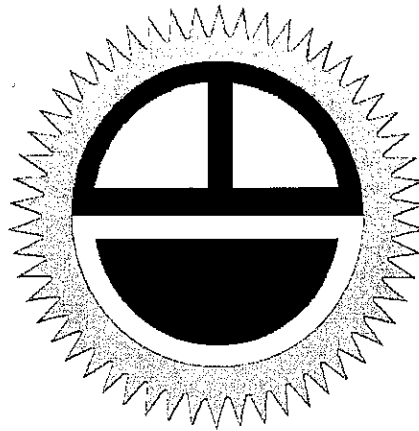


CITY OF MOSES LAKE,
WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

Prepared by The Finance Department

Ronald R. Cone, CPA, CGFM
Finance Director

Robert Taylor, CGFM
Accounting Division Manager

Linda Beisel
Accountant

Jeanette Jones
Accountant

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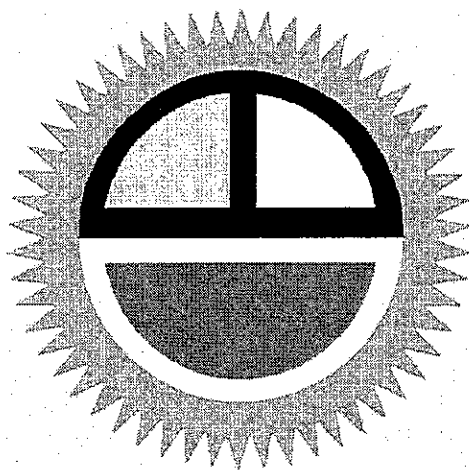
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City of Moses Lake, Washington
Financial Report
Year Ended December 31, 2006

INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Moses Lake
Washington

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

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



A handwritten signature in black ink, appearing to read "Roma J. Hain".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



CITY OF MOSES LAKE
Finance Department

June 4, 2007

Honorable Mayor, Members of the City Council,
and Citizens of Moses Lake, Washington

The Comprehensive Annual Financial Report (CAFR) of the City of Moses Lake for the fiscal year ended December 31, 2006 is submitted herewith. This report was prepared by the City's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City management. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Generally Accepted Accounting Principles (GAAP) require management provide a narrative introduction, overview and analysis (MD&A). The City's MD&A is presented in the financial section of the report. The letter of transmittal and the MD&A are written to complement one another and should be read in conjunction with one another.

PROFILE OF THE CITY

The City of Moses Lake was incorporated on September 19, 1938. The City is located along Interstate 90 approximately 176 miles east of Seattle and 105 miles west of Spokane. The City of Moses Lake serves over 16,000 citizens and encompasses 14.27 square miles of land. The City also has 24.6 miles of shoreline within its city limits. The City maintains a Council/Manager form of government. The non-partisan City Council is composed of seven members elected at large to four-year staggered terms and elects the Mayor and Deputy Mayor from among its members.

With 164 full time employees and an operating budget of \$63.5 million, the City of Moses Lake provides a full range of municipal services, including police and fire, medical services, planning and engineering, street maintenance and construction, parks and recreation, and general administrative services. The City also operates enterprise funds of sanitation, water and wastewater services, ambulance services and a municipal airport. It also operates a museum and maintains a library.

The City is quite proud of being a family oriented community with a total of 25 Parks, of which 5 are undeveloped at this time. One of the City's major accomplishments is the City Aquatic Center which boasts as one of the Northwest's premier facilities. With features as a zero depth beach, two 200-ft water slides, 1 & 3 meter diving boards, handicapped accessibility, sand volleyball courts, picnic shelter and children wet sand playground area with a proposed lazy river and flow rider, the facility won the 2001 Georgie Award for most outstanding tourism product or service to enhance travel and tourism in the state of Washington.

Moses Lake is home to Grant County International Airport which has one of the longest runways in the United States. Formerly Larson Air Force Base, the airport is an alternate landing site for the NASA space shuttle. The airport has been used by over 350 foreign and domestic airlines for flight crew training and currently serves as the testing and training facility for Boeing aircraft and the main testing site for Japan Airlines pilots. According to NASA, the airport has Visual Meteorological Conditions (VMC) 94% of the time.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the evaluation of costs and benefits require estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the subfunction level by the encumbrance of estimated purchase amounts. Purchase orders which result in an overrun are not released until approved by the City Manager. The budget is adopted by the City Council at the fund level. All budget overruns at the fund level require additional appropriations by the City Council. Encumbrances are obligations for expenditures committed by bid or purchase order. They are not yet billed to the City and are therefore not accounts payable.

FACTORS AFFECTING FINANCIAL CONDITION

Information presented in the financial statements is best understood when considering the broader context of the economic environment of the City of Moses Lake and the surrounding area.

Local Economy

The City has a population in 2006 of 16,840 but serves a population twice that size. The City is a service center for the surrounding agricultural community which is a top producer of potatoes and mint. Additionally, growers produce wheat, onions, peaches, apples, corn, and barley. Since the 1970's the area's economy has been diversified with a mix of manufacturing and high technology. The diverse mix of industries provides a stable balance and for the most part reduces significant impacts of adverse economic cycles, although the City is not immune from the effects of the state and national economies.

In 2006 economic development activity continued to increase significantly with the inclusion of new manufacturing jobs and retail development. As a result, building permits and permit income, retail sales taxes and property taxes increased. Additionally, residential development increased significantly with a large number of plats being processed and a large number of housing starts permitted.

Business and industry will continue to locate in and around the City due to relatively inexpensive land and construction costs and one of the least expensive electrical rates in the nation. The City participates in an aggressive economic development program in cooperation with the Grant County Economic Development Council, Grant County, and the Moses Lake Area Chamber of Commerce with the intention of retaining and recruiting business and industry to the City. Currently, two new business have taken steps in building substantially large complexes in the Moses Lake area, contributing to the area's growth.

Long-term Financial Planning

Several long term capital projects are underway in the City of Moses Lake. In 2006 the City completed a revitalization of its downtown core with street and park improvements. In 2007 the City is planning to expand its award winning aquatic center and complete the construction of its maintenance facility which will house maintenance employees for the water, sewer, parks and recreation, building maintenance, and equipment rental departments. The City continues to look at expanding its utility system using external financing if necessary in order to meet the demand of a growing community.

Expansion of office and cultural space is anticipated in the future in order to meet the requirements of a growing work force and community population. The City will undoubtedly finance those expansions using Councilmanic borrowing and paying the debt service using funds from a growing tax base.

Cash Management

The City manages its own investment program. The City's policy is to invest idle cash in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds. Investments are made only with qualified public depositories as set forth in RCW 35A.040.050, or in United States Government Securities which are acquired through dealers within the state. Bankers acceptances are allowed only with leading banks in the state. All repurchase agreements require a master repurchase agreement where securities are held by a trust department in the name of the City of Moses Lake, and are made only with qualified public depositories. Additionally, the City invests in the State of Washington Local Government Investment Pool (LGIP) and the Grant County Investment Pool.

Risk Management

It is the objective of the City to reduce costs when possible without reducing service, coverage or increasing the City's exposure to risk or liability. As a part of the goal the City elected to become self insured in the areas of Workmens' Compensation and general liability insurance. In 1981 the City elected to withdraw from the state-operated workers' compensation insurance program and to self-insure for the same coverage. In 1987, the City also decided to self-insure it's fleet and general liability insurance which is described in greater detail in the notes to the financial statements.

The City belongs to the Washington Cities Insurance Authority (WCIA) pool. Over the last 23 years WCIA has evolved from the state's original, nine-member pool, to the financially strongest liability-property pool with over 100 members and over \$85 million in assets. Throughout its' evolution it has had one common goal: to aggressively manage members' financial risk.

WCIA is not just a one-dimensional alternative insurance provider. Rather, a member-driven, self-insured program in complete control of every operational aspect. As protection from hard market cycles, WCIA offers the largest self insurance layer of any pool, funded at a 98% actuarial level, to respond to the "working layer of losses", with limited reliance upon reinsurance for catastrophic losses.

WCIA's strong financial position allows them to offer generous pre-loss training and field-intensive risk management support. They have become each member's extended risk management department. Combined with aggressive claims and litigation support, WCIA members have a complete pre- and post-loss management program

Pensions and Other Post-employment Benefits

The majority of the City's employees participate in a mandatory state pension system through the Public Employees Retirement System (PERS) or the Law Enforcement Officer's and Fire Fighter (LEOFF) Retirement System. Both plans are administered by the Department of Retirement Systems (DRS). The only pension obligation the City has with these plans is it's regular contribution based on a percentage of the employees wage as prescribed by DRS.

Besides the plans under DRS the City provides post-retirement health care benefits in accordance with statute for police and fire employees who are eligible under the Firemen's Pension Fund. Currently the City has 20 individuals that meet the eligibility requirements.

The City reimburses 100 percent of the amount of validated claims for medical costs incurred by these individuals. The City pays for the monthly insurance premium. The pension board performs an annual survey to determine the care to be covered.

Employer contributions are financed on a pay-as-you-go basis. Expenditures for health care benefits are recognized as report claims are received by the City. The City maintains a fund dedicated to providing resources for these benefits.

Independent Audit

The City of Moses Lake is audited annually by the State Auditor's Office. In addition to meeting state mandates, the audit must meet the requirements of the Single Audit Act of 1984 and the Single Audit amendments of 1996, along with the U.S. Office of Management & Budget Circular A-133 when applicable. The complete auditor's report is available at the City of Moses Lake or can be viewed from the City's website at www.ci.moses-lake.wa.us.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Moses Lake for its comprehensive annual financial report for the fiscal year ended December 31, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

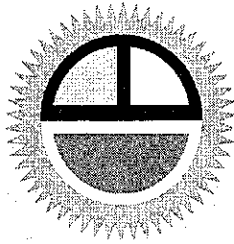
This report has been prepared by myself, Robert Taylor, CGFM, Accounting Division Manager, Linda Beisel and Jeanette Jones, Accountants. I express my appreciation to all members of the Finance Department who assisted and contributed to its preparation. I also thank the Mayor, City Council, and the City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted

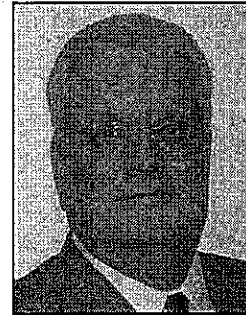
A handwritten signature in cursive script that reads "Ronald R. Cone".

Ronald R. Cone, CPA, CGFM
Finance Director

CITY OF MOSES LAKE ELECTED OFFICIALS



MAYOR
Ronald Covey



COUNCIL



Richard Pearce
Deputy Mayor



Bill Ecret



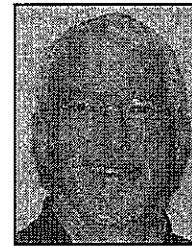
Brent Reese



James Liebrecht



Dick Deane



Jon Lane

APPOINTED OFFICIALS

City Manager
Finance Director
City Attorney
Municipal Services Director
Parks & Recreation Director
Fire Chief
Police Chief
Community Development Director

Joseph K. Gavinski
Ronald R. Cone
James A. Whitaker
Gary Harer
Spencer Grigg
Tom Taylor
Dean Mitchell
Gilbert Alvarado

ADDRESS:

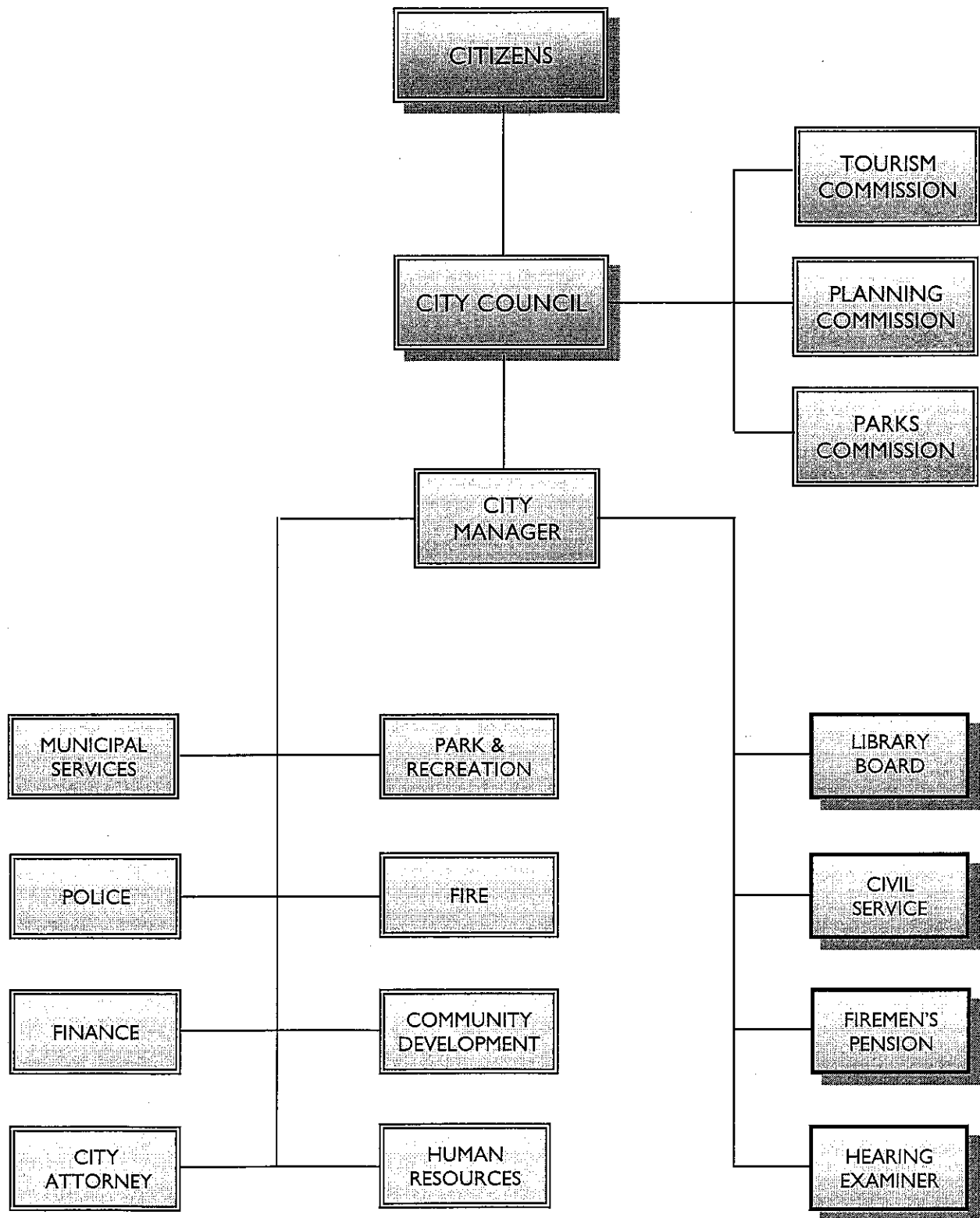
P.O. Box 1579
321 S. Balsam
Moses Lake, WA 98837

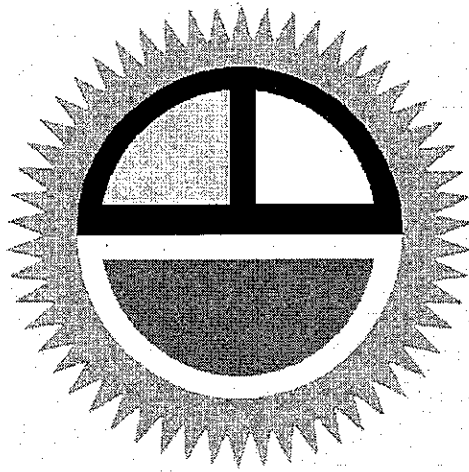
Website:

www.ci.moses-lake.wa.us

City of Moses Lake

Organizational Chart





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City of Moses Lake, Washington
Financial Report
Year Ended December 31, 2006

FINANCIAL SECTION



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

May 24, 2007

Mayor and City Council
City of Moses Lake
Moses 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 Moses Lake, Grant County, Washington, as of and for the year ended December 31, 2006, 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 Moses Lake, Grant County, Washington, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Street 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 14 through 26, and infrastructure modified approach information on pages 79 through 80 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages 84 through 111 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", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Moses Lake, we offer readers of the City of Moses Lake's financial statement this narrative overview and analysis of the financial activities of the City of Moses Lake for the fiscal year ended December 31, 2006. The information presented here should be read in conjunction with additional information that we have furnished in our letter of transmittal, the financial statements and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City of Moses Lake exceeded its liabilities at the close of the most recent fiscal year by \$106,055 (net assets). Of this amount, \$15,247 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$6,634.
- As of the close of the current fiscal year, the City of Moses Lake's governmental funds reported combined ending fund balances of \$6,738, an increase of \$1,972 in comparison with the prior year. Almost the entire amount, \$6,284, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,552, or 21% of total general fund expenditures.
- With new debt from the 2006 Limited tax general obligation Bond the City of Moses Lake's total debt increased by \$5,573 (20%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The **statement of net assets** presents information on all of the City of Moses Lake'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 of Moses Lake 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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 Moses 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 of Moses Lake can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Moses Lake maintains seventeen individual governmental funds. The City's three major governmental funds, the general fund, street fund and 2006 project fund are presented separately in the governmental fund balance sheet, and the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Moses Lake adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City of Moses Lake 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 of Moses Lake uses enterprise funds to account for its water and sewer utility, sanitation, ambulance, and airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Moses Lake's various functions. The City of Moses Lake uses internal systems to account for its fleet of vehicles, self insurance and unemployment programs, building services and computer services. Because these services predominately 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 and sewer utility, sanitation, ambulance and airport as all are considered to be major funds of the City of Moses Lake. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Moses Lake's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information.

Required Supplemental Information. In addition to the basic financial statements and the accompanying notes this report also presents certain required supplementary information on infrastructure assets reported using the modified approach. The required supplementary information immediately follows the notes to the financial statements in the Basic Statements section of this report.

Combining Statements. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented in a separate section immediately following the required supplemental information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Moses Lake, assets exceeded liabilities by \$106,055 at December 31, 2006.

City of Moses Lake's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$10,701	\$8,774	\$9,276	\$14,765	\$19,977	\$23,539
Capital assets	60,263	53,936	59,021	49,579	119,283	103,515
Total assets	<u>70,964</u>	<u>62,710</u>	<u>68,297</u>	<u>64,344</u>	<u>139,261</u>	<u>127,054</u>
Long-term liabilities	10,124	5,665	17,996	17,425	28,120	23,090
Other liabilities	3,294	2,881	1,793	1,663	5,086	4,544
Total liabilities	<u>13,417</u>	<u>8,546</u>	<u>19,789</u>	<u>19,088</u>	<u>33,206</u>	<u>27,634</u>
Net assets:						
Invested in capital assets, net of related debt	49,249	47,432	40,642	31,720	89,892	79,152
Restricted	-	-	916	7,610	916	7,610
Unrestricted	8,297	6,732	6,949	5,927	15,247	12,659
Total net assets	<u>\$57,547</u>	<u>\$54,164</u>	<u>\$48,508</u>	<u>\$45,257</u>	<u>\$106,055</u>	<u>\$99,421</u>

The largest portion of the City of Moses Lake's net assets (85 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Moses Lake uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Moses Lake'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.

An additional portion of the City of Moses Lake's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$15,247) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Moses Lake is able to report 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 same situation held true for the prior fiscal year. The City's financial position for the year has improved and is expected to continue improving.

Statement of Changes in Net Assets

The changes in net assets table indicates the increases or decreases in net assets of the city resulting from its operations. The City's total net assets increased by \$6.634 million in 2006. The increase was slightly more from governmental activities (51%) than business-type activities (49%).

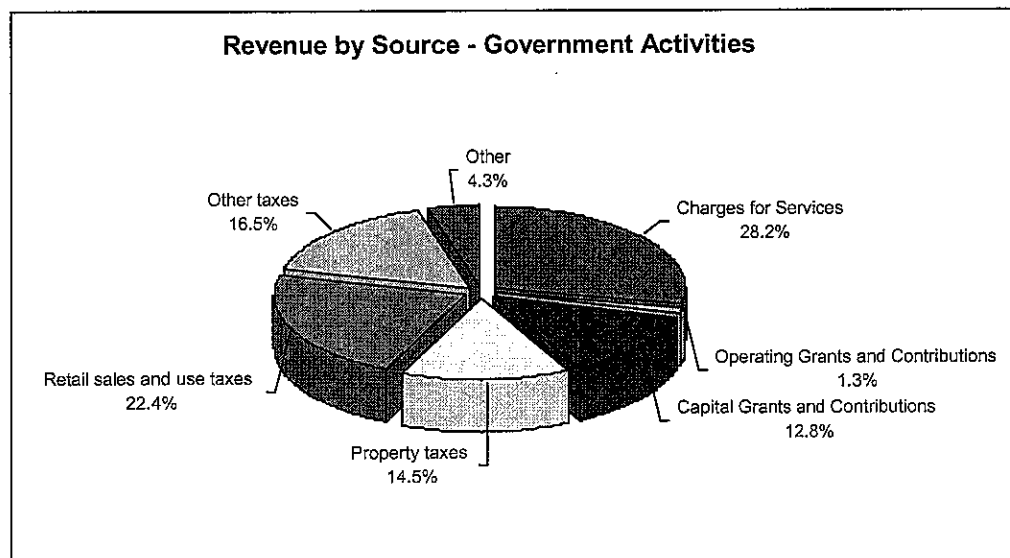
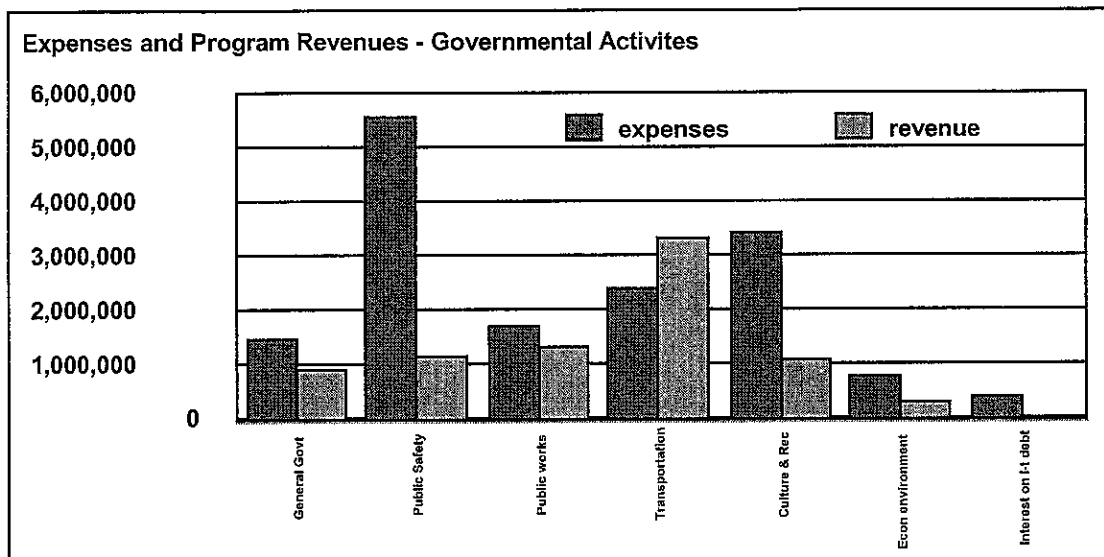
The following is a summarized version of the city's changes in net assets. The table shows the revenues, expenses, and related changes in net assets in table form for the governmental activities autonomous from the business-type activities for 2006.

City of Moses Lake Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenue:						
Charges for services	\$5,387	\$5,225	\$10,530	\$9,719	\$15,917	\$14,944
Operating grants and contributions	248	185	-	-	248	185
Capital grants and contributions	2,448	668	2,733	1,051	5,181	1,719
General revenue						
Property taxes	2,780	2,572	-	-	2,780	2,572
Sales taxes	4,287	3,798	-	-	4,287	3,798
Other taxes	3,149	2,961	-	-	3,149	2,961
Other	736	403	2822	2,323	3,558	2,726
Total revenues	19,035	15,812	16,085	13,093	35,120	28,905
Expenses:						
General government	1,467	1,286	-	-	1,467	1,286
Public safety	5,577	4,991	-	-	5,577	4,991
Public works	1,708	1,497	-	-	1,708	1,497
Transportation	2,392	2,534	-	-	2,392	2,534
Culture & recreation	3,441	3,287	-	-	3,441	3,287
Economic environment	771	625	-	-	771	625
Interest on long-term debt	390	311	-	-	390	311
Water/sewer utility	-	-	9,499	7,516	9,499	7,516
Sanitation	-	-	1,725	1,806	1,725	1,806
Ambulance	-	-	1,486	1,542	1,486	1,542
Airport	-	-	29	31	29	31
Total expenses	15,746	14,531	12,739	10,895	28,485	25,426
Increase in net assets before transfers	3,289	1,281	3,346	2,198	6,635	3,479
Transfers	93	510	(93)	(510)	-	-
Increase in net assets	3,382	1,791	3,253	1,688	6,635	3,479
Net assets 01/01	54,164	52,373	45,256	43,613	99,420	95,986
Prior period adjustment	-	-	-	(46)	-	(46)
change in reserves	-	-	-	-	-	-
Net assets 12/31	\$57,546	\$54,164	\$48,509	\$45,256	\$106,055	\$99,420

Governmental activities. Governmental activities increased the City of Moses Lake's net assets by \$3,382 thereby accounting for 51% of the total growth in the net assets of the City of Moses Lake. Key elements of this increase are as follows:

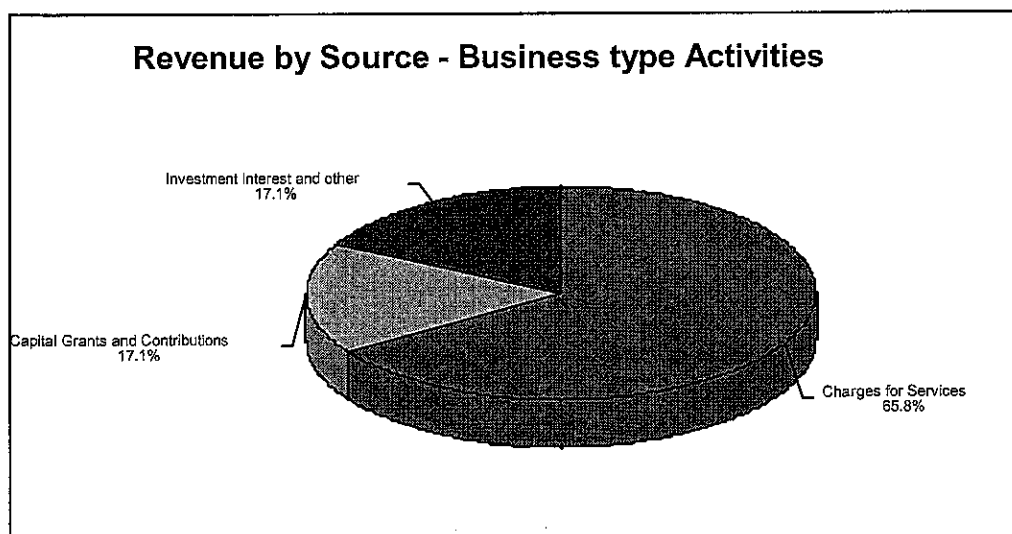
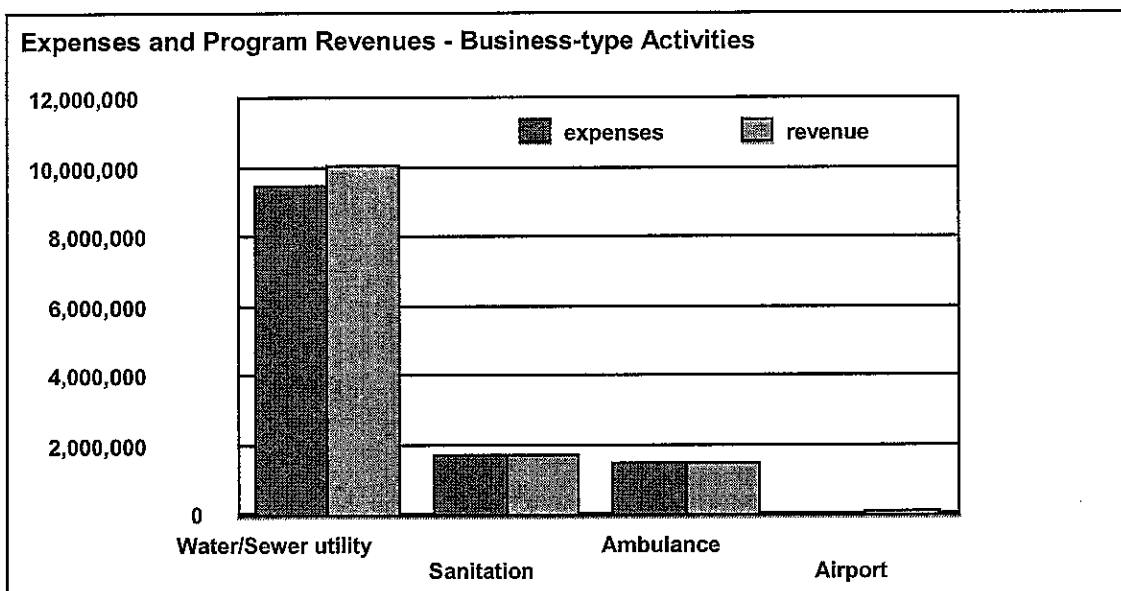
- Sales taxes increased by \$489 (12%) during the year. Most of this increase is from economic recovery and construction in and around the City limits.
- The largest increase was \$1,786 (266%) in capital contributions was a result of assets (streets and improvements) contributed by developers from new developments
- The largest increase (\$586) in expenditures was from public safety. The increases were due to a substantial increase in health insurance premiums and rates charged internally for vehicle usage.



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the City of Moses Lake's net assets by \$3,252, accounting for 49% of the total growth in the government's net assets. Key elements of this increase are as follows.

- Charges for services for business-type activities increased by \$811 (8%). The Water and Sewer Utility accounted \$611 of the increase.
- Capital contributions from developers were a significant revenue source for the Water and Sewer Utility during the current fiscal year, producing \$1,682 in revenue.
- The City received a substantial insurance recovery amount (\$2,453) which was for operating expenses incurred in the Operations and Maintenance yard cleanup.
- Most of the \$1,983 operating expense increase can be attributed to the Operations and Maintenance yard clean up.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The focus of the City of Moses Lake's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Moses Lake'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.

As of the end of the current fiscal year, the City of Moses Lake's governmental funds reported combined ending fund balances of \$6,738, an increase of \$1,973 in comparison with the prior year. Almost the entire amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$101), for debt service payments (\$311) and a variety of other restricted purposes (\$42).

The General Fund is the chief operating fund of the City of Moses Lake. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,552 while the total fund balance reached was \$2,652. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21 percent of total General Fund expenditures, while total fund balance represents 22 percent of that same amount.

The fund balance of the City of Moses Lake's General Fund increased by \$248 during the current fiscal year. Key factors in this growth are as follows:

- An increase in investment interest, and licenses and permits of \$293 and \$253 respectively.
- The increase in taxes of \$711 and charges for services of \$187 was offset by an increase in operating expenses within the Police, Fire, and Parks departments of \$1,467.

Proprietary funds. The City of Moses Lake's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds are those funds that account for government operations where the intent is for the costs to be paid primarily by user charges. Enterprise funds are those that provide services predominantly to external users and the internal service funds provide service principally to other governmental units or within the City. The funds consist of four enterprise funds, and five internal service funds.

Unrestricted net assets of the Water and Sewer Utility at the end of the year amounted to \$3,866, and those for the Sanitation Utility amounted to \$3,935. The total of the two funds accounted for

16% of the total net assets for all enterprise funds. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Moses Lake's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were minor. The majority of the budget change (\$434) came from police and fire which was attributable to new union contracts which elevated wages and benefits. The other significant increases of \$172 were allocated between public works for legal fees, clean up work, and construction of the operations complex and parks and recreations for wages. Of the increases, \$571 was to be funded by an increase in investment interest and \$255 from additional permitting fees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Moses Lake's investment in capital assets for its governmental and business type activities as of December 31, 2006, amounts to \$119,283 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, aquatic facilities, and streets . The total increase in the City of Moses Lake's investment in capital assets for the current fiscal year was 15% (a 11 increase for governmental activities and a 19% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction is almost complete on the Operations Complex for a total project cost of \$7,204.
- A new ice rink was completed during the year for a final cost of \$1,452.
- A downtown revitalization project is close to completion. Costing \$1,900 to date.
- New fire truck was purchased during the fiscal year at a cost of \$128.
- Numerous city vehicles were purchased during the year at a cost of \$127 at year end.
- A new Dump truck was purchased for a cost of \$59.

City of Moses Lake's Capital Assets (net of depreciation)

actual amounts

	Government Activities	Business-type Activities	Total
Land and land improvements	\$15,289,330	\$1,044,634	\$16,333,964
Buildings	12,158,750	18,083,544	30,242,294
Machinery and equipment	2,087,457	1,271,704	3,359,160
Infrastructure	26,682,066	30,989,657	57,671,723
Construction in progress	4,045,039	7,631,197	11,676,236
Total assets	<u>\$60,262,642</u>	<u>\$59,020,735</u>	<u>\$119,283,377</u>

Additional information regarding the capital assets of the City of Moses Lake can be found in note 6 .

Infrastructure. The City of Moses Lake has elected to use the modified approach as defined by GASB statement 34 for reporting it's streets, alleys, bike paths, parking lots and bridges. The city has made a commitment to preserve and maintain the street infrastructure at an acceptable condition rather than recording depreciation. The rating scales for paved streets and bridges are further explained in the required supplementary information, which follows the notes to the basic financial statements.

The City's engineering department evaluates the condition that paved streets are kept based on a formula established by a street assessment program. The formula is calculated using 8 different criteria applied to all paved streets from one intersection to another. Among the criteria is depths and lengths of cracks, sags and humps, and patching. From the inputting of the information the system evaluates all criteria and produces a rating. The condition assessment is taken at least once every three years. The City has no set policy as to the level the streets are to be maintained. However, the City has a program where the streets have a creak seal process applied every six years to bring the condition of the street substantially up.

By definition the City has one bridge that it maintains. The portion that is under water, is inspected every five years by the state Department of Transportation and documented in an inspection report given to and maintained by the City. The bridge is given a sufficiency rating, which is a numerical rating based on a 100 point scale. The rating is based on it's structural adequacy and safety, load capacity, essentiality for public use, and its serviceability and functional obsolescence. Currently the one bridge carries a sufficiency rating of between 65 and 70. The city inspects and evaluates the remainder of the bridge above the water line using the pavement management system that is used for rating paved streets. The bridge has no load limits which substantiates it's superior rating. Projected costs to maintain the bridge are included in the budgeted cost of the streets.

The City maintains an inventory of these infrastructure assets. With biennial assessments establishing the condition level of the assets, the City makes annual estimates of the cost to maintain it's streets which are also reported in the City's annual Capital Improvement Program. For 2006 the City projected \$975 for road maintenance. The actual amount expended was \$272.

For the year there was no significant changes in the condition levels of the streets. With mild weather patterns the condition level of the streets were maintained above the acceptable conditions for the City.

Long-term debt. At the end of the fiscal year, the City of Moses Lake had total bonded debt outstanding of \$18,711. Of this amount, \$11,440 comprises debt backed by the full faith and credit of the government and \$7,015 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Moses Lake's Outstanding Debt
General Obligation and Revenue Debt
(Actual Amounts)

	Governmental Activities	Business-type Activities	Total
General obligation debt	\$ 10,423,333	\$1,016,667	\$ 11,440,000
Special assessment with Governmental commitment	255,979	-	255,979
Revenue debt	-	7,015,000	7,015,000
	<u>\$ 10,679,312</u>	<u>\$8,031,667</u>	<u>\$ 18,710,979</u>

The City of Moses Lake's total long-term debt increased by \$5,446 (21%) during the current fiscal year. The increase was due entirely to a new \$6,100 LTGO bond being added.

The City of Moses Lake maintains a "AAA" rating from Standard & Poor's by carrying Bond insurance. The Special Assessment bonds are unrated.

Washington State statutes limit the amount of general obligation debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to a 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities and 2.5% for utilities. Non-voted (limited tax) general obligation indebtedness is limited to 1.5% of assessed valuation. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 7.5% of assessed valuation. The City's assessed valuation for 2006 was \$988,572 and the remaining debt capacity is as follows:

	(Actual amounts)
General	\$11,484,034
Open Space/Park Facilities	24,715,293
Utilities	24,715,293
Total	<u>\$60,912,620</u>

Additional information on the City of Moses Lake's long-term debt can be found in Note 9 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

After dealing with a sluggish local economy for several years subsequent to the September 11, 2001 terrorist attacks, the city finally realized in mid-2005 some moderate growth in the economy. This growth was sustained and advanced in 2006. This growth translates into greater revenues attributable in part to increased sales taxes, property taxes, permit fees, and the like. Additionally, higher interest rates bolsters the interest income the city receives from its conservative investments. The aforementioned factors were considered in the preparation of the city's 2007 budget.

With the recovery of the local economy, which is providing governmental revenue, at a previously unrealized rate, the city can anticipate providing services at the rate now provided and perhaps increase those services in some areas. In reviewing the building activity in the local economy currently in progress and anticipated for the future, based upon submittals made to the city, it is anticipated that the local economy will continue to improve in 2007 and perhaps for several years into the future, which supports the assumption that current service levels can be maintained and perhaps increased.

Sales tax represents a significant revenue component for the city and a barometer of the local economy. Retail sales are increasing at a rate surpassing sales in some of the previous best sales years in the city. Increased retail sales translates into increased retail sales taxes and an increase in the city's general or operating fund. In 2006 the city's sales taxes increased by approximately 13%, well above the inflation rate. It is anticipated that the sales taxes the city receives in 2007 will match or exceed those received in 2006.

As a result of increasing interest rates, the city's interest on investment income on available cash has reached or exceeded the highest amounts the city received in years prior to 2001. This interest or investment income is receipted into the General or Operating Fund and helps support services funded by the General or Operating Fund. Interest income is a significant portion of the city's General or Operating Fund and with interest rates anticipated to remain at the current levels, support for services provided by the city's General or Operating Fund should remain stable.

The increase in investment earnings has a significant and positive effect on the General or Operating Fund. The above factors, and many more, have allowed for the expenditures in the 2007 budget. The city has maintained its existing level of service to its citizens and has increased its investment in its infrastructure as a result of a growth in the economy which is considered to continue. Furthermore, the city, with increasing revenues, has begun to replenish its reserves which it will continue to attempt to do.

Several industrial concerns in and around the city have announced and/or begun expansions. These expansions will result in added building activity, a short term influx of construction employment and, in the long term, add industrial jobs to the city's employment base. The expansion and/or new location of industry in and around the city will have a direct effect on the local economy and have an effect on building activity which will affect the city's property tax receipts. Eventually the added employment will result in additional population in and around the city which will eventually affect retail sales and, therefore, the city's retail sales tax receipts.

Another indicator of the status of the city's economy is the amount of residential building activity. Property is being developed and residential living units are being constructed in the City of Moses Lake at a rate not seen in the past. The city currently has about 1,000 lots available for residential development and anticipates the same number being made available in the near future with yet more being planned in years to come. This growth bodes well for the city in terms of property taxes and retail sales taxes. This residential growth seems to be supported by many factors, including the in-progress and announced industrial development.

Property tax increases have been limited by voter approved initiative, which only allows a 1% levy increase for 2007, which is below the rate of inflation. However, property taxes generally have increased because of annexations and new construction within the city. In 2005 the city realized approximately \$35 million of permitted building activity. In 2006 the city realized approximately \$70 million in permitted building activity. The city anticipates meeting or exceeding the permitted building activity in 2007. The building activity eventually will translate into a higher assessed valuation in the city which will generate additional property taxes up and above the 1% limitation on existing property taxation.

While the city has experienced some retail closures, new retail businesses have opened and located in Moses Lake which has lessened the impact of the closures and reductions. This seems to be reflected in the city's retail sales taxes.

During the current fiscal year, the unreserved fund balance in the General Fund increased. It is expected that the fund balances will be retained through 2007. Except for a small allowed property tax increase, no other tax increases were included in preparing the 2007 budget.

While it is expected that future budgets may be limited by voter approved initiatives and legislation, which can reduce income to the city's General or Operating Fund, it is expected that some of the limitations experienced by the city will be tempered by continued economic development, primarily in the retail, industrial, and tourism sectors. All of the referenced factors were considered in preparing the City of Moses Lake's budget for the 2007 fiscal year.

The water and sewer utility rates were increased for the 2007 budget year. The water and sewer rates were increased by the rate of inflation for all customers pursuant to city ordinance. The water and sewer rates affected both residential and industrial consumers by approximately the same percentage. The rate increases were necessary to sustain the services for 2007 fiscal year by the water and sewer utility.

The projected outlook for the City of Moses Lake and surrounding area is positive as more building permits are issued and many more larger industrial firms are moving into the area or expanding current facilities because of relatively inexpensive land and power costs.

Requests for Information

This financial report is designed to provide a general overview of the City of Moses Lake's finances for all those with an interest in the governments finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 321 S. Balsam, PO Box 1579, Moses Lake, WA 98837.

City of Moses Lake, Washington
Financial Report
Year Ended December 31, 2006

BASIC FINANCIAL STATEMENTS

CITY OF MOSES LAKE

Statement of Net Assets

December 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,522,671	\$ 3,139,353	\$ 12,662,025
Cash with escrow agent	141,680	-	141,680
Receivables (net of allowances for uncollectibles)	500,077	1,522,564	2,022,641
Internal balances	335,840	(335,840)	-
Inventories and prepaid items	138,074	408,112	546,185
Deferred charges	61,078	131,435	192,514
Restricted assets:			
Cash	-	4,408,100	4,408,100
Interest and other receivables	1,705	2,632	4,337
Capital assets (net of accumulated depreciation):			
Land and land improvements	15,289,330	1,044,634	16,333,964
Buildings and other improvements	12,158,750	18,083,544	30,242,294
Machinery and equipment	2,087,457	1,271,704	3,359,160
Infrastructure	26,682,066	30,989,657	57,671,723
Construction in progress	4,045,039	7,631,197	11,676,236
Total assets	<u>70,963,766</u>	<u>68,297,093</u>	<u>139,260,859</u>
LIABILITIES			
Accounts payable and other current liabilities	2,134,546	739,963	2,874,509
Accrued interest	191,419	169,712	361,131
Unearned revenues	9,405	615	10,021
Noncurrent liabilities			
Due within one year	958,142	882,652	1,840,794
Due in more than one year	10,123,515	17,996,155	28,119,670
Total liabilities	<u>13,417,027</u>	<u>19,789,098</u>	<u>33,206,125</u>
NET ASSETS			
Invested in capital assets, net of related debt	49,249,265	40,642,416	89,891,681
Restricted for:			
Debt service	-	916,401	916,401
Unrestricted	8,297,474	6,949,177	15,246,651
Total net assets	<u>\$ 57,546,739</u>	<u>\$ 48,507,994</u>	<u>\$ 106,054,733</u>

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

CITY OF MOSES LAKE

Statement of Activities

For the Year Ended December 31, 2006

Functions/Programs Primary Government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Government activities:						
General government	\$ 1,467,300	\$ 898,920	\$ 400	\$ (567,980)	\$ -	\$ (567,980)
Public safety	5,577,325	1,057,734	90,128	(4,416,390)	-	(4,416,390)
Public works	1,707,559	1,324,799	-	(382,761)	-	(382,761)
Transportation	2,391,960	872,818	19,000	934,452	-	934,452
Culture and recreation	3,441,019	1,007,845	84,960	(2,348,213)	-	(2,348,213)
Economic Environment	770,961	231,363	53,978	(485,620)	-	(485,620)
Interest on long-term debt	389,505	-	-	(389,505)	-	(389,505)
Total governmental activities	15,745,629	5,393,478	248,467	(7,656,017)	-	(7,656,017)
Business-type activities:						
Water/Sewer utility	9,498,947	9,755,012	-	-	2,984,075	2,984,075
Sanitation	1,725,210	1,711,746	-	-	(13,465)	(13,465)
Ambulance	1,485,987	1,460,040	-	-	(25,947)	(25,947)
Airport	29,377	56,389	-	-	31,767	31,767
Total business-type activities	12,739,521	12,983,187	-	-	2,976,430	2,976,430
Total primary government	\$ 28,485,149	\$ 18,376,665	\$ 248,467	(7,656,017)	2,976,430	(4,679,587)
General revenues:						
Property taxes				2,780,139	-	2,780,139
Retail sales and use taxes				4,286,527	-	4,286,527
Other taxes				3,149,254	-	3,149,254
Interest and investment earnings				727,869	368,985	1,096,855
Miscellaneous				1,231	-	1,231
Transfers, internal activities				93,332	(93,332)	-
Total general revenues and transfers				11,038,353	275,653	11,314,007
Changes in net assets				3,382,336	3,252,083	6,634,420
Net assets - beginning				54,164,403	45,255,911	99,420,314
Net assets - ending				\$ 57,546,739	\$ 48,507,994	\$ 106,054,733

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

CITY OF MOSES LAKE

Balance Sheet Governmental Funds December 31, 2006

	General	Street	Capital Projects 2006	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,731,053	\$ 544,593	\$ 1,784,495	\$ 2,295,134	\$ 7,355,275
Receivables (net of allowance for uncollectibles):					
Taxes	202,058	-	-	-	202,058
Assessments	-	-	-	392,350	392,350
Customer accounts	40,261	6,877	-	17,858	64,996
Unbilled services	13,201	-	-	7,859	21,060
Other receivables	37,399	3,009	-	-	40,408
Due from other funds	-	-	-	300,000	300,000
Due from other governments	19,883	-	-	6,803	26,686
Prepaid expenses	57,895	25,106	-	-	83,001
Total assets	<u>\$ 3,101,749</u>	<u>\$ 579,585</u>	<u>\$ 1,784,495</u>	<u>\$ 3,020,004</u>	<u>\$ 8,485,833</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 31,577	\$ 34,834	\$ 493,482	\$ 4,087	\$ 563,980
Salaries and benefits payable	168,158	7,206	-	590	175,953
Revenues collected in advance	-	-	-	9,405	9,405
Interfund loans payable	-	-	-	346,866	346,866
Deferred revenue	249,711	9,726	-	392,350	651,786
Total liabilities	<u>449,446</u>	<u>51,765</u>	<u>493,482</u>	<u>753,298</u>	<u>1,747,990</u>
Fund balances:					
Reserved for:					
Grants/donations	-	-	-	16,651	16,651
Debt service	-	-	-	310,968	310,968
Petty cash and prepaid expenses	75,420	25,106	-	-	100,526
Vacation/sick leave payouts	25,000	-	-	-	25,000
Unreserved, reported in:					
General fund	2,551,883	-	-	-	2,551,883
Special revenue funds	-	502,714	1,291,013	1,939,088	3,732,815
Total fund balances	<u>2,652,303</u>	<u>527,820</u>	<u>1,291,013</u>	<u>2,266,707</u>	<u>6,737,843</u>
Total liabilities and fund balances	<u>\$ 3,101,749</u>	<u>\$ 579,585</u>	<u>\$ 1,784,495</u>	<u>\$ 3,020,004</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					54,677,992
Other long-term liabilities that are not available to be collected in current period revenues and, therefore are deferred in the funds.					664,573
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, fleet management, and building maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets.					4,298,158
Some liabilities, including bonds, loans, and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.					(8,865,871)
Bond premiums, discounts, refundings and issuance costs are reported as other financing sources and uses and expenditures in the governmental fund financial statements but capitalized on the government-wide statement of net assets.					34,044
Net assets of governmental funds					<u>\$ 57,546,739</u>

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

CITY OF MOSES LAKE

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2006

	General	Streets	Capital Projects 2006	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 9,158,407	\$ -	\$ -	\$ 1,057,513	\$ 10,215,921
Licenses and permits	832,251	165,817	-	-	998,068
Intergovernmental revenues	279,640	447,998	-	247,739	975,376
Charges for services	2,968,574	7,193	-	72,059	3,047,826
Fines and forfeits	6,697	-	-	37	6,733
Interest earnings	688,803	679	-	38,071	727,553
Rents and royalties	277,838	-	-	-	277,838
Contributions/donations	-	-	-	112,218	112,218
Assessments	-	-	-	141,717	141,717
Miscellaneous	7,740	1,000	-	17,360	26,099
Total revenues	14,219,950	622,687	-	1,686,713	16,529,350
EXPENDITURES					
Current:					
General government	1,223,170	-	-	-	1,223,170
Public safety	5,224,456	-	-	169,542	5,393,999
Public works	1,672,627	-	-	-	1,672,627
Transportation	-	1,598,933	-	791,545	2,390,479
Economic environment	635,677	-	-	121,972	757,649
Culture and recreation	2,933,737	-	-	250,673	3,184,409
Capital outlay	29,662	-	3,710,642	607,353	4,347,657
Debt service					
Principal	85,327	-	-	359,045	444,372
Interest and debt issue costs	23,721	-	-	140,671	164,392
Total expenditures	11,828,376	1,598,933	3,710,642	2,440,801	19,578,753
Excess (deficiency) of revenues over (under) expenditures	2,391,574	(976,247)	(3,710,642)	(754,088)	(3,049,403)
OTHER FINANCING SOURCES (USES)					
Transfers in	343,788	1,086,300	-	1,344,571	2,774,659
Transfers (out)	(2,503,643)	-	-	(302,684)	(2,806,327)
Sales of capital assets	16,837	-	-	-	16,837
Proceeds of G.O. bonds	-	-	5,001,655	81,678	5,083,333
Discount on GO bonds issued	-	-	-	(46,761)	(46,761)
Total other financing sources (uses)	(2,143,018)	1,086,300	5,001,655	1,076,804	5,021,741
Net change in fund balances	248,555	110,053	1,291,013	322,716	1,972,338
Fund balances-beginning	2,403,748	417,767	-	1,943,990	4,765,505
Fund balances-ending	\$ 2,652,303	\$ 527,820	\$ 1,291,013	\$ 2,266,707	\$ 6,737,843

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

CITY OF MOSES LAKE

Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2006

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

Net changes in fund balances-total governmental funds:	\$ 1,972,338
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,961,564
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, and donations) is to increase net assets.	2,353,487
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, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,557,283)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(359,406)
Accrued interest revenue in the statement of activities does not provide current financial resources and is not reported as revenue in governmental funds.	317
Reclassification of transfer between governmental funds and fiduciary funds	(125,000)
Internal service funds are used by management to charge the costs of equipment, insurance, data processing, and fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	136,320
	<u>\$ 3,382,336</u>

CITY OF MOSES LAKE

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General Fund

For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 8,621,300	\$ 8,621,300	\$ 9,158,407	\$ 537,107
Licenses and permits	484,000	739,000	832,251	93,251
Intergovernmental revenues	115,800	246,800	279,640	32,840
Charges for services	2,575,400	2,767,300	2,968,574	201,274
Fines and forfeits	4,200	4,200	6,697	2,497
Interest earnings	305,000	876,700	688,803	(187,897)
Rents and royalties	260,900	276,300	277,838	1,538
Miscellaneous	5,800	5,800	7,740	1,940
Total revenues	<u>12,372,400</u>	<u>13,537,400</u>	<u>14,219,950</u>	<u>682,550</u>
EXPENDITURES				
Current:				
General government	1,239,800	1,274,600	1,223,170	51,430
Public safety	5,137,200	5,571,300	5,224,456	346,844
Public works	1,502,300	1,674,000	1,672,627	1,373
Economic environment	583,800	638,600	635,677	2,923
Culture and recreation	2,893,800	3,006,300	2,933,737	72,563
Capital outlay	8,000	20,600	29,662	(9,062)
Debt service:				
Principal	85,400	85,400	85,327	73
Interest and debt issue costs	29,700	29,700	23,721	5,979
Total expenditures	<u>11,480,000</u>	<u>12,300,500</u>	<u>11,828,376</u>	<u>472,124</u>
Excess of revenues over expenditures	<u>892,400</u>	<u>1,236,900</u>	<u>2,391,574</u>	<u>1,154,674</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	300,500	343,788	43,288
Transfers out	(5,999,000)	(2,499,000)	(2,503,643)	(4,643)
Proceeds from sale of capital assets	-	-	16,837	16,837
Proceeds from capital lease	4,000,000	-	-	-
Total other financing sources (uses)	<u>(1,699,000)</u>	<u>(2,198,500)</u>	<u>(2,143,018)</u>	<u>55,482</u>
Net change in fund balances	<u>(806,600)</u>	<u>(961,600)</u>	<u>248,555</u>	<u>1,210,155</u>
Fund balances-beginning	2,113,900	2,440,600	2,403,748	(36,852)
Fund balances-ending	<u>\$ 1,307,300</u>	<u>\$ 1,479,000</u>	<u>\$ 2,652,303</u>	<u>\$ 1,173,303</u>

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

CITY OF MOSES LAKE

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Street Fund For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	50,000	50,000	165,817	115,817
Intergovernmental revenues	455,000	455,000	447,998	(7,002)
Charges for services	-	-	7,193	7,193
Interest earnings	-	-	679	679
Miscellaneous	-	-	1,000	1,000
Total revenues	<u>505,000</u>	<u>505,000</u>	<u>622,687</u>	<u>117,687</u>
EXPENDITURES				
Transportation	1,602,300	1,710,100	1,597,681	112,419
Total expenditures	<u>1,602,300</u>	<u>1,710,100</u>	<u>1,597,681</u>	<u>112,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,097,300)</u>	<u>(1,205,100)</u>	<u>(974,994)</u>	<u>230,106</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,086,300	1,086,300	1,086,300	-
Total other financing sources (uses)	<u>1,086,300</u>	<u>1,086,300</u>	<u>1,086,300</u>	<u>-</u>
Net change in fund balances	<u>(11,000)</u>	<u>(118,800)</u>	<u>111,306</u>	<u>230,106</u>
Fund balances-beginning	116,800	399,300	417,767	18,467
Changes in reserves - inventories	-	-	(1,253)	(1,253)
Fund balances-ending	<u>\$ 105,800</u>	<u>\$ 280,500</u>	<u>\$ 527,820</u>	<u>\$ 247,320</u>

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

CITY OF MOSES LAKE

Statement of Net Assets
Proprietary Funds
December 31, 2006

	Business-type Activities-Enterprise Funds					Governmental Activities
	Water/ Sewer	Sanitation	Ambulance	Airport	Totals	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 651,820	\$ 2,366,082	\$ 57,519	\$ 63,932	\$ 3,139,353	\$ 2,167,397
Escrow accounts	-	-	-	-	-	141,680
Receivables (net of allowance for uncollectibles)	837,894	229,637	424,962	30,071	1,522,564	-
Interfund loans receivable	-	1,446,866	-	-	1,446,866	-
Intergovernmental receivable	-	-	-	-	-	8,499
Inventories and prepaid expenses	380,066	24,823	3,222	-	408,112	55,073
Total current assets	<u>1,869,780</u>	<u>4,067,409</u>	<u>485,703</u>	<u>94,003</u>	<u>6,516,896</u>	<u>2,372,648</u>
Noncurrent assets:						
Restricted assets:						
Revenue bond reserves/debt service:						
Cash and cash equivalents	957,094	-	-	-	957,094	-
Interest receivable	1,269	-	-	-	1,269	-
Due from other governments	1,364	-	-	-	1,364	-
Construction in progress:						
Cash and cash equivalents	3,451,006	-	-	-	3,451,006	-
Total restricted assets	<u>4,410,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,410,732</u>	<u>-</u>
Capital assets, net of accumulated depreciation:						
Land and land rights	759,047	-	-	460	759,507	608,951
Buildings	18,040,371	-	-	43,173	18,083,544	3,311,236
Infrastructure	30,882,056	-	-	107,601	30,989,657	-
Machinery and equipment	1,252,721	-	18,983	-	1,271,704	1,582,862
Construction in progress	7,631,197	-	-	-	7,631,197	81,601
Intangible assets	285,127	-	-	-	285,127	-
Total capital assets	<u>58,850,519</u>	<u>-</u>	<u>18,983</u>	<u>151,234</u>	<u>59,020,735</u>	<u>5,584,650</u>
Other noncurrent assets:						
Deferred charges	131,435	-	-	-	131,435	27,035
Total other noncurrent assets	<u>131,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,435</u>	<u>27,035</u>
Total assets	<u>65,262,466</u>	<u>4,067,409</u>	<u>504,686</u>	<u>245,237</u>	<u>70,079,798</u>	<u>7,984,332</u>

	Business-type Activities-Enterprise Funds					Governmental Activities
	Water/ Sewer	Sanitation	Ambulance	Airport	Totals	Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	188,546	129,374	1,951	400	320,272	49,030
Salaries payable	268,296	2,118	145,910	-	416,324	82,930
Interfund loans payable	500,000	-	-	-	500,000	900,000
Revenues collected in advance	-	-	615	-	615	-
Interest payable	-	-	-	-	-	43,975
Capital leases payable	4,705	-	7,018	-	11,724	235,740
G. O. bonds payable	28,333	-	-	-	28,333	224,441
Accrued interest	169,712	-	-	-	169,712	-
Intergovernmental loan payable	827,595	-	-	-	827,595	-
Revenue bonds payable	15,000	-	-	-	15,000	-
Other short-term liabilities	3,367	-	-	-	3,367	-
Bond premium (discount)	409,038	-	-	-	409,038	-
Total current liabilities	<u>2,414,593</u>	<u>131,492</u>	<u>155,495</u>	<u>400</u>	<u>2,701,981</u>	<u>1,536,116</u>
Noncurrent liabilities:						
Revenue bonds payable	7,000,000	-	-	-	7,000,000	-
G.O. bonds payable	988,334	-	-	-	988,334	2,952,355
Intergovernmental loans payable	9,594,965	-	-	-	9,594,965	-
Deferred revenue	-	-	-	-	-	11,082
Lease payable	2,713	-	1,107	-	3,819	469,327
Total noncurrent liabilities	<u>17,586,011</u>	<u>-</u>	<u>1,107</u>	<u>-</u>	<u>17,587,118</u>	<u>3,432,764</u>
Total liabilities	<u>20,000,604</u>	<u>131,492</u>	<u>156,601</u>	<u>400</u>	<u>20,289,098</u>	<u>4,968,880</u>
NET ASSETS						
Invested in capital assets, net of related debt	40,479,081	-	12,101	151,234	40,642,416	1,719,348
Restricted for debt service	916,401	-	-	-	916,401	-
Unrestricted	3,866,380	3,935,917	335,984	93,603	8,231,883	1,296,105
Total net assets	<u>\$ 45,261,862</u>	<u>\$ 3,935,917</u>	<u>\$ 348,084</u>	<u>\$ 244,836</u>	<u>49,790,700</u>	<u>\$ 3,015,453</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(1,282,706)	
Net assets of business-type activities					<u>\$ 48,507,994</u>	

CITY OF MOSES LAKE

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For Year Ended December 31, 2006

	Business-type Activities-Enterprise Funds					Governmental Activities
	Water/ Sewer	Sanitation	Ambulance	Airport	Totals	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 7,041,704	\$ 1,702,014	\$ 1,458,690	\$ -	\$ 10,202,407	\$ 3,004,676
Operating grants	-	-	-	-	-	38,160
Miscellaneous revenues	113,770	45	1,350	56,389	171,555	-
Total operating revenues	<u>7,155,475</u>	<u>1,702,059</u>	<u>1,460,040</u>	<u>56,389</u>	<u>10,373,962</u>	<u>3,042,836</u>
OPERATING EXPENSES						
Salaries and benefits	1,516,156	57,360	1,090,632	-	2,664,148	459,033
Supplies and contractual services	5,759,097	1,671,322	404,788	1,984	7,837,190	753,159
Utilities	326,491	-	-	2,210	328,701	199,952
Repairs and maintenance	177,845	-	1,263	13,138	192,247	399,464
Insurance claims and expenses	-	-	-	-	-	443,257
Depreciation and amortization	1,471,354	-	6,236	12,045	1,489,635	440,793
Total operating expenses	<u>9,250,942</u>	<u>1,728,682</u>	<u>1,502,920</u>	<u>29,377</u>	<u>12,511,921</u>	<u>2,695,658</u>
Operating income (loss)	<u>(2,095,468)</u>	<u>(26,623)</u>	<u>(42,880)</u>	<u>27,013</u>	<u>(2,137,959)</u>	<u>347,178</u>
NONOPERATING REVENUES (EXPENSES)						
Interest income	368,985	-	-	-	368,985	-
Insurance recoveries	2,453,149	-	-	-	2,453,149	6,510
Intergovernmental grants	-	-	-	-	-	5,574
Intergovernmental payments	(50,000)	-	-	-	(50,000)	-
Interest expense	(270,912)	-	(426)	-	(271,338)	(167,731)
Miscellaneous revenue	154,830	9,687	-	-	164,517	-
Miscellaneous expenses	-	-	-	-	-	1,231
Gain (loss) on disposal of assets	(8,442)	-	-	-	(8,442)	37,297
Capital grants	36,364	-	-	4,754	41,118	-
Total nonoperating revenues (expenses)	<u>2,683,975</u>	<u>9,687</u>	<u>(426)</u>	<u>4,754</u>	<u>2,697,990</u>	<u>(117,120)</u>
Income (loss) before contributions and transfers	588,507	(16,937)	(43,306)	31,767	560,031	230,058
Capital contributions	2,691,646	-	-	-	2,691,646	-
Transfers in	856,668	-	250,000	-	1,106,668	-
Transfers out	-	-	-	-	-	(1,200,000)
Change in net assets	<u>4,136,821</u>	<u>(16,937)</u>	<u>206,694</u>	<u>31,767</u>	<u>4,358,345</u>	<u>(969,942)</u>
Total net assets - beginning	41,125,041	3,952,853	141,391	213,070		3,985,395
Total net assets - ending	<u>\$ 45,261,862</u>	<u>\$ 3,935,917</u>	<u>\$ 348,084</u>	<u>\$ 244,836</u>		<u>\$ 3,015,453</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(1,106,262)	
Change in net assets of business-type activities					<u>\$ 3,252,083</u>	

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	Business-type Activities-Enterprise Funds					Governmental Activities Internal Service Funds
	Water/ Sewer	Sanitation	Ambulance	Airport	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 6,963,362	\$ 1,682,028	\$ 1,259,011	\$ 28,750	\$ 9,933,150	\$ 3,004,676
Cash payments to suppliers	(5,892,948)	(1,655,108)	(407,598)	(25,409)	(7,981,064)	(1,927,391)
Cash payments to employees	(1,492,982)	(66,080)	(1,061,011)	-	(2,620,073)	(459,637)
Miscellaneous revenues	111,668	-	-	-	111,668	35,235
Miscellaneous expenses	(276,280)	-	-	-	(276,280)	-
Net cash provided by (used for) operating activities	(587,182)	(39,160)	(209,598)	3,340	(832,599)	652,883
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Miscellaneous nonoperating revenue	154,830	9,687	-	-	164,517	1,231
Interfund loans payments received (paid)	(500,000)	(919,675)	-	-	(1,419,675)	-
Transfers from other funds	13,459,896	-	250,000	-	13,709,896	-
Transfers to other funds	(12,562,982)	-	-	-	(12,562,982)	(1,200,000)
Purchase of Inventory	-	(18,823)	-	-	(18,823)	-
Other intergovernmental payments	(51,364)	-	-	-	(51,364)	-
Grants	-	-	-	-	-	234,835
Insurance recoveries	2,453,149	-	-	-	2,453,149	6,510
Net cash used for noncapital financing activities	2,953,529	(928,812)	250,000	0	2,274,718	(957,425)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments intergovernmental loans	(324,263)	-	-	-	(324,263)	-
Interfund loans receipts (repayments)	1,000,000	-	-	-	1,000,000	343,500
Payments on leases	(13,869)	-	(13,570)	-	(27,438)	(93,004)
Proceeds of capital grants	36,364	-	113	4,754	41,231	-
ULID principal receipts	2,804	-	-	-	2,804	-
Contributed capital	700,181	-	-	-	700,181	-
G.O. bond principal payments	951,667	-	-	-	951,667	(220,266)
Revenue bond interest payments	(1,788)	-	-	-	(1,788)	-
Debt issue costs	7,054	-	-	-	7,054	-
Interest expense	(308,619)	-	(426)	-	(309,045)	(165,611)
Purchase of plant and equipment	(8,950,765)	-	-	-	(8,950,765)	(490,436)
Proceeds from sale of equipment	2,014	-	-	-	2,014	94,313
Net cash provided by (used) for capital and related financing activities	(6,899,219)	-	(13,882)	4,754	(6,908,347)	(531,505)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	345,316	-	-	-	345,316	11,082
Net cash provided by investing activities	345,316	-	-	-	345,316	11,082
Net increase (decrease) in cash and cash equivalents	(4,187,555)	(967,972)	26,520	8,094	(5,120,912)	(824,964)
Cash and cash equivalents, January 1	9,247,475	3,334,054	30,999	55,838	12,668,366	2,992,361
Cash and cash equivalents, December 31	\$ 5,059,920	\$ 2,366,082	\$ 57,519	\$ 63,932	\$ 7,547,454	\$ 2,167,397
Noncash investing, capital, and financing activities:						
Contributions of capital assets	\$ (700,181)				\$ (700,181)	\$ -
Transfer of capital assets	(130,598)				(130,598)	130,598

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

CITY OF MOSES LAKE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

Page 2 of 2

	Business-type Activities-Enterprise Funds					Governmental Activities
	Water/ Sewer	Sanitation	Ambulance	Airport	Totals	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ (2,095,468)	\$ (26,623)	\$ (42,880)	\$ 27,013	\$ (2,137,959)	\$ 347,178
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	1,471,354	-	6,236	12,045	1,489,635	440,793
Allowance for uncollectible accounts	-	-	28,917	-	28,917	-
Decrease (increase) in accounts receivable	(80,445)	(20,031)	(229,945)	(27,640)	(358,061)	-
Decrease (increase) in taxes receivable	-	-	-	-	-	(2,925)
Decrease (increase) in inventory	27,804	-	(130)	-	27,674	-
Decrease (increase) in prepaid expenses	-	-	-	-	-	(971)
(Decrease) increase in accounts payable	(52,470)	16,214	(1,416)	(8,078)	(45,750)	(130,589)
(Decrease) increase in salaries payable	23,173	(8,719)	29,622	-	44,076	(603)
(Decrease) increase in deferred revenue	118,870	-	-	-	118,870	-
Total adjustments	1,508,286	(12,537)	(166,717)	(23,672)	1,305,360	305,705
Net cash provided (used) by operating activities	<u>\$ (587,182)</u>	<u>\$ (39,160)</u>	<u>\$ (209,598)</u>	<u>\$ 3,340</u>	<u>\$ (832,599)</u>	<u>\$ 652,883</u>

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

CITY OF MOSES LAKE

Statement of Net Assets Fiduciary Funds December 31, 2006

	<u>Firemen's Pension</u>	<u>Agency Funds</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 213,488	\$ 583,723	\$ 797,211
Escrow accounts	-	447,574	447,574
Total assets	<u>213,488</u>	<u>1,031,297</u>	<u>1,244,785</u>
LIABILITIES			
Accounts payable	9,368	-	9,368
Custodial accounts payable	-	1,031,297	1,031,297
Total liabilities	<u>9,368</u>	<u>1,031,297</u>	<u>1,040,665</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 204,120</u>	<u>\$ -</u>	<u>\$ 204,120</u>

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

CITY OF MOSES LAKE

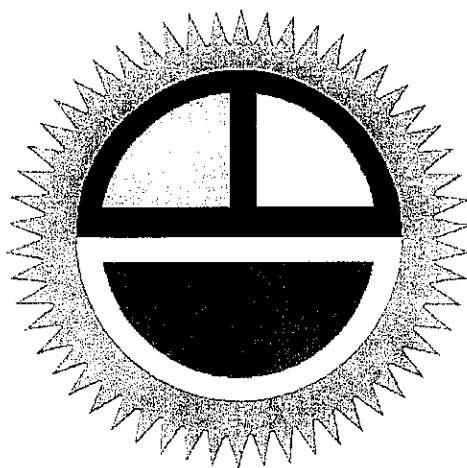
Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the year ended December 31, 2006

	<u>Firemen's Pension Fund</u>
ADDITIONS	
Intergovernmental revenues	\$ 15,564
Interest earnings	9,673
Transfers in	125,000
Total additions	<u>150,237</u>
DEDUCTIONS	
Benefits	16,896
Medical insurance and direct medical payments	115,242
Total deductions	<u>132,137</u>
Change in net assets	18,100
Net assets - beginning	186,020
Net assets - ending	<u>\$ 204,120</u>

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



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CITY OF MOSES LAKE
Notes to the Financial Statements
For the Year Ended December 31, 2006

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CITY OF MOSES LAKE
Notes to the Financial Statements
For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Moses 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 Moses Lake was incorporated on September 19, 1938 and operates under the laws of the State of Washington applicable to a non charter code city with a Council/manager form of government. The reporting entity comprises the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

Based upon these criteria, the primary government consists solely of the legal entity of the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non fiduciary activities of the primary government. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is not 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 properly 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 fund financial statements.

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

The government-wide financial statements are reported using the economic resource's measurement focus and the accrual basis of accounting, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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 resource's measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after the year ends. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the city.

The City of Moses Lake 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 Fund** is a special revenue fund that accounts for the operation and maintenance of the City's streets and alleys, street lighting, and traffic control. Revenues are derived mostly from tax contributions and state shared gasoline tax.

The City of Moses Lake reports the following major proprietary funds:

The **Water/Sewer Fund** accounts for the activities of the City's utility. Revenues are received from water and sewer services provided to the general public. Expenses

comprise maintenance and extensions of drainage, water and sewer service facilities, operating a water supply system, maintaining sewer treatment plants and operating a water drainage system. This fund also reflects the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

The **Sanitation Fund** accounts for the activities of providing contracted garbage services to its citizens. The fund is self-supported through user charges.

The **Ambulance Fund** accounts for the activities of emergency services and transportation of patients.

The **Airport Fund** accounts for the operation and maintenance of a municipal airport located within the city limits.

Additionally, the City of Moses Lake reports the following funds types:

Special Revenue Funds account for revenues from specific taxes or other earmarked revenue sources that by law are designed to finance particular functions or activities of the city.

Debt Service Funds finance and account for the payment of interest and principal on all tax-supported debt, serial and term, including that payable from special assessments.

Capital Project Funds account for all resources to be used for the construction or acquisition of designated capital assets by the city except for those financed by proprietary or fiduciary funds. Their major sources of revenues are from proceeds from general obligation bonds, grants from other agencies and contributions from other funds.

Internal Service Funds account for information service, equipment rental, building maintenance, self-insurance, and unemployment compensation provided to other departments or agencies of the city or to other cities on a cost reimbursement basis.

Fiduciary Funds account for the activities of the fireman's pension fund, which accumulates resources for excess pension benefit payments to qualified firefighters.

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 (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The city has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program 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/Sewer Enterprise fund, or the non major enterprise funds, and of the City's internal service funds are customer charges for sales and services. 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 unrestricted resources first, then restricted resources as needed.

D. Budgetary Information

1. Scope of Budget

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

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

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

2. Amending the Budget

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

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

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

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

E. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

It is the city's policy to invest all temporary cash surpluses. At December 31, 2006, the treasurer was holding \$17,750,303 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds that are statutorily to receive interest and the balance of the interest is credited to the General Fund according to the RCW and pursuant to city ordinances.

For purposes of the statement of cash flows, the city considers all highly liquid investments (including restricted assets) with a maturity of four months or less when purchased to be cash equivalents.

2. Investments - See Investment Note No. 4.

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties (See Property Taxes Note No. 5). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

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 benefitted. As of December 31, 2006, there were no special assessment's receivables delinquents.

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. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Amounts Due to and From Other Funds and Governmental Units, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported

in the government-wide financial statements as "internal balances." A separate schedule of Interfund loans receivable and payable is furnished in Note No. 13, Interfund Balances and Transfers.

5. 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. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the FIFO method which approximates the market value.

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service, including current and delinquent special assessments receivable, in enterprise funds. The current portion of related liability is shown as *Payables from Restricted Assets*. Specific debt service reserve requirements are described in Notes No. 9 & 10, Long-Term Debt and Leases.

The restricted assets of the enterprise funds are composed of the following:

Cash Investments - Debt Service	\$	957,094
Cash Investments - Construction		3,451,006
Interest receivable		1,269
Due from other governments		1,346
Total Restricted Assets	\$	<u>4,410,732</u>

7. Capital Assets - See Capital Assets and Depreciation Note No. 6.

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

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

The costs for normal maintenance and repairs are not capitalized.

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

constructed. The total interest expense incurred by the city during the current fiscal year is \$603,461. Of this amount, \$170,673 was included as part of the cost of capital assets under construction in connection with the Operations Complex construction.

Property, plant, and equipment of the primary government, as well as any component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings/Improvement's	5 - 50
Other Improvements	5 - 25
Vehicles'	5 - 15
Machinery & Equipment	5 - 20
Utility Infrastructure	20 - 50
Streets, Paths, Trails	N/A
Traffic Signals	40
Runway's & Taxiways	12 - 20

Infrastructure capital assets are long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Included in the City's infrastructure are the streets and bridges network. The City has elected to use the modified approach as defined in GASB Statement No. 34 for infrastructure reporting for bridges, paved streets, bike paths, and alleys. There is no depreciation expense reported for such assets nor are amounts capitalized in connection with improvements that lengthen the lives of the assets unless the improvements also increase the service potential.

8. Compensated Absences

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

Vacation pay, which may be accumulated up to two years of earned annual leave, is payable upon separation of employment for any reason. Sick leave may be accumulated up to 480 hours for payoff of exempt employees, and is payable upon voluntary termination or a reduction in work force in accordance with the following schedule:

Years of Service	Percent Payable
0-4	10
5-9	25
10-19	50
20-29	75
30+	100

For members of the General Union bargaining unit who were city employees and members of the Public Employees Retirement System as of January 1, 1983 and who retire, 50% of accumulated sick leave (to a maximum of 480 hours) will be paid as severance pay.

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

10. Long-Term Debt - See Notes No. 9 and 10, Long Term Debt and Leases.

11. Deferred Revenues

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

12. Fund Reserves and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

The governmental funds' balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds, loans, and compensated absences, are not due and payable in the current period and, therefore are not reported in the funds." The details of this \$8,865,871 balance are as follows:

Bonds payable	\$ 7,221,812
Issuance discount	(45,592)
Capital leases payable	23,575
Accrued interest payable	147,444
Special assessments	255,980
Compensated absences	<u>1,262,654</u>
Net adjustment to reduce fund balance-total governmental funds to net assets governmental funds	\$ <u><u>8,865,871</u></u>

Another element of that reconciliation explains that "Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets." The details of this \$4,298,158 difference are as follows:

Net assets of the internal service funds	\$ 3,015,453
Plus: Internal payable representing charges under the cost to business-type activities-- prior years	176,444
Plus: Internal payable representing charges under the cost to business-type activities--current year	1,106,262
	<hr/>
Net adjustment to increase fund balance-total governmental funds to arrive at net assets--governmental activities	<u>\$ 4,298,158</u>

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 fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of the reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$3,961,564 difference are as follows:

Capital outlay	\$ 4,347,657
Depreciation	(386,093)
	<hr/>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,961,564</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, and donations) is to increase net assets. The details of the \$2,353,487 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in governmental funds because they are not a current financial resource.	\$ 2,434,594
In the statement of activities, only the loss on the sale and disposal of capital assets is reported. In governmental funds, only the proceeds from the sale of assets are reported. The difference in the loss from disposal and gain from sale reported in net assets from the proceeds reported in governmental funds is	(44,983)
Less items in construction in progress that were not capital items.	(36,123)
	<hr/>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ 2,353,487</u>

Another element of that reconciliation states that "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, however, has any affect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of the \$ 4,557,283 difference are as follows:

Debt Issued or Incurred:	
Bond payable	\$ 5,083,333
Less debt issue cost	(34,917)
Less discount on bonds paid out	(46,761)
Principal repayments	(444,372)
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets governmental activities.	<u>\$ 4,557,283</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of the \$ 359,406 difference are as follows:

Compensated absences	\$ 267,107
Accrued interest	90,257
Amortization of deferred bond issue costs	2,042
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ 359,406</u>

Another element of that reconciliation states that "Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this \$136,319 difference are as follows:

Change in net assets of the internal service funds	\$ (969,942)
Plus: Loss from charges to business-type activities	1,106,262
Net adjustment to increase net changes in fund balances-total Governmental funds to arrive at changes in net assets of Governmental activities	<u>\$ 136,320</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits

The City of Moses Lake's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

B. Investments

As required by state law, all investments of the City of Moses Lake's funds (except as noted below) are obligations of the U. S. Government, U. S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, the State Treasurer's Investment Pool, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. Investments of pension trust funds are not subject to the preceding limitations. All temporary investments are stated at cost. Other property and investments are shown on the statement of net assets at historical cost. (Other property consists of real estate held for future use.)

At December 31, 2006, the bank balance was \$ 480,185. Of the bank balance \$100,000 was covered by Federal Depository Insurance that are insured, registered or held by the city or it's agent in the city's name. The remainder of the bank balance was covered by the State of Washington Public Deposit Protection Commission which includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the city's name.

Investment Type	Fair Value	Rating	Weighted Average Maturity (days)
Certificates of Deposit - Sterling Savings Bank	\$ 5,500,000	AAA	36
Grant County Invest Pool	662,715	not rated	1
WA State Invest Pool	10,699,685	not rated	18
WA State invest Pool (Bonds)	887,903	not rated	1
Total Fair Value	<u>\$ 17,750,303</u>		
Portfolio Weighted Average Maturity			14

Interest rate risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment or a deposit. In accordance with it's investment policy, the City manages it's exposure to decreases in fair values by limiting the weighted average maturity of its investment portfolio to less than 9 months.

Credit Risk: Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Washington State Investment Pool, a 2a-7 fund, managed by the State Treasurer's Office is limited to high quality obligations with limited maximum and average maturities which is to minimize both market and credit risk. The pool is unrated.

Concentration of credit risk: Concentration risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy states, with the exception of US Treasury securities and authorized pools, no more than 50% of the portfolio can be invested in a single security type or institution.

Custodial credit risk - investments: For an investment is the risk that, in the event of the failure of the counter party, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 5 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar

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

In governmental funds, property taxes are recorded as a receivable when levied, offset by a deferred revenue. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections expected to occur within 60 days. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The city may levy up to \$3.1 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

1. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent (1%) per year, unless approved by the voters. The levy shall be set so the regular property taxes payable in the following year shall not exceed the limit factor multiplied by the amount of regular property taxes lawfully levied in the highest of the three most recent years in which such taxes were levied plus an additional dollar amount calculated by multiplying the increase in assessed value from new construction, improvements to property, and increases in the assessed value of state-assessed property by the regular property tax rate of the preceding year.
2. The Washington State Constitution limits the total regular property taxes to one percent (1%) of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent (1%) limit.

The city's regular levy for 2006 was \$3.06813 per \$1,000 on an assessed valuation of \$905,052,449 for a total regular levy of \$2,776,819.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

A. Capital Assets

A summary of capital assets for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Depreciated:				
Land	\$ 14,880,070	\$ 431,379	\$ 22,118	\$ 15,289,330
Infrastructure*	23,535,220	2,313,896	-	25,849,116
CIP	119,400	4,396,258	470,619	4,045,039
Total capital assets not Depreciated	<u>38,534,690</u>	<u>7,141,533</u>	<u>492,737</u>	<u>45,183,486</u>
Capital Assets Depreciated:				
Buildings	18,078,586	135,154	94,685	18,119,056
Intang-Software	147,051	-	-	147,051
Machinery and equipment	7,652,928	394,108	235,495	7,811,542
Infrastructure	1,448,608	-	-	1,448,608
Total	<u>27,327,174</u>	<u>529,262</u>	<u>330,180</u>	<u>27,526,256</u>
Less Accumulated Depreciation:				
Buildings	5,610,483	424,683	74,860	5,960,306
Intang-software	147,051	-	-	147,051
Machinery and Equipment	5,589,070	365,988	230,973	5,724,085
Infrastructure	579,443	36,215	-	615,658
Total Accumulated Depreciation	<u>11,926,047</u>	<u>826,886</u>	<u>305,833</u>	<u>12,447,100</u>
Total Capital Assets Being Depreciated, Net	<u>15,401,127</u>	<u>(297,624)</u>	<u>24,347</u>	<u>15,079,156</u>
Governmental Activities Capital Assets, Net	<u>\$ 53,935,817</u>	<u>\$ 6,843,909</u>	<u>\$ 517,084</u>	<u>\$ 60,262,642</u>

*The city first reported infrastructure under the new requirements of the Governmental Accounting Standards Board Statement Number 34 in Fiscal Year 2003. The city accounts for the city streets, alleys, parking lots, boat ramps/landings, bike/jogging paths, bridges and storm drains using the modified approach and reports them as non-depreciable Infrastructure. Under the modified approach, rather than recording depreciation, asset condition is reported.

**The city includes internal service fund assets as part of governmental totals above.

	Beginning Balance	Increase	Decreases	Ending Balance
Business-type Activities				
Capital Assets Not Depreciated:				
Land	\$ 759,507	\$ -	\$ -	\$ 759,507
CIP	14,020,506	10,997,328	17,386,637	7,631,197
Intangible Assets	285,127	-	-	285,127
Total capital assets not Depreciated	15,065,139	10,997,328	17,386,637	8,675,830
Capital Assets Depreciated:				
Buildings	11,858,869	11,692,928	-	23,551,797
Machinery and equipment	1,754,536	69,807	37,619	1,786,724
Infrastructure	41,234,581	5,568,805	-	46,803,385
Total	54,847,986	17,331,539	37,619	72,141,907
Less Accumulated Depreciation:				
Buildings	4,953,264	514,989	-	5,468,253
Machinery and Equipment	482,229	59,955	27,163	515,021
Infrastructure	14,899,037	914,691	-	15,813,728
Total Accumulated Depreciation	20,334,530	1,489,635	27,163	21,797,002
Total Capital Assets being Depreciated, Net	34,513,456	15,841,904	10,456	50,344,905
Business-type Activities Capital Assets, Net	\$ 49,578,596	\$ 26,839,232	\$ 17,397,092	\$ 59,020,735

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

Governmental Activities	Depreciation
General Government	\$ 38,396
Public Safety	17,518
Transportation	38,950
Public Works	0
Culture and Recreation	291,229
Capital Assets Held by the Government's Internal Service Funds are Charged to the Various Functions Based on Their Usage of the Assets	440,793
Total Depreciation - Governmental Activities	\$ 826,886

<u>Business-Type Activities</u>	<u>Depreciation</u>
Water/Sewer	\$ 1,471,354
Ambulance	12,045
Airport	6,236
Total Depreciation - Business-Type Activities	\$ <u>1,489,635</u>

B. Collections Not Capitalized

The city has a collection of Indian artifacts that have been acquired over the years, the "Adam East Collection." This collection is held at the Moses Lake Museum and Art Center and is determined to be exempt from capitalization. This collection meets all the exemption requirements as follows:

1. The collection is held for public exhibition, education or research in furtherance of public service rather than financial gain;
2. The collection is protected, kept unencumbered, cared for, and preserved; and
3. The collection is subject to Moses Lake Museum & Art Center Collection Policy section VI:D which requires the proceeds from sales of collection items be used to acquire other items for the collection.

C. Construction Commitments

The city has active construction projects as of December 31, 2006. The projects include a lift station, operations complex, ice rink and downtown revitalization. At year-end the governments's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Broadway/Farmer Drive lift station	\$ 128,440	\$ 234,192
Operations & Maintenance Complex	7,204,545	207,106
Downtown Reconstruction Project	1,842,944	78,583
Ice Skating Rink	1,286,387	54,762
Total	\$ <u>10,462,316</u>	\$ <u>574,643</u>

NOTE 7 - PENSION PLANS

Substantially all City of Moses Lake full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

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

1. Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. 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 age 60 with five years of service, or at age 55 with 25 years of service. The annual benefit is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching age 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at age 65 with five years of service, or at age 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. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or 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. 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 1,181 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

Retirees and Beneficiaries Receiving Benefits	68,609
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	22,567
Active Plan Members Vested	104,574
Active Plan Members Non-vested	51,004
Total	<u>246,754</u>

2. Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 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 Chapter 41.40 and 41.45 RCW.

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

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	3.69%**	3.69%	3.69%***
Employee	6.00%***	3.5%	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%

** The employer rate for state elected officials is 5.44%.

*** The employee rate for state elected officials is 7.5%.

**** Plan 3 defined benefit portion only.

***** Variable from 5% minimum to 15% maximum based on rate selected by the PERS 3 member.

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

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2006	\$13,523	\$118,170	\$25,226
2005	\$ 8,198	\$ 64,872	\$14,105
2004	\$ 6,663	\$ 49,303	\$ 9,410

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

1. 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 20, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003 being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan2. 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 age 50. The benefit per year of service calculated as a percent of final average salary is as follows:

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

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

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

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

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

2. 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 LEOFF Plan 2 Retirement Board in with 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature has the ability, by means of a special funding arrangement, to

appropriate money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 1 and 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 payroll, as of December 31, 2006, were:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	4.90%**
Employee	0.00%	7.85%
State	N/A	3.13%

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for ports and universities is 8.03%.

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

	LEOFF Plan 1	LEOFF Plan 2
2006	\$170	\$144,481
2005	\$340	\$106,479
2004	\$589	\$ 86,456

C. Other Retirement Systems - Volunteer Fire Fighters' Relief And Pension Fund

The Volunteer Fire Fighters' Relief and Pension Fund System is a cost-sharing multiple-employer retirement system which was created by the Legislature in 1945 under Chapter 41.24 RCW. It provides pension, disability and survivor benefits. Membership in the system requires service with a fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; 40 percent of the Fire Insurance Premium Tax; and earnings from the investment of moneys by the Washington State Investment Board. However, members may elect to withdraw their contributions upon termination.

D. Local Governments Pension Trust Funds

The City of Moses Lake is also the administrator of a single employer defined benefit pension retirement plan called Fireman's Pension Fund. The system is shown as a trust fund in the financial reports of the city and is a single -employer defined benefit pension plan.

As of December 31, 2006 there were a total of eight individuals covered by the system. All individuals were retired as of the end of the year, and five were drawing benefits.

The most recent actuarial study was done by Milliman & Robertson, Inc. to determine the funding requirements as of December 31, 1980. As of that date, the value of assets valued

at market was \$279,945 and the actuarial present value of future benefits was \$716,000 leaving an unfunded pension benefit obligation of \$436,055.

Based upon this study, the city made a contribution of \$15,564 in 2006 which represented 100 percent of its current year obligation.

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

Fiscal Year	Net Assets Available For Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligations as a % of Covered Payroll
2006	\$ 204,120	\$ 946,255	21.57%	\$ 742,135	-	N/A
2005	186,020	908,655	20.47%	722,635	-	N/A
2004	283,732	873,155	32.50%	589,423	-	N/A
2003	395,850	839,655	47.14%	443,805	-	N/A
2002	498,781	808,055	61.73%	309,274	-	N/A
2001	540,247	778,255	69.42%	238,008	-	N/A
2000	549,654	750,155	73.27%	200,501	-	N/A
1999	542,276	723,655	74.94%	181,379	-	N/A
1998	544,221	698,655	77.90%	154,434	-	N/A
1997	545,900	675,055	80.87%	129,155	47,913	269.56%

E. Deferred Compensation Plans

The City of Moses Lake offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. Employees are offered a choice of plans with Hartford Insurance, ICMA Retirement Corporation or the State of Washington Deferred Compensation Program. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The plan's funds, held in trust for the exclusive benefit of the participants and their beneficiaries, are not included in the presentation of the city's financial reports.

NOTE 8 - RISK MANAGEMENT

The city of Moses Lake is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 REW (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 121 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 with no annual aggregate except \$10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$15 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

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

The City of Moses Lake maintains insurance against most normal hazards except for unemployment compensation where the city has elected to become self-insured. The city also has set aside monies for possible future self-insurance for accident insurance and this self-insures the first \$50,000.

Claims are processed by independent claims managers. Based on the claims manager's estimates, the city's estimated liability for possible losses at December 31, 2006 were as follows:

Unemployment Compensation	\$428,251
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Claims settlements and loss expenses are accrued in the unemployment compensation fund for the estimated settlement value of both reported and unreported claims. This fund is responsible for collecting interfund premiums from insured funds and departments and for paying claim settlements. Interfund premiums are assessed on the basis of claims experience and are reported as revenues and expenses or expenditures.

NOTE 9 - LONG-TERM DEBT

The City of Moses Lake issues general obligation and revenue bonds to finance the purchase of land and the acquisition or construction of reservoirs, an aquatic center, water and sewer lines and upgrade of wastewater treatment plants. Bonded indebtedness has also been entered into in prior years to advance refund several general obligation and revenue bonds. General obligation refunding bonds were entered into in the current year to refund intergovernmental debt.

A. General Obligation Bonds

General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources.

General obligation bonds currently outstanding are as follows:

Name of Issuance	Purpose	Issuance Date	Maturity Date	Original Debt	Interest Rate	Amount
1998 LTGO Bond	Governmental Activities - Refunding	1/6/1998	8/1/2009	\$ 1,539,725	4.0 - 4.8%	\$ 672,210
1998 LTGO Bond	Governmental - Internal Service	1/6/1998	8/1/2009	155,275	4.0 - 4.8%	67,790
2002 LTGO Bond	Governmental Activities - Refunding	9/10/200	8/1/2012	2,315,705	1.5 - 3.95%	1,466,269
2002 LTGO Bond	Governmental- Internal Service	9/10/200	8/1/2012	1,119,295	1.5 - 3.95%	708,731
2003 LTGO Bond	Governmental - Internal Service	12/30/20	9/1/2023	2,725,000	1.2 - 4.6%	2,425,000
2006 LTGO Bond	Governmental Activities	6/5/2006	8/1/2026	5,083,333	3.65-4.25%	5,083,333
2006 LTGO Bond	Operations Complex	6/5/2006	8/1/2026	1,016,667	3.65-4.25%	1,016,667
Total				\$ 13,955,000		\$ 11,440,000

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

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 482,226	\$ 322,177	\$ 252,774	\$ 171,734
2008	526,467	272,904	268,532	158,153
2009	549,455	253,433	275,545	149,837
2010	572,818	232,478	287,182	140,697
2011	547,015	209,746	292,985	130,549
2012 - 2016	1,485,498	795,251	1,034,502	510,559
2017 - 2021	1,375,000	533,265	1,090,000	307,983
2022 - 2026	1,683,333	220,823	716,667	70,615
Total	\$ 7,221,812	\$ 2,840,075	\$ 4,218,188	\$ 1,640,128

B. Revenue Bonds

Revenue Bonds are bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds are created by ordinance, adopted by the City Council, and financed from Enterprise Fund revenues.

Revenue bonds currently outstanding are as follows:

Bond	Issuance Date	Maturity Date	Original Debt	Interest Rate	Amount
Revenue Bonds '04	10/13/2004	9/1/2024	\$ 7,015,000	2.50-5.00%	\$ 7,015,000
Total			\$ 7,015,000		\$ 7,015,000

Revenue bond debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2007	\$ 15,000	\$ 326,825	\$ 341,825
2008	20,000	326,450	346,450
2009	30,000	325,900	355,900
2010	75,000	325,000	400,000
2011	225,000	322,563	547,562
2012-2016	1,515,000	1,473,550	2,988,550
2017-2021	2,310,000	1,065,250	3,375,250
2022-2024	2,825,000	313,750	3,138,750
Total	\$ 7,015,000	\$ 4,479,288	\$ 11,494,288

Per Internal Revenue Service Code Section 148, rebate arbitrage are earnings on investments purchased from gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The City of Moses Lake carefully monitors its investments to restrict earnings to a yield less than the bond issue, and therefore limit any arbitrage liability. As of December 31, 2006 the City has no arbitrage rebate liability.

C. Government Loans

Government loans have been received to provide for construction of proprietary fund capital projects. Government loans outstanding at year-end are as follows:

Loan	Interest Rate	Amount
PWTF Larson Potable	1.00%	\$ 303,405
PWTF Sewer Rehabilitation	3.00%	95,380
PWTF Well #14	3.00%	124,332
PWTF Reservoir #8	2.00%	686,851
PWTF WWTP-Design	.50%	484,206
PWTF WWTP-Construction	.50%	8,470,588
WA St. Revolve (A)	5.00%	257,798
Total		\$ 10,422,560

The annual debt service requirements to maturity for Government loans are as follows:

Year	Principal	Interest	Total
2007	\$ 827,595	\$ 80,172	\$ 907,768
2008	831,097	70,240	901,338
2009	834,776	60,131	894,407
2010	798,039	49,836	847,875
2011	658,731	42,415	701,146
2012-2016	3,134,450	141,459	3,275,909
2017-2021	2,808,461	55,362	2,863,823
2022	529,412	2,647	532,059
Total	\$ 10,422,560	\$ 502,263	\$ 10,924,823

In proprietary funds, unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

At December 31, 2006, the city had \$548,496 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$957,094 in sinking funds and reserves as required by bond indentures.

NOTE 10 -LEASES

A. Operating Leases

The City of Moses Lake leases a portion of a building which the museum and art center occupies. This lease is for 10 years beginning January 1, 2001 and terminating December 31, 2010, with an option to extend for five additional years. Total cost for this lease was \$42,000, payable in equal monthly payments of \$3,500, for the year ended December 31, 2006. The future minimum lease payments for this lease are as follows:

Year	Amount
2007	42,000
2008	51,600
2009	51,600
2010	51,600
Total	\$ 196,800

B. Capital Leases

The City of Moses Lake has entered into lease agreements for financing machinery and equipment and other improvements. An insignificant portion of these capital leases was used to purchase items below the capitalization threshold and therefore are non-capital items.

These lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Net Capital Lease Asset	Governmental Activities	Business- Type Activities
Other Improvements	\$ 9,985	\$ -
Machinery & Equipment	1,650,328	61,740
Less Accumulated Depreciation	931,672	46,198
Total	<u>\$ 728,641</u>	<u>\$ 15,542</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2006 were as follows:

Year	Governmental Activities	Business-Type Activities
2007	\$ 273,033	\$ 11,987
2008	195,013	2,665
2009	184,847	1,145
2010	106,102	95
2011	16,491	-
Total Minimum Lease Payments	775,485	15,892
Less: Interest	46,843	349
Present Value of Minimum Lease Payments	<u>\$ 728,641</u>	<u>\$ 15,543</u>

NOTE 11 - CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2006, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 5,885,000	\$ 5,083,333	\$ 545,000	\$ 10,423,333	\$ 706,667
Less deferred amount					
For issuance premiums (discounts)	(26,724)	3,167	46,761	(70,318)	-
Total bonds/leases payable	5,858,276	5,086,500	591,761	10,353,015	706,667
Capital leases	714,277	450,000	435,636	728,641	251,475
Compensated absences	1,079,080	687,111	428,363	1,337,828	267,566
Governmental activity long term liabilities	<u>\$ 7,651,633</u>	<u>\$ 6,223,611</u>	<u>\$ 1,455,760</u>	<u>\$ 12,419,484</u>	<u>\$ 1,225,708</u>
Business-type activities					
Bonds payable:					
General Obligation Bonds	\$ -	\$ 1,016,667	\$ -	\$ 1,016,667	\$ 28,333
Revenue bonds	7,080,000	-	65,000	7,015,000	15,000
Less deferred amounts					
For issuance premiums (discounts)	441,825	234	33,021	409,038	-
Total bonds/leases payable	7,521,825	1,016,901	98,021	8,440,705	43,333
Capital leases	42,981	-	27,438	15,542	11,724
Government loans	10,746,823	500,000	824,263	10,422,560	827,595
Compensated absences	375,616	180,784	86,154	366,352	73,270
Business-Type activity long term liabilities	<u>\$ 18,687,245</u>	<u>\$ 1,697,685</u>	<u>\$ 1,035,876</u>	<u>\$ 19,245,160</u>	<u>\$ 955,923</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$3,201,521 of general obligation bonds, \$24,726 bond discount, \$705,066 capital leases, and \$75,175 compensated absences of internal service funds are included in the above governmental activities amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund. Compensated absences and special assessments are reported as other current liabilities in the Statement of Net Assets.

NOTE 12 - CONTINGENCIES AND LITIGATIONS

The City of Moses Lake has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the city will have to make payment. In the opinion of management, the city's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

As discussed in Notes No. 9 and 10 Long-Term Debt and Leases, the city is contingently liable for repayment of refunded debt.

As discussed in Notes No. 9 and 10 Long-Term Debt and Leases, the city is contingently liable for repayment of refunded debt.

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. (Other than the instances described above,) city management believes that such disallowance, if any, will be immaterial.

As of December 31, 2006 the following significant suits were:

Pending or Threatened Litigation

1. Moses Lake v. EPA, Boeing, and Department of Defense: The city has filed a lawsuit to recover against the defendants for contamination of city wells. It is expected some defendants will counter claim alleging the city contributed to the contamination. There is insurance for this counter claim.
2. Bell v. Moses Lake, etal: Is a wrongful death claim arising from a motor vehicle accident. An intersection the city acquired as part of an annexation is alleged to have been negligently designed. The city has insurance for this claim subject to a \$25,000 contribution.

Of the litigation settled in the past three years, where the City was the defendant, none exceeded the insurance coverage.

NOTE 13 - INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Loans between funds are classified as interfund loans receivable or payable on the statement of net assets. The loans were for side walk paver construction, operations complex construction, and Central Drive LID. Repayment in full by December 31, 2006 is not expected.

Interfund balances at December 31, 2006 were as follows:

		Borrowing Fund				
		Central Dr LID#58	Building Maintenance	Water Sewer	Equipment Rental	Sidewalk Paver Construction
Lending Fund	Capital Projects	\$ -	\$300,000	\$ -	\$ -	\$ -
	Sanitation	122,866	-	500,000	600,000	224,000
	Total	<u>\$122,866</u>	<u>\$300,000</u>	<u>\$500,000</u>	<u>\$600,000</u>	<u>\$224,000</u>
		Total				
						<u>\$1,746,866</u>

B. Interfund Transfers

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. The principle reason for the transfers is to move the resources from the fund collecting them to the fund using them as required by statute or budget and to account for operating subsidies between funds in accordance with budget authorization. The interfund transfer activity for the year is as follows:

	Transfer From				Total
	General Fund	Special Revenue	Water/ Sewer	Equipment Rental	
General Fund	\$ -	\$ -	\$343,332	\$ -	\$ 343,332
Special Revenue	1,833,743	-	-	-	1,833,743
Debt Service	295,356	264,600	-	-	559,956
Capital Projects	-	37,628	-	-	37,628
Water/Sewer	-	-	-	1,200,000	1,200,000
Ambulance	250,000	-	-	-	250,000
Firemen's Pension	125,000	-	-	-	125,000
Total	\$2,504,099	\$302,228	\$343,332	\$1,200,000	\$4,349,659

NOTE 14 - SEGMENT INFORMATION

The city operates three utilities which are primarily financed by user charges. The only required fund to display segment information is the water/sewer fund. Segment information for the year-end is provided below.

	Water	Sewer	Total
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current asset	\$ 1,174,870.98	\$ 694,909	\$ 1,869,780
Restricted assets	2,052,416	2,358,317	4,410,732
Capital assets	23,799,218	35,051,301	58,850,519
Other assets	65,718	65,718	131,435
TOTAL ASSETS	27,092,222	38,170,244	65,262,466
Liabilities:			
Current liabilities	264,968	691,874	989,881
Current Liabilities payable from restricted assets	320,016	728,698	1,424,713
Noncurrent liabilities	6,269,261	11,725,788	17,586,011
TOTAL LIABILITIES	6,854,245	13,146,359	20,000,604
Net Assets:			
Invested in capital assets, net of related debt	15,786,842	24,692,239	40,479,081
Restricted	-	-	916,401
Unrestricted	2,297,849	1,568,530	3,866,380
TOTAL NET ASSETS	\$ 20,237,977	\$ 25,023,885	\$ 45,261,862

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Total operating Revenues	\$ 4,167,491	\$ 2,987,984	\$ 7,155,475
Depreciation, Amortization, Depletion	(603,626)	(867,728)	(1,471,354)
Total Operating Expense	(5,862,245)	(1,917,343)	(7,779,588)
Operating income	(2,298,380)	202,912	(2,095,468)
Nonoperating revenue (expenses):			
Interest income	212,249	156,737	368,985
Insurance Recoveries	2,453,149	-	2,453,149
Intergovernmental payments	60,674	80,520	141,193
Interest expense	(248,888)	(22,024)	(270,912)
Disposal of Assets	(8,442)	-	(8,442)
Capital Contributions	1,674,259	1,017,387	2,691,646
Transfers in (out)	-	856,668	856,668
Prior Period Adjustment	-	-	-
Change in net assets	1,844,621	2,292,200	4,136,821
Beginning net assets	18,393,356	22,731,685	41,125,041
Ending net assets	\$ 20,237,977	\$ 25,023,885	\$ 45,261,862

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:			
Operating activities	\$ (355,024)	\$ (232,158)	\$ (587,181)
Noncapital financing activities	2,097,385	856,144	2,953,529
Capital & related financing activities	(4,143,520)	(2,755,699)	(6,899,219)
Investing activities	200,414	144,902	345,316
Net increase (decrease)	(2,200,744)	(1,986,811)	(4,187,555)
Beginning cash & cash equivalents	6,158,710	3,088,764	9,247,474
Ending cash & cash equivalents	\$ 3,957,966	\$ 1,101,953	\$ 5,059,919

NOTE 15- OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In addition to the pension benefits described in Note No. 7, the city provides post-retirement health care benefits in accordance with statute for police and fire employees who are eligible under the Police Relief and Pension Fund and Firefighter's Pension Fund. Currently the city has 20 individuals that meet the eligibility requirements.

Law Enforcement Officers' And Fire Fighters' Retirement System (LEOFF) plan 1

A. Summary of Significant Accounting Policies

The LEOFF's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable. Investments are reported at fair value. The city has elected to calculate information of an actuarial nature using the alternative measurement method permitted by GASB Statement 43 for plans with fewer than one hundred employees.

B. Plan Description

The "plan" is directed and defined by State of Washington Revised Code (RCW). Employers, such as municipalities, counties, and fire districts, are required by RCW 41.26.150 to pay the costs of necessary medical services for any active or retired members of the Law Enforcement Officers' and Fire Fighters' Retirement System Plan One (LEOFF I). Under subsection 4, the employer may provide for medical insurance through insurance carriers. The plan covers retirees who are retired on disability as well as those who are retired after reaching age requirements. To qualify for medical services, the employee need only be active or disability retired, or the employee's service retirement date is that day following separation from LEOFF employment with the city. To make this plainer, if the employee leaves the city and takes a job with another member of the Washington State Retirement System, regardless of the plan, then that member would then be liable for the employee's medical services. Employees may retire after 5 years of service after reaching age 50. Employees with 20 years of service who leave employment before retirement age are eligible for medical benefits upon reaching age 50. Insurance for retired individuals is provided through the employer's group plan, which covers both active and qualified retired members. The health insurance coverage and medical costs for retired firefighters are paid for out of the fire fighters' pension fund. For law enforcement officers, costs are paid out of the police department budget. The medical services cover active and retired members only. Spouses are not eligible.

C. Funding Status and Funding Policy

The plan has 22 members, there are 2 active members and 20 retired members. Health insurance premiums are paid monthly. Other medical services are paid bimonthly as billings are presented for reimbursement. The city reimburses 100 percent of the amount of validated claims for medical costs incurred by these individuals. The pension board performs an annual survey to determine the care to be covered. Employer contributions are financed on a pay-as-you-go basis. The city maintains a fund dedicated to providing resources for these benefits.

For 2006, the city paid medical insurance premiums of \$134,165 for pre-age 65, and \$73,013 for post-age 65. Other medical payments paid by the city are for all eligible medical services not paid for by the insurance. Amounts paid from 2004 through 2006 by the city are as follows:

Year	Members		Other Medical Services	Total Insurance Premium	Other Services as Percent of Insurance Costs
	<65	>65			
2006	12	8	\$8,489	\$204,129	4.16%
2005	10	8	10,085	173,490	5.81%
2004	9	9	6,044	158,080	3.82%
Total			<u>\$24,618</u>	<u>\$535,699</u>	<u>4.60%</u>

The city's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the city's OPEB obligation to the Retiree Health Plan:

Annual required contribution	240,660
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	240,660
Contributions made	212,618
Increase in net OPEB obligation	28,042
Net OPEB obligation-Beginning of year	-
Net OPEB obligation-End of year	<u>28,042</u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2006 and the two preceding fiscal years were as follows:

Fiscal year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2004	\$167,650	100%	-
12/31/2005	\$187,314	100%	-
12/31/2006	\$212,618	88%	\$28,042

Funding Status and Funding Progress. As of December, 2006, the actuarial accrued liability for benefits was \$4,541,150, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$ 108,469.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Both active employees have reached the 50 year minimum retirement age. The historical age of retirement for regular retirees is 55 years of age. Employees who retired on disability were excluded from this calculation. Two eligible employees retired during 2005 or 2006. Active employees are assumed to retire at age 60 because they have reached age 55 which is the average retirement age for the group.

Life expectancies are based on mortality tables at the National Center for Health Statistics website (www.cdc.gov). The 2003 United States life tables for Males were used. Life expectancies that included partial years were rounded to the nearest whole year. The calculation of post employment health insurance coverage for each year in the worksheet is based on the assumption that all participants will live until their expected ages as displayed in the mortality tables.

All active employees have qualified for post employment healthcare benefits under the provisions of RCW. Therefore, the assigned probabilities are 100%.

The expected rate of increase in healthcare insurance premiums is based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services, as published in National Health Care Expenditures Projection Tables, Table 3: National Health Expenditures, Aggregate & Per Capita Amounts, Percent Distribution, and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1999 to 2015, published March 2004 by the Health Care Financing Administration (www.cms.hhs.gov).

The assumed long term earnings rate on current and expected investments that are expected to be used in financing the payment of benefits is 5.2%.

Inflation rate- The expected long-term inflation assumption of 2.8 percent was based on projected changes in the Consumer Price Index for Urban Wage earners and Clerical Workers (CPI-W) in the 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate- The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the city's short-term investment portfolio, a discount rate of 5.2 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at December 31, 2006 was twenty-eight years.

CITY OF MOSES LAKE
Required Supplementary Information

Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

Streets

The City performs condition assessments on its system of streets through the City Pavement Management System. This program generates a pavement condition rating (PCR) for each segment of primary streets, secondary streets, tertiary collectors and residential streets. There is a numerical index from zero to 100 (0 - 100) that represents the pavement's functional condition based on the quantity, severity, and type of visual distress, such as cracking. Based on the PCR valuation, condition ratings are assigned as follows: a PCR of less than 20 is considered to be in "very poor" condition; a PCR of greater than 20 but less than 40 is defined as having a "poor" status; a PCR of between 40 and 60 is regarded as being in "fair" condition; a PCR of 60 to 80 is evaluated as being in "good" status and a score from 80 to 100 is defined as being in "very good" condition. Condition assessments are undertaken at least once every three years. The three most recent complete condition assessments of the City's streets are shown below.

Condition rating	2006		2005-2003		2002-2000	
	Feet	%	Feet	%	Feet	%
VERY POOR	24,932	4.20%	8,090	1.49%	4,710	0.90%
POOR	30,790	5.19%	20,465	3.78%	17,375	3.40%
FAIR	62,906	10.60%	79,300	14.64%	78,705	15.30%
GOOD	154,468	26.03%	133,996	24.73%	125,711	24.40%
VERY GOOD	320,411	53.99%	299,955	55.36%	288,702	56.00%
TOTAL	593,507	100.00%	541,806	100.00%	515,203	100.00%

It is the Policy of the City Engineering Department to maintain 70 percent of the streets at a PCR of 40 or higher. The table below shows the length and percentage of feet of streets that meet the 40 target level.

PCR score	2006		2005-2003		2002-2000	
	Feet	%	Feet	%	Feet	%
PCR 0 to 39	55,722	9.39%	28,555	5.27%	22,085	4.30%
PCR 40 to 100	537,785	90.61%	513,251	94.73%	493,118	95.70%
Total	593,507	100.0%	541,806	100.0%	515,203	100.0%

The four classifications of streets that the City has are primary, secondary, tertiary collectors and residential. There is a state highway which is considered a primary street that bisects the City which is maintained and evaluated by the State of Washington, Department of Transportation. The majority of streets that fall below the PCR of 40 are residential streets. A portion of the streets that are under the target level of 40 is a primary street that was recently annexed into the City.

Below is information on budgeted and actual expenditures incurred to maintain and preserve the street system at or above the minimum acceptable condition level from 2003 to 2006. The budgeted amount is equivalent to the anticipated amount needed to maintain streets up to the recommended condition level.

	Amounts in Thousands			
	2006	2005	2004	2003
Budgeted	975	1,376	438	291
Expended	291	1,096	194	400

Underspending of budgeted amounts occurs when streets projects are removed from the work schedule due to conflicts with other major construction work; lowering of priority due to cost considerations brought on by excessive bids over estimates or shortages of sufficient contractor bids; and through direction from Council. No amounts were available prior to 2003 and GASB #34 as the City budgeted and capitalized the cost of reconstruction of streets.

Bridge

The City currently maintains one simple structure bridge. Physical inspections to determine the surface and underneath condition of the bridge and the degree of wear and deterioration are carried out every two years by City staff. Underwater inspections are contracted by the State Department of Transportation once every five years. Inspections reveal deficiencies in the bridge such as steel corrosion, damaged pillars, cracked concrete, deteriorated bridge decks and erosion. These are documented in an inspection report provided by the State Department of Transportation along with recommended repairs and needed services.

A key element in determining the condition of the bridge is the sufficiency rating (SR), the numerical value which indicates a bridge's relative ability to serve its intended purpose. measure considered by state and federal governments as the basis for establishing eligibility and priority for the bridge replacement and rehabilitation. The numerical rating is based on the summation of four calculated values: structural adequacy and safety, serviceability and functional obsolescence, essentiality for public use, and special reductions. The value ranges from 100 (newly constructed bridge) to 0 (bridge incapable of carrying traffic).

In general, the lower the sufficiency rating, the higher the priority. To qualify for replacement, a bridge must have a sufficiency rating of less than 50 and be structurally deficient or functionally obsolete. To be eligible for rehabilitation, a bridge must have a SR of 80 or less and be structurally deficient or functionally obsolete. A structurally deficient bridge is defined as one whole condition or design has impacted its ability to adequately carry intended traffic loads. A functionally obsolete bridge is one in which the deck geometry, load carrying capacity, clearance, or approach roadway alignment has reduced its ability to adequately meet the traffic needs below accepted design standards.

Below are the two most recent sufficiency ratings of the Alder St. causeway.

<u>sufficiency rating</u>	
2001	70 %
2006	69 %

It is the policy of the City to maintain bridges in such a manner that the sufficiency rating is 20 or higher. A rating of 20 or less is usually indicative of a bridge with structural deficiency. The most common remedy is full replacement or rehabilitation of the bridge. As of December 31, 2006 the City's lone bridge was given a 'good' evaluation.

Because the City's bridge is relatively small (146 feet long) the budget and actual expended amounts to maintain and preserve the bridge are included in the budget and expended amounts for streets.

The budget amounts are the anticipated amount needed to maintain and preserve the bridge up to the required condition level. The traffic, weight loads, aging and weather extremes all have an effect on the condition and maintenance level of the bridge.

City of Moses Lake, Washington
Financial Report
Year Ended December 31, 2006

**COMBINING STATEMENTS AND
SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources.

*The **Tourism** Fund was created to account for the 2% of funds received from the Hotel Motel tax under RCW67.28. The funds distributed are to be used for the purpose of paying all or any part of the cost of tourism promotion and acquisition of tourism.*

*The **Grants and Donations** fund was established by Ordinance 2173 to account for monies received from federal, state, and local organizations or individuals, in the form of grants or donations. These monies are generally designated for specific projects.*

*The amount expended on **Paths and Trails** per RCW47.30.060 are to be no less than .42% of the total received from motor vehicle (RCW46.68.090). The city is authorized to expend the available funds as necessary for the planning accommodation, establishment, and maintenance of nonmotorized traffic facilities.*

*The **Street Repair and Reconstruction** fund was established to account for monies received from the business and occupation taxes on utilities in excess of 5%, which are General Fund revenues. The expenditures of these monies are for the overlay, repair and reconstruction of city streets.*

*The **Park Fees** fund was created for the purpose of accounting for capital received from developers for the creation of future parks.*

*The **Basin Homes Block Grant** fund was established in 1991 by resolution to account for all revenues from lien repayments concerning Basin Homes Block Grant, until ten(10) years from the date of execution of the last Basin Homes Block Grant lien.*

DEBT SERVICE FUNDS

The debt service funds are used to account for the accumulation of resources for, and payment of, general obligation bond principal and interest from governmental resources: special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment; and all other general long-term debt principal and interest. All general obligation bonds serviced by the City of Moses Lake are serial bonds issued on the full faith and credit of the city, councilmanic and financed by property tax levies or through interfund loans.

*The **Equipment leases** accounts for the debt service on assets purchased by lease.*

***1998 LTGO Refunding** proceeds were used to refinance 1992 bonds of \$1,015,000 and 1990 Refunding debt of \$530,000. The majority of the original debt was issued to finance the downtown paver project.*

***2002 LTGO Refunding** proceeds were used to refinance the \$1,330,000 of the Limited Tax General Obligation Refunding of the 1993 Aquatic Center debt and to purchase City Hall campus lots 1, 6, 9, and 18 along with the Larson Recreational Center and Penn St. property.*

***2006 LTGO** proceeds were issued by the authority of Ordinance 2256 to finance various downtown improvements, ice skating rink, flowrider/lazy river for the aquatic center and maintenance facility for the Parks and Recreation Department.*

***Crestview Drive LID** accounts for the construction and installation of sewer utilities on Crestview Drive. At year end this fund was closed but had activity transferring assets therefore no balance sheet amounts are presented but changes in the fund balance are reported.*

***Central Drive LID** was established for the construction and installing full width street improvements, curbs, gutters, and sidewalks along with traffic signalization along Central Drive.*

CAPITAL PROJECTS FUNDS

Capital projects funds are established to account for the financial resources to be used for the acquisition or construction of major capital facilities other than those financed by special assessment and proprietary funds.

*The **Capital** fund was established to provide for municipal facilities construction.*

*The **Park and Recreation Improvement** fund was established to provide for capital improvement for all city park and recreation facilities.*

CITY OF MOSES LAKE
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,611,728	\$ 433,834	\$ 249,572	\$ 2,295,134
Receivables (net of allowance for uncollectibles):				
Customer accounts	17,858	-	-	17,858
Unbilled services	7,859	-	-	7,859
Interfund loan receivable	-	-	300,000	300,000
Intergovernmental receivable	6,803	-	-	6,803
Assessments:				
Deferred	-	392,350	-	392,350
Total assets	<u>1,644,248</u>	<u>826,184</u>	<u>549,572</u>	<u>3,020,004</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	4,087	-	-	4,087
Salaries & benefits payable	590	-	-	590
Interfund loans	224,000	122,866	-	346,866
Revenues collected in advance	9,405	-	-	9,405
Deferred revenue	-	392,350	-	392,350
Total liabilities	<u>238,082</u>	<u>515,216</u>	<u>-</u>	<u>753,298</u>
Fund balances:				
Reserve for debt service	-	310,968	-	310,968
Reserved for grants/donations	16,651	-	-	16,651
Unreserved fund balance	1,389,516	-	549,572	1,939,088
Total fund balances	<u>1,406,167</u>	<u>310,968</u>	<u>549,572</u>	<u>2,266,707</u>
Total liabilities and fund balances	<u>\$ 1,644,248</u>	<u>\$ 826,184</u>	<u>\$ 549,572</u>	<u>\$ 3,020,004</u>

CITY OF MOSES LAKE
Combining Balance Sheet
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006

ASSETS		Tourism	Grants and Donations	Paths and Trails	Street Repair and Reconstruction	Parks Fees	Basin Homes Block Grant	Total Nonmajor Special Revenue Funds
Cash and cash equivalents	\$	583,970	\$	244,818	\$	84,143	\$	1,611,728
Receivables (net of allowance for uncollectibles):								
Accounts receivable	-	-	-	-	17,858	-	-	17,858
Unbilled receivables	-	-	-	-	7,859	-	-	7,859
Due from other governments	-	-	6,803	-	-	-	-	6,803
Total assets		<u>583,970</u>	<u>245,661</u>	<u>244,818</u>	<u>399,429</u>	<u>84,143</u>	<u>86,227</u>	<u>1,644,248</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	-	1,465	-	2,621	-	-	4,087
Salaries & benefits payable	590	590	-	-	-	-	-	590
Revenues collected in advance	-	-	9,405	-	-	-	-	9,405
Interfund loans payable	-	-	-	-	224,000	-	-	224,000
Total liabilities		<u>590</u>	<u>10,871</u>	<u>-</u>	<u>226,621</u>	<u>-</u>	<u>-</u>	<u>238,082</u>
Fund balances:								
Reserved for grants/donations	-	-	16,651	-	-	-	-	16,651
Unreserved fund balance	583,380	583,380	218,140	244,818	172,808	84,143	86,227	1,389,516
Total fund balances		<u>583,380</u>	<u>234,791</u>	<u>244,818</u>	<u>172,808</u>	<u>84,143</u>	<u>86,227</u>	<u>1,406,167</u>
Total liabilities and fund balances		<u>\$ 583,970</u>	<u>\$ 245,661</u>	<u>\$ 244,818</u>	<u>\$ 399,429</u>	<u>\$ 84,143</u>	<u>\$ 86,227</u>	<u>\$ 1,644,248</u>

CITY OF MOSES LAKE
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2006

	Equipment Leases	1998 LTGO Refunding	2002 LTGO Refunding	2006 GO Bond Redemption	Central Drive LID	Total Nonmajor Debt Service Funds
ASSETS						
Cash and cash equivalents	\$ 115,542	\$ 89,260	\$ 40,055	\$ 150,000	\$ 38,977	\$ 433,834
Receivables (net of allowance for (uncollectibles)						
Assessments - deferred	-	-	-	-	392,350	392,350
Total assets	<u>115,542</u>	<u>89,260</u>	<u>40,055</u>	<u>150,000</u>	<u>431,327</u>	<u>826,184</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund Loans	-	-	-	-	122,866	122,866
Deferred revenue	-	-	-	-	392,350	392,350
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,216</u>	<u>515,216</u>
Fund balances						
Reserved for debt service	115,542	89,260	40,055	150,000	(83,889)	310,968
Total liabilities and fund balances	<u>\$ 115,542</u>	<u>\$ 89,260</u>	<u>\$ 40,055</u>	<u>\$ 150,000</u>	<u>\$ 431,327</u>	<u>\$ 826,184</u>

CITY OF MOSES LAKE
Combining Balance Sheet
Nonmajor Capital Projects funds
December 31, 2006

	<u>Capital</u>	<u>Park Improvement</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 236,116	\$ 13,456	\$ 249,572
Interfund loan receivable	300,000	-	300,000
Total assets	<u>\$ 536,116</u>	<u>\$ 13,456</u>	<u>\$ 549,572</u>
 Fund balances:			
Designated for capital purposes	679,827	-	679,827
Unreserved fund balances	<u>(143,711)</u>	<u>13,456</u>	<u>(130,255)</u>
Total fund balances	<u>536,116</u>	<u>13,456</u>	<u>549,572</u>
Total liabilities and fund equity	<u>\$ 536,116</u>	<u>\$ 13,456</u>	<u>\$ 549,572</u>

CITY OF MOSES LAKE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 1,057,513	\$ -	\$ -	\$ 1,057,513
Intergovernmental revenues	247,739	-	-	247,739
Charges for services	72,059	-	-	72,059
Fines and forfeits	37	-	-	37
Interest earnings	3,865	34,206	-	38,071
Contributions/donations	110,218	-	2,000	112,218
Assessments	31,247	110,471	-	141,717
Miscellaneous	8,498	-	8,861	17,360
Total revenues	<u>1,531,176</u>	<u>144,677</u>	<u>10,861</u>	<u>1,686,713</u>
EXPENDITURES				
Current:				
Public Safety	169,542	-	-	169,542
Economic environment	121,972	-	-	121,972
Transportation	791,545	-	-	791,545
Culture and recreation	246,168	-	4,505	250,673
Capital	402,709	-	204,644	607,353
Debt Service:				
Principal	-	359,045	-	359,045
Interest and other debt service costs	6,309	134,362	-	140,671
Total expenditures	<u>1,738,246</u>	<u>493,407</u>	<u>209,148</u>	<u>2,440,801</u>
Deficiency of revenues under expenditures	<u>(207,070)</u>	<u>(348,731)</u>	<u>(198,287)</u>	<u>(754,088)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of GO bonds	-	81,678	-	81,678
Discount on GO bonds issued	-	(46,761)	-	(46,761)
Transfers in	747,443	559,500	37,628	1,344,571
Transfers (out)	(302,228)	(456)	-	(302,684)
Total other financing sources	<u>445,215</u>	<u>593,961</u>	<u>37,628</u>	<u>1,076,804</u>
Net change in fund balances	238,145	245,230	(160,659)	322,716
Fund balances-beginning	1,168,022	65,738	710,231	1,943,990
Fund balances-ending	<u>\$ 1,406,167</u>	<u>\$ 310,968</u>	<u>\$ 549,572</u>	<u>\$ 2,266,707</u>

CITY OF MOSES LAKE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2006

REVENUES	Tourism	Grants and Donations	Paths and Trails	Street Repair and Reconstruction	Parks Fees	Basin Homes Block Grant	Total Nonmajor Special Revenue Funds
Taxes	\$ 326,345	\$ -	\$ -	\$ 731,168	\$ -	\$ -	\$ 1,057,513
Intergovernmental revenues	-	215,230	22,619	9,889	-	-	247,739
Charges for services	-	15,433	-	-	56,626	-	72,059
Fines and forfeits	-	37	-	-	-	-	37
Interest earnings	-	-	-	-	-	3,865	3,865
Contributions/donations	-	91,218	-	19,000	-	-	110,218
Assessments	-	-	-	31,247	-	-	31,247
Miscellaneous	-	6,320	-	2,178	-	-	8,498
Total revenues	<u>326,345</u>	<u>328,238</u>	<u>22,619</u>	<u>793,482</u>	<u>56,626</u>	<u>3,865</u>	<u>1,531,176</u>
EXPENDITURES							
Current							
Public safety	-	169,542	-	-	-	-	169,542
Economic environment	70077	51894	-	-	-	-	121972
Transportation	-	-	57992	733553	-	-	791545
Culture and recreation	198878	47290	-	-	-	-	246168
Capital	-	33,462	16,662	352,585	-	-	402,709
Debt Service:							
Interest and other debt service costs	-	-	1,269	5,040	-	-	6,309
Total expenditures	<u>268,956</u>	<u>302,188</u>	<u>75,923</u>	<u>1,091,179</u>	<u>-</u>	<u>-</u>	<u>1,738,246</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,389</u>	<u>26,050</u>	<u>(53,304)</u>	<u>(297,696)</u>	<u>56,626</u>	<u>3,865</u>	<u>(207,070)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	4,643	292,800	450,000	-	-	747,443
Transfers (out)	(150,000)	-	-	(114,600)	(37,628)	-	(302,228)
Total other financing sources (uses)	<u>(150,000)</u>	<u>4,643</u>	<u>292,800</u>	<u>335,400</u>	<u>(37,628)</u>	<u>-</u>	<u>445,215</u>
Net change in fund balances	(92,611)	30,693	239,496	37,704	18,998	3,865	239,145
Fund balances-beginning	675,991	204,098	5,322	135,104	65,145	82,362	1,168,022
Fund balances-ending	<u>\$ 583,380</u>	<u>\$ 234,791</u>	<u>\$ 244,818</u>	<u>\$ 172,808</u>	<u>\$ 84,143</u>	<u>\$ 86,227</u>	<u>\$ 1,406,167</u>

CITY OF MOSES LAKE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Year Ended December 31, 2006

	Equipment Leases	2006 GO Bond Redemption	1998 LTGO Refunding	2002 LTGO Refunding	Crestview Drive LID	Central Drive LID	Total Nonmajor Debt Service Funds
REVENUES							
Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,471	\$ 110,471
Interest earnings	-	-	-	-	-	34,206	34,206
Total revenues	-	-	-	-	-	144,677	144,677
EXPENDITURES							
Debt service:							
Principal	34,311	-	109,007	215,727	-	-	359,045
Interest & debt issue costs	1,226	34,917	36,134	58,707	-	3,378	134,362
Total expenditures	35,538	34,917	145,141	274,434	-	3,378	493,407
Excess (deficiency) of revenues over (under) expenditures	(35,538)	(34,917)	(145,141)	(274,434)	-	141,299	(348,731)
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	81,678	-	-	-	-	-
Discount on GO bonds issued	-	(46,761)	-	-	-	-	-
Transfers in	-	150,000	130,600	278,900	-	-	559,500
Transfers (out)	-	-	-	-	(456)	-	(456)
Total other financing sources (uses)	-	184,917	130,600	278,900	(456)	-	593,961
Net change in fund balances	(35,538)	150,000	(14,541)	4,466	(456)	141,299	245,230
Fund balances-beginning	151,080	-	103,800	35,589	456	(225,187)	65,738
Fund balances-ending	\$ 115,542	\$ 150,000	\$ 89,260	\$ 40,055	\$ -	\$ (93,889)	\$ 310,968

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

CITY OF MOSES LAKE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Nonmajor Capital Projects Funds****For the Year Ended December 31, 2006**

	<u>Capital</u>	<u>Park Improvement</u>	<u>Totals</u>
REVENUES			
Contributions/Donations	\$ -	\$ 2,000	\$ 2,000
Miscellaneous	8,861	-	8,861
Total revenues	<u>8,861</u>	<u>2,000</u>	<u>10,861</u>
EXPENDITURES			
Current			
Culture and recreation	4,505	-	4,505
Capital outlay	148,068	56,576	204,644
Debt service:	-		
Total expenditures	<u>152,573</u>	<u>56,576</u>	<u>209,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(143,711)</u>	<u>(54,576)</u>	<u>(198,287)</u>
OTHER FINANCING SOURCES			
Transfers in	-	37,628	37,628
Total other financing sources	<u>0</u>	<u>37,628</u>	<u>37,628</u>
Net change in fund balances	<u>(143,711)</u>	<u>(16,948)</u>	<u>(160,659)</u>
Fund balances - beginning	679,827	30,404	710,231
Fund balances - ending	<u>\$ 536,116</u>	<u>\$ 13,456</u>	<u>\$ 549,572</u>

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Tourism Special Revenue Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 255,000	\$ 255,000	\$ 326,345	\$ 71,345
Total revenues	255,000	255,000	326,345	71,345
EXPENDITURES				
Economic environment	-	77,000	70,077	6,923
Culture and recreation	167,800	198,800	198,878	(78)
Total expenditures	167,800	275,800	268,956	6,844
Excess (deficiency) of revenues over (under) expenditures	87,200	(20,800)	57,389	78,189
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(650,000)	(150,000)	(150,000)	-
Total other financing sources (uses)	(650,000)	(150,000)	(150,000)	-
Net change in fund balance	(562,800)	(170,800)	(92,611)	78,189
Fund balance - beginning	633,000	677,900	675,991	(1,909)
Fund balance - ending	\$ 70,200	\$ 507,100	\$ 583,380	\$ 76,280

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Grants and Donations Special Revenue Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental revenues	\$ 133,000	\$ 272,000	\$ 215,230	\$ (56,770)
Charges for services	3,000	12,900	15,433	2,533
Fines & forfeits	-	-	37	37
Donations and contributions	18,000	40,300	91,218	50,918
Interest and other earnings	4,000	7,900	6,320	(1,580)
Total revenues	158,000	333,100	328,238	(4,862)
EXPENDITURES				
Security of persons & property	116,100	227,100	169,542	57,558
Economic environment	-	58,800	51,894	6,906
Culture and recreation	41,000	51,000	47,290	3,711
Capital	12,300	39,800	33,462	6,338
Total expenditures	169,400	376,700	302,188	74,512
Excess (deficiency) of revenues over (under) expenditures	(11,400)	(43,600)	26,050	69,650
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,643	4,643
Total other financing sources (uses)	-	-	4,643	4,643
Net change in fund balance	(11,400)	(43,600)	30,693	74,293
Fund balance - beginning	145,500	190,700	204,098	13,398
Fund balance - ending	\$ 134,100	\$ 147,100	\$ 234,791	\$ 87,691

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Paths and Trails Special Revenue Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental revenues	\$ 443,600	\$ 443,600	\$ 22,619	\$ (420,981)
Donations and contributions	130,000	130,000	-	(130,000)
Interest and other earnings	70,000	70,000	-	(70,000)
Total revenues	643,600	643,600	22,619	(620,981)
EXPENDITURES				
Transportation	-	-	57,992	(57,992)
Capital	936,400	936,400	16,662	919,738
Interest and other debt service costs	-	-	1,269	(1,269)
Total expenditures	936,400	936,400	75,923	860,477
Excess (deficiency) of revenues over (under) expenditures	(292,800)	(292,800)	(53,304)	239,496
OTHER FINANCING SOURCES (USES)				
Transfers in	292,800	292,800	292,800	-
Total other financing sources (uses)	292,800	292,800	292,800	-
Net change in fund balance	-	-	239,496	239,496
Fund balance - beginning	-	50,100	5,322	(44,778)
Fund balance - ending	\$ -	\$ 50,100	\$ 244,818	\$ 194,718

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Street Repair and Reconstruction Special Revenue Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 524,900	\$ 524,900	\$ 731,168	\$ 206,268
Intergovernmental revenues	1,400,000	400,000	9,889	(390,111)
Donations and contributions	80,000	80,000	19,000	(61,000)
Special assessments	-	-	31,247	31,247
Interest and other earnings	-	-	2,178	2,178
Total revenues	<u>2,004,900</u>	<u>1,004,900</u>	<u>793,482</u>	<u>(211,418)</u>
EXPENDITURES				
Transportation	985,000	985,000	733,553	251,447
Capital	3,075,000	581,500	352,585	228,915
Interest and other debt service costs	5,100	5,100	5,040	60
Total expenditures	<u>4,065,100</u>	<u>1,571,600</u>	<u>1,091,179</u>	<u>480,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,060,200)</u>	<u>(566,700)</u>	<u>(297,696)</u>	<u>269,004</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,200,000	450,000	450,000	-
Transfers (out)	(114,600)	(114,600)	(114,600)	-
Total other financing sources (uses)	<u>2,085,400</u>	<u>335,400</u>	<u>335,400</u>	<u>-</u>
Net change in fund balance	25,200	(231,300)	37,704	269,004
Fund balance - beginning	414,200	373,400	135,104	(238,296)
Fund balance - ending	<u>\$ 439,400</u>	<u>\$ 142,100</u>	<u>\$ 172,808</u>	<u>\$ 30,708</u>

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Park Fees Special Revenue Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 20,000	\$ 47,800	\$ 56,626	\$ 8,826
Total revenues	20,000	47,800	56,626	8,826
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	(37,700)	(37,628)	72
Total other financing sources (uses)	-	(37,700)	(37,628)	72
Net change in fund balance	20,000	10,100	18,998	8,898
Fund balance - beginning	25,000	65,100	65,145	45
Fund balance - ending	\$ 45,000	\$ 75,200	\$ 84,143	\$ 8,943

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Basin Homes Block Grant Special Revenue Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Interest and other earnings	\$ -	\$ -	\$ 3,865	\$ 3,865
Total revenues	-	-	3,865	3,865
Net change in fund balance	-	-	3,865	3,865
Fund balance - beginning	79,900	82,300	82,362	62
Fund balance - ending	<u>\$ 79,900</u>	<u>\$ 82,300</u>	<u>\$ 86,227</u>	<u>\$ 3,927</u>

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures and Changes in Fund Balance****Budget and Actual****Equipment Leases Debt Service Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Debt service:				
Principal	\$ 54,500	\$ 54,500	\$ 34,311	\$ 20,189
Interest & debt issue costs	2,900	2,900	1,226	1,674
Total expenditures	<u>57,400</u>	<u>57,400</u>	<u>35,538</u>	<u>21,862</u>
 Excess (deficiency) of revenues over (under) expenses	 <u>(57,400)</u>	 <u>(57,400)</u>	 <u>(35,538)</u>	 <u>21,862</u>
 Net change in fund balance	 (57,400)	 (57,400)	 (35,538)	 21,862
 Fund balances-beginning	 151,500	 151,500	 151,080	 (420)
Fund balances-ending	<u>\$ 94,100</u>	<u>\$ 94,100</u>	<u>\$ 115,542</u>	<u>\$ 21,442</u>

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures and Changes in Fund Balance****Budget and Actual****1998 General Obligation Bond Refunding Debt Service Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
EXPENDITURES				
Debt service:				
Principal	\$ 104,500	\$ 104,500	\$ 109,007	\$ (4,507)
Interest & debt issue costs	41,100	41,100	36,134	4,966
Total expenditures	<u>145,600</u>	<u>145,600</u>	<u>145,141</u>	<u>459</u>
 Excess (deficiency) of revenues over (under) expenses	 <u>(145,600)</u>	 <u>(145,600)</u>	 <u>(145,141)</u>	 <u>459</u>
 OTHER FINANCING SOURCES (USES)				
Operating transfers in	130,600	130,600	130,600	-
 Total other financing sources (uses)	<u>130,600</u>	<u>130,600</u>	<u>130,600</u>	<u>-</u>
 Net change in fund balance	(15,000)	(15,000)	(14,541)	459
 Fund balances-beginning	102,900	102,900	103,800	900
Fund balances-ending	<u>\$ 87,900</u>	<u>\$ 87,900</u>	<u>\$ 89,260</u>	<u>\$ 1,360</u>

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures and Changes in Fund Balance****Budget and Actual****2002 General Obligation Bond Refunding Debt Service Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
EXPENDITURES				
Debt service:				
Principal	\$ 212,500	\$ 212,500	\$ 215,727	\$ (3,227)
Interest & debt issue costs	63,500	63,500	58,707	4,793
Total expenditures	276,000	276,000	274,434	1,566
Excess (deficiency) of revenues over (under) expenses	(276,000)	(276,000)	(274,434)	1,566
OTHER FINANCING SOURCES (USES)				
Operating transfers in	278,900	278,900	278,900	-
Total other financing sources (uses)	278,900	278,900	278,900	-
Net change in fund balance	2,900	2,900	4,466	1,566
Fund balances-beginning	35,300	35,300	35,589	289
Fund balances-ending	<u>\$ 38,200</u>	<u>\$ 38,200</u>	<u>\$ 40,055</u>	<u>\$ 1,855</u>

CITY OF MOSES LAKE

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

2006 General Obligation Bond Redemption Debt Service Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
EXPENDITURES				
Debt service:				
Principal	\$ 150,000	-	-	-
Interest & debt issue costs	-	81,800	34,917	46,883
Total expenditures	150,000	81,800	34,917	46,883
Excess (deficiency) of revenues over (under) expenses	(150,000)	(81,800)	(34,917)	46,883
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	81,700	81,678	(22)
Discount on GO Debt	-	-	(46,761)	(46,761)
Operating transfers in	150,000	150,000	150,000	-
Total other financing sources (uses)	150,000	231,700	184,917	(46,783)
Net change in fund balance	-	149,900	150,000	100
Fund balances-beginning	-	-	-	-
Fund balances-ending	\$ -	\$ 149,900	\$ 150,000	\$ 100

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures and Changes in Fund Balance****Budget and Actual****Crestview Drive L.I.D. Debt Service Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	-	(500)	(456)	44
Total other financing sources (uses)	-	(500)	(456)	44
Net change in fund balance	-	(500)	(456)	44
Fund balances-beginning	-	500	456	(44)
Fund balances-ending	\$ -	\$ -	\$ -	\$ -

CITY OF MOSES LAKE**Schedule of Revenues, Expenditures and Changes in Fund Balance****Budget and Actual****Central Drive L.I.D. Debt Service Fund****For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Special assessments	\$ 110,400	\$ 110,400	\$ 110,471	\$ 71
Interest and other earnings	41,900	41,900	34,206	(7,694)
Total revenues	<u>152,300</u>	<u>152,300</u>	<u>144,677</u>	<u>(7,623)</u>
EXPENDITURES				
Debt service:				
Interest & debt issue costs	8,400	8,400	3,378	5,022
Total expenditures	<u>8,400</u>	<u>8,400</u>	<u>3,378</u>	<u>5,022</u>
(Deficiency) of revenues				
(Under) expenses	<u>143,900</u>	<u>143,900</u>	<u>141,299</u>	<u>(2,601)</u>
Net change in fund balance	143,900	143,900	141,299	(2,601)
Fund balances-beginning	-	-	(225,187)	(225,187)
Fund balances-ending	<u>\$ 143,900</u>	<u>\$ 143,900</u>	<u>\$ (83,889)</u>	<u>\$ (227,789)</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are established to provide for goods and services provided by department or fund to another department or fund of the city. These services are provided on a cost reimbursement basis.

Unemployment Compensation Insurance Fund - This fund was established in 1978 and was given further establishment and definitions in 1991 by ordinance to account for the funds used to reimburse the Washington State Department of Employment for unemployment compensation insurance, to pay administrative charges and to maintain reserves for these purposes.

Self- Insurance Fund - This fund was established in 1986 with a budget ordinance and resolution. It was given further definitions in 1991 by ordinance to account for the funds used by the city to provide all partial self-insurance for accident claims against the city in future periods, to pay administrative charges, insurance premiums, and maintain reserves for these purposes.

Central Services Fund - This fund is an intra-government service fund created by resolution in 1983 and further defined by ordinance in 1991 to provide data processing: word processing services to all city funds and department; to acquire, service, repair, maintain, operate, and replace personal computers, computer software, copiers, telephone systems, office supplies, and other electronic equipment; to provide services for all city funds and departments as deemed necessary and appropriate.

Equipment Rental Fund - This fund is an intra-governmental service fund created by Ordinance Number 320 as authorized by state statute. The equipment Rental Fund provides and maintains equipment for other funds and departments for the city.

Building Maintenance Fund - This fund is an intra-government service fund created by resolution in 1983 and further defined by ordinance in 1991 to account for all general government real property and buildings except that property purchased prior to the effective date of the ordinance, which shall be accounted for in the individual fund. This fund shall be used to acquire, service, repair, maintain, operate, and replace all general governmental real property, including land and buildings. The fund may be used to acquire service, repair, maintain, operate, and replace real property, including land and funds deemed appropriate.

CITY OF MOSES LAKE
Combining Statement of Net Assets
Internal Service Funds
December 31, 2006

	Unemployment Compensation	Self Insurance	Central Services	Equipment Rental	Building Maintenance	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 422,271	\$ 175,514	\$ 640,770	\$ 905,035	\$ 23,807	\$ 2,167,397
Escrow accounts	-	-	-	141,680	-	141,680
Intergovernmental receivable	-	-	-	8,499	-	8,499
Inventories	-	-	11,461	29,523	14,088	55,073
Total current assets	422,271	175,514	652,231	1,084,737	37,895	2,372,648
Noncurrent assets:						
Capital assets:						
Land and land rights	-	-	-	-	608,951	608,951
Buildings and improvements	-	-	-	141,500	4,518,211	4,659,711
Less accumulated depreciation	-	-	-	(141,500)	(1,206,975)	(1,348,475)
Machinery and equipment	-	-	268,390	6,555,927	53,910	6,878,227
Less accumulated depreciation	-	-	(214,620)	(5,045,767)	(34,978)	(5,295,365)
Construction in progress	-	-	-	35,185	46,416	81,601
Intangibles - software	-	-	147,051	-	-	147,051
Less accumulated amortization	-	-	(147,051)	-	-	(147,051)
Total capital assets (net of accumulated depreciation)	-	-	53,770	1,545,345	3,985,535	5,584,650
Other noncurrent assets:						
Deferred charges	-	-	-	-	27,035	27,035
Total noncurrent assets	-	-	53,770	1,545,345	4,012,569	5,611,684
Total assets	422,271	175,514	706,001	2,630,081	4,050,465	7,984,332
LIABILITIES						
Current liabilities:						
Accounts payable	5,979	-	4,972	20,314	17,765	49,030
Salaries payable	-	-	18,380	54,602	9,948	82,930
Capital leases payable	-	-	16,264	217,074	2,403	235,740
Interfund loans payable	-	-	-	600,000	300,000	900,000
G.O. bonds payable	-	-	-	-	224,441	224,441
Interest payable	-	-	-	-	43,975	43,975
Total current liabilities	5,979	-	39,616	891,989	598,532	1,536,116
Noncurrent liabilities:						
General obligation bonds payable (net of unamortized discounts)	-	-	-	-	2,952,355	2,952,355
Deferred Revenue	-	-	-	11,082	-	11,082
Capital leases payable	-	-	24,091	440,272	4,964	469,327
Total long-term liabilities	-	-	24,091	451,353	2,957,319	3,432,764
Total liabilities	5,979	-	63,707	1,343,342	3,555,851	4,968,880
NET ASSETS						
Invested in capital assets, net of related debt	-	-	20,330	890,278	808,740	1,719,348
Unrestricted	416,292	175,514	621,964	396,461	(314,126)	1,296,105
Total net assets	\$ 416,292	\$ 175,514	\$ 642,294	\$ 1,286,739	\$ 494,613	\$ 3,015,453

CITY OF MOSES LAKE

Combining Statement of Revenues, Expenses, and Changes in Fund Balances

Internal Service Funds

For the Year Ended December 31, 2006

	Unemployment Compensation	Self Insurance	Central Services	Equipment Rental	Building Maintenance	Totals
OPERATING REVENUES						
Charges for services	\$ 22,026	\$ 310,300	\$ 391,500	\$ 1,662,500	\$ 618,350	\$ 3,004,676
Intergovernmental revenues	-	-	-	2,925	35,235	38,160
Total operating revenues	22,026	310,300	391,500	1,665,425	653,585	3,042,836
OPERATING EXPENSES						
Salaries and benefits	-	-	142,681	197,237	119,115	459,033
Supplies and contractual services	-	-	214,920	414,028	124,211	753,159
Utilities	-	-	-	172	199,780	199,952
Repairs and maintenance	-	-	28,901	92,636	277,927	399,464
Depreciation and amortization	-	-	30,596	288,477	121,720	440,793
Insurance claims and expenses	23,446	419,811	-	-	-	443,257
Total operating expenses	23,446	419,811	417,099	992,550	842,752	2,695,658
Operating income (loss)	(1,420)	(109,511)	(25,599)	672,875	(189,168)	347,178
NONOPERATING REVENUES (EXPENSES)						
Insurance recoveries	-	6,510	-	-	-	6,510
Intergovernmental grants	-	-	-	5,574	-	5,574
Gain (loss) on disposal of fixed assets	-	-	-	37,297	-	37,297
Miscellaneous	-	-	52	1,160	19	1,231
Interest expense and fiscal charges	-	-	(1,568)	(25,434)	(140,729)	(167,731)
Total nonoperating revenues (expenses)	-	6,510	(1,516)	18,596	(140,710)	(117,120)
Income (loss) before contributions and transfers	(1,420)	(103,001)	(27,115)	691,471	(329,877)	230,058
Transfers out	-	-	-	(1,200,000)	-	(1,200,000)
Change in net assets	(1,420)	(103,001)	(27,115)	(508,529)	(329,877)	(969,942)
Total net assets - beginning	417,712	278,515	669,409	1,795,268	824,491	3,985,395
Total net assets - ending	\$ 416,292	\$ 175,514	\$ 642,294	\$ 1,286,739	\$ 494,613	\$ 3,015,453

CITY OF MOSES LAKE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2006

Page 1 of 2

	Unemployment Compensation	Self Insurance	Central Services	Equipment Rental	Building Maintenance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 22,026	\$ 310,300	\$ 391,500	\$ 1,662,500	\$ 618,350	\$ 3,004,676
Payments to suppliers	(17,466)	(423,647)	(254,621)	(500,529)	(731,128)	(1,927,391)
Payments to employees	-	-	(150,153)	(192,697)	(116,786)	(459,637)
Miscellaneous receipts	-	-	-	-	35,235	35,235
Net cash provided (used) by operating activities	4,560	(113,347)	(13,274)	969,274	(194,329)	652,883
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds	-	-	-	(1,200,000)	-	(1,200,000)
Insurance recoveries	-	6,510	-	-	-	6,510
Grants and donations	-	-	-	-	234,835	234,835
Miscellaneous nonoperating revenue	-	-	52	1,160	19	1,231
Net cash provided (used) by noncapital financing activities	-	6,510	52	(1,198,840)	234,854	(957,425)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital lease payments	-	-	(13,338)	(77,066)	(2,600)	(93,004)
Interfund loans receipts (repayments)	-	-	-	600,000	(256,500)	343,500
G.O. bond principal paid	-	-	-	-	(220,266)	(220,266)
Interest expense	-	-	(1,568)	(25,434)	(138,609)	(165,611)
Purchase of capital assets	-	-	(16,929)	(350,679)	(122,828)	(490,436)
Proceeds from sale of capital assets	-	-	-	38,779	55,534	94,313
Net cash provided (used) by capital and related financing activities	-	-	(31,836)	185,600	(685,269)	(531,505)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	-	-	-	11,082	-	11,082
Net cash provided by investing activities	-	-	-	11,082	-	11,082
Net increase (decrease) in cash and cash equivalents	4,560	(106,838)	(45,058)	(32,885)	(644,744)	(824,964)
Cash and cash equivalents - January 1	417,712	282,352	685,828	937,919	668,551	2,992,361
Cash and cash equivalents - December 31	\$ 422,271	\$ 175,514	\$ 640,770	\$ 905,035	\$ 23,807	\$ 2,167,397
Noncash investing, capital and financing activities:						
Borrowing under capital lease				130,598		130,598

CITY OF MOSES LAKE

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2006

Page 2 of 2

	Unemployment Compensation	Self Insurance	Central Services	Equipment Rental	Building Maintenance	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ (1,420)	\$ (109,511)	\$ (25,599)	\$ 672,875	\$ (189,168)	\$ 347,178
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	-	-	30,596	288,477	121,720	440,793
Decrease (increase) in intergovernmental receivable	-	-	-	(2,925)	-	(2,925)
Decrease (increase) in prepaid expenses	-	-	(7,913)	7,081	(138)	(971)
(Decrease) increase in accounts payable	5,979	(3,837)	(2,886)	(774)	(129,072)	(130,589)
(Decrease) increase in wages payable	-	-	(7,472)	4,540	2,329	(603)
Total adjustments	5,979	(3,837)	12,325	296,399	(5,162)	305,705
Net cash provided (used) by operating activities	\$ 4,560	\$ (113,347)	\$ (13,274)	\$ 969,274	\$ (194,329)	\$ 652,883

TRUST AND AGENCY FUNDS

Trust and Agency Funds are used to account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Such funds are classified as Pension Trust, Non-Expendable Trust, Expendable Trust, and Agency Funds. The city maintains one Pension Trust Fund (Firemen's) which is accounted for on the full accrual basis. The city maintains three Agency Funds (Deposit, State Deposit, and Treasurer Suspense) which are custodial in nature and do not involve the measurement of operations.

Firemen's Pension Fund - This fund was established in accordance with RCW 41.18 and provides for the payment of benefits for firemen. The Firemen's Pension Board consisting of the Mayor, Treasurer, City Clerk, City Manager, Fire Chief, and two paid firemen approve all disability for members of the paid Fire Department. State statute requires that any city with paid Fire Department must budget for the Firemen's Pension Fund, unless an actuarial survey of the fund reveals that the one mill is not necessary. Pension contributions are made from the General Fund and the fund is adequately funded.

Deposit and State Deposit Funds - These funds are established to receipt and disburse monies that are deposited with the city as custodial cash. The Deposit Fund handles monies for business license deposits, bid bond deposits, etc. that will be remitted to individuals or contractors. This fund also accounts for any pass through monies and any items whose ultimate disposition is not known. The State Deposit Fund handles monies for Excise and Use Tax, Leasehold Excise Tax, Labor and Industries, Building Code, Etc that will be remitted to the state.

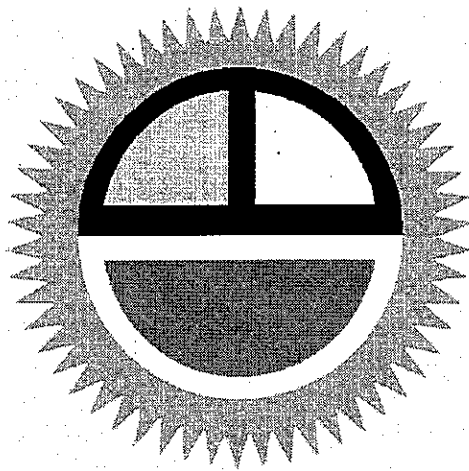
Treasurer's Suspense Fund - This fund was established to facilitate the investing of city monies. All interest earned is credited to the General Fund except as required by state or federal regulations or by bond covenant.

CITY OF MOSES LAKE
Combining Statement of Net Assets
Fiduciary Funds
December 31, 2006

	<u>Trust</u>	<u>Agency Funds</u>		
	<u>Firemen's Pension</u>	<u>Deposits</u>	<u>State</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 213,488	\$ 479,000	\$ 104,724	\$ 797,211
Escrow accounts	-	447,574	-	447,574
Total assets	<u>213,488</u>	<u>926,574</u>	<u>104,724</u>	<u>1,244,785</u>
LIABILITIES				
Accounts payable	9,368	-	-	9,368
Custodial accounts payable	-	926,574	104,724	1,031,297
Total liabilities	<u>9,368</u>	<u>926,574</u>	<u>104,724</u>	<u>1,040,665</u>
NET ASSETS				
Held in trust for pension benefits and other purposes	<u>\$ 204,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,120</u>

CITY OF MOSES LAKE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2006

	<u>Balance 01/01/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2006</u>
DEPOSIT FUND				
Assets				
Cash	\$ 164,327	\$ 3,740,503	\$ 3,425,831	\$ 479,000
Escrow accounts	208,867	447,574	208,867	447,574
Total assets	<u>\$ 373,195</u>	<u>\$ 4,188,077</u>	<u>\$ 3,634,698</u>	<u>\$ 926,574</u>
Liabilities				
Deposits	\$ 164,327	\$ 8,814,253	\$ 8,499,580	\$ 479,000
Retainage payable	208,867	447,574	208,867	447,574
Total liabilities	<u>\$ 373,195</u>	<u>\$ 9,261,827</u>	<u>\$ 8,708,448</u>	<u>\$ 926,574</u>
STATE DEPOSIT FUND				
Assets				
Cash	\$ 92,236	\$ 1,457,664	\$ 1,445,176	\$ 104,724
Total assets	<u>\$ 92,236</u>	<u>\$ 1,457,664</u>	<u>\$ 1,445,176</u>	<u>\$ 104,724</u>
Liabilities				
Due to state	92,236	3,936,829	3,924,341	104,724
Total liabilities	<u>\$ 92,236</u>	<u>\$ 3,936,829</u>	<u>\$ 3,924,341</u>	<u>\$ 104,724</u>
TOTALS- ALL AGENCY FUNDS				
Assets				
Cash	\$ 256,563	\$ 5,198,167	\$ 4,871,007	\$ 583,723
Escrow accounts	208,867	447,574	208,867	447,574
Total assets	<u>\$ 465,430</u>	<u>\$ 5,645,741</u>	<u>\$ 5,079,875</u>	<u>\$ 1,031,297</u>
Liabilities				
Deposits	\$ 164,327	\$ 8,814,253	\$ 8,499,580	\$ 479,000
Due to other governments	92,236	3,936,829	3,924,341	104,724
Retainage payable	208,867	447,574	208,867	447,574
Total liabilities	<u>\$ 465,430</u>	<u>\$ 13,198,655</u>	<u>\$ 12,632,788</u>	<u>\$ 1,031,297</u>



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City of Moses Lake, Washington
Financial Report
Year Ended December 31, 2006

**CAPITAL ASSETS USED IN OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF MOSES LAKE

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules by Source

December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Governmental funds capital assets:		
Land	\$ 14,680,379	\$ 14,305,774
Buildings	4,534,871	4,525,501
Swimming pool	2,630,912	2,630,912
Improvements other than buildings	6,033,519	5,914,014
Machinery and equipment	1,193,356	1,252,131
Infrastructure	27,297,724	24,983,828
Construction in progress	3,963,439	84,745
Total capital assets	<u>\$ 60,334,201</u>	<u>\$ 53,696,905</u>
Investment in governmental funds capital assets by source:		
Grants - federal/state	\$ 10,251,811	\$ 10,241,994
General fund revenues	38,554,799	34,333,395
Special revenue fund revenues	2,011,319	2,004,742
Private contributions	6,083,185	3,683,686
Other sources	3,433,087	3,433,087
Total investment in capital assets	<u>\$ 60,334,201</u>	<u>\$ 53,696,905</u>

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

CITY OF MOSES LAKE

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

December 31, 2006

Function and Activity	Land	Buildings	Improvements Other than Buildings	Furniture Machinery and Equipment	Infrastructure	Total
General government						
Other - unclassified	\$ 1,787,120	\$ 1,997,953	\$ 36,000	\$ -	\$ -	\$ 3,821,073
Total general government	1,787,120	1,997,953	36,000	-	-	3,821,073
Public Safety:						
Police	27,200	124,083	44,798	93,462	-	289,543
Fire	-	-	-	51,728	-	51,728
Total public safety	27,200	124,083	44,798	145,190	-	341,271
Transportation	146,836	-	1,805,610	28,745	27,213,124	29,194,315
Public works	-	-	-	22,127	-	22,127
Culture and recreation:						
Parks and recreation	12,719,223	4,731,672	4,147,111	997,294	84,600	22,679,900
Library	-	312,075	-	-	-	312,075
Total culture and recreation	12,719,223	5,043,747	4,147,111	997,294	84,600	22,991,975
Construction in progress	-	-	3,747,243	-	216,195	3,963,439
Total governmental funds capital assets	\$ 14,680,379	\$ 7,165,783	\$ 9,780,763	\$ 1,193,356	\$ 27,513,920	\$ 60,334,201

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

CITY OF MOSES LAKE

Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity For the Year Ended December 31, 2006

Function and Activity	Governmental Funds Capital Assets 1/1/06	Additions	Deductions	Governmental Funds Capital Assets 12/31/06
General government:				
Other - unclassified	\$ 3,446,468	\$ 396,724	\$ 22,118	\$ 3,821,073
Total general government	<u>3,446,468</u>	<u>396,724</u>	<u>22,118</u>	<u>3,821,073</u>
Public Safety:				
Police	262,852	26,691	(0)	289,543
Fire	36,728	15,000	-	51,728
Total public safety	<u>299,580</u>	<u>41,691</u>	<u>0</u>	<u>341,271</u>
Transportation	<u>26,880,419</u>	<u>2,313,896</u>	<u>0</u>	<u>29,194,315</u>
Public works	<u>22,127</u>	<u>-</u>	<u>-</u>	<u>22,127</u>
Culture and recreation				
Parks and recreation	22,651,491	134,269	105,860	22,679,900
Library	312,075	-	-	312,075
Total culture and recreation	<u>22,963,566</u>	<u>134,269</u>	<u>105,860</u>	<u>22,991,975</u>
Construction in progress:	<u>67,526</u>	<u>2,886,580</u>	<u>(1,009,332)</u>	<u>3,963,439</u>
Total governmental funds capital assets	<u>\$ 53,679,686</u>	<u>\$ 5,773,161</u>	<u>\$ (881,353)</u>	<u>\$ 60,334,201</u>

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

City of Moses Lake, Washington
Financial Report
Year Ended December 31, 2006

STATISTICAL SECTION

Contents	Page
Financial Trends	118
<p>These schedules contain trend information to assist the reader understand how the City's financial performance and well being have changed over time.</p>	
Revenue Capacity	125
<p>These schedules contain information to assist the reader assess the City's most significant local revenue source of property taxes.</p>	
Debt Capacity	129
<p>These schedules present information to assist 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.</p>	
Demographic and Economic Information	134
<p>These schedules offer demographic and economic indicators to assist the reader understand the environment within which the government's financial activities take place.</p>	
Operating Information	136
<p>These schedules contain service and infrastructure data to assist the reader understand how the information in the City's financial report relates to the services the city provides and activities it performs.</p>	

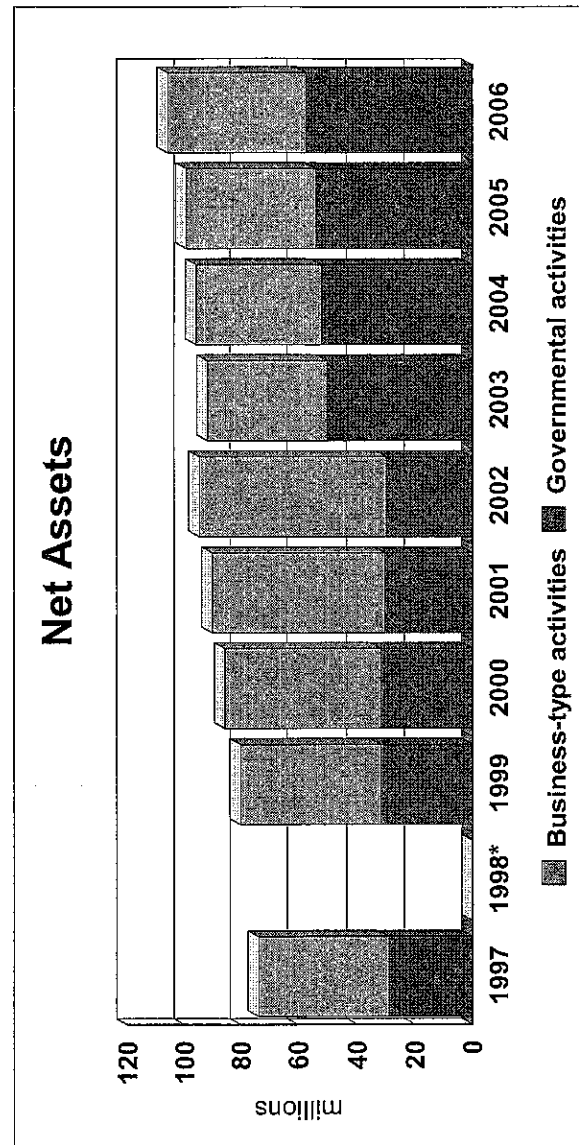
Sources: Unless otherwise noted , the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

Net Assets by Component
Last Ten Fiscal Years
(ACCRUAL BASIS OF ACCOUNTING)
(amounts expressed in thousands)

Table B-1

	1997	1998*	1999	2000	2001	2002	2003	2004	2005	2006
Governmental activities										
Invested in capital assets, net of related debt	\$ 23,769	-	\$ 25,882	\$ 26,467	\$ 27,961	\$ 27,933	\$ 44,103	\$ 45,971	\$ 47,432	\$ 49,170
Restricted	3,400	-	3,594	2,690	(36)	155	690	-	-	-
Unrestricted	1,848	-	2,578	2,888	2,567	1,838	5,586	6,402	6,732	8,104
Total governmental activities net assets	\$ 29,017	-	\$ 32,053	\$ 32,046	\$ 30,493	\$ 29,927	\$ 50,379	\$ 52,373	\$ 54,164	\$ 57,274
Business-type activities										
Invested in capital assets, net of related debt	30,423	-	32,508	33,398	35,908	39,094	22,809	26,713	31,720	40,654
Restricted	3,631	-	(614)	5,501	6,109	6,026	406	3,884	7,610	-
Unrestricted	10,752	-	16,156	14,796	17,754	19,767	18,405	13,017	5,927	7,142
Total business-type activities net assets	\$ 44,806	-	\$ 48,051	\$ 53,695	\$ 59,771	\$ 64,886	\$ 41,621	\$ 43,613	\$ 45,256	\$ 48,713
Primary government										
Invested in capital assets, net of related debt	54,192	-	58,390	59,865	63,869	67,027	66,912	72,683	79,152	89,824
Restricted	7,031	-	2,980	8,192	6,074	6,182	1,096	3,884	7,610	-
Unrestricted	12,600	-	18,734	17,684	20,321	21,605	23,992	19,419	12,659	15,247
Total primary government net assets	\$ 73,823	-	\$ 80,104	\$ 85,740	\$ 90,263	\$ 94,813	\$ 92,000	\$ 95,986	\$ 99,420	\$ 105,070

* not available due to cash reporting in 1998



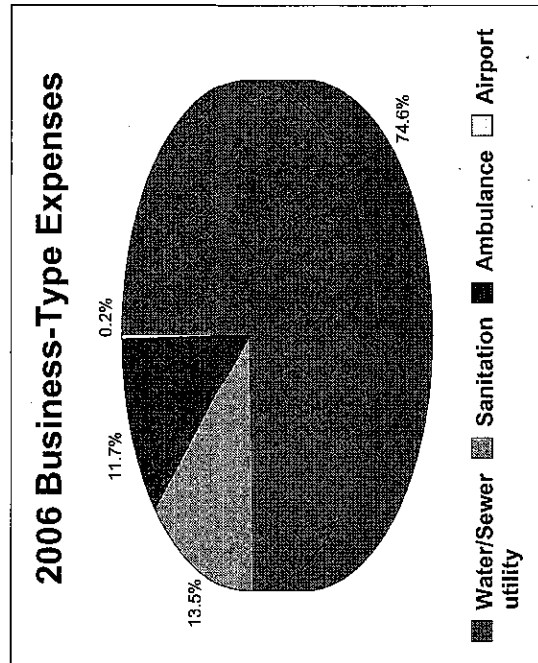
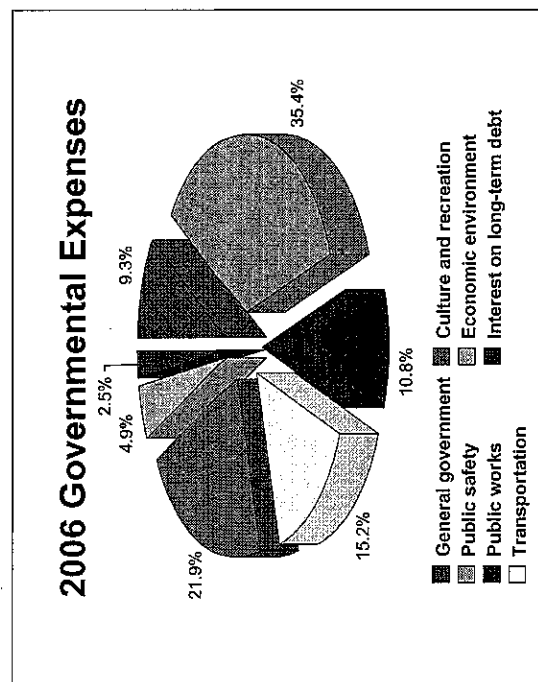
CITY OF MOSES LAKE
Changes in Expenses by Function
Last Ten Fiscal Years
(accrual basis of accounting)

Table B-2
page 1 of 3

Expenses	1997	1998**	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities:										
General government	\$846,606	-	\$1,045,617	\$1,080,704	\$1,120,100	\$1,270,047	\$1,251,849	\$1,199,034	\$1,285,520	\$1,467,300
Public safety	3,482,639	-	4,091,046	4,047,631	4,660,822	4,978,334	4,737,801	4,675,466	4,980,847	5,577,325
Public works	1,041,449	-	1,208,725	1,235,864	1,257,521	1,308,149	1,323,153	1,334,454	1,497,120	1,707,559
Transportation	825,893	-	2,021,780	3,178,437	2,611,712	1,595,262	2,053,807	1,594,196	2,534,258	2,391,960
Culture and recreation	2,008,165	-	2,287,030	2,559,852	2,755,150	2,827,286	2,980,947	2,873,910	3,286,631	3,441,019
Economic environment	296,370	-	381,320	367,984	409,457	540,609	525,166	564,976	624,841	770,961
Interest on long-term debt	1,951,752	-	915,523	2,361,841	2,238,141	1,150,753	433,402	346,444	311,284	389,505
Total governmental activities	10,452,874	-	11,951,041	14,832,313	15,052,903	13,670,440	13,306,125	12,588,480	14,530,501	15,745,629
Business-type activities:										
Water/Sewer utility	3,290,315	-	3,864,216	3,792,508	3,881,708	4,259,470	4,898,363	5,977,934	7,515,531	9,498,947
Sanitation	1,281,142	-	1,447,885	1,452,831	1,489,955	1,492,454	1,467,880	1,513,869	1,806,071	1,725,210
Ambulance	12,484	-	14,465	34,940	28,967	62,255	25,585	27,338	30,582	29,377
Airport	4,583,941	-	5,326,566	5,280,279	5,867,706	7,109,140	7,849,331	8,966,735	10,894,512	12,739,321
Total business-type activities expenses	\$15,036,815	-	\$17,277,807	\$20,112,592	\$20,920,609	\$20,779,580	\$21,155,456	\$21,555,215	\$25,425,013	\$28,485,149
Total Primary Government expenses										

*The City implemented GASB 44 in 2005 and has reported the information above retroactively from GASB #34 implementation in 2003. The comparative totals before 2003 may not accurately reflect the reporting format required by GASB44.

**Information for 1998 is unavailable due to cash reporting for that year.



CITY OF MOSES LAKE
Changes in Revenues by Function
Last Ten Fiscal Years
(accrual basis of accounting)

Table B-2
page 2 of 3

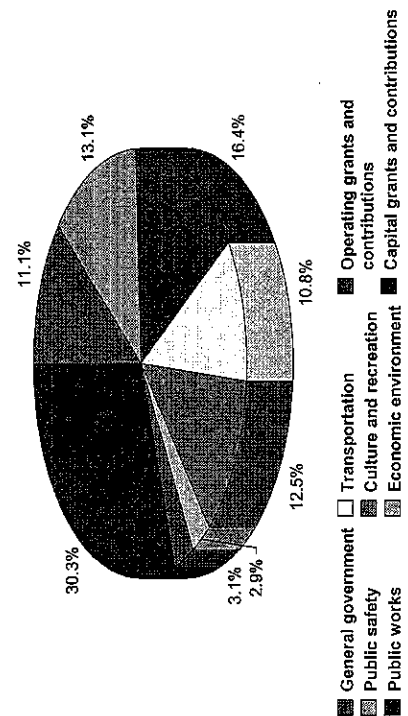
Program Revenues	1997	1998**	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities:										
Charges for services:										
General government	-	-	-	-	-	-	\$785,235	\$803,532	\$1,147,343	\$898,920
Public safety	-	-	-	-	-	-	778,033	710,577	829,947	1,057,734
Public works	-	-	-	-	-	-	755,437	1,129,514	1,226,163	1,324,799
Transportation	-	-	-	-	-	-	1,036,385	1,502,840	900,669	872,818
Culture and recreation	-	-	-	-	-	-	897,563	862,557	970,644	1,007,845
Economic environment	-	-	-	-	-	-	96,451	117,065	150,533	231,363
Operating grants and contributions	-	-	-	-	-	-	269,764	181,558	184,575	248,467
Capital grants and contributions	-	-	-	-	-	-	327,541	30,650	667,726	2,447,667
Total governmental activities	\$10,922,349	-	\$12,258,562	\$14,250,865	\$14,063,792	\$12,972,920	4,948,409	5,338,293	6,077,600	8,089,612
Business-type activities:										
Charges for services:										
Water/Sewer utility	5,019,886	-	5,609,680	5,460,837	5,531,768	5,596,859	6,166,132	6,965,520	6,510,532	9,755,012
Sanitation	1,546,031	-	1,759,239	1,765,027	1,921,664	1,670,490	1,617,299	1,611,170	1,822,011	1,711,746
Ambulance	0	-	0	0	360,955	1,425,089	1,203,105	1,454,300	1,359,572	1,460,040
Airport	13,575	-	41,000	16,677	15,802	17,641	18,085	19,082	27,245	56,389
Capital grants and contributions	0	-	0	36,869	28,170	31,934	807,985	633,275	1,050,780	2,732,764
Total business-type activities revenues	6,579,492	-	7,409,919	7,279,410	7,856,359	8,742,013	9,812,606	10,683,347	10,770,140	15,715,951
Total Primary Government program revenues	\$17,501,841	-	\$19,668,481	\$21,530,275	\$21,920,151	\$21,714,933	\$14,761,015	\$16,021,640	\$16,847,740	\$23,805,563

*The City implemented GASB 44 in 2005 and has reported the information above retroactively from GASB #34 implementation in 2003. Revenues before 2003 were not reported by activity therefore the detailed breakdown of revenue is unavailable.

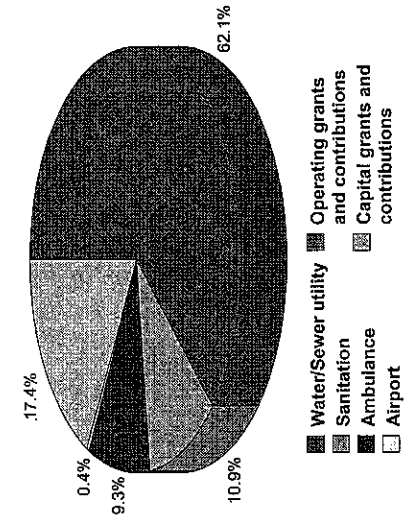
The comparative totals before 2003 may not accurately reflect the reporting format required by GASB44

**Information for 1998 is unavailable due to cash reporting for that year.

2006 Governmental Revenues



2006 Business-Type Revenues



CITY OF MOSES LAKE

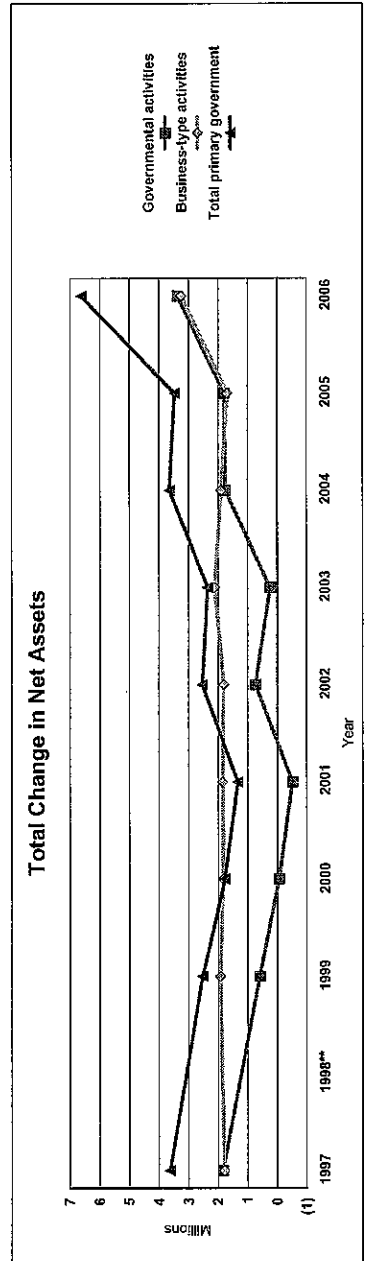
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

Table B-2
page 3 of 3

	1997	1998**	1999	2000	2001	2002	2003	2004	2005	2006
Net Expense/(Revenue)										
Governmental activities	(\$469,476)	-	(\$307,521)	\$581,448	\$989,111	\$697,520	\$8,357,716	\$7,250,187	\$8,452,901	\$4,061,609
Business-type activities	(1,995,551)	-	(2,083,353)	(1,999,131)	(1,988,653)	(1,632,873)	(1,963,275)	(1,716,612)	124,372	3,194,300
Total primary government net expense	(2,465,026)	-	(2,390,874)	(1,417,683)	(999,542)	(935,353)	6,394,441	5,533,575	8,577,273	7,255,910
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Property taxes	-	-	-	-	-	-	2,377,734	2,540,922	2,571,621	2,780,139
Retail sales and use taxes	-	-	-	-	-	-	3,301,462	3,412,323	3,798,433	4,286,527
Other	-	-	-	-	-	-	2,711,803	2,827,959	2,961,145	3,149,254
Interest and investment earnings	-	-	-	-	-	-	240,474	206,705	402,843	727,869
Loss on sale of capital asset	-	-	-	-	-	-	(36,994)	-	-	-
Transfers, internal activities	-	-	-	-	-	-	(1,383)	8,084	510,328	93,332
Total governmental activities	1,362,433	-	286,971	526,653	474,499	1,430,498	8,593,096	8,995,993	10,244,370	11,037,122
Business-type activities:										
Interest and investment earnings	36,113	-	(20,208)	157,762	341,391	(27,906)	184,911	193,013	456,844	368,985
Insurance recoveries/misc before 2003)	107,797	-	146,003	155,734	101,951	391,227	-	-	1,866,322	0
Loss on sale of capital asset	-	-	(8,694)	42	(200,145)	(19,626)	(35,723)	(1,717)	-	-
Transfers, internal activities	(343,788)	-	(275,947)	(484,211)	(380,731)	(172,460)	1,383	(8,084)	(510,328)	(93,332)
Total business-type activities	(199,878)	-	(158,846)	(170,673)	(137,534)	171,235	150,571	183,212	1,812,839	275,653
Total primary government	1,162,555	-	128,125	355,980	336,965	1,601,733	8,743,667	9,179,205	12,057,209	11,312,776
Change in Net Assets										
Governmental activities	1,831,908	-	594,492	(54,795)	(514,612)	732,978	235,380	1,745,806	1,791,469	3,382,336
Business-type activities	1,795,673	-	1,924,507	1,828,458	1,851,119	1,804,108	2,113,846	1,899,824	1,688,467	3,252,083
Total primary government	\$3,627,581	-	\$2,518,999	\$1,773,663	\$1,336,507	\$2,537,086	\$2,349,226	\$3,645,630	\$3,479,936	\$6,634,420

*The City implemented GASB 44 in 2005 and has reported the information above retroactively from GASB #34 implementation in 2003. Revenues before 2003 were not reported by activity therefore the detailed breakdown of revenue is unavailable. The comparative totals before 2003 may not accurately reflect the reporting format required by GASB44.

**Information for 1998 is unavailable due to cash reporting for that year.

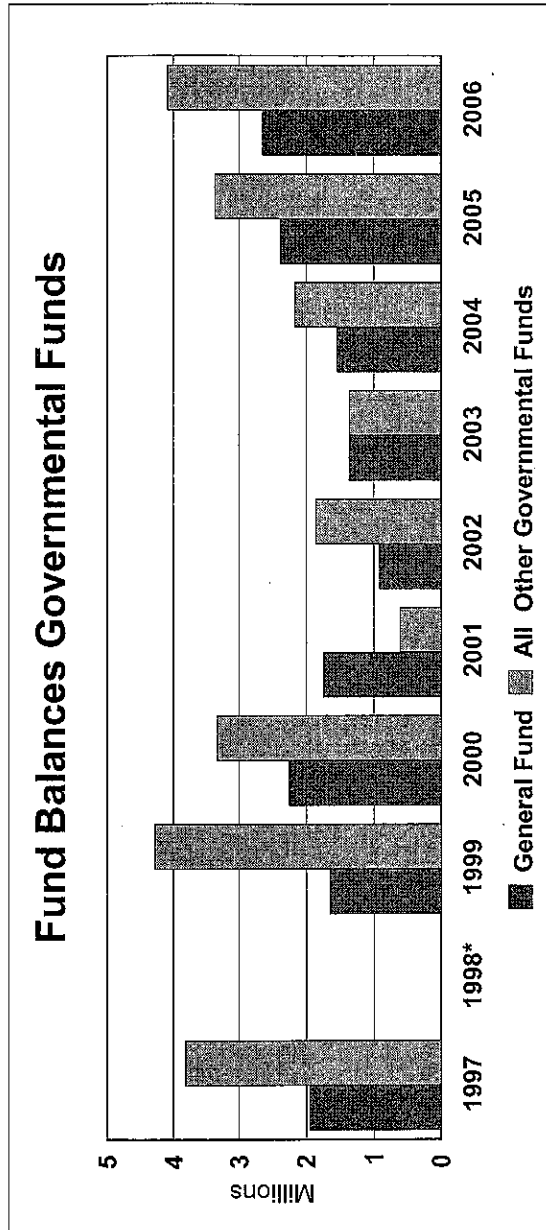


CITY OF MOSES LAKE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table B-3

	1997	1998*	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$92,461	-	\$111,756	\$112,180	\$103,497	\$92,262	\$93,180	\$96,666	\$86,441	\$100,420
Unreserved	1,857,083	-	1,538,969	2,140,546	1,640,407	823,575	1,272,064	1,445,517	2,294,807	2,551,883
Total General Fund	<u>1,949,544</u>	<u>-</u>	<u>1,650,725</u>	<u>2,252,726</u>	<u>1,743,904</u>	<u>915,837</u>	<u>1,365,244</u>	<u>1,542,183</u>	<u>2,381,248</u>	<u>2,652,303</u>
All other governmental funds										
Reserved	3,307,617	-	3,482,246	2,578,302	(138,259)	63,141	(121,408)	32,432	1,110,821	352,725
Unreserved, reported in:										
Special Revenue funds	507,020	-	802,252	747,711	733,567	1,794,450	1,483,425	2,136,798	2,251,936	3,732,815
Total all other governmental funds	<u>\$3,814,637</u>	<u>-</u>	<u>\$4,284,498</u>	<u>\$3,326,013</u>	<u>\$595,308</u>	<u>\$1,857,591</u>	<u>\$1,362,017</u>	<u>\$2,169,230</u>	<u>\$3,362,757</u>	<u>\$4,085,540</u>

* not available due to cash reporting in 1998

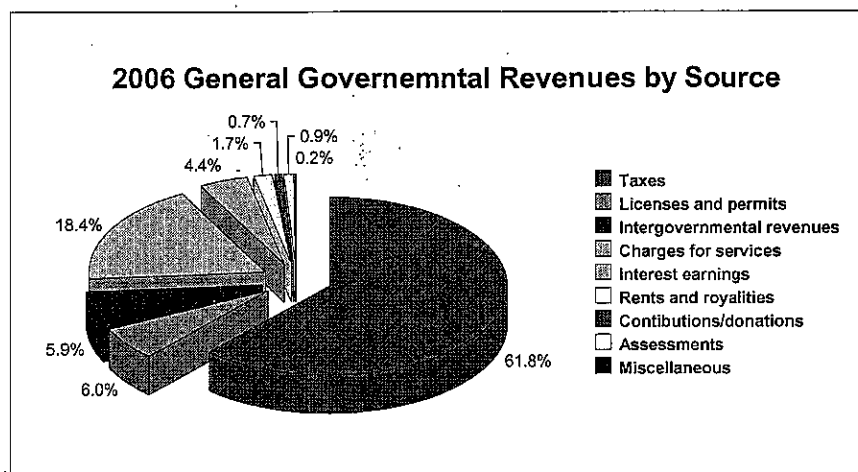


CITY OF MOSES LAKE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Amounts expressed in thousands)

Table B-4

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenue										
Taxes	6,552	6,925	7,431	8,087	8,630	8,718	8,391	8,881	9,309	10,216
Licenses and permits	411	366	266	355	434	344	483	518	630	998
Intergovernmental revenues	1,046	899	1,575	2,628	1,555	909	895	961	996	975
Charges for services	3,965	2,779	1,653	1,738	1,989	2,218	2,252	2,639	2,846	3,048
Fines and forfeits	18	26	21	10	11	12	8	7	6	7
Interest earnings	-	-	-	-	-	-	236	215	428	728
Rents and royalties	-	-	-	-	-	-	261	265	272	278
Contributions/donations	-	-	-	-	-	-	331	336	52	112
Assessments	250	1,034	243	120	312	153	125	162	142	142
Miscellaneous	968	967	1,070	1,312	1,132	620	73	25	53	26
Total Revenues	13,211	12,996	12,259	14,251	14,064	12,973	13,055	14,009	14,732	16,529
Expenditures										
General government	2,660	1,661	1,047	1,083	1,123	1,273	1,186	1,175	1,194	1,223
Public safety	3,483	3,575	4,091	4,048	4,661	4,978	4,583	4,696	4,835	5,394
Public works	1,041	1,116	1,209	1,236	1,258	1,308	1,288	1,314	1,441	1,673
Transportation	826	901	2,022	3,178	2,612	1,595	1,988	1,563	2,428	2,390
Economic environment	294	321	380	366	407	538	505	558	609	758
Culture and recreation	2,009	2,200	2,287	2,560	2,755	2,827	2,612	2,587	2,910	3,184
Capital outlay	1,995	282	590	762	2,052	603	324	572	369	4,348
Debt service										
Principal	550	533	561	1,523	1,005	399	523	504	457	444
Interest	402	-	354	388	350	315	215	173	149	164
Total Expenditures	13,259	10,589	12,541	15,143	16,221	13,836	13,204	13,142	14,391	19,579
Excess of revenues over (under) expenditures	(48)	2,407	(282)	(893)	(2,158)	(863)	(149)	867	341	(3,049)
Other financing sources (uses)										
Transfers in	2,744	-	2,575	2,847	3,966	1,860	227	2,259	2,757	2,775
Transfers out	(2,063)	-	(2,293)	(2,425)	(3,635)	(1,738)	(2,334)	(2,132)	(2,458)	(2,806)
Sales of capital assets	(209)	-	-	-	-	-	4	0	383	17
Miscellaneous nonoperating	1	(1,599)	-	56	23	299	(0)	-	(1)	-
Proceeds of capital lease	107	-	-	-	-	-	43	11	14	-
Proceeds of long term debt	-	-	(13)	81	120	1,009	-	-	-	-
Proceeds from interfund debt	(1)	-	(7)	-	-	-	-	-	-	-
Proceeds of G.O. bonds	-	-	-	-	-	-	-	-	-	5,083
Discount on GO bonds issued	-	-	-	-	-	-	-	-	-	(47)
Total other financing sources (uses)	578	(1,599)	262	559	474	1,430	(2,061)	138	695	5,022
Net change in fund balances	530	808	(20)	(334)	(1,683)	567	(170)	1,005	1,036	1,972
Debt service as a percentage of noncapital expenditures	8.45%	5.17%	7.66%	13.29%	9.56%	5.39%	5.73%	5.38%	4.32%	4.00%

*The City implemented GASB 44 in 2005 and has reported the information above retroactively from GASB #34 implementation in 2003



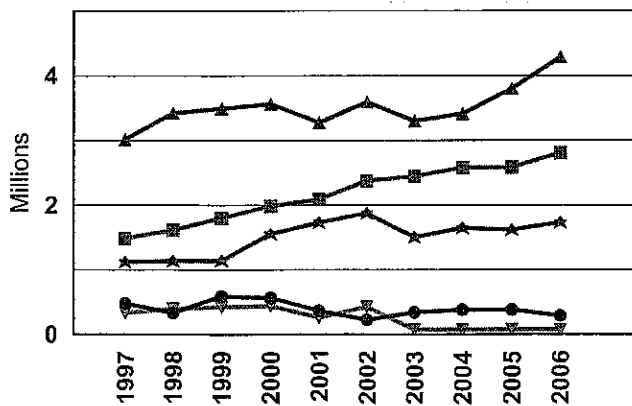
CITY OF MOSES LAKE
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

Table B-9

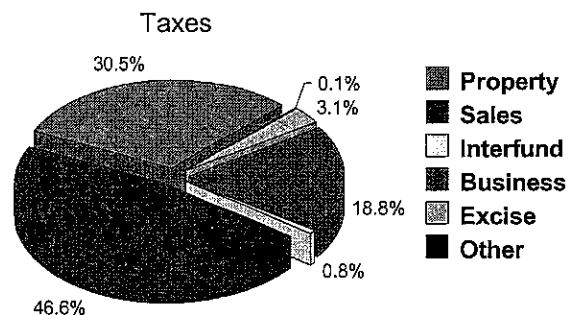
Fiscal Year	Property Taxes	Sales Taxes	Interfund Taxes	Business Taxes	Excise Taxes	Other Taxes	Total
1997	\$ 1,486,334	\$ 3,017,411	\$ 329,408	\$ 1,117,627	\$ 480,265	\$ -	\$ 6,431,045
1998	1,610,963	3,424,774	394,731	1,134,786	330,133	-	6,895,387
1999	1,798,165	3,494,802	426,409	1,140,996	586,041	464	7,446,877
2000	1,981,444	3,563,718	441,575	1,553,147	561,263	970	8,102,117
2001	2,088,800	3,272,209	261,307	1,727,937	363,953	3,185	7,717,391
2002	2,373,501	3,595,837	424,764	1,875,919	226,964	1,856	8,498,841
2003	2,446,747	3,301,462	75,016	1,500,060	339,557	1,492	7,664,334
2004	2,578,519	3,412,323	72,716	1,644,874	379,590	6,819	8,094,841
2005	2,585,838	3,798,433	74,500	1,618,206	377,767	6,520	8,461,265
2006	2,808,139	4,286,527	72,501	1,732,584	286,128	6,520	9,192,399

General Governmental Revenues

■ Property ▼ Interfund ● Excise and other
 ▲ Sales ★ Business



2006 General Governmental Revenues by Source



CITY OF MOSES LAKE
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years*

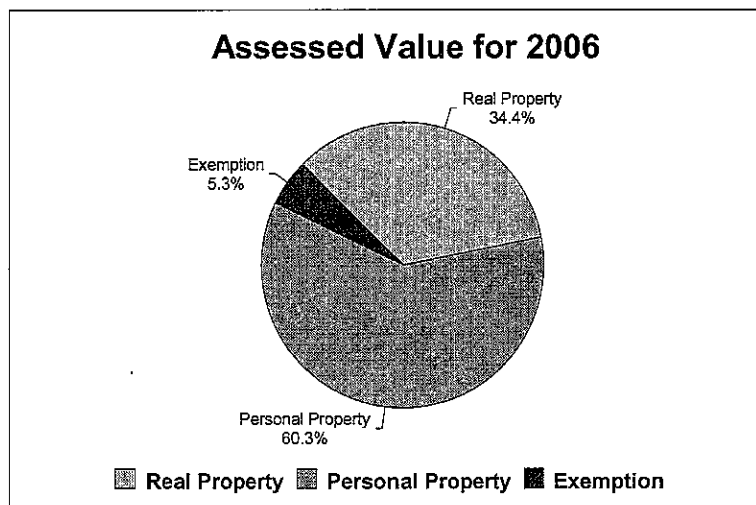
Table C-1

Fiscal Year	Real Property	Personal Property	Less Tax Exempt		Total Taxable Assessed Value	Total Direct Tax Rate per \$1000 of assessed value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
			Real Property	Personal Property				
1997	\$ -	\$ -	\$ -	\$ -	\$ 514,670,771	2.9508	\$ -	-
1998	-	-	-	-	567,280,030	2.9454	-	-
1999	-	-	-	-	619,198,037	2.9906	-	-
2000	-	-	-	-	638,080,940	3.1000	-	-
2001	-	-	-	-	675,119,443	3.0757	-	-
2002	-	-	-	-	800,941,356	2.9945	-	-
2003	-	-	-	-	846,090,551	2.9472	-	-
2004	828,228,937	48,373,309	7,461,400	216,645	876,602,246	3.0255	1,109,623,096	79%
2005	854,394,923	50,657,526	9,911,280	176,490	905,052,449	3.0681	1,016,912,864	89%
2006	936,331,253	1,642,686,409	52,240,458	91,649,926	988,571,711	2.9732	1,734,336,335	57%

*The City implemented GASB 44 in 2005 and has reported the information above retroactively from GASB #34 implementation in 2003.

** Source is Grant County

** Missing data was not available from Grant County



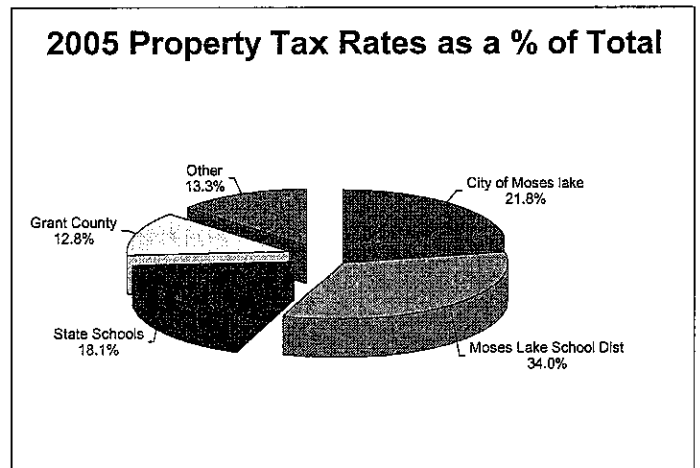
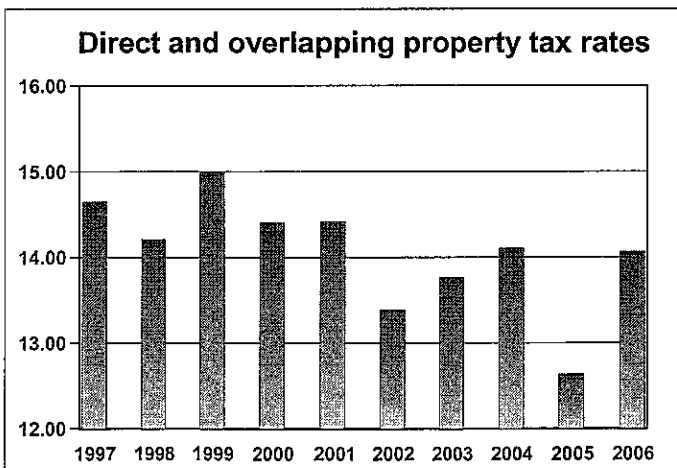
CITY OF MOSES LAKE
Property Tax Rates
Direct and Overlapping Governments
Per \$1,000 of assessed value
Last Ten Fiscal Years

Table C-2

Fiscal Year	Direct tax rate		Overlapping Rates							
	Moses Lake		Grant County		School District					
	Operating Millage	Total City Millage	Operating Millage	Total County Millage	Operating Millage	Debt Service Millage	Total school Millage	State School	Special Districts	Total
1997	2.945	2.945	1.791	1.791	2.597	1.728	4.325	3.685	1.958	14.651
1998	2.991	2.991	1.785	1.785	2.818	1.540	4.358	3.703	1.374	14.211
1999	3.100	3.100	1.779	1.779	2.975	1.463	4.438	3.504	2.174	14.995
2000	3.076	3.076	1.781	1.781	3.069	1.364	4.434	3.213	1.903	14.406
2001	2.995	2.995	1.779	1.779	3.197	1.426	4.623	3.127	1.899	14.422
2002	2.947	2.947	1.777	1.777	3.157	1.293	4.450	2.846	1.374	13.394
2003	2.946	2.946	1.800	1.800	3.363	1.471	4.834	2.759	1.430	13.769
2004	3.026	3.026	1.800	1.800	3.534	1.497	5.031	2.807	1.443	14.107
2005	3.068	3.068	1.799	1.799	3.560	1.222	4.781	2.550	1.867	14.066
2006	3.068	3.068	1.799	1.799	3.560	1.222	4.781	2.551	1.867	14.066

Overlapping rates are those of local and county governments that apply to property owners within the city of Moses Lake. Not all overlapping rates apply to all Moses Lake property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

Taxes are levied in the year prior to the year above for the year listed above.



CITY OF MOSES LAKE
Principal Property Taxpayers
For The Year Ended December 31, 2006

Table C-3

Name	Type of business	Assessed Valuation	Rank	Percent of total Assessed Value*
EKA Chemicals	Chemical Manu	\$28,661,160	1	2.9%
Weyerhaeuser Company	Corrugated board	12,946,075	2	1.3%
D&L Foundry, Inc.	Manhole Manu	10,833,885	3	1.1%
Wal-Mart real estate buinesss trust	Grocery/retail	9,782,630	4	1.0%
Sun Healthcare Group	retirement	7,276,690	5	0.7%
Learner Tr, Kathryn J	Trust	6,858,720	6	0.7%
Grewal Hotels Inc.	Hotel	6,686,035	7	0.7%
First American Commercial	Prop Invest/mgmt	6,356,560	8	0.6%
Crittenden, Odell D. & Sandra J	Prop Invest/mgmt	5,146,650	9	0.5%
Moses Lake Travel Plaza LLC	Prop Invest/mgmt	5,016,025	10	0.5%
Totals		\$99,564,430		10.1%

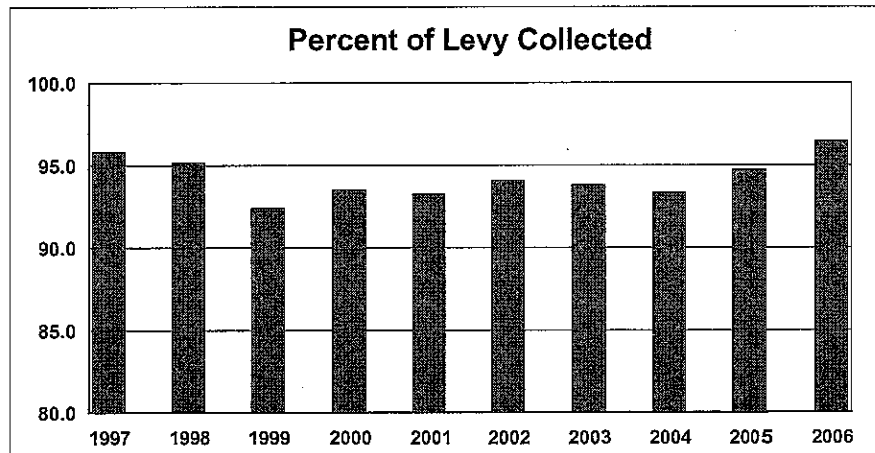
*Estimated total value of real and personal property. \$988,571,711

Source: Grant County Assessor

CITY OF MOSES LAKE
Property Tax Levies and Collections
Last Ten Fiscal Years

Table C-4

Year Ended December 31	Assessed valuation	Total Tax Levy for Year	Collected within the Fiscal Year of Levy		Collection of Delinquent Tax Levy	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1997	514,670,771	\$1,519,246	\$1,455,592	95.8	\$27,037	\$1,482,629	97.6
1998	567,280,030	1,671,775	1,591,105	95.2	32,020	1,623,125	97.1
1999	619,198,037	1,852,391	1,711,931	92.4	86,234	1,798,165	97.1
2000	638,080,940	1,977,773	1,849,854	93.5	131,209	1,981,063	100.2
2001	675,119,443	2,075,447	1,935,625	93.3	101,851	2,037,478	98.2
2002	800,941,356	2,402,339	2,260,845	94.1	112,656	2,373,501	98.8
2003	867,122,847	2,495,442	2,340,925	93.8	105,822	2,446,747	98.1
2004	876,602,246	2,558,494	2,388,667	93.4	189,852	2,578,519	100.8
2005	876,602,246	2,655,271	2,515,994	94.8	69,796	2,585,790	97.4
2006	905,052,449	2,776,828	2,679,202	96.5	160,947	2,840,149	102.3



City of Moses Lake

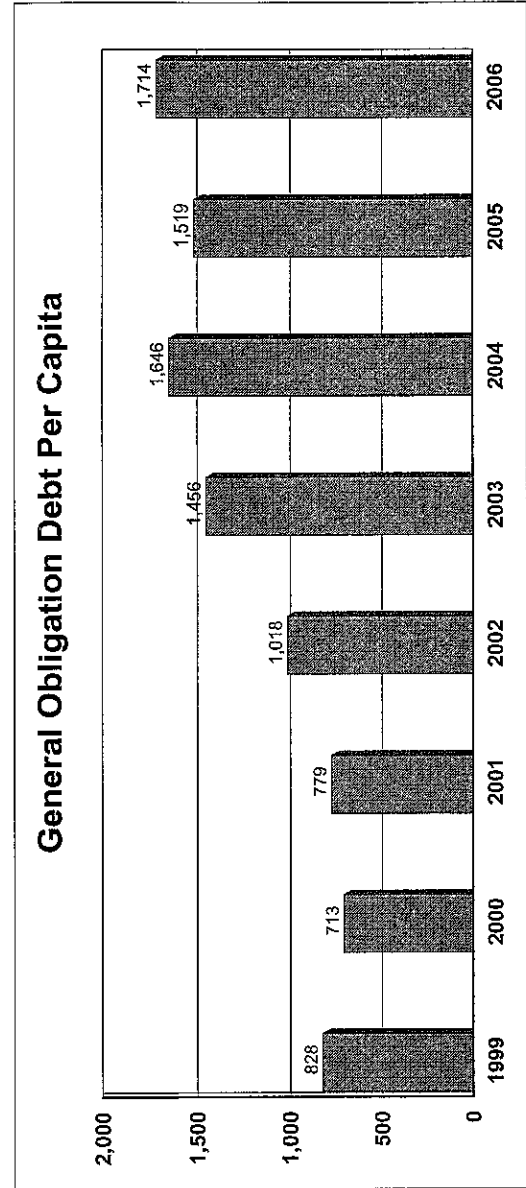
Ratios of Outstanding Debt by Type
Last Eight Fiscal Years*

Table D-1

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income**	Per Capita**
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Water/Sewer Bonds	Governmental loans	Capital Leases					
1999	\$ 6,160,930	\$ 1,047,624	\$ 1,308,369	\$ 570,000	\$ 2,587,112	\$ 79,440	\$	\$	11,753,475	4.27%	\$ 828
2000	5,890,501	960,322	1,243,913	495,000	1,980,796	90,131			10,660,663	3.53%	713
2001	5,612,474	691,734	707,519	1,390,000	3,500,417	131,681			12,033,825	3.70%	779
2002	7,431,716	604,432	1,966,211	780,000	4,749,618	167,016			15,698,993	4.69%	1,018
2003	6,930,000	517,130	1,517,743	225,000	12,456,640	122,792			21,769,305	6.69%	1,456
2004	6,420,000	426,633	915,231	7,140,000	11,538,502	80,087			26,520,453	7.42%	1,646
2005	5,885,000	341,306	716,577	7,080,000	10,746,823	42,981			24,812,687	6.64%	1,519
2006	10,423,333	255,980	728,642	7,000,000	10,422,560	15,543			28,846,058	7.58%	1,714

*The City implemented GASB 44 in 2005 and has reported the information above retroactively from GASB #34 implementation in 2002

** See the Schedule of Demographic and Economic Statistics for personal income and population data.

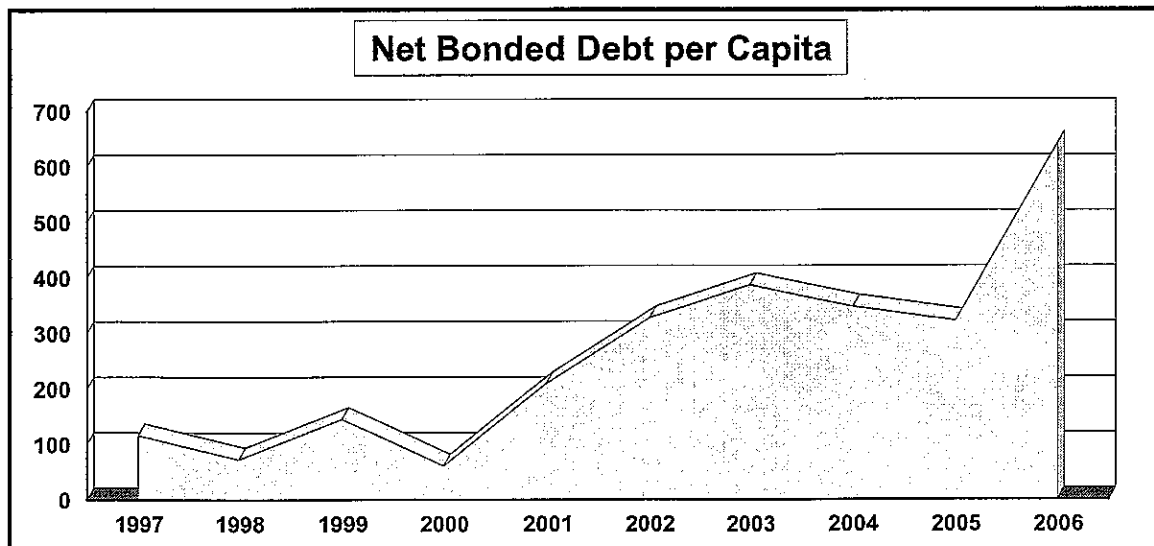


CITY OF MOSES LAKE
 Ratios of Net General Bonded Debt
 To Assessed Value and Net Bonded Debt per Capita
 Last Ten Fiscal Years

Table D-2

Year	Population	Assessed Value*	G.O. Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1997	12,915	\$ 514,670,771	\$ 4,031,339	\$ 2,529,673	\$ 1,501,666	0.29%	\$ 116
1998	13,710	567,280,030	3,932,316	2,931,025	1,001,291	0.18%	73
1999	14,190	619,198,037	4,117,621	2,058,693	2,058,928	0.33%	145
2000	14,953	638,080,940	3,850,321	2,941,984	908,338	0.14%	61
2001	15,444	675,119,443	3,396,734	168,511	3,228,223	0.48%	209
2002	15,420	800,941,356	5,224,432	171,988	5,052,444	0.63%	328
2003	15,730	846,090,551	6,930,000	838,119	6,091,881	0.72%	387
2004	16,110	867,122,847	6,420,000	823,392	5,596,608	0.65%	347
2005	16,340	876,602,246	5,885,000	617,520	5,267,480	0.60%	322
2006	16,830	905,052,449	11,440,000	630,470	10,809,530	1.19%	642

* Grant County Assessor: includes only taxable property



CITY OF MOSES LAKE
Direct and Overlapping Governmental Activities Debt
As of December 31, 2006

Table D-3

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$28,986,189	43.66%	<u>\$12,654,545</u>
Subtotal, overlapping debt			<u>12,654,545</u>
Moses Lake direct debt			<u>11,440,000</u>
Total direct and overlapping debt			<u><u>\$24,094,545</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the ML school district and Samartian Hospital.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Moses Lake. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

*The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

CITY OF MOSES LAKE
Legal Debt Margin Information
Last Ten Fiscal Years*

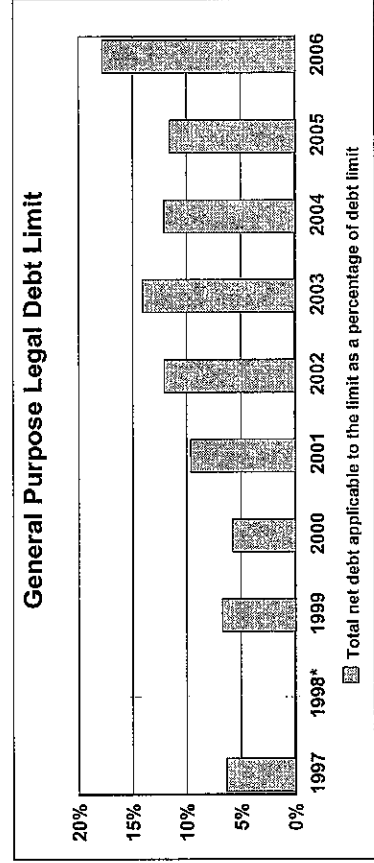
Table D-4

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Value	988,571,711
Add back: exempt real property	0
Total assessed value	<u>988,571,711</u>
Debt limit	74,142,878
Debt applicable to limit:	
General obligation bonds	13,860,729
Less: amount set aside for repayment of general obligation debt	<u>630,470</u>
Total net debt applicable to limit	<u>13,230,259</u>
Legal debt margin	<u><u>60,912,620</u></u>

	1997	1998*	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	41,340,950	\$ 0	\$ 46,971,821	\$ 49,720,610	\$ 60,070,602	\$ 63,456,791	\$ 65,034,214	\$ 65,745,168	\$ 65,745,168	74,142,878
Total net debt applicable to limit	2,623,632	0	3,163,525	2,868,314	5,777,418	7,653,638	9,154,830	7,948,295	7,597,288	13,230,259
Legal debt margin	<u>38,717,318</u>	<u>\$ 0</u>	<u>\$ 43,808,296</u>	<u>\$ 46,852,296</u>	<u>\$ 54,293,184</u>	<u>\$ 55,803,154</u>	<u>\$ 55,879,384</u>	<u>\$ 57,796,874</u>	<u>\$ 58,147,880</u>	<u>60,912,620</u>
Total net debt applicable to the limit as a percentage of debt limit	6.35%	0.00%	6.73%	5.77%	9.62%	12.06%	14.08%	12.09%	11.56%	17.84%

*1998 information not available due to cash reporting.



CITY OF MOSES LAKE
Water and Sewer Revenue Bond Coverage
Last Ten Fiscal Years

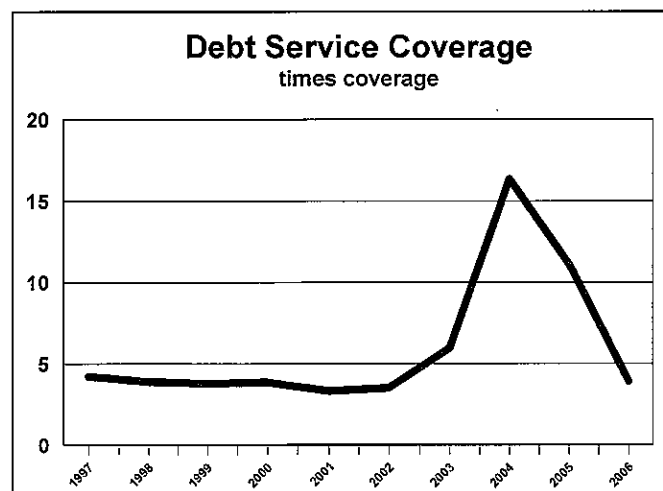
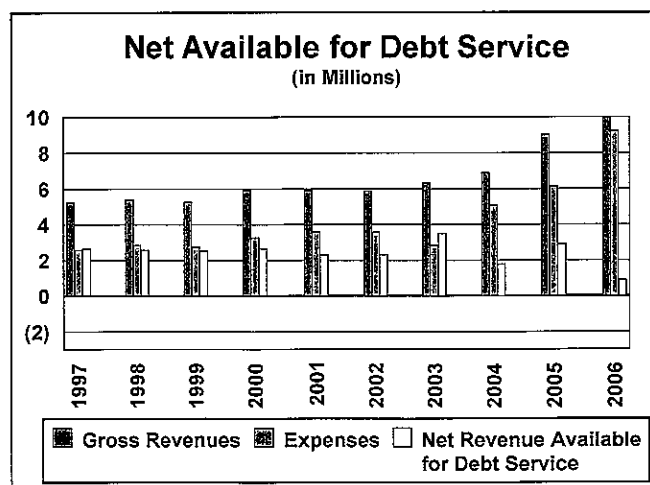
Table D-5

Year	Utility Revenues*	Operating Expenses**	Net Revenue Available for Debt Service	Debt Service Requirements			Times Coverage
				Principal	Interest	Total	
1997	\$ 5,250,479	\$ 2,589,516	\$ 2,660,963	\$ 410,000	\$ 221,853	\$ 631,853	4.21
1998	5,395,551	2,829,897	2,565,654	450,000	208,924	658,924	3.89
1999	5,268,271	2,746,866	2,521,405	475,000	189,421	664,421	3.79
2000	5,923,767	3,268,983	2,654,784	515,000	173,599	688,599	3.86
2001	5,926,795	3,614,714	2,312,080	520,000	176,111	696,111	3.32
2002	5,891,417	3,578,550	2,312,867	565,000	94,716	659,716	3.51
2003	6,351,043	2,857,616	3,493,427	555,000	29,508	584,508	5.98
2004	6,883,510	5,101,214	1,782,296	100,000	9,013	109,013	16.35
2005	9,042,897	6,126,345	2,916,552	60,000	202,045	262,045	11.13
2006	10,132,439	9,231,964	900,475	65,000	166,827	231,827	3.88

* Utility Revenue includes both operating and investment income revenue.

** Total operating expenses excluding depreciation and amortization expenses. However does include interest transferred to the general fund.

Coverage is the percentage of total debt requirements to net revenue available for debt service



CITY OF MOSES LAKE
Demographic and Economic Statistics
Last Ten Fiscal Years

Table E-1

Year	City Population	Grant County Personal Income (Thousands of dollars)	Grant County Per Capita Income	Grant County Median Age	City K-12 School Enrollment	Grant County Percent Unemployment
1997	13,333	\$ 1,379,851	\$ 19,529	31	-	8.5
1998	13,883	1,461,074	20,163	31	6,474	9.0
1999	14,550	1,434,807	19,408	31	6,482	9.4
2000	14,953	1,513,579	20,173 (16,644)*	31.10 (32.3)*	6,641	10.2 (6.4)*
2001	15,210	1,599,811	20,949	31	6,589	10.1
2002	15,420	1,658,348	21,378	32	6,695	9.5
2003	15,730	1,715,275	21,756	32	6,812	9.6
2004	16,110	1,809,471	22,191	32	6,974	8.2
2005	16,340	**	22,857	32	7,063	8.5
2006	16,830	**	22,623	32	7,200	7.3

Data Sources:

Population - State of Washington, Office of Financial Management; www.ofm.wa.gov/pop/cociseries/index.htm

Per Capita Income - County figures given due to unavailability of City percentages. This information is found on the Regional Economics Accounts website at www.bea.gov/bea/regional/reis/

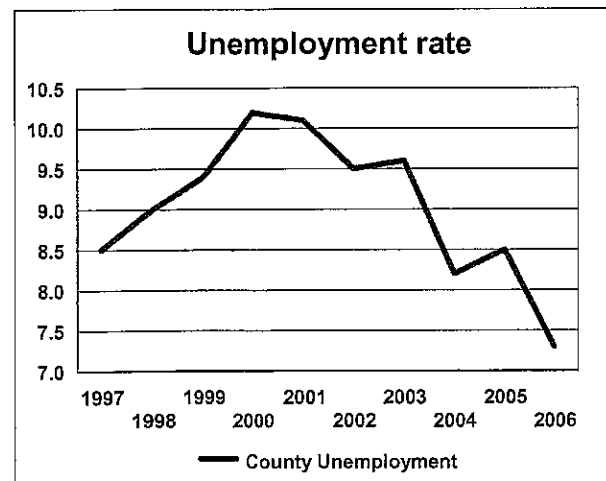
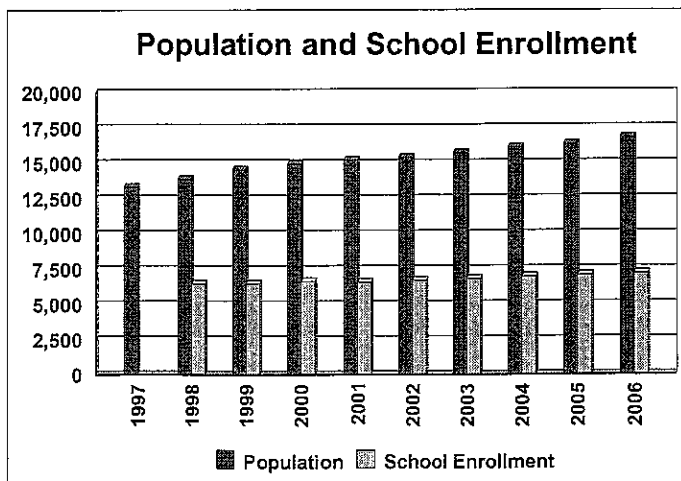
Median Age - Office of Financial Management: www.ofm.wa.gov

School Enrollment - Office of Superintendent of Public Instruction: www.k12.wa.us

Percent Unemployment - County figures given due to the unavailability of City percentages. This information is found on Grant County Economic Development councils web site at www.grantedc.com under "community data/economic data/grant county data set"

* 2000 US Census information included in parenthesis

** These figures are not currently available.

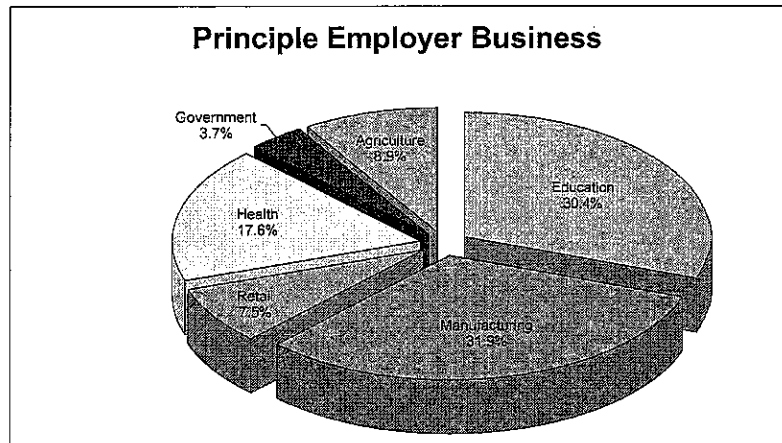


CITY OF MOSES LAKE
Principal Employers
Current Year and Nine Years Ago

Table E-2

Employer	Business type	2006		1997	
		Employees	Rank	Employees	Rank
Moses Lake School District	Education	1,000	1	740	1
Genie Industries, Inc.	Manufacturing	732	2	-	-
Samaritan Hospital	Health	435	3	426	3
J.R. Simplot Co./Nestle Brand	Agriculture	400	4	450	2
Big Bend Community College	Education	375	5	146	8
Wal- Mart	Retail	340	6	238	7
Inflation Systems, Inc. /Takata	Manufacturing	300	7	320	6
REC Silicon/Advanced Silicon Materials	Manufacturing	280	8	400	4
Moses Lake Clinic	Health	195	9	-	-
Moses Lake Community Health	Health	165	10	-	-
City of Moses Lake	Government	165	10	125	-
D & L Foundry	Manufacturing	130	-	140	9
K-Mart	Retail	-	-	126	10
Basic American Foods	Agriculture	-	-	350	5
Totals		4,517		3,111	

Source: Grant County Economic Development Council



CITY OF MOSES LAKE

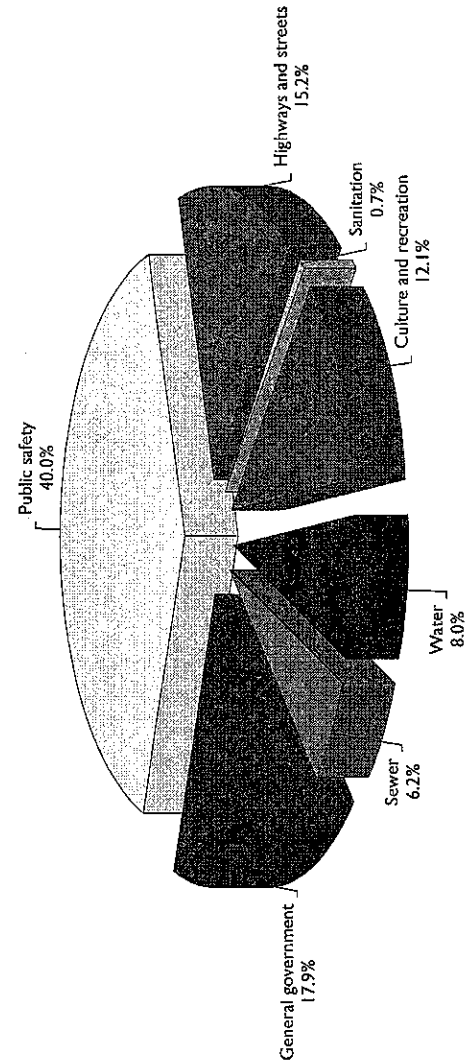
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Table F-1

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Function:										
General government	25	26	28	30	30	28	28	28	28	30
Public safety	34	34	34	34	34	34	34	34	34	36
Police	15	15	15	15	32	33	33	29	28	30
Fire										
Highways and streets	15	16	17	17	17	17	17	16	16	19
Engineering	5	6	6	6	6	6	6	6	6	6
Maintenance	1	1	1	1	1	1	1	1	1	1
Sanitation	17	17	18	19	19	18	18	17	17	20
Culture and recreation	12	14	14	14	14	14	14	15	15	13
Water	7	7	7	9	9	9	10	11	11	10
Sewer										
Total	131	136	140	145	162	160	161	156	155	165

Source: City of Moses Lake Annual Budget.

2006 City Employees by Function



CITY OF MOSES LAKE
Operating Indicators by Function
Last Ten Fiscal Years

Table F-2

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Building permits issued	598	617	579	464	456	431	457	476	568	616
Police										
DUI	-	-	-	-	308	212	73	113	139	132
Parking violations	-	-	-	-	237	55	129	362	100	201
Traffic violations	-	-	-	-	4284	7327	2818	2109	2817	2835
Fire										
Number of calls answered	-	-	-	838	1606	3646	3525	3569	2869	3010
Inspections	-	-	-	-	-	-	-	1287	1623	1800
Culture and recreation										
Aquatic Center	-	-	-	-	91156	84090	87716	125000	130000	130000+
Museum	-	-	-	-	6101	11214	9811	12011	12200	9378
Water										
new connections	-	-	-	-	-	-	-	-	-	317
water mains breaks	-	-	-	-	-	-	-	-	-	10
Average daily consumption (millions of gallons)	2.45	2.73	2.8	2.99	2.77	2.7	2.77	2.85	2.87	7.7
Wastewater										
Average daily sewage treatment (mpgd)										
Sand Dunes	1.981	1.989	2	2.006	2.004	2.009	1.953	1.893	1.92	2
Larsen	0.387	0.414	0.426	0.38	0.369	0.374	0.346	0.336	0.329	0.324

Years prior to 2006 without data are not available for review.

City of Moses Lake
Capital Asset Statistics by Function
Last Ten Fiscal Years

Table F-3

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Function										
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	14	14	14	14	14	14	14	14
Fire Stations	2	2	2	2	2	35	2	2	2	2
Highways and Streets										
Streets (miles)	88	93	90	90	90	90	94	95	96	99
Streetlights	1,805	1,805	1,811	1,814	1,814	1,817	1,817	1,817	1,817	1,817
Traffic signals	17	17	24	32	35	35	35	35	35	35
Culture and Recreation										
Parks acreage	-	-	140	140	140	140	140	151	151	156
Parks	16	16	18	18	18	18	15	15	16	17
Swimming pools	1	1	1	1	1	1	1	1	1	1
Business-Type Function										
Water										
Water mains (miles)	131.0	135.8	135.8	13.5	135.8	137.5	139.8	142.1	143.1	147.6
Wells	20	13	13	13	13	15	17	17	18	18
Water Storage	12	11	11	11	11	12	12	12	12	12
Sewer										
Sanitary sewers (miles)	102.1	110.3	110.3	110.3	110.3	111.1	112.2	113.2	114.2	128.6
Storm sewere (miles)	9.1	9.6	9.6	9.6	9.6	10.0	10.0	10.1	10.2	10.7
Treatment plants	2	2	2	2	2	2	2	2	2	2