

Attachment A



2004 Year End Financial Report

Prepared by the Finance Department

For

Fiscal Year January 1, 2004 – December 31, 2004

Table of Contents

Executive Summary	3
General Fund Revenue	6
Property Tax	7
Sales Tax	8
Criminal Justice Sales Tax	9
State Revenue	10
Utility Tax and Franchise Fees	11
Parks Revenue	12
Gambling Revenue	13
General Fund Expenditures	14
Development Services Fund	15
Street Fund	16
Surface Water Management Fund	17
General Capital Fund	18
Roads Capital Fund	19
Surface Water Capital Fund	20
Cash and Investment Report	21

EXECUTIVE SUMMARY

General Fund

2004 actual General Fund revenue totaled \$26,623,282 which was greater than 2004 projected revenue by \$537,525 or 2.1%. The significant contributors to this increase are better than expected revenue from sales tax of \$263,211, telecommunications utility tax revenue of \$160,612 and natural gas utility tax revenue of \$83,972.

The 2004 actual expenditures were \$24,119,720 and the 2004 carry-overs were \$612,647 for a total 2004 expenditure of \$24,732,367. This is \$454,596 or 1.8% below projected expenditures of \$25,186,964. The General Fund ending unreserved fund balance is \$10,408,806, \$1,097,533 greater than projected.

Development Services Fund

Actual revenues for 2004 were \$1,678,482. This was \$43,817 or 2.5% below projected revenues of \$1,722,229. Revenues were below projections in all categories except Land Use and Fire permits. During 2004, the city began to offer plumbing inspection services in-house. Revenues from this new service totaled \$21,332.

Actual expenditures for 2004 were \$1,691,122 or \$56,036 or 3.2% below projected expenditures of \$1,747,158. Most of the under-expenditures were in the Professional Services category. This budget includes funding for supplemental support for an on-call plans examiner, biologist, and arborist. The Development Services Fund ending unreserved fund balance is \$409,527 \$12,219 greater than projected.

Street Fund

Actual revenues for 2004 were \$2,333,147, just \$2,923 or 0.1% below projected revenue. Right of way fee revenue was below projections by \$6,373 and fuel tax collections were below projections by \$7,383. Interest earnings were actually greater than projections by \$9,598.

The 2004 actual expenditures were \$2,392,230 and the 2004 carry-overs were \$94,878 for a total 2004 expenditure of \$2,487,108. This is \$47,900 or 1.9% below projected expenditures of \$2,535,008. Expenditure savings occurred from staff vacancies and decreases in electricity costs for traffic signals and streetlights. The Street Fund 2004 ending unreserved fund balance is \$523,802, \$44,975 greater than projected.

Surface Water Management Fund

Actual revenues for 2004 were \$2,465,373, \$50,837 or 2.02% less than projected. Storm drainage fees were \$68,692 less than projected, but interest earning were \$17,855 greater than expected.

The 2004 actual expenditures were \$1,883,792 and the 2004 carry-overs were \$219,495 for a total 2004 expenditure of \$2,103,287. This is \$24,078 or 1.1% below projected expenditures of \$2,127,365. The SWM Fund 2004 ending unreserved fund balance is \$2,761,563, \$26,757 less than projected due to the lower than expected revenue collections.

Capital Improvement Funds

General Capital

Actual revenues for 2004 were \$1,447,140. This is \$76,351 or 6% above projected revenues of \$1,370,787. Real Estate Excise Tax (REET) collections were \$108,081 above projections. The adopted 2004 budget included expected REET collections of \$685,000. During the second quarter, projections were increased to \$900,000. Actual collections during the year totaled \$1,008,081. In 2004 the real estate market continued to be very active as mortgage rates remained low.

The 2004 actual expenditures were \$797,204 and the 2004 carry-overs were \$1,245,307 for a total 2004 expenditure of \$2,042,511. This is \$28,589 or 1.4% above projected expenditures of \$2,013,922. The General Capital Fund 2004 ending unreserved fund balance is \$6,742,035, \$47,764 greater than projected.

Roads Capital

Actual revenues for 2004 were \$7,397,892. This is \$2,668,758 or 27% below projected revenues of \$10,066,650. This revenue decrease is due primarily to grant revenue not being received as projected since roads projects were not completed as scheduled. However, these grants are expected to be received in 2005 as the project work continues. Staff has requested that \$2,579,957 in grant revenue be carried over into 2005. REET collections were 108,513 or 12% ahead of projections.

The 2004 actual expenditures were \$7,555,531 and the 2004 carry-overs were \$3,946,925 for a total 2004 expenditure of \$11,502,456. This is \$2,015,858 or 14.9% below projected expenditures of \$13,518,314. The Roads Capital Fund ending unreserved fund is \$13,869,421, \$1,927,057 greater than projected.

Surface Water Capital

Actual revenues for 2004 were \$5,330,074. This is \$2,197,499 or 70% above projected revenues of \$3,132,575. This revenue increase is due primarily to Public Works Trust Fund loans being received earlier than expected.

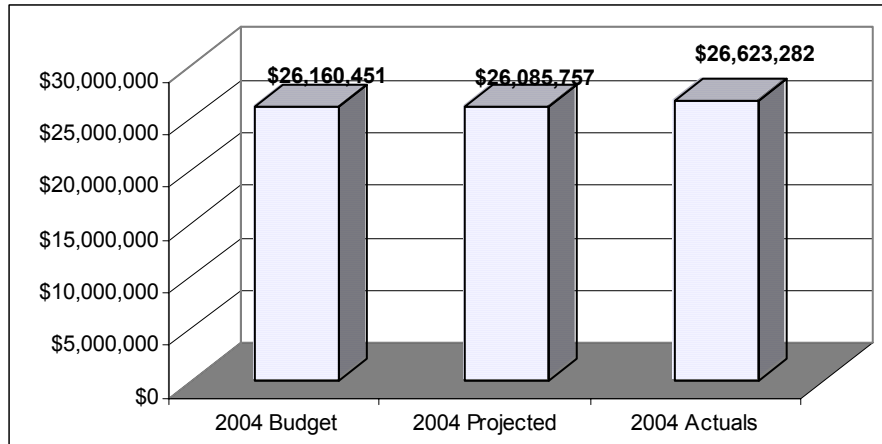
The 2004 actual expenditures were \$2,339,287 and the 2004 carry-overs were \$722,851 for a total 2004 expenditure of \$3,062,138. This is \$75,197 or 2.4% below projected expenditures of \$3,137,335. The SWM Capital Fund ending unreserved fund balance is \$5,771,533, \$2,272,696 greater than projected.

All Funds Summary

The following table provides a summary of the financial results for all City funds for 2004 and includes the 2004 carryover and Estimated Beginning Fund Balance for 2005:

Operating Funds	Revenues					Expenditures					
	2004 Budget	2004 Projected	2004 Actuals	2004 Carryover	Variance Actuals v. Projected	2004 Budget	2004 Projected	2004 Actuals	2004 Carryover	Variance Actuals + Carryover v. Projected	% Variance
General Fund	\$26,160,451	\$26,085,757	\$26,623,282	\$89,311	\$626,836	\$25,890,198	\$25,186,963	\$24,119,720	\$612,647	-\$454,596	-1.8%
Streets	\$2,535,958	\$2,336,072	\$2,333,147	\$0	-\$2,925	\$2,535,008	\$2,535,008	\$2,392,230	\$94,878	-\$47,900	-1.9%
SWM OPS	\$2,841,752	\$2,516,210	\$2,465,373	\$0	-\$50,837	\$2,127,366	\$2,127,365	\$1,883,792	\$219,495	-\$24,078	-1.1%
Development Services	\$1,765,851	\$1,722,299	\$1,678,482	\$0	-\$43,817	\$1,765,851	\$1,747,158	\$1,691,122	\$0	-\$56,036	-3.2%
General Capital	\$15,591,625	\$1,370,787	\$1,447,140	\$0	\$76,353	\$15,456,034	\$2,013,922	\$797,204	\$1,245,307	\$28,589	1.4%
Roads Capital	\$11,602,438	\$10,066,650	\$7,397,892	\$2,579,957	-\$88,801	\$14,919,801	\$13,518,314	\$7,555,531	\$3,946,925	-\$2,015,858	-14.9%
SWM Capital	\$4,503,431	\$3,132,575	\$5,330,074	\$0	\$2,197,499	\$3,202,003	\$3,137,335	\$2,339,287	\$722,851	-\$75,197	-2.4%
Arterial Street Fund	\$348,546	\$347,779	\$348,124	\$0	\$345	\$348,546	\$348,546	\$347,753	\$0	-\$793	-0.2%
Reserve Fund	\$172,889	\$182,889	\$201,614	\$0	\$18,725	\$0	\$0	\$0	\$0	\$0	
Code Abatement Fund	\$100,000	\$300	\$9,738	\$0	\$9,438	\$100,000	\$45,000	\$19,729	\$0	-\$25,271	-56.2%
Asset Seizure Fund	\$23,000	\$23,175	\$3,831	\$0	-\$19,344	\$23,000	\$23,653	\$653	\$0	-\$23,000	-97.2%
Public Arts Fund	\$183,250	\$183,500	\$37,602	\$0	-\$145,898	\$0	\$0	\$0	\$0	\$0	
Vehicle Operations Fund	\$70,300	\$54,222	\$58,705	\$0	\$4,483	\$70,300	\$70,300	\$67,469	\$0	-\$2,831	-4.0%
Equipment Replacement Fund	\$372,155	\$287,405	\$298,927	\$0	\$11,522	\$180,050	\$180,050	\$126,092	\$0	-\$53,958	-30.0%
Unemployment	\$40,000	\$20,000	\$42,767	\$0	\$22,767	\$40,000	\$40,000	\$37,743	\$0	-\$2,257	-5.6%
Totals	\$66,311,646	\$48,329,620	\$48,276,698	\$2,669,268	\$2,616,346	\$66,658,157	\$50,973,614	\$41,378,325	\$6,842,103	-\$2,753,186	-5.4%

General Fund Revenue

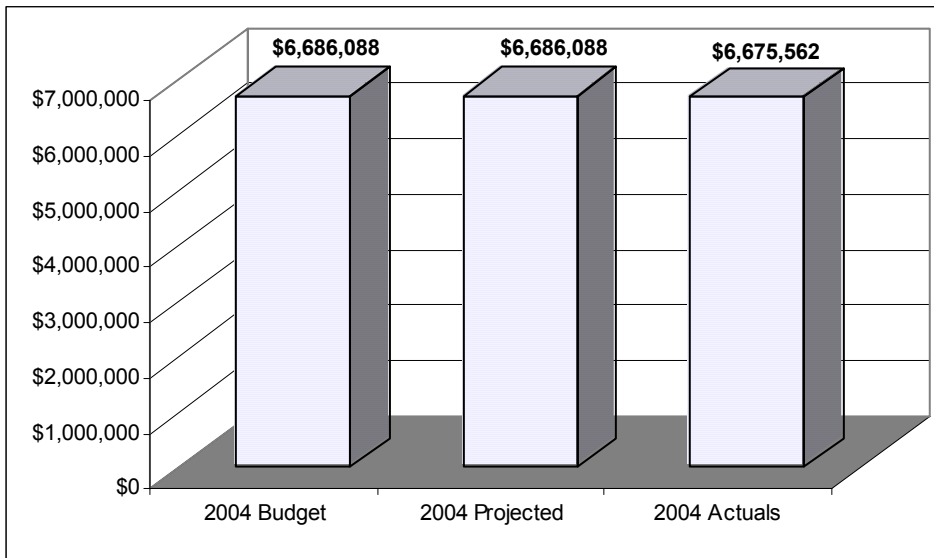


2004 actual General Fund revenue totaled \$26,623,282 which was greater than 2004 projected revenue by \$537,525 or 2.1%. The significant contributors to this increase are better than expected revenue from sales tax of \$263,211, telecommunications utility tax revenue of \$160,612 and natural gas utility tax revenue of \$83,972. These three revenue sources make up 94% of the \$537,525 revenue increase.

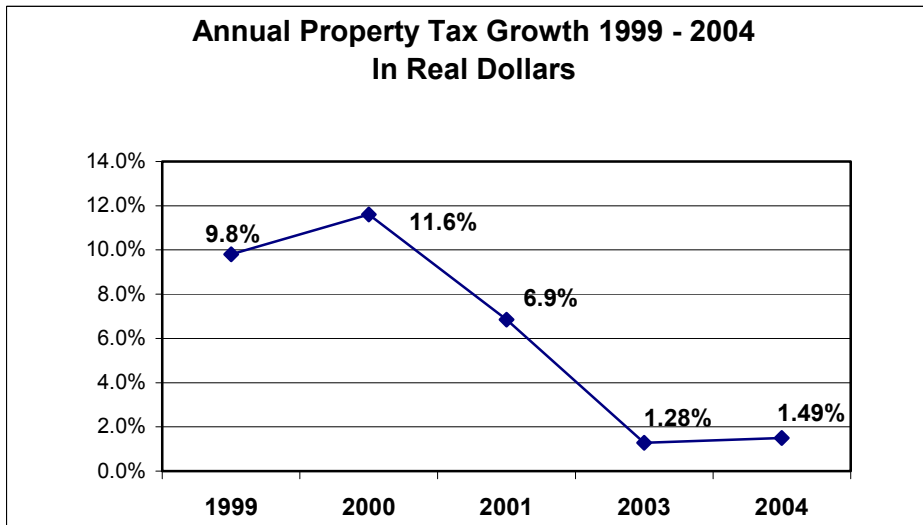
The table below illustrates the factors contributing to the final 2004 General Fund revenues. Specific detail about these revenues can be found later in this report.

Revenue Source	2004 Budget	2004 Projected	2004 Actuals	\$\$ Variance Actuals v. Projected	% Variance
Budgeted Fund Balance	\$1,279,309	\$0	\$0	\$0	0.0%
Property Tax	\$6,686,088	\$6,686,088	\$6,675,562	-\$10,526	-0.2%
Sales Tax	\$5,266,836	\$5,500,000	\$5,763,211	\$263,211	4.8%
Criminal Justice Sale Tax	\$1,000,000	\$1,000,000	\$1,035,325	\$35,325	3.5%
Utility Tax/Franchise Fee Category					
Natural Gas Utility Tax	\$609,927	\$609,927	\$693,899	\$83,972	13.8%
Sanitation Utility Tax	\$300,000	\$300,000	\$322,142	\$22,142	7.4%
Cable TV Utility Tax	\$80,000	\$80,000	\$77,442	-\$2,558	-3.2%
Telephone/Cell Utility Tax	\$1,320,000	\$1,320,000	\$1,480,612	\$160,612	12.2%
Electricity Franchise Fee	\$1,025,000	\$1,025,000	\$1,066,780	\$41,780	4.1%
Water Franchise Fee	\$450,325	\$450,325	\$430,710	-\$19,615	-4.4%
Sewer Franchise Fee	\$600,000	\$600,000	\$603,000	\$3,000	0.5%
Cable TV Franchise Fee	\$400,000	\$400,000	\$458,083	\$58,083	14.5%
Utility Tax/Franchise Fee Subtotal	\$4,785,252	\$4,785,252	\$5,132,668	\$347,416	7.3%
Gambling Tax	\$2,500,000	\$3,332,568	\$3,321,060	-\$11,508	-0.3%
State Revenue	\$683,577	\$743,554	\$763,416	\$19,862	2.7%
Parks & Recreation Revenue	\$705,337	\$779,038	\$796,176	\$17,138	2.2%
Fines & Forfeitures	\$10,000	\$104,956	\$151,319	\$46,363	44.2%
Grants & Misc. Revenue	\$910,557	\$911,806	\$742,049	-\$169,757	-18.6%
Transfers-In	\$2,242,495	\$2,242,495	\$2,242,496	\$1	0.0%
Total General Fund Revenue	\$26,160,451	\$26,085,757	\$26,623,282	\$537,525	2.1%

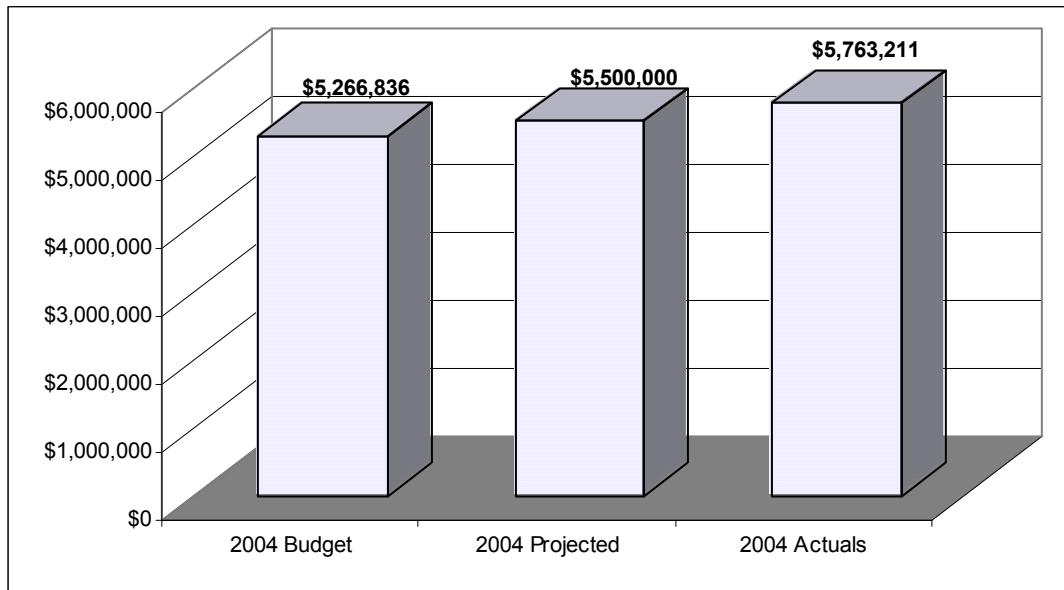
Property Tax Revenue



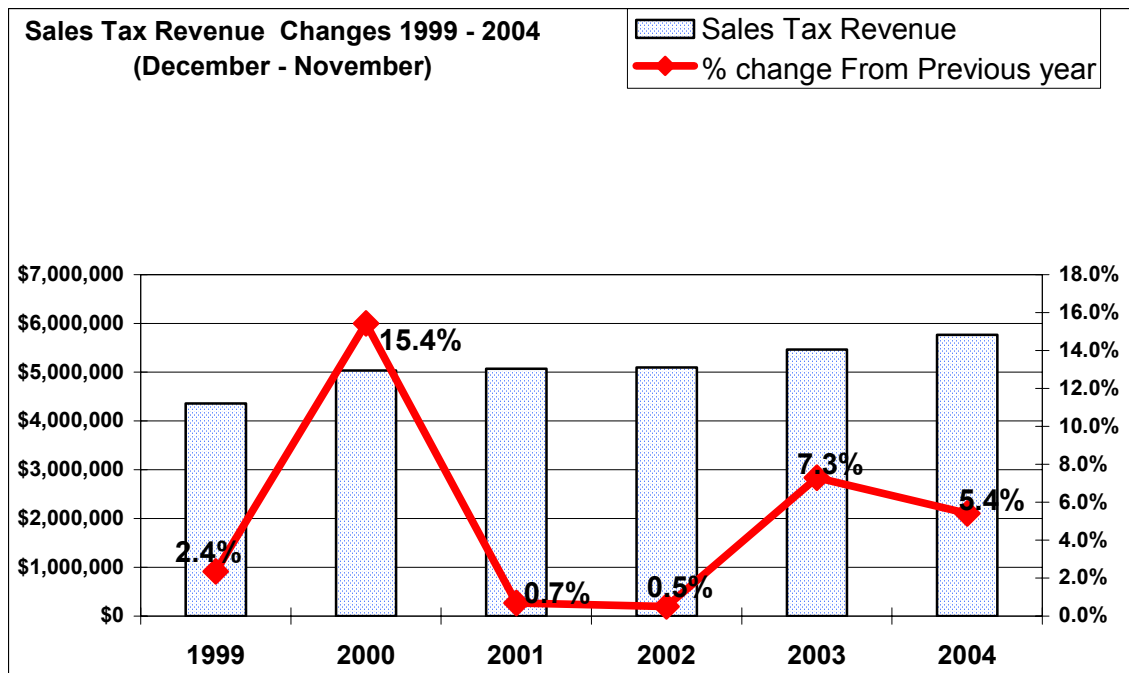
Property tax collections of \$6,675,562 were below projections but only by \$10,526 or 0.2%. The graph below highlights the ongoing and fairly rapid decline of property tax revenue growth from 1999 – 2004 as a result of legislation limiting the annual growth of levy rates.



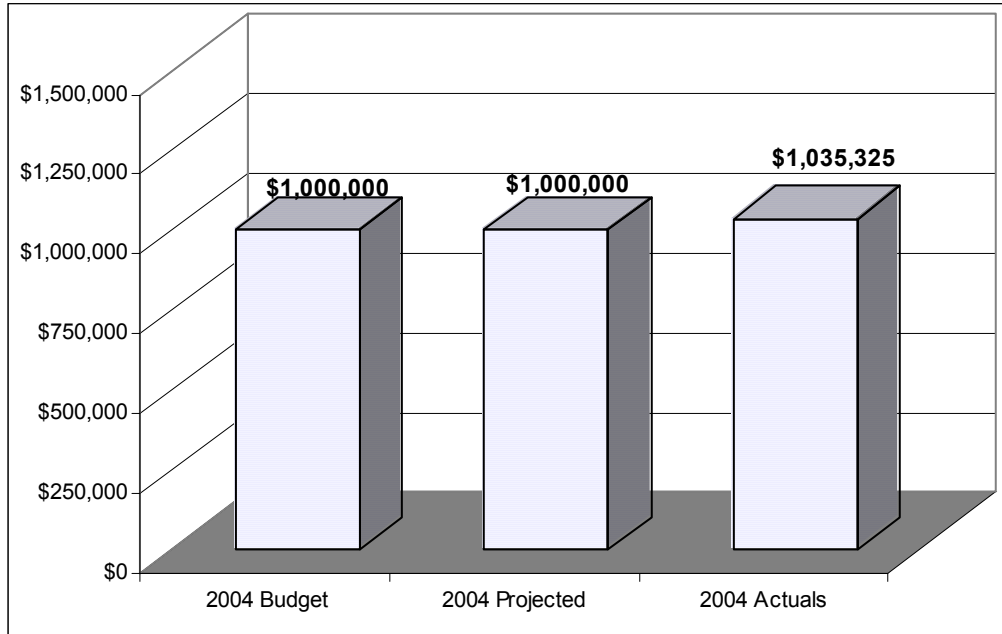
Sales Tax Revenue



Sales tax revenue came in \$263,211 or 4.8% over adjusted 2004 projections. The primary driver of this increase was the retail sales sector of the Shoreline economy which saw a \$234,202 or 7.3% increase over same period 2003. As the chart immediately below illustrates sales tax revenue for 2004 shows a modest increase over 2003 and shows significant improvement over the recession years of 2001 and 2002.

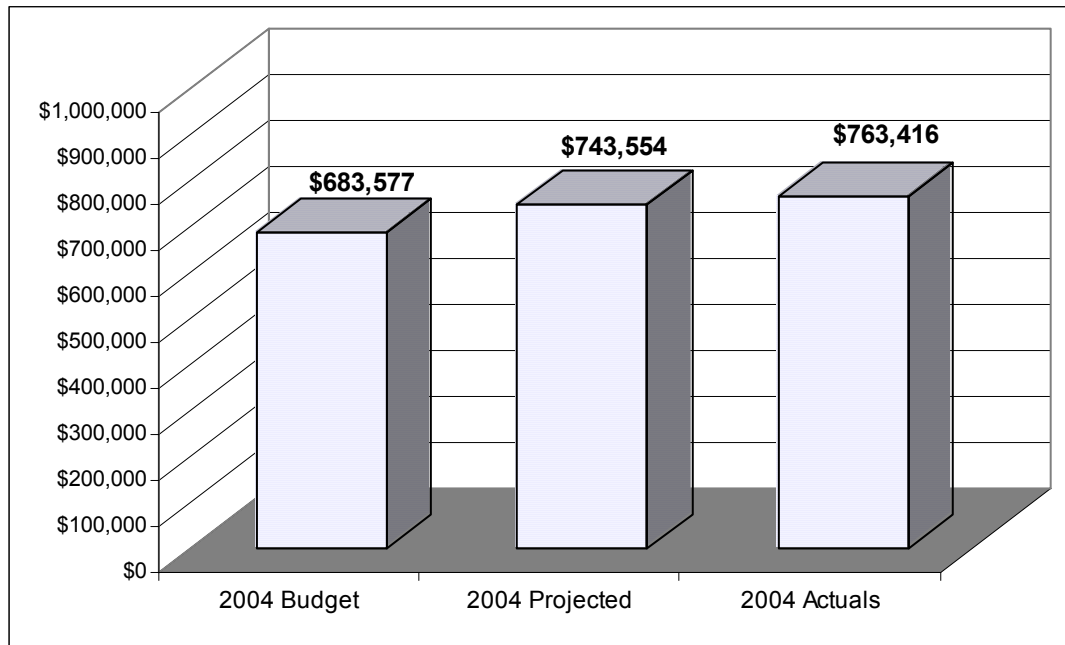


Criminal Justice Sales Tax Revenue



Local criminal justice sales tax of \$1,035,325 is slightly above projected revenue of \$1,000,000 by \$35,325 or 3.5%. This category differs from sales tax because it represents sales tax collected throughout King County and consequently does not reflect the sales tax experience within Shoreline. The distribution of the tax is based upon each city's population.

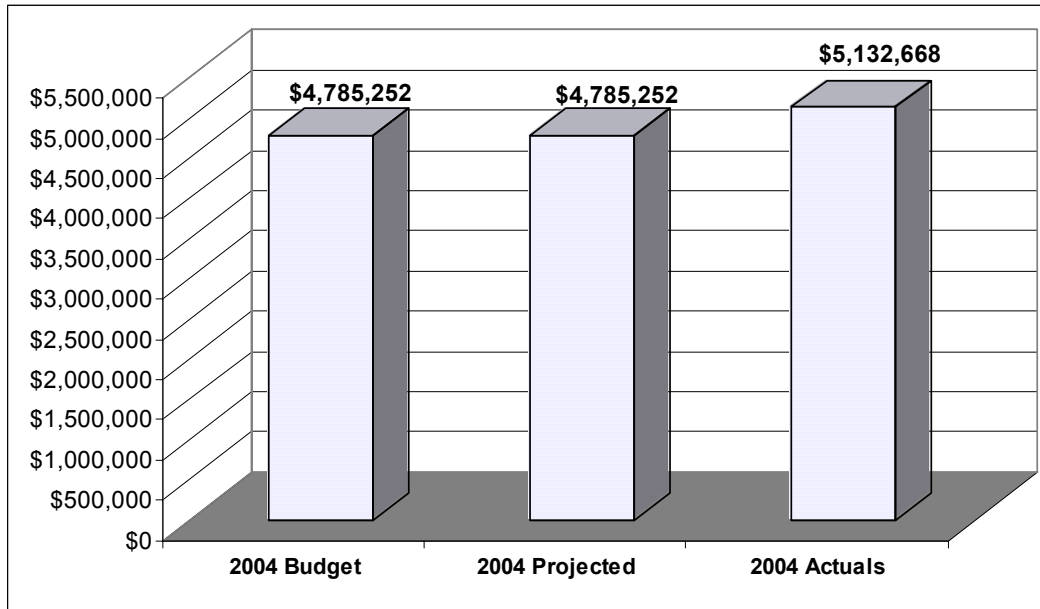
State Revenue



State Revenues of \$763,416 are above projected revenue of \$743,554 by \$19,862 or 2.7%. This is due in large part to increasing Liquor Board profits.

This category includes leasehold excise tax, criminal justice funds, liquor board profits and liquor excise tax.

Utility Tax and Franchise Fee Revenue



Utility tax and franchise fee revenue of \$5,132,191 exceeded projected revenue of \$4,785,252 by \$347,416 or 7.3%.

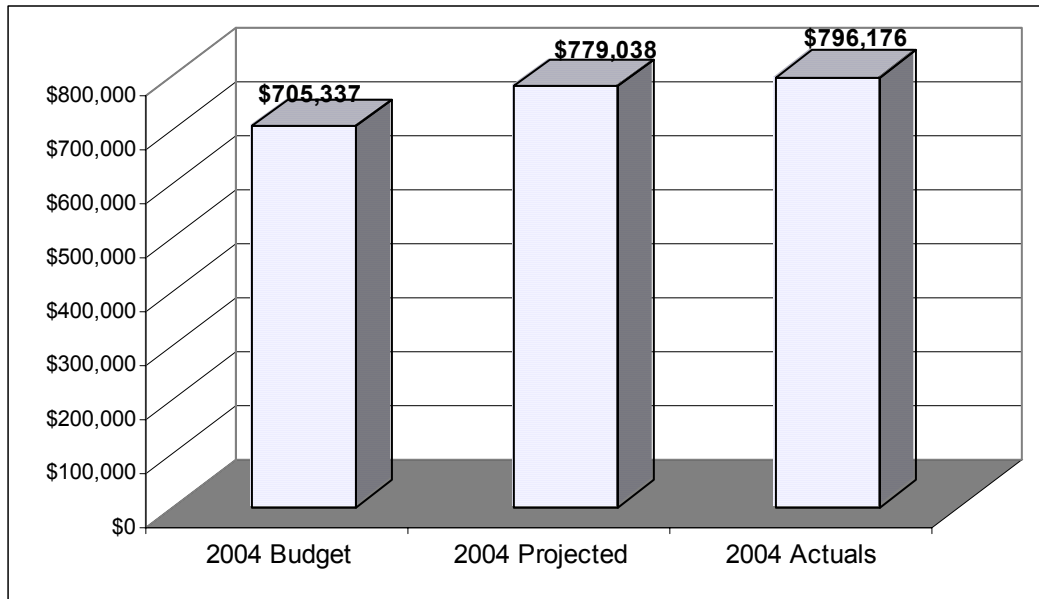
The increase in revenue is due primarily to the following:

- Cellular and Telephone revenue increased by \$160,612 or 12.2%, Natural Gas revenue was up by \$83,972 or 13.8% and Cable TV franchise fee revenue was up by \$58,083 or 14.5%.

The table immediately below lists all of the City's utility revenue producers.

Utility Revenue Source	2004 Budget	2004 Projected	2004 Actuals	\$\$ Variance Actuals v. Projected	% Variance
Natural Gas Utility Tax	\$609,927	\$609,927	\$693,899	\$83,972	13.8%
Sanitation Utility Tax	\$300,000	\$300,000	\$322,142	\$22,142	7.4%
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Totals	\$4,785,252	\$4,785,252	\$5,132,668	\$347,416	7.3%

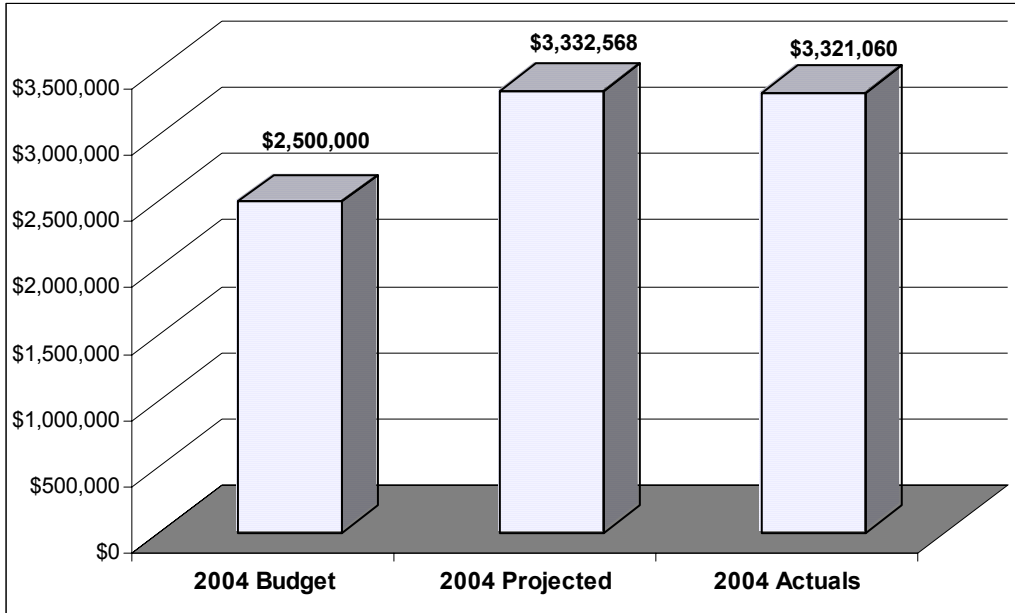
Parks and Recreation Fee Revenue



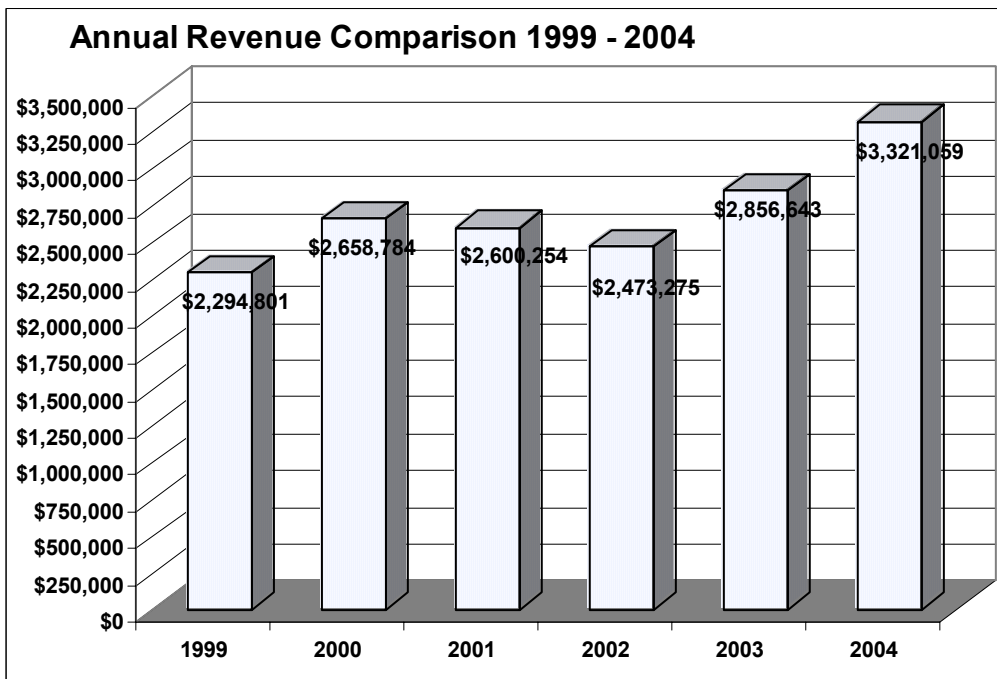
Parks' revenue collections of \$796,176 exceeded projected revenue of \$779,038 by \$17,138 or 2.2%. The increased revenue was generated by the Shoreline Pool and athletic field rentals.

This category includes revenue generated by the Shoreline Pool, general recreation classes and programs which includes all preschool, youth and adult programming, athletic field and facility rentals, teen programming and activities, Spartan Gym drop-in and monthly passes and vending machine and merchandise sales.

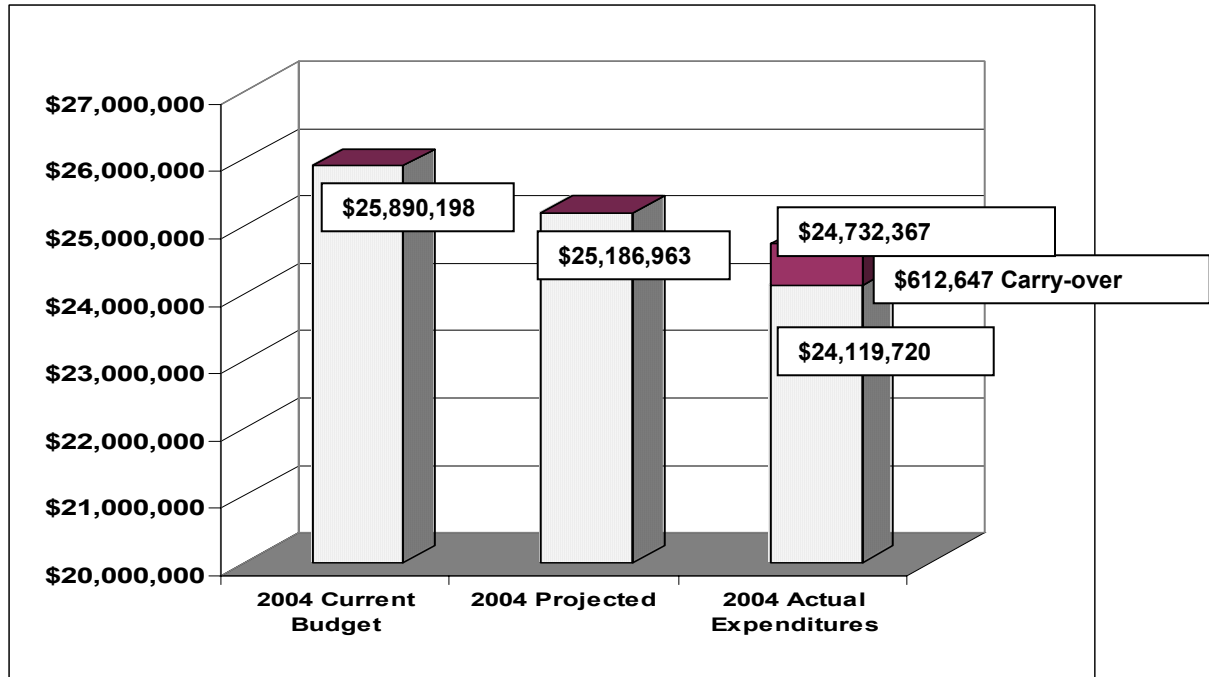
Gambling Revenue



Gambling tax revenue of \$3,321,060 was \$11,508 or 0.3% below projected revenue. However, in comparison to 2003 gambling revenue, 2004 gambling tax revenue increased by \$464,416 or 16.2%. The table immediately below highlights gambling revenue trends over the past six years.



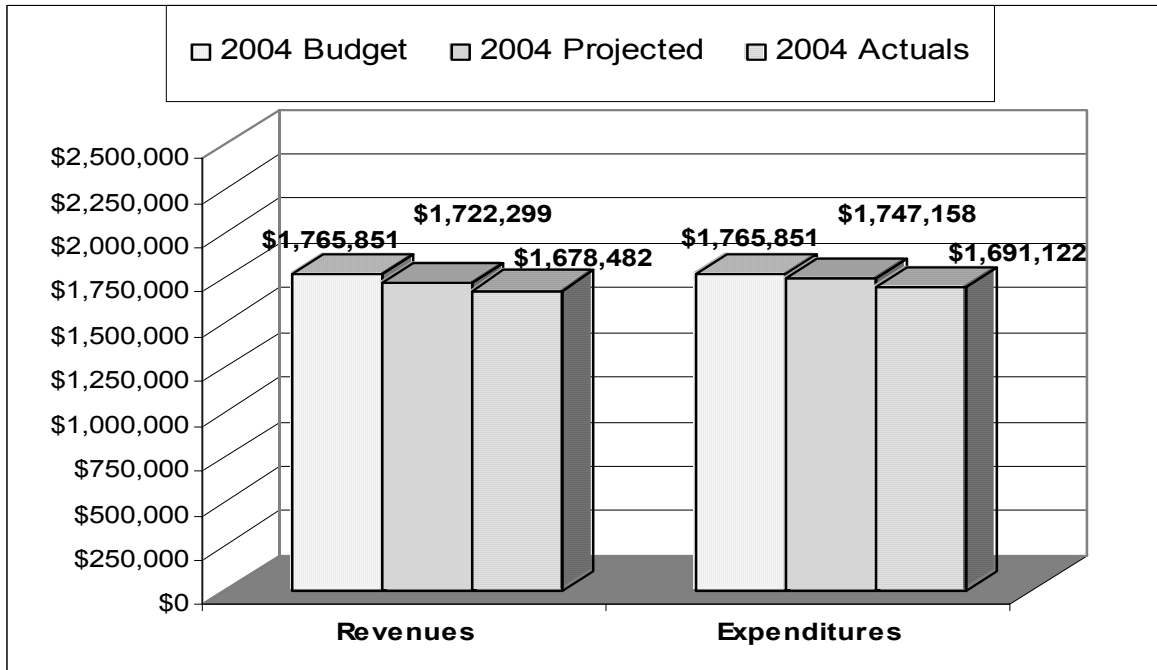
General Fund Expenditures



The 2004 actual expenditures were \$24,119,720 and the 2004 carry-overs were \$612,647 for a total 2004 expenditure of \$24,732,367. This is \$454,596 or 1.8% below projected expenditures of \$25,186,964. The following table displays the 2004 expenditure results of each department within the General Fund including carryovers.

Department	2004 Current Budget	2004 Projected	2004 Actual Expenditures	2004 Carryover	Total 2004 Expenditures (Actual+Carryover)	\$\$ Variance Actuals + Carryover v. Projected	% Variance
City Council	\$ 159,718	\$ 162,436	\$ 163,784	\$ 0	\$ 163,784	\$ 1,348	0.8%
City Manager	\$ 697,311	\$ 686,171	\$ 620,438	\$ 0	\$ 620,438	-\$ 65,733	-9.6%
City Clerk	\$ 358,461	\$ 343,151	\$ 320,168	\$ 0	\$ 320,168	-\$ 22,983	-6.7%
C & IR	\$ 528,076	\$ 510,610	\$ 472,996	\$ 40,306	\$ 513,302	\$ 2,692	0.5%
City Attorney	\$ 326,494	\$ 323,682	\$ 269,148	\$ 0	\$ 269,148	-\$ 54,534	-16.8%
Human Services	\$ 495,173	\$ 480,744	\$ 453,324	\$ 20,689	\$ 474,013	-\$ 6,731	-1.4%
Finance	\$ 2,573,730	\$ 2,528,701	\$ 2,307,509	\$ 211,598	\$ 2,519,107	-\$ 9,594	-0.4%
Citywide	\$ 1,263,129	\$ 568,869	\$ 597,563	\$ 0	\$ 597,563	\$ 28,694	5.0%
Human Resources	\$ 360,262	\$ 360,262	\$ 340,292	\$ 913	\$ 341,205	-\$ 19,057	-5.3%
Jail Contract	\$ 800,000	\$ 800,000	\$ 791,845	\$ 0	\$ 791,845	-\$ 8,155	-1.0%
District Court	\$ 5,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.0%
Prosecuting Attorney	\$ 110,000	\$ 108,000	\$ 105,000	\$ 0	\$ 105,000	-\$ 3,000	-2.8%
Public Defense	\$ 147,890	\$ 139,000	\$ 132,336	\$ 0	\$ 132,336	-\$ 6,664	-4.8%
Domestic Violence	\$ 42,765	\$ 42,763	\$ 40,823	\$ 0	\$ 40,823	-\$ 1,940	-4.5%
Police	\$ 7,398,019	\$ 7,350,162	\$ 7,308,661	\$ 29,606	\$ 7,338,267	-\$ 11,895	-0.2%
Parks	\$ 2,970,444	\$ 2,975,381	\$ 2,829,720	\$ 92,808	\$ 2,922,528	-\$ 52,853	-1.8%
Economic Dev	\$ 153,628	\$ 134,323	\$ 77,066	\$ 13,921	\$ 90,987	-\$ 43,336	-32.3%
PADS	\$ 1,252,523	\$ 1,207,562	\$ 997,767	\$ 126,339	\$ 1,124,106	-\$ 83,456	-6.9%
Customer Services	\$ 407,061	\$ 403,324	\$ 395,884	\$ 0	\$ 395,884	-\$ 7,440	-1.8%
Public Works	\$ 1,776,204	\$ 1,800,354	\$ 1,683,022	\$ 76,467	\$ 1,759,489	-\$ 40,865	-2.3%
Department Totals	\$ 21,825,858	\$ 20,925,495	\$ 19,907,346	\$ 612,647	\$ 20,519,993	-\$ 405,502	-1.9%
General Transfers Out	\$ 4,064,340	\$ 4,261,468	\$ 4,212,374	\$ 0	\$ 4,212,374	-\$ 49,094	-1.2%
Total General Fund	\$ 25,890,198	\$ 25,186,963	\$ 24,119,720	\$ 612,647	\$ 24,732,367	-\$ 454,596	-1.8%

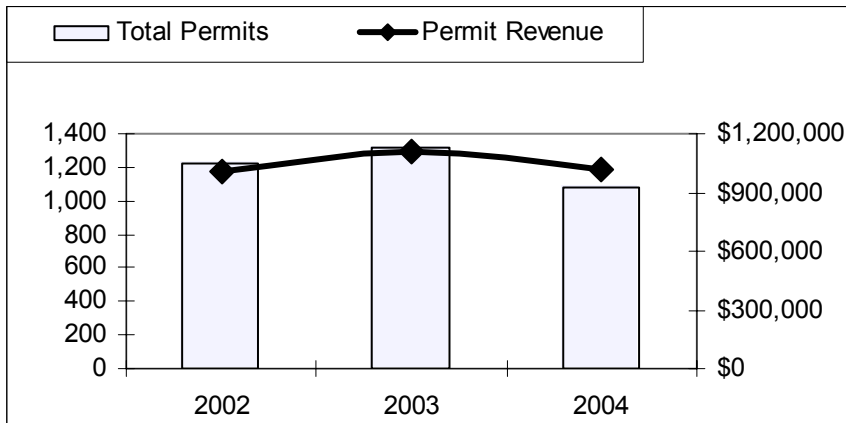
Development Services Fund



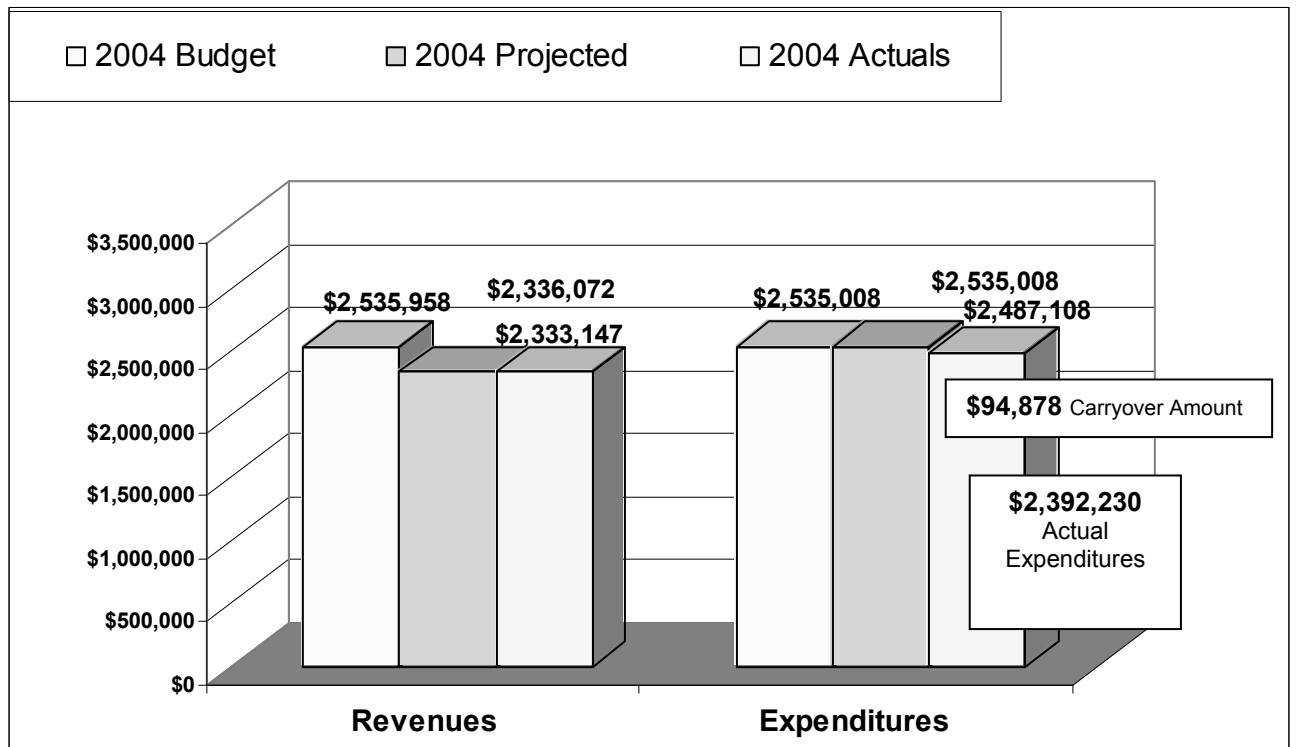
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Actual expenditures for 2004 were \$1,691,122 or \$56,036 or 3.2% below projected expenditures of \$1,747,158. Most of the under-expenditures were in the professional services category. The professional services budget includes funding for supplemental support for an on-call plans examiner, biologist, and arborist. When permit activity increases on-call services are used to supplement City staff. Since permit activity was down these services were not needed.

Since 2004 total expenditures of \$1,691,122 exceeded 2004 total revenues of \$1,678,482, the fund balance in this fund decreased by \$12,640 to \$409,527. This fund was closed at the end of 2004. All permitting activity will now be recorded within the General Fund.



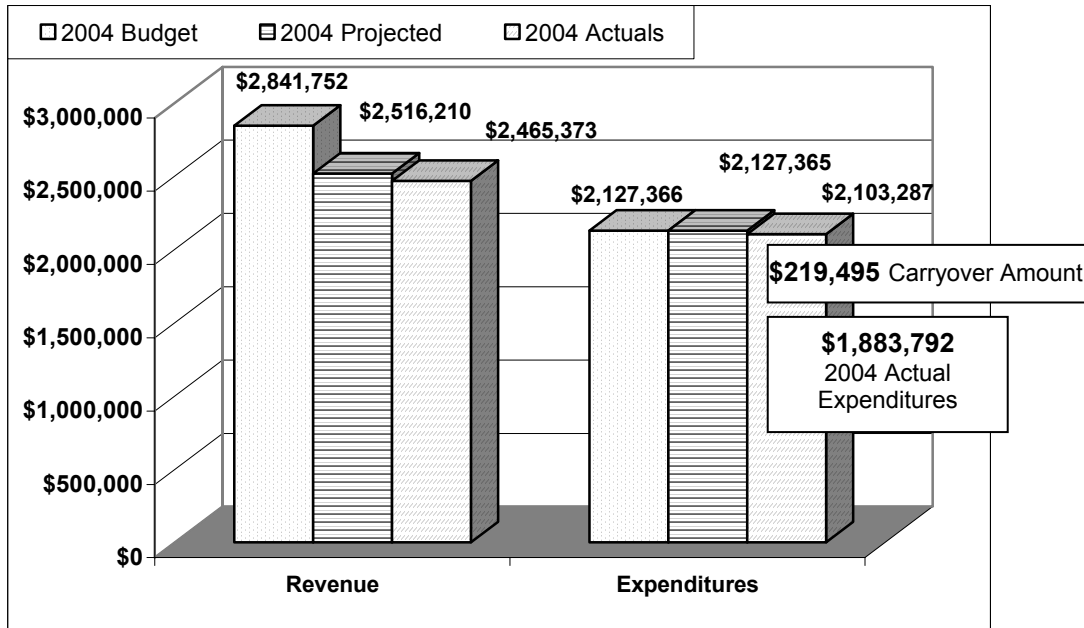
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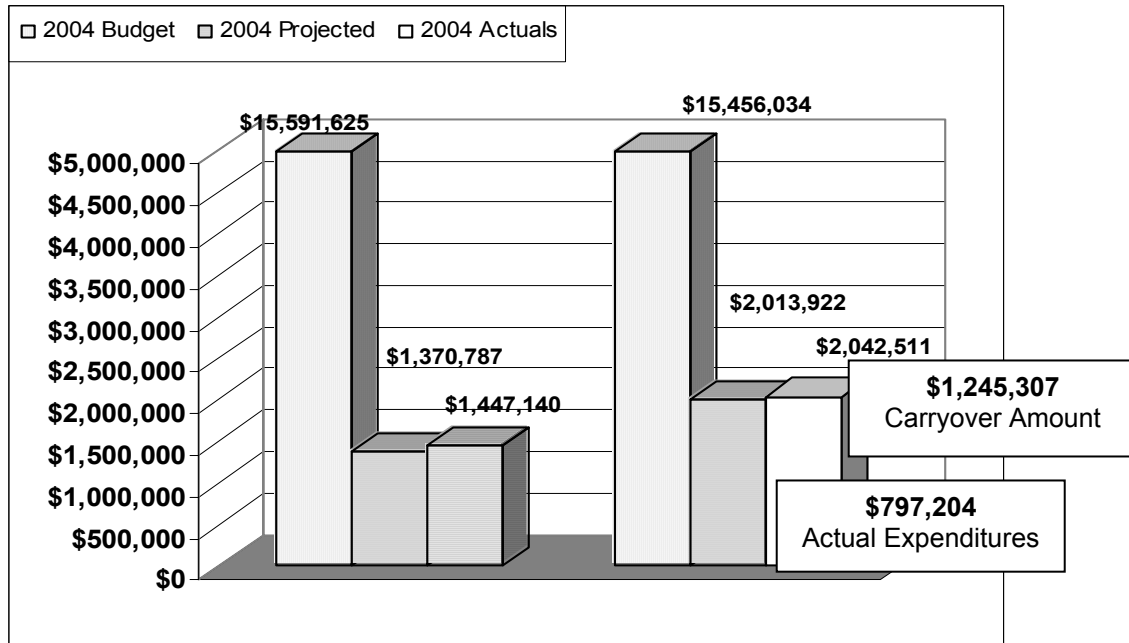
Surface Water Management Fund



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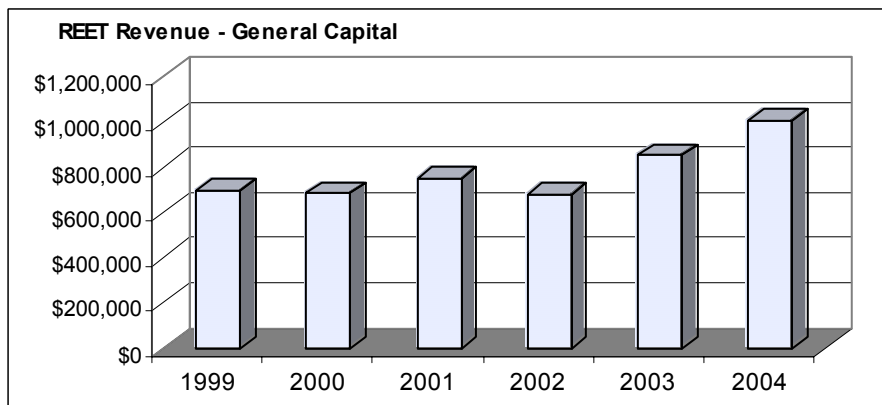
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General Capital Fund

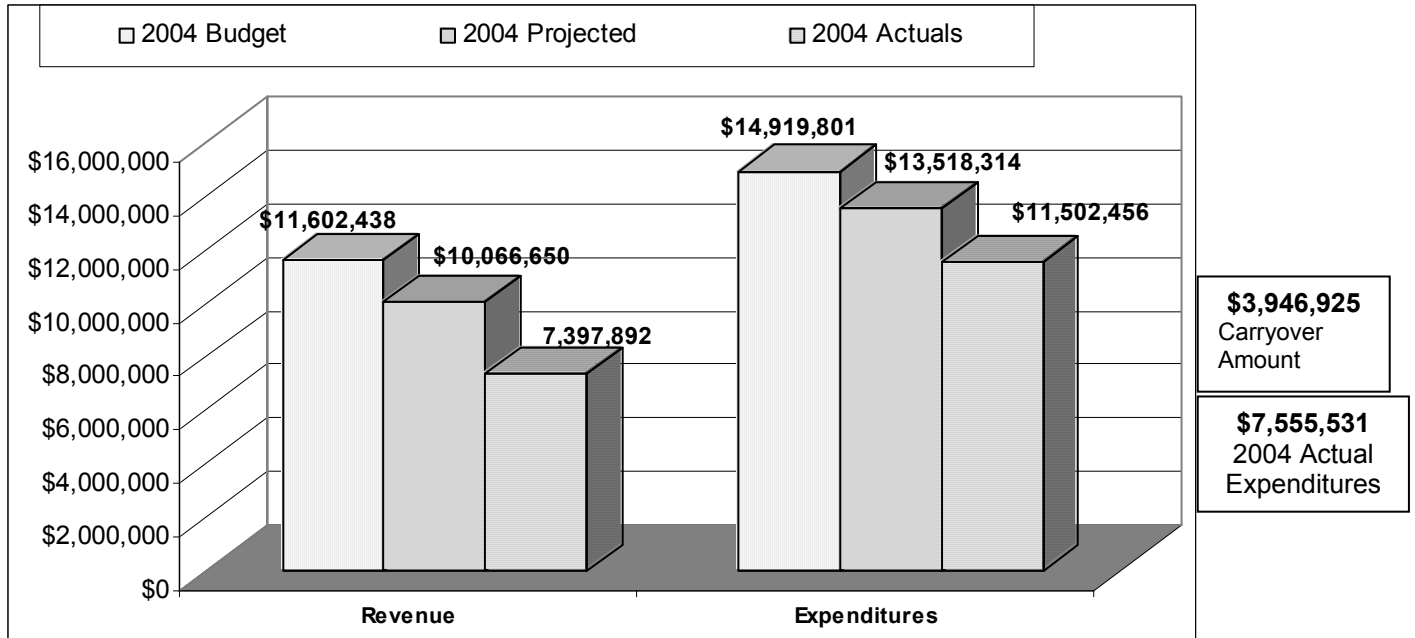


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The 2004 actual expenditures were \$797,204 and the 2004 carry-overs were \$1,245,307 for a total 2004 expenditure of \$2,042,511. This is \$28,589 or 1.4% above projected expenditures of \$2,013,922. The General Capital Fund 2004 ending unreserved fund balance is \$6,742,035, \$47,764 greater than projected.

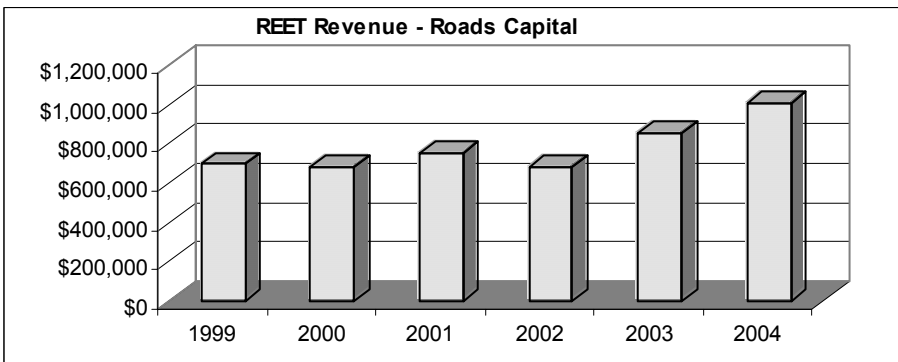


Roads Capital Fund

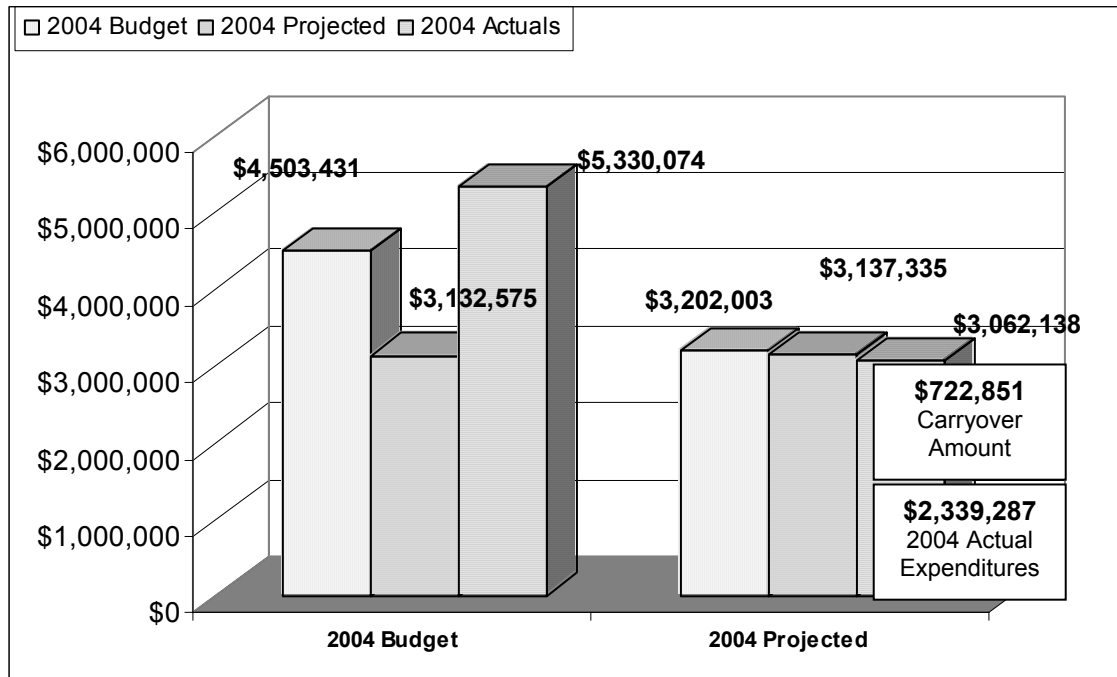


Actual revenues for 2004 were \$7,397,892. This is \$2,668,758 or 27% below projected revenues of \$10,066,650. This revenue decrease is due primarily to grant revenue not being received as projected since roads projects were not completed as scheduled. However, these grants are expected to be received in 2005 as the project work continues. Staff has requested that \$2,579,957 in grant revenue be carried over into 2005. REET collections were 108,513 or 12% ahead of projections.

The 2004 actual expenditures were \$7,555,531 and the 2004 carry-overs were \$3,946,925 for a total 2004 expenditure of \$11,502,456. This is \$2,015,858 or 14.9% below projected expenditures of \$13,518,314. The Roads Capital Fund ending unreserved fund balance is \$13,869,421, \$1,927,057 greater than projected.



Surface Water Capital Fund



Actual revenues for 2004 were \$5,330,074. This is \$2,197,499 or 70% above projected revenues of \$3,132,575. This revenue increase is due primarily to Public Works Trust Fund loans being received earlier than expected.

The 2004 actual expenditures were \$2,339,287 and the 2004 carry-overs were \$722,851 for a total 2004 expenditure of \$3,062,138. This is \$75,197 or 2.4% below projected expenditures of \$3,137,335. The SWM Capital Fund ending unreserved fund balance is \$5,771,533, \$2,272,696 greater than projected.

City of Shoreline
Cash and Investments
December 31, 2004

The City's investment policy adheres to strict standards prescribed by federal law, state statutes, local ordinances, and allows the City to develop an investment model to maximize its investment returns within the primary objectives of safety and liquidity.

Our yield objectives are very important and, pursuant to policy, the basis used by the City to determine whether the market yields are being achieved is through the use of a comparable benchmark. Our benchmark has been identified as the annual average of the Washington State Local Government Investment Pool, which has been the City's primary mode of investment prior to adopting our Investment Policy.

Our in-house investment activity is illustrated in the following table for the period January 01 through December 31, 2004. The table contains significant data on each investment instrument including a column representing annualized interest utilizing actual yield rates. As a comparison we have also displayed a column illustrating annualized interest had all our investments remained in the State Pool:

Instrument Type	Settlement Date	Investment Cost	Yield To Maturity	Maturity Date	Annualized Interest	Annualized Interest at LGIP rate (1.3354%)
FNMA (Fannie Mae)	02/09/04	5,029,629	1.2694%	02/15/05	63,846.10	67,167.75
FHLMC (Freddie Mac)	02/24/04	5,000,000	2.1400%	02/24/06	107,000.00	66,772.08
Certificate of Deposit	02/25/04	2,189,400	1.8000%	05/24/05	39,409.20	29,238.16
FHLB (Fed Home Loan Bank)	05/13/04	2,000,000	1.8750%	05/13/05	37,500.00	26,708.83
FHLB (Fed Home Loan Bank)	06/30/04	5,000,000	2.6300%	12/30/05	131,500.00	66,772.08
FHLB (Fed Home Loan Bank)	08/12/04	5,043,911	2.1150%	08/15/05	106,678.71	67,358.48
FNMA (Fannie Mae)	08/12/04	5,003,846	3.4240%	08/30/06	171,331.67	66,823.44
FNMA (Fannie Mae)	10/08/04	3,993,659	2.5100%	12/15/05	100,240.84	53,332.98
Certificate of Deposit	12/10/04	101,000	2.1700%	05/24/05	2,191.70	1,348.80
FHLB (Fed Home Loan Bank)	12/28/04	524,093	2.2500%	02/24/05	11,792.10	6,998.96
Certificate of Deposit	12/22/04	524,000	2.4000%	04/27/05	12,576.00	6,997.71
FHLB (Fed Home Loan Bank)	12/22/04	262,000	2.5000%	05/25/05	6,550.00	3,498.86
Certificate of Deposit	12/24/04	155,000	2.1700%	05/24/05	3,363.50	2,069.93
<i>Sub Total</i>		34,826,537			793,979.82	465,088.08
Average Maturity (days)				332		
Average Yield to Maturity			2.2798%			
State Investment Pool		11,795,956	1.3354%	1		
Total Investments		46,622,492				

Note: Yield to Maturity for the State Investment Pool is a 12 month average.

The above annualized interest columns illustrate a significant gain through the use of our in-house investment process as compared to holding our total portfolio within the State investment Pool at an average yield of 1.3354%. Based on the annualized interest the City's investment portfolio has an average yield of 2.2798%, nearly 111 basis points greater than our benchmark. In dollars this can equate to nearly \$328,892 in annualized investment interest revenue.

The following table illustrates the City's portfolio diversification by instrument type at December 31, 2004:

Portfolio Diversification

<u>Instrument Type</u>	<u>Percentage</u>	<u>Amount</u>
Certificate of Deposit	7%	3,231,400.00
FHLMC (Freddie Mac)	11%	5,000,000.00
FNMA (Fannie Mae)	30%	14,027,132.84
FHLB (Fed Home Loan Bank)	27%	12,568,003.75
State Investment Pool	<u>25%</u>	<u>11,795,955.73</u>
Total Investments	100%	46,622,492.32