Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 15, 2007

Mayor and City Council
City of Redmond
Redmond, Washington

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

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

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

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

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

Insurance Building, PO Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • (866) 902-3900 • TDD Relay (800) 833-6388
FAX (360) 753-0646 • http://www.sao.wa.gov

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Combining and Individual Fund Statements and Schedules on pages 79 through 130 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR