interest Rate	Annual Installments Required Through	Annual Installment	End of Year Balance
PW-98-791-006	Ponderosa overflow	1.00%	2018	\$ 14,995	\$ 164,948
PW-98-78898-07	Corrosion control	4.35%	2019	14,974	179,694
PW-98-78898-08	Lakeridge booster pump	4.35%	2019	37,657	451,888
PW-00-691-008	McGhee Dr. water main	1.00%	2020	38,306	497,985
PW-06-962-ELP-302-006	Reconstruct sewer to Sumner's treatment plant	3.00%	2026	28,316	500,000
PW-97-791-017	Ponderosa construction	1.00%	2017	50,468	504,681
PW-5-96-791-004	Church Lake main repair	3.00%	2016	66,057	594,513
PW-03-691-006	Spring sources water	0.50%	2024	63,715	1,019,448
PW-04-691-007	Sewer treatment plant upgrade	0.50%	2024	111,300	1,892,250
PW-04-691-008	Ballpark well treatment	0.50%	2024	178,677	3,037,500
PW-04-691-009	Leak reduction	0.50%	2025	220,170	3,963,072
PW-02-691-006	Sumner treatment plant	0.50%	2022	373,047	5,595,700
				<u>\$ 1,197,682</u>	<u>\$ 18,401,679</u>
Total				<u>\$ 1,385,182</u>	<u>\$ 19,151,679</u>

Revenue Bonds

At December 31, 2007, the revenue bond debt consists of the following issues for business-type activities:

2007 Revenue refunding bonds, dated December, 2007, due in annual installments through December, 2019, bearing interest rates of 3.5% - 3.93%.	\$4,570,000
1999 Revenue bonds, partially refunded with the 2007 Revenue Refunding Bonds; Due in annual installments through 2009.	<u>545,000</u>
Total Revenue Bond Debt	<u>\$5,115,000</u>

Other Debt

At December 31, 2007, the other debt balances of the following issues for business-type activities:

Loan payable to City of Tacoma for payment of system development charges so that the City of Bonney Lake may purchase water during peak capacity. The note, issued January 2005, is due in annual installments through January, 2015, bearing interest rate of prime plus 2%.	<u>\$3,697,023</u>
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Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the years subsequent to December 31, 2007 are as follows:

<u>General Obligation Bonds</u>			
	<u>Governmental Activities</u>		
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 565,000	\$ 448,564	\$ 1,013,564
2009	550,000	464,130	1,014,130
2010	580,000	439,388	1,019,388
2011	605,000	414,200	1,019,200
2012	275,000	386,413	661,413
2013 - 2017	1,535,000	1,762,300	3,297,300
2018 - 2022	1,900,000	1,403,250	3,303,250
2023 - 2027	2,350,000	946,125	3,296,125
2028 - 2032	2,900,000	393,800	3,293,800
Total	<u>\$ 11,260,000</u>	<u>\$ 6,658,170</u>	<u>\$ 17,918,170</u>

<u>Public Works Trust Fund Loans</u>						
<u>Year Ending December 31,</u>	<u>Governmental Activities</u>			<u>Business Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 187,500	\$ 3,750	\$ 191,250	\$ 1,195,683	149,525	\$ 1,345,208
2009	212,500	2,813	215,313	1,195,683	138,692	1,334,375
2010	175,000	1,750	176,750	1,195,683	129,280	1,324,963
2011	175,000	-	175,000	1,195,683	117,026	1,312,709
2012	-	-	-	1,195,683	106,193	1,301,876
2013 - 2017	-	-	-	5,912,358	368,474	6,280,832
2018 - 2022	-	-	-	5,101,302	140,575	5,241,877
2023 - 2027	-	-	-	1,409,604	19,170	1,428,774
2028 - 2032	-	-	-	-	-	-
Total	<u>\$ 750,000</u>	<u>\$ 8,313</u>	<u>\$ 758,313</u>	<u>\$ 18,401,679</u>	<u>\$ 1,168,935</u>	<u>\$ 19,570,614</u>

<u>Revenue Bonds</u>			
	<u>Business Activities</u>		
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 422,530	161,377	\$ 583,907
2009	352,470	185,719	538,189
2010	380,000	172,120	552,120
2011	395,000	158,820	553,820
2012	415,000	143,020	558,020
2013 - 2017	2,310,000	453,700	2,763,700
2018 - 2022	840,000	51,233	891,233
Total	<u>\$ 5,115,000</u>	<u>\$ 1,325,989</u>	<u>\$ 6,440,989</u>

Year Ending December 31,	Business Activities		
	Principal	Interest	Total
2008	\$ 462,128	\$ 217,348	\$ 679,476
2009	462,128	190,179	652,307
2010	462,128	163,011	625,139
2011	462,128	135,842	597,970
2012	462,128	108,674	570,802
2013 - 2017	1,386,383	163,011	1,549,394
Total	\$ 3,697,023	\$ 978,065	\$ 4,675,088

Advance Refunding

On December 3, 2007, the City of Bonney Lake issued refunding bonds to advance refund the callable portion of the City's outstanding Water and Sewer Revenue Bonds, 1999 (maturities 2010 through 2019), outstanding in the principal amount of \$3,755,000 (the "1999 Refunded Bonds") and to refund, on a current basis, the 1998 Refunded Revenue Bonds, outstanding in the principal amount of \$825,000. The refunding issue (the "2007 Water and Sewer Revenue Refunding Bonds"), in the principal amount of \$4,570,000, will mature through September 2017 and bears interest rates ranging from 3.5% to 3.93%. The refunded bonds bore interest rates ranging from 5.2% to 5.75%, resulting in a net present value savings value of approximately \$748,000.

E. Changes in Long-Term Liabilities

During the year ended December 31, 2007, the following changes occurred in long-term liabilities:

<u>Governmental Activities</u>	<u>Interest Rates</u>	<u>Beginning of Year Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year Balance</u>	<u>Due in One Year</u>
Bonds and loans payable						
General Obligation Bonds						
2007 General obligation bonds	3.15 - 4.1%	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ 275,000
2007 General obligation bond premium	n/a	-	107,072	-	107,072	4,283
2007 General obligation debt issue costs	n/a	-	(151,338)	-	(151,338)	(6,434)
1997 General obligation refunding bonds	4.1 - 5.25%	1,545,000	-	(285,000)	1,260,000	290,000
Subtotal general obligation bonds		<u>1,545,000</u>	<u>9,955,734</u>	<u>(285,000)</u>	<u>11,215,734</u>	<u>562,849</u>
Public Works Trust Fund Loans						
PW-01-0691-PWP-201	0%	5,400	-	(5,400)	-	-
PW-06-962-PRE-101	0.05%	750,000	-	-	750,000	187,500
Subtotal PWTF loans		<u>755,400</u>	<u>-</u>	<u>(5,400)</u>	<u>750,000</u>	<u>187,500</u>
Other Debt						
Compensated absences		288,953	198,978	-	488,031	-
Governmental activity long-term liabilities		<u>\$ 2,589,353</u>	<u>\$ 10,154,712</u>	<u>\$ (290,400)</u>	<u>\$ 12,453,765</u>	<u>\$ 750,349</u>
<u>Business-type Activities</u>	<u>Interest Rates</u>	<u>Beginning of Year Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year Balance</u>	<u>Due in One Year</u>
Revenue and Revenue Refunding Bonds						
2007 Revenue Refunding bonds	2.9 - 4.1%	\$ -	\$ 4,570,000	\$ -	\$ 4,570,000	\$ 130,000
2007 Revenue Refunding bond premium	n/a	-	37,541	-	37,541	3,129
2007 Revenue Refunding unamortized distribution on refunded debt	n/a	-	42,641	-	42,641	3,559
1999 Revenue bonds	4.0 - 5.75%	4,555,000	-	(4,010,000)	545,000	292,530
1998 Revenue bonds	4.1 - 5.2%	890,000	-	(890,000)	-	-
Unamortized discount on refunding bonds	n/a	(15,144)	-	15,144	-	-
Subtotal revenue and revenue refunding bonds		<u>5,429,856</u>	<u>4,650,182</u>	<u>(4,884,856)</u>	<u>5,195,182</u>	<u>429,218</u>
Public Works Trust Fund Loans						
Public Works Trust Fund loans	various	19,350,265	228,302	(1,176,888)	18,401,679	1,185,520
Other Debt						
City of Tacoma note	Prime minus 2%	4,159,150	-	(462,127)	3,697,023	462,128
Compensated absences	n/a	70,807	15,911	-	86,718	-
Subtotal other debt		<u>4,229,957</u>	<u>15,911</u>	<u>(462,127)</u>	<u>3,783,741</u>	<u>462,128</u>
Business-type activity long-term liabilities		<u>\$ 29,010,078</u>	<u>\$ 4,894,395</u>	<u>\$ (6,523,871)</u>	<u>\$ 27,380,602</u>	<u>\$ 2,076,866</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year end \$3,564 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

F. Interfund Balances and Transfers

Interfund Balances

Due to/Due from balances are in place to eliminate temporary negative cash positions. Those balances at December 31, 2007 are as follows:

	Due to	Due from
General Fund	\$ 440,844	
General Government Capital Improvement Fund		431,344
Civic Center Capital Improvement Fund		9,500
	\$ 440,844	\$ 440,844

The fund balance deficit in the Civic Center Construction Fund and the General Government Construction Fund result from timing differences in the settlement of bond proceeds and related expenditures.

Loans between funds are classified as interfund loans receivable or payable. Within the City, one fund may borrow from another when specifically authorized by City Council resolution. The activity and balances of interfund loans at December 31, 2007 are as follows:

Interfund Loans and Advances Payable						
Lending Fund	Borrowing Fund	Balance at Beginning of Year	New Loans	Repayments / Adjustments	Balance at End of Year	
General Fund	Parks Construction Fund	\$ 1,519,237	\$ -	\$ (1,519,237)	\$ -	
Sewer Fund	Parks Construction Fund	1,801,309	-	(200,145)	1,601,164	
		\$ 3,320,546	\$ -	\$ (1,719,382)	\$ 1,601,164	

Interfund transfers during 2007 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 1,055,818	\$ 6,618,896
Contingency Fund	650,000	-
Park Construction Fund	2,119,237	-
General Govt Construction Fund	2,925,000	-
Water Fund	-	968,704
Sewer Fund	-	559,888
Stormwater Fund	-	262,434
Equipment Repair & Replacement Fund	1,490,434	75,700
Insurance Fund	245,133	-
	\$ 8,485,622	\$ 8,485,622

G. Restricted Net Assets

The government-wide Statement of Net Assets reports \$11,105,072, which is restricted for debt service. The amount is made up of \$10,107,072 of unspent debt proceeds for governmental activities and \$998,000 of unspent debt proceeds for business-type activities.

H. Prior Period Adjustments

The government-wide Statement of Activities reports prior period adjustments for governmental activities of \$8,268,421 and for business-type activities of \$9,701,173. The following schedule provides detailed information on those prior period adjustments.

<u>Government Wide Financial Statements</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Infrastructure assets added	\$ 8,273,862	\$ 9,806,623
Correct prior year recording of "Due from other governments"	-	(105,450)
Correct prior year recording of "Accounts receivable, assessments"	(5,441)	-
Total prior period adjustments	<u>\$ 8,268,421</u>	<u>\$ 9,701,173</u>

The fund financial Statement of Revenues, Expenditures and Changes in Fund Balances report prior period adjustments of \$1,801,310. The following schedule provides detailed information on those prior period adjustments.

<u>Governmental Fund Financial Statements</u>	
Restore interfund loan payable to the fund basis financial statements, General fund	\$ 1,519,236
Restore interfund loan payable to the fund basis financial statements, Park Construction fund	(3,320,546)
Total prior period adjustments, Governmental Fund Financial Statements	<u>\$ (1,801,310)</u>

The proprietary fund financial Statement of Revenues, Expenses and Changes in Net Assets report prior period adjustments of \$9,701,173. The following schedule provides detailed information on those prior period adjustments.

<u>Proprietary Fund Financial Statements</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Net Effect</u>
Infrastructure valuation	1,852,861	3,972,209	3,981,553	9,806,623
Correct prior year recording of "Due from other Governments"	-	(105,450)	-	(105,450)
Total prior period adjustments, Proprietary Fund Financial Statements	<u>\$ 1,852,861</u>	<u>\$ 3,866,759</u>	<u>\$ 3,981,553</u>	<u>\$ 9,701,173</u>

NOTE 6 – PENSION PLANS

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 from the Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380, or at <http://www.drs.wa.gov/Administration/AnnualReport/CAFR/default.htm>. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

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

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes. Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Members of 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 in national higher education retirement programs), judges of district and municipal courts, and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system

on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 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 pension is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 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 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 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 at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1,306 participating employers in PERS (as of June 30, 2007). Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	70,201
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	25,610
Active Plan Members Vested	105,215
Active Plan Members Nonvested	49,812
Total	250,838

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 6 percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. 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 payrolls, as of December 31, 2007, were as follows:

	<u>PERS - Plan 1</u>	<u>PERS - Plan 2</u>	<u>PERS - Plan 3</u>
Employer *	6.12%	6.12%	6.12%
Employee	6.00%	4.15%	**
* The employer rates include the employer administrative expense fee currently set at 0.18%.			
** Variable from 5% to 15% based on rate selected by the member			

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

	<u>PERS - Plan 1</u>	<u>PERS - Plan 2</u>	<u>PERS - Plan 3</u>
2007	\$ 19,701	\$ 217,524	\$ 19,924
2006	\$ 12,597	\$ 104,618	\$ 8,646
2005	\$ 7,946	\$ 53,769	\$ 4,307
2004	\$ 4,551	\$ 35,029	\$ 2,486

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

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with the exception of the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board’s duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

<u>Terms of Service</u>	<u>Percent of Final Average Salary</u>
20 + Years	2.0%
10 – 19 Years	1.5%
5 – 9 Years	1.0%

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

retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

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

There are 471 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2006:

Retirees and Beneficiaries Receiving Benefits	8,951
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	602
Active Plan Members Vested	12,711
Active Plan Members Nonvested	3,603
Total	25,867

Funding Policy

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

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

	<u>LEOFF - Plan 1</u>	<u>LEOFF - Plan 2</u>
Employer *	0.18%	5.35%
Employee	0.00%	8.60%
* The employer rates include the employer administrative expense fee currently set at 0.18%.		

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

	<u>LEOFF - Plan 1</u>	<u>LEOFF - Plan 2</u>
2007	\$ -	\$ 99,767
2006	\$ -	\$ 81,016
2005	\$ -	\$ 55,349
2004	\$ -	\$ 46,394

NOTE 7 – OTHER DISCLOSURES

A. Risk Management

The City of Bonney Lake 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 126 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 \$3 million per occurrence self insured layer, and \$12 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 \$15 million per occurrence subject to aggregate sub limits 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 reinsurance.

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.

B. Contingencies and Commitments

The city's financial statements include all material liabilities.

In September 2008, the Washington State Court of Appeals ordered a refund of the City's System Development Fees to a developer. The City has not yet determined if this ruling will be appealed. In the opinion of management, the City's reserves are adequate to pay all known and pending claims.

In September 2008, the City received a claim for damages arising from a motor vehicle accident occurring in 2006. Although the outcome of this claim is not presently determinable, in the opinion of the City's management, the resolution of this matter will not have a material adverse effect on the financial condition of the government.

There are no material contingent liabilities to record.

The City participates in a number of federal- 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.

The City is committed to spending the remaining unspent proceeds (\$998 Thousand) of the 1999 Water and Sewer Revenue bond.

C. Other Post Employment Benefits

The City provides other post employment benefits (OPEB) for one retired law enforcement employee. This is the only current or former employee that is entitled to post employment benefits now or in the future. The City provides health benefits to an eligible retired police employee. The City purchased the health insurance from the United Benefit Trust. The retired law enforcement employee received a benefit contribution of \$571 per month, or \$6,852 per year, for retiree-only coverage. The City is required to contribute the premium established by the United Benefit Trust. This OPEB has not been advance funded, and is being paid with current year's revenue.

D. Subsequent Events

In January 2008, the City entered into an agreement with Motorola Inc. to borrow approximately \$1.9 million to finance upgrades to police and fire public safety communications systems. The City will be upgrading to an 800 MHz communication band so that it may communicate with other local municipalities.

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for proceeds of revenue sources (other than special assessment, agency, or capital projects) that are legally restricted to expenditure for particular purposes.

Drug Investigation Fund - This fund accounts for monies received by court ordered restitution and seized property related to drug cases. Proceeds are used for law enforcement purposes.

Contingency Fund - This fund sets aside monies for specific purposes based upon projected events or anticipated revenues or expenses.

DEBT SERVICE FUNDS

Debt service funds account for the accumulation of resources for and the payment of general obligation and special assessment bond principal, interest and related costs.

1997 GO Public Safety Debt Service Fund - This fund accounts for the property taxes received and payments of debt on bonds issued for the building of the City's public safety building.

LID 11, LID 12, and LID 13 Debt Service Funds - These funds were established to account for local improvement districts. LID 11 was closed in 2006 and the remaining funds were transferred to the LID Guarantee Fund.

LID Guarantee Fund - This fund is required by state statute as a guarantee fund for the repayment of debt for the above mentioned local improvement districts.

CAPITAL PROJECT FUNDS

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds. The major sources of revenue are real estate excise tax, motor vehicle excise tax, transportation impact fees, and park impact fees.

Park Construction Fund – This fund was established in 2006 to collect taxes, park impact fees, and other contributions to be used for the upgrade and improvements for the city's parks.

General Government Construction Fund – This fund was established in 2006. This fund is responsible for all governmental construction not covered by the Street Construction Fund and the Park Construction Fund.

City of Bonney Lake
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 December 31, 2007

	Drug Investigation Fund	Contingency Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 776,801	\$ 1,032,085	\$ 1,808,886
Investments	-	-	-
Receivables, net	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>776,801</u>	<u>1,032,085</u>	<u>1,808,886</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and accrued expenses	1,157	-	1,157
Due to other governmental units	1,253	-	1,253
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,410</u>	<u>-</u>	<u>2,410</u>
Fund balances:			
Unreserved undesignated	774,391	1,032,085	1,806,476
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>774,391</u>	<u>1,032,085</u>	<u>1,806,476</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 776,801</u>	<u>\$ 1,032,085</u>	<u>\$ 1,808,886</u>

City of Bonney Lake
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007

	Drug Investigation Fund	Contingency Fund	TOTAL
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for Service	-	-	-
Miscellaneous			
Interest Earnings	29,787	31,831	61,618
Other	46,463	-	46,463
	<u>76,250</u>	<u>31,831</u>	<u>108,081</u>
Total revenues			
EXPENDITURES			
Current:			
Public safety	17,972	-	17,972
Utilities	-	-	-
Economic environment	-	-	-
Health and human services	-	-	-
Capital outlay	-	-	-
	<u>17,972</u>	<u>-</u>	<u>17,972</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>58,278</u>	<u>31,831</u>	<u>90,109</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	650,000	650,000
Transfers out	-	-	-
	<u>-</u>	<u>650,000</u>	<u>650,000</u>
Total other financing sources (uses)			
Net change in fund balances	58,278	681,831	740,109
FUND BALANCES, BEGINNING	<u>716,113</u>	<u>350,254</u>	<u>1,066,367</u>
FUND BALANCES, ENDING	<u>\$ 774,391</u>	<u>\$ 1,032,085</u>	<u>\$ 1,806,476</u>

City of Bonney Lake
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 December 31, 2007

	1997 G.O. <u>Public Safety Bldg</u>	LID 12 <u>Debt Redemption</u>	LID Guaranty <u>Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 59,911	\$ 72,650	\$ 80,459	\$ 213,020
Receivables (net)	<u>-</u>	<u>3,355</u>	<u>-</u>	<u>3,355</u>
TOTAL ASSETS	<u>59,911</u>	<u>76,005</u>	<u>80,459</u>	<u>216,375</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue	<u>-</u>	<u>3,355</u>	<u>-</u>	<u>3,355</u>
Total liabilities	<u>-</u>	<u>3,355</u>	<u>-</u>	<u>3,355</u>
Fund balances				
Reserved for:				
Debt service	<u>59,911</u>	<u>72,650</u>	<u>80,459</u>	<u>213,020</u>
Total fund balances	<u>59,911</u>	<u>72,650</u>	<u>80,459</u>	<u>213,020</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 59,911</u>	<u>\$ 76,005</u>	<u>\$ 80,459</u>	<u>\$ 216,375</u>

City of Bonney Lake
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Debt Service Funds
 For the Year Ended December 31, 2007

	1997 G.O. Public Safety Bldg	LID 12 Debt Redemption	LID Guaranty Fund	Total
REVENUES				
Taxes	\$ 365,943	\$ -	\$ -	\$ 365,943
Special assessments	-	3,258	-	3,258
Investment earnings	6,597	527	5,715	12,839
Total revenues	<u>372,540</u>	<u>3,785</u>	<u>5,715</u>	<u>382,040</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Debt service:				
Principal retirement	285,001	-	-	285,001
Interest and fiscal charges	79,197	-	-	79,197
Total expenditures	<u>364,198</u>	<u>-</u>	<u>-</u>	<u>364,198</u>
Excess (deficiency) of revenues over expenditures	8,342	3,785	5,715	17,842
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	8,342	3,785	5,715	17,842
FUND BALANCES, BEGINNING	<u>51,569</u>	<u>68,865</u>	<u>74,744</u>	<u>195,178</u>
FUND BALANCES, ENDING	<u>\$ 59,911</u>	<u>\$ 72,650</u>	<u>\$ 80,459</u>	<u>\$ 213,020</u>

City of Bonney Lake
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 December 31, 2007

	Park Construction Fund	Total
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 2,288,296	\$ 2,288,296
Receivables (net)	14	14
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>2,288,310</u>	<u>2,288,310</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and accrued expenses	9,989	9,989
Due to other funds	-	-
Interfund loan payable	1,601,164	1,601,164
Deferred revenue	-	-
	<u> </u>	<u> </u>
Total liabilities	1,611,153	1,611,153
Fund balances		
Unreserved designated for:		
Future capital expenditures	677,157	677,157
	<u> </u>	<u> </u>
Total fund balances	677,157	677,157
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,288,310</u>	<u>\$ 2,288,310</u>

City of Bonney Lake
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007

	Park Construction Fund	Total
REVENUES		
Taxes	\$ 426,550	\$ 426,550
Charges for goods and services	616,337	616,337
Investment earnings	82,596	82,596
	<u>1,125,483</u>	<u>1,125,483</u>
Total revenues	<u>1,125,483</u>	<u>1,125,483</u>
EXPENDITURES		
Current:		
General Government	-	-
Culture & Recreation	76,961	76,961
Debt Service	-	-
Principal	-	-
Interest	93,934	93,934
Capital Outlay	216,309	216,309
	<u>387,204</u>	<u>387,204</u>
Total expenditures	<u>387,204</u>	<u>387,204</u>
Excess (deficiency) of revenues over expenditures	<u>738,279</u>	<u>738,279</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	2,119,237	2,119,237
Transfers out	-	-
	<u>2,119,237</u>	<u>2,119,237</u>
Total other financing sources (uses)	<u>2,119,237</u>	<u>2,119,237</u>
Net change in fund balances	2,857,516	2,857,516
FUND BALANCES, BEGINNING	<u>1,140,187</u>	<u>1,140,187</u>
PRIOR PERIOD ADJUSTMENT	<u>(3,320,546)</u>	<u>(3,320,546)</u>
FUND BALANCES, ENDING	<u>\$ 677,157</u>	<u>\$ 677,157</u>

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NONMAJOR PROPRIETARY FUNDS**INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

Equipment Rental and Replacement Fund - This fund was established to maintain and repair equipment administered by the Fund and to provide for equipment replacement through the establishment of equipment charges. Expenses of this fund are primarily financed through rental rate charges to user funds.

Insurance Fund - This fund was established to provide insurance coverage for all other funds and departments. Expenses of this fund are primarily financed through user charges of the appropriate funds.

City of Bonney Lake
 Combining Statement of Net Assets
 Internal Service Funds
 December 31, 2007

	Equipment Rental	Insurance	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,122,607	\$ 282,253	\$ 2,404,860
Total Current Assets	<u>2,122,607</u>	<u>282,253</u>	<u>2,404,860</u>
Noncurrent Assets			
Capital assets (net)	2,509,673	-	2,509,673
Total Noncurrent Assets	<u>2,509,673</u>	<u>-</u>	<u>2,509,673</u>
TOTAL ASSETS	<u>4,632,280</u>	<u>282,253</u>	<u>4,914,533</u>
LIABILITIES			
Current liabilities			
Current payables	86,028	-	86,028
Total current liabilities	<u>86,028</u>	<u>-</u>	<u>86,028</u>
Long-term liabilities			
Compensated Absences	3,564	-	3,564
Total long-term liabilities	<u>3,564</u>	<u>-</u>	<u>3,564</u>
TOTAL LIABILITIES	<u>89,592</u>	<u>-</u>	<u>89,592</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,509,673	-	2,509,673
Unrestricted	<u>2,033,015</u>	<u>282,253</u>	<u>2,315,268</u>
TOTAL NET ASSETS	<u>\$ 4,542,688</u>	<u>\$ 282,253</u>	<u>\$ 4,824,941</u>

City of Bonney Lake
 Combining Statement of Revenues, Expenses and Changes Fund in Net Assets
 Internal Service Funds
 For the Year Ended December 31, 2007

	Equipment Rental	Insurance	Total
OPERATING REVENUES			
Charges for service	\$ -	\$ -	\$ -
Total operating revenues	-	-	-
OPERATING EXPENSES			
Cost of sales and services	\$ 503,565	\$ -	\$ 503,565
Administration	40,675	-	40,675
Insurance	-	277,173	277,173
Depreciation	356,361	-	356,361
Total operating expenses	900,601	277,173	1,177,774
Operating income (loss)	(900,601)	(277,173)	(1,177,774)
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	76,965	6,691	83,656
Other non-operating revenues	3,689	-	3,689
Interest and fiscal charges	-	-	-
Gain (Loss) on sale of capital assets	-	-	-
Non-operating revenues net of expenses	80,654	6,691	87,345
Income before contributions and transfers	(819,947)	(270,482)	(1,090,429)
Capital Contributions	-	-	-
Transfers in	1,490,434	245,133	1,735,567
Transfers out	(75,700)	-	(75,700)
Change in net assets	594,787	(25,349)	569,438
Net assets at beginning of year	3,947,901	307,602	4,255,503
Net assets at end of year	\$ 4,542,688	\$ 282,253	\$ 4,824,941

City of Bonney Lake
 Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended December 31, 2007

	Equipment Rental	Insurance	Total
Cash flows from operating activities:			
Payments to employees	\$ (116,604)	\$ -	\$ (116,604)
Payments for goods and services	(424,844)	(277,173)	(702,017)
Net cash provided (used) by operating activities	<u>(541,448)</u>	<u>(277,173)</u>	<u>(818,621)</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	1,490,434	245,133	1,735,567
Transfers to other funds	(75,700)	-	(75,700)
Nonoperating miscellaneous revenue	3,689	-	3,689
Net cash provided (used) by noncapital financing activities	<u>1,418,423</u>	<u>245,133</u>	<u>1,663,556</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	-	-
Acquisition and construction of capital assets	(427,707)	-	(427,707)
Proceeds from sale of capital assets	-	-	-
Interest paid on debt	-	-	-
Principal paid on debt	-	-	-
Capital contributions	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(427,707)</u>	<u>-</u>	<u>(427,707)</u>
Cash flows from investing activities:			
Interest income	76,965	6,691	83,656
Other	(908)	-	(908)
Net cash provided (used) by investing activities	<u>76,057</u>	<u>6,691</u>	<u>82,748</u>
Net increase in cash and cash equivalents	525,325	(25,349)	499,976
Cash and cash equivalents, beginning of year	1,597,282	307,602	1,904,884
Cash and cash equivalents, end of year	<u>\$ 2,122,607</u>	<u>\$ 282,253</u>	<u>\$ 2,404,860</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:			
Income(loss) from operations	\$ (900,601)	\$ (277,173)	\$ (1,177,774)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	356,361	-	356,361
Change in assets and liabilities:			
Decrease (increase) in receivables	-	-	-
Decrease (increase) in prepaids & other current assets	-	-	-
Decrease (increase) in inventory	-	-	-
Increase (decrease) in accounts payable	453	-	453
Increase (decrease) in compensated absences	2,339	-	2,339
Net cash provided (used) by operating activities	<u>\$ (541,448)</u>	<u>\$ (277,173)</u>	<u>\$ (818,621)</u>
Noncash investing, capital, and financing activities:			
Increase in fair value of investments	1,947	-	1,947

The notes are an integral part of the financial statements.

Statistical Section

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

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.

Debt Capacity

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Timing: The City implemented Governmental Accounting Standards Board (GASB) Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

The City implemented GASB Statement No. 44 in 2005; where data is available for prior years, it is included. In many cases, data for years prior to 2005 is unavailable.

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Schedule 1**CITY OF BONNEY LAKE**

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS (1)

*(accrual basis of accounting)**(amounts expressed in thousands/dollars)*

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities			
Invested in capital assets, net of related debt	\$ 4,137	\$ 6,394	\$ 14,089
Restricted	5,018	5,962	1,826
Unrestricted	4,360	4,219	7,386
Total Government activities net assets	<u>\$ 13,515</u>	<u>\$ 16,575</u>	<u>\$ 23,301</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 29,682	\$ 29,515	\$ 35,571
Restricted	8,333	14,740	21,525
Unrestricted	5,808	7,794	1,215
Total business-type activities net assets	<u>\$ 43,823</u>	<u>\$ 52,049</u>	<u>\$ 58,311</u>
Primary Government			
Invested in capital assets, net of related debt	\$ 33,819	\$ 35,909	\$ 49,660
Restricted	13,351	20,702	23,351
Unrestricted	10,168	12,013	8,601
Total Primary government activities net assets	<u>\$ 57,338</u>	<u>\$ 68,624</u>	<u>\$ 81,612</u>
	Fiscal Year		
	<u>2006</u>	<u>2007</u>	
Governmental Activities			
Invested in capital assets, net of related debt	\$ 14,598	\$ 27,912	
Restricted	8,527	10,107	
Unrestricted	6,292	6,310	
Total Government activities net assets	<u>\$ 29,417</u>	<u>\$ 44,329</u>	
Business-type activities			
Invested in capital assets, net of related debt	\$ 41,049	\$ 56,242	
Restricted	22,798	998	
Unrestricted	1,754	21,677	
Total business-type activities net assets	<u>\$ 65,601</u>	<u>\$ 78,917</u>	
Primary Government			
Invested in capital assets, net of related debt	\$ 55,647	\$ 84,154	
Restricted	31,325	11,105	
Unrestricted	8,046	27,987	
Total Primary government activities net assets	<u>\$ 95,018</u>	<u>\$ 123,246</u>	

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 2

CITY OF BONNEY LAKE
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)
(amounts expressed in thousands/dollars)

	<u>2003</u>	<u>2004</u>	<u>Fiscal Year</u> <u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses (2)					
Governmental Activities					
General Government	\$ 1,703	\$ 1,920	\$ 1,744	\$ 1,994	\$ 5,248
Public Safety	3,032	3,556	3,518	3,871	4,131
Utilities and Environment	506	210	165	213	573
Highways and Streets	478	433	675	997	1,434
Economic Development	508	1,029	1,201	1,456	1,626
Physical and Mental Health	-	-	3	3	23
Culture and Recreation	350	486	397	351	726
Interest & Other Fiscal Charges	138	127	106	430	178
Total Governmental activities expenses	<u>6,715</u>	<u>7,761</u>	<u>7,809</u>	<u>9,315</u>	<u>13,939</u>
Business-type activities (3)					
Water Fund	5,587	6,200	7,998	4,058	5,329
Sewer Fund				3,494	3,756
Stormwater Fund	1,451	1,147	417	536	487
Interest on Long-Term Debt	-	399	614	785	-
Transfers Out	155	252	81	-	-
Total business-type activities expenses	<u>7,193</u>	<u>7,998</u>	<u>9,110</u>	<u>8,873</u>	<u>9,572</u>
Total Primary government expenses	<u>\$ 13,908</u>	<u>\$ 15,759</u>	<u>\$ 16,919</u>	<u>\$ 18,188</u>	<u>\$ 23,511</u>
Program Revenues (See Schedule 3) (4)					
Governmental Activities					
Charges for Services	\$ 2,657	\$ 3,065	\$ 4,120	\$ 4,369	\$ 6,694
Operating Grants and Contributions	362	245	201	112	1,159
Capital Grants and Contributions	384	27	-	90	200
Total Governmental activities revenues	<u>3,403</u>	<u>3,337</u>	<u>4,321</u>	<u>4,571</u>	<u>8,053</u>
Business-type activities					
Charges for Services	7,260	7,268	6,950	9,086	13,507
Operating Grants and Contributions	-	-	-	-	55
Capital Grants and Contributions	5,480	8,729	7,806	7,702	-
Total business-type activities revenues	<u>12,740</u>	<u>15,997</u>	<u>14,756</u>	<u>16,788</u>	<u>13,562</u>
Total Primary government program revenues	<u>\$ 16,143</u>	<u>\$ 19,334</u>	<u>\$ 19,077</u>	<u>\$ 21,359</u>	<u>\$ 21,615</u>

- (1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.
- (2) Government-wide expenses include expenses from the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Internal Service Funds, and Enterprise Funds.
- (3) In 2006, the City began reporting the three business-type funds separately.
- (4) Government-wide revenues include revenues from the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Internal Service Funds, and Enterprise Funds.

Schedule 2

CITY OF BONNEY LAKE

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

	<u>2003</u>	<u>2004</u>	<u>Fiscal Year</u> <u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (3,312)	\$ (4,424)	\$ (3,488)	\$ (4,744)	\$ (5,886)
Business-Type Activities	5,547	7,999	5,646	7,915	3,990
Total primary government net expense	<u>\$ 2,235</u>	<u>\$ 3,575</u>	<u>\$ 2,158</u>	<u>\$ 3,171</u>	<u>\$ (1,896)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Taxes					
Property Taxes	\$ 1,830	\$ 2,017	\$ 2,148	\$ 2,327	\$ 2,509
Sales and Use Taxes	2,108	2,704	2,946	3,474	3,117
Utility Taxes - Private	891	957	1,085	1,264	1,979
Excise Tax - Real Estate	710	890	1,384	1,165	1,638
Utility Taxes - Interfund	513	477	540	613	675
Motor Fuel Taxes	262	292	300	341	-
Gambling Taxes	7	36	49	44	-
Other Taxes	180	-	155	195	43
Unrestricted Grants and Contributions	-	209	130	196	-
Contributions	-	-	796	-	-
Investment Earnings	112	164	383	582	753
Miscellaneous	57	324	-	6	22
Transfers	155	252	81	653	1,791
Total Government activities revenues	<u>6,825</u>	<u>8,322</u>	<u>9,997</u>	<u>10,860</u>	<u>12,527</u>
Business-type activities					
Investment Earnings	196	310	606	943	1,386
Miscellaneous	15	9	10	33	31
Transfers	-	-	-	-	(1,791)
Total business-type activities revenues	<u>211</u>	<u>319</u>	<u>616</u>	<u>976</u>	<u>(374)</u>
Total primary government	<u>\$ 7,036</u>	<u>\$ 8,641</u>	<u>\$ 10,613</u>	<u>\$ 11,836</u>	<u>\$ 12,153</u>
Change in Net Assets (5)					
Governmental activities	\$ 3,513	\$ 3,898	\$ 6,509	\$ 6,116	\$ 6,641
Business-type activities	5,758	8,318	6,262	8,891	3,616
Total primary government	<u>\$ 9,271</u>	<u>\$ 12,216</u>	<u>\$ 12,771</u>	<u>\$ 15,007</u>	<u>\$ 10,257</u>

(5) 2007 Change in Net Asset does not include impact of prior period adjustment(s).

Schedule 3

CITY OF BONNEY LAKE

PROGRAM REVENUES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

Function/Program	Program Revenues		
	2003		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 1,812	\$ -	\$ -
Public Safety	525	-	-
Utilities and Environment	88	-	-
Highways and Streets	83	-	-
Economic Development	88	-	-
Culture and Recreation	61	-	-
Other Activities	-	362	384
Subtotal Governmental Activities	<u>2,657</u>	<u>362</u>	<u>384</u>
Business-Type Activities			
Water and Sewer	5,733	-	5,480
Other Enterprise Funds	1,527	-	-
Subtotal Business-type Activities	<u>7,260</u>	<u>-</u>	<u>5,480</u>
Total Function/Program Activities	<u>\$ 9,917</u>	<u>\$ 362</u>	<u>\$ 5,864</u>

Function/Program	Program Revenues		
	2004		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 1,659	\$ -	\$ -
Public Safety	490	-	-
Utilities and Environment	-	-	-
Highways and Streets	756	-	-
Economic Development	-	-	-
Culture and Recreation	160	-	-
Other Activities	-	245	27
Subtotal Governmental Activities	<u>3,065</u>	<u>245</u>	<u>27</u>
Business-Type Activities			
Water and Sewer	6,136	-	8,729
Other Enterprise Funds	1,132	-	-
Subtotal Business-type Activities	<u>7,268</u>	<u>-</u>	<u>8,729</u>
Total Function/Program Activities	<u>\$ 10,333</u>	<u>\$ 245</u>	<u>\$ 8,756</u>

Schedule 3

CITY OF BONNEY LAKE

PROGRAM REVENUES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

Function/Program	Program Revenues		
	2005		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 1,472	\$ -	\$ -
Public Safety	-	-	-
Utilities and Environment	-	-	-
Highways and Streets	1,077	-	-
Economic Development	1,285	-	-
Culture and Recreation	286	-	-
Other Activities	-	201	-
Subtotal Governmental Activities	4,120	201	-
Business-Type Activities			
Water and Sewer	6,595	-	7,806
Other Enterprise Funds	355	-	-
Subtotal Business-type Activities	6,950	-	7,806
Total Function/Program Activities	\$ 11,070	\$ 201	\$ 7,806

Function/Program	Program Revenues		
	2006		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 954	\$ -	\$ -
Public Safety	-	-	-
Utilities and Environment	-	-	-
Highways and Streets	1,256	-	-
Economic Development	1,498	-	-
Culture and Recreation	661	-	-
Other Activities	-	112	90
Subtotal Governmental Activities	4,369	112	90
Business-Type Activities			
Water and Sewer	8,629	-	7,702
Other Enterprise Funds	457	-	-
Subtotal Business-type Activities	9,086	-	7,702
Total Function/Program Activities	\$ 13,455	\$ 112	\$ 7,792

Schedule 3

CITY OF BONNEY LAKE

PROGRAM REVENUES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

Function/Program	Program Revenues		
	2007		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 3,018	\$ 47	\$ 200
Public Safety	1,024	134	-
Physical Environment (2)	89	-	-
Transportation (3)	1,856	930	-
Economic Environment (4)	661	-	-
Culture and Recreation	38	12	-
Health and Human Services (5)	8	36	-
Interest and Other Fiscal Charges (5)	-	-	-
Subtotal Governmental Activities	<u>6,694</u>	<u>1,159</u>	<u>200</u>
Business-Type Activities (6)			
Water	7,922	18	-
Wastewater	4,977	30	-
Storm and Surface Water	607	7	-
Subtotal Business-type Activities	<u>13,506</u>	<u>55</u>	<u>-</u>
Total Function/Program Activities	<u>\$ 20,200</u>	<u>\$ 1,214</u>	<u>\$ 200</u>

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

(2) In 2007, the City revised title from "Utilities and Environment" to "Physical Environment"

(3) In 2007, the City revised title from "Highways and Streets" to "Transportation"

(4) In 2007, the City revised title from "Economic Development" to "Economic Environment"

(5) In 2007, the City split "Other Services" to: "Health and Human Services" and "Interest and Other Fiscal Charges"

(6) In 2007, the City began reporting the three business-type activity funds separately.

Schedule 4

CITY OF BONNEY LAKE

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

	<u>2003</u>	Fiscal Year <u>2004</u>	<u>2005</u>
General Fund			
Reserved	\$ -	\$ -	\$ 1,630
Unreserved	3,352	3,879	4,722
Total general fund	<u>3,352</u>	<u>3,879</u>	<u>6,352</u>
All Other Governmental Funds			
Reserved	321	305	238
Unreserved, reported in:			
Debt Service Funds	-	-	-
Special Revenues Funds	1,637	2,611	(409)
Capital Project Funds	3,060	2,128	2,203
Total all other governmental funds	<u>5,018</u>	<u>5,044</u>	<u>2,032</u>
Total Governmental Funds	<u>\$ 8,370</u>	<u>\$ 8,923</u>	<u>\$ 8,384</u>

	<u>2006</u>	Fiscal Year <u>2007</u>
General Fund		
Reserved	\$ -	\$ -
Unreserved	6,874	4,432
Total general fund	<u>6,874</u>	<u>4,432</u>
All Other Governmental Funds		
Reserved	4,885	-
Unreserved, reported in:		
Debt Service Funds	-	213
Special Revenues Funds	1,066	1,806
Capital Project Funds	1,825	17,159
Total all other governmental funds	<u>7,776</u>	<u>19,178</u>
Total Governmental Funds	<u>\$ 14,650</u>	<u>\$ 23,610</u>

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 5
CITY OF BONNEY LAKE
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)
(amounts expressed in thousands/dollars)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues					
Taxes (see Schedule 2)	\$ 6,321	\$ 7,375	\$ 8,153	\$ 8,889	\$ 9,890
Licenses and permits	1,002	933	1,286	1,498	1,357
Intergovernmental	746	453	656	738	429
Charges for Services	1,140	1,643	1,633	2,081	3,966
Fines and Forfeitures	472	490	1,202	790	957
Special Assessments	-	-	20	12	3
Interest	104	152	345	632	670
Miscellaneous	52	150	122	257	180
Total revenues	<u>9,837</u>	<u>11,196</u>	<u>13,417</u>	<u>14,897</u>	<u>17,452</u>
Expenditures					
General Government	1,511	1,921	2,255	2,522	4,119
Public Safety	3,026	3,556	3,065	3,501	3,749
Utilities and Environment	503	209	185	243	411
Highways and Streets	447	433	454	657	1,186
Economic Development	504	1,029	1,259	1,417	1,640
Physical and Mental Health	-	-	3	3	4
Culture & Recreation	329	486	397	287	427
Debt Service					
Principal	312	311	255	551	290
Interest and Fiscal Charges	138	127	106	390	178
Capital Outlay					5,670
Highways and Streets	1,211	204	888	1,148	-
Other	953	2,789	5,269	511	-
Total expenditures	<u>8,934</u>	<u>11,065</u>	<u>14,136</u>	<u>11,230</u>	<u>17,674</u>
Excess (deficiency) of revenues over expenditures	<u>903</u>	<u>131</u>	<u>(719)</u>	<u>3,667</u>	<u>(222)</u>
Other Financing Sources (Uses)					
Transfers In	2,303	2,420	5,591	9,196	6,750
Transfers Out	(2,148)	(2,186)	(5,616)	(5,857)	(6,619)
Debt Proceeds	-	-	-	750	9,956
Loan Repayment Received	-	-	-	111	-
Contributions	-	-	-	24	898
Sale of Capital Assets	-	165	-	6	-
Total other financing sources (uses)	<u>155</u>	<u>399</u>	<u>(25)</u>	<u>4,230</u>	<u>10,985</u>
Prior Period Adjustment	-	-	-	-	(1,801)
Net Change in Fund Balances	<u>\$ 1,058</u>	<u>\$ 530</u>	<u>\$ (744)</u>	<u>\$ 7,897</u>	<u>\$ 8,962</u>
Debt Service as a percentage of non-capital expenditures	6.6%	5.4%	4.5%	9.8%	3.9%

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 6

CITY OF BONNEY LAKE

ASSESSED AND ESTIMATED ACTUAL TAXABLE VALUE OF PROPERTY

LAST TEN FISCAL YEARS (1)

FISCAL YEAR	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	INDUSTRIAL PROPERTY	LESS: TAX-EXEMPT PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL TAXABLE VALUE (2)
2007	\$ 1,947,099,736	\$ 453,099,533	\$ 3,946,900	\$ 102,277,403	\$ 2,301,868,766.00	\$ 1.30	\$ 2,301,868,766
2006	1,636,186,406	380,439,015	3,229,200	82,332,561	1,937,522,060	1.61	1,937,522,060
2005	1,182,881,458	318,111,573	2,921,300	68,561,153	1,435,353,178	1.84	1,435,353,178
2004	950,791,046	265,863,274	2,336,500	54,230,817	1,164,760,003	1.94	1,164,760,003
2003	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-

(1) Categorization of property provided by Pierce County for 2004 tax year and forward; prior to 2004 categorization not available.

(2) Real and personal property is assumed to be assessed at 100% of the estimated value.

Note: Property taxes for each fiscal year are levied during the prior calendar year. For example, fiscal year 2005 collections are levied in 2004.

In some instances, total taxable A/V is not equal to figure shown elsewhere; the difference is due to adjustments to the A/V after the certification process.

SOURCE: Pierce County Assessor/Treasurer's Office

Schedule 7

CITY OF BONNEY LAKE

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

(RATE PER \$1,000 OF ASSESSED VALUE)

FISCAL YEAR	CITY OF BONNEY LAKE	STATE OF WASHINGTON	PIERCE COUNTY	PORT OF TACOMA	SCHOOL DISTRICT	EMS	RURAL LIBRARY	CONSERV FUTURES	FIRE DIST #22	TOTAL RATE
2007	\$ 1.30	\$ 2.29	\$ 1.18	\$ 0.19	\$ 4.11	\$ 0.40	\$ 0.48	\$ -	\$ 1.13	\$ 11.07
2006	1.85	2.64	1.38	0.19	5.17	0.50	0.40	-	1.50	13.62
2005	1.84	2.91	1.53	0.19	5.93	0.47	0.46	0.06	1.50	14.89
2004	1.94	3.03	1.61	0.19	6.18	0.49	0.48	-	1.38	15.30
2003	1.99	2.94	1.67	0.18	6.21	0.50	0.48	-	1.40	15.38
2002	2.19	3.00	1.75	0.18	6.79	0.50	0.50	-	1.48	16.37
2001	2.19	3.18	1.76	0.19	7.07	0.48	0.56	-	-	15.42
2000	2.95	3.18	1.76	0.19	7.07	0.48	0.56	-	-	16.18
1999	2.84	3.32	1.72	0.19	7.25	0.50	0.56	-	-	16.38
1998	3.06	3.45	1.65	0.19	7.77	0.25	0.57	-	-	16.94

(1) Includes Both Regular And Voted Excess Tax Levies

SOURCE: Pierce County Assessor/Treasurer's Office

Schedule 8

CITY OF BONNEY LAKE

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

TAXPAYER	2004 (1)				2007			
	TAXABLE ASSESSED		% OF TOTAL CITY		TAXABLE ASSESSED		% OF TOTAL CITY	
	VALUE	RANK	VALUE		VALUE	RANK	VALUE	
Wal-Mart Stores Inc. #2403	\$ 17,478,360	1		1.7%	\$ 23,709,254	1		1.2%
Buffalo - Bonney Lake Associates LLC	15,917,900	2		1.5%	20,064,500	2		1.0%
Bonney Lake Village Association	8,523,000	4		0.8%	14,760,400	3		0.8%
Home Depot USA Inc.					13,901,600	4		0.7%
Lake Tapps Equities LLC	7,631,846	5		0.7%	12,564,124	5		0.6%
Target Stores #349					11,863,000	6		0.6%
Safeway Stores #1844	7,300,543	6		0.7%	11,562,673	7		0.6%
New Albertsons Inc.	6,010,200	7		0.6%	9,633,300	8		0.5%
Northwest Heritage Group Inc.					8,033,200	9		0.4%
Boardwalk Homes Inc.					6,812,400	10		0.4%
Quest Corporation, Inc.	13,464,562	3		1.3%				
Puget Sound Energy	5,998,114	8		0.6%				
Regal Cinemas #480355	4,344,900	9		0.4%				
Performance Properties of WA	3,681,800	10		0.4%				
TOTAL PRINCIPAL TAXPAYERS	<u>72,872,865</u>		<u>7.09%</u>		<u>109,195,197</u>		<u>5.64%</u>	
TOTAL ASSESSED VALUE	<u>\$ 1,027,930,705</u>		<u>100.00%</u>		<u>\$ 1,937,522,060</u>		<u>100.00%</u>	

(1) 1998 data is unavailable; therefore, the earliest available data (tax year 2004) will be used until such time the data becomes available for the nine year prior to the reported period.

SOURCE: Pierce County Assessor/Treasurer's Office; 2006 Values for Tax Year 2007

Schedule 9

CITY OF BONNEY LAKE

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

(amounts expressed in thousands/dollars)

FISCAL YEAR	Taxes Levied for the Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2007	\$ 2,517	\$ 2,462	97.81%	\$ 46	\$ 2,508	\$ 2,508	99.64%
2006	2,305	2,131	92.45%	74	2,205	2,205	95.66%
2005	2,143	2,059	96.08%	78	2,137	2,137	99.72%
2004	1,992	1,923	96.54%	-	1,923	1,923	96.54%
2003	1,870	1,749	93.53%	-	1,749	1,749	93.53%
2002	1,497	1,730	115.56%	-	1,730	1,730	115.56%
2001	1,355	1,257	92.77%	-	1,257	1,257	92.77%
2000	1,889	1,914	101.32%	-	1,914	1,914	101.32%
1999	1,654	-	0.00%	-	-	-	0.00%
1998	1,506	-	0.00%	-	-	-	0.00%

(1) Original amount levied.

Note: Property taxes for each fiscal year are levied during the prior calendar year. For example, fiscal year 2006 collections are levied in 2005.

SOURCE: Pierce County Assessor/Treasurer's Office

Schedule 10

CITY OF BONNEY LAKE

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS (1)

(amounts expressed in thousands/dollars)

	Calendar Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Retail and Wholesale	\$ 3,926,295	\$ 5,729,481	\$ 7,919,463	\$ 9,195,921
Construction	1,974,066	2,216,331	3,190,387	4,648,028
Accommodation and Food	2,319,846	2,635,202	2,763,605	2,887,368
Services	746,368	747,376	749,302	994,849
Other	1,337,875	1,770,645	1,853,474	1,783,065
Total	\$ 10,304,450	\$ 13,099,035	\$ 16,476,231	\$ 19,509,231
City Direct Tax Rate (2)	8.5%	8.8%	8.8%	8.8%

	Calendar Year		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Retail and Wholesale	\$ 11,159,210	\$ 13,824,598	\$ 14,844,104
Construction	5,325,742	6,368,815	4,920,027
Accommodation and Food	3,226,406	3,583,017	3,771,891
Services	1,217,418	1,359,063	1,365,901
Other	2,309,762	2,415,917	2,672,912
Total	\$ 23,238,538	\$ 27,551,410	\$ 27,574,835
City Direct Tax Rate (2)	8.8%	8.8%	8.8%

(1) The City converted to GASB Statement No. 44 during 2005; historical information prior to 2001 is not available.

(2) The tax rate changed 07/01/2002 from 8.5% to 8.8%

SOURCE: City of Bonney Lake sales tax data from the Department of Revenue.

Schedule 11**CITY OF BONNEY LAKE****DIRECT AND OVERLAPPING SALES TAX RATES****LAST TEN FISCAL YEARS**

FISCAL YEAR	CITY DIRECT RATE	PIERCE COUNTY (1)
2007	8.8%	8.8%
2006	8.8%	8.8%
2005	8.8%	8.8%
2004	8.8%	8.8%
2003	8.8%	8.8%
2002 (2)	8.8%	8.8%
2001	8.5%	8.5%
2000 (3)	8.5%	8.5%
1999	8.4%	8.4%
1998	8.4%	8.4%

(1) Pierce County rate is for unincorporated

P.T.B.A. (Public Transportation Benefit Area)

(2) Rate changed from 8.5% to 8.8% July 1, 2002.

(3) Rate changed from 8.4% to 8.5% January 1, 2000.

SOURCE: Department of Revenue

Schedule 12

CITY OF BONNEY LAKE

SALES TAX COLLECTIONS BY SECTOR (1)

CURRENT YEAR AND TEN YEARS AGO

Major Industry Sector	1998 (2)			2007		
	TAX RECEIPTS	RANK	PERCENTAGE OF TOTAL	TAX RECEIPTS	RANK	PERCENTAGE OF TOTAL
Warehouse Clubs, Supercenters				\$ 90,674	1	2.9%
Warehouse Clubs, Supercenters	71,864	1	16.4%	60,413	2	1.9%
Discount Department Stores				56,851	3	1.8%
Commercial and Institutional				33,113	4	1.1%
Home Centers				37,224	5	1.2%
Supermarkets and Other Grocery	12,830	2	2.9%	10,004	6	0.3%
All Other General Merchandise	7,107	3	1.6%	8,216	7	0.3%
Tire Dealers				7,467	8	0.2%
Office Supplies and Stationery				7,110	9	0.2%
Supermarkets and Other Grocery				5,891	10	0.2%
Limited-Service Restaurants	2,515	9	0.6%			
Pharmacies and Drug Stores	3,190	6	0.7%			
Commercial and Institutional - Mach	3,571	5	0.8%			
Commercial and Institutional	4,574	4	1.0%			
Full-Service Restaurants	2,824	7	0.6%			
Supermarkets and Other Grocery	2,583	8	0.6%			
Misc Comm Area Reg, Lic, Ins	1,780	10	0.4%			
All Other	326,160		74.3%	2,800,396		89.8%
TOTAL RETAIL SALES TAX RECEIPTS	\$ 438,998		100.00%	\$ 3,117,359		100.00%

Source: City of Bonney Lake Sales Tax Data

(1) By State law, the City of Bonney Lake is prohibited from reporting individual sales tax payers.

(2) Effective March 2005, the Department of Revenue changed reporting retail sales tax industries from using the Standard Industrial Classification (SIC) code to use of the North American Industry Classification System (NAICS). Retail sales tax collections prior to the time of this change have not been adjusted.

Schedule 13

CITY OF BONNEY LAKE

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(amounts expressed in thousands/dollars)

FISCAL YEAR ⁽²⁾	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Public Works Trust Fund Loans	Special Assessment Bonds	Other Long Term Debt	Water and Sewer Revenue Bonds	Public Works Trust Fund Loans	City of Tacoma Long-Term Debt			
2007	\$ 11,260	\$ 750	\$ -	\$ -	\$ 5,115	\$ 19,152	\$ 3,697	\$ 39,974	0.14%	\$ 22
2006	1,545	755	-	-	5,445	19,350	4,159	31,254	0.12%	18
2005	1,815	11	-	-	5,745	17,604	4,621	29,796	0.13%	19
2004	2,065	16	-	-	6,035	12,304	-	20,420	0.09%	12
2003	2,310	22	55	5	6,310	10,922	-	19,624	0.09%	11

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

(1) See the Schedule of Demographic and Economic Statistics (Schedule 18) for personal income and population data.

(2) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 14

CITY OF BONNEY LAKE

RATIO OF GENERAL BONDED DEBT OUTSTANDING

BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS (1)

FISCAL YEAR	POPULATION	ASSESSED VALUE	GENERAL OBLIGATION BONDED DEBT	LESS DEBT SERVICES FUNDS	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
2007	15,740	\$ 2,301,868,766	\$ 11,260,000	\$ (364,198)	\$ 11,624,198	0.50%	\$ 739
2006	15,230	1,937,522,060	1,545,000	(362,563)	1,907,563	0.10%	125
2005	14,370	1,435,353,178	1,815,000	(360,000)	2,175,000	0.15%	151
2004	13,740	1,164,760,003	2,065,000	(361,325)	2,426,325	0.21%	177
2003	12,950	939,422,664	2,310,000	(367,485)	2,677,485	0.29%	207
2002	12,360	-	-	-	-	-	-
2001	9,980	-	-	-	-	-	-
2000	9,687	-	-	-	-	-	-
1999	9,490	-	-	-	-	-	-
1998	9,302	-	-	-	-	-	-

SOURCES: Population estimates were furnished by the State of Washington Office of Financial Management as of April 1 of each year, and Assessed Value is furnished by the Pierce County Assessor/Treasurer as of December 31 of each year.

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 15

CITY OF BONNEY LAKE

DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT

December 31, 2007

	NET DEBT OUTSTANDING	TO BONNEY LAKE (1)	CITY SHARE OF DEBT
DIRECT DEBT:			
City of Bonney Lake	\$ 11,260,000	100.00%	\$ 11,260,000
OVERLAPPING DEBT:			
Pierce County	124,429,000	0.44%	547,488
Port of Tacoma	83,435,000	0.44%	367,114
East Pierce Fire District	564,210	5.22%	29,452
Auburn Fire District	-	0.21%	-
Dieringer School District #343 (2)	38,740,000	0.06%	23,244
White River School District #416 (2)	51,010,545	0.71%	362,175
Sumner School District #320 (2)	62,950,000	16.77%	10,556,715
Total Overlapping Debt	\$ 361,128,755		\$ 11,886,187
Total Direct and Overlapping Debt	\$ 372,388,755		\$ 23,146,187
2007 Population			15,740
Direct Debt Per Capita			\$ 715
Overlapping Debt Per Capita			\$ 755
Direct and Overlapping Debt Per Capita			\$ 1,471

(1) Applicable percentage is determined by calculation of overlapping boundaries through the application of GIS (Geographic Information Systems).

(2) School Districts utilize a September - August fiscal year. For purposes of this schedule, data is as of August 31, 2007 for school districts.

Sources: Pierce County Assessor/Treasurer, Pierce County Office of Budget and Finance, Port of Tacoma, WA State Auditors Office, outside agencies.

Schedule 16

CITY OF BONNEY LAKE

COMPUTATION OF LEGAL DEBT MARGIN (1)

As of December 31, 2007

(amounts expressed in thousands/dollars)

TOTAL ASSESSED PROPERTY VALUE	\$ 2,301,868,766			
Debt Requirements	General Purpose Council Approved	General Purpose Voter Approved	Parks and Open Space Voter Approved	Utility Purposes Voter Approved
Legal limit (1.5%) of Assessed Property Values	\$ 34,528,031	\$ -	\$ -	\$ -
Legal Limit (1.0%) of Assessed Property Values		23,018,688		
Legal limit (2.5%) of Assessed Property Values	-	-	57,546,719	57,546,719
Outstanding Debt		-		
Council Approved General Obligation Debt	10,000,000	-	-	5,115,000
Voter Approved Outstanding Bonds	-	1,260,000	-	-
Total Outstanding Debt	10,000,000	1,260,000	-	5,115,000
Available Assets	-	-	-	-
Remaining Debt Capacity	\$ 24,528,031	\$ 21,758,688	\$ 57,546,719	\$ 52,431,719

(1) Under state law, the City of Bonney Lake's total indebtedness for general purposes with or without a vote cannot exceed 2.5% percent of the value of taxable property. Indebtedness for utility or open space, park, and capital facilities associated with economic development purposes with a vote may exceed 2.5% of the value of taxable property (up to 5%). Any excess will proportionately reduce the margin still available for general purposes.

Schedule 17

CITY OF BONNEY LAKE

REVENUE BOND COVERAGE FOR UTILITY BONDS

LAST TEN FISCAL YEARS (1)

FISCAL YEAR	INCOME AVAILABLE FOR DEBT SERVICE CALCULATION	ANNUAL DEBT		TOTAL DEBT SERVICE	REVENUE BOND COVERAGE (2)
		SERVICE REQUIRED			
		PRINCIPAL	INTEREST		
2007	\$ 3,615,458	\$ 320,000	\$ 295,638	\$ 615,638	5.87
2006	7,315,395	300,000	310,128	610,128	11.99
2005	7,923,765	290,000	323,873	613,873	12.91
2004	10,237,049	275,000	336,660	611,660	16.74
2003	7,307,206	265,000	348,718	613,718	11.91
2002	-	-	-	-	-
2001	-	-	-	-	-
2000	-	-	-	-	-
1999	-	-	-	-	-
1998	-	-	-	-	-

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

(2) Current Bond Coverage Requirement is 1.25.

Schedule 18**CITY OF BONNEY LAKE**

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

Calendar Year	Population	Personal Income (Thousands) (2)	Per Capita Personal Income (2)	School Enrollment	Unemployment Rate (1)
2007	15,740	\$ 28,949,941	\$ 1,839	2,919	4.70%
2006	15,230	27,149,797	1,783	2,928	5.10%
2005	14,370	22,693,937	1,579	1,524	5.90%
2004	13,740	23,273,083	1,694	1,641	7.00%
2003	12,950	22,131,368	1,709	1,619	8.20%
2002	12,360	21,502,845	1,740	1,661	8.00%
2001	9,980	20,702,070	2,074	1,676	6.50%
2000	9,687	19,416,742	2,004	1,698	5.00%
1999	9,490	18,058,638	1,903	1,779	4.30%
1998	9,302	17,184,196	1,847	1,760	3.90%

(1) Pierce County average

(2) Personal Income and Per Capita Income based on data for Pierce County

Sources: Washington State Office of Financial Management, Sumner School District,
Washington State Employment Security, Puget Sound Economic Forecaster
U.S. Department of Commerce (Bureau of Economic Analysis)
2006-2007 Pierce County Economic Index Report, Tacoma-Pierce County Chamber

Schedule 19

CITY OF BONNEY LAKE

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO (1)

EMPLOYER	1997			2007		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Wal-Mart Store #5041			0.0%	373	1	30.9%
Fred Meyer Stores Inc	224	1	29.3%	182	2	15.1%
The Home Depot #8562			0.0%	146	3	12.1%
Safeway Store #544	130	2	17.0%	130	4	10.8%
Target Store #1957			0.0%	125	5	10.3%
Albertson's #495			0.0%	80	6	6.6%
Ben Franklin Crafts			0.0%	55	7	4.6%
Apix Alarm Security Solutions Inc			0.0%	25	8	2.1%
Taco Bell #4476			0.0%	24	9	2.0%
Lumberman's Inc			0.0%	23	11	1.9%
Kid's Country			0.0%	22	12	1.8%
Stock Market Foods #122	72	3	9.4%			0.0%
Shari's Restaurant	58	4	7.6%			0.0%
Stock Market Foods #331	53	5	6.9%			0.0%
Taco Bell #4476	50	6	6.5%			0.0%
Wendy's International	50	7	6.5%			0.0%
Burger King #6935	27	8	3.5%	23	10	1.9%
Thrifty Payless Inc	27	9	3.5%			0.0%
Jensen Homes	25	10	3.3%			0.0%
Haworth Family Shows Inc	25	11	3.3%			0.0%
Jack-In-The-Box #8460	24	12	3.1%			0.0%
			0			
TOTAL	765		100%	1,208		100%

(1) Note: The City implemented GASB Statement No. 44 during 2005.

Sources: City of BONNEY LAKE Business Licenses

Schedule 20
CITY OF BONNEY LAKE
 FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS (1)

FUNCTION/PROGRAM	Full-Time-Equivalent (FTE) Employees				
	1998	1999	2000	2001	2002
Governmental Activities					
General Government					
Judicial					
Public Safety					
Physical Environment/Transportation					
Economic Environment					
Culture and Recreation					
Health and Human Services					
Business-Type Activities					
Utilities, ER&R					
Total	-	-	-	-	-

FUNCTION/PROGRAM	Full-Time-Equivalent (FTE) Employees								
	2003	2004	2005	2006	2007				
Governmental Activities									
General Government						24	24	25	26
Judicial						5	5	5	6
Public Safety						29	30	35	36
Physical Environment/Transportation						11	12	12	12
Economic Environment						12	12	13	13
Culture and Recreation						1	1	6	7
Health and Human Services						4	4	4	5
Business-Type Activities									
Utilities, ER&R						23	28	28	30
Total	-	109	116	128	135				

(1) Note: The City implemented GASB Statement No. 44 during 2005. Historical data prior to 2004 is not readily available.

Schedule 21**CITY OF BONNEY LAKE****OPERATING INDICATORS BY FUNCTION/PROGRAM****LAST FIVE FISCAL YEARS (1)**

FUNCTION/PROGRAM	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Police</u>					
Calls for Service	-	16,310	16,837	19,641	19,761
Police Reports	-	3,131	3,198	3,601	3,256
Citations/Infractions	-	4,095	4,386	5,138	5,909
DUI	-	113	105	147	150
Uniform Crime Reporting (UCR) Crimes	-	718	787	775	649
<u>Public Works - Street Division</u>					
Chip Seal (miles)	2	3	6	6	5
Overlay (miles)	1	0	3	1	0
<u>Water/Sewer Utility</u>					
Water - New Installations	483	636	545	471	339
Waterlines-Miles	165	172	185	192	198
Water - Connections	9,671	10,307	10,852	11,323	11,621
Water - Pumped per year (billions of gallons)	1.13	1.15	1.16	1.30	1.22
Sewer - New Installations	-	219	300	299	456
Sewer - Connections	3,909	4,128	4,428	4,727	5,183
<u>Parks</u>					
Boat Launch Permits Issued	1,880	1,895	1,770	2,224	2,725

(1) Data for prior years provided where available

Source(s): City Departments

Schedule 22
CITY OF BONNEY LAKE
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST FIVE FISCAL YEARS

FUNCTION/PROGRAM	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government					
Administrative Buildings					
Police					
Stations	1	1	1	1	1
Patrol Units	22	25	26	27	27
Public Works					
Paved Centerline Miles	60	60	62	67	73
Paved Lane Miles	120	120	125	133	148
Unpaved Centerline Miles	1	1	1	1	1
Street Identification Signs	291	291	307	411	455
Traffic Control Signs	691	691	814	977	1,266
Traffic Signals	1	2	3	4	4
Water/Sewer Utility					
Water Lines (miles)	165	172	185	192	198
PRV Stations	7	13	18	27	27
Booster Pump Stations	2	2	3	4	4
Reservoirs	4	4	4	4	5
Sewer Mains (miles)	61	61	71	72	72
Sewer Pump Stations	17	18	20	21	22
Sewer Grinder Pumps	90	90	90	90	87
Stormwater Utility					
Storm Sewers (miles)	17	17	19	23	30
Detention/Infiltration Ponds	25	25	31	38	44
Catch Basins/Inlets	928	929	1,053	1,241	1,423
Ditches (miles)	75	75	77	79	87
Park Facilities					
Acreage					
Allan Yorke Park (plus boat launch)	21.50	21.50	21.50	21.50	21.50
Ballfield #4 and parking area	5.00	5.00	5.00	5.00	5.00
Allan Yorke Park Expansion	0.00	12.50	12.50	12.50	12.50
Lake Bonney Park	1.30	1.30	1.30	1.30	1.30
Senior Center	1.20	1.20	1.20	1.20	1.20
Cedarview	4.60	4.60	4.60	4.60	4.60
Viking Park adjacent to Bonney Lake Elementary	0.00	2.75	2.75	2.75	2.75
Madrona Park - New					0.37
Total Acreage	33.60	48.85	48.85	48.85	49.22
# Parks	3	3	3	3	4
Docks - Boat Launch	4	4	4	4	4
Dock - Swimming	1	1	1	1	1
Senior Center	1	1	1	1	1
Other Equipment	100	113	139	159	172

Schedule 23

CITY OF BONNEY LAKE

CONSTRUCTION AND PROPERTY VALUES

LAST TEN FISCAL YEARS (1)

FISCAL YEAR	COMMERCIAL CONSTRUCTION		RESIDENTIAL AND MULTIPLE DWELLING CONSTRUCTION		TOTAL CONSTRUCTION (2)	
	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE
2007	10	\$ 17,649,342	233	\$ 53,636,574	243	\$ 71,285,916
2006	2	1,023,281	273	61,536,916	275	62,560,197
2005	9	11,753,326	205	43,881,895	214	55,635,221
2004	5	8,220,823	222	41,180,083	227	49,400,906
2003	5	945,446	321	56,196,741	326	57,142,187
2002	8	11,071,613	341	48,254,454	349	59,326,067
2001	3	1,105,880	303	37,080,884	306	38,186,764
2000	0	-	0	-	0	-
1999	0	-	0	-	0	-
1998	0	-	0	-	0	-

(1) Data unavailable for 1998 - 2000

(2) Does not include alterations, garages, mechanical, or signs.

Source: City of Bonney Lake Development Services Department - Building Division