

City of Bellevue, Washington



**2008
Comprehensive
Annual
Financial
Report**

For the Fiscal Year Ended December 31, 2008

Introductory Section

City of Bellevue, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2008



Prepared by the Finance Department

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bellevue Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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 "M. L. R. R.", is written over the printed name.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is written over the printed name.

Executive Director

Certificate of Achievement
for Excellence
in
Financial Reporting

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 Bellevue for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2007.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports 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 our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended December 31, 2008

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
GFOA Certificate of Achievement for Excellence in Financial Reporting	
Letter of Transmittal	iv
City Officials and Administrative Staff	ix
Finance Department Organization Chart	x
City Hierarchical Organization Chart	xi
FINANCIAL SECTION	
Independent Auditor's Report	
Management's Discussion and Analysis	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet -- Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual: General Fund	27
LEOFF I Fund Reserve	28
Development Services Fund	29
Statement of Net Assets -- Proprietary Funds	30
Statement of Revenue, Expenses, and Changes in Fund Net Assets -- Proprietary Funds	33
Statement of Cash Flows -- Proprietary Funds	36
Statement of Fiduciary Net Assets -- Agency Funds	40
Statement of Changes in Fiduciary Net Assets -- Firemen's Pension Fund	41
Notes to the Basic Financial Statements	43
Required Supplementary information:	
Schedule of Funding Progress -- Firemen's Pension Fund	108
Schedule of Contributions from the Employer & Other Contributing Entities -- Fireman's Pension Fund	109
Schedule of Modified Approach for Reporting Infrastructure Assets	110

COMBINING, INDIVIDUAL FUND STATEMENTS AND SCHEDULE:

Combining Balance Sheet -- Nonmajor Governmental Funds	115
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -- Nonmajor Governmental Funds	119
Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual:	
Park Maintenance and Operations Reserve Fund	123
Solid Waste Recycling Fund	124
Rainy Day Reserve Fund	125
Land Purchase Revolving Fund	126
Cable/Franchise Fund:	127
Hotel/Motel Tax Fund	128
Park Fees Fund	129
Combining Statement of Net Assets -- Internal Service Funds	133
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets -- Internal Service Funds	135
Combining Statement of Cash Flows -- Internal Service Funds.....	137
Combining Statement of Fiduciary Net Assets -- Agency Funds	144
Combining Statement of Changes in Assets and Liabilities -- Agency Funds	146

STATISTICAL SECTION

Financial Trends:

Net Assets by Component--Last Four Fiscal Years	1	151
Changes in Net Assets--Last Four Fiscal Years.....	2	152
Governmental Activities Tax Revenues by Source--Last Four Fiscal Years.....	3	155
Fund Balances of Governmental Funds--Last Ten Fiscal Years	4	156
Changes in Fund Balances of Governmental Funds--Last Ten Fiscal Years.....	5	157
General Governmental Tax Revenue by Source--Last Ten Fiscal Years	6	159

Revenue Capacity:

Taxable Sales by Category--Last Ten Fiscal Years	7	160
Sales Tax Rates-- Direct and Overlapping Governments--Last Ten Fiscal Years	8	161
Assessed and Estimated Actual Value of Taxable Property--Last Ten Fiscal Years.....	9	163
Property Tax Rates--Direct and Overlapping Governments--Last Ten Fiscal Years.....	10	164
Principal Property Taxpayers--Current Year and Nine Years Ago.....	11	165
Property Tax Levies and Collections--Last Ten Fiscal Years	12	166

Debt Capacity:

Ratio of Outstanding Debt by Type--Last Ten Fiscal Years.....	13	167
Ratio of General Bonded Debt Outstanding--Last Ten Fiscal Years.....	14	168
Computation of Direct and Overlapping Debt.....	15	169
Legal Debt Margin Information--Last Ten Fiscal Years.....	16	170
Pledged Revenue Coverage--Last Ten Fiscal Years	17	172

Demographic and Economic Information:		
Demographic Statistics--Last Ten Fiscal Years	18	173
Principal Employers--Current Year and Nine Years Ago	19	174
Operating Information:		
Full-Time Equivalent City Government Employees by Function--Last Ten Fiscal Years	20	175
Operating Indicators by Function--Last Ten Fiscal Years	21	176
Capital Assets by Function--Last Ten Fiscal Years	22	179



Post Office Box 90012 • Bellevue, Washington • 98009 9012

June 26, 2009

**Honorable Mayor and City Councilmembers
City of Bellevue
Bellevue, Washington 98009-9012**

The City of Bellevue Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2008 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and agencies of the City. All disclosures necessary to enable the reader to gain an understanding of Bellevue's financial activities have been included.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The letter of transmittal is a complement to MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Bellevue is a non-charter optional code City, operating under Section 35A of the Revised Code of Washington. It has a Council-City Manager form of government with a seven-member City Council elected by the voters of the City. Council members are elected at large rather than by district, are responsible for establishing the general guidelines and policies for the City, and each serves a four-year term. The Council elects the Mayor and Deputy Mayor from within its ranks. The Council appoints the City Manager as the City's chief executive officer responsible for carrying out the policies and direction set by the Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the City.

The City of Bellevue provides a full range of local government services. These services include police and fire protection; emergency medical services; construction and maintenance of streets and traditional municipal infrastructure; planning and zoning; park and recreational activities; and cultural events. In addition, the City operates an equipment maintenance/rental fund and a utility. The utility provides sewer, water, and storm & surface water services. Certain public safety, utility, information technology, and equipment rental services are also provided on a fee basis to other governmental agencies or neighboring taxing districts. Conversely, other government agencies provide the City of Bellevue with jail and court services through interlocal agreements. Bellevue residents receive library services from the King County Library System.

Incorporated in 1953, Bellevue is the 5th largest of 281 cities in the State of Washington. It is located on the east shore of Lake Washington near the population and geographical center of the Puget Sound region. The City encompasses an area of 31.5 square miles, and is linked to established transportation corridors. It is just 11 miles from Seattle and 40 miles from Tacoma with the mountains of the Cascades to the east, and Mount Rainier to the south. Bellevue is about three hours north of Portland, Oregon, and two hours south of Vancouver, Canada.

DISCRETE COMPONENT UNIT

The City is financially accountable for the Bellevue Convention Center Authority (BCCA) which is reported as a discrete component unit of the City. The BCCA accounts for revenues and expenses associated with the development, construction, and operation of Meydenbauer Center. Meydenbauer Center is located in downtown Bellevue and contains a 48,000 square foot convention center and trade show facility, a 410 seat theater, and 434 car parking garage.

ECONOMIC CONDITION AND OUTLOOK

The City of Bellevue has high quality residential areas with strong retail, financial, high technology, commercial, and light industrial sectors. Over the past two decades, Bellevue's business activity expanded rapidly and the City emerged as a major urban center with a growing and vibrant downtown area. Bellevue's population has grown to about 119,200 residents and is expected to grow at an average annual rate of 1.0% through 2020, excluding any annexations.

Bellevue contains a diversified mix of industries which includes department stores, high-technology firms, financial institutions, automobile dealerships, and engineering firms. Bellevue is the headquarters for several business sectors, including Puget Sound Energy, a large regional electric and gas utility, PACCAR, a manufacturer of trucks, and Expedia, a leader in on-line travel.

The regional economy declined sharply during the fourth quarter of 2008. The continued decline in home prices and sales, the unprecedented financial crisis on Wall Street and the resulting consumer sentiment has left the area's economy in a period of uncertainty. At the end of 2008, local economists were weighing the prospect of a deeper regional recession carrying into the first quarter of 2010.

The recessionary impact on employment resulted in a decline during the year, with the construction industry leading the way with nearly 9% of jobs lost. For 2009, regional economists expect that employment will continue to decline, shedding more than 40,000 jobs over the year.

Office vacancy rates remained relatively low in Bellevue's Central Business District and lease rates remain strong. The Downtown office vacancy rate is expected to remain low as much of the newly constructed office space has been pre-leased.

Taxable retail sales declined in 2008. Local economists are projecting a continued decline in taxable retail sales for 2009 with recovery to positive growth in 2010. Business & Occupation (B&O) tax base grew in 2008, primarily due to the addition of businesses that maintain headquarters, offices and other support type activities in Bellevue. Other economically sensitive areas, such as retailing, services and wholesaling experienced decline.

To ensure that the economic outlook is incorporated into the City of Bellevue's financial planning, the City publishes six-year financial forecasts for the General Fund, the Parks Fees Fund, and the three Utilities Funds. This planning tool provides valuable information that enables City Management to make decisions with greater consideration of the financial consequences.

MAJOR INITIATIVES

2008 Significant Accomplishments

- Five city departments achieved re-accreditation: Communications Center, Police, Utilities, Transportation, and Fire.

- Completed Bellevue Light Rail Best Practices project and adopted an initial set of light rail Comprehensive Plan Amendments after extensive community involvement and intense efforts of multiple City Commissions
- Completed in October 2008, the Mercer Slough Environmental Education Center features classrooms, a visitor center, a community building and a "tree house," all sustainably built.
- Completed the pilot phase of the Wrap-Around Services Project at Lake Hills Elementary School then after evaluation, extended as an ongoing program. To date, the program has leveraged \$245,000 in grant and foundation support.
- Installed a new traffic signal system at six signalized intersections in Bellevue to test and evaluate new communication and signal control technology, as part of a larger project to modernize the city's traffic signal system.
- Implemented Smoke Detector Outreach Program that included development of video underscoring the importance of smoke detectors and targeted an area of the City to provide smoke detectors to single family residential homes.
- Implemented the on-line MyUtilityBill website offering utility customers the option of receiving electronic utility bills, paying utility bills on-line using debit or credit cards, and obtaining information about their utility accounts.
- Activated the new Fire Station Alerting System (Locution) realizing significant improvements in overall fire and EMS response times.
- Conducted and responded to the first organization wide employee survey, which identified priority areas for internal improvement
- One of 7 cities in the United states to meet the Association of Government Accountants criteria for Performance Reporting Excellence meeting service efforts and accomplishments guidelines.
- Received the International City/County Management Association Certificate of Distinction for Performance Management Reporting and Leadership.
- Received the Government Finance Officers Association Distinguished Budget Presentation Award.

2009 Initiatives

- Begin implement Phase 2 of the Enterprise Content Management System including integrations with other key enterprise systems (AMANDA, permit processing, and Finance/HR Systems).
- Continue efforts to improve interdepartmental coordination, collaboration, and staffing to shift from a more decentralized vertical organizational structure to a more, centralized, coordinated, and consolidated approach.
- Facilitate implementation of environmentally sustainable practices organization- and community -wide through coordination of the Environmental Stewardship Initiative.
- Facilitate City's homeland security activities including regional strategic planning, training, and scenario exercises..

- Employ industry best practices, service level agreements with internal and external customers, industry-based performance metrics, and Green IT standards wherever possible.
- Complete the Bel-Red Corridor project, adopting a new land use and transportation vision for the study area, complete with implementing mechanisms, phasing and financial strategies.
- Continue planning for the replacement of the central traffic computer, including the communication network requirements.
- Actively manage downtown development and construction activity by balancing the demand for the City's right of way with the impacts on the citizens who, live, work and shop in downtown
- Continue renewal and replacement of aging or under-capacity water, sewer & storm drainage pipelines and associated structures, including accelerated replacement of small diameter asbestos cement (AC) watermains.

FINANCIAL MANAGEMENT AND CONTROLS

City of Bellevue management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of the relative costs and benefits of the control system requires estimates and judgments by management.

Budgetary Controls

The City of Bellevue maintains budgetary controls in accordance with the State Revised Code of Washington (RCW) 35A.34. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the budget appropriations established by the City Council. Activities of the General Fund, and all special revenue funds except the Operating Grants/Donations and Housing Funds (project length type funds) are included in the biennially appropriated operating budget. Project-length financial plans are adopted for the remaining special revenue and proprietary funds, and for the capital projects funds.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management

Cash temporarily idle during the year was invested in interest bearing bank deposits, U.S. agency issues, and the Washington State Local Government Investment Pool. The average yield on investments was 5.07%, which produced earnings of \$10.9 million on all investments for the year ended December 31, 2007.

Bellevue's investment policy objectives are to minimize credit and interest rate risks, provide sufficient liquidity to meet cash flow needs while maintaining reasonable yields on its portfolio. In addition, the City's cash and interest bearing bank deposits are insured by federal depository insurance. In accordance with the requirements set by State law, the State Public Deposit Protection Commission also insures deposits with in-state banks.

OTHER INFORMATION

Independent Audit

State law requires an annual audit of all City financial records and transactions by the State Auditor, an independent elected State official. The 2008 audit of the City has now been completed and was performed in conformance with generally accepted auditing standards. The financial statements of all City funds and agencies have been included in this audit. The City has been given an unqualified opinion for 2008. Please see the Auditor's Opinion at the beginning of the Financial Section of this report.

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 Bellevue for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2007. The City has earned this prestigious award for 28 out of 32 CAFR submissions. This was the 26th consecutive annual award. 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.

The GFOA has also awarded the Distinguished Budget Presentation Award to the City of Bellevue Washington for its 2007-2008 biennial budget document for the 16th consecutive year/biennium. The GFOA gives this award to those governments whose budget document meets the GFOA's criteria as an effective policy document, operations guide, financial plan, and communication device.

ACKNOWLEDGMENTS

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of Finance Department staff and other employees throughout the City who assisted in and contributed to its preparation. A special note of thanks is given to Diane Ijiomah, Accounting Manager, Veronica Doherty, Senior Financial Analyst, Brent Small, Senior Financial Analyst, and Jonathan Vrablik, Senior Financial Analyst, who served as the main CAFR preparers and coordinators. Further appreciation is extended to the City Council and City management for their encouragement, interest, and support in conducting the financial operations of the City in a sound and progressive manner. The professional assistance of auditors from the State Auditor's Office is also worthy of mention.

Respectfully submitted,



Jan Hawn
Finance Director

City of Bellevue, Washington

CITY OFFICIALS

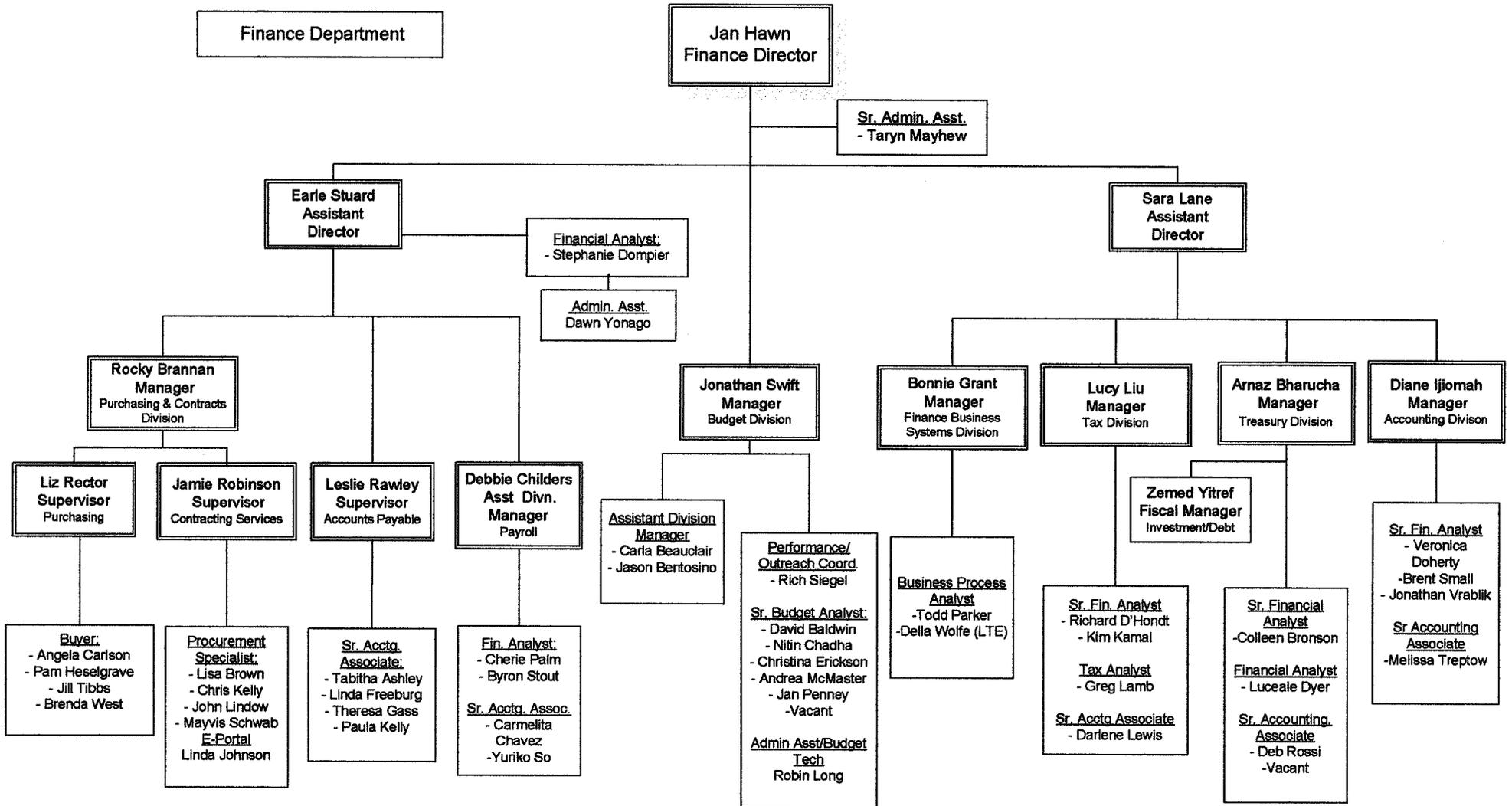
ELECTED CITY COUNCIL

Mayor	Grant Degginger
Deputy Mayor	Claudia Balducci
Council	Patsy Bonincontri Don Davidson Conrad Lee Phil Noble

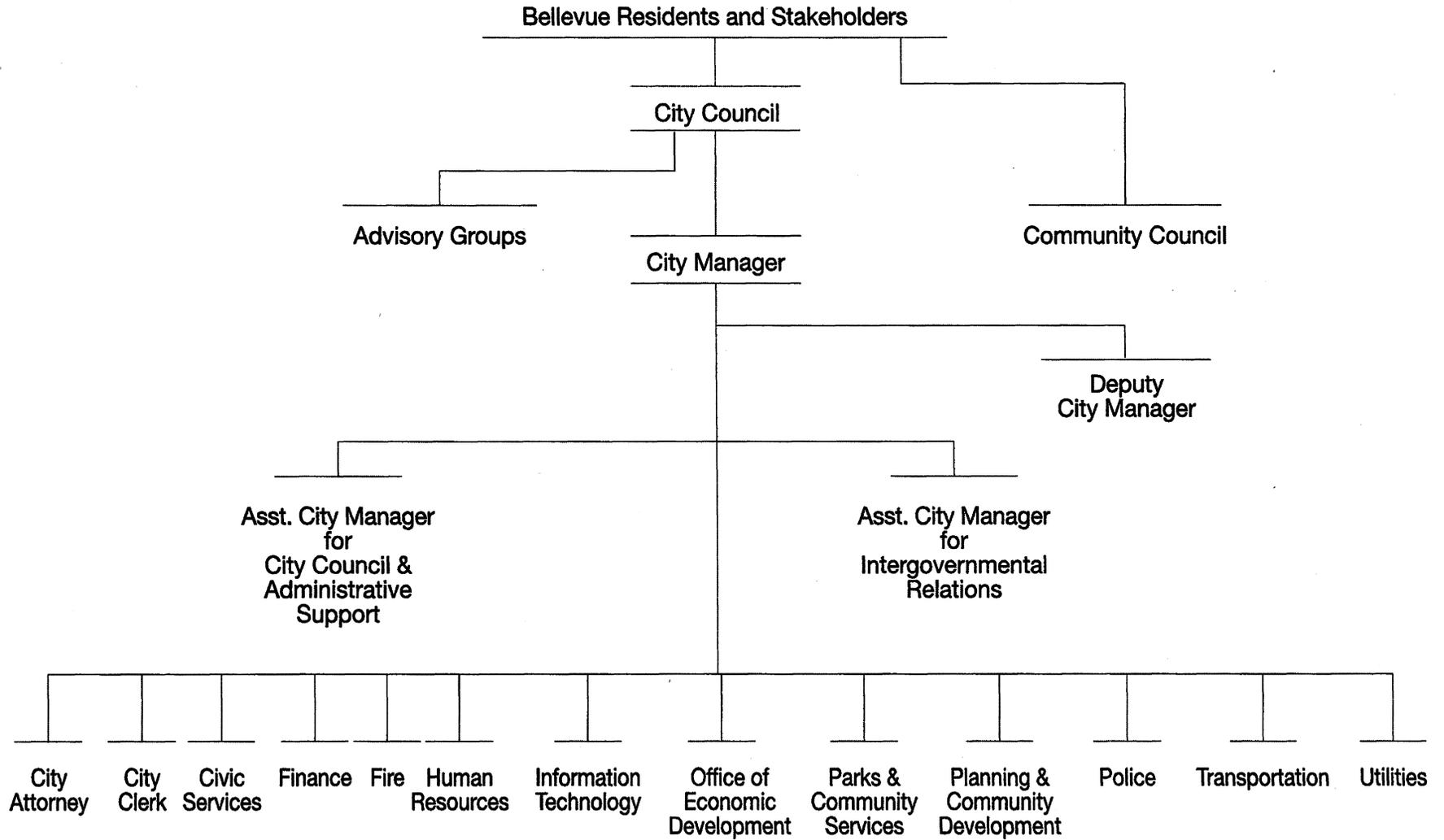
APPOINTED ADMINISTRATIVE STAFF

City Manager.....	Steven Sarkozy
Deputy City Manager	Brad Miyake
Director of Intergovernmental Relations	Diane Carlson
Assistant City Manager for City Council and Administrative Support/City Clerk	Myrna Basich
City Attorney.....	Lori Riordan
Civic Services.....	Nora Johnson
Development Services	Mike Brennan
Economic Development	Robert Derrick
Finance Director.....	Jan Hawn
Fire Chief	Mario Treviño
Human Resources Director.....	Yvonne Tate
Chief Information Officer, Information Technology	Toni Cramer
Parks & Community Services Director.....	Patrick Foran
Planning & Community Development Director	Matthew Terry
Police Chief.....	Linda Pillo
Transportation Director	Goran Sparrman
Utilities Director.....	Denny Vidmar

City of Bellevue, Washington



CITY OF BELLEVUE HIERARCHICAL ORGANIZATION CHART



Financial Section





**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 26, 2009

Council
City of Bellevue
Bellevue, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bellevue, King County, Washington, as of and for the year ended December 31, 2008, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bellevue, King County, Washington, as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, LEOFF I Medical Reserve Fund, and Development Services Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 26, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide



an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 13, infrastructure modified approach information on page 110 and pension trust fund information and information on post-employment benefits other than pensions on pages 108 through 109 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, Individual Fund Statements and Schedules on pages 115 through 148 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

Basic Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative provides an overview and analysis of the City of Bellevue's financial activities for the fiscal year ended December 31, 2008. The purpose is to highlight significant financial issues, major financial activities and resulting changes in financial position, as well as economic factors affecting the City. Readers are encouraged to consider the information presented here in conjunction with the information furnished in the letter of transmittal in the introductory section and the City's financial statements and accompanying notes following the narrative.

FINANCIAL HIGHLIGHTS

- The City issued \$12 million in line of credit borrowing and \$14.3 million in general obligation bonds for the purchase of the Lincoln Center office park of which \$19 million have been spent.
- The City performed a comprehensive analysis of capital asset inventories as part of ERP implementation efforts which resulted in a prior period adjustment decreasing governmental activities capital assets by 3%, or \$56.1 million and increasing business-type activities capital assets by 1%, or \$2 million. Please refer to Note 17, Prior Period Adjustment for more detailed information.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements. The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's financial position in a manner similar to that of a private-sector business. These statements are reported on the full accrual basis of accounting. Under the full accrual basis, certain revenues and expenses are reported that will not affect cash flows until future periods.

The Government-wide Financial Statements distinguish Governmental Activities that are principally supported by taxes and revenues from other agencies from Business-type Activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities of the City include general government, public safety, physical and economic environment, transportation, mental/physical health, and culture and recreation. The City's business-type activities consist of marina operations and water, sewer, and storm and surface water utilities. The component unit consists of the Bellevue Convention Center Authority (BCCA), which operates the Meydenbauer Convention Center.

The Statement of Net Assets presents information on all of the City's assets and liabilities; the difference between the two is reported as net assets. Evaluating increases or decreases in net assets

over time can serve as a useful indicator of whether the financial position of the City is improving or declining.

The Statement of Activities presents information on the net cost of each governmental and business-type function during the fiscal year. The statement also identifies the amount of general revenues needed to fully fund each governmental function.

Fund Financial Statements. These statements focus on major governmental funds and proprietary funds separately. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." Statements for the City's proprietary funds and fiduciary funds follow the governmental funds and include net assets, revenues, expenses, and changes in fund net assets and cash flows.

The City of Bellevue has two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to City departments.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City of Bellevue's activities. The City has two types of fiduciary funds, a pension fund and agency funds. The accounting for the pension fund is on the accrual basis. Agency funds are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

Notes to the Financial Statements. The notes provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) concerning the City's progress in maintaining its transportation infrastructure accounted for using the modified approach, the funding progress for the Firemen's Pension Trust Fund and Other Post Employments Benefits, and the Schedule of Contributions from the Employer and Other Contributing Entities for the Firemen's Pension Trust Fund.

The **combining statements** for other governmental funds, internal service funds, and agency-type fiduciary funds are presented immediately following the required supplementary information.

Statistical Section. This section includes un-audited trend information and demographics.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets of the City as of December 31, 2008 and December 31, 2007 are summarized and analyzed in the following table.

City of Bellevue, Washington

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
	(in thousands)					
Current and other assets	\$ 168,858	\$ 167,703	\$ 103,463	\$ 95,384	\$ 272,321	\$ 263,087
Capital assets, net of accumulated depreciation	1,642,192	1,671,593	235,283	220,305	1,877,475	1,891,898
Total assets	1,811,049	1,839,296	338,747	315,689	2,149,796	2,154,985
Long-term liabilities	173,893	148,846	7,210	8,325	181,103	157,171
Other liabilities	21,814	20,353	2,331	4,466	24,144	24,820
Total liabilities	195,706	169,200	9,540	12,792	205,247	181,991
Net Assets:						
Invested in capital assets, net of related debt	1,488,268	1,539,131	229,344	213,099	1,717,612	1,752,229
Restricted	21,519	13,601	60,750	52,272	82,269	65,873
Unrestricted	105,556	117,364	39,112	37,526	144,668	154,890
Total net assets	\$1,615,343	\$1,670,096	\$329,206	\$302,897	\$1,944,549	\$1,972,992

Governmental Activities. Total net assets for the City decreased by \$28.4 million, including a decrease of \$54.8 million in governmental activities that is tempered by an increase in business type activities. Of total net assets, \$6.4 million is restricted for debt service. Unrestricted net assets of \$105.6 million are available to meet ongoing obligations to citizens and creditors. Factors contributing to the changes in net assets include:

- Of the decrease in governmental activities net assets, \$55.2 million, or 3% of total net assets, was due to a restatement of the City’s capital assets resulting from a comprehensive analysis of inventory as part of ERP implementation efforts. Capital assets, net of accumulated depreciation went down \$29.4 million, or 2% of total governmental assets, due to this restatement as well. Included in the restatement is a net increase of \$.92 million related to the amortization of debt issuance costs.
- Long term liabilities went up \$25 million, of which \$14.3 was due to the issuance of general obligation bonds for the purchase of the Lincoln Center – an office park near City Hall – and \$12 million in line of credit borrowing for our General Capital Improvement Program.
- Unrestricted net assets decreased \$11.8 million, the greater portion of which \$4.3 million is a result of higher than usual utility tax assessment revenues and a \$9 million transfer to our General Capital Improvement Program of which \$4.5 million was used for line of credit borrowing repayments.

Business-type activities. Business-type activities of the City’s utilities and marina increased the City of Bellevue’s net assets by \$26.3 million in 2008. Of total net assets, \$59.1 million is restricted for utility capital projects and \$39.1 million is available to meet operating needs. Contributing factors of the increase in net assets were:

- Business type current assets increased by \$8 million, the result of an effort to build reserves to cover planned future replacement of aging infrastructure.

City of Bellevue, Washington

- Of the net increase of \$14.9 million in capital assets, \$6.9 million was the result of completed developer extension projects. The remaining \$8 million is the result City's capital assets resulting from a comprehensive analysis of inventory as part of ERP implementation efforts.

Changes in net assets

The table below provides condensed information on revenues, expenses and changes in net assets with governmental and business-type activities shown separately.

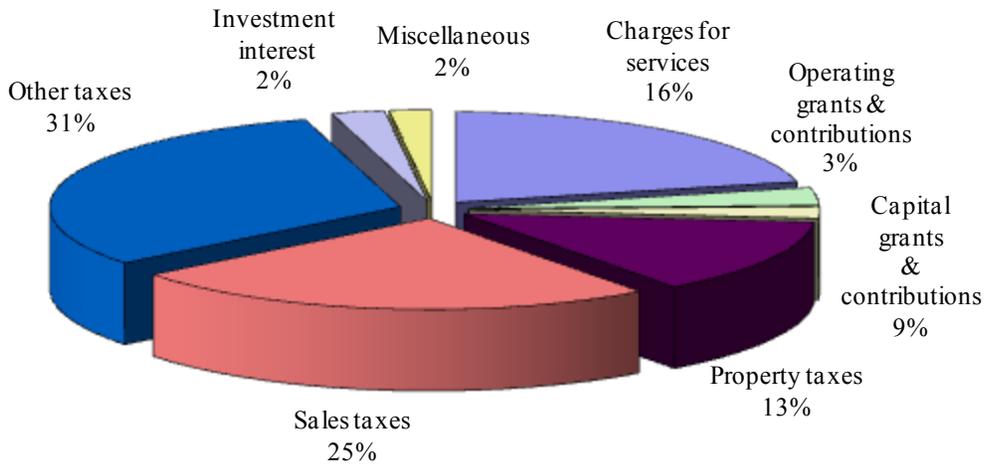
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:	(in thousands)					
Program revenues:						
Charges for services	\$ 46,185	\$ 39,724	\$ 82,524	\$ 81,028	\$ 128,709	\$ 120,752
Operating grants & contributions	6,815	6,789	-	105	6,815	6,894
Capital grants & contributions	4,328	22,251	6,967	6,541	11,295	28,792
General revenues:						
Property taxes	28,859	28,981	-	-	28,859	28,981
Sales taxes	53,141	56,776	-	-	53,141	56,776
Other taxes	67,710	84,582	-	-	67,710	84,582
Investment interest	5,284	7,128	2,991	3,795	8,276	10,923
Miscellaneous	4,190	1,735	1,460	1,613	5,650	3,348
Total revenues	<u>216,513</u>	<u>247,965</u>	<u>93,942</u>	<u>93,082</u>	<u>310,456</u>	<u>341,048</u>
Expenses:						
General government	29,573	24,665	-	-	29,573	24,665
Public safety	80,253	73,621	-	-	80,253	73,621
Physical environment	2,449	2,196	-	-	2,449	2,196
Transportation	29,372	26,264	-	-	29,372	26,264
Economic environment	22,940	20,861	-	-	22,940	20,861
Health and human services	6,834	6,236	-	-	6,834	6,236
Culture and recreation	37,926	34,108	-	-	37,926	34,108
Unallocated interest on long-term debt	7,150	7,796	-	-	7,150	7,796
Water	-	-	27,887	29,206	27,887	29,206
Sewer	-	-	31,734	31,817	31,734	31,817
Storm Drainage	-	-	9,146	9,179	9,146	9,179
Marina	-	-	440	443	440	443
Total Expenses	<u>216,498</u>	<u>195,749</u>	<u>69,206</u>	<u>70,646</u>	<u>285,705</u>	<u>266,395</u>
Increase in net assets before transfers and special items	15	52,217	24,736	22,436	24,751	74,653
Transfers	406	(51)	(406)	51	-	0.0
Change in net assets	421	52,165	24,330	22,487	24,751	74,653
Net assets - beginning	1,670,096	1,617,930	302,897	280,410	1,972,992	1,898,340
Prior period adjustment	(55,172)	-	1,977	-	(53,195)	-
Net assets - ending	<u>\$ 1,615,344</u>	<u>\$ 1,670,095</u>	<u>\$ 329,204</u>	<u>\$ 302,897</u>	<u>\$1,944,548</u>	<u>\$1,972,993</u>

Governmental activities experienced a net decrease of \$54.8 million in net assets, while business activities increased by \$24.3 million, for a net decrease in net assets of \$28.4 million in 2008. Key elements of this change are:

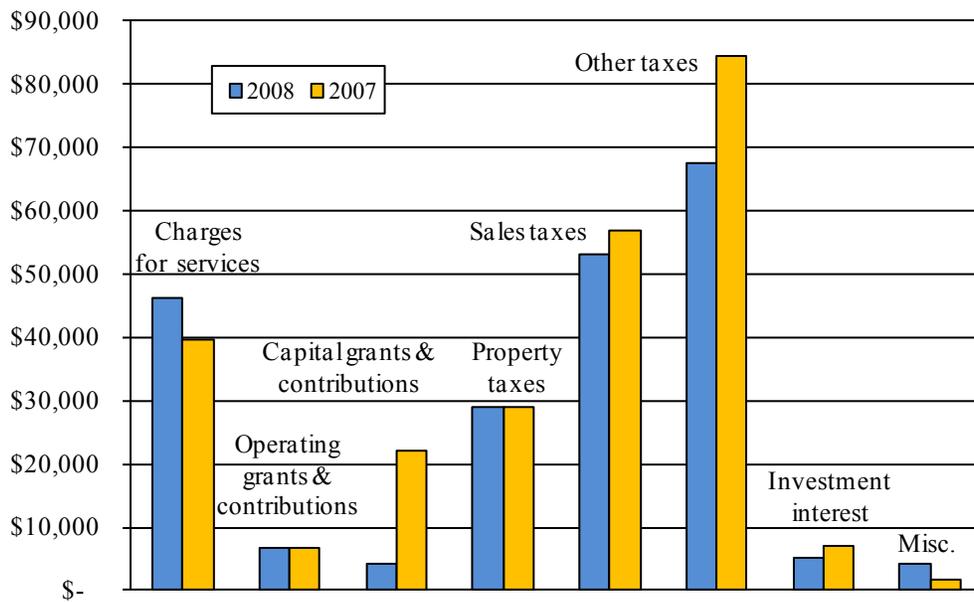
- Charges for services increased \$6.4 million, the significant changes are highlighted as follows:
 - Public safety increased \$1.2 million, a result of timing differences in revenue streams.
 - Economic environment increased \$4 million because of building permit activity related to development in the downtown region.
 - Culture and recreation charges for services increased by \$1.2 million predominantly due to rental revenues from the Bayvue Apartment Complex purchased in 2007.
- Capital grants and contributions decreased \$17.9 million.
 - Transportation received a one-time grant of \$7.8 million in 2007 for the construction of the NE 10th bridge over I-405.
 - Culture and recreation decreased \$9 million and is attributed to one time awards in 2007 of \$5.5 million for the development of the Environmental Education Center and property acquisition awards of \$1.4 million also in 2007.
- Retail sales and use tax decreased \$3.6 million, partially caused by a spike in 2007 due to developer real estate activity in downtown Bellevue. The national downturn in the economy has also impacted retail sales in Bellevue.
- Utility taxes increased by \$4.3 million due to assessment disputes that were settled in 2008.
- Real estate excise taxes decreased \$20.6 million, a result of 2007 one-time significant developer acquisitions in the downtown area.
- General Government expenses increased \$4.9 million, largely due to increased labor costs.
- Labor costs accounted for the majority of the \$6.6 million increase in Public Safety expenses.
- Economic environment expenses increased by \$2 million due to increased development activity resulting in a rise in review and inspection costs.
- Transportation expenses increased \$3.1 million as a result of increased labor costs and \$.5 million in street overlay expenses.
- Culture and recreation expenses increased by \$3.8 million. Increased personnel costs accounted for \$.7 million and \$1.5 million was for the renovation of general parks facilities.
- The decrease in net assets before transfers and special items of \$1 million is a result of which were 2007 one-time revenue in capital grant activity of \$17.9 million and tax revenues of \$20.5 million.

The following charts illustrate the major revenue sources as percentages of total revenues for governmental funds and in comparison from 2007 to 2008.

Governmental Activities - Revenues

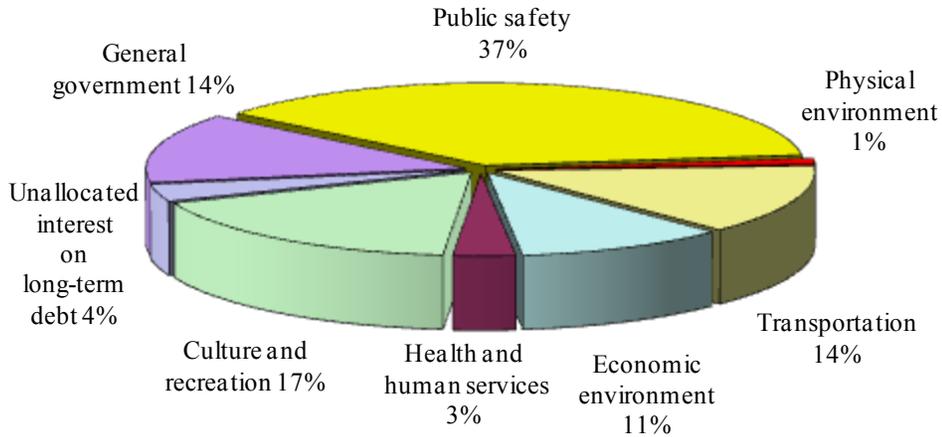


Governmental Activities - Revenues Comparison

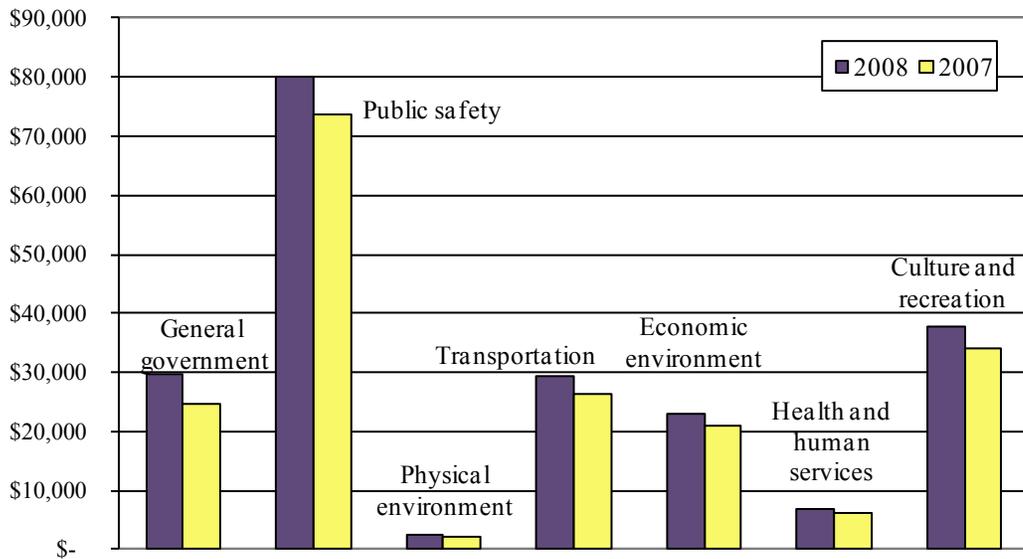


Expenses for governmental activities are shown in the following charts by function, both as a percentage of total expenses and as compared to 2007.

Governmental Activities - Expenses



Governmental Activities - Expenses Comparison



Business-type activities of the City's utilities and marina increased the City of Bellevue's net assets by \$26.3 million in 2008. Key elements of this increase are:

- Charges for services increased \$1.5 million and are related to a combination of rate and consumption pattern changes. The following chart provides the customer and consumption information available from our Utilities department and the percentage changed from the prior year.

City of Bellevue, Washington

	<u>2008</u>	<u>2007</u>	<u>Percent increase/ decrease</u>
Number of customers:			
Water	37,299	37,055	0.66%
Sewer	35,438	36,084	-1.79%
Drainage	30,645	30,505	0.46%
Annual consumption:			
Water	6,612	7,293	-9.34%
Sewer	5,533	5,362	3.19%

- Water Utility expenses decreased \$1.3 million, due to the timing of Regional Capital Facilities Charge payments received from customers and remitted to Cascade Water Alliance Association.
- Business-type expenses decreased by \$1.4 million. Of this amount, \$.750 million is due to a restatement of depreciation expense resulting from a comprehensive analysis of inventory as part of ERP implementation efforts.

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

Governmental Funds. The governmental fund statements report on a near-term revenues/financial resources and expenditures basis. This information helps determine the City’s financial requirements in the near future. In particular, unreserved fund balance is a good indicator of the City’s resources available for spending at the end of the year.

- At the end of 2008, fund balance for the General Fund was \$15.1 million, a decrease of \$10.5 million from 2007. The City transferred \$8 million to I&D Redemption Regular Levy Fund to pay the New City Hall debt.

The LEOFF1 Medical Reserve Fund has an ending fund balance of \$16.4 million reserved to meet future medical claims obligations of LEOFF1 retirees.

The Operating Grants, Donations and Special Reserves Fund have an ending fund balance of \$3.3 million, which is an increase of \$.6 million from the prior year. In 2008, the City received \$.9 million in insurance proceeds for windstorm damage occurring late in 2007. Grants and donations are restricted by awarding entities or donors for specific purposes and special reserves are set by City Council for specific use.

The Housing Fund has an ending fund balance of \$4.9 million. The fund balance is representative of the properties and loans receivable made available to maintain affordable housing in Bellevue.

The Development Services Fund has an ending fund balance of \$11.5 million, which will be used to cover the costs of permit review and inspections over the life of the major construction projects currently underway.

The General Capital Investment Program Fund has an ending fund balance of \$15.1 million, reflecting a net increase of \$4.2 million from 2007. This increase was the result of the issuance of \$12 million in line of credit borrowing and \$14.3 million in general obligation bonds for the purchase

of the Lincoln Center – an office park near City Hall - of which \$19 million have been spent. This increase is offset by a \$22.4 million decrease in excise tax revenues due to one-time 2007 unusually high revenues and national economic conditions, tempered by significant delays in transportation project activity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City of Bellevue’s investment in capital assets for the end of 2008 was \$1.88 billion, net of depreciation, which is an increase of \$39.6 million from the previous year. The following table shows the increases by category for governmental activities, business activities, and the City as a whole.

	Governmental Activities		Business-Type Activities		Total	
	2007		2007		2007	
	2008	(restated)	2008	(restated)	2008	(restated)
	(in thousands)					
Land	\$ 733,189	\$ 716,112	\$ 22,998	\$ 23,007	\$ 756,187	\$ 739,119
Buildings	168,527	154,168	17,780	18,643	186,307	172,811
Improvements other than buildings	31,100	29,550	-	42	31,100	29,592
Machinery and equipment	18,644	18,599	1,238	470	19,882	19,069
Infrastructure	666,089	658,668	164,079	162,920	830,168	821,588
Intangible assets	8,874	3,848	96	93	8,970	3,941
Construction in progress	15,767	34,586	29,093	17,106	44,860	51,692
Total	\$ 1,642,190	\$ 1,615,531	\$ 235,284	\$ 222,281	\$1,877,474	\$1,837,812

Governmental Activities. Capital assets from governmental activities decreased \$29.4 million. Key elements of this change are as follows:

- The City purchased the Lincoln Center office park for \$19 million.
- Capital Assets for 2007 have been restated, reflecting a decrease of 3%, or \$54.1 million, due to a restatement of the City’s capital assets resulting from a comprehensive analysis of inventory as part of ERP implementation efforts. Please refer to Note 17, Prior period adjustment for more detailed information on the changes made to asset inventory and valuation.

The City has elected to report its transportation infrastructure capital assets using the modified approach. The modified approach is an alternative to the standard depreciation model normally utilized to report the usage of capital assets as an expense. The modified approach requires that the City have an up-to-date inventory of eligible infrastructure assets; perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale; and estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the City. For many years, the City has performed a biennial condition assessment of its transportation infrastructure, which is published in a bound document. In the off-years, the assessment computation is provided by the City’s Pavement Management System.

City of Bellevue, Washington

The City has classified its transportation infrastructure capital assets into two systems: arterial roadways and residential roadways. The standard performance rating for the two systems is noted below:

	Satisfactory	Unsatisfactory
Arterial	50-100	0-49
Residential	30-100	0-29

The average condition of the arterial roadways for 2008 reduced from 83 to an overall performance rating of 80. The percentage of roadways above a satisfactory rating for 2008 is 90%, which is a reduction of 4% from the prior year. Residential roadways show an average condition rating of 85, an increase of 2 points over 2007. Of the total residential lane miles, 98% were rated above satisfactory. The City's minimum acceptable condition levels have been defined as having at least 60% of arterial roadways, and 75% of residential roadways at or above satisfactory condition.

Business-type Activities. Business-type capital activities assets increased by \$13 million attributable to increases in construction in progress of \$11.9 million and developer extensions of \$6.9 million less annual depreciation. The Utility department is in the process of the annual replacement of a portion of the City's aging infrastructure to stabilize costs over the several years.

For more detailed information about the City of Bellevue's capital assets please refer to the notes to the financial statements, specifically Note 6, Property, Plant and Equipment.

DEBT OUTSTANDING

At year-end, the City had \$159.9 million in debt outstanding compared to \$139.2 million last year. Of the \$20.6 million increase, \$21.9 million is a result of an increase in governmental activities and a decrease of \$1.3 million in business type activities.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
	(in thousands)					
General obligation bonds	\$ 139,570	\$ 128,405	\$ 3,600	\$ 3,850	\$ 143,170	\$ 132,255
Special assessment debt	1,675	2,116	-	-	1,675	2,116
Revenue bonds	-	-	1,930	2,813	1,930	2,813
Line of credit	12,000	500	-	-	12,000	500
Other long term debt	676	1,021	412	542	1,088	1,563
Total	\$ 153,921	\$ 132,042	\$ 5,942	\$ 7,205	\$ 159,863	\$ 139,246

Governmental Activities. Long term liabilities went up \$21.9 million, of which \$14.3 was due to the issuance of general obligation bonds for the purchase of the Lincoln Center office park and \$12 million in line of credit borrowing for our General Capital Improvement Program combined with debt service activity in the current year. Of the debt outstanding at December 31, 2008, \$2.2 million is due within one year.

Business-type Activities. Business-type activities did not issue any new debt. During the fiscal year all scheduled debt service payments were met. Principal reductions amounted to \$1.2 million.

Washington State statutes limit the amount of debt a governmental entity may issue to 7.5 percent of its total assessed valuation, subject to a 60 percent majority vote of qualified electors. Of the 7.5

percent limit, 2.5 percent is for general purposes, 2.5 percent for open space/park facilities, and 2.5 percent for utilities. Non-voted general purpose indebtedness is limited to 1.5 percent of assessed valuation and the combination of voted and non-voted general purpose indebtedness cannot exceed 2.5 percent of assessed valuation.

The City's assessed valuation for 2008 was \$37.6 billion and the total amount of additional debt the City may issue is \$2.6 billion. Remaining debt capacity is categorized as follows (in thousands):

Open space/Parks facilities	940,751
Utilities	<u>940,666</u>
Total	<u>\$ 2,653,521</u>

For more detailed information about the City of Bellevue's long term debt please refer to the notes to the financial statements, specifically Note 13, Long Term Debt.

BUDGETARY HIGHLIGHTS

The City of Bellevue budgets on a biennial basis with each budget beginning in an odd numbered year. Appropriations for operating funds are authorized for two years, but must be reviewed and reauthorized by the City Council in the middle of the biennial period. The following discussion is reflective only of the current year of the biennium.

The supplemental increase of \$18.6 million between the original General Fund budget for fiscal year 2008 and the final General Fund budget is explained as follows:

- \$14.4 million increase to reflect the move to a modified accrual budgetary basis to match the City's accounting basis.
- \$2.0 million increase in personnel costs to reflect the General Salary Adjustment (GSA) based on the June Consumer Price Index which was higher than anticipated (\$1.4 million) and the addition of development services, dispatch and fire personnel (\$0.6 million) to meet operational needs.
- \$0.9 million increase of cash reserves for use during periods of economic downturns as needed.
- \$0.9 million increase reflecting the City's one-time implementation cost of participation in the North East King County Regional Public Safety Communications (NORCOM) Agency – a regional public safety communications service.
- \$0.2 million increase related to reimbursement for City of Bellevue staff support at the Washington State Criminal Justice Training Center (WSCJTC).
- \$0.2 million increase to support several small Environmental Stewardship Initiative projects, such as tree planting, emissions reduction plans and vehicle evaluation and data monitoring system.
- \$0.1 million increase related to reimbursement for City of Bellevue staff support of the Eastside Narcotics Task Force (ENTF).

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that total revenues came in \$8.7 million above budget at year end, primarily due to the carry forward of revenues earned in 2007 related to greater than anticipated audit collections and utility tax collections. Expenditures were \$6.3 million under budget, due primarily to funds set aside for contingency which were not required.

BOND RATINGS

The City of Bellevue maintains an Aaa rating from Moody's for its voter approved general obligation debt, an Aa1 rating for its councilmanic general obligation debt, and an Aa2 rating for its revenue bonds. Standard and Poor's having rated the City's general obligation debt as AAA.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

Key factors affecting the economy while preparing the City's 2009-2010 biennial budget were dynamic and uncertain. From the time of budget planning during the second half of 2008 to budget execution in 2009, like the rest of the nation, Bellevue's economy worsened. In early 2009, City management issued revised departmental spending targets in response to a contracting economy.

Despite the lower economic activity in Bellevue, through sound financial policy, a diverse revenue base and early, strong and decisive management action Bellevue will continue to deliver quality core services during these temporary, tough economic times. Simply put, Bellevue will live within its means.

The character of the City--including its current and future business activity, its attraction as a place to live, work, and do business, and its position as the technology heart of a growing region -- makes Bellevue's future bright and sustainable.

The regional economy declined during 2008. The continued decline in home prices and sales, the unprecedented financial crisis on Wall Street and the resulting consumer sentiment has pushed the area's economy into a recession and a period of financial uncertainty. In September, local economists were projecting that the Puget Sound region would escape a recession and the economic downturn would be over by 2009. Now, in light of the recognized recession and uncertainty regarding its duration, local economists are weighing the prospect of a deeper regional recession carrying into the first quarter of 2010.

Employment declined at 1.4% over the year and the unemployment rate ended the year at 6.0% compared to 3.7% in 2007. The construction industry experienced the greatest losses, while the retail and manufacturing sectors also had significant declines. Local economists are projecting employment to continue to contract in 2009 and begin recovery in 2010.

Declines in both housing sales volumes and prices are driving the recession. In 2008, Seattle area housing sales volumes dropped 33% and home prices were down 5.1% compared to 2007. Local economists are projecting that the economy will not improve until prices stop falling, which is most recently forecasted to occur in mid 2009.

On a brighter note, regional personal income grew by 4.5% in 2008. Economists are projecting slower growth in personal income in 2009 (1.2%) and a moderate increase in 2010 (3.3%). However, the troubled credit markets and depressed consumer sentiment resulted in a decline in consumer spending in 2008. Retail sales are projected to continue to decline in 2009 and with recovery beginning in 2010.

Office vacancy rates declined slightly in Bellevue's Central Business District, and Eastside lease rates continue to increase. The fourth quarter office vacancy rate, as reported by C.B. Richard Ellis,

dropped to 10.9%. The Downtown office vacancy rate is expected to remain relatively low as much of the newly constructed office space has been pre-leased.

The utility rates for the City of Bellevue were increased for the 2009-2010 budget cycle. For 2009, the following increases were included in the budget: water, 6.1%, wastewater (sewer) 13.0%, and storm & surface water, 7.0%. These increases were largely due to increases in wholesale rates from Cascade Water Alliance and METRO/King County Sewer. Additional reasoning includes, inflationary increases in salaries, maintenance and operations costs; and additional capital needs.

The City of Bellevue's Capital Investment Program (CIP) fulfills Council's vision to make significant investments in our park system and natural areas and improve transportation systems throughout the City. The CIP sustains current capital programs and launches a series of critical infrastructure and system investments. These investments not only target current traffic and system issues but also initiate a deliberate longer-term approach focused on Bellevue's future.

In January 2008, the City Council initiated work on development of a Mobility and Infrastructure Initiative financing strategy. The purpose of this effort was to supplement the City's existing CIP and Supplemental CIP to fund transportation and other improvements that respond to the growth in travel demand caused by development in Downtown Bellevue and to provide initial capital investments in the Bel-Red area to support planned growth.

The City Council endorsed this far-reaching initiative and adopted the 2009-2015 CIP, which includes funding for the following investments focused on Bellevue's long term future:

- Initial funding for the Mobility and Infrastructure Initiative of \$14.6 million supported by two 3% property tax increases and two 1.5% storm drainage fee increases in 2009 and 2010. Full funding for this package of capital investments, estimated at \$299 million, is likely to include property taxes, impact fees, targeted local improvement district (LID) taxes, grants and other potential sources.
- 20-year parks voter approved property tax levy funding that will expand our existing parks and natural areas system, which received overwhelming support by our citizens.
- Significant advances in utilities funding to maintain current service levels, address costs of new services, meet regulatory mandates and increase staff and resources for maintenance and repairs of an aging water and wastewater infrastructure.

REQUEST FOR INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at P.O. Box 90012, Bellevue, WA 98009.

BASIC FINANCIAL STATEMENTS

Statement of Net Assets
As of December 31, 2008
(in thousands)

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Bellevue Convention Center Authority</u>
Assets:				
Cash & equity in pooled investments	\$ 110,159	\$ 27,860	\$ 138,019	\$ 3,947
Receivables (net of allowances for uncollectables):				
Taxes	20,985	-	20,985	-
Accounts	635	12,862	13,497	528
Assessments	2,899	92	2,991	-
Interest	583	352	935	-
Other	3,397	22	3,419	670
Internal balances	(530)	530	-	-
Inventory	369	530	900	367
Other current assets	221	-	221	145
Restricted assets:				
For debt service	1,219	1,570	2,789	2,682
For customer deposits	-	103	103	-
For other	14,961	59,180	74,141	639
Deferred charges and other assets:				
Deferred charges	1,152	30	1,182	539
Noncurrent receivables	12,808	332	13,140	-
Capital assets:				
Land	733,189	22,998	756,187	-
Depreciable capital assets (net)	227,146	19,113	246,259	32,736
Depreciable infrastructure (net)	21,293	164,079	185,373	-
Nondepreciable infrastructure	644,796	-	644,796	-
Construction in progress	15,767	29,093	44,861	2,919
Total assets	<u>1,811,049</u>	<u>338,747</u>	<u>2,149,796</u>	<u>45,171</u>

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

Statement of Net Assets
As of December 31, 2008
(in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bellevue Convention Center Authority
Liabilities:				
Accounts payable	6,863	1,237	8,100	108
Retainage payable	117	187	305	5
Accrued interest payable	2	4	6	2,206
Accrued payroll	5,157	673	5,831	143
Other accrued liabilities	1,597	94	1,691	166
Deposits payable	738	103	841	-
Unearned revenue	6,717	-	6,717	648
Other current liabilities	19	-	19	-
Accrued bond interest payable	604	32	636	37,172
Noncurrent liabilities:				
Due within one year	9,452	1,790	11,241	1,068
Due in more than one year	164,441	5,420	169,861	18,305
Total liabilities	<u>195,706</u>	<u>9,540</u>	<u>205,247</u>	<u>59,821</u>
Net assets:				
Invested in capital asset net of related debt	1,488,268	229,344	1,717,612	16,360
Restricted for:				
Debt service	6,437	1,570	8,007	3,205
Capital projects	15,082	59,180	74,262	335
Unrestricted	105,556	39,112	144,668	(34,549)
Total net assets	<u>\$ 1,615,343</u>	<u>\$ 329,206</u>	<u>\$ 1,944,549</u>	<u>\$ (14,649)</u>

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

Statement of Activities
For the Twelve Months Ending December 31, 2008
(in thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Primary government:				
Government activities:				
General government	\$ 29,573	\$ 2,068	\$ 126	\$ -
Public safety	80,253	16,969	1,776	381
Physical environment	2,449	1,100	1,487	-
Transportation	29,372	1,345	1,408	2,487
Economic environment	22,940	16,334	-	1
Health and human services	6,834	330	1,690	-
Culture and recreation	37,926	8,039	327	1,459
Interest on long-term debt	7,150	-	-	-
Total governmental activities	<u>216,498</u>	<u>46,185</u>	<u>6,815</u>	<u>4,328</u>
Business-type activities:				
Water utility	27,887	31,538	-	3,417
Sewer utility	31,734	36,056	-	2,011
Storm drainage utility	9,146	14,442	-	1,538
Marina	440	489	-	-
Total business-type activities	<u>69,206</u>	<u>82,524</u>	<u>-</u>	<u>6,967</u>
Total primary government	<u>\$ 285,705</u>	<u>\$ 128,709</u>	<u>\$ 6,815</u>	<u>\$ 11,295</u>
Component unit:				
Bellevue Convention Center Authority	14,399	13,672	-	10
Total component unit	<u>\$ 14,399</u>	<u>\$ 13,672</u>	<u>\$ -</u>	<u>\$ 10</u>
General revenues:				
		Property tax		
		Retail sales and use tax		
		Utility tax		
		Business and occupation tax		
		Excise taxes		
		Hotel/Motel tax		
		Other taxes		
		Payments from Component Unit/City		
		Grants & contributions - unrestricted		
		Unrestricted investment interest		
		Gain (Loss) in change of Fair Value		
		Miscellaneous		
		Gain on sale of capital assets		
		Transfers		
		Total general revenues and transfers		
		Change in net assets		
		Net assets at beginning of year		
		Prior period adjustment		
		Net assets at end of year		

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

Statement of Activities
For the Twelve Months Ending December 31, 2008
(in thousands)

Net (Expense/ Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Bellevue Convention Center Authority
\$ (27,380)	\$ -	\$ (27,380)	\$ -
(61,127)	-	(61,127)	-
139	-	139	-
(24,132)	-	(24,132)	-
(6,605)	-	(6,605)	-
(4,813)	-	(4,813)	-
(28,102)	-	(28,102)	-
(7,150)	-	(7,150)	-
<u>(159,170)</u>	<u>-</u>	<u>(159,170)</u>	<u>-</u>
-	7,068	7,068	-
-	6,333	6,333	-
-	6,835	6,835	-
-	49	49	-
<u>-</u>	<u>20,285</u>	<u>20,285</u>	<u>-</u>
<u>\$ (159,170)</u>	<u>\$ 20,285</u>	<u>\$ (138,885)</u>	<u>\$ -</u>
-	-	-	(717)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (717)</u>
28,859	-	28,859	-
53,141	-	53,141	-
24,103	-	24,103	-
30,051	-	30,051	-
6,594	-	6,594	-
6,724	-	6,724	-
238	-	238	-
23	-	23	-
1,398	-	1,398	-
5,284	2,991	8,276	132
637	197	834	-
740	1,164	1,905	-
1,391	98	1,490	-
406	(406)	-	-
<u>159,591</u>	<u>4,045</u>	<u>163,636</u>	<u>132</u>
421	24,330	24,751	(585)
1,670,096	302,897	1,972,993	(14,064)
(55,172)	1,977	(53,195)	-
<u>\$ 1,615,345</u>	<u>\$ 329,204</u>	<u>\$ 1,944,549</u>	<u>\$ (14,649)</u>

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

Balance Sheet
Governmental Funds
As of December 31, 2008
(in thousands)

	<u>General Fund</u>	<u>LEOFF I Reserve</u>	<u>Development Services</u>
Assets:			
Cash & equity in pooled investments	\$ 7,190	\$ 16,349	\$ 16,015
Receivables (net of allowances):			
Taxes	15,506	-	-
Accounts	73	-	-
Current assessments	-	-	-
Interest & assessment interest/penalties	31	67	69
Interfund loans receivable	-	-	-
Due from other funds	-	-	13
Due from other governments	1,457	-	-
Prepays	1	-	-
Notes/contracts receivable	16	-	-
Housing rehabilitation loans receivable	-	-	-
Total assets	<u>24,274</u>	<u>16,417</u>	<u>16,097</u>
Liabilities:			
Accounts payable	2,344	17	89
Retainage payable	6	-	-
Interfund loans payable	-	-	-
Due to other funds	584	-	55
Due to Component Unit	-	-	-
Due to other governments	592	-	4
Accrued payroll	4,034	-	505
Accrued taxes	14	-	-
Deposits payable	59	-	588
Other current liabilities	19	-	-
Deferred revenues	1,528	-	3,405
Total liabilities	<u>9,180</u>	<u>17</u>	<u>4,645</u>
Fund balance:			
Reserved for:			
Debt Service	-	-	-
Unreserved, reported in:			
General Fund	15,094	-	-
Special Revenue	-	16,399	11,452
Capital Projects	-	-	-
Total fund balance	<u>15,094</u>	<u>16,399</u>	<u>11,452</u>
Total liabilities and fund balance	<u>\$ 24,274</u>	<u>\$ 16,417</u>	<u>\$ 16,097</u>

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

Balance Sheet
Governmental Funds
As of December 31, 2008
(in thousands)

	Operating Grants, Donations, & Special Reserves	Housing	LID Control
Assets:			
Cash & equity in pooled investments	\$ 3,183	\$ 4,869	\$ 810
Receivables (net of allowances):			
Taxes	-	17	-
Accounts	17	-	-
Current assessments	-	-	2,862
Interest & assessment interest/penalties	7	25	40
Interfund loans receivable	-	-	-
Due from other funds	3	-	-
Due from other governments	912	70	-
Prepays	-	-	-
Notes/contracts receivable	780	8,033	-
Housing rehabilitation loans receivable	2,868	-	-
Total assets	7,771	13,013	3,712
Liabilities:			
Accounts payable	208	91	2
Retainage payable	-	-	-
Interfund loans payable	-	-	59
Due to other funds	-	-	-
Due to Component Unit	-	-	-
Due to other governments	231	-	-
Accrued payroll	10	12	-
Accrued taxes	-	-	-
Deposits payable	1	-	-
Other current liabilities	-	-	-
Deferred revenues	4,054	8,033	2,822
Total liabilities	4,502	8,135	2,882
Fund balance:			
Reserved for:			
Debt Service	-	-	829
Unreserved, reported in:			
General Fund	-	-	-
Special Revenue	3,268	4,878	-
Capital Projects	-	-	-
Total fund balance	3,268	4,878	829
Total liabilities and fund balance	\$ 7,771	\$ 13,013	\$ 3,712

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

Balance Sheet
Governmental Funds
As of December 31, 2008
(in thousands)

Page 3 of 3

	<u>General CIP</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash & equity in pooled investments	\$ 14,961	\$ 20,731	\$ 84,110
Receivables (net of allowances):			
Taxes	4,974	488	20,985
Accounts	330	157	578
Current assessments	-	-	2,862
Interest & assessment interest/penalties	136	68	442
Interfund loans receivable	-	59	59
Due from other funds	-	74	90
Due from other governments	784	-	3,223
Prepays	220	-	221
Notes/contracts receivable	-	-	8,829
Housing rehabilitation loans receivable	-	-	2,868
Total assets	<u>21,405</u>	<u>21,577</u>	<u>124,266</u>
Liabilities:			
Accounts payable	2,237	207	5,195
Retainage payable	111	-	117
Interfund loans payable	3,000	-	3,059
Due to other funds	10	14	663
Due to Component Unit	-	639	639
Due to other governments	23	38	887
Accrued payroll	34	81	4,676
Accrued taxes	-	-	14
Deposits payable	1	90	738
Other current liabilities	-	-	19
Deferred revenues	907	255	21,003
Total liabilities	<u>6,323</u>	<u>1,323</u>	<u>37,009</u>
Fund balance:			
Reserved for:			
Debt Service	-	5,607	6,436
Unreserved, reported in:			
General Fund	-	-	15,094
Special Revenue	-	14,647	50,645
Capital Projects	15,082	-	15,082
Total fund balance	<u>15,082</u>	<u>20,254</u>	<u>87,257</u>
Total liabilities and fund balance	<u>\$ 21,405</u>	<u>\$ 21,577</u>	<u>\$ 124,266</u>

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

City of Bellevue, Washington

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2008
(in thousands)**

Total governmental fund balances \$ 87,258

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. 1,621,649

These assets consist of:

Land	733,189
Non-depreciable infrastructure	644,796
Construction in progress	15,767
Buildings	210,664
Improvements other than buildings	44,582
Machinery and equipment - general government	1,853
Intangible assets	17,721
Depreciable infrastructure	118,667
Less: accumulated depreciation	(165,590)

Net pension obligation paid in over required 1,111

Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. (151,520)

These long-term liabilities consist of:

Bonds payable	(139,570)
Line of credit payable	(12,000)
Unamortized debt issuance costs	1,152
Special assessment bonds payable	(1,675)
Notes payable	(679)
Accrued bond interest payable	(589)
Accrued special assessment interest payable	(15)
Compensated absences	(10,840)
Deferred tax and assessment revenue	3,676
Deferred grant and contract revenue	10,610
OPEB Obligation payable	(1,589)
Other accrued interest payable	(2)

Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, self-insurance, information technology and facility services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 56,846

Net assets of governmental activities \$ 1,615,343

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

City of Bellevue, Washington

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Twelve Months Ending December 31, 2008**
(in thousands)

Page 1 of 3

	<u>General Fund</u>	<u>LEOFF I Reserve</u>	<u>Development Services</u>
Revenues:			
Taxes and special assessments	\$ 111,717	\$ -	\$ -
Licenses and permits	340	-	8,597
Intergovernmental	19,058	133	-
Service charges and fees	13,740	-	7,819
Fines and forfeitures	443	-	46
Interest and assessment interest/penalties	464	600	609
Net change in fair value of investments	(7)	61	87
Rent	1,162	-	-
Judgments and settlements	-	-	-
Premiums/contributions	33	-	-
Other	386	-	-
Total revenues	<u>147,335</u>	<u>794</u>	<u>17,158</u>
Expenditures:			
Current:			
General government	17,880	-	-
Public safety	74,100	1,069	-
Physical environment	153	-	-
Transportation	22,839	-	-
Economic environment	1,019	-	20,342
Health and human services	5,144	-	356
Culture and recreation	22,424	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	17	-	-
Capital outlay:			
General government	-	-	-
Public safety	-	-	-
Transportation	-	-	-
Economic environment	-	-	16
Culture and recreation	-	-	-
Total expenditures	<u>143,577</u>	<u>1,069</u>	<u>20,714</u>
Excess (deficiency) of revenues over (under) expenditures	3,758	(275)	(3,557)
Other financing sources (uses):			
Transfers in	2,146	145	6,546
Transfers out	(16,413)	-	(881)
Sale of capital assets	-	-	-
Long-term debt issued	-	-	-
Total other financing sources and uses	<u>(14,266)</u>	<u>145</u>	<u>5,664</u>
Net change in fund balance	(10,508)	(130)	2,108
Fund balance at beginning of year	25,602	16,529	9,345
Prior period adjustment	-	-	-
Fund balance at end of year	<u>\$ 15,094</u>	<u>\$ 16,399</u>	<u>\$ 11,452</u>

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

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

For the Twelve Months Ending December 31, 2008

(in thousands)

Page 2 of 3

	Operating Grants, Donations & Special Reserves	Housing	LID Control
Revenues:			
Taxes and special assessments	\$ -	\$ 100	\$ 589
Licenses and permits	-	-	-
Intergovernmental	4,501	206	-
Service charges and fees	32	-	-
Fines and forfeitures	-	-	-
Interest and assessment interest/penalties	77	202	268
Net change in fair value of investments	63	18	6
Rent	-	-	-
Judgments and settlements	-	-	-
Premiums/contributions	355	-	-
Other	385	15	-
Total revenues	<u>5,414</u>	<u>541</u>	<u>863</u>
Expenditures:			
Current:			
General government	36	-	-
Public safety	1,534	-	-
Physical environment	944	-	-
Transportation	-	-	14
Economic environment	-	-	-
Health and human services	1,148	564	-
Culture and recreation	190	-	-
Debt service:			
Principal	-	-	375
Interest and fiscal charges	-	-	140
Capital outlay:			
General government	-	-	-
Public safety	347	-	-
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	-	-	-
Total expenditures	<u>4,199</u>	<u>564</u>	<u>529</u>
Excess (deficiency) of revenues over (under) expenditures	1,215	(23)	334
Other financing sources (uses):			
Transfers in	7	312	-
Transfers out	(565)	-	-
Sale of capital assets	-	-	-
Long-term debt issued	-	-	-
Total other financing sources and uses	<u>(559)</u>	<u>312</u>	<u>-</u>
Net change in fund balance	656	289	334
Fund balance at beginning of year	2,612	4,589	561
Prior period adjustment	-	-	(66)
Fund balance at end of year	<u>\$ 3,268</u>	<u>\$ 4,878</u>	<u>\$ 829</u>

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

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Twelve Months Ending December 31, 2008**
(in thousands)

	<u>General CIP</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes and special assessments	\$ 28,896	\$ 8,783	\$ 150,084
Licenses and permits	-	35	8,972
Intergovernmental	7,701	72	31,670
Service charges and fees	690	4,625	26,906
Fines and forfeitures	-	-	489
Interest and assessment interest/penalties	802	682	3,703
Net change in fair value of investments	216	76	521
Rent	519	2,500	4,180
Judgments and settlements	25	-	25
Premiums/contributions	32	25	446
Other	2	8	796
Total revenues	<u>38,883</u>	<u>16,805</u>	<u>227,793</u>
Expenditures:			
Current:			
General government	2,155	5,293	25,364
Public safety	1,516	-	78,219
Physical environment	21	1,331	2,449
Transportation	10,097	7	32,957
Economic environment	662	695	22,718
Health and human services	14	-	7,226
Culture and recreation	6,619	5,802	35,035
Debt service:			
Principal	346	3,554	4,275
Interest and fiscal charges	250	7,061	7,468
Capital outlay:			
General government	19,995	-	19,995
Public safety	169	-	516
Transportation	9,123	-	9,123
Economic environment	96	-	112
Culture and recreation	9,700	15	9,715
Total expenditures	<u>60,761</u>	<u>23,758</u>	<u>255,171</u>
Excess (deficiency) of revenues over (under) expenditures	(21,878)	(6,953)	(27,379)
Other financing sources (uses):			
Transfers in	1,622	14,767	25,545
Transfers out	(2,921)	(4,200)	(24,980)
Sale of capital assets	1,161	-	1,161
Long-term debt issued	26,248	-	26,248
Total other financing sources and uses	<u>26,109</u>	<u>10,567</u>	<u>27,973</u>
Net change in fund balance	4,231	3,614	594
Fund balance at beginning of year	10,851	16,659	86,748
Prior period adjustment	-	(19)	(84)
Fund balance at end of year	<u>\$ 15,082</u>	<u>\$ 20,255</u>	<u>\$ 87,258</u>

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

City of Bellevue, Washington

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the fiscal year ended December 31, 2008
(in thousands)**

Net change in fund balances - total governmental funds	\$	594
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the difference between capital outlays and adjustments in the current period.		26,643
This is comprised of:		
Capital outlays	39,460	
Current year depreciation	(12,818)	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(3,145)
This is comprised of:		
Deferred tax and assessment revenues	(370)	
Deferred grants and contracts revenues	(2,776)	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, yet, the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.		(21,973)
This amount is comprised of:		
Proceeds from issuance of long term debt	(26,248)	
Long-term debt repayments	4,275	
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 the governmental funds.		(1,848)
This amount is comprised of:		
Amortization of net OPEB obligation	(974)	
Accrued interest expense	297	
Accrued compensated absence expense	(1,172)	
Internal service funds are used by management to charge the cost of certain activities, such as equipment rental, self-insurance, information technology and facility services to the individual funds. The net revenue (expense) of these internal service funds is reported with governmental activities.		151
Change in net assets of governmental activities	\$	421

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

City of Bellevue, Washington

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2008
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Taxes and special assessments	\$ 106,303	\$ 112,406	\$ 111,717	\$ 689
Licenses and permits	314	315	340	(26)
Intergovernmental	18,393	18,790	19,058	(267)
Service charges and fees	13,331	13,723	13,740	(17)
Fines and forfeitures	174	174	443	(269)
Interest and assessment interest	792	992	464	529
Net change in fair value of investments	-	-	(7)	7
Rent	1,009	1,009	1,162	(153)
Premiums/contributions	-	-	33	(33)
Other	68	68	386	(317)
Total revenues	<u>140,384</u>	<u>147,477</u>	<u>147,335</u>	<u>142</u>
Expenditures				
Current:				
General government	18,954	19,616	17,880	1,736
Public safety	71,044	74,100	74,100	-
Physical environment	212	303	153	150
Transportation	22,197	22,356	22,839	(483)
Economic environment	719	944	1,019	(75)
Health and human services	5,204	5,199	5,144	55
Culture and recreation	22,120	21,949	22,424	(475)
Debt service:				
Interest and fiscal charges	-	-	17	(17)
Capital outlay:				
Public safety	-	18	-	18
Culture and recreation	42	42	-	42
Total expenditures	<u>140,492</u>	<u>144,527</u>	<u>143,577</u>	<u>951</u>
Excess (deficiency) of revenues over (under) expenditures	(108)	2,950	3,758	(809)
Other financing sources(uses)				
Transfers in	1,269	1,930	2,146	(217)
Transfers out	(6,999)	(16,098)	(16,413)	315
Total other financing sources(uses)	<u>(5,730)</u>	<u>(14,168)</u>	<u>(14,266)</u>	<u>98</u>
Net change in fund balance	(5,839)	(11,218)	(10,508)	(711)
Fund balance beginning of year	6,512	17,148	25,602	(8,454)
Fund balance end of year	<u>\$ 673</u>	<u>\$ 5,929</u>	<u>\$ 15,094</u>	<u>\$ (9,165)</u>

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

LEOFF I Medical Reserve
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2008
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Intergovernmental	\$ 61	\$ 61	\$ 133	\$ (72)
Interest and assessment interest	757	757	600	156
Net change in fair value of investments	-	-	61	(61)
Total revenues	<u>818</u>	<u>818</u>	<u>794</u>	<u>23</u>
Expenditures				
Current:				
Public safety	<u>2,252</u>	<u>2,252</u>	<u>1,069</u>	<u>1,183</u>
Total expenditures	<u>2,252</u>	<u>2,252</u>	<u>1,069</u>	<u>1,183</u>
Excess (deficiency) of revenues over (under) expenditures	(1,434)	(1,434)	(275)	(1,159)
Other financing sources(uses)				
Transfers in	<u>220</u>	<u>220</u>	<u>145</u>	<u>75</u>
Total other financing sources(uses)	<u>220</u>	<u>220</u>	<u>145</u>	<u>75</u>
Net change in fund balance	(1,214)	(1,214)	(130)	(1,084)
Fund balance beginning of year	<u>15,654</u>	<u>15,775</u>	<u>16,529</u>	<u>(754)</u>
Fund balance end of year	<u>\$ 14,440</u>	<u>\$ 14,562</u>	<u>\$ 16,399</u>	<u>\$ (1,838)</u>

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

City of Bellevue, Washington

Development Services Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2008
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Licenses and permits	\$ 5,408	\$ 8,404	\$ 8,597	\$ (193)
Service charges and fees	6,599	7,950	7,819	131
Fines and forfeitures	51	51	46	6
Interest and assessment interest	310	310	609	(298)
Net change in fair value of investments	-	-	87	(87)
Total revenues	<u>12,369</u>	<u>16,716</u>	<u>17,158</u>	<u>(441)</u>
Expenditures				
Current:				
Economic environment	18,812	20,187	20,342	(155)
Health and human services	330	333	356	(23)
Capital outlay:				
Economic environment	-	-	16	(16)
Total expenditures	<u>19,142</u>	<u>20,521</u>	<u>20,714</u>	<u>(194)</u>
Excess (deficiency) of revenues over (under) expenditures	(6,773)	(3,804)	(3,557)	(247)
Other financing sources(uses)				
Transfers in	6,546	6,546	6,546	-
Transfers out	(608)	(608)	(881)	273
Total other financing sources(uses)	<u>5,937</u>	<u>5,937</u>	<u>5,664</u>	<u>273</u>
Net change in fund balance	(836)	2,133	2,108	25
Fund balance beginning of year	11,564	11,564	9,346	2,218
Fund balance end of year	<u>\$ 10,728</u>	<u>\$ 13,697</u>	<u>\$ 11,454</u>	<u>\$ 2,244</u>

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

Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2008
(in thousands)

	<u>Storm & Surface Water Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ 6,479	\$ 14,413	\$ 6,697
Receivables (net of allowances):			
Accounts	1,880	4,774	6,131
Deferred assessments	-	-	92
Interest	85	118	145
Other	-	-	-
Notes/contracts receivable - current portion	-	4	18
Interfund loans - current portion	-	-	-
Due from other funds	469	38	26
Inventory	56	377	97
Restricted cash & equity in pooled investments:			
For revenue bonds	1,055	265	-
For construction	13,899	15,345	29,936
For customer deposits	2	93	7
Total current assets	<u>23,926</u>	<u>35,427</u>	<u>43,149</u>
Noncurrent assets:			
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent portion	-	18	314
Other deferred charges	22	8	-
Capital Assets:			
Property, plant and equipment (net)	<u>59,176</u>	<u>101,012</u>	<u>65,261</u>
Total noncurrent assets	<u>59,197</u>	<u>101,039</u>	<u>65,575</u>
Total assets	<u>83,123</u>	<u>136,466</u>	<u>108,725</u>

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

Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2008
(in thousands)

	<u>Marina</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ 271	\$ 27,860	\$ 42,231
Receivables (net of allowances):			
Accounts	77	12,862	57
Deferred assessments	-	92	-
Interest	3	352	175
Other	-	-	175
Notes/contracts receivable - current portion	-	22	-
Interfund loans - current portion	-	-	3,000
Due from other funds	11	544	56
Inventory	-	530	369
Restricted cash & equity in pooled investments:			
For revenue bonds	250	1,570	-
For construction	-	59,180	-
For customer deposits	-	103	-
Total current assets	<u>613</u>	<u>103,115</u>	<u>46,064</u>
Noncurrent assets:			
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent portion	-	332	-
Other deferred charges	-	30	-
Capital Assets:			
Property, plant and equipment (net)	<u>9,834</u>	<u>235,283</u>	<u>20,541</u>
Total noncurrent assets	<u>9,834</u>	<u>235,645</u>	<u>20,541</u>
Total assets	<u>10,447</u>	<u>338,760</u>	<u>66,605</u>

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

Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2008
(in thousands)

	Storm & Surface Water Utility	Water Utility	Sewer Utility
Liabilities:			
Current liabilities:			
Accounts payable	273	750	185
Estimated claims	-	-	-
Retainage payable	64	106	17
Due to other funds	7	2	4
Due to other governments	1	38	25
Accrued interest payable	3	1	-
Accrued payroll	197	281	196
Accrued compensated absences	114	159	108
Notes/contracts payable - current portion	104	30	-
Revenue bonds payable - current portion	736	289	-
Total current liabilities	<u>1,499</u>	<u>1,654</u>	<u>535</u>
Noncurrent liabilities:			
Accrued bond interest payable	13	5	-
Customer deposits	2	93	7
Accrued compensated absences	267	370	252
Estimated claims	-	-	-
Bonds payable (net)	648	255	-
Notes/contracts payable - noncurrent portion	131	148	-
Total noncurrent liabilities	<u>1,061</u>	<u>871</u>	<u>260</u>
Total liabilities	<u>2,560</u>	<u>2,525</u>	<u>795</u>
Net assets:			
Invested in capital assets net of related debt	57,556	100,292	65,261
Restricted for:			
Debt service	1,055	265	-
Capital projects	13,899	15,345	29,936
Unrestricted (deficit)	8,053	18,039	12,732
Total net assets	<u>\$ 80,563</u>	<u>\$ 133,941</u>	<u>\$ 107,929</u>

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

Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2008
(in thousands)

	<u>Marina</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Liabilities:			
Current liabilities:			
Accounts payable	29	1,237	1,668
Estimated claims	-	-	3,610
Retainage payable	-	187	-
Due to other funds	1	14	13
Due to other governments	31	94	58
Accrued interest payable	-	4	-
Accrued payroll	-	673	481
Accrued compensated absences	-	381	332
Notes/contracts payable - current portion	-	134	-
Revenue bonds payable - current portion	250	1,275	-
Total current liabilities	<u>311</u>	<u>3,999</u>	<u>6,162</u>
Noncurrent liabilities:			
Accrued bond interest payable	13	32	-
Customer deposits	-	103	-
Accrued compensated absences	-	889	774
Estimated claims	-	-	2,823
Bonds payable (net)	3,350	4,253	-
Notes/contracts payable - noncurrent portion	-	278	-
Total noncurrent liabilities	<u>3,363</u>	<u>5,555</u>	<u>3,597</u>
Total liabilities	<u>3,675</u>	<u>9,554</u>	<u>9,759</u>
Net assets:			
Invested in capital assets net of related debt	6,234	229,344	20,538
Restricted for:			
Debt service	250	1,570	-
Capital projects	-	59,180	-
Unrestricted (deficit)	288	39,112	36,308
Total net assets	<u>\$ 6,772</u>	<u>\$ 329,206</u>	<u>\$ 56,846</u>

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

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Twelve Months Ending December 31, 2008**
(in thousands)

	Storm & Surface Water Utility	Water Utility	Sewer Utility
Operating revenues:			
Service charges and fees	\$ 13,918	\$ 29,398	\$ 35,960
Rent	-	-	-
Insurance recovery	-	-	-
Premiums/contributions	-	-	-
Other	525	2,140	96
Total operating revenues	14,443	31,538	36,056
Operating expenses:			
Administrative and general	3,543	8,803	4,460
Maintenance and operations	4,152	16,182	25,128
Depreciation	1,289	2,840	2,145
Insurance costs	-	-	-
Benefits and claims payments	-	-	-
Total operating expenses	8,985	27,825	31,734
 Operating income (loss)	 5,458	 3,713	 4,322
Nonoperating revenues (expenses):			
Interest income	720	1,037	1,205
Net change in fair value of investments	(11)	112	87
Interest expense	(161)	(62)	-
Rental income	15	269	396
Gain on disposal of capital assets	-	98	-
Other nonoperating revenues	10	318	168
Total nonoperating revenue (expenses)	574	1,773	1,856
 Income before contributions and transfers	 6,031	 5,487	 6,178
Special items, contributions and transfers:			
Transfers in	22	5	7
Transfers out	(128)	(175)	(136)
Capital contributed from external sources	1,529	3,416	2,011
Total special items, contributions and transfers	1,422	3,247	1,882
 Change in net assets	 7,453	 8,733	 8,060
Net assets beginning of year	74,520	123,250	97,223
Prior period adjustment	(1,411)	1,957	2,647
Net assets end of year	\$ 80,562	\$ 133,941	\$ 107,930

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Twelve Months Ending December 31, 2008
(in thousands)

	<u>Marina</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Operating revenues:			
Service charges and fees	\$ -	\$ 79,275	\$ 27,020
Rent	489	489	-
Insurance recovery	-	-	2,478
Premiums/contributions	-	-	16,391
Other	-	2,762	302
Total operating revenues	<u>489</u>	<u>82,525</u>	<u>46,192</u>
Operating expenses:			
Administrative and general	41	16,848	8,952
Maintenance and operations	220	45,683	20,235
Depreciation	8	6,282	3,355
Insurance costs	-	-	2,358
Benefits and claims payments	-	-	12,963
Total operating expenses	<u>270</u>	<u>68,814</u>	<u>47,862</u>
Operating income (loss)	219	13,712	(1,670)
Nonoperating revenues (expenses):			
Interest income	28	2,991	1,602
Net change in fair value of investments	8	197	116
Interest expense	(170)	(393)	-
Rental income	-	680	31
Gain on disposal of capital assets	-	98.38	230
Other nonoperating revenues	-	496	-
Total nonoperating revenue (expenses)	<u>(133)</u>	<u>4,070</u>	<u>1,979</u>
Income before contributions and transfers	86	17,781	309
Special items, contributions and transfers:			
Transfers in	-	33	1,171
Transfers out	-	(439)	(1,329)
Capital contributed from external sources	-	6,956	-
Total special items, contributions and transfers	<u>-</u>	<u>6,551</u>	<u>(159)</u>
Change in net assets	86	24,332	151
Net assets beginning of year	7,903	302,896	57,692
Prior period adjustment	(1,216)	1,977	(994)
Net assets end of year	<u>\$ 6,772</u>	<u>\$ 329,205</u>	<u>\$ 56,848</u>

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

Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2008
(in thousands)

	Business Type Activities - Enterprise Funds		
	Storm & Surface Water Utility	Water Utility	Sewer Utility
Cash flows from operating activities:			
Cash received from customers and users	\$ 14,033	\$ 31,451	\$ 35,787
Contributions received - employer/employees	-	-	-
Cash received from insurance proceeds	-	-	-
Cash payments to suppliers for goods and services	(3,453)	(21,478)	(26,194)
Cash payments to employees for services	(4,361)	(5,106)	(3,918)
Cash payments to claimants	-	-	-
Cash received from contracts/rent	-	-	-
Cash payments for insurance	-	-	-
Other receipts	25	588	564
Net cash provided (used) by operating activities	<u>6,244</u>	<u>5,455</u>	<u>6,239</u>
Cash flows from noncapital financing activities:			
Cash received from contracts	-	4	(177)
Transfers in	22	5	7
Transfers out	(128)	(175)	(136)
Net cash provided (used) by noncapital financing activities	<u>(106)</u>	<u>(166)</u>	<u>(306)</u>
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets	(2,983)	(9,376)	(2,689)
Principal paid on revenue bonds and other debt	(808)	(306)	-
Interest paid on revenue bonds and other debt	(86)	(32)	-
Proceeds from sale of assets	-	165	-
Contributed capital in aid of capital acquisitions:			
Contributed in Aid of Equity	144	1,479	859
Contributed Connection Contracts	-	(4)	177
Net cash provided (used) by capital financing activities	<u>(3,733)</u>	<u>(8,074)</u>	<u>(1,653)</u>
Cash flows from investing activities:			
Interest on investments	651	1,079	1,198
Interfund loan issued	-	-	-
Net cash provided (used) by investing activities	<u>651</u>	<u>1,079</u>	<u>1,198</u>
Net increase (decrease) in cash balance	3,056	(1,706)	5,478
Cash balance at beginning of year	18,379	31,822	31,162
Cash balance at end of year	<u>\$ 21,435</u>	<u>\$ 30,116</u>	<u>\$ 36,640</u>
Cash balance at end of year consist of:			
Unrestricted	6,479	14,413	6,697
Restricted	14,956	15,703	29,943
Total cash balance	<u>\$ 21,435</u>	<u>\$ 30,116</u>	<u>\$ 36,640</u>

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

City of Bellevue, Washington

Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2008
(in thousands)

Page 2 of 4

	Business Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Marina	Total	
Cash flows from operating activities:			
Cash received from customers and users	\$ 474	\$ 81,745	\$ 27,104
Contributions received - employer/employee	-	-	16,388
Cash received from insurance proceeds	-	-	2,308
Cash payments to suppliers for goods and services	(209)	(51,334)	(16,490)
Cash payments to employees for services	(41)	(13,426)	(11,718)
Cash payments to claimants	-	-	(12,079)
Cash received from contracts/rent	-	-	31
Cash payments for insurance	-	-	(2,358)
Other receipts	-	1,177	310
Net cash provided (used) by operating activities	<u>224</u>	<u>18,162</u>	<u>3,496</u>
Cash flows from noncapital financing activities:			
Cash received from contracts	-	(173)	-
Transfers in	-	34	1,171
Transfers out	-	(439)	(1,329)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(578)</u>	<u>(159)</u>
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets		(15,048)	(3,373)
Principal paid on revenue bonds and other debt	(250)	(1,364)	-
Interest paid on revenue bonds and other debt	(172)	(290)	-
Proceeds from sale of assets	-	165	239
Contributed capital in aid of capital acquisitions:			
Contributed in Aid of Equity	-	2,482	-
Contributed Connection Contracts	-	173	-
Net cash provided (used) by capital financing activities	<u>(422)</u>	<u>(13,882)</u>	<u>(3,134)</u>
Cash flows from investing activities:			
Interest on investments	36	2,964	1,605
Interfund loan issued	-	-	(3,000)
Net cash provided (used) by investing activities	<u>36</u>	<u>2,964</u>	<u>(1,395)</u>
Net increase (decrease) in cash balance	(162)	6,666	(1,189)
Cash balance at beginning of year	683	82,046	43,420
Cash balance at end of year	<u>\$ 521</u>	<u>\$ 88,712</u>	<u>\$ 42,231</u>
Cash balance at end of year consist of:			
Unrestricted	271	27,860	42,231
Restricted	250	60,852	-
Total cash balance	<u>\$ 521</u>	<u>\$ 88,712</u>	<u>\$ 42,231</u>

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

Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2008
(in thousands)

	Business Type Activities - Enterprise Funds		
	Storm & Surface Water Utility	Water Utility	Sewer Utility
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 5,458	\$ 3,713	\$ 4,322
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,289	2,840	2,145
Other receipts	25	588	564
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(391)	(83)	(274)
(Increase) decrease in due from other funds	(19)	(4)	-
(Increase) decrease in inventory	10	(11)	5
Increase (decrease) in accounts payable	(147)	(1,720)	(490)
Increase (decrease) in retainage payable	64	106	17
Increase (decrease) in wages & benefits payable	44	53	23
Increase (decrease) in compensated absences	26	83	42
Increase (decrease) in due to other funds	(49)	(89)	(114)
Increase (decrease) in due to other governments	(4)	(17)	(1)
Increase (decrease) in customer deposits	(62)	(4)	-
Increase (decrease) in estimated claims payable	-	-	-
Total adjustments	786	1,742	1,917
Net cash provided (used) by operating activities	\$ 6,244	\$ 5,455	\$ 6,239
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ 1,385	\$ 1,942	\$ 975

On December 31, 2008, the City recognized a gain/loss as a result of the change in fair value of US Government Securities with a maturity of more than one year. The loss recognized by Storm and Surface Water Utilities of \$(11), the gain recognized by Water Utilities of \$112, Sewer Utilities of \$87, the Marina Fund of \$8, and the Internal Service Funds of \$116 is reflected on the financial statements as Net Change in Fair Value of Investments.

Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2008
(in thousands)

	Business Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Marina	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 219	\$ 13,712	\$ (1,670)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	8	6,282	3,355
Other receipts	-	1,177	31
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(3)	(751)	(127)
(Increase) decrease in due from other funds	(11)	(34)	42
(Increase) decrease in inventory	-	4	9
Increase (decrease) in accounts payable	2	(2,355)	813
Increase (decrease) in retainage payable	-	187	-
Increase (decrease) in wages & benefits payable	-	120	69
Increase (decrease) in compensated absences	-	151	137
Increase (decrease) in due to other funds	-	(252)	1
Increase (decrease) in due to other governments	9	(13)	6
Increase (decrease) in customer deposits	-	(66)	(52)
Increase (decrease) in estimated claims payable	-	-	882
Total adjustments	<u>5</u>	<u>4,450</u>	<u>5,166</u>
Net cash provided (used) by operating activities	<u>\$ 224</u>	<u>\$ 18,162</u>	<u>\$ 3,496</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ -	\$ 4,302	\$ -

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

Statement of Fiduciary Net Assets
Trust and Agency Funds
As of December 31, 2008
(in thousands)

	Firemen's Pension	Agency Funds
Assets:		
Cash & equity in pooled investments	\$ 6,708	\$ 3,166
Interest	27	10
Due from other governments	-	27
Property, plant, and equipment (net)	-	230
Total assets	6,735	3,433
Liabilities:		
Accounts payable	22	161
Due to other governments	-	3,000
Deposits payable	-	272
Total liabilities	22	3,433
Net Assets:		
Held in trust for pension benefits and other purposes	6,713	-
Total net assets	\$ 6,713	\$ -

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

City of Bellevue, Washington

Statement of Changes in Fiduciary Net Assets
Firemen's Pension Fund
For the fiscal year ended December 31, 2008
(in thousands)

	<u>Firemen's Pension</u>
Additions:	
Investment income:	
Interest	\$ 240
Net change in fair value	15
Other contributions:	
Intergovernmental	<u>176</u>
Total additions	<u>431</u>
Deductions:	
Benefit payments	<u>295</u>
Total deductions	<u>295</u>
Change in net assets	136
Net assets beginning of year	<u>6,578</u>
Net assets end of year	<u><u>\$ 6,713</u></u>

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



NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

Note	Page
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	44
REPORTING ENTITY	44
GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS	44
BASIS OF ACCOUNTING	45
NEW ACCOUNTING STANDARDS	47
BUDGETS AND BASIS OF ACCOUNTING	47
ASSETS, LIABILITIES AND NET ASSETS OR EQUITY	48
Cash and Equity in Pooled Investments.....	48
Restricted Resources.....	49
Receivables.....	49
Inventories and prepaid expenses	50
Restricted Assets.....	51
Deferred Charges.....	51
Capital Assets	51
Capitalization of Interest Costs.....	53
Compensated Absences	54
Long-term Debt.....	54
Deferred Revenues.....	54
Fund Equity--Reserves and Designations.....	55
Interfund Transactions	55
2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	56
3. SUPPLEMENTAL APPROPRIATIONS	57
4. DEPOSITS AND INVESTMENTS	58
5. RECEIVABLES	62
6. PROPERTY, PLANT AND EQUIPMENT	65
7. PENSION PLANS	68
8. OTHER PERSONNEL BENEFITS	76
9. COMPENSATED ABSENCES	79
10. RISK MANAGEMENT	80
11. LEASES AND OTHER CONTRACTUAL COMMITMENTS	82
12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS	84
13. LONG-TERM DEBT	86
14. RELATED PARTY TRANSACTIONS	94
15. CONTINGENCIES AND LITIGATION	95
16. JOINT VENTURES AND OPERATIONS	96
17. PRIOR PERIOD ADJUSTMENT	103
18. SUBSEQUENT EVENTS	105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bellevue was incorporated on April 1, 1953 under a Council-Manager form of government. The City Council is composed of seven members elected at large, each of whom serve a four-year term. The City Manager is appointed by the Council to act as the chief executive officer of the City and is responsible to the Council for proper administration of all City affairs. The City provides a full range of general government services, including public safety, streets, parks and recreation, planning and zoning, permits and inspection, general administration, and water, sewer, and storm water utilities.

The accounting and reporting policies of the City, which conform to generally accepted accounting principles for governments, are regulated by the Washington State Auditor's Office. The City's significant accounting policies are described below.

REPORTING ENTITY

The City's Comprehensive Annual Financial Report (CAFR) presents the government and its component units, entities for which the City is financially accountable. Financial accountability is defined as follows: A primary government has substantive authority to appoint a voting majority of a component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; and the component unit is fiscally dependent on the primary government.

There are no instances in which factors other than financial accountability are so significant in the relationship between a particular organization and the City that the exclusion of such organization would be misleading.

Discretely Presented Component Unit

The Bellevue Convention Center Authority (BCCA) is a public corporation formed on December 4, 1989, by the City of Bellevue for the purpose of developing, constructing, and operating the Meydenbauer Convention Center.

The BCCA is governed by a seven-member board that serves at the pleasure of the City Manager. The BCCA's revenue bonds are secured by hotel/motel tax revenues and other revenues of the City available without a vote of the City's electors. The City is obligated for the debt service payments on the BCCA's revenue bonds. BCCA is an enterprise fund and is presented in a separate column in the government-wide financial statements..

Audited financial statements for the BCCA can be obtained from the BCCA, c/o Stacy Graven, Executive Director, 11100 NE 6th Street, Bellevue, WA 98004.

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 nonfiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. 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 of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are not included in the government-wide financial statements. Major individual governmental funds and all individual enterprise funds are reported as separate columns in the fund financial statements.

BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND PRESENTATION OF FINANCIAL STATEMENTS

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

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible during the current period or soon enough thereafter to pay current liabilities. For the City of Bellevue, this period is considered to be the first 60 days after the end of the fiscal period. Property taxes, sales taxes, utility taxes, franchise taxes, and interest are associated with the current fiscal period are considered susceptible to accrual and have been recognized as revenues of the current period. Expenditures are recognized when a liability is incurred, as under accrual accounting, with the exception of principal and interest on long-term debt and compensated absences, which are recorded when paid.

Major Governmental Funds:

The General Fund is the general operating fund of the City and accounts for all activities not required to be accounted for in another fund.

The LEOFF 1 Medical Reserve Fund accounts for the accumulation of assets necessary to fund the City's liability for lifetime medical benefits for all LEOFF 1 members.

The Development Services Fund is responsible for administering the Planning and Community Development building review and inspection process, land use and comprehensive planning, and code enforcement.

The Operating Grants, Donations and Special Reserves Fund accounts for receipt and disbursement of revenue from federal, state, local grants, private donations, and special reserves.

The Housing Fund accounts for revenue from a variety of sources, including, but not limited to, the City's General Fund and the General Capital Investment Program Fund. The expenditures include those necessary for the creation and preservation of affordable housing for low- and moderate-income households.

The Local Improvement District (LID) Control Fund accounts for payment of principal and interest for special assessment bond issues and for collection of special assessments levied against benefited properties to support those debt service obligations.

The General Capital Investment Program Fund administers governmental capital improvement projects. These projects are supported by a designated portion of the City's sales and business and occupation taxes, bonds, grants, contributions, and other revenue sources authorized by the City Council.

Major Proprietary Funds:

The Storm and Surface Water Utility Fund accounts for the operations, capital improvement and debt service activities of the storm and surface water utility.

The Water Utility Fund accounts for the operations, capital improvement and debt service activities of the water utility.

The Sewer Utility Fund accounts for the operations, capital improvement and debt service activities of the sewer utility.

The Marina Fund accounts for the operations, debt service, and capital improvement activities of the Meydenbauer Bay Marina and the Bellevue Yacht Basin.

Internal Service and Fiduciary Funds:

The City uses internal service funds to account for the equipment and fleet operations and replacement; general government facilities management; operations and replacement of software applications and information systems hardware; self-insurance for worker's compensation, unemployment compensation, health benefits, and general property and casualty losses.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These funds share characteristics with both the governmental and proprietary funds and therefore, as described below, use the measurement focus and basis of accounting most appropriate to their specific operations.

The Firemen's Pension Fund accounts for a single-employer defined benefit system established under state law to provide for eligible fire fighters. Although this pension plan has subsequently been replaced by the State Law Enforcement Officers and Fire Fighters Pension System, fire fighters hired prior to March 1, 1970 continue to be eligible for benefits under the provisions of the earlier law. Revenues received by the fund include proceeds of a state-imposed tax on fire insurance premiums and as needed, allocations from the City's annual property tax levy based on actuarial estimates.

Agency funds account for assets held by the City as an agent for joint, inter-governmental operations through inter-local agreements. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

The proprietary fund statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the funds' principal ongoing operations. The principal operating revenues of the City's utilities funds, marina fund, and internal service funds are charges to customers for sales and service, rentals, vehicle replacement, and insurance. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds and internal service funds include operating and maintenance costs, administrative expenses, taxes and depreciation on capital assets. All revenues and

expenses not meeting this definition are reported as non-operating revenues and expense. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted as they are needed.

The City complies with all applicable GASB pronouncements. The City also complies with all applicable pronouncements of the Financial Accounting Standards Board (FASB), opinions of the Accounting Principles Board (APB), and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. 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.

NEW ACCOUNTING STANDARDS

In November 2006, the GASB issued Statement of Governmental Accounting Standards No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*," effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City does not have pollution remediation obligations, and therefore has determined that this standard will not effect its financial position or results of operations.

In May 2007, the GASB issued Statement of Governmental Accounting Standards No. 50, "*Pension Disclosures*," effective for periods beginning after June 15, 2007. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The City has implemented this statement, and has updated the RSI to include the required disclosures.

BUDGETS AND BASIS OF BUDGETING

In accordance with the Revised Code of Washington (RCW) 35A.34, the City budgets for all operating funds. These budgets are prepared in accordance with generally accepted accounting principles. Appropriations for operating funds are authorized for two years, but must be reviewed and reauthorized by the City Council in the middle of the biennial period. The operating funds include the General Fund; all Special Revenue Funds except the Operating Grants & Donation Fund and the Housing Fund; all internal service funds; and all utility operating funds.

The City Council also adopts appropriation ordinances for all other funds, including the Operating Grants & Donations and Housing funds, on a project-length basis as needed. Appropriation ordinances are adopted for debt service funds only when debt is authorized for issue. These appropriations do not lapse, and are adjusted as part of the budget process.

Legal budgetary control is established at the fund level (i.e., expenditures for a fund may not exceed the total appropriation amount). Fund balance at the beginning of the year is considered an available resource and included in the expenditure appropriation authority, but not necessarily appropriated at the program level and identifiable in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual. The City Manager may authorize transfers of appropriations within a fund, but the City Council must approve by ordinance any increase or decrease in total fund appropriations.

The General Fund and all the major special revenue funds except the Operating Grants & Donations Fund and the Housing Fund are included in the City's biennial operating budget. The Statements of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual are presented as part of the fund financial statements to demonstrate legal budget compliance for those funds.

Budgets for all capital projects and the two special revenue funds excluded from the biennial budget are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control function and related appropriations are continuing in nature, no comparison between budgeted and actual amounts is provided in the statements and note disclosures.

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Equity in Pooled Investments

Under the City's investment policy, all temporary cash surpluses are invested. Monies from all City funds are internally pooled for investment purposes. These pooled investments are reported on the financial statements as cash and equity in pooled investments. Interest earned on the pooled investments is prorated to individual funds at the end of each month on the basis of their average daily cash balance during the preceding month.

Since all of the City's investments are internally pooled, and the participating funds use the pool as if it were a demand deposit account, the proprietary funds' equity in pooled investments is considered cash for cash flow reporting purposes.

The City is authorized by State law to purchase certificates of deposit issued by Washington State depositories that participate in a state insurance pool managed by the Washington Public Deposit Protection Commission; investment deposits (Municipal Investor Account) in a qualified public depository located in the State of Washington; U.S. Treasury and Agency securities; banker's acceptances trading in the secondary market; Washington State Treasurer's Local Government Investment Pool; and repurchase agreements with dealers that use authorized securities as collateral. Administrative costs of the Local Government Investment Pool are included in investment interest earnings and allocated to all funds of the City. The amount applicable to a single fund is not significant, nor readily identifiable.

Although state law also allows pension trust funds to be invested in certain public corporation debt instruments and equities, the City has taken a conservative approach in this area and invests related funds under the more restrictive policies, which govern its general investment operations. As further discussed in Note 4, City policy requires all investments, including repurchase agreements, to be in the lowest risk category, which is defined as insured investments in the City's name held by the City or the trust department of the City's depository bank.

In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with a remaining maturity of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value. The fair value of the investment is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments in the Washington State Treasurer's Investment Pool are available on demand in the amount of the original investment plus interest earnings and are treated as a money-market investment on the City's records. Accordingly, the fair value of the City's position in the Washington State Treasurer's Investment Pool is the same as the value of the City's Pool shares.

Restricted Resources

Net assets are segregated into three categories on the government-wide statement of net assets: 1) investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted. The flow assumption of the City is to use restricted assets before unrestricted assets. Restricted assets are usually set aside in a separate fund, specifically used for the purpose of debt service or capital replacement.

Receivables

The City records as receivables all material applicable exchange and non-exchange transactions as defined by GASB Statements No.33 and No.36.

Property Taxes

The City's annual property tax levy is billed and collected by King County. Taxes are levied and become a lien on the first day of the calendar year. They may be paid in two installments. The first installment is due April 30, and if unpaid, the entire balance becomes delinquent May 1. The second installment is due October 31 and becomes delinquent November 1. Interest is charged on delinquent taxes at the rate of 1% per month and additional penalties are assessed on the total delinquent balance on May 1 and November 30. Under state statute, the county is required to foreclose on properties when property taxes are three years delinquent.

Uncollected property taxes through December 31 are recorded as receivables at year-end. Historically, the City collects 98.8% of taxes levied in the levy year and the remaining delinquent amounts are collected within the next several years. Due to the property foreclosure provision in state law, no allowance for uncollectible taxes is made.

Special Assessments

Special assessments are amounts levied against benefited properties to recover costs associated with the construction of local improvement district (LID) projects. A lien is recorded against benefited properties until the assessment amount has been paid. Special assessments receivable represent all outstanding assessment amounts including current assessments billed but not collected, delinquent assessments unpaid at year-end, and special assessment amounts due in future years, which are recorded in a deferred revenue account. Since special assessments are secured by liens against related properties, no allowance for uncollectible amounts is made.

Other Receivables

Other receivables in the governmental funds include investment interest, locally levied taxes, and other miscellaneous revenues accrued at year-end. Since the governmental funds financial statements are reported on a modified accrual accounting basis, and these revenues must be both measurable and available at year-end to be susceptible to accrual, business and occupation taxes receivable are offset by deferred revenue and are further reported net of anticipated uncollectible amounts.

Other receivables for the proprietary funds include the Waterworks Utility customer billings outstanding at year-end, which include estimated revenues for services provided between the last billing date and year-end. Due to the Utility's ability to discontinue service when water accounts become delinquent and to record property liens for unpaid sewer service billings, losses from uncollectible accounts are minimal and are only recorded when incurred.

Due From Other Funds and Other Governments

Amounts due from other funds are reported in the financial statements, which are listed in Note 12 represent outstanding billings to other funds for services provided in the current year. These amounts are typically paid within 30 days following year-end. Amounts due from other governments represent outstanding balances due from granting agencies for cost-reimbursement grants and billings to other jurisdictions for intergovernmental services provided in the current year.

Amounts due from other funds are not reported in the entity-wide Statement of Net Assets. However, any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide Statement of Net Assets as internal balances.

Interfund Loans Receivable

The Finance Director may authorize loans between funds for periods not exceeding three months. Longer term loans must be specifically authorized by Council resolution. Interfund loan activity for 2008 is presented in Note 12. In the fund financial statements, the year end balance of these loans to other funds are offset by a corresponding reservation of fund balance to indicate that the outstanding loan amounts do not constitute "available spendable resources" and are, therefore, not available for appropriation.

Notes and Contracts Receivable

The notes receivable in the governmental funds represent amounts provided by the City to various housing agencies in the form of loans which are evidenced by promissory notes. These notes are issued in connection with the acquisition and construction or renovation of apartment buildings as part of a City program that assists low- and moderate-income persons to obtain affordable housing. The notes do not become due for several years or until project cash flows exceed specified amounts. Because the timing of loan repayment is uncertain, the amount of the loans currently outstanding is offset in the governmental funds financial statements by deferred revenue and in the government-wide statement of net assets by unearned revenue.

Contracts receivable in the proprietary funds consist of water and sewer connection fees due from customers to the Utilities.

Housing Rehabilitation Loans Receivable

These loans are issued to individuals meeting designated income criteria and are supported by the City's annual Community Development Block Grant Program. The loans are secured by property liens and are not required to be repaid until the property is sold or otherwise changes ownership. Because the timing of loan repayment is uncertain, the amount of loans currently outstanding is offset in the governmental funds financial statements by deferred revenue and in the government-wide statement of net assets by unearned revenue.

Inventories and prepaid expenses

Inventories in the governmental funds are recorded as expenditures at the time of purchase. Amounts remaining at year end are immaterial and, therefore, are not reflected in the financial statements for those funds. The City's proprietary funds use a perpetual inventory method where expense is recorded when related items are consumed. Physical inventories are taken at year-end and the value of items remaining in inventory is calculated for financial reporting purposes, using the weighted-average cost valuation method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

Restricted Assets

Restricted assets shown in the government-wide Statement of Net Assets and the proprietary funds balance sheet include revenue bond proceeds reserved for future capital construction, monies reserved for payment of revenue bond debt, and deposits held for utility customer accounts. Monies reserved by the Bellevue Convention Center Authority are for rent, operations, and ground lease rental payments.

Deferred Charges

Deferred charges reported in the government-wide Statement of Net Assets and the proprietary funds balance sheet consist of certain costs to be amortized by the Water and Storm Utilities over future periods, under guidance provided by FASB 71 which governs accounting procedures for regulated utilities. These costs include unamortized revenue bond issuance costs. Bond issuance costs are amortized over the life of associated issues.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. The capital assets purchased or constructed by a governmental fund are recorded as expenditures in the fund at the time the related purchases occur and are not reported on the balance sheet of the governmental funds' balance sheet; however, the associated capital assets are reported in the governmental activities column of the government-wide statement of net assets.

Capital assets include buildings and improvements with an original cost of \$100,000 or more, machinery; equipment, hardware and other improvements with an original cost of \$5,000 or more each; vehicles with an original cost of \$2,500 or more; electronic communication equipment with an original cost of \$1,500 or more and an estimated useful life of more than one year; and all transportation and utilities infrastructure, regardless of their initial cost.

All purchased capital assets are valued at original cost, and at estimated historical cost where no records exist. Donated capital assets are valued at their estimated fair value on the date received.

The City capitalized retroactive "infrastructure" assets owned prior to 2002, such as roads, bridges, curbs and gutters, streets and sidewalks, bridges, and lighting systems. The City compiled an inventory of the retro-active infrastructure and recorded these capital assets in 2004 financial statements. The City elected to capitalize all infrastructure assets, including pre-1980 infrastructure, as the City felt this would more accurately reflect capital assets. Costs of normal maintenance and repair for general capital assets are also not capitalized. However, material improvements that increase an asset's value, capacity or useful life is added to that asset's original capitalized cost.

Equipment items acquired through capital lease agreements and land purchased through conditional sales contracts are reported as general capital assets in the government-wide statement of net assets. In the governmental fund financial statements, lease and contract payments are reported as expenditures.

All project costs are included in construction in progress in the government-wide statement of net assets. At project completion, capital costs are reclassified to property, plant and equipment while non-capital costs are charged to operating expense. In the governmental fund financial statements, project costs are reported as expenditures.

Capital assets acquired or constructed by the proprietary funds are capitalized in those funds at historical cost. Contributed assets are recorded at their estimated fair values as of the date acquired. The estimated value of donated assets is recorded as contributed revenue by the receiving fund.

Land, construction in progress and transportation infrastructure are not depreciated. Property, plant and equipment, buildings, and street lighting infrastructure are depreciated using the straight line method, using varying estimated service lives for individual assets and asset classifications depending on particular characteristics of an asset and factors surrounding its anticipated use.

The City has elected to use the modified approach to manage its transportation roadway infrastructure capital assets. The modified approach requires that the City have a current inventory of infrastructure assets; perform condition assessments on these infrastructure capital assets and summarize the results using a measurement scale; and estimate the annual amount to maintain and preserve the infrastructure assets at a condition level established and disclosed by the City. The City has an inventory of transportation roadway infrastructure capital assets placed in service for the current year, performed a condition assessment, established the standard performance rating levels, and estimated the annual amount necessary to maintain and preserve the infrastructure capital assets. Further detail is provided in the Schedule of Modified Approach for Reporting Infrastructure Assets under Required Supplementary Information.

City of Bellevue, Washington

The average service lives used to calculate depreciation for specific categories of assets are summarized below:

Asset Class	Estimated Service Life (Years)
Equipment Rental Fund	
Transportation Equipment	4 - 10
Communications Equipment	5 - 8
Traffic Control Equipment	10
Heavy-Duty Work Equipment	5 - 20
Shop/Miscellaneous Equipment	8 - 15
Waterworks Utility	
Structures and Building Improvements	40
Other Improvements	50
Water Treatment Plant and Equipment	50
Pumping Equipment	14
Tools, Shop Equipment, and Office Furniture	10
Transportation Equipment	5
Other Equipment	14
Bellevue Convention Center Authority	
Building Shell	50
Building Mechanical Systems and Roof	25
Office Furniture and Equipment	7
Communications Equipment	7
General Fixed Assets	
Structures and Building	39
Other Improvements	20
Equipment	7 - 15
Depreciated Infrastructure	20

Additional information on capital assets is provided in Note 7.

Capitalization of Interest Costs

Interest costs incurred during capital construction performed by proprietary funds are capitalized within the fund in accordance with FASB Statements 34 and 62. However, interest expense incurred during capital construction performed by governmental funds is not capitalized.

Compensated Absences

Employee vacation leave is accumulated monthly at rates ranging from 12 to 25 days per year depending on tenure and governing union agreements. The maximum number of vacation hours an employee may carry forward from one calendar year to the next is 240 hours. All outstanding vacation leave is payable upon resignation, retirement, or death, to employees who have completed six months of service.

Accrued vacation pay is recorded in the government-wide financial statements, as well as the proprietary funds financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Sick leave can be accumulated up to a maximum of 1,440 hours, depending on contract and retirement plans. The accrual rate for most City employees is eight hours per month. Fire and police employees who entered the Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) prior to October 1, 1977 receive unlimited sick leave and, therefore, are not subject to this monthly accrual. Fire fighters who entered LEOFF after October 1, 1977 and who work a 24-hour shift receive 12 hours sick leave per month. Ten percent of unused sick leave hours is payable upon retirement at the employee's current hourly rate. Upon resignation, any accrued sick leave balance is lost.

A long-term liability for accumulated sick leave expected to be paid at retirement has been recorded in the government-wide financial statements and the proprietary funds financial statements using the termination payment method.

Long-term Debt

Liabilities for long-term debt are recorded in the government-wide statement of net assets and in the proprietary funds balance sheet. The liabilities include bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges. Long-term debt outstanding at year-end is presented in Note 13.

For governmental funds financial statements, bond issuance costs are expended at the time of issuance. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. The nature of debt in the governmental activity is specific to a program and, therefore; debt service costs are not an allocated expenditure.

Deferred Revenues

The deferred revenues account is used to offset receivables established in the governmental fund financial statements for certain revenues that are measurable but not considered available to finance payment of current obligations and, therefore, not susceptible to accrual on the modified accrual basis. When the receivable amounts are collected in future periods, this liability account is reduced and corresponding revenue is recorded. Deferred revenues presented in this manner on the accompanying financial statements are: a) uncollected property taxes levied; b) special assessment principal due in future years; c) repayment of low-income housing rehabilitation loans funded by the City's Block Grant Program which are not due until related properties are sold or otherwise change ownership; d) principal balance on long-term loans to housing agencies; and e) business & occupation tax assessments levied by City. For the Bellevue Convention Center Authority, deferred revenue consists of customer deposits for events scheduled to be held in future years.

Fund Equity--Reserves and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for a specific future purpose. Legally restricted amounts include reservations for: a) future debt service/LID default obligations; and b) future pension benefit obligations. Designations of fund balance identify amounts set aside by management for tentative future purposes. Designated amounts include general fund contingencies and equipment replacement purposes.

Fund equity in the proprietary funds financial statements, which is legally restricted for specific future purposes includes reserves for: a) future revenue bond debt service obligations; b) future ground lease rental payments; and c) rent/operations.

INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for by the related funds as revenues, expenditures, or expenses. Reimbursements to a fund for expenditures previously paid that are more properly applicable to another fund are recorded as an expenditure in the reimbursing fund and a reduction of expenditure/expense in the fund receiving reimbursement.

All other interfund transactions are reported as transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated. Indirect expenses are primarily charged to the various functions through the use of internal service funds for fleet maintenance, information technology, self insurance, and facilities management. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this rule are charges between the government's utilities functions and various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTES TO THE FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

FUND DEFICITS:

As of December 31, 2008, total net assets for the Bellevue Convention Center Authority, a component unit of the City, reflects an unrestricted net assets deficit balance of \$34.5 million and a total net assets deficit of \$14.6 million. Due to the annual charge for depreciation on the building and equipment and accrued interest on the Series 1991B and Series 1994 bonds, the deficit unrestricted net assets and net assets balances are anticipated to grow over the foreseeable future. Cash flows as projected in the annual Finance Plan, however, are expected to meet all obligations as they come due.

LEGAL BUDGETARY COMPLIANCE:

During 2008, no City funds exceeded total authorized appropriations at the fund level. Fund balance is included in authorized expenditure appropriations, but not necessarily appropriated at the program level and identifiable in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual. Appropriated final fund balance for the General Fund was \$5.9 million, LEOFF I Medical Reserve Fund was \$14.6 million, and the Development Services Fund was \$13.7 million. The Development Services Fund had excess budgetary expenditures over appropriations of \$193,731.

Original budgets and supplementary appropriation adjustments adopted during the year are presented in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

3. SUPPLEMENTAL APPROPRIATIONS

OPERATING BUDGET FUNDS:

During 2008, the City Council amended the 2008 appropriations to reflect previously unanticipated needs in the 2008 portion of the 2007-2008 biennial budget for the General Fund, the LEOFF 1 Reserve Fund, and the Development Services Fund. Those revised amounts are displayed below as supplemental appropriations. The amounts reported under the supplemental appropriations column also include changes in appropriations made as part of the mid-biennial budget update. As explained in Note 1, both original and supplemental appropriations are adopted by City Council ordinance.

Appropriation amounts shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual reflect final budget amounts, including all adopted adjustments to original budget amounts.

	2008 Original Budget	Supplemental Appropriations	2008 Final Budget
	(in thousands)		
General Fund	\$ 148,164	\$ 18,390	\$ 166,554
LEOFF I Reserve	16,692		16,692
Development Services Fund	30,479	4,347	34,826
Total	<u>\$ 195,335</u>	<u>\$ 22,737</u>	<u>\$ 218,072</u>

NOTES TO THE FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT:

Cash and equity in pooled investments are comprised of government and business-type activities. The balance as of December 31, 2008 are as follows:

	(in thousands)
Cash on hand and in bank	\$ 4,185
Equity in Pooled Investments	<u>210,867</u>
Total Cash and Equity in Pooled Investments	<u><u>\$ 215,052</u></u>

In addition, the City holds in trust for fiduciary funds \$9.8 million in cash and equity in pooled investments.

Deposits:

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of outside party. As of December 31, 2008, the City had a bank balance of \$3.4 million (carrying amount of \$4 million). The City’s bank balance is insured by the FDIC up to \$250,000 and by the Washington Public Deposit Protection Commission (WPDPC) for amounts over \$250,000. Under State statute, members of WPDPC, a multiple-financial institution collateral pool, may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss.

The City does not have a formal policy for custodial risk beyond the requirements of State statute. State law restricts deposit of funds in financial institutions physically located in Washington unless otherwise expressly permitted by statute and authorized by the WPDPC.

Investments:

The City’s investment policy developed by the Finance Department, in consultation with the Investment Advisory Committee is adopted by the City Council every two years as part of the biennial budget. Authority to manage the investment program is derived from Bellevue City Code Section 3.37.060. This section gives the Finance Director authority to invest in any of the securities identified as eligible investments as defined by State statute with primary emphasis of safety of principal and liquidity.

An Investment Advisory Committee (IAC) is established by the City Manager, comprised of four members from the business community with experience in the area of institutional investment management. The IAC meets periodically to review the investment program and advice the City Manager and the Finance Director about matters relating to the City’s investment policies and practices.

The City does not allow investment in variable rate securities (those where the interest rate changes based on an index or reference rate) or securities whose value depends on the value of an underlying asset (such as a pool of mortgages or small business loans).

City of Bellevue, Washington

The City participates in the Washington State Treasurer's Local Government Investment Pool (LGIP). The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. It is managed by the Office of the State Treasurer, which is responsible for establishing the investment policy for the pool.

Investments in the LGIP are available on demand in the amount of the original investment, plus interest earnings, and are treated as a money-market investment on the City's records. Accordingly, the fair value of the City's position in the Washington State Treasurer's Investment Pool is the same as the value of the City's Pool shares. Regulatory oversight for these investments is provided as prescribed by state law. The State Auditor audits the accounts of the State Treasurer to determine the compliance of investment activities with state statutes and the investment policy. Also, an independent audit of the Pool's financial statements is performed annually. The State Treasurer has created an Advisory Committee consisting of eight members appointed by participant associations and four members appointed by the State Treasurer. The committee meets at least quarterly to provide advice on the operation of the Pool.

The table below identifies the investment types that are authorized for the City of Bellevue by the State of Washington (or the City's Investment Policy where more restrictive):

Authorized Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Debt Obligations	5.5 years	100%	100%
U.S. Agency Coupon Securities	3 years	100%	25%
U.S. Agency Discount Notes	1 year	100%	25%
Repurchase Agreements	30 days	50%	25%
Certificates of Deposit	1 year	50%	10%
Interest Bearing Bank Deposits	1 year	50%	10%
Bankers Acceptances	6 months	50%	10%
Commercial Paper	90 days	15%	5%
State of Washington Local Governmental Investment Pool (LGIP)	N/A	100%	N/A

Interest Rate Risk. As a means of minimizing risk of loss arising from interest rate fluctuations, the City's Investment Policy requires the weighted average maturity of the portfolio not to exceed 36 months. One of the other ways the City manages the exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing as necessary to provide the cash flow and liquidity needed for operations.

The LGIP is an un-rated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days.

City of Bellevue, Washington

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity (in thousands):

Investment Type	Fair Value	Remaining Maturity in Months				Credit Rating
		3 Months or Less	3 to 12 Months	1 to 2 Years	2 to 3 Years	
U.S. Agency Bonds	\$ 148,607	\$ 4,006	\$ 14,045	\$ 49,155	\$ 81,401	AAA
U.S. Agency Discount Notes	7,985	2,000	5,985	-	-	AAA
Certificate of Deposit	26,000	18,000	8,000	-	-	Unrated
Bankers Acceptances	4,984	4,984	-	-	-	Unrated
State of Washington Local Governmental Investment Pool (LGIP)	33,165	33,165	-	-	-	Unrated
Total	\$ 220,741	\$ 62,155	\$ 28,030	\$ 49,155	\$ 81,401	

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The City's investment policy limits the type of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker's acceptances, interest bearing bank deposits, commercial papers, certificates of deposits, repurchase agreements, and in the LGIP. According to state law and the City's investment policy, commercial papers must be rated with the highest short-term credit rating, of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. The City currently does not have any certificates of deposits, banker's acceptances and commercial paper in its portfolio. The City's investments in the obligations of U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

The credit risk of the LGIP is limited to obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy limits the amount that may be invested in any one issuer. As of December 31, 2008 there was no concentration of credit risk exceeding the policy guidelines described above.

The following table displays the City's investments in any one issuer (other than the LGIP) that represents 5% or more of the total portfolio (in thousands):

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation (FHLMC)	Fixed Rate Agency Coupon	\$ 39,227
Federal Farm Credit Bank (FFCB)	Fixed Rate Agency Coupon	32,210
Federal Home Loan Bank (FHLB)	Fixed Rate Agency Coupon	44,731
Federal National Mortgage Association (FNMA)	Fixed Rate Agency Coupon	32,439
Federal Home Loan Bank (FHLB)	Fixed Rate Agency Discount	7,985
Umpqua Bank	Certificates of Deposit	21,000
Bank of America	Certificates of Deposit	5,000
Bank of America	Bankers Acceptances	4,984

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City's investment policy require that all investments be held by the City's third party safekeeping agent in the City's name. As of December 31, 2008 all of the \$162 million investments in U.S. agency debt obligations were registered, and held by its safekeeping agent in the City's name. Therefore, the City has no outstanding investments that were exposed to custodial credit risk.

DISCRETELY PRESENTED COMPONENT UNIT:

Cash and equity in pooled investments of the Bellevue Convention Center Activities are comprised of business-type activities only. The balance as of December 31, 2008 are as follows:

	(in thousands)
Cash on hand and in bank	\$ 2,067
Equity in Pooled Investments	<u>5,201</u>
Total Cash and Equity in Pooled Investments	<u><u>\$ 7,268</u></u>

NOTES TO THE FINANCIAL STATEMENTS

5. RECEIVABLES

PROPERTY TAXES:

King County is responsible for collecting all property taxes levied in the County. Amounts collected by the County on the City's behalf are remitted daily.

As described in Note 1, taxes are levied and become an enforceable lien against properties as of January 1. Annual tax billings may be paid in two equal installments due April 30 and October 31, respectively.

Under State law, the City may levy up to \$3.21 per \$1,000 of assessed valuation, subject to the following limitations:

- 1) Chapter 84.55 of the State RCW as amended most recently by Initiative No. 747 (which was passed by voters on November 6, 2001), limits the total dollar amount of regular property taxes levied by the City to the amount of such taxes levied in the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and State-assessed property at the previous year's rate. As amended by Initiative No. 747, the limit factor is the lesser of 101% or 100% plus the percent change in the Implicit Price Deflator, unless a greater amount is approved by a simple majority of the voters; and
- 2) The state constitution limits total regular property taxes to 1% of assessed valuation, or \$10 for each \$1,000 of assessed value. If the combined taxes of all districts exceed this amount, each levy is proportionately reduced until the total is at or below the 1% limit.

On May 17, 1988, Bellevue voters approved a property tax lid lift proposition to create a revenue stream to pay for anticipated maintenance and operating expenses resulting from a \$16.5 million Park bond issue. The City Council subsequently imposed this property tax increase as part of the property tax levy ordinance adopted on December 5, 1988. The property tax revenue from the levy lid lift amounted to \$991,000 in 2008.

The City of Bellevue assessed a property tax increase of \$0.5 million for the year 2008. The City has "banked" the remaining levy capacity for potential future use. As of December 31, 2008 the City has \$8.7 million in unused levy capacity.

The City's regular property tax levy rate for 2008 was \$0.92 per \$1,000 of assessed property value, which yielded a total regular levy of \$29,015,506.

RECEIVABLES AND DEFERRED REVENUES:

The receivables and deferred revenues for the fiscal year ended December 31, 2008 on the governmental funds balance sheet are presented on the following schedules.

Of the property taxes receivable amount, \$456,825 is delinquent and the amount of delinquent special assessments receivable is \$68,218.

Deferred revenues include grant reimbursements, taxes, and rent that are receivable within one year of the end of the fiscal period. Affordable housing contracts, special assessments, and housing rehabilitation loans are longer term receivables

City of Bellevue, Washington

RECEIVABLES

(in thousands)

	General	LEOFFI Medical	Development Services	Operating Grants, Donations & Special Reserves	Housing	LID Control	General CIP	Storm Utility	Water Utility	Sewer Utility	Marina	Non- Major & Other Funds	Total
Taxes:													
Excise	\$ 6,527	\$ -	\$ -	\$ -	\$ 17	\$ -	\$ 2,543	\$ -	\$ -	\$ -	\$ -	\$ 75	\$ 9,162
Business & Occupation	5,731	-	-	-	-	-	2,063	-	-	-	-	-	7,794
Miscellaneous	2,992	-	-	5	-	-	230	-	-	-	-	413	3,640
Property	553	-	-	-	-	-	245	-	-	-	-	-	798
Utility Customers	-	-	-	-	-	-	-	1,880	4,774	6,131	-	-	12,785
Special Assessments:													-
Assessments	-	-	-	-	-	2,862	-	-	-	-	-	-	2,862
Interest/penalties	-	-	-	-	-	37	-	-	-	-	-	-	37
Interest	31	67	69	9	25	3	136	85	118	145	3	243	934
Other:													-
Miscellaneous	73	-	-	17	-	-	330	-	-	-	77	389	886
Due from other governments	1,457	-	-	912	70	-	784	-	-	-	-	-	3,223
Less:													
Allowance for uncollectibles	(297)	-	-	-	-	-	(107)	-	-	-	-	-	(404)
Total receivables	<u>\$17,067</u>	<u>\$ 67</u>	<u>\$ 69</u>	<u>\$ 943</u>	<u>\$ 112</u>	<u>\$2,902</u>	<u>\$ 6,224</u>	<u>\$1,965</u>	<u>\$4,892</u>	<u>\$ 6,276</u>	<u>\$ 80</u>	<u>\$ 1,120</u>	<u>\$41,717</u>

The allowance for uncollectibles nets against taxes receivable on the governmental fund balance sheets and relates to business and occupation taxes for governmental activities.

City of Bellevue, Washington

DEFERRED REVENUE

(in thousands)

	General	Development Services	Operating Grants, Donations & Special Reserves	Housing	LID Control	General CIP	Non-Major & Other Funds	Total
Taxes:								
Business & occupation	\$ 1,020	\$ -	\$ -	\$ -	\$ -	\$ 124	\$ -	\$ 1,144
Property	338	-	-	-	-	-	-	338
Special assessments	-	-	-	-	2,822	-	-	2,822
Affordable housing contracts	-	-	780	8,033	-	-	-	8,813
Housing rehabilitation loans	-	-	2,868	-	-	-	-	2,868
Permit/review fees	-	3,405	-	-	-	-	-	3,405
Other	170	-	405	-	-	784	255	1,614
Total deferred revenue	\$ 1,528	\$ 3,405	\$ 4,053	\$ 8,033	\$ 2,822	\$ 908	\$ 255	\$ 21,004

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the primary government for the year ended December 31, 2008 was as follows (in thousands):

	Beginning Balance (restated)	2008 Increases	2008 Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 716,112	\$ 17,077	\$ -	\$ 733,189
Construction in Progress	34,586	39,082	(57,901)	15,767
Infrastructure	634,226	10,570	-	644,796
Total capital assets, not being depreciated:	<u>1,384,924</u>	<u>66,729</u>	<u>(57,901)</u>	<u>1,393,752</u>
Capital assets, being depreciated:				
Building	192,093	20,161	-	212,254
Improvements other than buildings	40,667	4,496	-	45,163
Intangible Assets	12,695	5,026	-	17,721
Machinery and Equipment	41,549	3,464	(783)	44,230
Infrastructure	118,387	866	-	119,253
Total capital assets being depreciated:	<u>405,391</u>	<u>34,013</u>	<u>(783)</u>	<u>438,621</u>
Less accumulated depreciation for:				
Buildings	(37,925)	(5,431)	-	(43,356)
Improvements other than buildings	(11,117)	(2,946)	-	(14,063)
Machinery and Equipment	(22,950)	(2,683)	774	(24,859)
Intangible Assets	(8,847)	(1,098)	-	(9,945)
Infrastructure	(93,945)	(4,015)	-	(97,960)
Total accumulated depreciation:	<u>(174,784)</u>	<u>(16,173)</u>	<u>774</u>	<u>(190,183)</u>
Total capital assets, being depreciated, net:	<u>230,607</u>	<u>17,840</u>	<u>(9)</u>	<u>248,438</u>
Governmental activities capital assets, net:	<u>\$ 1,615,531</u>	<u>\$ 84,569</u>	<u>\$ (57,910)</u>	<u>\$ 1,642,190</u>

Depreciation expense was charged to Governmental activities functions/programs as follows (in thousands):

Governmental activities:

General government	\$ 4,134
Public safety	3,053
Economic environment	149
Health and human services	200
Culture and recreation	3,724
Transportation	1,558

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets 3,355

Total depreciation expense - governmental activities \$ 16,173

City of Bellevue, Washington

	Beginning Balance (restated)	2008 Increases	2008 Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 23,007	\$ 15	\$ (24)	\$ 22,998
Construction in Progress	17,106	13,235	(1,248)	29,093
Total capital assets, not being depreciated:	<u>40,113</u>	<u>13,250</u>	<u>(1,272)</u>	<u>52,091</u>
Capital assets, being depreciated:				
Building	29,796	27	-	29,823
Improvements other than buildings	42	-	(42)	-
Machinery and Equipment	6,527	1,082	-	7,609
Infrastructure	258,217	6,222	-	264,439
Intangible Assets	253	18	-	271
Total capital assets being depreciated:	<u>294,835</u>	<u>7,349</u>	<u>(42)</u>	<u>302,142</u>
Less accumulated depreciation for:				
Buildings	(11,153)	(890)	-	(12,043)
Improvements other than buildings	-	-	-	-
Machinery and Equipment	(6,057)	(314)	-	(6,371)
Infrastructure	(95,297)	(5,063)	-	(100,360)
Intangible Assets	(160)	(15)	-	(175)
Total accumulated depreciation:	<u>(112,667)</u>	<u>(6,282)</u>	<u>-</u>	<u>(118,949)</u>
Total capital assets, being depreciated, net:	<u>182,168</u>	<u>1,067</u>	<u>(42)</u>	<u>183,193</u>
Business activities capital assets, net:	<u>\$ 222,281</u>	<u>\$ 14,317</u>	<u>\$ (1,314)</u>	<u>\$ 235,284</u>

Capital assets held by the government's proprietary funds are charged to the various functions based on their usage of the assets (in thousands):

Business-type activities:

Marina	\$ 8
Water	2,840
Storm and surface water	1,289
Sewer	<u>2,145</u>
Total depreciation expense - business-type activities	<u>\$ 6,282</u>

City of Bellevue, Washington

**DISCRETELY PRESENTED COMPONENT UNIT:
BELLEVUE CONVENTION CENTER AUTHORITY**

(in thousands):

	<u>Beginning Balance</u>	<u>2008 Increases</u>	<u>2008 Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ 2,919	\$ -	\$ -	\$ 2,919
Total capital assets, not being depreciated:	<u>2,919</u>	<u>-</u>	<u>-</u>	<u>2,919</u>
Capital assets, being depreciated:				
Building	48,539	271	-	48,810
Machinery and Equipment	4,092	275	(65)	4,302
Total capital assets being depreciated:	<u>52,631</u>	<u>546</u>	<u>(65)</u>	<u>53,112</u>
Less accumulated depreciation for:				
Building	(15,436)	(1,204)	-	(16,640)
Machinery and Equipment	(3,557)	(242)	64	(3,735)
Total accumulated depreciation:	<u>(18,993)</u>	<u>(1,446)</u>	<u>64</u>	<u>(20,375)</u>
Total capital assets, being depreciated, net:	<u>33,638</u>	<u>(900)</u>	<u>(1)</u>	<u>32,737</u>
Component unit activities capital assets, net:	<u>\$ 36,557</u>	<u>\$ (900)</u>	<u>\$ (1)</u>	<u>\$ 35,656</u>

NOTES TO THE FINANCIAL STATEMENTS

7. PENSION PLANS

The City implemented GASB Statements 25 and 27 for reporting of pension plans in 1995. For all plans the pension liability (asset) was determined in accordance with GASB Statement 27 to be zero both before and at the effective date of the transition.

WASHINGTON STATE DEPARTMENT OF RETIREMENT SYSTEMS

Substantially all of the City's full-time and qualifying part-time employees participate in one of the following statewide public employee retirement plans administered by the Washington State Department of Retirement Systems. Financial statements and information showing each system's progress in accumulating sufficient assets to pay benefits when due and other pension data are presented in the Washington State Comprehensive Annual Financial Report for the year ended June 30, 2008. Please refer to this report for detailed pension information for the Public Employees Retirement System, the Public Safety Employees Retirement System, and the Law Enforcement Officers and Fire Fighters Retirement System. A copy of this report may be obtained from the State of Washington, Office of Financial Management, P.O. Box 43123, Olympia, WA 98504-3123.

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description. PERS was established by the state legislature in 1947 under the Revised Code of Washington (RCW) Chapter 41.40. Membership in the system includes elected officials, state employees, and employees of local government. Approximately 51% of PERS members are state employees.

PERS consists of three plans. Participants who joined the system by September 30, 1977 are Plan 1 members. Those joining the system after that date are enrolled in Plan 2. Existing Plan 2 members were given the option to transfer their membership to Plan 3 by May 31, 2003. Employees hired after May 31, 2003 have the option of choosing either PERS Plan 2 or PERS Plan 3. Retirement benefits are financed by employee and employer contributions and investment earnings. Retirement benefits in the PERS 2 plan are vested after completion of five years of eligible service, and retirement benefits in the PERS 3 plan are vested after completion of ten years of eligible service. All plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under PERS 1 the cost of living allowance, if qualified, after age 66, is granted based on years of service credit and is capped at 3% annually. PERS Plans 2 and 3 are indexed to the Seattle Consumer Price Index to a maximum of 3% annually.

Funding Policy. Each biennium, the legislature establishes Plan 1 employer contribution rates and Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by statute and do not vary from year to year. Employer rates for Plan 1 are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund the system. All employers are required to contribute at the level established by the legislature.

Both the City and the employees made 100% of the required contributions for all years.

City of Bellevue, Washington

The City's contributions to PERS for the years ending December 31 were as follows:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
2008	\$ 234,373	\$ 4,106,264	\$ 661,937
2007	199,962	3,080,063	459,822
2006	120,443	1,456,596	232,927
2005	77,247	855,192	139,420
2004	61,410	608,151	97,944
2003	73,042	585,812	58,060

Effective beginning in the year 2007 the contribution rates for PERS were impacted as noted in the table below:

	<u>Rate Effective</u> <u>7/1/2007</u>	<u>Rate Effective</u> <u>9/1/2007</u>	<u>Rate Effective</u> <u>7/1/2008</u>
PERS I Employer	6.12%	6.13%	8.31%
PERS I Employee	6.00%	6.00%	6.00%
PERS II Employer	6.12%	6.13%	8.31%
PERS II Employee	4.15%	4.15%	5.45%
PERS III Employer	6.12%	6.13%	8.31%
PERS III Employee	5% - 15% variable in .5% increments		

The employer rates above include an administrative expense fee of .16% for 2008.

PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS)

Plan Description . PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 legislature and became effective July 1, 2006. Membership includes all full-time public safety officers.

PSERS Plan 2 membership includes: 1) full-time public safety employees on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and 2) full-time public safety employees, hired on or after July 1, 2006, that meet at least one of the PSERS eligibility criteria. Retirement benefits are financed by employee and employer contributions, and investment earnings. Members are vested after completing five years of eligible service. PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment, and leaving that employment as a result of the disability.

Funding Policy. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

City of Bellevue, Washington

Both the City and the employees made the required contributions for all years.

The City's contributions to the PSERS system for the years ended December 31 were as follows:

2008	\$	51,156
2007		45,000
2006		8,889

Effective beginning in the year 2007 the contribution rates for PSERS were impacted as noted in the table below:

	<u>7/1/2007</u>	<u>9/1/2007</u>	<u>7/1/2008</u>
PSERS Employer	8.54%	8.55%	9.43%
PSERS Employee	6.57%	6.57%	6.57%

The employer rates above include an administrative expense fee of .16% for 2008.

LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS (LEOFF) RETIREMENT SYSTEM

Plan Description. LEOFF, a cost-sharing, multiple-employer defined benefit pension plan, was established by the State legislature in 1970 under RCW Chapter 41.26. Membership includes all full-time local law enforcement officers and fire fighters. Retirement benefits are financed by employee and employer contributions, investment earnings, and legislative appropriation.

The LEOFF system contains two plans. Participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined thereafter are enrolled in Plan 2. Retirement benefits are vested after completion of five years of eligible service. Both plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Funding Policy. Plan 1 employers are required to contribute at a rate of 0.23% and the state is responsible for the balance of the funding. Plan 2 employers and employees are required to pay at levels established by the legislature. Employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fund the system.

Both the City and the employees made the required contributions for all years. The City's contributions to the LEOFF system for the years ended December 31 were as follows

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
2008	\$ 2,901	\$ 1,760,477
2007	3,568	1,532,159
2006	4,229	1,278,503
2005	4,616	992,604
2004	5,282	811,500
2003	6,275	733,281

Effective beginning in the year 2007 contribution rates for LEOFF were impacted as noted in the table below:

	Rate Effective 7/1/2007	Rate Effective 9/1/2007	Rate Effective 7/1/2008
LEOFF I Employer	0.18%	0.16%	0.16%
LEOFF I Employee	0.00%	0.00%	0.00%
LEOFF II Employer	5.35%	5.35%	5.46%
LEOFF II Employee	8.60%	8.64%	8.83%

The employer rates above include an administrative expense fee of .16% for 2008.

FIREMEN'S PENSION PLAN

Plan Description. The City is the administrator of the Firemen's Pension Plan which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 41.18. This plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to fire fighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the Firemen's Pension Plan consists of paying all pension benefits, including payments to beneficiaries, for fire fighters who retired prior to March 1, 1970 and excess benefits over LEOFF for covered fire fighters who retired or will retire after March 1, 1970. No separate financial report is issued for the Plan. In accordance to GASB 50, the schedule of funding progress is under the required supplemental information section of this report. All other disclosure information is included in this note.

Funding Policy. Under state law, the Firemen's Pension Plan is provided an allocation of 25% of all monies received by the state from taxes on fire insurance premiums; interest earnings; member contributions made prior to the inception of LEOFF; and City contributions required to meet projected future pension obligations. Neither member nor employer contributions were made to the plan during the year. As of the last actuarial study dated January 1, 2008, the actuary determined that the current assets of the fund, along with future revenues from state fire insurance taxes and interest earnings will be sufficient to pay all future Firemen's Pension Plan pension benefits. Administrative expenses are paid by the general fund.

Summary of Significant Accounting Policies – Basis of Accounting and Valuation of Investments. The Firemen's Pension plan is accounted for on the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

City of Bellevue, Washington

Membership of the Firemen's Pension Plan consisted of the following at December 31, 2008:

Retirees and beneficiaries receiving benefits, prior to March 1, 1970	-
Retirees after March 1, 1970 currently receiving full retirement benefits through the Law Enforcement Officers and Fire Fighters (LEOFF) Retirement Plan and also receiving an adjustment from the Firemen's Pension Plan	25
Retirees after March 1, 1970 receiving LEOFF I pensions exceeding the Firemen's Pension Fund and, therefore; not qualifying for excess benefit payment from the Firemen's Pension Plan	8
Active plan members	-
Total	<u><u>33</u></u>

ANNUAL PENSION COST (APC) AND NET PENSION OBLIGATION (NPO)

Annual Pension Costs and Net Pension Obligation changes for the years ending December 31 were:

Annual Required Contribution (ARC)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Annual Normal Cost - Beginning of Year	\$ 1,198	\$ 1,198	\$ 1,318
Amortization of Unfunded Actuarial Liability (UAL)			
- Beginning of Year	(43,366)	(43,366)	(53,709)
Investment Return to End of Year	(2,108)	(2,108)	(2,620)
ARC at End of Year, not less than zero	-	-	-
Investment Return on Net Pension Obligation (NPO)	(34,562)	(41,061)	(48,008)
Adjustment to ARC	52,069	61,001	73,377
Annual Pension Cost (APC)	<u>17,507</u>	<u>19,940</u>	<u>25,369</u>
Employer Contributions	147,488	158,889	176,071
Change in NPO	(129,981)	(138,949)	(150,702)
NPO at Beginning of Year	<u>(691,233)</u>	<u>(821,214)</u>	<u>(960,163)</u>
NPO at End of Year	<u><u>\$(821,214)</u></u>	<u><u>\$(960,163)</u></u>	<u><u>\$(1,110,865)</u></u>

The negative net pension obligation has been recorded as a non-current receivable on the City's government-wide statement of net assets.

THREE YEAR TREND INFORMATION (in dollars)

Fiscal Year Ending	Annual Pension Cost (APC)	Contributions as a Percentage of APC	Net Pension Obligation (NPO)
12/31/06	\$ 17,507	842.5%	\$ (821,214)
12/31/07	19,940	796.8%	(960,274)
12/31/08	25,369	694.0%	(1,110,865)

City of Bellevue, Washington

The information presented in the required schedules was determined as part of the actuarial valuations at the dates indicated or based on the same set of actuarial assumptions.

Actuarial cost method:	Entry Age Normal Method ⁽¹⁾
Amortization method:	30-year closed amortization period as of 12/31/98
Asset valuation method for all years:	Market
Cost-of-living adjustments for all years:	Consumer Price Index (CPI), Seattle-Tacoma-Bremerton area

	<u>01/01/06</u>	<u>01/01/07</u>	<u>01/01/08</u>
Actuarial Economic assumptions:			
Investment rate of return (through internal investment pool)	5.50%	5.00%	5.00%
Projected salary increases ⁽²⁾	4.50%	4.50%	4.50%
Consumer Price Index	3.50%	3.50%	3.50%
Projected annual growth in fire insurance premium tax revenues	3.50%	3.50%	3.50%
Noneconomic assumptions:			
Mortality rates based on:			
Group Annuity Mortality Tables	X	X	X
Turnover rates per year	0.30%	0.30%	0.30%

⁽¹⁾ The Entry Age Cost Normal method was used to comply with GASB 25 and 27 reporting requirements. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Liability. Since nearly all members have already retired, the amount of the annual Normal Cost is small. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Liability minus the actuarial value of the Fund's assets.

⁽²⁾ Projected salary increases are for future inflation only. Since the members have at least 20 years of service, no merit increases are assumed.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Plan Description. The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System when City employees, by majority vote, approved the City's withdrawal from that system effective September 30, 1972, pursuant to USCA, Section 418(g). The plan is administered by the Municipal Employees' Benefit Trust Committee, a five-member committee appointed by the Bellevue City Manager. MEBT includes seven participating cities and 4,562 participants (Bellevue has 1,739 MEBT participants and 310 MEBT 2 participants). Long-term

disability coverage and a death benefit are provided for all employees. The plan's investments are held under a trust agreement with Security Trust Company.

Eligibility. All regular employees of the City of Bellevue are eligible to participate as of their hire date in MEBT. Participation in MEBT is voluntary. Hourly employees participate as of their hire date in MEBT 2. Participation in MEBT 2 is mandatory.

Contributions. Regular employees, who elect to participate in MEBT, may contribute on a pre-tax and/or after-tax basis. The aggregate amount of Basic contributions for any participant is limited to 100% of the FICA tax rate (6.2%) on compensation up to the Social Security Wage Base plus 100% of the Medicare tax rate (1.45%).

Hourly employees are required to make mandatory contributions equal to 100% of the FICA tax rate, currently 6.20% of compensation.

Employees may elect to contribute additional compensation on a pre-tax and/or after-tax basis. Basic Contributions plus Salary Deferral Contributions plus Extra Contributions are limited only by Federal rules.

The City contributes 100% of the FICA tax rate on all eligible regular employee compensation up to the Social Security Wage Base plus 100% of the Medicare tax rate on all compensation for eligible regular employees who were hired prior to April 1, 1986 to the Bellevue Contribution Account each pay period.

As of the last day of each month, the employer contributions plus forfeitures less administrative fees and insurance premiums paid during the month are allocated to Eligible Employees participating in MEBT during the month in the same proportion as each participant's basic pre-tax and after-tax contributions bear to the total basic pre-tax and after-tax contributions.

Employees may contribute up to federal deferred limits, annual addition limits, and any other tax rules that may apply. Actual contributions to the plan for 2008 were:

	<u>MEBT</u>	<u>MEBT 2</u>
Participants	\$ 8,383,097	\$ 107,388
City	6,671,579	108,211

Vesting. Regular employees become fully vested after ten years. Hourly employee are fully vested immediately.

MEYDENBAUER CENTER RETIREMENT PLAN AND TRUST

Plan Description. The Bellevue Convention Center Authority's (discretely presented component unit), Meydenbauer Center Retirement Plan and Trust ("Plan") is a defined contribution plan qualified for public employers under Internal Revenue Code Section 401(a). The Plan, approved by resolution of the Bellevue Convention Center Authority Board of Directors on June 14, 1995, became effective July 1, 1995. Wells Fargo Bank serves as the Plan Administrator, Plan Trustee and Investment Manager. As of December 31, 2008, there were 92 active participants in the Plan. The Plan is established as a retirement plan and contains no provision for withdrawing money prior to the termination of employment. Upon termination of employment or retirement, employees receive the account balance of employee contributions and the vested portion of the

employer account credited with investment earnings. In the event of employee death or disability, the employee account becomes immediately vested and the full value of the account may be paid out. The plan document defines disability according to specific Federal guidelines. Each regular employee having completed one year of employment and 1,000 hours of service is eligible to participate in the plan. Participation in the Plan is mandatory for all regular employees hired after May 1, 1995.

Contributions. The Authority and employees each contribute 5% of compensation to the Plan. Additionally each participant may contribute on his own behalf at least 1% but not more than 10% of his /her compensation on a post tax basis. The Center's contributions to the Plan were 5% of covered payroll. Actual contributions to the plan for 2008 were:

Participants	\$143,006
Authority	116,459

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER PERSONNEL BENEFITS

DEFERRED COMPENSATION:

The City offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457, as revised on August 20, 1996. These plans enable employees to defer a portion of their compensation until future years. The deferred compensation is available to employees upon termination, retirement, or certain unforeseeable emergencies. It is available to their beneficiaries upon the employee's death.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and right of the contributing employee. Amounts withheld from employee compensation are transmitted directly to the plans' trustees.

POST-EMPLOYMENT BENEFITS:

In accordance with the Revised Code of Washington (RCW) 41.26, the City provides lifetime medical care for law enforcement officers and fire fighters employed prior to October 1, 1977. Under this requirement, most coverage for eligible retirees is provided in one of the City's employee medical insurance programs. However, under authorization of the Disability Board, direct payment is also made for some retiree medical expenses not covered by standard benefit plan provisions. The retiree does not contribute towards the cost of his/her medical care.

Costs of providing these post-employment health care benefits in 2008 were as follows:

Bellevue Health Plan - claims, administrative costs, stop loss coverage and incurred reserves	\$ 1,064,119
Group Health - medical insurance premiums	170,946
Medicare Part B insurance premiums	<u>41,786</u>
Total Costs	<u>\$ 1,276,851</u>

In the past, these costs were provided solely on a pay-as-you-go-basis by the City's Health Benefits Fund. On January 1, 1996, however, the City established the LEOFF I Medical Reserve Fund. The City has reserved a \$16.4 million balance in the LEOFF I Medical Reserve fund as of December 31, 2008. These funds are in the State Treasurer's Investment Pool and U.S. Government Securities with maturity dates at time of purchase from less than one year to a maximum of two years.

There are a total of 17 active plan participants and 125 retirees currently receiving benefits.

The medical liability valuation is based on the methodology contained in Statement 106 of the Financial Accounting Standards Board (FASB) and applied in accordance with GASB 12. The significant actuarial assumptions used are as follows:

City of Bellevue, Washington

I. Economic Assumptions:	A. Discount Rate	3.75%
	B. Medical Inflation Rate	3.00%
II. City of Bellevue per-person claim cost experience rates:	A. Retirees under 65	\$ 929
	B. Retirees over 65	\$ 337
Actuarial cost method	Unit Credit Actuarial Cost Method	
Amortization method	30 year open	
Asset valuation method	N/A	
Investment Rate	3.75%	

GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (OPEB) requires the disclosure of the employer liability for retiree medical subsidies and other post-employment benefits. Recognition of the liability accumulated from prior years will be amortized over 30 years, the first period commencing in 2007.

The annual required contribution (ARC) is equal to an amount required each year to fully fund the liability. The actuarial accrued liability (AAL) for OPEB is determined in accordance with the Statement, and has been estimated at \$36.3 million with plan assets of 0% held in trust. These estimates were prepared by Healthcare Actuaries LLC.

The December 31, 2008 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 3.75% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 11.0% and 0.0% for medical/pharmacy/unreimbursed expenses and Medicare premiums, respectively, to ultimate rates of 5.2% and 8.5%, after 72 years, and 1 year, respectively. The long term trend rate is 4.0% for all years. All trend rates include a 3.0% inflation assumption.

The unfunded actuarial accrued liability (UAAL) at transition is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2008 was 29.0 years. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 30 years.

The City's annual OPEB costs and Net OPEB obligation for 2008 were as follows:

Annual Required Contribution	\$ 2,038,781
Interest on Net OPEB Obligation	-
Annual OPEB Cost	<u>2,038,781</u>
Contributions Made	<u>1,065,248</u>
Increase in Net OPEB Obligation	973,533
Net OPEB Obligation - Beginning of year	615,799
Net OPEB Obligation - End of year	<u><u>\$ 1,589,332</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2007 were as follows:

	Annual OPEB Cost	Employer Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 2,038,781	\$ 1,065,248	52.25%	\$ 973,533
2007	2,051,705	1,435,906	69.99%	615,799

City of Bellevue, Washington

Actuarial valuations of an ongoing plan involve 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 healthcare cost trend. In accordance to GASB 50 the schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the Health Plan as of December 31, 2008 was as follows (in thousands):

Actuarial Accrued Liability (AAL)	\$	36,350
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>36,350</u>
Funded Ratio		0.00%
Covered Payroll	\$	1,742
UAAL as a Percentage of Covered Payroll		(2086.68)%

NOTES TO THE FINANCIAL STATEMENTS

9. COMPENSATED ABSENCES

The City's liability for accrued compensated absences is recorded in the schedule below. The governmental activities category includes a liability of \$1,105 from internal service funds which are predominantly associated with governmental funds. The funds that incur a liability for compensated absences are responsible for liquidating them in future periods. The governmental funds which typically liquidate compensated absences include the General, Solid Waste Recycling, Cable, Development Services, Park Fees, Operating Grants & Donations, and Housing Funds.

(in thousands)

Governmental activities	\$ 11,945
Enterprise activities	<u>1,270</u>
Total compensated absences	<u><u>\$ 13,215</u></u>

NOTES TO THE FINANCIAL STATEMENTS

10. RISK MANAGEMENT

The City of Bellevue is exposed to financial loss resulting from City-caused damage to property or persons, bodily injuries or illness of employees, unemployment compensation benefits paid to former employees, and employee health care benefits. Except as described below, the City is self-insured for these loss exposures. Individual internal service funds are used to account for, and finance, self-insurance activities. These include workers' compensation, unemployment compensation, general liability, and employee health care benefits. Premiums paid to these funds by other governmental funds are used to pay for administrative costs, claims, and risk transfer/insurance, and risk margin factors to cover future unknown loss contingencies.

In accordance with GASB Statement 10, estimated liabilities are accrued in all self-insurance funds for the value of current outstanding claims and claims incurred but not reported (IBNR). Annual actuarial studies are performed for the Workers' Compensation, General Self-Insurance and Health Benefits Funds to determine recommended funding levels for related risk areas. The City has not purchased annuity contracts for any of its outstanding claims.

At December 31, 2008, the City had available cash and equity in pooled investments in the self-insurance funds of \$14.3 million to provide against risk of catastrophic losses. The claims liability of \$6.4 million reported in the self-insurance funds as of December 31, 2008, is based on the requirements of GASB Statement 10. This statement requires that a liability for claims be reported if information indicates, prior to the issuance of the financial statements that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This estimated liability is not discounted to present value.

Changes in the Funds' claims liability amount from fiscal year ended December 31, 2007 to December 31, 2008:

	(in thousands)			
	Workers' Compensation	Unemployment Compensation	General Self-Insurance	Health Benefits
December 31, 2007:				
Unpaid claims, beginning of fiscal year	\$ 910	\$ 23	\$ 4,146	\$ 1,091
Incurred claims (including IBNRs)	1,162	109	(482)	9,337
Claim payments	(760)	(109)	(724)	(9,154)
Unpaid claims, December 31, 2007	<u>\$ 1,312</u>	<u>\$ 23</u>	<u>\$ 2,940</u>	<u>\$ 1,274</u>
December 31, 2008:				
Unpaid claims, beginning of fiscal year	\$ 1,312	\$ 23	\$ 2,940	\$ 1,274
Incurred claims (including IBNRs)	909	114	1,019	11,687
Claim payments	(846)	(109)	(493)	(11,397)
Unpaid claims, December 31, 2008	<u>\$ 1,375</u>	<u>\$ 28</u>	<u>\$ 3,466</u>	<u>\$ 1,564</u>
Due within one year	930	28	1,102	1,550
Due in more than one year	445	-	2,364	14

City of Bellevue, Washington

Under the City's self-insurance program, the following commercial insurance policies are purchased to protect the City from claims which exceed anticipated funding levels

<u>Policy Type</u>	<u>Deductible</u>	<u>Coverage Limits</u>	<u>Description</u>
Excess Workers' Comp Employer's Liability - Police & Fire only	\$ 400,000	\$ 1,000,000	Protects the City from unanticipated levels of workers' compensation claims.
Excess Workers' Comp Employer's Liability - All except Police & Fire	350,000	1,000,000	Protects the City from unanticipated levels of workers' compensation claims.
Boiler & Machinery	10,000	386,500,000	^(A) Protects the City from loss due to damage to buildings and contents from boilers and machinery.
Real & Personal Property	100,000	386,500,000	^(A) Protects the City from loss by fire and other extended coverages.
Inland Marine Earthquake & Flood	100,000	35,000,000	^(A) Protects the City from loss by fire and other extended coverages.
Medical Stop Loss	200,000	1,000,000	^(B) Stop-loss coverage protects the City from excessive individual claims.
Excess Liability Coverage	2,000,000	15,000,000	^(A) Protects the City from excessive individual losses.
Fiduciary Liability	15,000	7,000,000	Protects the City's retirement plans from wrong doing by board members.
Fine Arts	10,000	1,100,000	Protects the City from loss due to damage to its art work.

^(A) per occurrence
^(B) per individual

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

DISCRETELY PRESENTED COMPONENT UNIT

The Bellevue Convention Center Authority utilizes Marsh & McLennan for marketing and placement of its commercial policies. The Authority insures against most normal hazards.

NOTES TO THE FINANCIAL STATEMENTS

11. LEASES AND OTHER CONTRACTUAL COMMITMENTS

OPERATING LEASES:

Burlington Northern and Santa Fe Railway Company

The City has an on-going lease agreement with Burlington Northern and Santa Fe Railway Company (BNSF) for storage/fire lane access at the Bellevue Service Center (BSC). The City leases a portion of the BNSF property for the BSC parking lot area and for railroad crossing access from the BSC to the lower parking lot. The annual lease payments are \$24,311, payable in May of each year. Either party to the lease may cancel the lease at will on a 30-day advance notice.

Terranomics Crossroads Associates

Effective September 25, 2000, the City entered into a five-year non-cancelable lease agreement with Terranomics Crossroads Associates to provide a Community Police substation in the Crossroads area. The lease expired on September 30, 2005 and was extended for an additional three year period. The lease was again extended for an additional two year period commencing September 2008. Total lease payments for 2008 totaled \$28,364.

Future lease payments to Terranomics Crossroads Associates are summarized as follows:

2009	29,522
2010	22,717
Total	<u>\$ 52,239</u>

Delta Business Park

Effective July 1, 1996, the City entered into a five-year lease agreement with Delta Business Park for a building to house vehicles seized by the Eastside Narcotics Task Force. The term of this lease expired in 2001 and again in 2006. Beginning July 1, 2006 the lease was extended for an additional five-year period.

The lease is cancelable by providing the landlord with 90-day prior written notice. Total lease payments for 2008 were \$28,010.

Future lease payments to Delta Business Park are summarized as follows:

2009	22,939
2010	23,328
2011	11,858
Total	<u>\$ 58,125</u>

Effective January 1, 2005, the City entered into another five-year lease agreement with Delta Business Park for a storage facility for use by the Police Department. The lease is cancelable by providing the landlord with 90-day prior written notice. Total lease payments for 2008 were \$11,354.

Future lease payments to Delta Business Park are summarized as follows:

2009	11,753
Total	<u>\$ 11,753</u>

Sound Transit

Effective June 13, 2006 the City entered into a five-year non-cancelable lease agreement with Sound Transit to provide a Community Police substation at the Bellevue Transit Center. Total annual lease payments are \$50,000, payable in December of each year. Total lease payments for 2008 were \$50,000

CONSTRUCTION/OTHER CONTRACTUAL COMMITMENTS:

The City's other outstanding contractual commitments by fund type as of December 31, 2008, are summarized below:

	(in thousands)
Governmental activities	\$ 36,273
Enterprise activities	8,299
Total contractual commitments	<u>\$ 44,572</u>

NOTES TO THE FINANCIAL STATEMENTS

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following provides the total interfund transfers for 2008 and transfers between the City and its component unit. Year-end balances are provided for interfund payables and receivables and amounts due between City funds and component unit.

DUE TO/FROM OTHER FUNDS

	<u>Receivable</u> (in thousands)	<u>Payable</u> (in thousands)
Governmental funds:		
General Fund	\$ -	\$ 584
Operating Grants, Donations & Special Reserves	3	-
Nonmajor governmental funds	74	14
Development Services Fund	13	55
General Capital Investment Program	-	10
Proprietary funds:		
Storm Drainage Utility	469	7
Water Utility	38	2
Sewer Utility	26	4
Marina	11	1
Internal Service Funds	56	13
Total due other funds	<u>\$ 690</u>	<u>\$ 690</u>

DUE TO/FROM PRIMARY GOVERNMENT AND COMPONENT UNIT

Hotel/Motel Tax	\$ -	\$ 639
Bellevue Convention Center Authority	639	-
Total due City/Component Unit	<u>\$ 639</u>	<u>\$ 639</u>

INTERFUND TRANSFERS

	<u>In</u> (in thousands)	<u>Out</u> (in thousands)
Governmental funds:		
General Fund	\$ 2,146	\$ 16,413
LEOFF 1 Reserve	145	-
Development Services Fund	6,546	881
Operating Grants, Donations & Special Reserves	7	565
ARCH Housing	312	-
LID Control	-	-
General Capital Investment Program	1,622	2,921
Nonmajor governmental funds	14,767	4,200
Proprietary funds:		
Storm Drainage Utility	22	128
Water Utility	5	175
Sewer Utility	6	136
Internal Service Funds	1,171	1,330
Total Transfers	<u>\$ 26,749</u>	<u>\$ 26,749</u>

City of Bellevue, Washington

Interfund loans for the year ended December 31, 2008, were as follows (in thousands):

INTERFUND LOANS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Receivable:				
General Self-Insurance Fund	\$ -	\$ 3,000	\$ (3,000)	\$ -
LID Guaranty Fund - short term portion	-	59	-	59
Equipment Rental Fund - short term portion	-	3,000	-	3,000
Total receivable	<u>\$ -</u>	<u>\$ 6,059</u>	<u>\$ (3,000)</u>	<u>\$ 3,059</u>
Payable:				
General Fund	\$ -	\$ 3,000	\$ (3,000)	\$ -
LID Control Fund - short term portion	-	59	-	59
General CIP - short term portion	-	3,000	-	3,000
Total payable	<u>\$ -</u>	<u>\$ 6,059</u>	<u>\$ (3,000)</u>	<u>\$ 3,059</u>

Interfund receivables and payables consist of charges for services and direct overhead charges. The City incurs transfers for subsidies, indirect overhead, reserves for capital improvements, capital purchases and debt service.

The following describes the significant amounts during 2008:

- Transfer of \$3 million from the General Self-Insurance Fund to the General Fund for the purpose of Cash Flow borrowing.
- Transfer of \$3 million from the Equipment Rental Fund to the General CIP Fund for the purpose of Cash Flow borrowing.
- Transfer of \$8 million from the General Fund to the I&D Redemption Regular Levy Fund to pay the New City Hall debt.

NOTES TO THE FINANCIAL STATEMENTS

13. LONG-TERM DEBT

The various categories of long-term debt reflected on the City's financial statements are briefly described in the following paragraphs.

General obligation bonds are backed by the City's full faith and credit. Proceeds are typically used for the acquisition or construction of major capital facilities, or to refund debt previously issued for those purposes. "Councilmanic Bonds" are general obligation bonds issued by the City Council without voter approval. Under state law, repayment of these bonds must be paid from general City revenues. General obligation bonds approved by the voters are typically repaid through an annual voted property tax levy authorized for this purpose. Predominantly, general obligation bonds of the City have been issued for general governmental activity purposes. The 1998 limited general obligation bonds were issued for the purchase of the Marina and are reported under business activities in the statement of net assets. The remaining general obligation bond issues are recorded under governmental activities in the statement of net assets.

Revenue bonds are payable from revenues generated by the City's various enterprise activities. Under the economic resources measurement focus used by the enterprise funds, debt for these bonds is recorded as a liability by the individual fund responsible for the related debt repayment.

Special assessment bonds are issued to finance construction of local improvement district (LID) projects and are repaid through assessments collected from property owners benefiting from related improvements. Although the bonds are secured by liens against assessed properties, the City is required under state law to establish a guaranty fund to provide a means of paying LID bond debt service obligations in the event there are insufficient resources in the LID Control Fund. Due to the City's legal obligation to maintain this guaranty fund, special assessment bonds are considered a general government obligation and are, therefore, recorded in governmental activities on the statement of net assets, even though the LID process is used for construction of utility service projects, as well as for construction of sidewalk and other transportation-related improvements.

Other long-term debt incurred by the enterprise and governmental funds includes conditional sales contracts issued for the purchase of land and facilities, and State Department of Community Development Public Works Trust Fund loans, which have been made to finance designated capital project construction costs. Also included under other long-term debt for governmental activities is a non-revolving line of credit obtained for a period of five years to finance projects included in the City's Capital Investment Program. Currently, the interest rate has been fixed for one year based on the London inter-bank offered rate (LIBOR) and is payable semi-annually.

New Bonds

On February 7, 2008, the City of Bellevue issued limited tax general obligation bonds in the amount of \$14,230,000. The proceeds of the bonds will be used for the purposes of paying or reimbursing the City for a portion of the cost of the Capital Improvement Program (CIP), including street and sidewalk improvements.

On August 4, 2008, the City Council authorized the issuance and sale of a limited tax general obligation bond anticipation note in the amount not to exceed \$30,000,000. This note is a non-revolving line of credit maturing August 15, 2013. The city is including this line of credit as a long-term debt due to its long-term nature, and the fact that the City intends to repay this obligation from future capital investment program revenues and not by issuing bonds. The proceeds of the note will be used for the purpose of financing projects included in the City's CIP. Amount drawn on the note will bear interest in one of two variable rate models (the LIBOR Rate Mode or the Prime Rate Mode). Interest is payable semi-annually.

The schedules on the following pages detail the long term debt activity and balances of the City.

City of Bellevue, Washington

LONG TERM DEBT - GOVERNMENTAL ACTIVITIES
For The Year Ended December 31, 2008

(in thousands)

Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2008	Debt Issued in 2008	Debt Redemption in 2008	Debt Outstanding 12/31/2008
GENERAL OBLIGATION BONDS-COUNCILMANIC									
1995 Limited G.O.	5.15-5.80%	Hotel/Motel Tax	12/27/95	12/01/25	\$ 5,140	\$ 4,289	\$ -	\$ 384	\$ 3,905
2002 Limited G.O.	4.65-5.125%	Hotel/Motel Tax	06/01/02	12/01/32	10,450	10,040	-	215	9,825
2003 Limited G.O. Refunding, Series B	2.00-4.50%	General CIP	10/29/03	07/01/14	4,635	3,090	-	400	2,690
2004 Limited G.O. (City Building)	5.00-5.50%	General CIP	07/01/04	12/01/43	102,710	102,710	-	-	102,710
Add: Unamortized bond premium						960		27	933
2006 Limited G.O.	3.80-4.25%	General CIP	11/01/06	12/01/26	6,060	5,880	-	210	5,670
Add: Unamortized bond premium						22		1	21
2008 Limited G.O.	3.00-4.25%	General CIP	02/07/08	12/01/27	14,230	-	14,230	430	13,800
Add: Unamortized bond premium						-	18	1	17
GENERAL OBLIGATION BONDS - VOTER APPROVED									
2003 Unlimited G.O. Refunding, Series A	3.00-4.00%	Special Levy	10/29/03	01/01/08	8,550	1,415	-	1,415	-
CONDITIONAL SALES CONTRACTS									
Bellevue School District	4.30%	General CIP	06/01/04	06/01/10	2,800	247	-	247	-
OTHER LONG TERM DEBT									
Bank of America Line of Credit ⁽¹⁾	3.16%	General CIP	11/21/03	11/21/08	13,818	500	-	500	-
Bank of America Line of Credit ⁽¹⁾	1.88%	General CIP	08/04/08	08/15/13	12,000	-	12,000	-	12,000
Department of Community, Trade & Economic Development:									
Public Works Trust Fund Loan	1.00%	General CIP	07/01/88	07/01/08	1,000	61	-	61	-
Public Works Trust Fund Loan #06-962	0.50%	General CIP	02/01/07	02/01/28	750	713	-	38	676
TOTAL					\$ 182,143	\$ 129,926	\$ 26,248	\$ 3,928	\$ 152,247

⁽¹⁾ The total authorized amount of the line of credit (LOC) is \$35 million, of which \$12 million was drawn as of 12/31/2008. The weighted average interest rate (based on 65% of LIBOR plus 1.31%) on the \$12 million LOC balance as of 12/31/08 was 1.88%.

City of Bellevue, Washington

SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT
For The Year Ended December 31, 2008
(in thousands)

Local Improvement District	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2008	Debt Issued in 2008	Debt Redemption in 2008	Debt Outstanding 12/31/2008
NE 4th Street	7.40-7.50%	LID Control	03/26/01	05/01/23	\$ 120	\$ 66	\$ -	\$ 66	\$ -
NE 10th St/Bellevue Way to 112th Ave NE	5.10-6.75%	LID Control	05/15/95	12/01/16	7,830	1,630	-	310	1,320
NE 10th St/Bellevue Way to 112th Ave NE	4.00-6.00%	LID Control	12/01/96	12/01/18	775	165	-	30	135
NE 8th St & 156th Ave NE	6.50-6.65%	LID Control	06/01/94	07/01/16	563	255	-	35	220
TOTAL					\$ 9,288	\$ 2,116	\$ -	\$ 441	\$ 1,675

City of Bellevue, Washington

LONG TERM DEBT - BUSINESS -TYPE ACTIVITIES
For The Year Ended December 31, 2008
(in thousands)

Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2008	Debt Issued in 2008	Debt Redemption in 2008	Debt Outstanding 12/31/2008
GENERAL OBLIGATION BONDS-COUNCILMANIC									
1998 Limited G.O.	4.00-4.70%	Marina	12/01/98	12/01/18	\$ 4,310	\$ 3,850	\$ -	\$ 250	\$ 3,600
REVENUE BONDS									
2004 Waterworks Utility Refunding	2.00-3.63%	Water Utility & Storm Utility	08/01/04	10/01/10	6,825	3,085	-	980	2,105
Add: Unamortized bond premium						52		18	35
Deduct: Unamortized loss on advance refunding						(324)		(115)	(210)
OTHER LONG TERM DEBT									
Department of Community, Trade & Economic Development:									
Public Works Trust Fund Loan #89-012	3.00%	Storm Utility	02/07/89	02/07/09	273	29	-	15	15
Public Works Trust Fund Loan #90-013 ⁽¹⁾	3.00%	Storm Utility	07/17/90	07/17/10	1,123	188	-	63	125
Public Works Trust Fund Loan #91-011	3.00%	Storm Utility	08/06/91	08/06/11	377	80	-	20	60
Public Works Trust Fund Loan #93-005 ⁽²⁾	2.00%	Storm Utility	07/01/93	07/01/13	126	42	-	7	35
Public Works Trust Fund Loan #94-002 ⁽³⁾	1.00%	Water Utility	06/23/94	07/01/14	560	207	-	30	177
TOTAL					\$ 13,594	\$ 7,208	\$ -	\$ 1,267	\$ 5,942

⁽¹⁾ A total loan of \$1,166,040 was approved in 1990. Funds received through the end of the fiscal year represent 96% of the approved loan amount.

⁽²⁾ A total loan of \$434,480 was approved in 1993. Funds received through the end of the fiscal year represent 29% of the approved loan amount.

⁽³⁾ A total loan of \$856,000 was approved in 1994. Funds received through the end of the fiscal year represent 65% of the approved loan amount.

AMORTIZATION OF LOSS ON ADVANCE REFUNDING

The losses resulting from the City's 2004 Refunding Bond issues are being amortized over 6 years in accordance with FASB 76:

Total	Amortized In 2008	Amortized In Prior Years	Unamortized At December 31, 2008
\$ 716	\$ 115	\$ 391	\$ 209

City of Bellevue, Washington

At December 31, 2008, the City's annual debt service requirements for general obligation, revenue and special assessment bonds were:

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

(in thousands)

Year	General Obligation		Revenue Bonds		Special Assessment Bonds		Governmental Activities Other Debt		Business-Type Activities Other Debt		Total Annual Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 1,999	\$ 7,194	\$ 1,025	\$ 74	\$ 471	\$ 111	\$ 38	\$ 3	\$ 134	\$ 8	\$ 11,057
2010	3,268	7,158	1,080	38	502	80	12,038	3	119	5	24,291
2011	3,383	7,056	-	-	537	47	38	3	56	2	11,121
2012	3,463	6,946	-	-	111	11	38	3	37	1	10,609
2013	3,575	6,825	-	-	48	4	38	3	37	1	10,530
2014-2018	18,067	32,169	-	-	6	0	188	10	30	0	50,470
2019-2023	18,531	28,616	-	-	-	-	188	6	-	-	47,340
2024-2028	20,678	22,345	-	-	-	-	113	1	-	-	43,137
2029-2033	19,275	16,162	-	-	-	-	-	-	-	-	35,437
2034-2038	21,715	11,021	-	-	-	-	-	-	-	-	32,736
2039-2043	28,245	4,514	-	-	-	-	-	-	-	-	32,759
Total	\$ 142,199	\$ 150,007	\$ 2,105	\$ 112	\$ 1,675	\$ 253	\$ 12,675	\$ 32	\$ 412	\$ 17	\$ 309,486

City of Bellevue, Washington

LONG TERM DEBT - DISCRETELY PRESENTED COMPONENT UNIT
BELLEVUE CONVENTION CENTER AUTHORITY
For The Year Ended December 31, 2008
(in thousands)

Description	Interest Rate	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2008	Debt Issued in 2008	Debt Redemption in 2008	Debt Outstanding 12/31/2008
1991 Series B	5.9-7.20%	08/01/91	12/01/19	\$ 21,120	\$ 7,970	\$ -	\$ 619	\$ 7,351
1994 Refunding	5.60-6.60%	11/05/93	12/05/25	13,749	12,212	-	309	11,903
Total Revenue Bonds				<u>\$ 34,869</u>	<u>\$ 20,182</u>	<u>\$ -</u>	<u>\$ 928</u>	<u>\$ 19,254</u>
Add:								
Unamortized gain on advance refunding								<u>42</u>
TOTAL								<u><u>\$ 19,296</u></u>

The Bellevue Convention Center Authority's (Component Unit) revenue bonds are secured by hotel/motel tax and other revenues of the City available without a vote of the City's electors.

At December 31, 2007 Bellevue Convention Center Authority's debt service requirements for revenue bonds were:

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
(in thousands)

Year	Revenue Bonds		Total Annual Requirements
	Principal	Interest	
2009	\$ 1,037	\$ 2,328	\$ 3,365
2010	1,155	2,860	4,015
2011	1,162	3,208	4,370
2012	1,156	3,549	4,705
2013	1,150	3,920	5,070
2014-2018	5,880	25,995	31,875
2019-2023	5,450	33,615	39,065
2024-2026	2,264	17,836	20,100
Total	<u>\$ 19,254</u>	<u>\$ 93,311</u>	<u>\$ 112,565</u>

CHANGES IN LONG-TERM DEBT
(in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 127,424	\$ 14,230	\$ (3,054)	\$ 138,600	\$ 1,749
Add: for issuance premium	981	18	(29)	970	-
Special assessment debt	2,116	-	(441)	1,675	471
Compensated absences	10,639	4,498	(3,192)	11,945	3,584
Estimated claims payable	5,550	13,729	(12,845)	6,434	3,610
Line of credit	500	12,000	(500)	12,000	-
Other post employment benefits	616	974	-	1,590	-
Other long-term debt	1,021	-	(346)	676	38
Total	\$ 148,847	\$ 45,449	\$ (20,406)	\$ 173,890	\$ 9,452
Business Activities:					
General obligation bonds	\$ 3,850	\$ -	\$ (250)	\$ 3,600	\$ 250
Revenue bonds	3,085	-	(980)	2,105	1,025
Less deferred amounts:					
for issuance premiums	52	-	(18)	34	-
for refunding	(324)	-	115	(209)	-
Compensated absences	1,119	487	(336)	1,270	381
Other long-term debt	546	-	(134)	412	134
Total	\$ 8,328	\$ 487	\$ (1,603)	\$ 7,212	\$ 1,790
Bellevue Convention Center Authority:					
Revenue bonds	\$ 20,182	\$ -	\$ (928)	\$ 19,254	\$ 1,037
Add deferred amounts:					
for refunding	47	-	(6)	41	-
Compensated absences	82	28	(33)	77	31
Total	\$ 20,311	\$ 28	\$ (967)	\$ 19,372	\$ 1,068

(1) The governmental funds which typically liquidate compensated absences are the General, Solid Waste Recycling, Cable, Development Services, Park Fees, Operating Grants & Donations, and Housing Funds.

NOTES TO THE FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS

The City acts as a conduit for hotel/motel taxes which are collected by the City and transmitted to the Bellevue Convention Center Authority for debt service (a component unit of the City). These taxes totaled \$5.2 million in 2008.

NOTES TO THE FINANCIAL STATEMENTS

15. CONTINGENCIES AND LITIGATION

As of December 31, 2008 there were various claims for damages and lawsuits pending against the City. In the opinion of the City Attorney, however, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending, would materially affect the financial condition of the City, and therefore, no current or long-term liability has been recorded.

NOTES TO THE FINANCIAL STATEMENTS

16. JOINT VENTURES AND OPERATIONS

Eastside Public Safety Communications Agency

In May 1992, the City of Bellevue joined the cities of Redmond, Kirkland, and Mercer Island (Principals) to establish the Eastside Public Safety Communications Agency (EPSCA). The agreement was amended in 1993 to include the City of Issaquah.

The purpose of EPSCA is to develop, own, operate, and manage an Eastside radio communications system to be integrated with a regional radio communications network. Its capital budget is funded by a voter-approved county-wide property tax levy.

EPSCA is governed by an Executive Board composed of the chief executive officer of each Principal. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters.

The agreement provides for a weighted vote proportionate to each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2008, the weighted vote was as follows:

Bellevue	51.98%
Redmond	18.26%
Kirkland	17.86%
Mercer Island	6.28%
Issaquah	<u>5.62%</u>
Total	100.00%

These percentages are reviewed and adjusted annually on January 1 based on the number of radios on the system in use by current Principals as of June 30 of the preceding year.

Operating revenues derive from assessments for start up costs and fees for communications services. The first full year of operations was 1997. The City of Bellevue's assessments and start up costs were \$205,423. Service fees for the last five years were as follows:

<u>Year</u>	<u>Service Fees</u>
2004	\$ 301,200
2005	301,871
2006	304,072
2007	308,765
2008	314,307

Upon dissolution, the interlocal agreement provides for distribution of net assets among the Principals based on the weighted voting percentages in force at the time of dissolution.

In August 1993, EPSCA entered into an interlocal cooperation agreement (Agreement 2), with the subregions of King County, Seattle, and Valley Communications. Agreement 2 governs the development, acquisition, and installation of the emergency radio communication system funded by the King County Levy.

Agreement 2 provides that upon voluntary termination of any subregion's participation in the system, it surrenders its radio frequencies, relinquishes its equipment, and transfers any unexpended levy proceeds and equipment replacement reserves to another subregion or a consortium of subregions. Thus, in accordance with Agreement 2, the Principals of EPSCA have no equity interest in EPSCA's contributed capital (\$10.0 million from King County levy proceeds).

While Agreement 1 provides that EPSCA's retained earnings of \$822,907 as of December 31, 2008 are, upon dissolution, to be apportioned among the Principals, the City's share in 2008 of \$427,747 is deemed immaterial and thus is not reflected in the financial statements. Compiled financial statements for EPSCA can be obtained from EPSCA, c/o Jessie Morgan, PO Box 90012, Bellevue, WA 98009.

Hazardous Materials Unit and Response Team:

In January 1984, the City of Bellevue joined the cities of Redmond, Kirkland, and Bothell, and King County Fire Protection Districts #16 and #36 to form a Hazardous Materials Unit and Response Team (HazMat). The agreement was modified in December 1991 to designate the City of Bellevue as the lead agency. The agreement was further modified in June 1994 removing King County Fire Protection District #16, which withdrew from participation, and adding the City of Issaquah and King County Fire Protection District #45 as members.

The purpose of HazMat is to provide equipment and personnel for the management of hazardous material incidents as a normal function of fire protection services.

The HazMat team is governed by a joint board composed of the fire chiefs of the member agencies plus one member from the HazMat Team. The Joint Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. Each representative on the Joint Board, with the exception of the member from the HazMat Team, has a vote on all matters. The City of Bellevue, as the lead agency, has the administrative authority for operations conducted pursuant to the agreement, as amended. The City provides administrative and secretarial support to the Joint Board.

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement, as amended, provides for distribution of net assets among the members based on the percentage of the total annual charges paid by each member during the period of the Agreement. The City's share of net assets is deemed immaterial and thus is not reflected in the financial statement.

Operating revenues derive from an annual charge assessed each member based on each member's property values and number of emergency incidents. The City of Bellevue's General Fund remitted its pro rata share of the HazMat unit's budgets for the last five years. Equities are as follows:

City of Bellevue, Washington

Year	Equity	Bellevue's Share	Percentage
2004	\$ 150,530	\$ 48,543	32.25%
2005	215,957	70,292	32.55%
2006	268,950	84,951	31.59%
2007	333,538	108,563	32.55%
2008	395,813	128,833	32.55%

Budget monitoring information can be obtained from HazMat, c/o Gale Hill, Bellevue Fire Department, 766 Bellevue Way SE, Bellevue, WA 98004.

ARCH - Housing Coalition:

In November 1992, the City of Bellevue joined the cities of Redmond and Kirkland and King County to establish A Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 and November 1999 to add clarifying language regarding responsibility and dissolution. Since its inception, the Cities of Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Mercer Island, Newcastle, Woodinville, Yarrow Point, and Beaux Arts Village joined ARCH.

The purpose of ARCH is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by combining public funding with private-sector resources. Operating funding is provided by the member cities. ARCH identifies and prioritize projects which the member cities fund directly through their own grants, Community Development Block Grants, and HUD grants.

ARCH is governed by an Executive Board composed of the chief executive officer from each member. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff and a Citizen Advisory Board.

Each member city is responsible for contributing operating revenues as determined from the ARCH annual budget. Contributions from the member cities are based on each member's population. The City's contributions for the last five years were as follows:

Year	Equity	Bellevue's Share	Percentage
2004	\$ 178,859	50,204	28.07%
2005	216,740	60,572	27.95%
2006	238,520	66,547	27.90%
2007	321,461	89,664	27.89%
2008	424,705	118,340	27.86%

Members withdrawing from the agreement, relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement, as amended, provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member. The City's share of net assets is deemed immaterial and thus is not reflected in the financial statement.

Budget monitoring information can be obtained from ARCH, c/o Art Sullivan, 16225 NE 87th Street, Redmond, WA 98052.

Water Storage & Pumping Facility:

In February 1990, the City of Bellevue joined with the City of Redmond to construct, operate, and maintain a joint-use water storage and pumping facility located on the common boundary of the two cities. The City of Bellevue has an undivided interest in the land, reservoir, and pumping facility of 56%, and the City of Redmond has an undivided interest of 44%.

The City's share of the land, reservoir, and pumping facility is reported on the enterprise financial statements as property, plant, and equipment and has a net book value of \$1,518,311 (cost: \$2,635,041, net of accumulated depreciation of \$1,116,730) as of December 31, 2008. Total 2008 operating costs for the reservoir and pumping facility, excluding depreciation of \$65,876, were \$45,570, of which the City of Redmond reimbursed \$20,051.

Cable Production Facility:

In October 1995, the City of Bellevue joined with Bellevue Community College to jointly utilize Bellevue Community College's television production facilities. The City of Bellevue and Bellevue Community College each have 50% undivided interest in the upgraded production facility.

A joint administrative committee was created to set policy, oversee operations, and develop annual operating budgets. The City of Bellevue is responsible for contributing to the Maintenance Account, providing compensation to student video production assistants and upgrading studio facilities, production equipment, and editing equipment to accommodate joint use. The City's contributions for 2008 were:

Maintenance	Student Assistants	Facilities
\$ 5,000	\$ 25,337	\$ -

Upon dissolution, the net balance in the Maintenance Account and any shared equipment purchased will be distributed equally to both entities. The channel distribution system will remain the property of the City. Any material or structural improvements to the facilities will remain the property of Bellevue Community College. The City's share of the net assets is deemed immaterial and thus is not reflected in the financial statements.

Eastside Narcotics Task Force:

In August 1998, the cities of Bellevue, Redmond, Kirkland, Mercer Island, and Issaquah (Principals) restructured the Eastside Narcotics Task Force. The purpose of the task force is to provide for the collaborative efforts of participants' detective staffs and to equitably benefit from asset forfeitures.

The task force is governed by an Executive Board consisting of the Police Chiefs and Directors of Public Safety. The Executive Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. The Task Force is managed by a Commander who is responsible for the operation of the task force and the accomplishment of the goals and objectives of the task force.

Upon termination of the Task Force, equipment and proceeds will be divided equitably as determined by the board. Member agencies share in the costs and proceeds of the operation of the Task Force on a percentage basis. The member agencies shares are:

Bellevue	51.00%
Redmond	14.70%
Kirkland	14.70%
Mercer Island	14.70%
Issaquah	4.90%

Total revenues for 2008 were \$662,530 of which \$337,890 was the City of Bellevue's share. Total expenditures for 2008 were \$1,207,592 of which \$615,872 was the City of Bellevue's share. The total decrease in revenue for 2008 was \$705,784 of which \$359,950 was the City of Bellevue's share. The City's share of the net assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from Eastside Narcotics Task Force, c/o Carl Krikorian, Police Finance Manager, Bellevue Police Department, 11511 Main Street, Bellevue, WA 98004

Cascade Water Alliance

In April 1999, the City of Bellevue entered into an interlocal agreement with eight other water providers in the region to create the Cascade Water Alliance.

The purpose of the Alliance is to provide water supply to meet current and future needs of the Alliance's Members in a cost-effective and environmentally responsible manner.

The Alliance is governed by a Board of Directors consisting of one individual representative appointed by resolution of the Member's legislative authority. Each Member entity must pay annual dues based on the number of residential units served by the water system within their jurisdiction. The Alliance collected 2008 membership dues totaling \$1,247,487, of which Bellevue's share was \$474,580. Bellevue also paid the Alliance \$1,749,487 in 2008 for Regional Capital Facilities Charges for new residential hookups to the water distribution system.

A Member may withdraw from the Alliance with a resolution of its legislative authority expressing such intent. The Board will then determine the withdrawing Member's obligations to the Alliance, as well as the withdrawing Member's allocable share of the Alliance's then-existing obligations. The Member's withdrawal shall be effective upon payment of obligations. Members do not hold legal ownership rights in any assets owned by the Alliance.

On April 26, 2006, the Alliance issued Water System Revenue Bonds, 2006 for \$55.2 million. The proceeds of the Bonds will be used to finance transmission and treatment facility planning and design, make payments to the City of Tacoma under the wholesale water purchase agreement, make payments to Puget Sound Energy, Inc. relating to acquisition of assets at Lake Tapps, and repay a loan from the Sammamish Plateau Water & Sewer District. The bonds are payable solely from the Alliance's revenues and are not guaranteed by the City's assets or revenues.

Audited financial information can be obtained from Scott Hardin, Cascade Water Alliance, 1400 112th Avenue SE, Suite 220, Bellevue, WA 98004.

Washington City and County Pipeline Safety Consortium

In June, 2000, the City of Bellevue entered into a joint agreement with eleven other jurisdictions to establish the Washington City and County Pipeline Safety Consortium.

The purpose of the Consortium, established in response to the 1999 devastating gas pipeline explosion in Bellingham, Washington, is to share information, identify common issues, and work towards a concerted approach to dealing with the risks that these pipelines pose to communities.

The Consortium is governed by a joint Executive Board composed of representatives of the twelve Consortium members, appointed by their jurisdictions. The Executive Board is responsible for recommending periodic budgets, and establishing policies to carry out the work approved by the members. Each representative on the Joint Board has a vote on all matters. The City of Bellevue, as the lead agency, has the administrative authority for operations conducted pursuant to the agreement. The City provides administrative and secretarial support to the Joint Board.

Members withdrawing from the agreement relinquish all rights to any reserve funds contributed. Upon dissolution, the agreement provides for distribution of net assets among the members based on their financial contribution on a pro rata basis.

Initial contributions of \$5,000 were received from 10 of the 12 member jurisdictions in 2000. An additional \$5,000 was received in 2002 from a member jurisdiction.

Budget monitoring information can be obtained from Washington City and County Pipeline Safety Consortium, c/o Jonathan Swift, Budget Manager, Finance Department, 11511 Main Street, Bellevue, Washington, 98004.

E-Gov Alliance

On March 25, 2002, the City of Bellevue Council unanimously adopted a resolution establishing the E-Gov Alliance between the City of Bellevue and the cities of Bothell, Burien, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish, and Woodinville. Since March, additional cities have joined the Alliance. The Alliance establishes on-line services through a jointly operated internet portal. Additionally, the Alliance has established a partnership with Microsoft to help define the E-Gov architecture, provide consulting services, offer training, and donated software.

The interlocal agreement may be terminated if Principals holding at least sixty (60%) of the weighted vote of all of the Principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor; (2) all property purchased after the effective date of the interlocal agreement shall be distributed to the Principals based upon each Principal's proportional ownership interest at the time of the sale of the property. The City's share of the net assets is deemed immaterial and thus not reflected in the financial statements.

Budget monitoring information may be obtained from Mollie Purcell, City of Bellevue, Information Technology Department, P.O. Box 90012, Bellevue, WA 98009-9012.

City of Bellevue, Washington

Expenditures consist of capital and operations costs, per the budget adopted by the E-Gov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Expenditures in 2008 were \$794,518, revenues were \$824,101. Partner fees and voting are based on relative population, equity balances are as follows:

Bellevue	\$ 108,383.25	36.38%
Kirkland	43,949.82	14.75%
Sammamish	36,947.58	12.40%
Bothell	29,734.27	9.98%
Issaquah	22,676.97	7.61%
Mercer Island	20,538.67	6.89%
Kenmore	18,299.42	6.14%
Woodinville	9,535.16	3.20%
Snoqualmie	7,892.43	2.65%
Total	<u>\$ 297,958</u>	<u>100.00%</u>

NOTES TO THE FINANCIAL STATEMENTS

17. PRIOR PERIOD ADJUSTMENT

GOVERNMENTAL ACTIVITIES

Prior period adjustments in government-wide financial statements under governmental activities include the following:

- 1) Capital assets have been restated resulting in a net decrease of Net Assets of \$56.1 million due to the following:
 - a. Certain city owned capital assets were not reported in prior years resulting in an increase of Net Assets of \$33.5 million.
 - b. Some capital assets were being depreciated in prior years with a useful life not in conformity with City policy resulting in a decrease of Net Assets of \$45.2 million.
 - c. Capital assets were being reported as City owned when no record exists of City ownership resulting in an increase of Net Assets of \$0.03 million.
 - d. The balance of construction in progress included projects which were completed in prior periods resulting in a decrease of Net Assets of \$31.4 million.
 - e. Certain capital assets were being reported at the incorrect historical cost and associated accumulated depreciation resulting in a decrease of Net Assets of \$13.2 million.
 - f. The fixed asset inventories did not agree with the City's general ledger resulting in an increase of Net Assets of \$0.2 million.
- 2) Bond issuance costs were reported in the year of bond issue as a current year expense. Under GASB Statement 34, these costs are to be amortized over the life of the bond. The deferred charges have been properly reclassified on the Statement of Net Assets resulting in an increase of net assets of \$1 million.
- 3) Special assessment debt resulting from a Local Improvement District which was previously levied on City owned property was incorrectly reported as an Other Receivable. Repayments for this receivable come from within Governmental Activities, and should have been reported as Internal Balances. The balance of this receivable has been properly reclassified resulting in a decrease to Net Assets of \$0.08 million.

BUSINESS-TYPE ACTIVITIES AND ENTERPRISE FUNDS

Prior period adjustments in government-wide financial statements under business-type activities and enterprise funds include the following:

- 1) Capital assets have been restated resulting in a net increase of Net Assets of \$2 million due to the following:
 - a. Certain city owned capital assets were not reported in prior years resulting in an increase of Net Assets of \$10.3 million.
 - b. Infrastructure assets were contributed to the City in prior years, but were not reported resulting in an increase of Net Assets of \$1 million.
 - c. Some capital assets were being depreciated in prior years with a useful life not in conformity with City policy resulting in a increase of Net Assets of \$0.4 million.

City of Bellevue, Washington

- d. Capital assets were being reported as City owned when no record exists of City ownership resulting in a decrease of Net Assets of \$8.6 million.
- e. Certain capital assets were being reported at the incorrect historical cost and associated accumulated depreciation resulting in an increase of Net Assets of \$0.2 million.
- f. The fixed asset subsidiary ledger did not agree with the City's general ledger resulting in a decrease of Net Assets of \$1.4 million.

GOVERNMENTAL FUNDS

Prior period adjustments in government-wide financial statements under governmental activities include the following:

- 1) Special assessment debt resulting from a Local Improvement District which was previously levied on City owned property was incorrectly reported as a note receivable in the LID Guaranty fund. Repayments for this debt occur from the LID Control fund, which underreported the amounts due to the LID Guaranty Fund. The remaining balance of this interfund loan has been properly reclassified on the Governmental Funds Balance Sheet resulting in a decrease to the LID Control fund balance of \$0.07 million and a decrease of the fund balance of the LID Guaranty fund of \$0.02 million.

INTERNAL SERVICE FUNDS

Prior period adjustments in government-wide financial statements under governmental activities include the following:

- 1) Capital assets have been restated resulting in a net decrease of Net Assets of \$1 million due to the following:
 - a. Certain city owned capital assets were not reported in prior years resulting in an increase of Net Assets of \$0.1 million.
 - b. Some capital assets were being depreciated in prior years with a useful life not in conformity with City policy resulting in a decrease of Net Assets of \$0.2 million.
 - c. Capital assets were being reported as City owned when no record exists of City ownership resulting in a decrease of Net Assets of \$1.3 million.
 - d. Certain capital assets were being reported at the incorrect historical cost and associated accumulated depreciation resulting in an increase of Net Assets of \$0.05 million.
 - e. The fixed asset inventories did not agree with the City's general ledger resulting in a decrease of Net Assets of \$0.02 million.

NOTES TO THE FINANCIAL STATEMENTS

18. SUBSEQUENT EVENTS

1. The City is in the process of transferring emergency dispatch service to NORCOM, a newly created regional 9-1-1 service organization. The transfer includes dispatch personnel and the sale of City assets to NORCOM. NORCOM is expected to be fully operational by July 2009.



REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Firemen's Pension Fund

(in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2004	\$ 5,921	\$ 5,693	\$ (229)	104.0%	\$ 156	146.53%
January 1, 2005	5,974	5,693	(281)	104.9%	76	370.83%
January 1, 2006	6,084	5,508	(576)	110.5%	78	742.38%
January 1, 2007	6,332	5,508	(824)	115.0%	82	1002.18%
January 1, 2008	6,603	5,900	(703)	111.9%	85	823.70%
January 1, 2009	6,603	5,900	(703)	111.9%	85	823.70%

Other Post Employment Benefits (OPEB)

(in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Unit Credit	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2007	\$ -	\$ 30,100	\$ 30,100	0.0%	\$ 2,336	(1288.62)%
January 1, 2008	-	36,350	36,350	0.0%	1,742	(2086.68)%

Schedule of Contributions from the Employer and Other Contributing Entities

Firemen's Pension Fund

(in thousands)

Year Ended 12/31	Fire Insurance Premium Taxes	Interest Earned on Net Fund Balance	Annual Required Contribution	Percentage Contributed
2003	\$ 108,751	\$ 114,301	\$ 34,205	3.00%
2004	127,118	102,687	-	N/A
2005	129,780	193,446	-	N/A
2006	147,488	268,200	-	N/A
2007	159,000	321,735	-	N/A
2008	176,071	295,343	-	N/A

Other Post Employment Benefits (OPEB)

(in thousands)

Year Ended 12/31	Annual OPEB Cost	Employer Contribution	Percentage of OPEB Cost Contributed	NET OPEB Obligation
2008	\$ 2,038,781	\$ 1,065,248	52.25%	\$ 973,533
2007	2,051,705	1,435,906	69.99%	615,799

ROADWAYS

The roadways in the City are made up of two systems: Arterial roadways and Residential roadways. The condition of these systems are assessed every two years. This assessment measures the condition of the pavement surface to classify the roads into two performance rating levels illustrated in the table below. During years when the roadways are not physically assessed, calculated updates are made by the Transportation Pavement Management System.

STANDARD PERFORMANCE RATING LEVELS

	<u>Satisfactory</u>	<u>Unsatisfactory</u>
Arterial:	50 - 100	0 - 49
Residential:	30 - 100	0 - 29

The City's minimum acceptable condition levels have been defined as having at least 60% of Arterial roadways, and 75% of Residential roadways at or above satisfactory condition.

The following disclosures compare roadway conditions for the last three years, and the related estimated and actual expenditures (in thousands) involved in maintaining arterial and residential roadways for the last five years:

CONDITION RATING OF THE CITY'S STREET SYSTEM

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Arterial:			
Percent above satisfactory	90%	94%	88%
Overall performance rating:	80	83	83
Residential:			
Percent above satisfactory	98%	99%	96%
Overall performance rating:	85	83	80

COMPARISON OF NEEDED-TO-ACTUAL EXPENDITURES

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Arterial:					
Needed:	\$ 3,352	\$ 3,616	\$ 3,346	\$ 4,279	\$ 1,582
Actual:	3,206	3,317	1,876	3,599	1,397
Residential:					
Needed:	\$ 2,314	\$ 1,853	\$ 2,289	-	\$ 2,519
Actual:	2,214	1,759	1,471	-	2,223

Following Governmental Accounting Standards Board Statement No. 34 et al, the City is reporting major historic infrastructure acquired in fiscal years ending after June 30, 1980.



**Nonmajor
Governmental
Funds**

Descriptions of the non-major Special Revenue funds included in the City's Comprehensive Annual Financial Report are provided below:

The **Park Maintenance and Operations Reserve Fund** accounts for proceeds of a property tax lid lift approved by the voters in 1988 to support park maintenance and operation expenditures. Tax monies received from the lid lift are initially receipted to the General Fund. Any proceeds in excess of current maintenance and operation needs are subsequently transferred to this special revenue fund to be held for future authorization.

The **Solid Waste Recycling Fund** accounts for multi-family recycling fees and administration fees. Revenues collected by the fund are used to pay contractors performing hauling services for the multi-family recycling program and administrative expenditures.

The **Rainy Day Reserve Fund** accounts for General Fund revenues and other designated revenues placed in reserve to provide for future economic downturn or other unforeseen expenditure needs for general City programs.

The **Land Purchase Revolving Fund** accounts for purchases of land and rights-of-way needed for future public purposes. Some of the properties purchased by this fund are rented on an interim basis, pending their future use for City purposes. The Marina project in this fund has been separately reported in the business-type activities of the government-wide financial statements and in the proprietary funds financial statements.

The **Cable/Franchise Fund** accounts for the revenue and expenditures associated with the City's cable television and cable television franchise-related activities.

The **Hotel/Motel Tax Fund** operates as a conduit for the collection of hotel/motel taxes used for debt service payments on general obligation bonds of the Bellevue Convention Center Authority.

The **Parks Fees Fund** operates and manages the facilities and programs included in the enterprise unit including the Bellevue Municipal Golf Course, the Crossroads Golf Course, Robinswood House, the Tennis Center, and the Adult Sports and Recreation programs.

Descriptions of the non-major Debt Service funds included in the City's Comprehensive Annual Financial Report are provided below:

The **Interest and Debt Redemption - Regular Levy Fund** accounts for debt service on the City Council-approved general obligation bond. Primary revenues for the fund consist of general property tax and local sales tax.

The **Interest and Debt Redemption - Special Levy Fund** accounts for debt service on the City's voter-approved general obligation bond issues. Primary revenues for the fund consist of voter approved property taxes.

The **Local Improvement District (LID) Guaranty Fund** accounts for monies set aside in accordance with State law to provide for payment of principal and interest due on special assessment bond issues in the event of default by LID property owners and a resulting insufficiency of funds in the LID Control Fund to make related payments.

Descriptions of the non-major Capital Projects funds included in the City's Comprehensive Annual Financial Report are provided below:

The **2004 City Hall Bond Fund** accounts for the proceeds of \$105.55 million Council-approved bonds sold in July 2004 to provide funding for the purchase and redevelopment of the new City Hall. Actual capital expenditures are accounted for in the General CIP Fund.



Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2008
(in thousands)

	Special Revenue			
	Park M & O Reserve	Solid Waste Recycling	Rainy Day Reserve	Land Purchase Revolving
Assets:				
Cash & equity in pooled investments	\$ 2,691	\$ 980	\$ 5,320	\$ 1,306
Receivables (net of allowances):				
Taxes	-	-	-	-
Accounts	-	-	-	59
Interest	11	4	-	5
Interfund loans receivable	-	-	-	-
Due from other funds	-	4	-	65
Total assets	2,702	988	5,320	1,436
Liabilities:				
Accounts payable	-	50	-	52
Due to other funds	-	-	-	6
Due to Component Unit	-	-	-	-
Due to other governments	-	-	-	24
Accrued payroll	-	10	-	-
Deposits payable	-	-	-	3
Deferred revenues	-	-	-	-
Total liabilities	-	60	-	85
Fund balance:				
Reserved for:				
Debt Service	-	-	-	-
Unreserved, reported in:				
Special Revenue	2,702	928	5,320	1,351
Total fund balance	2,702	928	5,320	1,351
Total liabilities and fund balance	\$ 2,702	\$ 988	\$ 5,320	\$ 1,436

Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2008
(in thousands)

	Special Revenue			
	Cable/ Franchise	Hotel/Motel Tax	Park Fees	Total
Assets:				
Cash & equity in pooled investments	\$ 191	\$ 3,849	\$ 942	\$ 15,278
Receivables (net of allowances):				
Taxes	413	-	-	413
Accounts	-	-	98	157
Interest	7	16	5	48
Interfund loans receivable	-	-	-	-
Due from other funds	-	-	5	74
Total assets	611	3,864	1,050	15,970
Liabilities:				
Accounts payable	20	-	85	207
Due to other funds	-	-	8	14
Due to Component Unit	-	639	-	639
Due to other governments	10	-	4	38
Accrued payroll	10	-	62	81
Deposits payable	25	-	62	90
Deferred revenues	-	-	255	255
Total liabilities	64	639	476	1,323
Fund balance:				
Reserved for:				
Debt Service	-	-	-	-
Unreserved, reported in:				
Special Revenue	547	3,226	574	14,647
Total fund balance	547	3,226	574	14,647
Total liabilities and fund balance	\$ 611	\$ 3,864	\$ 1,050	\$ 15,970

Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2008
(in thousands)

	Debt Service			
	I & D Redemption- Regular	I & D Redemption- Special	LID Guaranty	Total
Assets:				
Cash & equity in pooled investments	\$ 4,920	\$ 84	\$ 449	\$ 5,453
Receivables (net of allowances):				
Taxes	75	-	-	75
Accounts	-	-	-	-
Interest	18	-	2	20
Interfund loans receivable	-	-	59	59
Due from other funds	-	-	-	-
Total assets	<u>5,014</u>	<u>84</u>	<u>510</u>	<u>5,607</u>
Liabilities:				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Due to Component Unit	-	-	-	-
Due to other governments	-	-	-	-
Accrued payroll	-	-	-	-
Deposits payable	-	-	-	-
Deferred revenues	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Reserved for:				
Debt Service	5,014	84	510	5,607
Unreserved, reported in:				
Special Revenue	-	-	-	-
Total fund balance	<u>5,014</u>	<u>84</u>	<u>510</u>	<u>5,607</u>
Total liabilities and fund balance	<u>\$ 5,014</u>	<u>\$ 84</u>	<u>\$ 510</u>	<u>\$ 5,607</u>

Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2008
(in thousands)

	<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>2004 City Hall Bond Fund</u>	<u>Total</u>	
Assets:			
Cash & equity in pooled investments	\$ -	\$ -	\$ 20,731
Receivables (net of allowances):			
Taxes	-	-	488
Accounts	-	-	157
Interest	-	-	68
Interfund loans receivable	-	-	59
Due from other funds	-	-	74
Total assets	<u>-</u>	<u>-</u>	<u>21,577</u>
Liabilities:			
Accounts payable	-	-	207
Due to other funds	-	-	14
Due to Component Unit	-	-	639
Due to other governments	-	-	38
Accrued payroll	-	-	81
Deposits payable	-	-	90
Deferred revenues	-	-	255
Total liabilities	<u>-</u>	<u>-</u>	<u>1,323</u>
Fund balance:			
Reserved for:			
Debt Service	-	-	5,607
Unreserved, reported in:			
Special Revenue	-	-	14,647
Total fund balance	<u>-</u>	<u>-</u>	<u>20,254</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,577</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2008**
(in thousands)

	<u>Special Revenue</u>			
	<u>Park M & O Reserve</u>	<u>Solid Waste Recycling</u>	<u>Rainy Day Reserve</u>	<u>Land Purchase Revolving</u>
Revenues:				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	72
Service charges and fees	-	1,100	-	-
Fines and forfeitures	-	-	-	-
Interest and assessment interest/penalties	97	40	-	83
Net change in fair value of investments	12	4	-	(14)
Rent	-	-	-	988
Premiums/contributions	-	-	-	25
Other	-	-	-	1
Total revenues	<u>109</u>	<u>1,143</u>	<u>-</u>	<u>1,156</u>
Expenditures:				
Current:				
General government	-	-	-	139
Physical environment	-	1,331	-	-
Transportation	-	-	-	7
Economic environment	-	-	-	-
Culture and recreation	-	-	-	710
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay:				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>1,331</u>	<u>-</u>	<u>856</u>
Excess (deficiency) of revenues over (under) expenditures	109	(187)	-	300
Other financing sources (uses):				
Transfers in	-	285	948	-
Transfers out	(114)	(7)	-	(1,538)
Total other financing sources and uses	<u>(114)</u>	<u>279</u>	<u>948</u>	<u>(1,538)</u>
Net change in fund balance	(5)	91	948	(1,238)
Fund balance at beginning of year	2,706	837	4,372	2,590
Prior period adjustment	-	-	-	-
Fund balance at end of year	<u>\$ 2,702</u>	<u>\$ 928</u>	<u>\$ 5,320</u>	<u>\$ 1,351</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2008
(in thousands)

Page 2 of 4

	<u>Special Revenue</u>			
	<u>Cable/ Franchise</u>	<u>Hotel/Motel Tax</u>	<u>Park Fees</u>	<u>Total</u>
Revenues:				
Taxes and special assessments	\$ 1,625	\$ 6,724	\$ -	\$ 8,349
Licenses and permits	35	-	-	35
Intergovernmental	-	-	-	72
Service charges and fees	-	-	3,525	4,625
Fines and forfeitures	-	-	-	-
Interest and assessment interest/penalties	27	139	43	428
Net change in fair value of investments	4	23	11	41
Rent	-	-	1,511	2,500
Premiums/contributions	-	-	-	25
Other	-	-	7	8
Total revenues	<u>1,692</u>	<u>6,886</u>	<u>5,097</u>	<u>16,082</u>
Expenditures:				
Current:				
General government	-	5,155	-	5,293
Physical environment	-	-	-	1,331
Transportation	-	-	-	7
Economic environment	695	-	-	695
Culture and recreation	-	-	5,092	5,802
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay:				
Culture and recreation	-	-	15	15
Total expenditures	<u>695</u>	<u>5,155</u>	<u>5,107</u>	<u>13,143</u>
Excess (deficiency) of revenues over (under) expenditures	997	1,731	(10)	2,940
Other financing sources (uses):				
Transfers in	-	-	214	1,447
Transfers out	(862)	(1,451)	(227)	(4,200)
Total other financing sources and uses	<u>(862)</u>	<u>(1,451)</u>	<u>(13)</u>	<u>(2,752)</u>
Net change in fund balance	135	280	(23)	187
Fund balance at beginning of year	412	2,946	598	14,460
Prior period adjustment	-	-	-	-
Fund balance at end of year	<u>\$ 547</u>	<u>\$ 3,226</u>	<u>\$ 574</u>	<u>\$ 14,647</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2008**
(in thousands)

	Debt Service			
	I & D Redemption - Regular	I & D Redemption - Special	LID Guaranty	Total
Revenues:				
Taxes and special assessments	\$ 424	\$ 11	\$ -	\$ 434
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Service charges and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and assessment interest/penalties	212	22	19	253
Net change in fair value of investments	29	5	1	35
Rent	-	-	-	-
Premiums/contributions	-	-	-	-
Other	-	-	-	-
Total revenues	664	38	20	723
Expenditures:				
Current:				
General government	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	2,139	1,415	-	3,554
Interest and fiscal charges	7,033	28	-	7,061
Capital outlay:				
Culture and recreation	-	-	-	-
Total expenditures	9,172	1,443	-	10,615
Excess (deficiency) of revenues over (under) expenditures	(8,507)	(1,405)	20	(9,892)
Other financing sources (uses):				
Transfers in	13,303	-	-	13,303
Transfers out	-	-	-	-
Total other financing sources and uses	13,303	-	-	13,303
Net change in fund balance	4,795	(1,405)	20	3,410
Fund balance at beginning of year	218	1,490	508	2,216
Prior period adjustment	-	-	(19)	(19)
Fund balance at end of year	\$ 5,013	\$ 85	\$ 510	\$ 5,608

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2008**
(in thousands)

	Capital Projects		Total Nonmajor Governmental Funds
	2004 City Hall Bond Fund	Total	
Revenues:			
Taxes and special assessments	\$ -	\$ -	\$ 8,783
Licenses and permits	-	-	35
Intergovernmental	-	-	72
Service charges and fees	-	-	4,625
Fines and forfeitures	-	-	-
Interest and assessment interest/penalties	-	-	682
Net change in fair value of investments	-	-	76
Rent	-	-	2,500
Premiums/contributions	-	-	25
Other	-	-	8
Total revenues	-	-	16,805
Expenditures:			
Current:			
General government	-	-	5,293
Physical environment	-	-	1,331
Transportation	-	-	7
Economic environment	-	-	695
Culture and recreation	-	-	5,802
Debt service:			
Principal	-	-	3,554
Interest and fiscal charges	-	-	7,061
Capital outlay:			
Culture and recreation	-	-	15
Total expenditures	-	-	23,758
Excess (deficiency) of revenues over (under) expenditures	-	-	(6,953)
Other financing sources (uses):			
Transfers in	17	17	14,767
Transfers out	-	-	(4,200)
Total other financing sources and uses	17	17	10,567
Net change in fund balance	17	17	3,614
Fund balance at beginning of year	(17)	(17)	16,659
Prior year adjustment	-	-	(19)
Fund balance at end of year	\$ -	\$ -	\$ 20,255

Parks M&O Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2008
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Interest and assessment interest	\$ 114	\$ 114	\$ 97	\$ 17
Net change in fair value of investments	-	-	12	(12)
Total revenues	<u>114</u>	<u>114</u>	<u>109</u>	<u>5</u>
Excess (deficiency) of revenues over (under) expenditures	114	114	109	5
Other financing sources(uses)				
Transfers out	<u>(114)</u>	<u>(114)</u>	<u>(114)</u>	<u>-</u>
Total other financing sources(uses)	<u>(114)</u>	<u>(114)</u>	<u>(114)</u>	<u>-</u>
Net change in fund balance	-	-	(5)	5
Fund balance beginning of year	<u>2,653</u>	<u>2,653</u>	<u>2,706</u>	<u>(53)</u>
Fund balance end of year	<u><u>\$ 2,653</u></u>	<u><u>\$ 2,653</u></u>	<u><u>\$ 2,701</u></u>	<u><u>\$ (49)</u></u>

Solid Waste Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2008
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Service charges and fees	\$ 1,023	\$ 1,023	\$ 1,100	\$ (76)
Interest and assessment interest	24	24	40	(16)
Net change in fair value of investments	-	-	4	(4)
Total revenues	<u>1,047</u>	<u>1,047</u>	<u>1,143</u>	<u>(96)</u>
Expenditures				
Current:				
Physical environment	<u>1,452</u>	<u>1,489</u>	<u>1,331</u>	<u>158</u>
Total expenditures	<u>1,452</u>	<u>1,489</u>	<u>1,331</u>	<u>158</u>
Excess (deficiency) of revenues over (under) expenditures	(405)	(441)	(187)	(254)
Other financing sources(uses)				
Transfers in	248	279	285	(6)
Transfers out	-	-	(7)	7
Total other financing sources(uses)	<u>248</u>	<u>279</u>	<u>279</u>	<u>1</u>
Net change in fund balance	(157)	(162)	91	(253)
Fund balance beginning of year	598	581	837	(256)
Fund balance end of year	<u>\$ 441</u>	<u>\$ 419</u>	<u>\$ 928</u>	<u>\$ (509)</u>

Rainy Day Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2008
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Other financing sources(uses)				
Transfers in	\$ -	\$ 948	\$ 948	\$ -
Total other financing sources(uses)	<u>-</u>	<u>948</u>	<u>948</u>	<u>-</u>
Net change in fund balance	-	948	948	-
Fund balance beginning of year	4,372	4,372	4,372	-
Fund balance end of year	<u>\$ 4,372</u>	<u>\$ 5,320</u>	<u>\$ 5,320</u>	<u>\$ -</u>

City of Bellevue, Washington

Land Purchase Revolving
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2008
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Intergovernmental	\$ -	\$ -	\$ 72	(72)
Interest and assessment interest	53	53	83	(30)
Net change in fair value of investments	-	-	(14)	14
Rent	259	259	988	(729)
Premiums/contributions	-	-	25	(25)
Other	-	-	1	(1)
Total revenues	<u>312</u>	<u>312</u>	<u>1,156</u>	<u>(843)</u>
Expenditures				
Current:				
General government	71	35	139	(104)
Transportation	2	1	7	(6)
Culture and recreation	225	225	710	(486)
Capital outlay:				
Transportation	-	1	-	1
Total expenditures	<u>298</u>	<u>262</u>	<u>856</u>	<u>(594)</u>
Excess (deficiency) of revenues over (under) expenditures	14	51	300	(249)
Other financing sources(uses)				
Transfers out	(1,799)	(1,799)	(1,538)	(261)
Sale of capital assets	125	125	-	125
Total other financing sources(uses)	<u>(1,674)</u>	<u>(1,674)</u>	<u>(1,538)</u>	<u>(136)</u>
Net change in fund balance	(1,660)	(1,624)	(1,238)	(385)
Fund balance beginning of year	2,555	2,555	2,592	(37)
Fund balance end of year	<u>\$ 895</u>	<u>\$ 932</u>	<u>\$ 1,354</u>	<u>\$ (422)</u>

City of Bellevue, Washington

Franchise Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2008
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Taxes and special assessments	\$ 1,450	\$ 1,533	\$ 1,625	\$ (92)
Licenses and permits	5	5	35	(30)
Interest and assessment interest	8	8	27	(20)
Net change in fair value of investments	-	-	4	(4)
Other	-	-	-	-
Total revenues	<u>1,463</u>	<u>1,545</u>	<u>1,692</u>	<u>(146)</u>
Expenditures				
Current:				
Transportation	5	5	-	5
Economic environment	726	756	695	61
Total expenditures	<u>732</u>	<u>761</u>	<u>695</u>	<u>66</u>
Excess (deficiency) of revenues over (under) expenditures	731	784	997	(213)
Other financing sources(uses)				
Transfers out	(731)	(784)	(862)	78
Total other financing sources(uses)	<u>(731)</u>	<u>(784)</u>	<u>(862)</u>	<u>78</u>
Net change in fund balance	-	-	135	(135)
Fund balance beginning of year	-	103	412	(309)
Fund balance end of year	<u>\$ -</u>	<u>\$ 103</u>	<u>\$ 547</u>	<u>\$ (444)</u>

Hotel/Motel Taxes
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2008
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Taxes and special assessments	\$ 6,807	\$ 7,147	\$ 6,724	\$ 423
Interest and assessment interest	184	184	139	46
Net change in fair value of investments	-	-	23	(23)
Total revenues	<u>6,991</u>	<u>7,331</u>	<u>6,886</u>	<u>445</u>
Expenditures				
Current:				
General government	<u>5,356</u>	<u>5,356</u>	<u>5,155</u>	<u>201</u>
Total expenditures	<u>5,356</u>	<u>5,356</u>	<u>5,155</u>	<u>201</u>
Excess (deficiency) of revenues over (under) expenditures	1,636	1,976	1,731	244
Other financing sources(uses)				
Transfers out	<u>(1,451)</u>	<u>(1,791)</u>	<u>(1,451)</u>	<u>(340)</u>
Total other financing sources(uses)	<u>(1,451)</u>	<u>(1,791)</u>	<u>(1,451)</u>	<u>(340)</u>
Net change in fund balance	184	184	280	(96)
Fund balance beginning of year	<u>3,683</u>	<u>3,683</u>	<u>2,946</u>	<u>737</u>
Fund balance end of year	<u>\$ 3,867</u>	<u>\$ 3,867</u>	<u>\$ 3,226</u>	<u>\$ 641</u>

City of Bellevue, Washington

Parks Fees Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2008

(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Service charges and fees	\$ 2,756	\$ 2,756	\$ 3,525	\$ (769)
Interest and assessment interest	31	31	43	(12)
Net change in fair value of investments	-	-	11	(11)
Rent	2,167	2,167	1,511	656
Other	14	14	7	7
Total revenues	<u>4,968</u>	<u>4,968</u>	<u>5,097</u>	<u>(129)</u>
Expenditures				
Current:				
Culture and recreation	4,926	4,903	5,092	(189)
Capital outlay:				
Culture and recreation	-	-	15	(15)
Total expenditures	<u>4,926</u>	<u>4,903</u>	<u>5,106</u>	<u>(204)</u>
Excess (deficiency) of revenues over (under) expenditures	42	65	(10)	75
Other financing sources(uses)				
Transfers in	214	214	214	-
Transfers out	(200)	(200)	(227)	27
Total other financing sources(uses)	<u>14</u>	<u>14</u>	<u>(13)</u>	<u>27</u>
Net change in fund balance	56	79	(23)	102
Fund balance beginning of year	554	548	596	(48)
Fund balance end of year	<u>\$ 610</u>	<u>\$ 627</u>	<u>\$ 573</u>	<u>\$ 54</u>

Internal Service Funds

Descriptions of the Internal Service funds included in the City's Comprehensive Annual Financial Report are provided below:

The **Equipment Rental Fund** accounts for the operation of the electronic equipment shop, maintenance of City vehicles and other motorized equipment, and reserves for replacement of designated equipment. Rates charged to user departments are based on the full cost of operations and maintenance, including the recovery of related depreciation expense.

The **Workers' Compensation Fund** accounts for the City's workers' compensation self-insurance program. Premiums received by the fund are used to pay benefits to injured workers and to maintain reserves for the payment of future claims based on actuarial estimates.

The **Unemployment Compensation Fund** accounts for the City's unemployment compensation self-insurance program. Premiums received by the fund are used to reimburse the State's Employment Security Department for unemployment benefits paid to eligible individuals and to maintain reserves for the payment of future claims based on actuarial estimates.

The **General Self-Insurance Fund** accounts for the City's self-insurance program for property and casualty losses and general loss control activities. Premiums received by the fund are used to pay liability claims, purchase fire and property damage coverage, and to maintain reserves for the payment of estimated future claims liability based on actuarial estimates.

The **Health Benefits Fund** accounts for programs established to provide employee medical and dental health care coverage. Medical premiums received by the fund are used to pay claims for employees participating in the City's self-insured health care program, purchase "stop-loss" coverage for individual and aggregate claims in excess of self-insured limits, and maintain reserves for the payment of future claims based on actuarial estimates. Employee dental coverage is purchased from an outside carrier.

The **Information Technology Fund** accounts for information services operations and replacement reserves for the desktop computers, workstations, and major software applications.

The **Facilities Services Fund** provides coordinated, cost-effective planning, development, maintenance, and management services required to support City operations in General Government buildings. This Fund includes operating costs, capital costs, and building reserves for future facility projects.



Combining Statement of Net Assets
Internal Service Funds
As of December 31, 2008
(in thousands)

Page 1 of 2

	<u>Equipment Rental</u>	<u>Workers' Compensation</u>	<u>Unemployment Compensation</u>	<u>General Self- Insurance</u>
Assets:				
Current assets:				
Cash & equity in pooled investments	\$ 21,016	\$ 1,690	\$ 275	\$ 6,865
Receivables (net of allowances):				
Accounts	-	-	-	-
Interest	95	7	1	25
Other	6	-	-	-
Interfund loans - current portion	3,000	-	-	-
Due from other funds	1	-	-	-
Inventory	369	-	-	-
Total current assets	<u>24,488</u>	<u>1,696</u>	<u>276</u>	<u>6,890</u>
Capital assets:				
Property, plant and equipment (net)	<u>17,607</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>17,607</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>42,096</u>	<u>1,696</u>	<u>276</u>	<u>6,890</u>
Liabilities:				
Current liabilities:				
Accounts payable	262	6	-	497
Estimated claims	-	930	28	1,102
Due to other funds	-	-	-	-
Due to other governments	3	20	28	-
Accrued payroll	113	-	-	22
Accrued compensated absences	56	-	-	16
Total current liabilities	<u>433</u>	<u>956</u>	<u>56</u>	<u>1,637</u>
Noncurrent liabilities:				
Accrued compensated absences	130	-	-	37
Estimated claims	-	445	-	2,364
Total noncurrent liabilities	<u>130</u>	<u>445</u>	<u>-</u>	<u>2,401</u>
Total liabilities	<u>563</u>	<u>1,401</u>	<u>56</u>	<u>4,038</u>
Net assets:				
Invested in capital asset net of related debt	17,607	-	-	-
Unrestricted (deficit)	23,926	296	220	2,852
Total net assets	<u>\$ 41,533</u>	<u>\$ 296</u>	<u>\$ 220</u>	<u>\$ 2,852</u>

Combining Statement of Net Assets
Internal Service Funds
As of December 31, 2008
(in thousands)

Page 2 of 2

	<u>Health Benefits</u>	<u>Information Technology</u>	<u>Facility Services</u>	<u>Total</u>
Assets:				
Current assets:				
Cash & equity in pooled investments	\$ 5,417	\$ 5,521	\$ 1,448	\$ 42,231
Receivables (net of allowances):				
Accounts	-	57	-	57
Interest	20	21	5	175
Other	168	-	-	175
Interfund loans	-	-	-	3,000
Due from other funds	-	55	-	56
Inventory	-	-	-	369
Total current assets	<u>5,605</u>	<u>5,654</u>	<u>1,454</u>	<u>46,064</u>
Capital assets:				
Property, plant and equipment (net)	-	929	2,005	20,541
Total noncurrent assets	<u>-</u>	<u>929</u>	<u>2,005</u>	<u>20,541</u>
Total assets	<u>5,605</u>	<u>6,583</u>	<u>3,459</u>	<u>66,605</u>
Liabilities:				
Current liabilities:				
Accounts payable	204	294	407	1,668
Estimated claims	1,550	-	-	3,610
Due to other funds	-	-	13	13
Due to other governments	-	7	-	58
Accrued payroll	-	275	71	481
Accrued compensated absences	-	204	56	332
Total current liabilities	<u>1,754</u>	<u>780</u>	<u>547</u>	<u>6,162</u>
Noncurrent liabilities:				
Accrued compensated absences	-	477	130	774
Estimated claims	14	-	-	2,823
Total noncurrent liabilities	<u>14</u>	<u>477</u>	<u>130</u>	<u>3,597</u>
Total liabilities	<u>1,768</u>	<u>1,256</u>	<u>677</u>	<u>9,759</u>
Net assets:				
Invested in capital asset net of related debt	-	929	2,005	20,541
Unrestricted (deficit)	3,837	4,398	777	36,305
Total net assets	<u>\$ 3,837</u>	<u>\$ 5,327</u>	<u>\$ 2,782</u>	<u>\$ 56,846</u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Twelve Months Ending December 31, 2008
(in thousands)

Page 1 of 2

	Equipment Rental	Workers' Compensation	Unemployment Compensation	General Self- Insurance
Operating revenues:				
Service charges and fees	\$ 8,801	\$ -	\$ -	\$ -
Insurance recovery	-	-	-	124
Premiums/contributions	-	1,330	143	2,089
Other	288	-	-	-
Total operating revenues	<u>9,089</u>	<u>1,330</u>	<u>143</u>	<u>2,212</u>
Operating expenses:				
Administrative and general	949	191	-	1,452
Maintenance and operations	4,879	748	109	620
Depreciation	3,139	-	-	-
Insurance costs	-	-	-	-
Benefits and claims payments	-	63	5	526
Total operating expenses	<u>8,968</u>	<u>1,002</u>	<u>114</u>	<u>2,598</u>
Operating income (loss)	121	327	28	(386)
Nonoperating revenues (expenses):				
Interest income	834	59	9	232
Net change in fair value of investments	78	4	-	22
Rental income	-	-	-	-
Gain on disposal of capital assets	230	-	-	-
Total nonoperating revenue (expenses)	<u>1,142</u>	<u>63</u>	<u>9</u>	<u>255</u>
Income before contributions and transfers	1,263	390	37	(131)
Contributions and transfers:				
Transfers in	524	-	-	159
Transfers out	(199)	(153)	(6)	-
Total contributions and transfers	<u>325</u>	<u>(153)</u>	<u>(6)</u>	<u>159</u>
Change in net assets	1,588	237	31	28
Net assets beginning of year	40,056	59	188	2,824
Prior period adjustment	(112)	-	-	-
Net assets end of year	<u>\$ 41,533</u>	<u>\$ 296</u>	<u>\$ 219</u>	<u>\$ 2,852</u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Twelve Months Ending December 31, 2008
(in thousands)

Page 2 of 2

	Health Benefits	Information Technology	Facility Services	Total
Operating revenues:				
Service charges and fees	\$ -	\$ 12,559	\$ 5,660	\$ 27,020
Insurance recovery	2,354	-	-	2,478
Premiums/contributions	12,822	-	8	16,391
Other	14	-	-	302
Total operating revenues	<u>15,191</u>	<u>12,559</u>	<u>5,669</u>	<u>46,192</u>
Operating expenses:				
Administrative and general	2,046	1,865	2,448	8,952
Maintenance and operations	-	10,601	3,277	20,235
Depreciation	-	105	111	3,355
Insurance costs	2,358	-	-	2,358
Benefits and claims payments	12,369	-	-	12,963
Total operating expenses	<u>16,773</u>	<u>12,571</u>	<u>5,835</u>	<u>47,862</u>
Operating income (loss)	(1,582)	(13)	(166)	(1,670)
Nonoperating revenues (expenses):				
Interest income	202	225	40	1,602
Net change in fair value of investments	16	16	(19)	116
Rental income	-	-	31	31
Gain on disposal of capital assets	-	-	-	230
Total nonoperating revenue (expenses)	<u>218</u>	<u>240</u>	<u>52</u>	<u>1,979</u>
Income before contributions and transfers	(1,363)	228	(114)	309
Contributions and transfers:				
Transfers in	-	240	248	1,171
Transfers out	(10)	(961)	-	(1,329)
Total contributions and transfers	<u>(10)</u>	<u>(722)</u>	<u>248</u>	<u>(159)</u>
Change in net assets	(1,373)	(494)	134	151
Net assets beginning of year	5,212	7,071	2,282	57,692
Prior period adjustment	-	(1,251)	368	(994)
Net assets end of year	<u>\$ 3,839</u>	<u>\$ 5,326</u>	<u>\$ 2,784</u>	<u>\$ 56,848</u>

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2008
(in thousands)

	<u>Equipment Rental</u>	<u>Worker's Compensation</u>	<u>Unemployment Compensation</u>	<u>General Self-Insurance</u>
Cash flows from operating activities:				
Cash received from customers and users	\$ 8,898	\$ -	\$ -	\$ -
Contributions received - employer/employee	-	1,330	148	2,089
Cash received from insurance proceeds	-	-	-	124
Cash payments to suppliers for goods and services	(3,564)	(247)	-	(1,106)
Cash payments to employees for services	(2,132)	(731)	(104)	(508)
Cash payments to claimants	-	-	(5)	-
Cash received from contracts/rent	-	-	-	-
Cash payments for insurance	-	-	-	-
Other receipts	288	-	-	-
Net cash provided (used) by operating activities	<u>3,490</u>	<u>352</u>	<u>39</u>	<u>599</u>
Cash flows from noncapital financing activities:				
Transfers in	524	-	-	159
Transfers out	(199)	(153)	(6)	-
Net cash provided (used) by noncapital financing activities:	<u>325</u>	<u>(153)</u>	<u>(6)</u>	<u>159</u>
Cash flows from capital & related financing activities:				
Acquisition and construction of capital assets	(3,179)	-	-	-
Proceeds from sale of assets	239	-	-	-
financing activities	<u>(2,940)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	847	58	9	237
Interfund loan issued	(3,000)	-	-	-
Net cash provided (used) by investing activities	<u>(2,153)</u>	<u>58</u>	<u>9</u>	<u>237</u>
Net increase (decrease) in cash balance	(1,277)	257	41	995
Cash balance at beginning of year	22,294	1,433	234	5,870
Cash balance at end of year	<u>\$ 21,016</u>	<u>\$ 1,690</u>	<u>\$ 275</u>	<u>\$ 6,865</u>

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2008
(in thousands)

	<u>Equipment Rental</u>	<u>Worker's Compensation</u>	<u>Unemployment Compensation</u>	<u>General Self-Insurance</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 121	\$ 327	\$ 28	\$ (386)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	3,139	-	-	-
Other receipts	-	-	-	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	-	-
(Increase) decrease in due from other funds	97	-	-	-
(Increase) decrease in inventory	9	-	-	-
Increase (decrease) in accounts payable	65	(38)	-	456
Increase (decrease) in wages & benefits payable	30	-	-	-
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in due to other governments	-	-	5	-
Increase (decrease) in compensated absences	27	-	-	3
Increase (decrease) in customer deposits	-	-	-	-
Increase (decrease) in estimated claims payable	-	63	5	526
Total adjustments	<u>3,368</u>	<u>25</u>	<u>10</u>	<u>985</u>
Net cash provided (used) by operating activities	<u>\$ 3,490</u>	<u>\$ 353</u>	<u>\$ 39</u>	<u>\$ 599</u>

On December 31, 2008, the city recognized a gain as a result of the change in fair value of US Government Securities with a maturity of more than one year. The gain recognized by the Internal Service Funds of \$116 is reflected on the financial statements as Net Change in Fair Value of Investments.

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2008
(in thousands)

	Health Benefits	Information Technology	Facilities Services	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ -	\$ 12,545	\$ 5,660	\$ 27,104
Contributions received - employer/employees	12,822	-	-	16,388
Cash received from insurance proceeds	2,186	-	-	2,308
Cash payments to suppliers for goods and services	(2,042)	(5,794)	(3,737)	(16,490)
Cash payments to employees for services	(4)	(6,480)	(1,757)	(11,718)
Cash payments to claimants	(12,074)	-	-	(12,079)
Cash received from contracts/rent	-	-	31	31
Cash payments for insurance	(2,358)	-	-	(2,358)
Other receipts	14	-	8	310
Net cash provided (used) by operating activities	<u>(1,455)</u>	<u>271</u>	<u>206</u>	<u>3,496</u>
Cash flows from noncapital financing activities:				
Transfers in	-	240	248	1,171
Transfers out	(10)	(961)	-	(1,329)
Net cash provided (used) by noncapital financing activities:	<u>(10)</u>	<u>(722)</u>	<u>248</u>	<u>(159)</u>
Cash flows from capital & related financing activities:				
Acquisition and construction of capital assets	-	(194)	-	(3,373)
Proceeds from sale of assets	-	-	-	239
financing activities	<u>-</u>	<u>(194)</u>	<u>-</u>	<u>(3,134)</u>
Cash flows from investing activities:				
Interest on investments	209	228	17	1,605
Interfund loan issued	-	-	-	(3,000)
Net cash provided (used) by investing activities	<u>209</u>	<u>228</u>	<u>17</u>	<u>(1,395)</u>
Net increase (decrease) in cash balance	(1,257)	(417)	470	(1,189)
Cash balance at beginning of year	6,674	5,937	978	43,420
Cash balance at end of year	<u>\$ 5,417</u>	<u>\$ 5,521</u>	<u>\$ 1,448</u>	<u>\$ 42,231</u>

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2008
(in thousands)

	<u>Health Benefits</u>	<u>Information Technology</u>	<u>Facilities Services</u>	<u>Total</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,582)	\$ (13)	\$ (166)	(1,670)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	105	111	3,355
Other receipts	-	-	31	31
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(168)	41	-	(127)
(Increase) decrease in due from other funds	-	(55)	-	42
(Increase) decrease in inventory	-	-	-	9
Increase (decrease) in accounts payable	5	109	220	813
Increase (decrease) in wages & benefits payable	-	31	8	69
Increase (decrease) in due to other funds	-	-	1	1
Increase (decrease) in due to other governments	-	1	-	6
Increase (decrease) in compensated absences	-	103	3	137
Increase (decrease) in customer deposits	-	(52)	-	(52)
Increase (decrease) in estimated claims payable	290	-	-	882
Total adjustments	<u>126</u>	<u>284</u>	<u>372</u>	<u>5,166</u>
Net cash provided (used) by operating activities	<u>\$ (1,455)</u>	<u>\$ 271</u>	<u>\$ 206</u>	<u>\$ 3,496</u>

Agency Funds

Descriptions of the Trust and Agency (fiduciary) funds included as supplementary information in the City's Comprehensive Annual Financial Report are provided below:

debt service. Monies are transferred to this fund from funds recording related expenditures and are subsequently disbursed through issuance of claims warrants.

Agency Funds

The **e-Gov Alliance Fund** accounts for a multi-jurisdictional site created to provide a regionally coordinated portal for the delivery of municipal services via the Internet, providing citizens with internet access to a variety of services, and offers a forum for the sharing of resources in the development and deployment of future online municipal services.

The **Eastside Narcotics Task Force Fund** accounts for revenues generated by an interlocal task force of law enforcement agencies to support drug enforcement activities.

The **Hazardous Materials Fund** accounts for contributions from members of an interlocal agreement which provides for the development and operation of the Hazardous Materials Unit and Team.

The **Pipeline Safety Consortium Fund** accounts for contributions from members of an interlocal agreement which provides for securing legal, engineering, and public outreach expertise necessary to ensure the integrity and safety of the Olympic Natural Gas Pipe Line.

The **ARCH-Housing Coalition Fund** accounts for contributions from members of an interlocal agreement to provide affordable housing for low- and moderate-income households on the eastside.

The **Jail Administrative Group** accounts for contributions from members of an interlocal agreement which provides for...

The **Payroll Clearing Fund** accounts for payment of employee salaries and withheld deductions. Monies are transferred to this fund from funds recording related payroll expenditures and are subsequently disbursed through issuance of payroll warrants.

The **Claims Clearing Fund** accounts for payment of all expenditures of the City except payroll and



City of Bellevue, Washington

**Combining Statement of Fiduciary Net Assets
Agency Funds
As of December 31, 2008
(in thousands)**

Page 1 of 2

	<u>E-Government Alliance</u>	<u>Eastside NARC Task Force</u>	<u>Hazardous Materials</u>	<u>Pipeline Safety Consortium</u>
Assets:				
Cash & equity in pooled investments	\$ 296	\$ 1,232	\$ 396	\$ 5
Receivables (net of allowances):				
Interest	2	5	2	-
Due from other governments	21	-	5	-
Property, plant and equipment (net)	-	230	-	-
Total assets	<u>319</u>	<u>1,467</u>	<u>403</u>	<u>5</u>
Liabilities:				
Accounts payable	21	7	7	-
Due to other governments	298	1,208	396	5
Deposits payable	-	252	-	-
Total liabilities	<u>319</u>	<u>1,467</u>	<u>403</u>	<u>5</u>
Total net assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Bellevue, Washington

**Combining Statement of Fiduciary Net Assets
Agency Funds
As of December 31, 2008
(in thousands)**

Page 2 of 2

	ARCH Housing Coalition	Jail Administrative Group	Payroll Clearing	Claims Clearing	Total
Assets:					
Cash & equity in pooled investments	\$ 494	\$ 440	\$ 271	\$ 32	\$ 3,166
Receivables (net of allowances):					
Interest	2	-	-	-	10
Due from other governments	-	-	-	-	27
Property, plant and equipment (net)	-	-	-	-	230
Total assets	496	440	271	32	3,433
Liabilities:					
Accounts payable	1	-	93	32	161
Due to other governments	495	440	158	-	3,000
Deposits payable	-	-	20	-	272
Total liabilities	496	440	271	32	3,433
Total net assets	\$ -	\$ -	\$ -	\$ -	\$ -

City of Bellevue, Washington

**All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended December 31, 2008
(in thousands)**

Page 1 of 3

	<u>Balance 1/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2008</u>
E-Government Alliance				
Assets:				
Cash & equity in pooled investments	\$ 230	\$ 1,088	\$ 1,022	\$ 296
Interest	1	3	2	2
Due from other governments	39	954	972	21
Property, plant and equipment (net)	27	96	122	-
Total Assets	<u>\$ 296</u>	<u>\$ 2,141</u>	<u>\$ 2,118</u>	<u>\$ 319</u>
Liabilities:				
Accounts payable	\$ 1	\$ 21	\$ 1	\$ 21
Due to other governments	295	610	607	298
Total liabilities	<u>\$ 296</u>	<u>\$ 631</u>	<u>\$ 608</u>	<u>\$ 319</u>
Eastside NARC Task Force				
Assets:				
Cash & equity in pooled investments	\$ 1,834	\$ 2,278	\$ 2,880	\$ 1,232
Interest	4	11	10	5
Property, plant and equipment (net)	132	500	401	230
Total Assets	<u>\$ 1,971</u>	<u>\$ 2,788</u>	<u>\$ 3,291</u>	<u>\$ 1,467</u>
Liabilities:				
Accounts payable	\$ 12	\$ 7	\$ 12	\$ 7
Due to other governments	1,733	442	968	1,208
Deposits payable	224	197	169	252
Total liabilities	<u>\$ 1,971</u>	<u>\$ 646</u>	<u>\$ 1,149</u>	<u>\$ 1,467</u>
Hazardous Materials				
Assets:				
Cash & equity in pooled investments	\$ 335	\$ 161	\$ 100	\$ 396
Interest	1	3	2	2
Due from other governments	5	16	16	5
Property, plant and equipment (net)	37	166	203	-
Total Assets	<u>\$ 378</u>	<u>\$ 346</u>	<u>\$ 322</u>	<u>\$ 403</u>
Liabilities:				
Accounts payable	\$ 7	\$ 7	\$ 7	\$ 7
Due to other governments	372	83	59	396
Total liabilities	<u>\$ 378</u>	<u>\$ 90</u>	<u>\$ 66</u>	<u>\$ 403</u>

City of Bellevue, Washington

**All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended December 31, 2008
(in thousands)**

Page 2 of 3

	<u>Balance 1/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2008</u>
Pipeline Safety Consortium				
Assets:				
Cash & equity in pooled investments	\$ 5	\$ -	\$ -	\$ 5
Total Assets	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>
Liabilities:				
Due to other governments	\$ 5	\$ -	\$ -	\$ 5
Total liabilities	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>
ARCH Housing Coalition				
Assets:				
Cash & equity in pooled investments	\$ 323	\$ 1,847	\$ 1,676	\$ 494
Interest	1	4	3	2
Total Assets	<u>\$ 324</u>	<u>\$ 1,851</u>	<u>\$ 1,678</u>	<u>\$ 496</u>
Liabilities:				
Accounts payable	\$ 2	\$ 1	\$ 2	\$ 1
Due to other governments	321	387	213	495
Total liabilities	<u>\$ 323</u>	<u>\$ 388</u>	<u>\$ 215</u>	<u>\$ 496</u>
Jail Administrative Group				
Assets:				
Cash & equity in pooled investments	\$ -	\$ 515	\$ 75	\$ 440
Total Assets	<u>\$ -</u>	<u>\$ 515</u>	<u>\$ 75</u>	<u>\$ 440</u>
Liabilities:				
Due to other governments	\$ -	\$ 440	\$ -	\$ 440
Total liabilities	<u>\$ -</u>	<u>\$ 440</u>	<u>\$ -</u>	<u>\$ 440</u>
Payroll Clearing				
Assets:				
Cash & equity in pooled investments	\$ 218	\$ 139,554	\$ 139,501	\$ 271
Total Assets	<u>\$ 218</u>	<u>\$ 139,554</u>	<u>\$ 139,501</u>	<u>\$ 271</u>
Liabilities:				
Accounts payable	\$ 13	\$ 144,735	\$ 144,656	\$ 93
Due to other governments	185	133	160	158
Deposits payable	20	-	-	20
Total liabilities	<u>\$ 218</u>	<u>\$ 144,869</u>	<u>\$ 144,816</u>	<u>\$ 271</u>

City of Bellevue, Washington

**All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended December 31, 2008
(in thousands)**

Page 3 of 3

	<u>Balance</u> <u>1/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2008</u>
Claims Clearing				
Assets:				
Cash & equity in pooled investments	\$ -	\$ 220,718	\$ 220,686	\$ 32
Total Assets	<u>\$ -</u>	<u>\$ 220,718</u>	<u>\$ 220,686</u>	<u>\$ 32</u>
Liabilities:				
Accounts payable	\$ -	\$ 375,783	\$ 375,751	\$ 32
Total liabilities	<u>\$ -</u>	<u>\$ 375,783</u>	<u>\$ 375,751</u>	<u>\$ 32</u>
Total Agency Funds				
Assets:				
Cash & equity in pooled investments	\$ 2,946	\$ 366,161	\$ 365,940	\$ 3,166
Interest	6	21	16	10
Due from other governments	44	970	988	27
Property, plant and equipment (net)	195	761	727	230
Total Assets	<u>\$ 3,192</u>	<u>\$ 367,914</u>	<u>\$ 367,671</u>	<u>\$ 3,433</u>
Liabilities:				
Accounts payable	\$ 36	\$ 520,554	\$ 520,430	\$ 161
Due to other governments	2,911	2,096	2,007	3,000
Deposits payable	244	197	169	272
Total liabilities	<u>\$ 3,192</u>	<u>\$ 522,848</u>	<u>\$ 522,606</u>	<u>\$ 3,433</u>

Statistical Section

STATISTICAL SECTION

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health. The following are the categories of the various schedules that are included in this section:

The **Financial Trends** section has schedules containing trend information to help the reader understand how the City's financial performance and well-being have changed over time.

The **Revenue Capacity** section has schedules containing information to help the reader assess the City's most significant local revenue sources, property taxes and sales taxes.

The **Debt Capacity** section has schedules presenting information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

The **Demographic and Economic Information** section has schedules offering demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

The **Operating Information** section has schedules containing service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Table 1

NET ASSETS BY COMPONENT ^A

Last Five Fiscal Years ^B

(dollars in thousands)

Year	Governmental activities				Business-type activities				Primary Government			
	Invested in capital assets, net of related debt	Restricted	Unrestricted	Total	Invested in capital assets, net of related debt	Restricted	Unrestricted	Total	Invested in capital assets, net of related debt	Restricted	Unrestricted	Total
2004 ^C	1,331,493	87,154	111,635	1,530,282	196,128	20,865	27,482	244,475	1,527,621	108,019	139,117	1,774,757
2005	1,454,592	12,959	107,341	1,574,892	199,195	28,251	29,262	256,708	1,653,787	41,210	136,603	1,831,600
2006	1,477,820	4,193	135,917	1,617,930	202,227	45,917	32,264	280,408	1,680,047	50,110	168,181	1,898,338
2007	1,539,131	13,601	117,310	1,670,042	213,099	52,272	37,526	302,897	1,752,229	65,873	154,836	1,972,939
2008	1,488,268	21,519	105,556	1,615,343	229,344	60,750	39,112	329,206	1,717,612	82,269	144,668	1,944,549

^A All amounts are reported on the accrual basis

^B Amounts presented from year of implementation of GASB-34 (2002) forward

^C In 2004, the City began reporting historical infrastructure assets resulting in an increase to fund balance of 1,008,877.

CHANGES IN NET ASSETS ^(A)**Last Five Fiscal Years ^(B)**

(dollars in thousands)

	2004	2005	2006	2007	2008
Expenses					
Governmental activities					
General Government	\$10,808	\$15,900	\$15,471	\$24,712	\$29,573
Judicial	509	430	378	-	-
Public Safety	59,979	64,269	68,781	73,617	80,253
Physical environment	1,589	1,852	1,564	2,200	2,449
Transportation	27,569	27,480	31,769	26,449	29,372
Economic environment	13,390	14,875	17,207	20,737	22,940
Health and human services	1,907	5,320	4,841	5,943	6,834
Culture and recreation	25,114	27,826	31,395	34,166	37,926
Interest on long-term debt	5,534	7,034	7,734	7,796	7,150
Total governmental activities	146,399	164,986	179,140	195,620	216,497
Business-type activities					
Water	\$23,194	\$25,928	\$26,604	\$29,206	\$27,887
Sewer	26,024	27,925	27,868	31,817	31,734
Storm drainage utility	8,920	8,327	8,717	9,179	9,146
Marina	310	406	314	443	440
Total business-type activities	58,448	62,586	63,503	70,645	69,207
Total primary government expenses	\$204,847	\$227,572	\$242,643	\$266,265	\$285,704
Program Revenues					
Governmental activities					
Charges for services					
General Government	\$2,412	\$794	\$968	\$1,333	\$2,068
Public Safety	12,155	14,118	12,031	15,682	16,969
Economic Environment	6,476	9,912	14,716	12,597	16,334
Transportation	1,745	812	2,937	1,993	1,345

CHANGES IN NET ASSETS ^(A)
Last Five Fiscal Years ^(B)
(dollars in thousands)

	2004	2005	2006	2007	2008
Culture and recreation	4,681	4,940	5,435	6,927	8,039
Other Activities	1,360	1,351	1,304	1,065	1,430
Operating grants and contributions	2,749	5,100	4,798	6,760	6,815
Capital grants and contributions	13,062	29,266	21,250	22,280	4,328
Total governmental activities program revenues	44,640	66,293	63,439	68,637	57,328
Business-type activities					
Charges for services					
Water	\$29,183	\$28,497	\$31,570	\$31,844	\$31,538
Sewer	26,595	30,085	33,267	35,493	36,056
Storm drainage utility	12,186	10,947	13,270	13,194	14,442
Marina	447	457	450	498	489
Operating grants and contributions	-	-	-	105	-
Capital grants and contributions	3,008	3,649	4,307	6,541	6,967
Total business-type activities program revenues	71,419	73,635	82,864	87,675	89,492
Total primary government program revenues	\$116,059	\$141,933	\$146,303	\$156,312	\$146,820
Net (expense)/revenue					
Governmental activities	(\$101,759)	(\$98,693)	(\$115,701)	(\$126,985)	(\$159,170)
Business-type activities:	12,971	11,049	19,361	17,028	20,285
Total primary government net expense	(\$88,788)	(\$87,644)	(\$96,340)	(\$109,957)	(\$138,885)
General Revenues and Other Changes in Net Assets					
Governmental activities					
Taxes					
Property tax	\$27,443	\$27,062	\$27,637	\$28,981	\$28,859
Retail sales and use tax	40,218	45,300	48,946	56,776	53,141
Utility tax	17,996	19,333	24,324	20,069	24,103
Business and occupation tax	22,798	24,322	31,528	30,387	30,051

CHANGES IN NET ASSETS ^(A)
Last Five Fiscal Years ^(B)
(dollars in thousands)

	2004	2005	2006	2007	2008
Excise tax	10,300	13,620	12,933	27,254	6,594
Hotel/Motel Tax	3,916	4,299	5,839	6,647	6,724
Other tax	258	261	292	225	238
Payments from Component Unit/City	15	23	16	9	23
Grants and contributions - unrestricted	1,301	1,357	1,264	1,419	1,398
Unrestricted investment interest	4,183	4,147	5,188	7,128	5,284
Gain (loss) in change of fair value of investments	(899)	285	556	38	637
Miscellaneous	443	1,201	328	125	740
Gain(loss) on sale of capital assets	160	1,418	57	144	1,391
Transfers	580	672	(170)	(51)	406
Total governmental activities	128,712	143,300	158,738	179,151	159,589
Business-type activities					
Unrestricted investment interest	\$565	\$1,211	\$2,578	\$3,795	\$2,991
Gain (loss) in change of fair value of investments	(215)	95	282	20	197
Miscellaneous	-	552	1,278	1,593	1,164
Gain on sale of capital assets	-	-	33	-	98
Transfers	(580)	(672)	170	51	(406)
Total business-type activities	(230)	1,186	4,341	5,459	4,044
Total primary government	\$128,482	\$146,491	\$163,079	\$184,610	\$163,633
Change in Net Assets					
Governmental activities	\$26,953	\$44,607	\$43,037	\$52,168	\$420
Business-type activities	12,741	12,235	23,702	22,489	24,329
Total primary government	\$39,694	\$56,842	\$66,739	\$74,657	\$24,749

^(A) All amounts are reported on the accrual basis

^(B) Amounts presented from year of implementation of GASB-34 (2002) forward

Table 3

GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE

Last Five Fiscal Years

(dollars in thousands)

Fiscal Year	Total Taxes	General Property Taxes	General Sales Taxes	Utility Taxes	Business and Occupation Taxes	Excise Taxes	Other Taxes and Assessments (A)	Memo Only Hotel/Motel Tax (B)
2004	119,013	27,443	40,218	17,996	22,798	10,300	258	3,916
2005	129,898	27,062	45,300	19,333	24,322	13,620	261	4,299
2006	145,660	27,637	48,946	24,324	31,528	12,933	292	5,839
2007	163,692	28,981	56,776	20,069	30,387	27,254	225	6,647
2008	143,436	28,859	53,141	24,103	30,501	6,594	238	6,724

^(A) Includes miscellaneous tax revenues and special assessments.

^(B) Source: Bellevue Convention Center Authority. Hotel/Motel tax receipts are reported in BCCA Financial Statements and included here as a memo item. City of Bellevue collects the tax on behalf of the BCCA and passes it directly through.

Table 4

FUND BALANCES OF GOVERNMENTAL FUNDS ^(A)

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year	General Fund			All other Governmental Funds			
	Reserved	Unreserved	Total	Reserved	Unreserved, reported in special revenue funds	Unreserved, reported in capital projects funds	Total
1999	332	13,650	13,982	8,150	39,181	37,203	84,534
2000	402	19,905	20,307	8,174	47,622	35,041	90,837
2001	335	15,181	15,516	6,352	62,228	32,785	101,365
2002	-	11,028	11,028	6,794	62,533	14,743	84,070
2003	-	13,428	13,428	27,887	38,289	26,342	92,518
2004	-	14,596	14,596	86,582	55,241	4,090	145,913
2005	-	17,173	17,173	12,274	52,401	1,549	66,224
2006	-	19,906	19,906	4,193	48,109	25,698	78,000
2007	-	25,603	25,603	2,777	47,536	10,834	61,147
2008	-	15,094	15,094	6,436	50,645	15,082	72,163

^(A) All amounts are reported on the modified - accrual basis

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS ^(A)

Last Ten Fiscal Years

(dollars in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes and special assessments	\$108,514	\$116,709	\$110,638	\$112,190	\$115,469	\$123,958	\$134,369	\$149,428	\$177,113	\$150,084
Licenses and permits	6,743	7,303	5,843	4,678	2,969	4,470	4,439	7,140	5,198	8,972
Intergovernmental	20,462	21,788	21,951	22,270	24,689	23,266	28,213	32,439	34,946	31,670
Service charges and fees	22,385	22,057	25,830	12,565	15,501	18,677	19,715	24,819	26,101	26,906
Fines and forfeitures	1,728	1,232	995	709	656	545	329	174	532	489
Interest and assessment interest/penalties	5,475	6,444	5,552	3,471	1,515	3,488	3,113	3,500	5,135	3,703
Net change in fair value of investments	(609)	521	53	207	(206)	(684)	199	350	25	521
Rent	1,900	1,744	2,038	1,929	3,192	1,788	2,285	2,283	3,102	4,180
Judgements and settlements	68	-	-	1	150	18	534	4,766	1,431	25
Premiums/contributions	1,271	1,051	1,100	739	739	1,320	1,446	1,643	1,655	446
Other	442	1,813	216	702	586	325	1,202	394	295	796
Total Revenues	168,379	180,662	174,216	159,461	165,260	177,171	195,844	226,936	255,533	227,792
Expenditures										
General government	21,334	22,499	24,622	18,899	19,143	22,720	24,211	25,329	25,410	25,364
Public safety	45,700	47,208	51,433	53,512	57,333	58,221	61,294	65,701	71,042	78,219
Physical environment	1,307	1,493	1,535	1,749	1,157	1,068	1,436	1,555	2,198	2,449
Transportation	13,396	14,986	29,255	17,545	25,725	20,385	24,886	29,806	29,173	32,957
Economic environment	16,700	16,641	17,837	12,423	12,854	15,755	15,248	17,263	20,463	22,718
Health and human services	114	38	93	3,700	3,080	2,286	4,932	4,845	6,357	7,226

Table 5
Page 2 of 2

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS ^(A)

Culture and recreation	13,880	14,785	24,678	20,068	24,992	24,700	24,729	28,319	30,924	35,035
Capital outlay	27,615	42,176	13,642	79,700	41,314	48,580	112,692	42,463	45,664	39,461
Debt service										
Principal	8,656	4,936	4,290	11,744	3,536	33,157	7,463	3,985	29,560	4,275
Interest and fiscal charges	2,753	2,348	2,020	2,153	2,424	5,240	7,136	7,834	7,855	7,468
Total expenditures	151,455	167,110	169,405	221,493	191,558	232,112	284,027	227,100	268,646	255,172
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other financing sources (uses)										
Transfers in	18,271	13,689	23,064	12,332	15,189	44,309	89,078	34,994	46,437	25,545
Transfers out	(18,805)	(14,175)	(21,507)	(15,005)	(11,313)	(42,435)	(88,052)	(34,457)	(45,211)	(24,980)
Operating transfers out to component unit	-	-	-	-	-	-	-	-	-	-
Proceeds from long term debt	209	84	120	39,550	10,018	107,567	6,700	13,983	713	26,248
Refunding bonds issued	-	-	-	-	13,185	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	(13,065)	-	-	-	-	-
Sale of capital assets	1,065	509	182	620	24,545	63	3,349	157	13	1,161
Total other financing sources (uses)	740	107	1,859	37,497	38,559	109,504	11,075	14,677	1,952	27,974
Residual equity transfers	(400)	(1,030)	(939)	-	-	-	-	-	-	-
Net change in fund balance	17,264	12,629	5,731	(24,535)	12,261	54,563	(77,108)	14,513	(11,161)	594
Debt service as a percentage of noncapital expenditures	9.21%	5.83%	4.05%	9.80%	3.97%	20.92%	8.52%	6.40%	16.78%	5.44%

^(A) All amounts are reported on the modified - accrual basis

Table 6

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE ^(A)

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year	Total Taxes	General Property Taxes	General Sales Taxes	Utility Taxes	Business and Occupation Taxes	Other Taxes and Assessment ^(B)	Memo Only Hotel/Motel Tax ^(C)
1999	108,231	24,822	41,000	15,236	17,006	10,167	4,340
2000	116,769	25,674	44,532	16,661	20,392	9,510	4,640
2001	111,387	26,599	40,313	18,135	19,132	7,208	4,226
2002	108,209	27,164	38,874	18,069	17,190	6,912	3,762
2003	111,426	27,481	39,051	17,287	18,750	8,857	3,850
2004	120,041	27,914	40,218	18,364	21,612	11,933	3,916
2005	129,231	27,157	45,300	19,452	23,427	13,895	4,299
2006	142,800	27,672	48,946	21,356	31,606	13,220	5,839
2007	169,923	31,075	56,776	22,912	31,662	27,498	6,647
2008	142,772	28,815	53,141	23,910	30,106	6,799	6,724

^(A) All amounts are reported on the modified - accrual basis

^(B) Includes miscellaneous tax revenues and special assessments.

^(C) Source: Bellevue Convention Center Authority. Hotel/Motel tax receipts are reported in BCCA Financial Statements and included here as a memo item. City of Bellevue collects the tax on behalf of the BCCA and passes it directly through.

Table 7

**TAXABLE SALES BY CATEGORY
Last Ten Fiscal Years**

(dollars in thousands)

	Year									
	1999	2000	2001	2002	2003	2004	2005 (B)	2006	2007	2008
Contracting	\$612,256	\$729,870	\$528,938	\$452,654	\$419,611	\$525,419	\$729,303	\$860,690	1,296,795	\$1,255,692
Manufacturing	57,632	64,294	66,712	56,223	47,115	53,312	62,885	64,765	86,303	84,773
Transp / Communication / Utilities	178,412	200,952	202,648	203,069	177,246	167,333	194,851	199,868	214,878	190,568
Finance/Insurance/ Real Estate	119,523	124,102	132,147	147,971	107,422	97,437	160,305	176,983	174,893	148,801
Wholesale Trade	420,219	387,493	330,119	296,915	267,431	307,256	342,940	331,433	394,954	418,040
Retail - Building Materials	121,668	126,049	123,614	121,370	118,540	129,355	125,398	134,002	137,004	120,234
Retail - General Merchandise	172,976	174,533	171,822	157,805	172,575	181,597	196,058	206,931	206,399	188,755
Retail - Food	116,215	119,386	120,665	123,013	97,775	94,982	62,765	71,979	75,024	77,748
Retail - Automotive	646,465	735,329	677,707	695,179	817,745	783,160	861,607	920,511	970,929	794,053
Retail - Apparel	278,547	276,693	259,129	265,228	295,520	322,956	402,790	443,022	483,921	423,738
Retail - Furniture & Accessories	531,180	549,796	419,119	383,703	415,293	437,142	430,400	445,270	442,037	411,884
Retail - Restaurants	172,781	188,691	190,099	212,697	222,758	235,850	251,313	291,529	313,354	312,514
Retail - Miscellaneous	338,546	351,238	342,339	337,706	333,306	345,375	327,865	383,313	392,523	392,992
Services - Hotels	106,820	116,160	101,516	92,230	93,888	93,049	95,563	101,144	122,550	125,820
Services - Business	258,360	256,659	220,840	198,863	200,553	165,596	300,434	321,741	440,246	435,092
Services - Other	243,488	284,368	293,049	295,172	260,714	270,128	204,934	223,293	248,588	257,424
All Other Categories	32,197	38,680	37,030	34,703	37,684	42,157	1,036	1,660	1,320	1,567
Total sales	<u>\$4,407,286</u>	<u>\$4,724,293</u>	<u>\$4,217,494</u>	<u>\$4,074,500</u>	<u>\$4,085,175</u>	<u>\$4,252,106</u>	<u>\$4,750,445</u>	<u>\$5,178,133</u>	<u>\$6,001,718</u>	<u>\$5,639,695</u>

SOURCE: WA St. Dept of Revenue Quarterly Business Review reports

(A) The City is prohibited by law from reporting individual sales tax payers

(B) Effective 2005, the Department of Revenue began reporting by NAICS code instead of by SIC Code. Previous years were not adjusted.

SALES TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

	Year									
	1999	2000	2001 (A)	2002	2003	2004	2005	2006	2007	2008
Local Rate:										
City of Bellevue	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%
King County	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%
Optional tax - City of Bellevue ^(C)	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
Transit - King County (METRO) ^(D)	0.600%	0.600%	0.800%	0.800%	0.800%	0.800%	0.800%	0.800%	0.900%	0.900%
King County Mental Health ^(E)	-	-	-	-	-	-	-	-	-	0.100%
Criminal Justice tax (0.10% total) ^(B)										
10% Directly to King County	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%
Remaining 90% shared based upon population										
City of Bellevue (estimate)	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%
King County (estimate)	0.084%	0.084%	0.084%	0.084%	0.084%	0.084%	0.084%	0.084%	0.084%	0.084%
Total Criminal Justice tax	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%
Total Local Rate	1.700%	1.700%	1.900%	1.900%	1.900%	1.900%	1.900%	1.900%	2.000%	2.100%
City of Bellevue share										
City of Bellevue regular rate	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%
City of Bellevue optional rate	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
City of Bellevue Criminal Justice (estimate)	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%
Total City of Bellevue portion	0.931%	0.931%	0.931%	0.931%	0.931%	0.931%	0.931%	0.931%	0.931%	0.931%
King County portion	0.769%	0.769%	0.969%	0.969%	0.969%	0.969%	0.969%	0.969%	1.069%	1.169%
State of Washington	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
Sound Transit (RTA)	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%
Total Sales tax rate	8.600%	8.600%	8.800%	8.800%	8.800%	8.800%	8.800%	8.800%	8.900%	9.000%

SALES TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

- (A) Effective 4/1/01, King County Metro increased transit portion of sales tax by two tenths of a percent.
- (B) Criminal justice tax is one tenth of one percent (0.10%) of the gross sale. Ten percent (10%) of this is paid directly to King County, and the remaining 90% is shared between cities within the county. King County retains the portion for unincorporated areas within the county, In 2008, the City's population was **118,100**, and the County's population was **1,861,300**. Bellevue represented 6.345% of the total population of King county and as such would receive .006 percent of this tax.
- (C) Under Bellevue City Code 4.12.025 and RCW 82.14.030, the City may, at the discretion of the city council, impose an additional sales tax up to one half of one percent (0.5%). The City collects the maximum amount allowed of this tax.
- (D) In 2006, voters approved a .10% sales tax increase for the *Transit Now!* Transportation package to benefit the expansion of the county's bus service. The tax is effective beginning in 2007.
- (E) Effective April 1st, 2008, voters approved a .10% sales tax increase for the King County Mental Health tax. This tax will benefit chemical dependency and mental health services.

SOURCE:

King County / Bellevue Population Data - WA State Office of Financial Management
Tax rates - WA St. Dept of Revenue and City of Bellevue City Code

Table 9

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY*
Last Ten Fiscal Years**

(dollars in thousands, except tax rate)

Assessed and Estimated Actual Value							
Fiscal Year	Real Property	Personal Property	State Public Service Property	Exemptions	Non-Taxable	Grand Total	Total Direct Tax Rate
1999	\$13,821,754	\$785,771	\$438,788	\$101,062	\$835,717	\$14,109,534	\$1.83
2000	16,279,942	904,616	482,035	100,780	954,578	16,611,235	1.71
2001	18,431,872	912,648	420,238	102,479	1,126,643	18,535,636	1.48
2002	19,191,297	1,122,574	437,046	108,794	1,152,622	19,489,501	1.39
2003	19,947,485	957,967	367,378	110,834	1,236,002	19,925,994	1.35
2004	20,794,647	1,082,560	414,532	119,487	1,315,220	20,857,032	1.34
2005	22,643,266	1,034,980	383,509	116,021	1,421,898	22,523,836	1.23
2006	25,197,266	988,691	496,028	123,540	1,628,843	24,929,602	1.16
2007	29,767,156	121,502	596,988	124,953	1,931,094	31,398,247	1.09
2008	35,848,337	1,172,683	697,455	137,238	2,289,505	37,626,634	0.92

* Real, personal, and state public service property have been assessed at 100% of the estimated value.

NOTE: These figures represent Bellevue's total assessed valuations as of December 31 for the last ten years. Included in these figures are all final tax adjustments, omits, and senior citizen exempted property. Breakout of residential/commercial real property and motor vehicle/other personal property valuations are not available.

Source: King County Assessor

Table 10

**PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
PER ONE THOUSAND OF ASSESSED VALUATION
Last Ten Fiscal Years**

Fiscal Year	City of Bellevue			School District	King County	Washington State	Port of Seattle	Other	Total
	Operating	Debt Service	Total Rate						
1999	\$ 1.59	\$ 0.24	\$ 1.83	\$ 2.99	\$ 1.77	\$ 3.36	\$ 0.24	\$ 0.88	\$ 11.07
2000	1.50	0.21	1.71	2.72	1.69	3.30	0.22	0.86	10.50
2001	1.34	0.14	1.48	2.32	1.55	3.15	0.19	0.81	9.50
2002	1.26	0.13	1.39	2.14	1.45	2.99	0.19	0.78	8.94
2003	1.22	0.13	1.35	2.23	1.35	2.90	0.26	0.79	8.88
2004	1.21	0.13	1.34	2.16	1.43	2.76	0.25	0.78	8.72
2005	1.16	0.07	1.23	1.89	1.38	2.70	0.25	0.76	8.21
2006	1.10	0.06	1.16	2.09	1.33	2.50	0.23	0.75	8.06
2007	1.04	0.05	1.09	2.09	1.29	2.33	0.23	0.71	7.74
2008	0.92	0.00	0.92	1.95	1.21	2.13	0.22	0.91	7.34

NOTE: These figures represent property tax levies and rates for Bellevue District 1 (levy code 330), which is considered to be an average Bellevue taxing district. Some areas within the city may have a different tax rate depending on the boundaries of other taxing jurisdictions.

Source: King County Assessor

Table 11

PRINCIPAL PROPERTY TAXPAYERS

Current year and nine years ago

Rank	Taxpayer	Type of Business	2008		Rank	1999		
			2008 Assessed Valuation (In Millions)	Percentage of Total Assessed Valuation ^(A)		1999 Assessed Valuation (In Millions)	Percentage of Total Assessed Valuation ^(A)	
1	Bellevue Square Managers Inc formerly North Coast Mortgage	Land management	\$ 426	1.35%	3	\$ 201	1.34%	
2	The Boeing Company	Aerospace	405	1.28%	1	260	1.74%	
3	City Center Bellevue Development	Property management	356	1.13%	(B)	-	0.00%	
4	Archon Group LP	Property management	356	1.12%	(B)	-	0.00%	
5	Bellevue Place	Property management	274	0.87%	6	148	0.99%	
6	Puget Sound Energy	Utility Services	236	0.75%	2	227	1.52%	
7	Three Bellevue Center LLC	Property management	156	0.49%	(B)	-	0.00%	
8	Essex Property Trust	Property management	142	0.45%	(B)	-	0.00%	
9	Sterling Realty Org.	Property Management	134	0.42%	10	36	0.24%	
10	Plaza Center Property LLC	Property management	132	0.42%	(B)	-	0.00%	
(B)	Spieker Properties	Property management	(B)	0.00%	4	188	1.26%	
(B)	EOP Northwest Properties	Property management	(B)	0.00%	5	164	1.09%	
(B)	Qwest	Telecommunications	(B)	0.00%	7	148	0.99%	
(B)	Northwest Mutual Life Insurance	Insurance	(B)	0.00%	8	109	0.73%	
(B)	Safeway Stores, Inc.	Regional food distribution	(B)	0.00%	9	73	0.49%	
			\$ 2,617	8.27%			\$ 1,554	11.38%

(A) 2008 assessed valuations for 2008 tax collection. Total 2008 assessed valuation, in millions, is \$ 31,627, 1999 assessed valuation, \$ 14,980

(B) Taxpayer was not a principal taxpayer in this period.

Source: King County Assessor's office

Table 12

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the levy		Collected in subsequent year	Total Collections to date	
		Amount	Percentage		Amount	Taxes
1999	\$ 24,913	\$ 24,445	98.12%	468	\$ 24,913	100.00%
2000	25,691	25,350	98.67	341	25,691	100.00
2001	26,817	26,295	98.05	519	26,814	99.99
2002	27,428	26,798	97.70	445	27,243	99.33
2003	27,815	27,223	97.87	440	27,663	99.45
2004	28,034	27,577	98.37	363	27,940	99.66
2005	27,354	26,885	98.29	327	27,212	99.48
2006	27,733	27,401	98.80	366	27,767	100.12
2007	29,044	28,631	98.58	287	28,631	98.58
2008	28,913	28,500	98.57	-	28,500	98.57

Sources/notes:

- A) The total tax levy is the certified tax levy adopted by City ordinance.
- B) Other data has been derived from the Annual Tax Receivable Summary prepared by the King County Finance Department.
- C) Collection amounts were unavailable for 1997- 2001. The amounts presented on this table include omits and levy changes in additon to collections.

Table 13

RATIO OF OUSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Dollars in thousands, except per capita)

Fiscal Year	Governmental Activities						Business Type Activities			Total primary government	Percentage of personal income	Per capita
	General obligation bonds	Special assessments	Conditional sales contracts	Leases	PWTF loans	Line of credit	General obligation bonds	Revenue bonds	PWTF loans			
1999	\$ 28,280	\$ 9,654	\$ 4,249	-	\$ 549	-	\$ 4,295	\$15,205	\$1,785	\$ 64,017	1.43%	\$ 603
2000	25,590	8,140	3,517	82	488	-	4,275	13,770	1,630	57,492	1.18%	523
2001	22,770	7,275	3,216	248	427	-	4,245	12,235	1,477	51,893	1.06%	465
2002	30,995	6,134	1,195	102	366	-	4,205	9,933	1,321	54,251	1.05%	464
2003	28,775	5,197	1,018	21	305	-	4,155	8,751	1,165	49,387	0.95%	424
2004	129,853	4,404	3,319	-	244	13,818	4,095	6,163	1,009	162,905	2.85%	1,398
2005	127,198	3,481	1,793	-	183	18,218	4,025	5,025	853	160,776	2.89%	1,392
2006	130,960	2,641	1,039	-	122	26,118	3,950	3,846	698	169,374	2.74%	1,448
2007	128,406	2,116	247	-	774	500	3,850	2,813	546	139,252	2.04%	1,179
2008	139,570	1,675	-	-	676	12,000	3,600	1,930	412	159,863	N/A ^(C)	1,341

^(A) Sources: Bellevue Department of Planning and Community Development 2000 Population is based on the year 2000 Census figure released in March 2001.

^(B) Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^(B) See Schedule of Demographic and Economic Statistics, Table 18, for personal income and population data.

^(C) Personal Income data not available at time of printing.

Table 14

RATIO OF GENERAL BONDED DEBT OUSTANDING

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Percentage of estimated actual taxable value of property(B)	Net Bonded Debt per Capita (A)
1999	\$ 32,575	\$ 3,097	\$ 29,478	0.21%	\$ 278
2000	29,865	3,102	26,763	0.16	244
2001	27,015	2,412	24,603	0.13	224
2002	35,200	2,699	32,501	0.17	278
2003	32,930	2,401	30,529	0.15	262
2004	132,895	2,505	130,390	0.63	1,119
2005	130,210	1,560	128,650	0.57	1,114
2006	133,901	1,610	132,291	0.53	1,131
2007	131,274	1,999	129,275	0.41	1,095
2008	142,200	5,607	136,593	0.36	1,146

^(A) See table 18 for population statistics.

^(B) See table 9 for property value statistics.

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2008

(dollars in thousands)

<u>Jurisdiction</u>	<u>Gross General Obligation Debt Outstanding ^(A)</u>	<u>Percentage Applicable to Bellevue ^(B)</u>	<u>Amount Applicable to Bellevue</u>
City of Bellevue	\$142,199	100.00%	\$142,199
School District #405	327,390	77.23%	252,843
King County	1,075,819	9.75%	104,892
Port of Seattle	378,065	9.75%	36,861
School District #403	222,550	2.71%	6,031
School District #414	349,930	1.17%	4,094
School District #411	320,300	11.51%	36,867
Hospital District #2	243,090	0.05%	122
Library District	66,845	15.95%	10,662
Issaquah Library Capital Facility Area	5,470	0.47%	26
Total other jurisdictions	2,989,459	15.13%	452,398
Total Direct and Overlapping Debt	<u>\$ 3,131,658</u>	<u>18.99%</u>	<u>\$ 594,597</u>

(A) Total general obligation bonds outstanding on December 31, 2008 exclusive of refunded bonds. Source: King County Department of Finance.

(B) Determined by ratio of 2009 assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(dollars in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$1,123,512	\$1,320,371	\$1,477,840	\$1,552,227	\$1,590,930	\$1,666,024	\$1,796,739	\$1,995,872	\$2,354,687	\$2,821,998
Total net debt applicable to limit	65,281	60,408	56,417	60,598	120,530	192,005	184,880	186,820	150,079	168,529
Legal debt margin	<u>\$1,058,231</u>	<u>\$1,259,963</u>	<u>\$1,421,423</u>	<u>\$1,491,629</u>	<u>\$1,470,400</u>	<u>\$1,474,019</u>	<u>\$1,611,859</u>	<u>\$1,809,052</u>	<u>\$2,204,608</u>	<u>\$2,653,469</u>
Total net debt applicable to the limit as a percentage of debt limit	5.81%	4.58%	3.82%	3.90%	7.58%	11.52%	10.29%	9.36%	6.37%	5.97%

Table 16
Page 2 of 2

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2008

<u>Description</u>	<u>Debt (Non-Voted)</u>	<u>Voted Debt</u>	<u>Purpose Indebtedness ^(B)</u>	<u>Open Space and Park</u>	<u>Utility Purposes</u>	<u>Debt Capacity</u>
Assessed Value (A)	37,626,634	37,626,634	37,626,634	37,626,634	37,626,634	37,626,634
Statutory debt limit percentages:	1.50%	1.00%	2.50%	2.50%	2.50%	7.50%
Debt limit	<u>\$564,400</u>	<u>\$376,266</u>	<u>\$940,666</u>	<u>\$940,666</u>	<u>\$940,666</u>	<u>\$2,821,998</u>
Debt applicable to limit						
Bonds outstanding	154,200	-	154,200	-	-	154,200
Capital Lease BCCA -1991	7,350		7,350			7,350
Capital Lease BCCA -1994	11,904		11,904		-	11,904
Installment Sales Contracts	-		-			-
Line of Credit	-		-			-
Less:						
Cash on hand for debt redemption ^(C)	4,839	9	4,848	72	-	4,920
Delinquent taxes ^(D)	-	1	1	4	-	5
Total Net Debt applicable to limit	168,615	(10)	168,605	(76)	-	168,529
Remaining Debt Capacity	<u>\$395,785</u>	<u>\$376,276</u>	<u>\$772,061</u>	<u>\$940,742</u>	<u>\$940,666</u>	<u>\$2,653,469</u>

^(A)This figure represents the City's final assessed valuation for 2008 which will be used to determine the 2009 property tax levy.

^(B)The principal portion of the Bellevue Convention Center Authority's (BCCA) capital lease is included in the City's debt calculation because the BCCA qualifies as a component unit under Section 2100 of the Governmental Accounting Standards Board (GASB) 1994 Codification.

^(C)Includes year-end balances available in the Regular and Special Levy Redemption funds designated for future redemption of the associated bonds less bond interest payments due through 3-31-08.

^(D)Delinquent property taxes receivable. Since State law provides for the sale of property to satisfy delinquent tax liens, no allowance has been made for uncollectible amounts.

Source: Materials prepared for State Schedule 10 – Summary of Limitation of Indebtedness for year ending 12/31/08.

In accordance with State of Washington RCW 39.36.60, does not include DCTED Public Works Trust Fund Loans.

Table 17

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year	Utility Revenue Bonds							Special Assessment Bonds				
	Gross Revenue (A)	Expenses ^(B)	Net Revenue available for debt service	Debt Service Requirements ^(C)			^(D)	Special Assessment Collections	Debt Service			Coverage
Principal	Interest	Total	Principal	Interest	Total	Principal		Interest	Total			
1999	56,359	42,711	13,648	3,442	5,277	8,719	1.57	1,104	125	892	1,017	1.09
2000	62,346	43,467	18,879	3,908	5,472	9,380	2.01	1,121	810	901	1,711	0.66
2001	60,919	46,129	14,790	3,412	5,647	9,059	1.63	796	905	848	1,753	0.45
2002	68,971	49,622	19,349	3,179	6,163	9,342	2.11	1,069	201	48	249	4.29
2003	73,169	54,181	18,988	3,104	5,919	9,023	2.10	973	205	36	241	4.04
2004	75,666	54,038	21,628	3,475	6,048	9,523	2.27	718	727	354	1,081	0.66
2005	81,465	57,256	24,209	3,022	6,257	9,279	2.61	870	706	302	1,008	0.86
2006	96,165	60,748	35,417	3,074	6,475	9,549	3.71	625	720	238	958	0.65
2007	99,495	68,970	30,525	2,721	6,349	9,070	3.37	718	484	170	654	1.10
2008	103,546	68,568	34,977	3,376	6,934	10,309	3.39	564	471	11	482	1.17

(A) Gross revenues as defined in applicable bond indentures for the Waterworks Utility, and the Bellevue Convention Center Authority, excluding gain on sale of assets.

(B) Total expenses excluding depreciation, amortization, bond interest, utility taxes and loss on disposal of fixed assets.

(C) Average annual requirements over the remaining life of current outstanding revenue bond issues.

(D) Net revenue available for debt service divided by total debt service requirements. The coverage factors for the individual enterprises in 2008 are: Water, 18.20 , Storm 7.16, Marina .57 and Bellevue Convention Center Authority, .63.

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Population	Per Capita		Median Age	Number of Households	Public School Enrollment	Number of Jobs	Unemployment Rate	CPI-U%
		Personal Income	Personal Income						
1999	106,200	\$ 42,218	\$ 4,483,551.60	38	46,441	15,070	125,000 ^A	2.3%	3.0%
2000	109,827 ^B	44,429	4,879,504	38	46,990	15,260	131,000	2.6%	3.7%
2001	111,500	43,800	4,883,700	38	51,000	15,264	125,000	3.8%	3.6%
2002	117,000	44,250	5,177,250	38	51,956	15,362	130,000	4.7%	1.9%
2003	116,400	44,821	5,217,164	39	49,027 ^D	15,396	125,000	6.8%	1.6%
2004	116,500	49,118	5,722,247	39	49,119	15,718	125,000	5.4%	1.2%
2005	115,500	48,216	5,568,948	39	48,413	16,215	131,000	4.7%	2.8%
2006	117,000	52,655	6,160,635	39	49,426	16,461	132,000	4.2%	3.7%
2007	118,100	57,710	6,815,551	40	49,963	16,520	138,500	3.9%	3.9%
2008	119,200	^C	^C	^C	50,573	16,937	140,000	4.3%	4.2%

Sources:

- 1) Population and Number of Households data was provided by Bellevue Community Development Department and the Washington State Office of Financial Management.
- 2) Per Capita Personal Income data was provided by US Bureau of Economic Analysis. Estimates are for King County, in which Bellevue is located. Bellevue data is not available.
- 3) Personal Income data provided by Bellevue Community Development Department and is presented in thousands.
- 4) Median Age and Number of Jobs were provided by the City of Bellevue – Department of Planning and Community Development
- 5) Public School Enrollment was provided by the Bellevue School District.
- 6) Unemployment Rate was provided by the Washington State – Employment Security Department. It is an estimate of King County Unemployment in which Bellevue is located.

^A The Number of Jobs figures for 1998 and thereafter is based on a revised methodology that provides for more accuracy. Prior years figures were not restated.

^B Population is based on the year 2000 Census figure released in March 2001. Year 2000 calculations of Per Capita Income, Median Age, Number of Households, and Education Level in Years, were based on a year 2000 population estimate of 106,400.

^C Data not available at time of publication

^D Number of households for 2003 provided by the Washington State OFM and are housing units multiplied by occupancy rates. Prior years figures would have been somewhat lower based on occupancy rates.

Table 19

PRINCIPAL EMPLOYERS

Current Year and nine years ago

Employer	Type of Business	2008			1999		
		Rank	Number of Employees	Percentage of Total City Employment	Rank ^(B)	Number of Employees	Percentage of Total City Employment
T-Mobile USA	Cellular Telephones	1	3,500	2.50%			0.00%
Microsoft Corp.	Technology	2	3,000	2.14%			0.00%
Boeing Shared Services Group	Aviation	3	2,900	2.07%			0.00%
Overlake Hospital Medical Center	Medical Hospital	4	2,450	1.75%			0.00%
Bellevue School District	Education K-12	5	2,200	1.57%			0.00%
City of Bellevue	Government	6	1,780	1.27%		1,630	1.37%
Expedia Inc.	Online Travel	7	1,700	1.21%			0.00%
Verizon Wireless	Cellular Telephones	8	1,300	0.93%			0.00%
Bellevue Community College	Higher Education	9	1,250	0.89%			0.00%
Safeway	Grocery Distribution	10	1,200	0.86%			0.00%
			<u>21,280</u>	<u>15.20%</u>		<u>1,630</u>	<u>1.37%</u>

Source: Planning and Community Development office

(A) Number of jobs data was provided by City of Bellevue Department of Planning and Community Development Number of jobs for 2008 and 1999 were 140000 and 119200 respectively.

(B) Data for 1999 was primarily unavailable and as a result, no ranking is applied. For those employers where data was available, employee counts were provided.

Table 20

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government	309	313	319	319	321	327	322	327	349	363
Public Safety										
Police										
Officers	166	166	174	173	176	174	170	173	175	182
Civilians	94	94	102	103	100	97	100	93	93	99
Fire										
Firefighters and officers	172	177	178	185	194	198	198	198	207	209
Civilians	21	21	20	21	26	21	21	24	28	37
Transportation	130	135	136	136	132	130	127	129	129	130
Culture and recreation	148	174	177	178	176	173	172	180	163	163
Water	59	60	60	60	58	63	63	61	62	63
Sewer	35	35	35	36	37	39	38	41	41	42
Storm drainage	44	44	45	45	44	44	44	45	45	45
Total	<u>1,177</u>	<u>1,218</u>	<u>1,245</u>	<u>1,255</u>	<u>1,263</u>	<u>1,265</u>	<u>1,254</u>	<u>1,269</u>	<u>1,291</u>	<u>1,333</u>

Source: City of Bellevue Budget Office

General government FTEs increased due to increases in Information Technology and the transfer of FTEs to Civic Services

Table 21
Page 1 of 3

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Function:										
Public Safety/Judicial:										
Police:										
Offenses:										
Rape	15	17	21	26	28	38	29	42	29	33
Robbery	42	60	59	48	66	75	49	71	61	71
Homicide	-	-	-	-	-	-	2	3	-	0
Assault	787	756	830	758	850	693	420	570	528	582
Auto Theft	440	502	539	545	588	608	567	476	446	274
Burglary	504	470	535	605	518	680	595	591	583	687
Larceny	3,579	3,397	3,431	3,348	3,213	3,570	3,503	3,178	3,152	3,327
Citations										
Traffic	29,717	32,399	28,760	28,070	30,314	23,129	24,370	22,088	20,814	22,664
Criminal	3,002	2,661	2,919	2,687	2,863	2,335	2,033	2,383	2,533	2,653
Judicial System:										
Handled by District Court	32,719	35,060	31,679	30,757	33,177	25,464	26,403	24,471	23,347	25,317
Fire:										
First Response:										
Buildings	184	171	177	175	182	162	135	123	110	120
Non-Buildings	330	325	305	272	533	242	257	300	237	225
Service	543	346	549	460	519	503	418	506	450	422
False Alarm	1,069	980	1,863	1,567	1,420	1,476	1,466	1,682	1,446	1,573
Other	823	818	1,075	1,011	2,629	1,053	892	1,671	1,078	1,039
Medic 1 Responses:										
First Aid	7,212	7,571	12,357	11,668	11,797	12,218	12,381	14,002	13,525	13,640
Runs/Week	139	146	238	224	227	235	238	269	260	262

Table 21
Page 2 of 3

OPERATING INDICATORS BY FUNCTION

	Last Ten Fiscal Years									
	1999	2000	20001	2002	2003	2004	2005	2006	2007	2008
Function:										
Transportation:										
Area of roadway repaired (sq. ft)	28,251	21,314	27,087	28,196	4,008	8,295	7,461	10,631	16,330	19,305
Miles of streets swept	6,613	4,992	5,988	5,599	5,214	5,532	4,746	4,685	5,098	3,506
Area of sidewalk repaired (sq ft)	6,744	6,806	8,209	10,708	7,280	10,225	5,821	4,497	5,222	10,090
Physical/Economic environment:										
Building permits issued	10,619	10,639	9,610	10,047	10,404	11,472	12,395	13,673	13,707	12,862
Estimated value (In Millions \$)	466	330	427	193	190	255	346	761	831	629
Culture and recreation										
Number of rounds of golf played	80,001	83,904	83,415	81,444	76,237	73,059	69,625	61,043	75,913	79,883
Visits to recreation centers for youth programs ^(A)	396,904	390,196	550,270	664,404	605,312	N/A	N/A	N/A	N/A	N/A
Water utility:										
Water Consumption (in CCF)	6,844	6,859	6,545	6,581	6,962	7,242	6,814	7,293	6,852	6,612
Number of customers:										
Residential	29,790	30,065	30,237	30,332	30,460	33,912	34,210	34,286	34,440	34,544
Multi-Residential	545	545	554	558	561	658	657	659	651	648
Commercial	2,001	2,014	2,012	2,025	2,029	2,264	2,191	2,110	2,101	2,107
Total Number of customers	32,336	32,624	32,803	32,915	33,050	36,834	37,058	37,055	37,192	37,299
Water consumption peak in a day (millions of gallons)	28	30	24	27	34	35	31	33	32	29
Water consumption peak in a month (millions of gallons)	687	768	632	741	888	860	811	830	724	776
Sewer Utility:										
Sewer Consumption (in CCF)	5,530	5,311	5,253	5,062	5,030	5,256	5,272	5,362	5,401	5,533
Number of customers:										
Residential	29,389	29,726	29,954	30,069	30,242	32,764	32,874	33,710	33,865	33,057
Multi-Residential	564	566	576	578	582	660	655	653	648	644

Table 21
Page 3 of 3

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Function:										
Commercial	1,698	1,684	1,693	1,693	1,690	1,795	1,806	1,721	1,725	1,737
Total Number of customers	31,651	31,976	32,223	32,340	32,514	35,219	35,335	38,090	38,245	35,438
Storm Drainage utility:										
Number of customers:										
Residential	26,462	26,742	27,753	27,838	27,875	27,903	27,931	28,000	28,064	28,153
Multi-Residential	476	479	497	498	503	535	530	531	525	524
Commercial	1,835	1,831	1,855	1,867	1,864	1,975	1,984	1,974	1,960	1,968
Total Number of customers	28,773	29,052	30,105	30,203	30,242	30,413	30,445	30,505	30,549	30,645

Note: No operating indicators are available for general government & Marina

(A) Statistical information no longer tracked by Parks and Community Services.

Table 22
Page 1 of 2

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety:										
Police										
Traffic/Patrol units	36	48	56	63	70	69	73	76	78	72
Fire										
Fire Stations	9	9	9	9	9	9	9	9	9	9
Fire apparatus	23	25	26	25	29	27	28	28	23	21
Fire aid units	10	13	13	10	10	10	10	12	18	17
Transportation:										
Paved streets (miles)	372	374	384	384	396	389	388	389	390	390
Sidewalks (miles)	285	288	297	303	308	308	319	333	334	336
Traffic Signals	160	161	166	173	173	173	177	179	180	182
Streetlights owned by City of Bellevue	2,574	2,574	2,584	2,685	2,734	2,810	2,926	2,982	3,026	3,205
Streetlights owned by Puget Sound Energy	4,170	4,192	4,448	4,504	4,562	4,644	5,148	4,655	4,835	5,064
Culture and Recreation/Marina:										
Parks acreage	1,711	1,711	1,711	2,009	2,104	2,119	2,600	2,612	2,657	2,696
Parks	63	72	74	76	77	77	77	77	77	77
Maintained Trails (miles)	40	50	54	57	60	64	69	74	97	80
Playgrounds	36	36	36	44	45	45	45	45	45	45
Tennis Courts/Centers	36	36	36	35	39	39	39	39	39	39
Sports fields	32	32	32	32	32	32	32	32	32	32
Sports courts	20	20	20	23	27	27	27	27	27	27
Swimming beaches/pools	7	7	7	7	7	7	7	7	7	7
Vistor/Interpretive Centers	2	2	2	2	2	2	3	3	3	4
Community Centers/Recreation facilities	4	4	4	4	4	4	5	5	5	5

Table 22
Page 2 of 2

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Golf Courses	2	2	2	2	2	2	2	2	2	2
Marinas/Boat launches	-	2	2	2	2	2	2	2	2	2
Water:										
Water mains (miles)	588	555	560	563	616	617	618	617	617	620
Vehicles	22	27	31	32	42	42	43	43	43	40
Sewer:										
Sanitary sewers (miles)	487	485	486	488	520	520	520	520	521	523
Vehicles	24	27	32	33	36	40	43	35	37	38
Storm Drainage										
Vehicles	13	15	20	22	24	25	26	27	27	26

Note: No capital asset indicators are available for the general government, judicial, economic environment or physical environment functions.

