

City of Bellevue, Washington



**2010
Comprehensive
Annual
Financial
Report**

For the Fiscal Year Ended December 31, 2010

Introductory Section

City of Bellevue, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2010



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, 2009

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 stylized handwritten signature in black ink.

President

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

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, 2009.

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, 2010

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June 29, 2011

**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, 2010 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 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 is located across Lake Washington just east of Seattle. It 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 122,900 residents and is expected to grow at an average annual rate of 1.0% through 2021, 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 continued at a rocky pace during 2010. Employment declined by 1.8%, which was more than two times the national rate of employment decline. Regional employment began growing again in the 4th quarter of 2010. Local economists expect employment to continue to grow modestly in 2011.

Office vacancy rates in Bellevue's Central Business District ended the year at 16.6%. Lease rates remained high, increasing somewhat in the 4th quarter of 2010. The Downtown office vacancy rate is expected to drop in 2011 as employment begins growing again and the economy continues to recover.

Personal income grew in 2010 while taxable retail sales declined. Taxable retail sales began growing again in the 3rd quarter of 2010 and are expected to grow by nearly 3% in 2011. Economists are citing the uptick in consumer confidence, increase in disposable income and easing of consumer credit as positive developments that will boost retail sales in 2011.

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 Development Services 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

2010 Significant Accomplishments

- Engaged the community and organization in a budgeting for outcomes process to "reset" the City's budget in response to the current economic situation. The process identified the City's 7 Priority Outcomes and prioritized and funded proposals that help the City to best achieve those outcomes. The City's priority outcomes are: Safe Community, Improved Mobility, Healthy & Sustainable Environment, Innovative, Vibrant & Caring Community, Quality Neighborhoods, Economic Growth & Competitiveness, and Responsive Government.

Safe Community

- Completed analysis of municipal jail alternatives and reached agreement with jail providers with sufficient bed space to allow termination of the Environmental Impact Study (EIS) for the North East cities municipal jail study and avoid costly capital investment in jail facilities.
- Completed 100% of the routine fire and life safety inspections for the fifth consecutive year.
- Renewed the Fire Protection Services agreement with King County Fire District #14.
- The City supported the deployment of Automated External Defibrillators (AED's) to every police patrol unit and officers are now dispatched to every incident that appears to be a heart attack resulting in two successful life saving responses in 2010.

Improved Mobility

- Implemented traffic adaptive signal systems at 31 intersections in downtown and Factoria to improve traffic flow and prepared intersections for Bellevue-Redmond Rapid Ride buses planned in 2011.
- Completed concept designs for several segments of the Eastlink plan, including Downtown Concept Design Report, 112th Ave SE Concept Design Report, Hospital Station Concept Design report and evaluated potential traffic operations of alternatives.

Innovative, Vibrant & Caring Community

- Converted the soccer fields at Wilburton Hill Community Park and Newport Hills Park to synthetic turf.
- Completed the Bellevue Airfield Park master plan and construction plans for the Ravine Garden and the Wetland-Sun Terraced Garden at the Bellevue Botanical Garden, Lewis Creek Park picnic area improvements, and the Bellevue Youth Theatre.
- Completed and obtained Council adoption of the Meydenbauer Bay Park and Land Use Plan.
- Enhanced 16 street landscapes covering 6 acres.

Quality Neighborhoods

- Completed work with the Bridle Trails Community Club to identify park levy project locations.
- Received \$350,000 grant from US Department of Health & Human Services/Administration for Children and Families for Wraparound Services program expansion.
- Acquired the Tyler property in the Newport Hills neighborhood.

Healthy & Sustainable Environment

- Utilized natural drainage practices (pervious pavements and rain gardens) on two transportation projects eliminating the need for traditional storm water detention facilities.
- Implemented a resource conservation program that included multiple actions including: replacing physical computer servers with virtual servers, lighting upgrades and new controls, completing energy audits, educating employees, and adjusting HVAC settings and schedules. 2010 savings realized are 596 Metric Tons of CO₂ (equivalent to the emissions of 114 cars) and \$98,000 (dollar savings).
- \$1.29 million federal Recovery Act grant monies have thus far supported the following projects:
 - Addition of 33 hybrid vehicles to the city fleet for annual savings of \$30,000, 11,000 gallons of fuel, and 90 MTCO₂e (investment in 90 new hybrids total is expected) (also supported by Clean Cities grant funding).
 - Upgraded lighting systems at 5 Parks and Community Services sites for annual savings of \$32,800 and 186 MTCO₂e.
 - Launched Home Energy Reports program, providing nearly 34,000 Bellevue residents with energy savings information, expected to save over 2 gigawatt hours (GWh) in Q1 2011 (reports will run for four quarters in total).

- Bellevue was featured in a national report: *Measuring Up*, by ICLEI - Local Governments for Sustainability, highlighting Bellevue's greenhouse gas reduction efforts aside nearly 25 other cities nationwide.
- Continued to achieve Bellevue's long-term water supply vision and needs through Cascade Water Alliance and Department of Ecology issued Cascade's municipal water rights for Lake Tapps.

Economic Growth & Competitiveness

- Completed inspections and authorized occupancy of 8 major business, multi-family residential, and educational construction projects.
- Issued 11,500 development services permits with a total valuation of \$209.2 million.

Responsive Government

- Implemented upgrade project to the City's maintenance management system (Maximo) to provide shared work management for Utilities, Parks, Facilities, Fleet, and Transportation Signals. This implementation enhanced Utilities' asset management initiatives and structured work planning.
- Collected \$2.3 million from B&O Audit, detection and delinquency efforts.
- Six departments/key functional areas retained accreditation in 2009: Fire, Utilities, Parks & Community Services, Police Operations, Public Safety Communications Center, and Transportation.

2011 Initiatives

The 2011 Budget focuses on services that deliver outcomes that are important to our community and aligns departmental priorities to these outcomes. The Budget and associated initiatives reflect the values of our community and important community-wide priorities recognized by the Council through our 2010 Budget One process. Efforts on the City's major initiatives are encompassed within the appropriate outcomes.

Safe Community

Proposals determined to best achieve the Safe Community outcome focus on the following key factors:

- **Prevention** - Fire prevention services, focusing on fire and life safety code enforcement, investigations, proactive policing, community outreach and education, and inspection services.
- **Response** - Maintains service levels for our First responders – including Police Street Patrol, Fire Suppression, Community Police Stations, and Advance Life Support (ALS).
- **Planning and Preparation** - Regional coordination and communication to build a preparedness, response and recovery plan for natural and human-caused disasters and events.
- **Community Engagement** - Continue the Police Crime Prevention Program, the Police Volunteer Program, child and youth safety initiative, and the School Resource Officer program, which helps build connections between the City and the business and residential communities.

Improved Mobility

The purchasing plan for Improved Mobility focuses primarily on programs with a more immediate impact on traffic flow and safety. Without these foundational pieces, the transportation system cannot operate effectively. In addition, the plan includes resources for programs that allow the city to plan for and manage traffic flow and overall mobility in the future. The proposals determined to best achieve the Improved Mobility outcome focus on existing & future infrastructure; traffic flow; built environment; and travel options.

Healthy & Sustainable Environment

The proposals determined to best achieve the Healthy & Sustainable Environment Outcome focus on the following primary and secondary factors:

- **Water Resources** - Provide clean and reliable drinking water. Includes maintenance and development of water supply, sewer and storm and surface water systems.
- **Clean Living Environment** - Street sweeping to keep our streets clean; Waste management. Includes solid waste, waste prevention and recycling.
- **Nature Space** - Parks and Trails. Includes nature parks, rangers, visitor centers, greenways and trails; Trees/Landscaping. Includes nature space, forest management, water conservation and irrigation.
- **Clean Air** - Forest management and landscaping; Environmental Stewardship Initiative; and Resource Conservation Management efforts work to reduce municipal greenhouse gas emissions and reduce carbon footprint.
- **Conservation** - Resource Conservation Manager-Implements new and innovative ways of conserving energy in city facilities; Environmental Stewardship Initiative.

Innovative, Vibrant and Caring Community

The proposals determined to best meet the IVCC outcome address the following key factors:

- **Support Services** - Human services programs, affordable housing, and utility rebates will assist those in financial need; A broad range of programs and services are made available to the entire population.
- **Opportunities For Interaction** - Community centers, parks, recreation facilities, and programs provide opportunities for Bellevue citizens to gather, socialize, and recreate; The city sponsors (or, in some cases, co-sponsors or otherwise supports) public events,
- **Built Environment** - Planning efforts help ensures the city will develop in a way that creates a vibrant built environment.
- **Involved Citizens** - Funding for community centers and programs includes outreach to a variety of populations; Citizens participate in volunteer programs through the community centers, landscaping projects, and other opportunities.

Quality Neighborhoods

The proposals determined to best meet the Quality Neighborhood outcome address the following key factors:

- **Sense of Community** - Programs to build the sense of community through physical improvements, volunteer efforts, leadership development and targeted assistance based on local need.
- **Facilities and Amenities** - Maintains 41 neighborhood parks, playground equipment, skate parks and other facilities and amenities for the continued use and enjoyment of neighborhood residents.
- **Public Health and Safety** - Enforces local codes that address nuisances and potential hazard issues in order to preserve livability and desirability of the City's residential and commercial areas; Promotes clean and well-maintained properties through education and neighborhood clean-up programs.
- **Mobility** - Preserves programs designed to address cut-through and speeding traffic in residential areas; Continues to address spillover parking issues through establishment of residential parking zones (RPZ).
- **Schools** - Continues collaborative "Wrap-Around Services" program with Bellevue Schools, non-profits and local businesses to meet educational and developmental needs of students, involve local residents in the school and by extension the community, maximize investment in school facilities.

Economic Growth & Competitiveness

It is generally recognized that most everything the city does helps with economic development. Having a safe community and a well-kept infrastructure makes the city economically viable and attractive. Proposals specifically targeted at the Economic Growth & Competitiveness (EGC) outcome address the following primary factors:

- **People & Partnerships** - by developing partnerships with organizations, businesses, people and other agencies the City offers avenues to encourage businesses to locate in Bellevue.
- **Community Policy, Planning & Development** - This outcome category is met by the Development Services - Review Services proposal, while planning and policy proposals are embedded in those reviewed by the IVCC team.
- **Infrastructure** - The EGC Team recognizes that infrastructure is a critical factor of economic viability, however most infrastructure proposals were submitted to other more appropriate outcomes. The Bellevue Convention Center Authority proposal, which relies on a dedicated revenue source, was submitted to and recommended by the EGC outcome. Transportation infrastructure proposals were addressed by the Improved Mobility team and Utilities infrastructure proposals were addressed by the Healthy and Sustainable Environment team.
- **Quality of Community** - Like Infrastructure, Quality of Community is a key factor contributing to success in this outcome. Proposals addressing this factor were submitted to the IVCC and Quality Neighborhoods teams.

Responsive Government

- **Community Connections** - Direct services to the community that provide opportunities for people to interact and engage with the City on issues of importance to them.
- **Strategic Leadership** - Services that support realization of the community vision through Comprehensive Planning Core Services and delivery of the community vision; Services that help ensure regional competitiveness by fostering Intergovernmental Relations and partnerships such as the eGov Alliance.
- **Engaged Workforce** - Programs that facilitate recruitment and retention of a well qualified and diverse workforce that is succession-ready.
- **Exceptional Service** - Programs to ensure that the workforce is appropriately equipped to provide efficient and effective service.
- **Stewards of the Public Trust** - Programs that manage income, assets, and expenses to foster financial sustainability. Programs that foster creation and maintenance of organizational performance and accountability measures; Programs that ensure facility integrity and business continuity is maintained; Programs that ensure equipment and system integrity and continuity of operations is maintained; Programs that manage risk and liability and foster ethical behavior.

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.

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 2010 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 2010. 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, 2009. The City has earned this prestigious award for 30 out of 34 CAFR submissions. This was the 28th 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 2009-2010 biennial budget document for the 17th 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.

Additionally, the City was awarded the *Certificate of Excellence in Performance Management* from the International City and County Management Association (ICMA) for the City's leadership in using and reporting performance data and received the *Gold Award* from the Association of Government Accountants for Outstanding Efforts in Producing a High Quality 2009 Annual Performance Report. Finally, the Washington State Auditor recognized the City with recognition of *Excellence in Internal Controls and Accurate Financial Reporting* for 7 consecutive years of no audit findings.

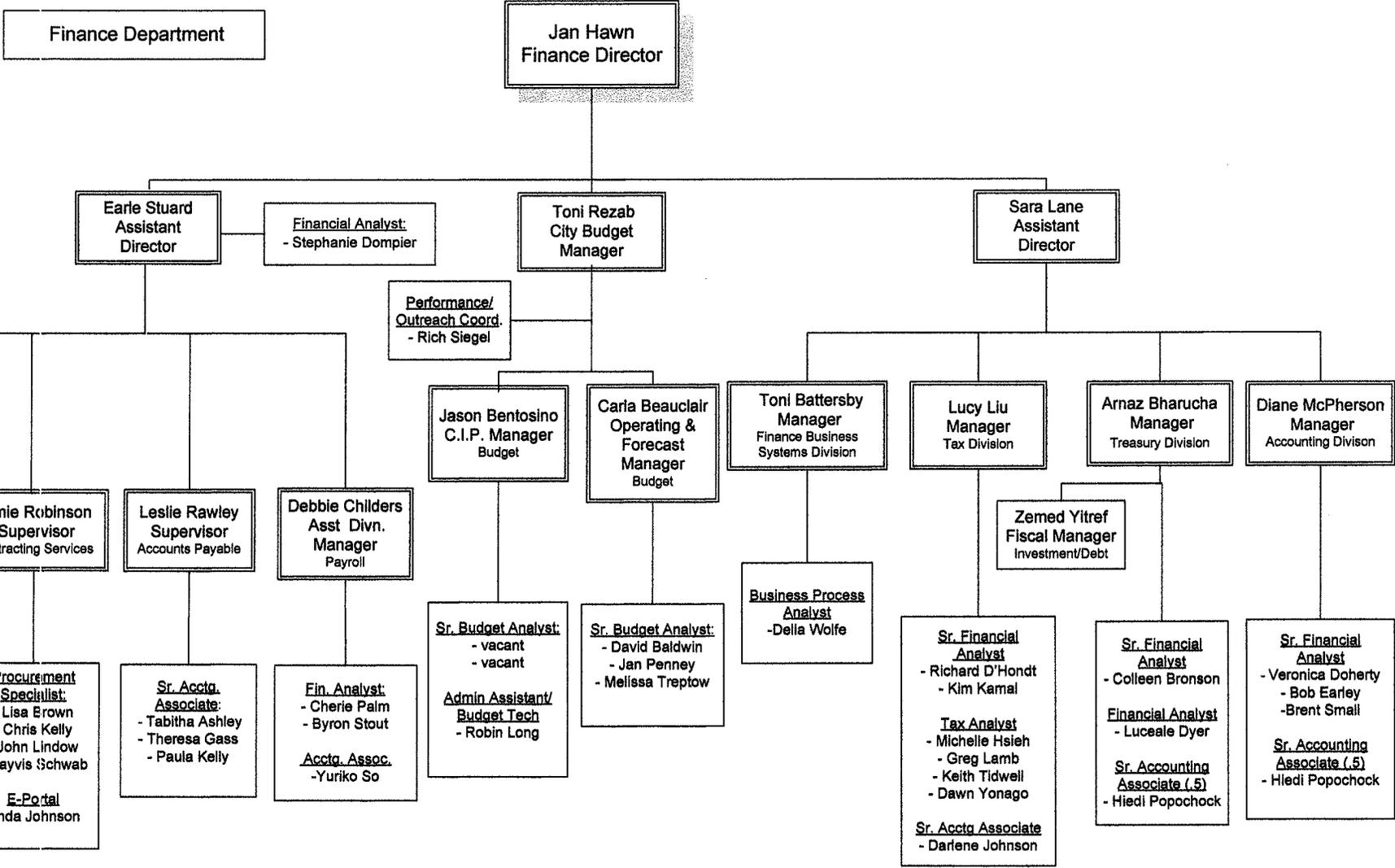
ACKNOWLEDGMENTS

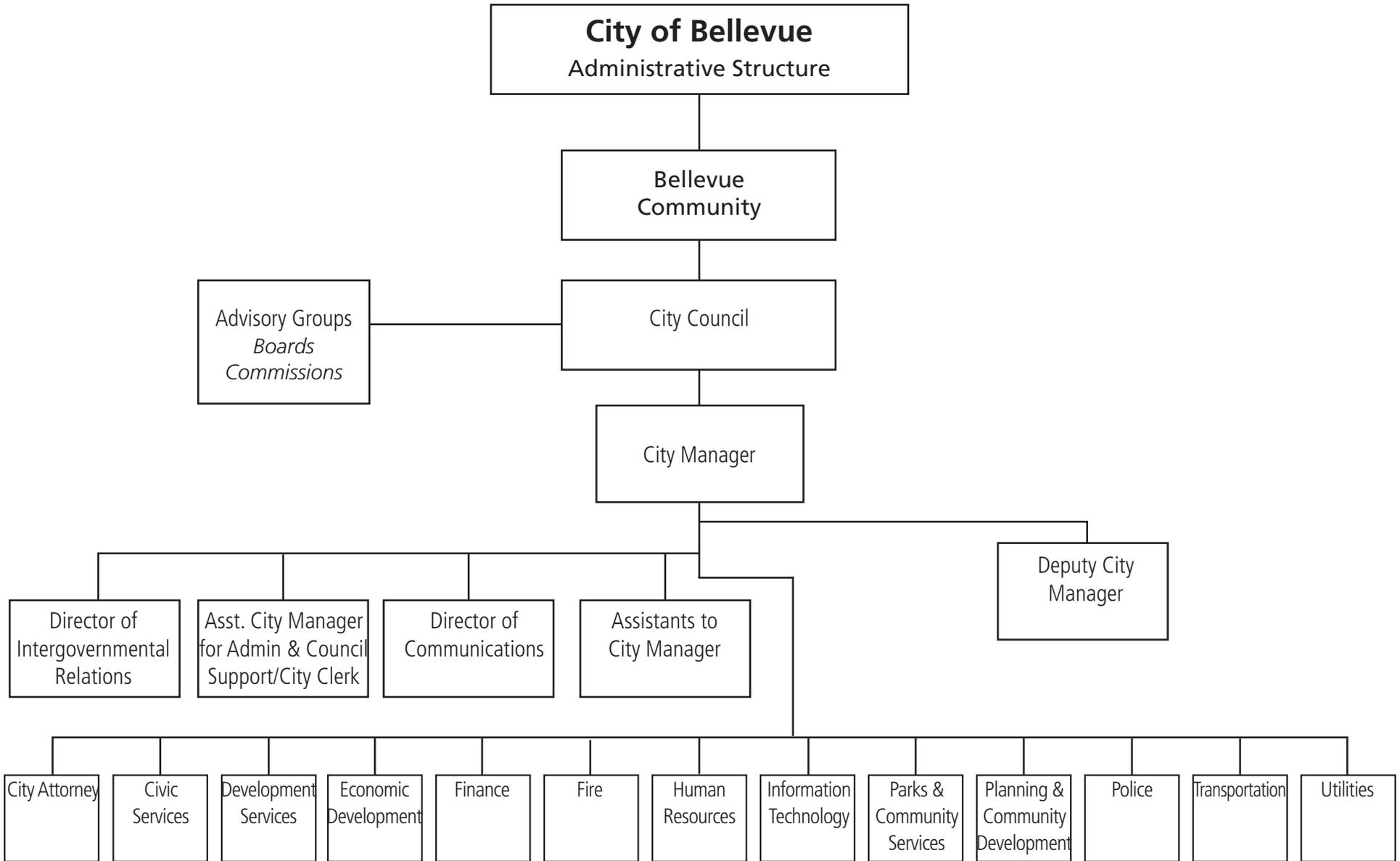
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of Finance Department staff and other employees throughout the City who assisted in and contributed to its preparation. A special note of thanks is given to Diane McPherson, Accounting Manager, Veronica Doherty, Senior Financial Analyst, Brent Small, Senior Financial Analyst, Robert Earley, Senior Financial Analyst, and Hiedi Popochock, Senior Accounting Associate 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,

A handwritten signature in black ink, appearing to read "Jan Hawn". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jan Hawn
Finance Director







Financial Section



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 29, 2011

Mayor and City Council
City of Bellevue
Bellevue, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Bellevue, King County, Washington, as of and for the year ended December 31, 2010, 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, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Bellevue, King County, Washington, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General 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 29, 2011, 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 15, infrastructure modified approach on page 106 and pension trust fund and other post-employment benefits information on pages 104 through 105 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 110 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 the first name "Brian" and last name "Sonntag" clearly distinguishable.

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, 2010. 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 continued to experience reductions in economically sensitive revenues in governmental funds in 2010 as a result of the slow economic recovery. Investment Interest was down \$2.4 million, B&O Tax was down \$1.0 million, and miscellaneous was down \$1.2 million however excise tax was up \$4.2 million as a result of the sale of three buildings in the downtown area. Bellevue City Center generated \$1.5 million, Advanta Office Commons generated \$1.2 million, and the Bravern generated \$2.0 million in Real Estate Excise Tax (REET).
- The City issued \$11.9 million in new bonds to fund the Mobility and Infrastructure Initiative and issued \$12.9 million in two refunding bonds, the outstanding Limited Tax General Obligation Bonds, 1998 (Marina Project) and the outstanding Limited Tax General Obligation Bonds, 2002, under a combined refunding issuance taking advantage of the low rate environment.

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, 2010 and December 31, 2009 are summarized and analyzed in the following table.

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
	(in thousands)					
Current and other assets	\$ 150,782	\$ 155,091	\$ 126,725	\$ 114,508	\$ 277,507	\$ 269,600
Capital assets, net of accumulated depreciation	1,658,958	1,650,994	255,670	244,406	1,914,628	1,895,400
Total assets	1,809,740	1,806,086	382,395	358,914	2,192,135	2,164,999
Long-term liabilities	187,932	173,557	4,728	6,106	192,660	179,663
Other liabilities	21,766	22,666	2,006	2,711	23,772	25,377
Total liabilities	209,699	196,223	6,734	8,817	216,432	205,040
Net Assets:						
Invested in capital assets, net of related debt	1,494,063	1,499,240	252,444	239,778	1,746,506	1,739,018
Restricted	24,042	16,753	92,384	77,584	116,427	94,337
Unrestricted	81,936	93,870	30,834	32,735	112,770	126,605
Total net assets	\$ 1,600,041	\$ 1,609,863	\$ 375,662	\$ 350,097	\$ 1,975,703	\$ 1,959,960

Governmental Activities: Total net assets for the City increased by \$15.7 million, including a decrease of \$9.8 million in governmental activities tempered by an increase in business type activities of \$25.6 million. Of total governmental activities net assets, \$1.9 million is restricted for debt service and \$22.2 million for capital projects. Unrestricted net assets of \$81.9 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, \$4.3 million was in cash and equity in pooled investments resulting from use of cash reserves during the economic recovery.
- An increase of \$6.1 million in construction in progress as a result of several transportation street and sidewalk project currently underway and land purchases of \$3.4 million, tempered by depreciation of current assets and the completion of capital projects led to an overall increase in capital asset values of \$8.0 million.
- The issuance of \$12 million debt and refunding of \$13.3 million resulted in an increase to long-term liabilities and a decrease to Invested in capital assets net of related debt of \$14.7 million.

- The slow economic recovery and subsequent use of reserves led to a decrease in unrestricted net assets of \$2.4 million. Restricted net assets increased \$7.3 million related to an increase in the City's capital project funds.

Business-type activities: Business-type activities of the City's utilities and marina increased the City of Bellevue's net assets by \$25.6 million in 2010. Of total net assets, \$92.4 million is restricted for utility capital projects and \$30.8 million is available to meet operating needs. Contributing factors of the increase in net assets were:

- Business type current assets increased by \$12.2 million, the result of an effort to build reserves to cover planned future replacement of aging infrastructure.
- The net increase of \$11.3 million in capital assets was related to construction projects currently underway tempered by depreciation for existing assets.
- Long-term debt obligations decreased in the Utility funds by \$1.4 million as outstanding revenue bonds reached maturity. The remaining change in long-term debt in the Marina fund is \$3 million, of which \$2.7 million is due in more than one year \$0.3 million due within one year.

Changes in net assets

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

City of Bellevue, Washington

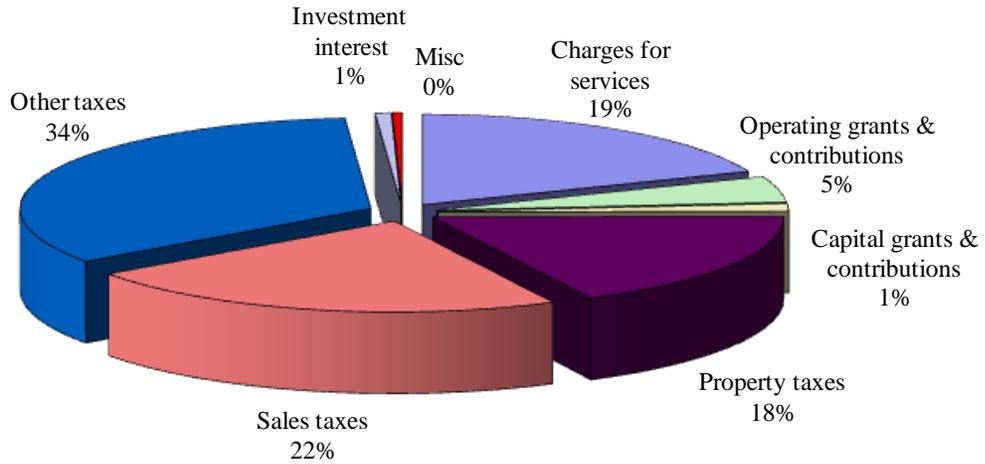
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:	(in thousands)					
Program revenues:						
Charges for services	\$ 37,927	\$ 41,575	\$94,814	\$88,801	\$132,741	\$ 130,376
Operating grants & contributions	9,196	8,796	-	-	9,196	8,796
Capital grants & contributions	2,550	7,984	7,155	5,002	9,705	12,985
General revenues:						
Property taxes	35,364	34,854	-	-	35,364	34,854
Sales taxes	44,984	45,119	-	-	44,984	45,119
Other taxes	67,388	61,918	-	-	67,388	61,918
Investment interest	1,479	3,252	1,254	1,874	2,732	5,126
Miscellaneous	888	1,903	349	445	1,237	2,348
Total revenues	<u>199,776</u>	<u>205,401</u>	<u>103,571</u>	<u>96,121</u>	<u>303,348</u>	<u>301,522</u>
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Expenses:						
General government	25,557	29,641	-	-	25,557	29,641
Public safety	79,818	78,373	-	-	79,818	78,373
Physical environment	1,801	1,952	-	-	1,801	1,952
Transportation	30,413	25,853	-	-	30,413	25,853
Economic environment	20,177	21,785	-	-	20,177	21,785
Health and human services	7,401	7,914	-	-	7,401	7,914
Culture and recreation	36,643	37,818	-	-	36,643	37,818
Unallocated interest on long-term debt	7,262	7,294	-	-	7,262	7,294
Water	-	-	33,798	30,074	33,798	30,074
Sewer	-	-	34,755	35,091	34,755	35,091
Storm Drainage	-	-	9,668	9,967	9,668	9,967
Marina	-	-	312	353	312	353
Total Expenses	<u>209,071</u>	<u>210,629</u>	<u>78,533</u>	<u>75,484</u>	<u>287,605</u>	<u>286,113</u>
Excess (deficiency) before transfers and special items	(9,295)	(5,228)	25,038	20,637	15,743	15,409
Transfers	(527)	(254)	527	254	(0)	(0)
Increase (decrease) in net assets	(9,822)	(5,482)	25,565	20,891	15,743	15,409
Net assets - beginning	1,609,863	1,615,345	350,097	329,206	1,959,960	1,944,551
Prior period adjustment	-	-	-	-	-	-
Net assets - ending	<u>\$1,600,041</u>	<u>\$1,609,863</u>	<u>\$375,662</u>	<u>\$350,097</u>	<u>\$1,975,703</u>	<u>\$ 1,959,960</u>

Governmental activities experienced a net decrease of \$9.8 million in net assets while business activities increased by \$25.6 million, for a net increase in net assets of \$15.7 million in 2010. Key elements of the changes in governmental activities net assets are:

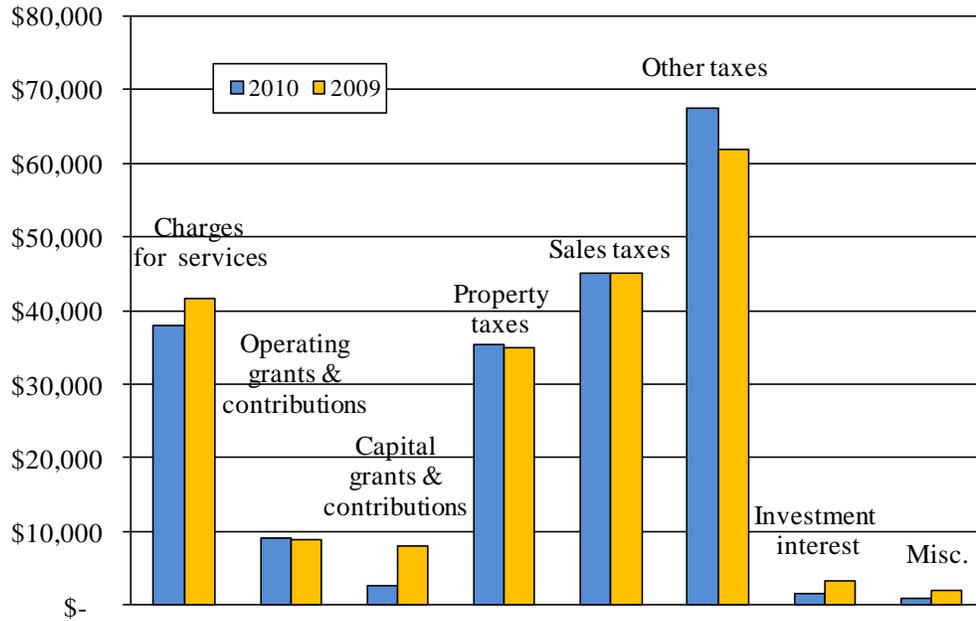
- Charges for services decreased \$3.6 million, of which \$2.7 million was attributable to a decrease in economic environment as the development activity in Bellevue continues to be impacted by the slow economic recovery.
- Capital grants and contributions decreased by \$5.4 million, including:
 - Transportation grants from Federal and State decreased a combined \$2.6 million, and
 - Culture and recreation decreased \$2.3 million, which included the completion of the Mercer Slough Environmental Education Center for \$1.1 million. Interlocal grants also decreased by \$.8 million as projects were completed.
- While the slow economic recovery continues to impact our economy, Bellevue's General Revenues collections increased by \$3.1 million, largely buoyed by an increase in Other Taxes of \$5.4 million as a result of higher Real Estate Excise Tax (REET). General Revenue details include:
 - Utility Taxes increased by \$1.1 million,
 - Business and Occupation taxes decreased \$1.0 million,
 - Hotel-Motel taxes increased slightly by \$ 0.8 million, and
 - Excise and Other taxes increased by \$4.7 million combined.
- Investment rates continue to drop significantly with higher yielding investment holdings being called early, resulting in a decrease of \$1.7 million in interest earnings in 2010.
- Governmental activities expenses decreased \$1.6 million, the highlights of which are as follows:
 - A decrease in general government expense for \$4.1 million due to cost containment efforts,
 - An increase in public safety expense related to fees paid to NORCOM,
 - Economic environment expenses decreased by \$1.6 million due to decreased development activity resulting in lower review and inspection costs,
 - Transportation expenses increased \$4.6 million due to roadway paving projects, and
 - Culture and Recreation decrease of \$1.2 million due to cost containment efforts.

The following charts illustrate the major revenue sources as percentages of total revenues for governmental funds and in comparison from 2009 to 2010.

Governmental Activities - Revenues

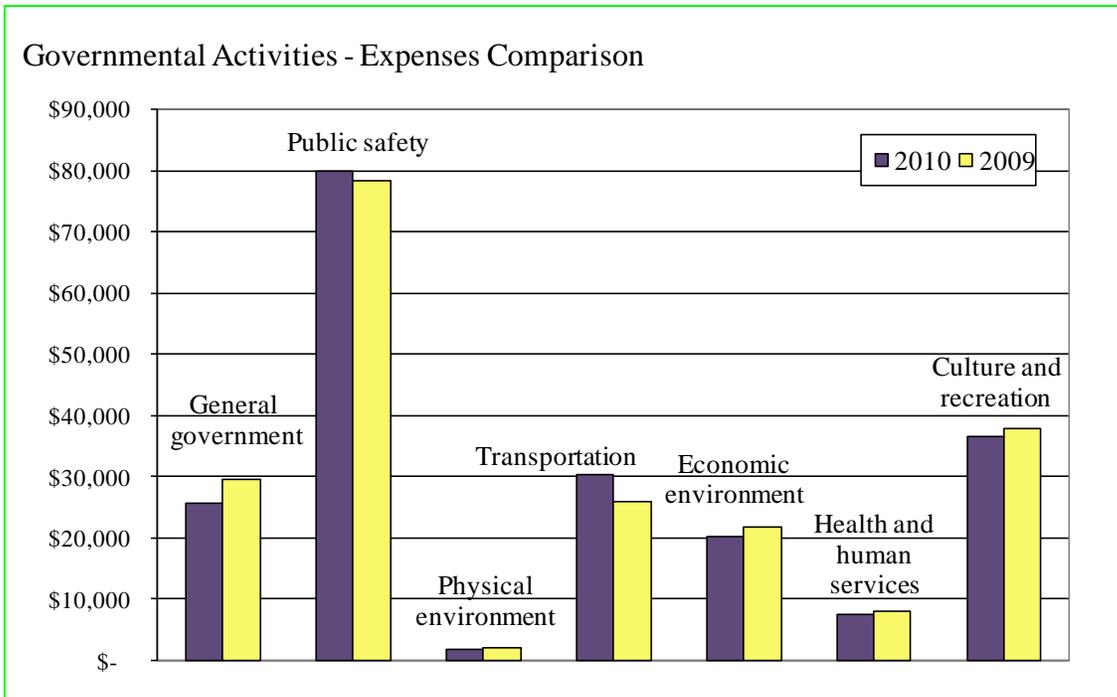
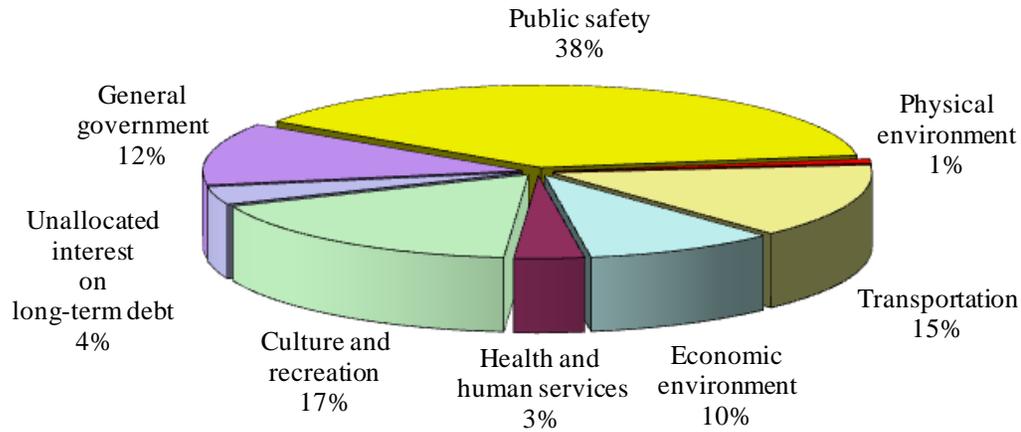


Governmental Activities - Revenues Comparison



Expenses for governmental activities are shown in the following charts by function, both as a percentage of total expenses and as compared to 2009.

Governmental Activities - Expenses



Business-type activities of the City’s utilities and marina increased the City of Bellevue’s net assets by \$25.6 million in 2010. Key elements of this increase are:

- Charges for services increased \$6.0 million due to rate increases. Water Utility rate increase 3.2%, Sewer Utility 3.5% increase and Storm Utility increase of 8.5%. The City purchases water from Cascade Water Alliance and sewer treatment from Seattle. The costs of those services are passed along to customers. The following chart provides the customer and consumption information available from our Utilities department and the percentage changed from the prior year.

	<u>2010</u>	<u>2009</u>	<u>Percent increase/ decrease</u>
Number of customers:			
Water	37,125	37,101	0.06%
Sewer	36,954	35,555	3.93%
Drainage	30,681	30,633	0.16%
Annual consumption:			
Water	6,277	6,612	-5.07%
Sewer	4,603	5,533	-16.81%

- Business type capital grants & contributions increased by \$2.2 million due to increases in utility rates for replacement of aging infrastructure.
- Water Utility expenses increased \$3.7 million, due to the increase of \$1.4 million in amounts remitted to the Cascade Water Alliance Association, and increased expenses in repairs and maintenance.

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 2010, fund balance for the General Fund was \$19.8, an increase of \$3.6 million from 2009. While revenues increased \$1.2 million and expenses increased \$1.1 million or 1% over 2009, other financing uses and sources increased \$2.5 million partially due to the refunding of excess reserves from Internal Service Funds.

The Operating Grants, Donations and Special Reserves Fund has an ending fund balance of \$3.7 million, a minor change of \$.7 million from 2009. 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 \$5.1 million, relatively unchanged from 2009. The fund balance is representative of the properties and loans receivable made available to maintain affordable housing in Bellevue.

The General Capital Investment Program Fund has an ending fund balance of \$22 million. This represents an increase of \$7.7 million from 2009 as a result of the City issuing \$15 million in new debt to fund new capital projects. These capital projects consisted of several roadway projects for \$4.0 million, traffic computer system upgrades for \$1.0 million, and street walkway/bikeway improvements of \$3.0 million.

Business-Type Funds: The proprietary fund statements report on an economic resources basis and provide essentially the same information as that presented in the government-wide statements; however, more detail is provided in the fund statements. The City reports both enterprise funds and internal service funds which support the operations of the government. Unrestricted net assets of the major enterprise funds are as follows:

The Storm & Surface Water Utility has unrestricted net assets of \$5.7 million, a decrease of \$.236 million over 2009. The Water Utility's unrestricted net assets decreased by \$.786 million to \$12.6 million and the Sewer Utility's unrestricted net assets decreased \$.735 million ending in a balance of \$12.5 million for the year.

Unrestricted net assets in the Marina Fund were \$.072 million, which is a decrease of \$.143 million over the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City of Bellevue's investment in capital assets for the end of 2010 was \$1.9 billion, net of depreciation, which is an increase of \$19.2 million from the previous year. The following table shows the balances by category for governmental activities, business activities, and the City as a whole.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
	(in thousands)					
Land	\$ 741,453	\$ 738,004	\$ 24,898	\$ 24,898	\$ 766,351	\$ 762,902
Buildings	158,216	163,337	18,777	16,875	176,993	180,212
Improvements other than buildings	29,304	29,132	-	-	29,304	29,132
Machinery and equipment	19,064	18,091	2,110	1,468	21,174	19,559
Infrastructure	671,567	668,706	200,316	163,183	871,883	831,889
Intangible assets	8,978	9,417	68	80	9,046	9,497
Construction in progress	30,377	24,307	9,500	37,902	39,877	62,209
Total	<u>\$1,658,959</u>	<u>\$1,650,994</u>	<u>\$255,669</u>	<u>\$244,406</u>	<u>\$1,914,628</u>	<u>\$1,895,400</u>

Governmental Activities. Capital assets from governmental activities increased \$7.9 million. Key elements of this change are as follows:

- Increase in Land of \$3.4 million due to the purchase of two parcels of land for Parks open space. Chapel property \$1.7 million, and Tyler property \$1.7 million.
- Increase in depreciable land improvements due to Newport Hills Park Field renovations \$1.3 million.

- Increase in Nondepreciable infrastructure of \$4.2 million due to the completion of Northrup Way – 120/124 Ave NE.
- Construction in progress increased \$6.0 million related to several transportation street and sidewalk projects.
- Increase in Depreciable infrastructure (net) of \$2.8 million due to construction projects being completed.

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.

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 2010 reduced from 75 to an overall performance rating of 72. The percentage of roadways above a satisfactory rating for 2010 is 80%, which is a reduction of 4% from the prior year. Residential roadways show an average condition rating of 84, an increase of 1 point over 2009. Of the total residential lane miles, 97% 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 increased by \$11.2 million of which \$8.8 million is attributable to completion of significant projects related to system rehabilitation and water main replacement. This resulted in a reduction to Construction in progress of \$28.4 million offset by an increase to Depreciable Infrastructure of \$35.8 million and Depreciable Capital Assets (net) of \$3.9 million. 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 \$168 million in debt outstanding compared to \$156.4 million last year. Of the \$11.7 million increase, \$13.1 million is in governmental activities tempered by a \$1.4 million decrease in business type activities.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
	(in thousands)					
General obligation bonds	\$ 147,316	\$147,718	\$ 2,980	\$ 2,980	\$150,296	\$ 150,698
Special assessment debt	795	795	-	-	795	795
Revenue bonds	-	-	88	2,980	88	2,980
Line of credit	15,047	15,047	-	-	15,047	15,047
Installment purchase	1,100	1,100	-	-	1,100	1,100
Other long term debt	638	638	159	797	797	1,435
Total	\$ 164,896	\$165,298	\$ 3,227	\$ 6,757	\$168,123	\$ 172,056

Governmental Activities. The City issued \$11.8 million in LTGO bonds for the Mobility and Infrastructure initiative and utilized installment credit of \$1.1 million to purchase offset by debt service payments. A line of credit was issued for \$3 million for General CIP fund cash flow needs. Of the debt outstanding at December 31, 2010, \$11.9 million is due within one year.

Business-type Activities. The Utility funds did not issue any new debt. During the fiscal year all scheduled debt service payments were met. Principal reductions amounted to \$1.4 million. The Utility revenue bonds matured in 2010. The Marina fund debt was defeased in 2010.

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 2010 was \$32.1 billion and the total amount of additional debt the City may issue is \$2.2 billion. Remaining debt capacity is categorized as follows:

<i>(in thousands)</i>	
General debt	\$ 605,072
Open space/Parks facilities	801,969
Utilities	801,969
Total	\$ 2,209,009

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 \$3.4 million between the original General Fund budget for fiscal year 2010 and the final General Fund budget is explained as follows:

- \$1.7M increase for fire flow capacity costs which were previously funded in the Water Utility Fund through water service charges. Based on a 2008 Washington State Supreme Court ruling, fire flow capacity costs are a general government cost. Consequently, the costs were moved to the General Fund. A water utility tax rate increase of 5.4% was also adopted to support these services.
- \$543K net increase to reflect the receipt of surplus reserves transferred from the LID Guaranty fund to the General Fund.
- \$441K net increase to reflect the receipt of intergovernmental revenues associated with the use of automated traffic safety and school speed zone cameras for issuance of red light infraction within the City limits.
- \$120K net increase to the General Fund related to the funding for staffing provided by the Washington State Criminal Justice Training Commission.

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that total revenues came in \$22.5 million below budget at year end, primarily due to a short-fall in tax collections related to the slow recovery from the recent recession. Expenditures were \$11.6 million under budget, due primarily to cost containment efforts made by the City as a result of the economic downturn.

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 has rated the City's general obligation debt as AAA.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The key factors affecting the economy while preparing the City's 2011-2012 biennial budget were the recent recession and economic uncertainty. Bellevue's economy began to stabilize at the end of 2009 and showed some signs of improvement in 2010. In early 2009, City management issued departmental spending targets in response to a contracting economy and these cost containment measures are continuing into 2011.

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 remained weak in 2010. The recession officially ended in June 2009, however the regional economy continues a meandering recovery. Employment has not improved and the unemployment rate remains high. Economists with the Puget Sound Economic Forecaster speculate that based on economic indicators, a "broad-based" recovery is right around the corner. Regional job losses total 31,600 in 2010. The sectors hit the hardest are construction, manufacturing and financial services. Employment began growing in the 4th quarter of 2010, and is projected to add back all the jobs lost in 2010 and more. Full employment recovery is not expected until 2014.

The housing market showed little improvement in 2010. After falling 63% during the recession, home sales experienced minimal growth in 2010. Average home prices also remained depressed, dipping an additional 1.2% over the past year. Home prices are expected to grow about 1.3% in 2011 and 5.5% in 2012. Recovery to pre-recession average home price is not projected until 2016.

Office vacancies in Bellevue's Central Business District hovered around 17% over 2010, ending the year at 16.6%. Bellevue's office market lease rates remain stronger than neighboring communities and continued to experience positive absorption throughout the year. Downtown office vacancy rates are expected decline as employment grows and economy picks up.

In 2010, collections of sales and business and occupation (B&O) taxes were below projections as well as 2009 collections. With projected growth in employment, retail sales and personal income are projected to increase 4.1% and 3.8% respectively, which should help spur growth in sales and B&O tax. REET collections in 2010 reflected the sluggish real estate market – but due to three large sales came in close to budget. Growth is projected to occur when employment and consumer spending improve.

As the City responds to the current economic environment it resets the budget and focused on providing the highest sustainable level of priority government programs, services, and capital investments. The City's 2011-2012 Biennial Budget reflects the results of this effort referred to as Budget One. The Budget One process encompasses a "Budgeting for Outcomes" philosophy and strives to deliver outcomes that are important to our community and reflect the values and priorities recognized by the City Council and City Management. The Outcomes identified by the Council as community-wide priorities include (1) Safe Community (2) Improved Mobility (3) Innovative, Vibrant & Caring Community (4) Quality Neighborhoods (5) Healthy and Sustainable Environment (6) Responsive Government and (7) Economic Growth and Competitiveness.

Traditional incremental budgeting was set aside in favor of an approach that would result in funding operational programs and capital projects within the seven outcome areas that matter to the community. The budget reflects what our community can afford and reduces the budget by approximately \$20 million for the biennium.

The Budget provides adequate funding for Police, Fire, Parks, and Transportation while seeking more efficiencies and cost savings in support departments such as Finance, Human Services, Information

Technology and Civic Services. The budget continues to provide a lifeline for those of our residents who are most in need and actually increases funding to the non-governmental organizations who partner with us in social and health services, education, food assistance, and other support for those in our community newly impacted by the recession.

The CIP is also severely affected by the recession. Our long-term capital program cannot be sustained as previously planned with the decline in future revenues currently anticipated by our long-term financial forecast and by increasing infrastructure demands. Recognizing the severe financial constraints faced by the City, only the most critical and time-sensitive projects were included in the budget.

We have endured nearly three years of belt tightening and cost containment but believe we have emerged with a budget that meets the needs of our community and sets our spending and staffing to affordable and sustainable levels while maintaining a level of service quality that is acceptable to our residents and stakeholders.

These continue to be difficult times not only for residents and our business and corporate communities, but also for the City of Bellevue government and its employees. The recession's impacts affect the current state of our local economy and is the most severe and longest lasting recession faced by the City since its incorporation in 1953. Even as our economy begins to recover, we do not expect to return to pre-recession revenue levels for several years. Despite the slow recovery from the recession, Bellevue is better positioned than many other cities in the region and the nation to face the impact of the recession. Strong fiscal stewardship and economic development through the years, an engaged workforce stressing efficiency, quality and customer service along with targeting resources to core municipal services will continue to help the City get through these difficult times.

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, 2010
(in thousands)

Page 1 of 2

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Bellevue</u>
	<u>Activities</u>	<u>Activities</u>		<u>Convention</u>
				<u>Center</u>
				<u>Authority</u>
Assets:				
Cash & equity in pooled investments	\$ 69,284	\$ 17,805	\$ 87,089	\$ 2,447
Receivables (net of allowances for uncollectables):				
Taxes	20,326	-	20,326	-
Accounts	4,108	15,665	19,773	510
Assessments	1,783	92	1,875	-
Interest	36	41	77	-
Other	837	31	867	778
Internal balances	(15)	15	0	-
Inventory	624	455	1,079	364
Other current assets	652	-	652	147
Current assets restricted for:				
For debt service	28,072	305	28,377	3,175
For customer deposits	-	103	103	-
For other	10,227	91,976	102,203	685
Deferred charges and other assets:				
Deferred charges	1,308	23	1,332	451
Noncurrent receivables	13,540	213	13,753	-
Capital assets:				
Land	741,453	24,898	766,350	-
Depreciable capital assets (net)	216,433	22,180	238,613	-
Depreciable infrastructure (net)	18,646	199,092	217,737	30,897
Nondepreciable infrastructure	652,050	-	652,050	-
Construction in progress	30,377	9,500	39,877	604
Total assets	<u>1,809,740</u>	<u>382,395</u>	<u>2,192,135</u>	<u>40,058</u>

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

Statement of Net Assets
As of December 31, 2010
(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>
Liabilities:				
Current liabilities:				
Accounts payable	7,388	1,075	8,463	194
Retainage payable	136	107	243	12
Accrued interest payable	-	1	1	3,056
Accrued payroll	5,285	672	5,957	135
Other accrued liabilities	1,007	67	1,074	98
Deposits payable	876	77	953	-
Unearned revenue	6,414	-	6,414	509
Other current liabilities	8	-	8	-
Current payable from restricted assets:				
Accrued bond interest payable	652	7	659	39,725
Noncurrent liabilities:				
Due within one year	11,956	812	12,768	1,186
Due in more than one year	175,977	3,916	179,893	15,966
Total liabilities	<u>209,699</u>	<u>6,734</u>	<u>216,432</u>	<u>60,880</u>
Net assets:				
Invested in capital asset net of related debt	1,494,063	252,444	1,746,506	14,409
Restricted for:				
Debt service	1,867	305	2,172	1,912
Capital projects	22,175	91,976	114,152	392
Other	-	103	103	-
Unrestricted	81,936	30,834	112,770	(37,535)
Total net assets	<u>\$ 1,600,041</u>	<u>\$ 375,662</u>	<u>\$ 1,975,703</u>	<u>\$ (20,822)</u>

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

Statement of Activities
For the Twelve Months Ending December 31, 2010
(in thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net Expense, Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<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>
Primary government:								
Government activities:								
General government	\$ 25,557	\$ 3,151	\$ 788	\$ 12	\$ (21,605)	\$ -	\$ (21,605)	\$ -
Public safety	79,818	15,346	3,342	46	(61,083)	-	(61,083)	-
Physical environment	1,801	1,095	606	-	(100)	-	(100)	-
Transportation	30,413	721	1,427	2,075	(26,190)	-	(26,190)	-
Economic environment	20,177	9,165	-	-	(11,012)	-	(11,012)	-
Health and human services	7,401	371	1,587	-	(5,443)	-	(5,443)	-
Culture and recreation	36,643	8,078	1,446	416	(26,704)	-	(26,704)	-
Interest on long-term debt	7,262	-	-	-	(7,262)	-	(7,262)	-
Total governmental activities	<u>209,071</u>	<u>37,927</u>	<u>9,196</u>	<u>2,550</u>	<u>(159,398)</u>	<u>-</u>	<u>(159,398)</u>	<u>-</u>
Business-type activities:								
Water utility	33,798	35,645	-	4,751	-	6,598	6,598	-
Sewer utility	34,755	42,534	-	1,999	-	9,778	9,778	-
Storm drainage utility	9,668	16,138	-	405	-	6,875	6,875	-
Marina	312	497	-	-	-	185	185	-
Total business-type activities	<u>78,533</u>	<u>94,814</u>	<u>-</u>	<u>7,155</u>	<u>-</u>	<u>23,435</u>	<u>23,435</u>	<u>-</u>
Total primary government	<u>\$ 287,605</u>	<u>\$ 132,741</u>	<u>\$ 9,196</u>	<u>\$ 9,705</u>	<u>\$ (159,398)</u>	<u>\$ 23,435</u>	<u>\$ (135,963)</u>	<u>\$ -</u>
Component unit:								
Bellevue Convention Center Authority	13,063	11,419	(107)	-	-	-	-	(1,752)
Total component unit	<u>\$ 13,063</u>	<u>\$ 11,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,752)</u>

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

Statement of Activities
For the Twelve Months Ending December 31, 2010
(in thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net Expense, Revenue and Changes in Net Assets</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<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>
General revenues:								
Property tax					35,364	-	35,364	-
Retail sales and use tax					44,984	-	44,984	-
Utility tax					25,071	-	25,071	-
Business and occupation tax					25,103	-	25,103	-
Excise taxes					10,521	-	10,521	-
Hotel/Motel tax					6,095	-	6,095	-
Other taxes					598	-	598	-
Payments from Component Unit/City					133	-	133	-
Grants & contributions - unrestricted					1,553	-	1,553	-
Unrestricted investment interest					1,479	1,254	2,732	17
Gain (Loss) in change of Fair Value					(477)	(462)	(939)	-
Miscellaneous					(659)	811	151	-
Gain on sale of capital assets					339	-	339	-
Transfers					(527)	527	-	-
Total general revenues and transfers					149,577	2,129	151,706	17
Change in net assets					(9,822)	25,565	15,743	(1,735)
Net assets at beginning of year					1,609,863	350,097	1,959,960	(19,087)
Net assets at end of year					\$ 1,600,041	\$ 375,662	\$ 1,975,703	\$ (20,822)

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

Balance Sheet
Governmental Funds
As of December 31, 2010
(in thousands)

	<u>General Fund</u>	<u>Operating Grants, Donations, & Special Reserves</u>	<u>Housing</u>
Assets:			
Cash & equity in pooled investments	\$ 8,602	\$ 3,460	\$ 5,119
Receivables (net of allowances):			
Taxes	15,455	6	17
Accounts	3,742	2	-
Current assessments	-	-	-
Interest & penalties on assessments	-	-	-
Interest	5	1	3
Interfund loans receivable	-	-	-
Due from other funds	385	3	-
Due from other governments	-	707	-
Prepays	402	-	-
Notes/contracts receivable	16	1,089	7,924
Housing rehabilitation loans receivable	-	3,128	-
Total assets	<u>28,607</u>	<u>8,396</u>	<u>13,063</u>
Liabilities:			
Accounts payable	2,526	197	0
Retainage payable	-	-	-
Interfund loans payable	-	-	-
Due to other funds	88	-	-
Due to Component Unit	-	-	-
Due to other governments	201	-	-
Accrued payroll	4,265	22	10
Accrued taxes	30	-	-
Deposits payable	65	3	-
Other current liabilities	8	-	-
Deferred revenues	1,632	4,520	7,924
Total liabilities	<u>8,816</u>	<u>4,742</u>	<u>7,934</u>
Fund balance:			
Reserved for:			
Debt Service	-	-	-
Unreserved, reported in:			
General Fund	19,790	-	-
Special Revenue	-	3,654	5,129
Capital Projects	-	-	-
Total fund balance	<u>19,790</u>	<u>3,654</u>	<u>5,129</u>
Total liabilities and fund balance	<u>\$ 28,607</u>	<u>\$ 8,396</u>	<u>\$ 13,063</u>

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

Balance Sheet
Governmental Funds
As of December 31, 2010
(in thousands)

Page 2 of 2

	<u>General CIP</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash & equity in pooled investments	\$ 21,733	\$ 36,134	\$ 75,049
Receivables (net of allowances):			
Taxes	3,350	1,619	20,447
Accounts	1	273	4,019
Current assessments	-	1,771	1,771
Interest & penalties on assessments	-	12	12
Interest	1	15	25
Interfund loans receivable	-	33	33
Due from other funds	-	70	458
Due from other governments	95	-	802
Prepays	250	-	652
Notes/contracts receivable	-	-	9,029
Housing rehabilitation loans receivable	-	-	3,128
Total assets	<u>25,431</u>	<u>39,927</u>	<u>115,424</u>
Liabilities:			
Accounts payable	2,947	323	5,994
Retainage payable	133	-	133
Interfund loans payable	-	33	33
Due to other funds	-	385	473
Due to Component Unit	-	730	730
Due to other governments	3	34	238
Accrued payroll	19	484	4,800
Accrued taxes	-	-	30
Deposits payable	1	808	876
Other current liabilities	-	-	8
Deferred revenues	153	4,167	18,395
Total liabilities	<u>3,256</u>	<u>6,963</u>	<u>31,711</u>
Fund balance:			
Reserved for:			
Debt Service	-	1,867	1,867
Unreserved, reported in:			
General Fund	-	-	19,790
Special Revenue	-	31,097	39,880
Capital Projects	22,175	-	22,175
Total fund balance	<u>22,175</u>	<u>32,964</u>	<u>83,713</u>
Total liabilities and fund balance	<u>\$ 25,431</u>	<u>\$ 39,928</u>	<u>\$ 115,424</u>

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

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2010
(in thousands)**

Total governmental fund balances		\$ 83,713
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.		1,637,443
These assets consist of:		
Land	741,453	
Non-depreciable infrastructure	652,050	
Construction in progress	30,377	
Buildings	214,045	
Improvements other than buildings	48,801	
Machinery and equipment - general government	27,583	
Intangible assets	19,801	
Depreciable infrastructure	125,333	
Less: accumulated depreciation	(222,000)	
Net pension obligation paid in over required		1,383
Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		(167,380)
These long-term liabilities consist of:		
Bonds payable	(147,719)	
Line of credit payable	(15,047)	
Unamortized debt issuance costs	1,711	
Special assessment bonds payable	(795)	
Notes payable	(638)	
Accrued bond interest payable	(652)	
Compensated absences	(11,634)	
Installment purchase contract	(1,100)	
Deferred tax and grant revenue	12,374	
OPEB Obligation payable	(3,493)	
Pollution Remediation liability	(387)	
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.		44,882
Net assets of governmental activities		\$ 1,600,041

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, 2010
(in thousands)

Page 1 of 2

	<u>General Fund</u>	<u>Operating Grants, Donations & Special Reserves</u>	<u>Housing</u>
Revenues:			
Taxes and special assessments	\$ 108,022	\$ -	\$ 100
Licenses and permits	291	-	-
Intergovernmental	18,574	5,059	247
Service charges and fees	14,575	18	-
Fines and forfeitures	1,209	-	-
Interest and assessment interest/penalties	97	37	11
Net change in fair value of investments	(21)	(13)	(23)
Rent	1,173	-	-
Premiums/contributions	14	922	-
Other	80	141	-
Total revenues	<u>144,014</u>	<u>6,163</u>	<u>335</u>
Expenditures:			
Current:			
General government	19,201	130	-
Public safety	76,007	2,792	-
Physical environment	135	300	-
Transportation	23,098	-	-
Economic environment	3,836	1	-
Health and human services	6,030	1,032	330
Culture and recreation	22,312	137	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	37	-	-
Capital outlay:			
General government	-	39	-
Public safety	-	49	-
Physical environment	-	423	-
Transportation	-	-	-
Culture and recreation	-	-	-
Total expenditures	<u>150,656</u>	<u>4,902</u>	<u>330</u>
Excess (deficiency) of revenues over (under) expenditures	(6,642)	1,261	4
Other financing sources (uses):			
Transfers in	13,881	0	80
Transfers out	(3,639)	(611)	-
Sale of capital assets	42	-	-
Long-term debt issued	-	-	-
Proceeds from bond refunding	-	-	-
Payment to bond refunding escrow agent	-	-	-
Premium on issuance of long-term debt	-	-	-
Total other financing sources and uses	<u>10,284</u>	<u>(611)</u>	<u>80</u>
Net change in fund balance	3,642	651	85
Fund balance at beginning of year	16,149	3,004	5,044
Fund balance at end of year	<u>\$ 19,790</u>	<u>\$ 3,654</u>	<u>\$ 5,129</u>

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, 2010
(in thousands)

Page 2 of 2

	<u>General CIP</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes and special assessments	\$ 23,754	\$ 15,944	\$ 147,820
Licenses and permits	-	4,560	4,850
Intergovernmental	2,993	106	26,978
Service charges and fees	80	9,299	23,973
Fines and forfeitures	-	29	1,238
Interest and assessment interest/penalties	181	688	1,014
Net change in fair value of investments	(57)	(192)	(308)
Rent	837	2,597	4,607
Premiums/contributions	24	115	1,075
Other	5	21	248
Total revenues	<u>27,818</u>	<u>33,167</u>	<u>211,497</u>
Expenditures:			
Current:			
General government	1,871	4,871	26,074
Public safety	116	1,817	80,733
Physical environment	51	1,308	1,793
Transportation	6,630	65	29,793
Economic environment	234	15,972	20,043
Health and human services	141	-	7,533
Culture and recreation	5,446	5,856	33,751
Debt service:			
Principal	689	3,975	4,664
Interest and fiscal charges	180	7,168	7,386
Capital outlay:			
General government	54	-	93
Public safety	601	-	650
Physical environment	6	-	429
Transportation	12,478	-	12,478
Culture and recreation	5,734	-	5,734
Total expenditures	<u>34,231</u>	<u>41,032</u>	<u>231,152</u>
Excess (deficiency) of revenues over (under) expenditures	(6,413)	(7,866)	(19,656)
Other financing sources (uses):			
Transfers in	585	8,778	23,325
Transfers out	(2,150)	(5,134)	(11,534)
Sale of capital assets	-	-	42
Long-term debt issued	14,863	-	14,863
Proceeds from bond refunding	-	9,595	9,595
Payment to bond refunding escrow agent	-	(9,600)	(9,600)
Premium on issuance of long-term debt	844	287	1,131
Total other financing sources and uses	<u>14,141</u>	<u>3,927</u>	<u>27,822</u>
Net change in fund balance	7,728	(3,939)	8,167
Fund balance at beginning of year	14,448	36,902	75,546
Fund balance at end of year	<u>\$ 22,175</u>	<u>\$ 32,964</u>	<u>\$ 83,713</u>

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

**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, 2010
(in thousands)**

Net change in fund balances - total governmental funds		\$ 8,167
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.		6,553
This is comprised of:		
Capital outlays	23,975	
Current year depreciation	(17,422)	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(672)
This is comprised of:		
Deferred tax and assessment revenues	(1,321)	
Deferred grants and contracts revenues	649	
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.		(12,927)
This amount is comprised of:		
Proceeds from issuance of long term debt	(25,589)	
Long-term debt repayments	12,662	
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.		(2,509)
This amount is comprised of:		
Amortization of net OPEB obligation	(1,196)	
Accrued interest expense	(8)	
Pollution remediation obligation	(387)	
Accrued compensated absence expense	182	
Installment Purchase - Land	(1,100)	
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.		<u>(8,433)</u>
Change in net assets of governmental activities		<u>\$ (9,822)</u>

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

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2010
(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	\$ 125,208	\$ 126,908	\$ 108,022	\$ 18,885
Licenses and permits	277	277	291	(13)
Intergovernmental	17,558	17,678	18,574	(896)
Service charges and fees	14,937	15,022	14,575	447
Fines and forfeitures	121	562	1,209	(647)
Interest and assessment interest	672	672	97	575
Rent	1,079	1,083	1,173	(91)
Premiums/contributions	-	-	14	(14)
Other	1,698	2,236	80	2,156
Total revenues	<u>161,549</u>	<u>164,438</u>	<u>144,036</u>	<u>20,402</u>
Expenditures				
Current:				
General government	21,439	27,455	19,201	8,256
Public safety	78,190	77,174	76,007	1,167
Physical environment	119	119	135	(16)
Transportation	24,750	23,701	23,098	604
Economic environment	4,214	3,859	3,836	23
Health and human services	5,923	5,775	6,030	(254)
Culture and recreation	24,282	23,350	22,312	1,038
Debt service:				
Interest and fiscal charges	-	-	37	(37)
Capital outlay:				
Transportation	25	25	-	25
Total expenditures	<u>158,942</u>	<u>161,459</u>	<u>150,656</u>	<u>10,805</u>
Excess (deficiency) of revenues over (under) expenditures	2,608	2,979	(6,621)	9,597
Other financing sources(uses)				
Transfers in	1,416	1,959	13,881	(11,922)
Transfers out	(4,305)	(4,134)	(3,639)	(495)
Sale of capital assets	-	-	42	(42)
Total other financing sources(uses)	<u>(2,889)</u>	<u>(2,174)</u>	<u>10,284</u>	<u>(12,458)</u>
Net change in fund balance	(281)	804	3,663	(2,861)
Fund balance beginning of year	23,012	23,012	16,149	6,863
Fund balance end of year	<u>\$ 22,731</u>	<u>\$ 23,816</u>	<u>\$ 19,811</u>	<u>\$ 4,002</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, 2010
(in thousands)

Page 1 of 4

	<u>Storm & Surface Water Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ 3,806	\$ 8,889	\$ 5,040
Receivables (net of allowances):			
Accounts	2,895	4,908	7,849
Deferred assessments	-	-	92
Interest	10	12	19
Other	-	-	-
Notes/contracts receivable - current	-	1	30
Due from other funds	10	-	-
Inventory	51	329	75
Restricted cash & equity in pooled investments:			
For revenue bonds	-	-	-
For capital projects	21,260	26,747	43,969
For customer deposits	2	93	7
Total current assets	<u>28,034</u>	<u>40,979</u>	<u>57,081</u>
Noncurrent assets:			
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent	-	10	203
Other deferred charges	-	-	-
Capital Assets:			
Property, plant and equipment (net)	<u>66,932</u>	<u>109,294</u>	<u>69,638</u>
Total noncurrent assets	<u>66,932</u>	<u>109,304</u>	<u>69,841</u>
Total assets	<u>94,966</u>	<u>150,283</u>	<u>126,922</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, 2010
(in thousands)

Page 2 of 4

	<u>Marina</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ 69	\$ 17,805	\$ 32,158
Receivables (net of allowances):			
Accounts	14	15,665	89
Deferred assessments	-	92	-
Interest	-	41	11
Other	-	-	35
Notes/contracts receivable - current	-	31	-
Due from other funds	11	21	-
Inventory	-	455	487
Restricted cash & equity in pooled investments:			
For revenue bonds	305	305	-
For capital projects	-	91,976	-
For customer deposits	-	103	-
Total current assets	<u>400</u>	<u>126,495</u>	<u>32,780</u>
Noncurrent assets:			
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent	-	213	-
Other deferred charges	23	23	-
Capital Assets:			
Property, plant and equipment (net)	<u>9,806</u>	<u>255,670</u>	<u>21,516</u>
Total noncurrent assets	<u>9,830</u>	<u>255,906</u>	<u>21,516</u>
Total assets	<u>10,230</u>	<u>382,401</u>	<u>54,296</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, 2010
(in thousands)

Page 3 of 4

	Storm & Surface Water Utility	Water Utility	Sewer Utility
Liabilities:			
Current liabilities:			
Accounts payable	391	480	172
Estimated claims	-	-	-
Retainage payable	9	92	6
Due to other funds	6	-	-
Due to other governments	-	36	23
Accrued interest payable	-	1	-
Accrued payroll	213	270	190
Accrued compensated absences	132	183	135
Notes/contracts payable - current	27	30	-
Revenue bonds payable - current	-	-	-
Total current liabilities	<u>779</u>	<u>1,090</u>	<u>526</u>
Noncurrent liabilities:			
Accrued bond interest payable	-	-	-
Customer deposits	2	69	6
Accrued compensated absences	309	427	315
Estimated claims	-	-	-
Bonds payable (net)	-	-	-
Notes/contracts payable - noncurrent	14	89	-
Total noncurrent liabilities	<u>325</u>	<u>584</u>	<u>321</u>
Total liabilities	<u>1,104</u>	<u>1,674</u>	<u>847</u>
Net assets:			
Invested in capital assets net of related debt	66,891	109,176	69,638
Restricted for:			
Other	2	93	7
Debt service	-	-	-
Capital projects	21,260	26,747	43,969
Unrestricted	5,709	12,593	12,460
Total net assets	<u>\$ 93,862</u>	<u>\$ 148,609</u>	<u>\$ 126,075</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, 2010

Page 4 of 4

	<u>Marina</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Liabilities:			
Current liabilities:			
Accounts payable	33	1,075	1,394
Estimated claims	-	-	3,759
Retainage payable	-	107	3
Due to other funds	-	6	-
Due to other governments	8	67	9
Accrued interest payable	-	1	-
Accrued payroll	-	672	485
Accrued compensated absences	-	450	333
Notes/contracts payable - current	-	56	-
Revenue bonds payable - current	305	305	-
Total current liabilities	<u>345</u>	<u>2,740</u>	<u>5,983</u>
Noncurrent liabilities:			
Accrued bond interest payable	7	7	-
Customer deposits	-	77	-
Accrued compensated absences	-	1,051	778
Estimated claims	-	-	2,653
Bonds payable (net)	2,762	2,762	-
Notes/contracts payable - noncurrent	-	103	-
Total noncurrent liabilities	<u>2,769</u>	<u>3,999</u>	<u>3,431</u>
Total liabilities	<u>3,115</u>	<u>6,739</u>	<u>9,414</u>
Net assets:			
Invested in capital assets net of related debt	6,739	252,444	21,516
Restricted for:			
Other	-	103	-
Debt service	305	305	-
Capital projects	-	91,976	-
Unrestricted	72	30,834	23,366
Total net assets	<u>\$ 7,115</u>	<u>\$ 375,662</u>	<u>\$ 44,882</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, 2010
(in thousands)

Page 1 of 2

	Storm & Surface Water Utility	Water Utility	Sewer Utility
Operating revenues:			
Service charges and fees	\$ 15,814	\$ 34,659	\$ 42,394
Rent	-	-	-
Insurance recovery	-	-	-
Premiums/contributions	-	-	-
Other	324	986	140
Total operating revenues	<u>16,138</u>	<u>35,645</u>	<u>42,534</u>
Operating expenses:			
Administrative and general	3,689	9,462	4,840
Maintenance and operations	4,666	21,403	29,283
Depreciation	1,222	2,896	632
Insurance costs	-	-	-
Benefits and claims payments	-	-	-
Total operating expenses	<u>9,576</u>	<u>33,762</u>	<u>34,755</u>
Operating income (loss)	6,562	1,883	7,779
Nonoperating revenues (expenses):			
Interest income	296	402	549
Net change in fair value of investments	(392)	(31)	(36)
Interest expense	(92)	(36)	-
Rental income	15	340	418
Gain on disposal of capital assets	-	-	-
Other nonoperating revenues	-	20	17
Total nonoperating revenue (expenses)	<u>(173)</u>	<u>694</u>	<u>949</u>
Income before contributions and transfers	6,389	2,578	8,727
Special items, contributions and transfers:			
Transfers in	110	214	224
Transfers out	(4)	(4)	(4)
Capital contributed from external sources	405	4,751	1,999
Total special items, contributions and transfers	<u>512</u>	<u>4,960</u>	<u>2,219</u>
Change in net assets	6,901	7,538	10,946
Net assets beginning of year	86,961	141,071	115,129
Net assets end of year	<u>\$ 93,862</u>	<u>\$ 148,609</u>	<u>\$ 126,075</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, 2010
(in thousands)

Page 2 of 2

	<u>Marina</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Operating revenues:			
Service charges and fees	\$ -	\$ 92,867	\$ 27,287
Rent	497	497	315
Insurance recovery	-	-	2,394
Premiums/contributions	-	-	20,086
Other	-	1,450	310
Total operating revenues	<u>497</u>	<u>94,814</u>	<u>50,392</u>
Operating expenses:			
Administrative and general	43	18,034	7,553
Maintenance and operations	177	55,529	21,806
Depreciation	14	4,765	2,567
Insurance costs	-	-	2,562
Benefits and claims payments	-	-	12,702
Total operating expenses	<u>234</u>	<u>78,327</u>	<u>47,191</u>
Operating income (loss)	263	16,487	3,201
Nonoperating revenues (expenses):			
Interest income	7	1,254	513
Net change in fair value of investments	(2)	(462)	(169)
Interest expense	(78)	(206)	-
Rental income	-	773	31
Gain on disposal of capital assets	-	-	297
Other nonoperating revenues	-	38	13
Total nonoperating revenue (expenses)	<u>(74)</u>	<u>1,396</u>	<u>684</u>
Income before contributions and transfers	189	17,883	3,885
Special items, contributions and transfers:			
Transfers in	-	548	1,505
Transfers out	(9)	(21)	(13,824)
Capital contributed from external sources	-	7,155	-
Total special items, contributions and transfers	<u>(9)</u>	<u>7,682</u>	<u>(12,318)</u>
Change in net assets	180	25,565	(8,433)
Net assets beginning of year	6,935	350,097	53,315
Net assets end of year	<u>\$ 7,116</u>	<u>\$ 375,662</u>	<u>\$ 44,882</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, 2010
(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	\$ 15,545	\$ 35,451	\$ 41,320
Contributions received - employer/employees	-	-	-
Cash received from insurance proceeds	-	-	-
Cash payments to suppliers for goods and services	(3,742)	(25,015)	(29,625)
Cash payments to employees for services	(4,698)	(6,114)	(4,805)
Cash payments to claimants	-	-	-
Cash received from contracts/rent	-	-	-
Cash payments for insurance	-	-	-
Other receipts	15	361	435
Net cash provided (used) by operating activities	<u>7,120</u>	<u>4,683</u>	<u>7,326</u>
Cash flows from noncapital financing activities:			
Cash received from contracts	-	6	62
Transfers in	110	214	224
Transfers out	(4)	(4)	(4)
Net cash provided (used) by noncapital financing activities	<u>107</u>	<u>215</u>	<u>282</u>
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets	(3,716)	(7,321)	(3,170)
Principal paid on revenue bonds and other debt	(865)	(334)	-
Interest paid on revenue bonds and other debt	(31)	(13)	-
Proceeds from sale of assets	-	-	-
Contributed capital in aid of capital acquisitions:			
Contributed in Aid of Equity	137	3,529	1,006
Contributed Connection Contracts	-	(6)	(62)
Net cash provided (used) by capital financing activities	<u>(4,476)</u>	<u>(4,144)</u>	<u>(2,227)</u>
Cash flows from investing activities:			
Interest on investments	(84)	389	532
Interfund loan receipts	-	-	-
Net cash provided (used) by investing activities	<u>(84)</u>	<u>389</u>	<u>532</u>
Net increase (decrease) in cash balance	2,667	1,142	5,913
Cash balance at beginning of year	22,402	34,588	43,103
Cash balance at end of year	<u>\$ 25,069</u>	<u>\$ 35,729</u>	<u>\$ 49,016</u>
Cash balance at end of year consist of:			
Unrestricted	3,806	8,889	5,040
Restricted	21,263	26,840	43,976
Total cash balance	<u>\$ 25,069</u>	<u>\$ 35,729</u>	<u>\$ 49,016</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, 2010
(in thousands)

	Business Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Marina	Total	
Cash flows from operating activities:			
Cash received from customers and users	\$ 541	\$ 92,858	\$ 27,312
Contributions received - employer/employee	-	-	20,086
Cash received from insurance proceeds	-	-	2,392
Cash payments to suppliers for goods and services	(193)	(58,575)	(17,663)
Cash payments to employees for services	(43)	(15,660)	(11,345)
Cash payments to claimants	-	-	(12,384)
Cash received from contracts/rent	-	-	346
Cash payments for insurance	-	-	(2,562)
Other receipts	-	811	322
Net cash provided (used) by operating activities	<u>305</u>	<u>19,433</u>	<u>6,503</u>
Cash flows from noncapital financing activities:			
Cash received from contracts	-	68	-
Transfers in	-	548	1,505
Transfers out	(9)	(21)	(13,824)
Net cash provided (used) by noncapital financing activities	<u>(9)</u>	<u>595</u>	<u>(12,318)</u>
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets	-	(14,208)	(5,240)
Principal paid on revenue bonds and other debt	(283)	(1,482)	-
Interest paid on revenue bonds and other debt	(84)	(128)	-
Proceeds from sale of assets	-	-	301
Contributed capital in aid of capital acquisitions:			
Contributed in Aid of Equity	-	4,671	-
Contributed Connection Contracts	-	(68)	-
Net cash provided (used) by capital financing activities	<u>(366)</u>	<u>(11,214)</u>	<u>(4,939)</u>
Cash flows from investing activities:			
Interest on investments	(19)	819	386
Interfund loan receipts	-	-	3,000
Net cash provided (used) by investing activities	<u>(19)</u>	<u>819</u>	<u>3,386</u>
Net increase (decrease) in cash balance	(89)	9,633	(7,366)
Cash balance at beginning of year	464	100,556	39,521
Cash balance at end of year	<u>\$ 374</u>	<u>\$ 110,189</u>	<u>\$ 32,158</u>
Cash balance at end of year consist of:			
Unrestricted	69	17,805	32,158
Restricted	305	92,383	-
Total cash balance	<u>\$ 374</u>	<u>\$ 110,188</u>	<u>\$ 32,158</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, 2010
(in thousands)

Page 3 of 4

	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)	\$ 6,562	\$ 1,883	\$ 7,779
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,222	2,896	632
Other receipts	15	361	435
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,054)	(229)	(1,258)
(Increase) decrease in due from other funds	461	32	18
(Increase) decrease in other receivables	-	-	-
(Increase) decrease in inventory	(0)	4	27
Increase (decrease) in accounts payable	(92)	(123)	(309)
Increase (decrease) in retainage payable	(36)	(91)	1
Increase (decrease) in wages & benefits payable	37	(21)	2
Increase (decrease) in compensated absences	4	(3)	22
Increase (decrease) in due to other funds	6	(7)	(3)
Increase (decrease) in due to other governments	(5)	(13)	(7)
Increase (decrease) in customer deposits	-	(6)	(14)
Increase (decrease) in estimated claims payable	-	-	-
Total adjustments	<u>558</u>	<u>2,800</u>	<u>(453)</u>
Net cash provided (used) by operating activities	<u>\$ 7,120</u>	<u>\$ 4,683</u>	<u>\$ 7,326</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ 268	\$ 1,228	\$ 1,056

On December 31, 2010, 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 \$(392), Water Utilities of \$(31), Sewer Utilities of \$(36), Marina Fund of \$(2), and the Internal Service Funds of \$(169) is reflected on the financial statements as Net Change in Fair Value of Investments.

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, 2010
(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)	\$ 263	\$ 16,487	\$ 3,201
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	14	4,765	2,567
Other receipts	-	811	42
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	44	(2,498)	50
(Increase) decrease in due from other funds	-	510	(0)
(Increase) decrease in other receivables	-	-	(11)
(Increase) decrease in inventory	-	32	(13)
Increase (decrease) in accounts payable	22	(501)	566
Increase (decrease) in retainage payable	-	(126)	-
Increase (decrease) in wages & benefits payable	-	18	(10)
Increase (decrease) in compensated absences	-	23	(23)
Increase (decrease) in due to other funds	(2)	(6)	(14)
Increase (decrease) in due to other governments	(36)	(60)	(117)
Increase (decrease) in customer deposits	-	(19)	-
Increase (decrease) in estimated claims payable	-	-	262
Total adjustments	<u>42</u>	<u>2,947</u>	<u>3,299</u>
Net cash provided (used) by operating activities	<u>\$ 305</u>	<u>\$ 19,433</u>	<u>\$ 6,503</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ -	\$ 2,552	\$ -

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, 2010
(in thousands)

	Firemen's Pension	Agency Funds
Assets:		
Cash & equity in pooled investments	\$ 6,643	\$ 5,078
Receivables (net of allowances):		
Interest	2	1
Due from other governments	-	500
Notes/contracts receivable - noncurrent portion	-	1,896
Property, plant and equipment (net)	-	208
Total assets	6,646	7,684
Liabilities:		
Accounts payable	-	1,145
Due to other governments	-	4,375
Deposits payable	-	268
Deferred revenues	-	1,896
Total liabilities	-	7,684
Net Assets:		
Held in trust for pension benefits and other purposes	6,646	-
Total net assets	\$ 6,646	\$ -

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

Statement of Changes in Fiduciary Net Assets
Firemen's Pension Fund
For the fiscal year ended December 31, 2010
(in thousands)

	Firemen's Pension Fund
Additions:	
Investment income:	
Interest	\$ 82
Net change in fair value	(30)
Other contributions:	
Intergovernmental	180
Total additions	232
Deductions:	
Benefit payments	268
Administrative	11
Total deductions	279
Change in net assets	(48)
Net assets beginning of year	6,693
Net assets end of year	\$ 6,646

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 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 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 June 2007, the GASB issued Statement of Governmental Accounting Standards No. 51, “*Accounting and Financial Reporting for Intangible Assets.*” This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The City has reviewed our capital assets policy and determined we are in compliance with the requirements of this standard.

In June 2008, the GASB issued Statement of Governmental Accounting Standards No. 53, “*Land and Other Real Estate Held as Investments by Endowments,*” effective for periods beginning after June 15, 2009. This Statement establishes standards for accounting and financial reporting for derivative instruments entered into by state and local governments. The City does not invest in derivative instruments, and therefore has determined that this standard will not affect its financial position or results of operations.

In December 2009, the GASB issued Statement of Governmental Accounting Standards No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*” and applies to governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This standard does not apply to the City of Bellevue.

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 2010 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; 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.

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 Capital Assets	
Structures and Building	39
Other Improvements	20
Equipment	7 - 15
Depreciated Infrastructure	20
Computer Software	15

Additional information on capital assets is provided in Note 6.

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, 2010, total net assets for the Bellevue Convention Center Authority, a component unit of the City, reflects an unrestricted net assets deficit balance of \$37.2 million and a total net assets deficit of \$20.8 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 2010, 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 \$1.1 million.

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 2010, the City Council amended the 2010 appropriations to reflect previously unanticipated needs in the 2010 portion of the 2009-2010 biennial budget for the General 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.

	2010 Original Budget	Supplemental Appropriations	2010 Final Budget
		(in thousands)	
General Fund	\$ 185,977	\$ 3,432	\$ 189,409
Total	<u>\$ 185,977</u>	<u>\$ 3,432</u>	<u>\$ 189,409</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, 2010 are as follows:

	(in thousands)
Cash on hand and in bank	\$ 2,330
Equity in Pooled Investments	<u>215,443</u>
Total Cash and Equity in Pooled Investments	<u>\$ 217,773</u>

In addition, the City holds in trust for fiduciary funds \$11.7 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, 2010, the City had a bank balance of \$2.2 million (carrying amount of \$2.2 million). The City’s bank balance is insured by the FDIC up to \$250,000 and fully collateralized by the Washington Public Deposit Protection Commission (WPDPC) for amounts over \$250,000. The WPDPC constitutes a multiple financial institution collateral pool. Under State statute (RCW 39.58), public depositories are required to segregate and maintain eligible collateral for their unsecured public deposits in the form of securities having a value at least equal to their maximum liability.

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 advise the City Manager and the Finance Director about matters relating to the City’s investment policies and practices.

The City’s investment policy 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).

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 years	100%	100%
U.S. Agency Coupon Securities	5 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 modified duration of the portfolio not to exceed 2.5 years. One of the other ways that 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	3 to 5 Years	
U.S. Agency Coupon Securities	\$171,885	\$ -	\$ 9,022	\$30,866	\$49,931	\$82,066	AAA
Certificate of Deposit	18,000	15,000	3,000	-	-	-	Unrated
Interest Bearing Bank Deposits	5,000	5,000	-	-	-	-	Unrated
State of Washington Local Governmental Investment Pool (LGIP)	32,280	32,280	-	-	-	-	Unrated
Total	\$227,165	\$ 52,280	\$12,022	\$30,866	\$49,931	\$82,066	

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 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, 2010 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	\$ 57,597
Federal National Mortgage Association (FNMA)	Fixed Rate Agency Coupon	48,829
Federal Home Loan Bank (FHLB)	Fixed Rate Agency Coupon	35,653
Federal Farm Credit Bank (FFCB)	Fixed Rate Agency Coupon	29,806
Unpqua Bank	Certificate of Deposit	18,000

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 requires that all investments be held by the City's third party safekeeping agent in the City's name. As of December 31, 2010 all of the \$172 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, 2010 are as follows:

	(in thousands)
Cash on hand and in bank	\$ 2,464
Equity in Pooled Investments	<u>3,843</u>
Total Cash and Equity in Pooled Investments	<u>\$ 6,307</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 \$3.24 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 2010.

The City of Bellevue assessed a property tax increase of \$0.8 million for the year 2010. The City has "banked" the remaining levy capacity for potential future use. As of December 31, 2010 the City has \$8.1 million in unused levy capacity.

The City's regular property tax levy rate for 2010 was \$0.95 per \$1,000 of assessed property value, which yielded a total regular levy of \$32,010,684.

An additional \$4,049,000 will be levied as approved by the voters in the November 4, 2008 general election for parks and natural area programs. The levy lid lift will fund the parks capital program over the next 20 years and provide \$660,000 per year in ongoing maintenance and operation funding. The capital portion of the measure increases the 2010 property tax levy by \$3,389,000 (\$0.09 per \$1,000 of assessed value) and will be collected over a total of 20 years. The maintenance and operations portion of the measure increases the 2010 property tax levy by \$660,000 (\$0.02 per \$1,000 of assessed value) and does not have a time limitation. Voted tax levies are not subject to the limitations discussed above.

RECEIVABLES AND DEFERRED REVENUES:

The receivables and deferred revenues for the fiscal year ended December 31, 2010 on the governmental funds balance sheet are presented on the following schedules.

Of the property taxes receivable amount, \$481,185 is delinquent and the amount of delinquent special assessments receivable is \$29,543.

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	Operating Grants, Donations & Special Reserves	Housing	General CIP	Storm Utility	Water Utility	Sewer Utility	Marina	Non- Major & Other Funds	Total
Taxes:										
Excise	\$ 6,480	\$ -	\$ 16	\$ 1,229	\$ -	\$ -	\$ -	\$ -	\$ 1,165	8,890
Business & Occupation	6,052	-	-	1,831	-	-	-	-	-	7,882
Miscellaneous	2,236	6	-	306	-	-	-	-	454	3,002
Property	927	-	-	71	-	-	-	-	-	999
Utility Customers	-	-	-	-	2,895	4,908	7,849	-	-	15,651
Special Assessments:										
Assessments	-	-	-	-	-	-	92	-	1,771	1,863
Interest/penalties	-	-	-	-	-	-	-	-	12	12
Interest	5	1	3	1	10	12	19	-	15	66
Other:										
Miscellaneous	3,742	2	-	1	-	-	-	14	273	4,033
Due from other governments	-	707	-	95	-	-	-	-	-	802
Less:										
Allowance for uncollectibles	(240)	-	-	(87)	-	-	-	-	-	(326)
Total receivables	\$ 19,202	\$ 716	\$ 19	\$ 3,447	\$ 2,904	\$ 4,920	\$ 7,960	\$ 14	\$ 3,690	\$42,874

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	Operating Grants, Donations & Special Reserves	Housing	General CIP	Non-Major & Other Funds	Total
Taxes:						
Business & occupation	\$ 1,151	\$ -	\$ -	\$ 153	\$ -	\$ 1,304
Property	481	-	-	-	-	481
Special assessments	-	-	-	-	1,768	1,768
Affordable housing contracts	-	1,089	7,924	-	-	9,013
Housing rehabilitation loans	-	3,128	-	-	-	3,128
Permit/review fees	-	-	-	-	2,054	2,054
Other	-	303	-	-	344	647
Total deferred revenue	<u>\$ 1,632</u>	<u>\$ 4,520</u>	<u>\$ 7,924</u>	<u>\$ 153</u>	<u>\$ 4,167</u>	<u>\$ 18,395</u>

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the primary government for the year ended December 31, 2010 was as follows (in thousands):

Governmental activities:	Beginning Balance	2010 Increases	2010 Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 738,004	\$ 3,449	\$ -	\$ 741,453
Construction in Progress	24,307	13,821	(7,751)	30,377
Infrastructure	647,821	4,229	-	652,050
Total capital assets, not being depreciated:	<u>1,410,132</u>	<u>21,499</u>	<u>(7,751)</u>	<u>1,423,880</u>
Capital assets, being depreciated:				
Building	212,529	1,516	-	214,045
Improvements other than buildings	45,749	3,052	-	48,801
Intangible Assets	19,801	-	-	19,801
Machinery and Equipment	44,824	5,242	(967)	49,099
Infrastructure	122,537	2,796	-	125,333
Total capital assets being depreciated:	<u>445,440</u>	<u>12,606</u>	<u>(967)</u>	<u>457,079</u>
Less accumulated depreciation for:				
Buildings	(49,192)	(6,637)	-	(55,829)
Improvements other than buildings	(16,617)	(2,880)	-	(19,497)
Machinery and Equipment	(26,733)	(3,790)	488	(30,035)
Intangible Assets	(10,384)	(439)	-	(10,823)
Infrastructure	(101,652)	(4,164)	-	(105,816)
Total accumulated depreciation:	<u>(204,578)</u>	<u>(17,910)</u>	<u>488</u>	<u>(222,000)</u>
Total capital assets, being depreciated, net:	<u>240,862</u>	<u>(5,304)</u>	<u>(479)</u>	<u>235,079</u>
Governmental activities capital assets, net:	<u>\$ 1,650,994</u>	<u>\$ 16,195</u>	<u>\$ (8,230)</u>	<u>\$ 1,658,959</u>

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

Governmental activities:

General government	\$ 5,197
Public safety	377
Economic environment	165
Culture and recreation	3,742
Transportation	5,862

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

	<u>2,567</u>
Total depreciation expense - governmental activities	<u>\$ 17,910</u>

City of Bellevue, Washington

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:	<u>Beginning Balance</u>	<u>2010 Increases</u>	<u>2010 Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 24,898	\$ -	\$ -	\$ 24,898
Construction in Progress	37,902	12,677	(41,079)	9,500
Total capital assets, not being depreciated:	<u>62,800</u>	<u>12,677</u>	<u>(41,079)</u>	<u>34,398</u>
Capital assets, being depreciated:				
Building	29,823	2,580	-	32,403
Machinery and Equipment	8,043	1,041	(217)	8,867
Infrastructure	268,681	40,982	-	309,663
Intangible Assets	271	-	-	271
Total capital assets being depreciated:	<u>306,818</u>	<u>44,603</u>	<u>(217)</u>	<u>351,204</u>
Less accumulated depreciation for:				
Buildings	(12,948)	(678)	-	(13,626)
Machinery and Equipment	(6,575)	(226)	44	(6,757)
Infrastructure	(105,498)	(3,849)	-	(109,347)
Intangible Assets	(191)	(12)	-	(203)
Total accumulated depreciation:	<u>(125,212)</u>	<u>(4,765)</u>	<u>44</u>	<u>(129,933)</u>
Total capital assets, being depreciated, net:	<u>181,606</u>	<u>39,838</u>	<u>(173)</u>	<u>221,271</u>
Business activities capital assets, net:	<u>\$ 244,406</u>	<u>\$ 52,515</u>	<u>\$ (41,252)</u>	<u>\$ 255,669</u>

Business-type activities:

Marina	\$ 14
Water	2,896
Storm and surface water	1,222
Sewer	<u>633</u>

Total depreciation expense - business-type activities \$ 4,765

BELLEVUE CONVENTION CENTER AUTHORITY

(in thousands):

	Beginning Balance	2010 Increases	2010 Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in Progress	\$ 604	\$ -	\$ -	\$ 604
Total capital assets, not being depreciated:	<u>604</u>	<u>-</u>	<u>-</u>	<u>604</u>
Capital assets, being depreciated:				
Building	49,369	21		49,390
Machinery and Equipment	4,316	318	(32)	4,602
Total capital assets being depreciated:	<u>53,685</u>	<u>339</u>	<u>(32)</u>	<u>53,992</u>
Less accumulated depreciation for:				
Building	(17,967) (i)	(1,230)	-	(19,197)
Machinery and Equipment	(3,716) (ii)	(211)	30	(3,897)
Total accumulated depreciation:	<u>(21,683)</u>	<u>(1,441)</u>	<u>30</u>	<u>(23,094)</u>
Total capital assets, being depreciated, net:	<u>32,001</u>	<u>(1,102)</u>	<u>(2)</u>	<u>30,898</u>
Component unit activities capital assets, net:	<u>\$ 32,605</u>	<u>\$ (1,102)</u>	<u>\$ (2)</u>	<u>\$ 31,502</u>

NOTE :

(i) Building line item was incorrectly presented on FY 2009 Note 6 schedule in amount of \$17,868,135; it increased by \$99,212 to reflect the correct amount of \$17,967,347.

(ii) Equipment line item was incorrectly presented on FY 2009 Note 6 schedule in amount of \$3,815,221; it decreased by \$99,212 to reflect the correct amount of \$3,716,009.

There is no change to the Total accumulated depreciation line item.

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, 2010. 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. PERS is a multiple employer cost sharing plan. 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.

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>
2010	\$ 145,459	\$ 3,037,563	\$ 514,823
2009	217,996	4,166,219	674,563
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

In 2010 the contribution rates for PERS were impacted as noted in the table below:

	<u>Rate Effective 9/1/2009</u>	<u>Rate Effective 9/1/2010</u>
PERS I Employer	5.31%	5.31%
PERS I Employee	6.00%	6.00%
PERS II Employer	5.31%	5.31%
PERS II Employee	3.90%	3.90%
PERS III Employer	5.31%	5.31%
PERS III Employee	5% - 15% variable	

The employer rates above include an administrative expense fee of .16% for 2010

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.

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:

PSERS Plan II

2010	\$	49,937
2009		59,057
2008		51,156
2007		45,000

In 2010 the contribution rates for PSERS were impacted as noted in the table below:

	Rate Effective 9/1/2009	Rate Effective 9/1/2010
PSERS Employer	7.85%	7.85%
PSERS Employee	6.55%	6.55%

The employer rates above include an administrative expense fee of .16% for 2010.

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

LEOFF Plan I LEOFF Plan II

2010	\$	1,920	\$	1,884,053
2009		2,662		1,880,866
2008		2,901		1,760,477
2007		3,568		1,532,159
2006		4,229		1,278,503
2005		4,616		992,604

In 2010 the contribution rates for LEOFF were impacted as noted in the table below:

	Rate Effective 9/1/2009	Rate Effective 9/1/2010
LEOFF I Employer	0.16%	0.16%
LEOFF I Employee	0.00%	0.00%
LEOFF II Employer	5.24%	5.24%
LEOFF II Employee	8.46%	8.46%

The employer rates above include an administrative expense fee of .16% for 2010.

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.

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.

Membership of the Firemen's Pension Plan consisted of the following at December 31, 2010:

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	26
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	7
Active plan members	-
Total	<u>33</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>2008</u>	<u>2009</u>	<u>2010</u>
Annual Normal Cost - Beginning of Year	\$ 1,318	\$ 1,318	\$ 1,450
Amortization of Unfunded Actuarial Liability (UAL)			
- Beginning of Year	(53,709)	(53,709)	(18,581)
Investment Return to End of Year	(2,620)	(2,620)	(600)
ARC at End of Year, not less than zero	-	-	-
Investment Return on Net Pension Obligation (NPO)	(48,008)	(55,543)	(43,804)
Adjustment to ARC	73,377	87,541	91,678
Annual Pension Cost (APC)	25,369	31,998	47,874
Employer Contributions	176,071	172,665	179,620
Change in NPO	(150,702)	(140,667)	(131,746)
NPO at Beginning of Year	(960,163)	(1,110,865)	(1,251,532)
NPO at End of Year	<u><u>\$ (1,110,865)</u></u>	<u><u>\$ (1,251,532)</u></u>	<u><u>\$ (1,383,278)</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)
12/31/08	\$ 25,369	694.0%	\$(1,110,865)
12/31/09	31,998	539.6%	(1,251,532)
12/31/10	47,874	375.2%	(1,383,278)

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

City of Bellevue, Washington

	<u>01/01/09</u>	<u>01/01/10</u>	<u>01/01/11</u>
Actuarial Economic assumptions:			
Investment rate of return (through internal investment pool)	5.00%	3.50%	3.50%
Projected salary increases ⁽²⁾	4.50%	3.00%	3.00%
Consumer Price Index	3.50%	2.50%	2.50%
Projected annual growth in fire insurance premium tax revenues	3.50%	3.00%	3.00%
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 funded status of the Firemen's Pension Plan as of December 31, 2010 was as follows (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, 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	6,713	5,900	(814)	113.8%	91	893.61%
January 1, 2010	6,723	6,470	(254)	103.9%	91	278.63%
January 1, 2011	6,723	6,470	(254)	103.9%	91	278.63%

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. The Plan Committee administers the MEBT Plan according to the Plan Document adopted by the City and all applicable IRS regulations. Plan provisions may be established and amended by a majority vote of the Plan Committee. MEBT

includes seven participating cities and 4,624 participants (Bellevue has 1,467 MEBT 1 participants and 396 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. To participate in MEBT, an employee must meet one of the following criteria; 1) Regular status employees of the City of Bellevue (as defined by Human Resources Code Section 3.79); 2) City Councilmember; and 3) Employee designated as eligible for MEBT by the City Council, which is currently Limited Term, Training and Transitional employees. These employees are eligible to participate as of their hire date in MEBT. Participation in MEBT is voluntary. Hourly employees who do not participate in PERS, participate in MEBT2 as of their hire date. Participation in MEBT 2 is mandatory for these employees.

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 who do not participate in PERS 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 employee compensation up to the Social Security Wage Base plus 100% of the Medicare tax rate on all compensation for eligible 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 2010 were:

	MEBT	MEBT 2
Participants	\$ 8,139,204	\$ 92,902
City	6,799,255	92,923

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, 2010, there were 85 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 2010 were:

Participants	\$147,259
Authority	\$114,396

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 2010 were as follows:

Bellevue Health Plan - claims, administrative costs, stop loss coverage and incurred reserves	\$1,321,573
Group Health - medical insurance premiums	460,466
Medicare Part B insurance premiums	<u>34,911</u>
Total Costs	<u><u>\$1,816,950</u></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 \$13.8 million balance in the LEOFF I Medical Reserve fund as of December 31, 2010. 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 15 active plan participants and 123 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	3.30%
	B. Medical Inflation Rate	3.00%
II. City of Bellevue per-person claim cost experience rates:	A. Retirees under 65	\$ 1,669
	B. Retirees over 65	\$ 749
Actuarial cost method	Projected Unit Credit Actuarial Cost Method	
Amortization method	30 year open	
Asset valuation method	N/A	
Investment Rate	3.30%	

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 \$50.8 million with plan assets of 0% held in trust. These estimates were prepared by Healthcare Actuaries LLC.

The December 31, 2010 valuation used the projected unit credit actuarial cost method. The actuarial assumptions included a 3.3% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 8.0% and 8.0% for medical/pharmacy/unreimbursed expenses and Medicare premiums, respectively, to ultimate rates of 4.2% and 4.2%, after 69 years, and 1 year, respectively. The long term care trend rate is 5.0% 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, 2010 was 27.0 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 2010 were as follows:

Annual Required Contribution	\$ 3,059,329
Interest on Net OPEB Obligation	75,788
Adjustment to annual required contribution	<u>(121,760)</u>
Annual OPEB Cost	3,013,357
Contributions Made	<u>1,816,950</u>
Increase in Net OPEB Obligation	1,196,407
Net OPEB Obligation - Beginning of year	<u>2,296,603</u>
Net OPEB Obligation - End of year	<u><u>\$ 3,493,010</u></u>

City of Bellevue, Washington

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending December 31 were as follows:

	Annual OPEB Cost	Employer Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 3,013,357	\$ 1,816,950	60.30%	\$ 3,493,010
2009	2,281,440	1,574,169	69.00%	2,296,603
2008	2,038,781	1,065,248.00	52.25%	1,589,332

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, 2010 was as follows (in thousands):

Actuarial Accrued Liability (AAL)	\$ 50,836
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 50,836</u>
Funded Ratio	0.00%
Covered Payroll	\$ 1,090
UAAL as a Percentage of Covered Payroll	(4663.85)%

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 \$1,111 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	\$ 12,745
Enterprise activities	<u>1,502</u>
Total compensated absences	<u>\$ 14,247</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, 2010, the City had available cash and equity in pooled investments in the self-insurance funds of \$11.1 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, 2010, 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, 2009 to December 31, 2010:

	(in thousands)			
	Workers' Compensation	Unemployment Compensation	General Self-Insurance	Health Benefits
December 31, 2009:				
Unpaid claims, beginning of fiscal year	\$ 1,375	\$ 28	\$ 3,466	\$ 1,564
Incurred claims (including IBNRs)	838	369	36	12,824
Claim payments	(732)	(306)	(636)	(12,658)
Unpaid claims, December 31, 2009	<u>\$ 1,481</u>	<u>\$ 91</u>	<u>\$ 2,866</u>	<u>\$ 1,730</u>
December 31, 2010:				
Unpaid claims, beginning of fiscal year	\$ 1,481	\$ 91	\$ 2,866	\$ 1,730
Incurred claims (including IBNRs)	1,595	401	710	11,714
Claim payments	(1,183)	(382)	(804)	(11,807)
Unpaid claims, December 31, 2010	<u>\$ 1,893</u>	<u>\$ 110</u>	<u>\$ 2,772</u>	<u>\$ 1,637</u>
Due within one year	1,020	110	1,079	1,550
Due in more than one year	873	-	1,693	87

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	\$ 425,000	\$ 1,000,000	Protects the City from unanticipated levels of workers' compensation claims.
Excess Workers' Comp Employer's Liability - All except Police & Fire	400,000	1,000,000	Protects the City from unanticipated levels of workers' compensation claims.
Boiler & Machinery	10,000	464,000,000	^(A) Protects the City from loss due to damage to buildings and contents from boilers and machinery.
Real & Personal Property	100,000	464,000,000	^(A) Protects the City from loss by fire and other extended coverages.
Inland Marine Earthquake & Flood	100,000	40,000,000	^(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	10,000,000	^(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.
Inland Marine - Fine Arts	10,000	1,100,000	Protects the City from loss due to damage to its art work.
Crime & Fidelity, Employee Theft, Forgery or Alteration, Funds Transfer Fraud	5,000	1,000,000	Protect the City from loss due to employee dishonesty and other extended coverages.

^(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 Parker, Smith & Feek, Inc. 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:

Port of Seattle

The City has an on-going lease agreement with the Port of Seattle, formerly 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 Port of Seattle 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 \$25,040, payable in May of each year when invoiced. Either party to the lease may cancel the lease at will on a 30-day advance notice.

Terranomics Crossroads Associates

Effective November 10, 1994, the City entered into a one-year non-cancelable lease agreement with Terranomics Crossroads Associates to provide a Mini City Hall in the Crossroads area. The lease expired on September 30, 1995 and was extended for an additional three-year period. The lease was again extended for an additional five-year period commencing October 1, 1998, with additional five-year extensions commencing on December 1, 2003 and 2008. Total lease payments for 2010 were \$11,396.

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

2011	\$ 13,035
2012	13,035
2013	11,949
Total:	<u>\$ 38,019</u>

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. The lease was again extended for an additional five year period commencing September 2010. Total lease payments for 2010 were \$30,302.

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

2011	\$ 26,131
2012	26,496
2013	26,889
2014	27,326
2015	27,810
Total:	<u>\$ 134,652</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 2010 were \$25,304.

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

2011	<u>\$ 11,858</u>
Total:	<u>\$ 11,858</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. Beginning January 1, 2010 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 2010 were \$12,765.

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

2011	\$ 12,151
2012	12,151
2013	12,549
2014	<u>12,549</u>
Total:	<u>\$ 49,400</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 \$54,475, payable in December of each year. Total lease payments for 2010 were \$54,475.

CONSTRUCTION/OTHER CONTRACTUAL COMMITMENTS:

The City's other outstanding contractual commitments by fund type as of December 31, 2010, are summarized below:

	(in thousands)	
Governmental activities	\$	78,743
Enterprise activities		<u>30,120</u>
Total Contractual Commitments	\$	<u>108,863</u>

NOTES TO THE FINANCIAL STATEMENTS

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following provides the total interfund transfers for 2010 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

	Receivable (in thousands)	Payable (in thousands)
Governmental funds:		
General Fund	\$ 385	\$ 88
Operating Grants, Donations & Special Reserves	2	-
Nonmajor governmental funds	71	385
Proprietary funds:		
Storm Drainage Utility	10	6
Marina	11	-
Total due other funds	<u>\$ 479</u>	<u>\$ 479</u>

DUE TO/FROM PRIMARY GOVERNMENT AND COMPONENT UNIT

Hotel/Motel Tax	\$ -	\$ 730
Bellevue Convention Center Authority	730	-
Total due City/Component Unit	<u>\$ 730</u>	<u>\$ 730</u>

INTERFUND TRANSFERS

	In (in thousands)	Out (in thousands)
Governmental funds:		
General Fund	\$ 13,881	\$ 3,639
Operating Grants, Donations & Special Reserves	-	611
Housing	80	-
General Capital Investment Program	585	2,150
Nonmajor governmental funds	8,778	5,134
Proprietary funds:		
Storm Drainage Utility	110	4
Water Utility	214	4
Sewer Utility	224	4
Marina	-	9
Internal Service Funds	1,505	13,822
Total Transfers	<u>\$ 25,377</u>	<u>\$ 25,377</u>

City of Bellevue, Washington

Interfund loans for the year ended December 31, 2010, were as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Receivable:				
LEOFF 1 Medical Fund	\$ -	\$ 5,500	\$ (5,500)	\$ -
LID Guarantee Fund	53	-	(20)	33
Equipment Rental Fund	3,000	4,500	(7,500)	-
Total receivable	<u>\$ 3,053</u>	<u>\$ 10,000</u>	<u>\$ (13,020)</u>	<u>\$ 33</u>
Payable:				
General Fund	\$ -	\$ 10,000	\$ (10,000)	\$ -
LID Control Fund	53	-	(20)	33
General CIP	3,000	-	(3,000)	-
Total payable	<u>\$ 3,053</u>	<u>\$ 10,000</u>	<u>\$ (13,020)</u>	<u>\$ 33</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. These payables and receivables represent short term borrowing and it is anticipated that they will be repaid within one year.

The following describes the significant amounts during 2010:

- Repay 2009 \$3 million loan to the Equipment Rental Fund from the General CIP Fund.
- Transfer of \$4.5 million from the Equipment Rental Fund to the General Fund for the purpose of short-term Cash Flow borrowing, which was repaid within one year.
- Transfer of \$5.5 million from the LEOFF 1 Medical Fund to the General Fund for the purpose of short-term Cash Flow borrowing, which was repaid within one year.

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. In 2010, the City purchased approximately 6.84 acres of R 3.5 residentially zoned land (The Chapel LLC property) for \$1.75 million. The City incurred a \$1.1 million installment purchase debt.

Estimated pollution remediation obligations 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's estimated pollution remediation is resultant from a landfill closed since 1964. The estimates were derived using the expected cash flows method as well as technical estimates from records of decisions, consent decrees and/or settlement agreements. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. Prospective recoveries from other responsible parties may reduce the City's obligations. No recoveries were recorded in 2010.

Advance Refunding

On September 14, 2010, the City issued \$12.9 million in limited tax general obligation (LTGO) refunding bonds with an average interest rate of 3.62 percent to advance refund:

- 1) \$3.4 million of outstanding 1998 LTGO (Marina) bonds with an average interest rate of 4.57 percent; and
- 2) \$9.6 million of outstanding 2002 LTGO (Meydenbauer Center) bonds with an average interest rate of 5.21 percent.

The net proceeds of \$13.2 million (after payment of \$125,000 in underwriting fees and other debt issuance costs) were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 and 2002 LTGO bonds. As a result, the 1998 and the 2002 LTGO bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The City advance refunded the 1998 and the 2002 LTGO bonds to reduce its total combined debt service payments over the next 22 years by \$2.1 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.6 million. The advance refunding also resulted in a difference between the net reacquisition price (funds deposited in escrow to refund old bonds) and the net carrying amount of the old debt of \$.73 million. This amount, reported in the statement of net assets as a reduction from bonds payable, is being charged to operations through the year 2032 using the effective interest method.

New Bonds

On September 30, 2010 the City of Bellevue issued \$11.8 million in LTGO bonds, 2010 with interest rates ranging from 2.0 percent to 5 percent. The proceeds of the bonds are used to pay for part of costs of construction and acquisition of various City capital projects including the Northeast Fourth Street extension and the 120th Avenue Northeast improvements supported by a 3% property tax levy adopted by the City Council on December 1, 2008.

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, 2010

(in thousands)

Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2010	Debt Issued in 2010	Debt Redemption in 2010	Debt Outstanding 12/31/2010
GENERAL OBLIGATION BONDS-COUNCILMANIC									
1995 Limited G.O.	5.15-5.80%	Hotel/Motel Tax	12/27/95	12/01/25	\$ 5,139	\$ 3,544	\$ -	\$ 338	\$ 3,206
2002 Limited G.O.	3.50-5.50%	Hotel/Motel Tax	06/01/02	12/01/32	10,450	9,600	-	9,600	-
2003 Limited G.O. Refunding Series B	2.00-4.50%	General CIP	10/29/03	07/01/14	4,635	2,280	-	425	1,855
2004 Limited G.O. (City Building)	5.00-5.50%	General CIP	07/01/04	12/01/43	102,710	102,710	-	1,235	101,475
Add: Unamortized bond premium						907		27	880
2006 Limited G.O.	3.80-4.25%	General CIP	11/01/06	12/01/26	6,060	5,450	-	230	5,220
Add: Unamortized bond premium						19		1	18
2008 Limited G.O.	3.00-4.25%	General CIP	02/07/08	12/01/27	14,230	13,265	-	555	12,710
Add: Unamortized bond premium						17		1	16
2010 Limited Tax G.O.	2.00-4.00%	General CIP	10/14/10	12/01/30	11,825	-	11,825	-	11,825
Add: Unamortized bond premium						-	844	40	804
2010 Limited Tax G.O. Refunding Series 2002	2.00-4.00%	General CIP	09/28/10	12/01/32	9,595	-	9,595	160	9,435
Add: Unamortized bond premium						-	287	12	275
Deduct: Unamortized loss on advance refunding							(421)	(18)	(403)
OTHER LONG TERM DEBT									
Bank of America Line of Credit ⁽¹⁾	1.65%	General CIP	10/05/09	10/20/13	12,047	12,047	3,000	-	15,047
Department of Community, Trade & Economic Development:									
Public Works Trust Fund Loan #06-962	0.50%	General CIP	02/01/07	02/01/28	750	638	38	38	638
TOTAL					\$ 177,441	\$ 150,478	\$ 25,168	\$ 12,644	\$ 163,001

(1) The total authorized amount of the line of credit (LOC) is \$30 million, of which \$15.05 million was drawn as of 12/31/2010. The weighted average interest rate (based on 0.75% of LIBOR plus 0.90%) on the \$12.05 million LOC balance as of 12/31/10 was 1.65%.

**SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT
For The Year Ended December 31, 2010**

Local Improvement District	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2010	Debt Issued in 2010	Debt Redemption in 2010	Debt Outstanding 12/31/2010
NE 10th St/Bellevue Way to 112th Ave NE	5.10-6.75%	LID Control	05/15/95	12/01/16	\$ 7,830	\$ 990,000	\$ -	\$ 400,000	\$ 590,000
NE 10th St/Bellevue Way to 112th Ave NE	4.00-6.00%	LID Control	12/01/96	12/01/18	775	100,000	-	40,000	60,000
NE 8th St & 156th Ave NE	6.50-6.65%	LID Control	06/01/94	07/01/16	563	185,000	-	40,000	145,000
TOTAL					\$ 9,168	\$ 1,275,000	\$ -	\$ 480,000	\$ 795,000

City of Bellevue, Washington

LONG TERM DEBT - BUSINESS-TYPE ACTIVITIES

For The Year Ended December 31, 2010

(in thousands)

Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2010	Debt Issued in 2010	Debt Redemption in 2010	Debt Outstanding 12/31/2010
GENERAL OBLIGATION BONDS-COUNCILMANIC									
1998 Limited G.O.	4.00-4.70%	Marina	12/01/98	12/01/18	\$ 4,310	\$ 3,350	\$ -	\$ 3,350	\$ -
2010 Limited G.O. Refunding Series 1998	2.00-3.00%	Marina	9/28/2010	12/1/2018	3,280	-	3,280	300	2,980
Add: Unamortized bond premium						-	160	18	142
Deduct: Unamortized loss on advance refunding						-	(61)	(7)	(54)
REVENUE BONDS									
2004 Waterworks Utility Refunding	2.00-3.63%	Water Utility & Storm Utility	08/01/04	10/01/10	6,825	1,080	-	1,080	-
Add: Unamortized bond premium						16	-	16	-
Deduct: Unamortized loss on advance refunding						(94)	-	(94)	-
OTHER LONG TERM DEBT									
Department of Community, Trade & Economic Development:									
Public Works Trust Fund Loan #90-013	(1) 3.00%	Storm Utility	07/17/90	07/17/10	1,123	63	-	63	-
Public Works Trust Fund Loan #91-011	3.00%	Storm Utility	08/06/91	08/06/11	377	40	-	20	20
Public Works Trust Fund Loan #93-005	(2) 2.00%	Storm Utility	07/01/93	07/01/13	126	28	-	7	21
Public Works Trust Fund Loan #94-002	(3) 1.00%	Water Utility	06/23/94	07/01/14	560	148	-	30	118
TOTAL					\$ 16,601	\$ 4,630	\$ 3,379	\$ 4,782	\$ 3,227

City of Bellevue, Washington

At December 31, 2010, 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	
2011	\$ 3,588	\$ 7,331	\$ -	\$ -	\$ 403	\$ 58	\$ 15,085	\$ 3	\$ 56	\$ 2	\$ 26,527
2012	3,975	7,174	-	-	393	32	38	3	37	1	11,652
2013	4,085	7,054	-	-	-	-	38	3	37	1	11,216
2014	4,277	6,926	-	-	-	-	38	3	30	-	11,273
2015	3,871	6,791	-	-	-	-	38	2	-	-	10,702
2016-2020	20,605	31,900	-	-	-	-	188	9	-	-	52,702
2021-2025	23,357	27,750	-	-	-	-	188	5	-	-	51,299
2026-2030	23,210	19,327	-	-	-	-	75	1	-	-	42,613
2031-2035	19,790	14,159	-	-	-	-	-	-	-	-	33,949
2036-2040	24,120	8,588	-	-	-	-	-	-	-	-	32,708
2041-2043	17,830	1,860	-	-	-	-	-	-	-	-	19,690
Total	\$ 148,708	\$ 138,861	\$ -	\$ -	\$ 795	\$ 90	\$ 15,685	\$ 29	\$ 159	\$ 4	\$ 304,331

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 2010	Amortized In Prior Years	Unamortized At December 31, 2010
\$ 716	\$ 94	\$ 621	\$ 0

City of Bellevue, Washington

LONG TERM DEBT - DISCRETELY PRESENTED COMPONENT UNIT
BELLEVUE CONVENTION CENTER AUTHORITY
For The Year Ended December 31, 2010
(in thousands)

Description	Interest Rate	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2010	Debt Issued in 2010	Debt Redemption in 2010	Debt Outstanding 12/31/2010
1991 Series B	5.9-7.20%	08/01/91	12/01/19	\$ 21,120	\$ 6,695	\$ -	\$ 683	\$ 6,013
1994 Refunding	6.25-7.50%	11/05/93	12/05/25	13,749	11,521	-	472	11,049
Total Revenue Bonds				<u>\$ 34,869</u>	<u>\$ 18,217</u>	<u>\$ -</u>	<u>\$ 1,155</u>	<u>\$ 17,062</u>
Add:								
Unamortized gain on advance refunding								<u>30</u>
TOTAL								<u><u>\$ 17,092</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, 2010 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	
2011	\$ 1,162	\$ 3,208	\$ 4,370
2012	1,156	3,549	4,705
2013	1,150	3,920	5,070
2014	1,197	4,483	5,680
2015	1,005	4,020	5,025
2016-2020	5,397	27,188	32,585
2021-2025	5,995	41,755	47,750
Total	<u>\$ 17,062</u>	<u>\$ 88,123</u>	<u>\$ 105,185</u>

CHANGES IN LONG-TERM DEBT

(in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 136,851	\$ 21,420	\$ (12,543)	\$ 145,728	\$ 3,283
Add: for issuance premium	941	1,131	(81)	1,991	-
for refunding	-	(421)	18	(403)	
Special assessment debt	1,275	-	(480)	795	403
Compensated absences	12,950	716	(921)	12,745	3,824
Estimated claims payable	6,169	14,419	(14,176)	6,412	3,759
Line of credit	12,047	3,000	-	15,047	-
Other post employment benefits	2,297	1,196	-	3,493	-
Installment purchase - Chapel LLC	-	1,100	-	1,100	650
Estimated pollution remediation	387	-	-	387	-
Other long-term debt	638	38	(38)	638	38
Total	\$ 173,555	\$ 42,599	\$ (28,221)	\$ 187,932	\$ 11,956
Business Activities:					
General obligation bonds	\$ 3,350	\$ 3,280	\$ (3,650)	\$ 2,980	\$ 305
Revenue bonds	1,080	-	(1,080)	-	-
Less deferred amounts:					
for issuance premiums	16	160	(34)	142	-
for refunding	(94)	(61)	101	(54)	-
Compensated absences	1,478	151	(128)	1,501	450
Other long-term debt	279	-	(119)	160	56
Total	\$ 6,109	\$ 3,530	\$ (4,910)	\$ 4,729	\$ 812
Bellevue Convention Center Authority:					
Revenue bonds	\$ 18,217	\$ -	\$ (1,155)	\$ 17,062	\$ 1,162
Add deferred amounts:					
for refunding	35	-	(5)	30	-
Compensated absences	54	5	-	59	24
Total	\$ 18,306	\$ 5	\$ (1,160)	\$ 17,151	\$ 1,186

(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 \$4.8 million in 2010.

NOTES TO THE FINANCIAL STATEMENTS

15. CONTINGENCIES AND LITIGATION

As of December 31, 2010 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, 2010, the weighted vote was as follows:

Bellevue	52.30%
Redmond	19.83%
Kirkland	15.52%
Mercer Island	6.57%
Issaquah	5.78%
Total	<u>100.00%</u>

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>
2006	\$ 304,072
2007	308,765
2008	314,307
2009	341,831
2010	346,169

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 \$613,488 as of December 31, 2010 are, upon dissolution, to be apportioned among the Principals, the City's share in 2010 of \$320,824 is deemed immaterial and thus is not reflected in the financial statements. Compiled financial statements for EPSCA can be obtained from EPSCA, MS PSEPS, c/o Jessie Morgan, PO Box 97010, Redmond, WA 98073-9710.

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:

Year	Equity	Bellevue's Share	Percentage
2006	\$ 268,950	\$ 84,951	31.59%
2007	333,538	108,563	32.55%
2008	395,813	128,833	32.55%
2009	436,583	142,103	32.55%
2010	503,688	163,945	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 prioritizes 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. In 2010 the City assumed all administrative functions relative to recording financial data for all the cities. The cities maintain independent decision making regarding activity and level of funding for specific projects. The result of this was the combining of all equities. The City's equity share for the last five years was as follows:

Year	Equity	Bellevue's Share	Percentage
2006	\$ 238,520	\$ 66,547	27.90%
2007	321,461	89,664	27.89%
2008	424,705	118,340	27.86%
2009	465,312	127,763	27.46%
2010	2,565,030	717,789	27.98%

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 reported on the government statements as a receivable.

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 \$1,386,559 (cost: \$2,635,041, net of accumulated depreciation of \$1,248,482) as of December 31, 2010. Total 2010 operating costs for the reservoir and pumping facility, excluding depreciation of \$65,876, were \$54,551, of which the City of Redmond reimbursed \$24,003.

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 2010 were:

<u>Maintenance</u>	<u>Student Assistants</u>	<u>Facilities</u>
\$ -	\$ 19,768	\$ 85,000

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 2010 were \$224,557 of which \$114,524 was the City of Bellevue's share. Total expenditures for 2010 were \$306,029 of which \$156,075 was the City of Bellevue's share. The total decrease in net assets for 2010 was \$81,471 of which \$41,550 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 2010 membership dues totaling \$1,269,289, of which Bellevue's share was \$540,267. Bellevue also paid the Alliance \$777,648 in 2010 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.

On October 15, 2009, the Alliance issued Water System Revenue Bonds, 2009A (the “2009A Bonds”) for \$4.9 million and the Water System Revenue Bonds, 2009B (Taxable Build America Bonds) for \$75.2 for a total of \$80.1 million. The proceeds of the Bonds will be used to finance the acquisition of Lake Tapps, Tribal settlement agreements, and limited Tacoma Cascade Pipeline expenditures. The bonds will not pledge the full faith and credit or taxing power of the City. However, the City is responsible for paying a share of the debt service on the bonds through its Member Charges under the Cascade Inerlocal Contract.

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 Toni Rezab, 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

City of Bellevue, Washington

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.

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 2010 were \$1,040,737, revenues were \$987,498. Partner fees and voting are based on relative population, equity balances are as follows:

Bellevue	\$	122,900	28.91%
Renton		86,230	20.28%
Kirkland		49,620	11.67%
Sammamish		41,070	9.66%
Bothell		33,430	7.86%
Issaquah		27,160	6.39%
Mercer Island		22,890	5.38%
Kenmore		20,650	4.86%
Woodinville		11,350	2.67%
Snoqualmie		9,850	2.32%
Total	\$	<u>425,150</u>	<u>100.00%</u>



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, 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	6,713	5,900	(814)	113.8%	91	893.61%
January 1, 2010	6,723	6,470	(254)	103.9%	91	278.63%
January 1, 2011	6,723	6,470	(254)	103.9%	91	278.63%

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
12/31/2007	\$ -	\$ 30,100	\$ 30,100	0.0%	\$ 2,336	(1288.53)%
12/31/2008	-	36,393	36,393	0.0%	1,742	(2089.15)%
12/31/2009	-	36,230	36,230	0.0%	1,654	(2190.45)%
12/31/2010	-	50,836	50,836	0.0%	1,090	(4663.85)%

Schedule of Contributions from the Employer and Other Contributing Entities

Firemen's Pension Fund
(in thousands)

Year Ended 12/31	Fire Insurance Premium Taxes	Total Employer Contributions	Annual Required Contribution	Percentage Contributed
2005	\$ 129,780	\$ 129,780	\$ -	N/A
2006	147,488	147,488	-	N/A
2007	158,889	158,889	-	N/A
2008	176,071	176,071	-	N/A
2009	172,665	172,665	-	N/A
2010	179,620	179,620	-	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
2007	\$ 2,051,705	\$ 1,435,906	69.99%	\$ 615,799
2008	2,038,781	1,065,248	52.25%	1,589,332
2009	2,281,440	1,574,169	69.00%	2,296,603
2010	3,013,357	1,816,950	60.30%	3,493,010

**Schedule of Modified Approach for Reporting Infrastructure Assets
For the Fiscal Year Ended December 31, 2010**
(in thousands)

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>2010</u>	<u>2009</u>	<u>2008</u>
Arterial:			
Percent above satisfactory	80%	84%	90%
Overall performance rating:	72	75	80
Residential:			
Percent above satisfactory	97%	96%	98%
Overall performance rating:	84	83	85

COMPARISON OF NEEDED-TO-ACTUAL EXPENDITURES

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Arterial:					
Needed:	\$ 2,314	\$ 192	\$ 3,352	\$ 3,616	\$ 3,346
Actual:	1,993	120	3,206	3,317	1,876
Residential:					
Needed:	\$ 3,610	\$ 4,873	\$ 2,314	\$ 1,853	\$ 2,289
Actual:	2,977	3,782	2,214	1,759	1,471

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 **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 **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 **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 **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 **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) Control Fund** accounts for the collection of special assessments from property owners benefited by a local improvement district construction project and to pay from those collections the bonds issued to finance the project construction.

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.

**Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2010
(in thousands)**

	<u>Special Revenue</u>		
	<u>LEOFF I Reserve</u>	<u>Parks M & O Reserve</u>	<u>Solid Waste Recycling</u>
Assets:			
Cash & equity in pooled investments	\$ 13,789	\$ 3,881	\$ 1,049
Receivables (net of allowances):			
Taxes	-	-	-
Accounts	-	-	-
Current assessments	-	-	-
Interest & penalties on assessments	-	-	-
Interest	5	1	-
Interfund loans receivable	-	-	-
Due from other funds	-	-	-
Total assets	<u>13,794</u>	<u>3,883</u>	<u>1,049</u>
Liabilities:			
Accounts payable	9	-	86
Interfund loans payable	-	-	-
Due to other funds	-	-	-
Due to Component Unit	-	-	-
Due to other governments	-	-	-
Accrued payroll	-	-	10
Deposits payable	-	-	-
Deferred revenues	-	-	-
Total liabilities	<u>9</u>	<u>-</u>	<u>97</u>
Fund balance:			
Reserved for:			
Debt Service	-	-	-
Unreserved, reported in:			
Special Revenue	13,785	3,883	952
Total fund balance	<u>13,785</u>	<u>3,883</u>	<u>952</u>
Total liabilities and fund balance	<u>\$ 13,794</u>	<u>\$ 3,883</u>	<u>\$ 1,049</u>

**Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2010
(in thousands)**

	Special Revenue		
	Land Purchase Revolving	Cable/ Franchise	Hotel/Motel Tax
Assets:			
Cash & equity in pooled investments	\$ 60	\$ 3	\$ 3,961
Receivables (net of allowances):			
Taxes	-	454	-
Accounts	63	-	-
Current assessments	-	-	-
Interest & penalties on assessments	-	-	-
Interest	-	-	1
Interfund loans receivable	-	-	-
Due from other funds	65	-	-
Total assets	189	457	3,963
Liabilities:			
Accounts payable	95	41	-
Interfund loans payable	-	-	-
Due to other funds	-	385	-
Due to Component Unit	-	-	730
Due to other governments	8	3	-
Accrued payroll	-	7	-
Deposits payable	1	25	-
Deferred revenues	-	-	-
Total liabilities	103	460	730
Fund balance:			
Reserved for:			
Debt Service	-	-	-
Unreserved, reported in:			
Special Revenue	86	(3)	3,233
Total fund balance	86	(3)	3,233
Total liabilities and fund balance	\$ 189	\$ 457	\$ 3,963

Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2010
(in thousands)

	<u>Special Revenue</u>		Total Special Revenue Funds
	Development Services	Park Fees	
Assets:			
Cash & equity in pooled investments	\$ 11,095	\$ 1,611	\$ 35,449
Receivables (net of allowances):			
Taxes	-	-	454
Accounts	-	209	272
Current assessments	-	-	-
Interest & penalties on assessments	-	-	-
Interest	4	1	12
Interfund loans receivable	-	-	-
Due from other funds	-	5	70
Total assets	<u>11,099</u>	<u>1,825</u>	<u>36,258</u>
Liabilities:			
Accounts payable	5	87	323
Interfund loans payable	-	-	-
Due to other funds	-	-	385
Due to Component Unit	-	-	730
Due to other governments	-	24	34
Accrued payroll	392	75	484
Deposits payable	679	103	808
Deferred revenues	2,054	344	2,399
Total liabilities	<u>3,130</u>	<u>632</u>	<u>5,162</u>
Fund balance:			
Reserved for:			
Debt Service	-	-	-
Unreserved, reported in:			
Special Revenue	7,968	1,193	31,096
Total fund balance	<u>7,968</u>	<u>1,193</u>	<u>31,096</u>
Total liabilities and fund balance	<u>\$ 11,099</u>	<u>\$ 1,825</u>	<u>\$ 36,258</u>

**Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2010
(in thousands)**

	Debt Service		
	I & D Redemption- Regular	I & D Redemption- Special	LID Control
Assets:			
Cash & equity in pooled investments	\$ 115	\$ 3	\$ 400
Receivables (net of allowances):			
Taxes	1,165	-	-
Accounts	-	-	1
Current assessments	-	-	1,771
Interest & penalties on assessments	-	-	12
Interest	1	-	-
Interfund loans receivable	-	-	-
Due from other funds	-	-	-
Total assets	1,281	3	2,184
Liabilities:			
Accounts payable	-	-	-
Interfund loans payable	-	-	33
Due to other funds	-	-	-
Due to Component Unit	-	-	-
Due to other governments	-	-	-
Accrued payroll	-	-	-
Deposits payable	-	-	-
Deferred revenues	-	-	1,768
Total liabilities	-	-	1,801
Fund balance:			
Reserved for:			
Debt Service	1,281	3	383
Unreserved, reported in:			
Special Revenue	-	-	-
Total fund balance	1,281	3	383
Total liabilities and fund balance	\$ 1,281	\$ 3	\$ 2,184

**Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2010
(in thousands)**

	<u>Debt Service</u>		
	<u>LID Guaranty</u>	<u>Total Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash & equity in pooled investments	\$ 167	\$ 685	\$ 36,134
Receivables (net of allowances):			
Taxes	-	1,165	1,619
Accounts	-	1	273
Current assessments	-	1,771	1,771
Interest & penalties on assessments	-	12	12
Interest	-	1	13
Interfund loans receivable	33	33	33
Due from other funds	-	-	70
Total assets	<u>200</u>	<u>3,668</u>	<u>39,927</u>
Liabilities:			
Accounts payable	-	-	323
Interfund loans payable	-	33	33
Due to other funds	-	-	385
Due to Component Unit	-	-	730
Due to other governments	-	-	34
Accrued payroll	-	-	484
Deposits payable	-	-	808
Deferred revenues	-	1,768	4,167
Total liabilities	<u>-</u>	<u>1,801</u>	<u>6,964</u>
Fund balance:			
Reserved for:			
Debt Service	200	1,867	1,867
Unreserved, reported in:			
Special Revenue	-	-	31,096
Total fund balance	<u>200</u>	<u>1,867</u>	<u>32,963</u>
Total liabilities and fund balance	<u>\$ 200</u>	<u>\$ 3,668</u>	<u>\$ 39,927</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2010
(in thousands)

Page 1 of 5

	<u>Special Revenue</u>		
	<u>LEOFF I Reserve</u>	<u>Park M & O Reserve</u>	<u>Solid Waste Recycling</u>
Revenues:			
Taxes and special assessments	\$ -	\$ 660	\$ -
Licenses and permits	-	-	-
Intergovernmental	106	-	-
Service charges and fees	-	-	1,095
Fines and forfeitures	-	-	-
Interest and assessment interest/penalties	197	43	14
Net change in fair value of investments	(69)	(16)	(5)
Rent	-	-	-
Premiums/contributions	-	-	-
Other	-	-	1
Total revenues	<u>234</u>	<u>687</u>	<u>1,104</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	1,817	-	-
Physical environment	-	-	1,308
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>1,817</u>	<u>-</u>	<u>1,308</u>
Excess (deficiency) of revenues over (under) expenditures	(1,583)	687	(204)
Other financing sources (uses):			
Transfers in	54	-	311
Transfers out	-	(110)	-
Proceeds from refunded bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Premium on refunded debt	-	-	-
Total other financing sources and uses	<u>54</u>	<u>(110)</u>	<u>311</u>
Net change in fund balance	(1,529)	577	108
Fund balance at beginning of year	15,314	3,306	845
Fund balance at end of year	<u>\$ 13,785</u>	<u>\$ 3,883</u>	<u>\$ 952</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2010
(in thousands)

Page 2 of 5

	Special Revenue		
	Land Purchase Revolving	Cable/ Franchise	Hotel/Motel Tax
Revenues:			
Taxes and special assessments	\$ -	\$ 1,732	\$ 6,095
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Service charges and fees	-	-	-
Fines and forfeitures	-	-	-
Interest and assessment interest/penalties	14	7	48
Net change in fair value of investments	(4)	(3)	(18)
Rent	1,039	-	-
Premiums/contributions	-	-	115
Other	-	-	-
Total revenues	1,049	1,736	6,241
Expenditures:			
Current:			
General government	73	-	4,798
Public safety	-	-	-
Physical environment	-	-	-
Transportation	5	43	-
Economic environment	-	759	-
Culture and recreation	749	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	827	802	4,798
Excess (deficiency) of revenues over (under) expenditures	222	935	1,443
Other financing sources (uses):			
Transfers in	1	9	-
Transfers out	(1,156)	(978)	(1,464)
Proceeds from refunded bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Premium on refunded debt	-	-	-
Total other financing sources and uses	(1,155)	(969)	(1,464)
Net change in fund balance	(933)	(34)	(21)
Fund balance at beginning of year	1,019	31	3,253
Fund balance at end of year	\$ 86	\$ (3)	\$ 3,233

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2010
(in thousands)

	Special Revenue		
	Development Services	Park Fees	Total Special Revenue Funds
Revenues:			
Taxes and special assessments	\$ -	\$ -	\$ 8,487
Licenses and permits	4,560	-	4,560
Intergovernmental	-	-	106
Service charges and fees	4,625	3,579	9,299
Fines and forfeitures	29	-	29
Interest and assessment interest/penalties	155	17	497
Net change in fair value of investments	(57)	(6)	(178)
Rent	-	1,558	2,597
Premiums/contributions	-	-	115
Other	16	5	21
Total revenues	<u>9,328</u>	<u>5,153</u>	<u>25,533</u>
Expenditures:			
Current:			
General government	-	-	4,871
Public safety	-	-	1,817
Physical environment	-	-	1,308
Transportation	-	-	47
Economic environment	15,213	-	15,972
Culture and recreation	-	5,107	5,856
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>15,213</u>	<u>5,107</u>	<u>29,871</u>
Excess (deficiency) of revenues over (under) expenditures	(5,885)	46	(4,338)
Other financing sources (uses):			
Transfers in	3,935	664	4,975
Transfers out	(174)	(255)	(4,137)
Proceeds from refunded bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Premium on refunded debt	-	-	-
Total other financing sources and uses	<u>3,762</u>	<u>409</u>	<u>838</u>
Net change in fund balance	(2,123)	455	(3,500)
Fund balance at beginning of year	10,091	738	34,597
Fund balance at end of year	<u>\$ 7,968</u>	<u>\$ 1,193</u>	<u>\$ 31,097</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2010
(in thousands)

Page 4 of 5

	<u>Debt Service</u>		
	<u>I & D Redemption - Regular</u>	<u>I & D Redemption - Special</u>	<u>LID Control</u>
Revenues:			
Taxes and special assessments	\$ 6,992	\$ -	\$ 465
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Service charges and fees	-	-	-
Fines and forfeitures	-	-	-
Interest and assessment interest/penalties	23	-	161
Net change in fair value of investments	(9)	-	(3)
Rent	-	-	-
Premiums/contributions	-	-	-
Other	-	-	-
Total revenues	<u>7,005</u>	<u>-</u>	<u>623</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Physical environment	-	-	-
Transportation	-	-	18
Economic environment	-	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	3,495	-	480
Interest and fiscal charges	7,080	-	88
Total expenditures	<u>10,575</u>	<u>-</u>	<u>586</u>
Excess (deficiency) of revenues over (under) expenditures	(3,570)	-	37
Other financing sources (uses):			
Transfers in	3,350	-	31
Transfers out	-	-	(454)
Proceeds from refunded bonds	9,595	-	-
Payment to refunded bond escrow agent	(9,600)	-	-
Premium on refunded debt	287	-	-
Total other financing sources and uses	<u>3,632</u>	<u>-</u>	<u>(423)</u>
Net change in fund balance	62	-	(386)
Fund balance at beginning of year	1,219	2	769
Fund balance at end of year	<u>\$ 1,281</u>	<u>\$ 2</u>	<u>\$ 383</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2010**
(in thousands)

	<u>Debt Service</u>		
	<u>LID</u>	<u>Total Debt</u>	<u>Total</u>
	<u>Guaranty</u>	<u>Service</u>	<u>Nonmajor</u>
		<u>Funds</u>	<u>Governmental</u>
			<u>Funds</u>
Revenues:			
Taxes and special assessments	\$ -	\$ 7,457	\$ 15,944
Licenses and permits	-	-	4,560
Intergovernmental	-	-	106
Service charges and fees	-	-	9,299
Fines and forfeitures	-	-	29
Interest and assessment interest/penalties	8	191	688
Net change in fair value of investments	(2)	(14)	(192)
Rent	-	-	2,597
Premiums/contributions	-	-	115
Other	-	-	21
Total revenues	<u>6</u>	<u>7,634</u>	<u>33,167</u>
Expenditures:			
Current:			
General government	-	-	4,871
Public safety	-	-	1,817
Physical environment	-	-	1,308
Transportation	-	18	65
Economic environment	-	-	15,972
Culture and recreation	-	-	5,856
Debt service:			
Principal	-	3,975	3,975
Interest and fiscal charges	-	7,168	7,168
Total expenditures	<u>-</u>	<u>11,161</u>	<u>41,032</u>
Excess (deficiency) of revenues over (under) expenditures	6	(3,527)	(7,866)
Other financing sources (uses):			
Transfers in	423	3,803	8,778
Transfers out	(543)	(997)	(5,134)
Proceeds from refunded bonds	-	9,595	9,595
Payment to refunded bond escrow agent	-	(9,600)	(9,600)
Premium on refunded debt	-	287	287
Total other financing sources and uses	<u>(120)</u>	<u>3,089</u>	<u>3,927</u>
Net change in fund balance	(114)	(439)	(3,939)
Fund balance at beginning of year	314	2,305	36,902
Fund balance at end of year	<u>\$ 200</u>	<u>\$ 1,866</u>	<u>\$ 32,964</u>

LEOFF I Medical Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2010

(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	\$ 53	\$ 53	\$ 106	\$ 54
Interest and assessment interest	794	794	197	(597)
Total revenues	<u>847</u>	<u>847</u>	<u>303</u>	<u>(543)</u>
Expenditures				
Current:				
Public safety	1,393	1,393	1,817	(424)
Total expenditures	<u>1,393</u>	<u>1,393</u>	<u>1,817</u>	<u>(424)</u>
Excess (deficiency) of revenues over (under) expenditures	(547)	(547)	(1,514)	(967)
Other financing sources(uses)				
Transfers in	254	254	54	(200)
Total other financing sources(uses)	<u>254</u>	<u>254</u>	<u>54</u>	<u>(200)</u>
Net change in fund balance	(292)	(292)	(1,460)	(1,168)
Fund balance beginning of year	15,881	15,881	15,314	(567)
Fund balance end of year	<u>\$ 15,589</u>	<u>\$ 15,589</u>	<u>\$ 13,854</u>	<u>\$ (1,735)</u>

Park M&O Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2010
(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	\$ 660	\$ 660	\$ 660	\$ -
Interest and assessment interest	122	122	43	(79)
Total revenues	<u>782</u>	<u>782</u>	<u>703</u>	<u>(79)</u>
Excess (deficiency) of revenues over (under) expenditures	782	782	703	(79)
Other financing sources(uses)				
Transfers out	(122)	(122)	(110)	12
Total other financing sources(uses)	<u>(122)</u>	<u>(122)</u>	<u>(110)</u>	<u>12</u>
Net change in fund balance	660	660	593	(67)
Fund balance beginning of year	3,313	3,313	3,306	(7)
Fund balance end of year	<u>\$ 3,973</u>	<u>\$ 3,973</u>	<u>\$ 3,899</u>	<u>\$ (74)</u>

Solid Waste Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2010
(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	\$ 1,218	\$ 1,218	\$ 1,095	\$ (123)
Interest and assessment interest	24	24	14	(10)
Other	-	-	1	1
Total revenues	<u>1,242</u>	<u>1,242</u>	<u>1,109</u>	<u>(133)</u>
Expenditures				
Current:				
Physical environment	1,626	1,603	1,308	296
Total expenditures	<u>1,626</u>	<u>1,603</u>	<u>1,308</u>	<u>296</u>
Excess (deficiency) of revenues over (under) expenditures	(383)	(361)	(198)	163
Other financing sources(uses)				
Transfers in	279	279	311	32
Total other financing sources(uses)	<u>279</u>	<u>279</u>	<u>311</u>	<u>32</u>
Net change in fund balance	(104)	(82)	113	195
Fund balance beginning of year	607	619	845	226
Fund balance end of year	<u>\$ 503</u>	<u>\$ 537</u>	<u>\$ 958</u>	<u>\$ 421</u>

Land Purchase Revolving
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2010
(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	\$ 43	\$ 43	\$ 14	\$ (29)
Rent	922	922	1,039	117
Total revenues	<u>965</u>	<u>965</u>	<u>1,053</u>	<u>88</u>
Expenditures				
Current:				
General government	26	26	73	(47)
Transportation	1	1	5	(3)
Culture and recreation	533	533	749	(216)
Capital outlay:				
Transportation	1	1	-	1
Total expenditures	<u>562</u>	<u>562</u>	<u>827</u>	<u>(265)</u>
Excess (deficiency) of revenues over (under) expenditures	403	403	227	177
Other financing sources(uses)				
Transfers in	-	-	1	1
Transfers out	-	-	(1,156)	(1,156)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(1,155)</u>	<u>(1,155)</u>
Net change in fund balance	403	403	(929)	(1,332)
Fund balance beginning of year	1,493	1,493	1,019	(474)
Fund balance end of year	<u>\$ 1,896</u>	<u>\$ 1,896</u>	<u>\$ 91</u>	<u>\$ (1,806)</u>

Franchise Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2010
(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	\$ 1,809	\$ 1,809	\$ 1,732	\$ (77)
Licenses and permits	40	40	-	(40)
Interest and assessment interest	33	33	7	(26)
Total revenues	<u>1,882</u>	<u>1,882</u>	<u>1,739</u>	<u>(143)</u>
Expenditures				
Current:				
Transportation	4	9	43	(34)
Economic environment	855	838	759	79
Total expenditures	<u>859</u>	<u>846</u>	<u>802</u>	<u>45</u>
Excess (deficiency) of revenues over (under) expenditures	1,023	1,036	938	(98)
Other financing sources(uses)				
Transfers in	-	-	9	9
Transfers out	(983)	(983)	(978)	5
Total other financing sources(uses)	<u>(983)</u>	<u>(983)</u>	<u>(969)</u>	<u>15</u>
Net change in fund balance	40	53	(31)	(84)
Fund balance beginning of year	35	36	31	(5)
Fund balance end of year	<u>\$ 75</u>	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ (89)</u>

Hotel/Motel Taxes
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2010
(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	\$ 8,290	\$ 8,290	\$ 6,095	\$ (2,195)
Interest and assessment interest	228	228	48	(180)
Premiums/contributions	-	-	115	115
Total revenues	<u>8,518</u>	<u>8,518</u>	<u>6,259</u>	<u>(2,259)</u>
Expenditures				
Current:				
General government	<u>6,833</u>	<u>6,833</u>	<u>4,798</u>	<u>2,035</u>
Total expenditures	<u>6,833</u>	<u>6,833</u>	<u>4,798</u>	<u>2,035</u>
Excess (deficiency) of revenues over (under) expenditures	1,685	1,685	1,461	(224)
Other financing sources(uses)				
Transfers out	<u>(1,457)</u>	<u>(1,457)</u>	<u>(1,464)</u>	<u>(7)</u>
Total other financing sources(uses)	<u>(1,457)</u>	<u>(1,457)</u>	<u>(1,464)</u>	<u>(7)</u>
Net change in fund balance	228	228	(3)	(231)
Fund balance beginning of year	4,561	4,561	3,253	(1,307)
Fund balance end of year	<u>\$ 4,789</u>	<u>\$ 4,789</u>	<u>\$ 3,250</u>	<u>\$ (1,538)</u>

Development Services Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2010

(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	\$ 7,378	\$ 7,378	\$ 4,560	\$ (2,819)
Service charges and fees	7,696	7,696	4,625	(3,071)
Fines and forfeitures	40	40	29	(11)
Interest and assessment interest	630	630	155	(475)
Other	-	-	16	16
Total revenues	<u>15,744</u>	<u>15,744</u>	<u>9,385</u>	<u>(6,359)</u>
Expenditures				
Current:				
Economic environment	<u>19,154</u>	<u>17,696</u>	<u>15,213</u>	<u>2,483</u>
Total expenditures	<u>19,154</u>	<u>17,696</u>	<u>15,213</u>	<u>2,483</u>
Excess (deficiency) of revenues over (under) expenditures	(3,409)	(1,951)	(5,828)	(3,877)
Other financing sources(uses)				
Transfers in	3,558	3,558	3,935	377
Transfers out	<u>(174)</u>	<u>(174)</u>	<u>(174)</u>	<u>-</u>
Total other financing sources(uses)	<u>3,384</u>	<u>3,384</u>	<u>3,762</u>	<u>377</u>
Net change in fund balance	(25)	1,433	(2,066)	(3,499)
Fund balance beginning of year	11,394	11,504	10,091	(1,413)
Fund balance end of year	<u>\$ 11,369</u>	<u>\$ 12,937</u>	<u>\$ 8,025</u>	<u>\$ (4,912)</u>

Parks Enterprise Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2010
(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	\$ 2,984	\$ 2,984	\$ 3,579	\$ 595
Interest and assessment interest	40	40	17	(23)
Rent	2,635	2,635	1,558	(1,077)
Other	16	16	5	(12)
Total revenues	<u>5,676</u>	<u>5,676</u>	<u>5,159</u>	<u>(517)</u>
Expenditures				
Current:				
Culture and recreation	5,399	5,214	5,107	107
Total expenditures	<u>5,399</u>	<u>5,214</u>	<u>5,107</u>	<u>107</u>
Excess (deficiency) of revenues over (under) expenditures	277	462	52	(410)
Other financing sources(uses)				
Transfers in	216	216	664	448
Transfers out	(421)	(421)	(255)	165
Total other financing sources(uses)	<u>(205)</u>	<u>(205)</u>	<u>409</u>	<u>614</u>
Net change in fund balance	72	257	461	204
Fund balance beginning of year	727	745	738	(7)
Fund balance end of year	<u>\$ 799</u>	<u>\$ 1,002</u>	<u>\$ 1,199</u>	<u>\$ 197</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, 2010
(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	\$ 13,664	\$ 2,028	\$ 401	\$ 4,410
Receivables (net of allowances):				
Accounts	-	-	-	-
Interest	4	1	-	2
Other	23	-	-	-
Inventory	487	-	-	-
Total current assets	<u>14,178</u>	<u>2,029</u>	<u>401</u>	<u>4,411</u>
Capital assets:				
Property, plant and equipment (net)	<u>18,437</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>18,437</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>32,616</u>	<u>2,029</u>	<u>401</u>	<u>4,411</u>
Liabilities:				
Current liabilities:				
Accounts payable	399	25	110	129
Estimated claims	-	1,020	110	1,079
Retainage payable	-	-	-	-
Due to other governments	9	-	-	-
Accrued payroll	91	-	-	23
Accrued compensated absences	65	-	-	19
Total current liabilities	<u>564</u>	<u>1,045</u>	<u>220</u>	<u>1,250</u>
Noncurrent liabilities:				
Accrued compensated absences	151	-	-	44
Estimated claims	-	873	-	1,693
Total noncurrent liabilities	<u>151</u>	<u>873</u>	<u>-</u>	<u>1,737</u>
Total liabilities	<u>715</u>	<u>1,918</u>	<u>220</u>	<u>2,987</u>
Net assets:				
Invested in capital assets net of related debt	18,437	-	-	-
Other	-	-	-	-
Unrestricted	13,463	110	181	1,424
Total net assets	<u>\$ 31,900</u>	<u>\$ 110</u>	<u>\$ 181</u>	<u>\$ 1,424</u>

Combining Statement of Net Assets
Internal Service Funds
As of December 31, 2010
(in thousands)

	Health Benefits	Information Technology	Facility Services	Total
Assets:				
Current assets:				
Cash & equity in pooled investments	\$ 4,232	\$ 5,377	\$ 2,046	\$ 32,158
Receivables (net of allowances):				
Accounts	-	89	-	89
Interest	1	2	1	11
Other	-	12	-	35
Inventory	-	-	-	487
	<u>4,233</u>	<u>5,481</u>	<u>2,047</u>	<u>32,780</u>
Capital assets:				
Property, plant and equipment (net)	-	1,187	1,892	21,516
Total noncurrent assets	<u>-</u>	<u>1,187</u>	<u>1,892</u>	<u>21,516</u>
Total assets	<u>4,233</u>	<u>6,668</u>	<u>3,939</u>	<u>54,296</u>
Liabilities:				
Current liabilities:				
Accounts payable	77	315	338	1,394
Estimated claims	1,550	-	-	3,759
Retainage payable	-	-	3	3
Due to other governments	-	0	-	9
Accrued payroll	-	293	77	485
Accrued compensated absences	-	194	56	333
Total current liabilities	<u>1,627</u>	<u>803</u>	<u>474</u>	<u>5,983</u>
Noncurrent liabilities:				
Accrued compensated absences	-	452	130	778
Estimated claims	87	-	-	2,653
Total noncurrent liabilities	<u>87</u>	<u>452</u>	<u>130</u>	<u>3,431</u>
Total liabilities	<u>1,714</u>	<u>1,255</u>	<u>604</u>	<u>9,414</u>
Net assets:				
Invested in capital assets net of related debt	-	1,187	1,892	21,516
Other	-	-	-	-
Unrestricted	2,519	4,226	1,443	23,366
Total net assets	<u>\$ 2,519</u>	<u>\$ 5,413</u>	<u>\$ 3,335</u>	<u>\$ 44,882</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Twelve Months Ending December 31, 2010
(in thousands)

	Equipment Rental	Workers' Compensation	Unemployment Compensation	General Self- Insurance
Operating revenues:				
Service charges and fees	\$ 7,711	\$ -	\$ -	\$ -
Rent	-	-	-	-
Insurance recovery	-	-	-	87
Premiums/contributions	-	1,491	197	2,133
Other	224	-	-	-
Total operating revenues	<u>7,935</u>	<u>1,491</u>	<u>197</u>	<u>2,221</u>
Operating expenses:				
Administrative and general	829	270	-	1,478
Maintenance and operations	5,257	1,067	382	863
Depreciation	2,178	-	-	-
Insurance costs	-	-	-	-
Benefits and claims payments	-	412	19	(94)
Total operating expenses	<u>8,264</u>	<u>1,749</u>	<u>401</u>	<u>2,247</u>
Operating income (loss)	(329)	(258)	(204)	(26)
Nonoperating revenues (expenses):				
Interest income	274	25	1	68
Net change in fair value of investments	(82)	(9)	(0)	(25)
Rental income	-	-	-	-
Gain on disposal of capital assets	297	-	-	-
Other nonoperating revenues	11	-	-	-
Total nonoperating revenue (expenses)	<u>500</u>	<u>16</u>	<u>1</u>	<u>43</u>
Income before contributions and transfers	172	(242)	(203)	17
Special items, contributions and transfers:				
Transfers in	548	-	400	181
Transfers out	(8,487)	(161)	(6)	(1,570)
Total special items, contributions and transfers	<u>(7,940)</u>	<u>(161)</u>	<u>394</u>	<u>(1,389)</u>
Change in net assets	(7,768)	(403)	191	(1,371)
Net assets beginning of year	39,669	513	(10)	2,795
Net assets end of year	<u>\$ 31,900</u>	<u>\$ 110</u>	<u>\$ 181</u>	<u>\$ 1,424</u>

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Twelve Months Ending December 31, 2010**

(in thousands)

Page 2 of 2

	Health Benefits	Information Technology	Facility Services	Total
Operating revenues:				
Service charges and fees	\$ -	\$ 13,800	\$ 5,776	\$ 27,287
Rent	-	-	315	315
Insurance recovery	2,307	-	-	2,394
Premiums/contributions	16,265	-	-	20,086
Other	86	-	0	310
Total operating revenues	<u>18,658</u>	<u>13,800</u>	<u>6,091</u>	<u>50,392</u>
Operating expenses:				
Administrative and general	2,517	1,960	499	7,553
Maintenance and operations	-	9,125	5,113	21,806
Depreciation	-	277	111	2,567
Insurance costs	2,562	-	-	2,562
Benefits and claims payments	12,365	-	-	12,702
Total operating expenses	<u>17,445</u>	<u>11,362</u>	<u>5,723</u>	<u>47,191</u>
Operating income (loss)	1,213	2,438	367	3,201
Nonoperating revenues (expenses):				
Interest income	42	81	21	513
Net change in fair value of investments	(15)	(29)	(8)	(169)
Rental income	-	-	31	31
Gain on disposal of capital assets	-	-	-	297
Other nonoperating revenues	-	0	2	13
Total nonoperating revenue (expenses)	<u>27</u>	<u>52</u>	<u>46</u>	<u>684</u>
Income before contributions and transfers	1,240	2,489	413	3,885
Special items, contributions and transfers:				
Transfers in	-	181	195	1,505
Transfers out	(10)	(3,299)	(290)	(13,824)
Total special items, contributions and transfers	<u>(10)</u>	<u>(3,118)</u>	<u>(95)</u>	<u>(12,318)</u>
Change in net assets	1,230	(629)	318	(8,433)
Net assets beginning of year	1,290	6,041	3,017	53,315
Net assets end of year	<u>\$ 2,519</u>	<u>\$ 5,413</u>	<u>\$ 3,335</u>	<u>\$ 44,882</u>

City of Bellevue, Washington

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2010
(in thousands)

Page 1 of 4

	<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	\$ 7,699	\$ -	\$ -	\$ -
Contributions received - employer/employee	-	1,491	197	2,133
Cash received from insurance proceeds	-	-	-	87
Cash payments to suppliers for goods and services	(3,649)	(1,335)	(343)	(1,708)
Cash payments to employees for services	(2,245)	(3)	-	(543)
Cash payments to claimants	-	-	(19)	-
Cash received from contracts/rent	-	-	-	-
Cash payments for insurance	-	-	-	-
Other receipts	235	-	-	-
Net cash provided (used) by operating activities	<u>2,039</u>	<u>153</u>	<u>(165)</u>	<u>(30)</u>
Cash flows from noncapital financing activities:				
Transfers in	548	-	400	181
Transfers out	(8,487)	(161)	(6)	(1,570)
Net cash provided (used) by noncapital financing activities:	<u>(7,940)</u>	<u>(161)</u>	<u>394</u>	<u>(1,389)</u>
Cash flows from capital & related financing activities:				
Acquisition and construction of capital assets	(4,915)	-	-	-
Proceeds from sale of assets	301	-	-	-
financing activities	<u>(4,614)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	213	17	1	49
Net cash provided (used) by investing activities	<u>3,213</u>	<u>17</u>	<u>1</u>	<u>49</u>
Net increase (decrease) in cash balance	(7,301)	9	230	(1,370)
Cash balance at beginning of year	20,965	2,019	171	5,779
Cash balance at end of year	<u>\$ 13,664</u>	<u>\$ 2,028</u>	<u>\$ 401</u>	<u>\$ 4,410</u>

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2010
(in thousands)

	Health Benefits	Information Technology	Facilities Services	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ -	\$ 13,816	\$ 5,797	\$ 27,312
Contributions received - employer/employees	16,265	-	-	20,086
Cash received from insurance proceeds	2,307	-	-	2,392
Cash payments to suppliers for goods and services	(2,572)	(4,476)	(3,580)	(17,663)
Cash payments to employees for services	(1)	(6,540)	(2,010)	(11,345)
Cash payments to claimants	(12,365)	-	-	(12,384)
Cash received from contracts/rent	-	-	346	346
Cash payments for insurance	(2,562)	-	-	(2,562)
Other receipts	86	-	2	322
Net cash provided (used) by operating activities	<u>1,157</u>	<u>2,799</u>	<u>555</u>	<u>6,503</u>
Cash flows from noncapital financing activities:				
Transfers in	-	181	195	1,505
Transfers out	(10)	(3,299)	(290)	(13,824)
Net cash provided (used) by noncapital financing activities:	<u>(10)</u>	<u>(3,118)</u>	<u>(95)</u>	<u>(12,318)</u>
Cash flows from capital & related financing activities:				
Acquisition and construction of capital assets	-	(217)	(109)	(5,240)
Proceeds from sale of assets	-	-	-	301
financing activities	<u>-</u>	<u>(217)</u>	<u>(109)</u>	<u>(4,939)</u>
Cash flows from investing activities:				
Interest on investments	<u>31</u>	<u>54</u>	<u>21</u>	<u>386</u>
Net cash provided (used) by investing activities	<u>31</u>	<u>54</u>	<u>21</u>	<u>3,386</u>
Net increase (decrease) in cash balance	1,177	(481)	372	(7,366)
Cash balance at beginning of year	3,055	5,858	1,673	39,521
Cash balance at end of year	<u>\$ 4,232</u>	<u>\$ 5,377</u>	<u>\$ 2,046</u>	<u>\$ 32,158</u>

City of Bellevue, Washington

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2010
(in thousands)

Page 3 of 4

	<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)	\$ (329)	\$ (258)	\$ (204)	\$ (26)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	2,178	-	-	-
Other receipts	11	-	-	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(0)	-	-	-
(Increase) decrease in due from other funds	(0)	-	-	-
(Increase) decrease in other receivables	1	-	-	-
(Increase) decrease in inventory	(13)	-	-	-
Increase (decrease) in accounts payable	177	-	110	85
Increase (decrease) in wages & benefits payable	(1)	-	-	-
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in due to other governments	1	(21)	(91)	-
Increase (decrease) in compensated absences	10	-	-	4
Increase (decrease) in estimated claims payable	-	432	19	(94)
Total adjustments	<u>2,366</u>	<u>411</u>	<u>39</u>	<u>(5)</u>
Net cash provided (used) by operating activities	<u>\$ 2,039</u>	<u>\$ 153</u>	<u>\$ (165)</u>	<u>\$ (30)</u>

On December 31, 2010, the city recognized a 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 the Internal Service Funds of \$169 is reflected on the financial statements as Net Change in Fair Value of Investments.

City of Bellevue, Washington

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2010
(in thousands)

Page 4 of 4

	<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)	\$ 1,213	\$ 2,438	\$ 367	3,201
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	277	111	2,567
Other receipts	-	-	31	43
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	28	22	50
(Increase) decrease in due from other funds	-	-	-	(0)
(Increase) decrease in other receivables	-	(12)	-	(11)
(Increase) decrease in inventory	-	-	-	(13)
Increase (decrease) in accounts payable	37	105	53	566
Increase (decrease) in wages & benefits payable	-	(4)	(5)	(9)
Increase (decrease) in due to other funds	-	-	(14)	(14)
Increase (decrease) in due to other governments	-	(6)	(0)	(117)
Increase (decrease) in compensated absences	-	(27)	(10)	(23)
Increase (decrease) in estimated claims payable	(93)	-	-	262
Total adjustments	<u>(56)</u>	<u>361</u>	<u>188</u>	<u>3,300</u>
Net cash provided (used) by operating activities	<u>\$ 1,157</u>	<u>\$ 2,799</u>	<u>\$ 555</u>	<u>\$ 6,504</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

Combining Statement of Fiduciary Net Assets
Agency Funds
As of December 31, 2010
(in thousands)

	<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	\$ 328	\$ 1,074	\$ 500	\$ 5
Receivables (net of allowances):				
Interest	-	-	-	-
Due from other governments	20	-	10	-
Notes/contracts receivable - noncurrent po	-	-	-	-
Property, plant and equipment (net)	-	208	-	-
Total assets	<u>349</u>	<u>1,282</u>	<u>510</u>	<u>5</u>
Liabilities:				
Accounts payable	-	122	7	-
Due to other governments	349	912	504	5
Deposits payable	-	248	-	-
Deferred revenues	-	-	-	-
Total liabilities	<u>349</u>	<u>1,282</u>	<u>510</u>	<u>5</u>
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Assets
Agency Funds
As of December 31, 2010
(in thousands)

Page 2 of 2

	ARCH Housing Coalition	Jail Administrative Group	Payroll Clearing	Claims Clearing	Total
Assets:					
Cash & equity in pooled investments	\$ 2,700	\$ 22	\$ 91	\$ 358	\$ 5,079
Receivables (net of allowances):					
Interest	1	-	-	-	1
Due from other governments	470	-	-	-	500
Notes/contracts receivable - noncurrer	1,896	-	-	-	1,896
Property, plant and equipment (net)	-	-	-	-	208
Total assets	<u>5,067</u>	<u>22</u>	<u>91</u>	<u>358</u>	<u>7,684</u>
Liabilities:					
Accounts payable	606	-	52	358	1,145
Due to other governments	2,565	22	18	-	4,375
Deposits payable	-	-	20	-	268
Deferred revenues	1,896	-	-	-	1,896
Total liabilities	<u>5,067</u>	<u>22</u>	<u>91</u>	<u>358</u>	<u>7,684</u>
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended December 31, 2010
(in thousands)

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010
E-Government Alliance				
Assets:				
Cash & equity in pooled investments	\$ 379	1,108	\$ 1,159	\$ 328
Interest	-	2	2	-
Due from other governments	109	2,207	2,296	20
Total Assets	<u>\$ 489</u>	<u>\$ 3,317</u>	<u>\$ 3,457</u>	<u>\$ 349</u>
Liabilities:				
Accounts payable	\$ 82	\$ -	\$ 82	\$ -
Due to other governments	407	1,182	1,240	349
Total liabilities	<u>\$ 489</u>	<u>\$ 1,182</u>	<u>\$ 1,322</u>	<u>\$ 349</u>
Eastside NARC Task Force				
Assets:				
Cash & equity in pooled investments	\$ 1,068	\$ 776	\$ 770	\$ 1,074
Interest	1	4	5	-
Property, plant and equipment (net)	182	198	171	209
Total Assets	<u>\$ 1,251</u>	<u>\$ 977</u>	<u>\$ 946</u>	<u>\$ 1,282</u>
Liabilities:				
Accounts payable	\$ 2	\$ 124	\$ 4	\$ 122
Due to other governments	1,097	397	582	912
Deposits payable	153	181	86	248
Total liabilities	<u>\$ 1,251</u>	<u>\$ 702</u>	<u>\$ 671</u>	<u>\$ 1,282</u>
Hazardous Materials				
Assets:				
Cash & equity in pooled investments	\$ 432	\$ 172	\$ 104	\$ 500
Interest	-	2	2	-
Due from other governments	5	30	26	10
Total Assets	<u>\$ 438</u>	<u>\$ 204</u>	<u>\$ 132</u>	<u>\$ 510</u>
Liabilities:				
Accounts payable	\$ 2	\$ 7	\$ 2	\$ 7
Due to other governments	437	139	72	504
Total liabilities	<u>\$ 438</u>	<u>\$ 146</u>	<u>\$ 74</u>	<u>\$ 510</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended December 31, 2010
(in thousands)

	<u>Balance</u> <u>1/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2010</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	\$ 475	\$ 6,160	\$ 3,934	\$ 2,700
Interest	1	4	4	1
Due from other governments	-	2,027	1,556	470
Notes/contracts receivable	-	2,943	1,047	1,896
Total Assets	<u>\$ 475</u>	<u>\$ 11,134</u>	<u>\$ 6,542</u>	<u>\$ 5,067</u>
Liabilities:				
Accounts payable	\$ 3	\$ 606	\$ 3	\$ 606
Due to other governments	473	4,267	2,175	2,565
Deferred revenues	-	2,943	1,047	1,896
Total liabilities	<u>\$ 475</u>	<u>\$ 7,816</u>	<u>\$ 3,225</u>	<u>\$ 5,067</u>
Jail Administrative Group				
Assets:				
Cash & equity in pooled investments	\$ 377	\$ 33	\$ 387	\$ 22
Interest	-	1	2	-
Total Assets	<u>\$ 377</u>	<u>\$ 34</u>	<u>\$ 389</u>	<u>\$ 22</u>
Liabilities:				
Due to other governments	\$ 377	\$ -	\$ 355	\$ 22
Total liabilities	<u>\$ 377</u>	<u>\$ -</u>	<u>\$ 355</u>	<u>\$ 22</u>
Payroll Clearing				
Assets:				
Cash & equity in pooled investments	\$ 79	\$ 138,534	\$ 138,523	\$ 91
Total Assets	<u>\$ 79</u>	<u>\$ 138,534</u>	<u>\$ 138,523</u>	<u>\$ 91</u>
Liabilities:				
Accounts payable	\$ 36	\$ 142,251	\$ 142,235	\$ 52
Due to other governments	23	322	327	18
Deposits payable	20	-	-	20
Total liabilities	<u>\$ 79</u>	<u>\$ 142,573</u>	<u>\$ 142,562</u>	<u>\$ 91</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended December 31, 2010
(in thousands)

	<u>Balance</u> <u>1/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2010</u>
Claims Clearing				
Assets:				
Cash & equity in pooled investments	\$ 1	\$ 193,130	\$ 192,773	\$ 358
Total Assets	<u>\$ 1</u>	<u>\$ 193,130</u>	<u>\$ 192,773</u>	<u>\$ 358</u>
Liabilities:				
Warrants payable	-	\$ -	\$ -	\$ -
Accounts payable	\$ 1	\$ 340,345	\$ 339,988	\$ 358
Total liabilities	<u>\$ 1</u>	<u>\$ 340,345</u>	<u>\$ 339,988</u>	<u>\$ 358</u>
Total Agency Funds				
Assets:				
Cash & equity in pooled investments	\$ 2,817	\$ 339,911	\$ 337,649	\$ 5,078
Interest	3	13	14	1
Due from other governments	115	4,264	3,878	500
Notes/contracts receivable	-	2,943	1,047	1,896
Property, plant and equipment (net)	182	198	171	209
Total Assets	<u>\$ 3,116</u>	<u>\$ 347,329</u>	<u>\$ 342,760</u>	<u>\$ 7,684</u>
Liabilities:				
Accounts payable	\$ 125	\$ 483,333	\$ 482,313	\$ 1,145
Due to other governments	2,819	6,308	4,751	4,375
Deposits payable	173	181	86	268
Deferred revenues	-	2,943	1,047	1,896
Total liabilities	<u>\$ 3,116</u>	<u>\$ 492,765</u>	<u>\$ 488,197</u>	<u>\$ 7,684</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

(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
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	1,484,941	21,519	108,884	1,615,344	229,344	60,750	39,112	329,206	1,714,285	82,269	147,996	1,944,550
2009	1,499,240	16,753	93,870	1,609,863	239,778	77,584	32,735	350,097	1,739,018	94,337	126,605	1,959,960
2010	1,494,063	24,042	81,936	1,600,041	252,444	92,384	30,834	375,662	1,746,506	116,427	112,770	1,975,703

^A All amounts are reported on the accrual basis

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

(dollars in thousands)

	2006	2007	2008	2009	2010
Expenses					
Governmental Activities					
General Government	\$15,471	\$24,712	\$29,573	\$29,641	\$25,557
Judicial	378	-	-	-	-
Public Safety	68,781	73,617	80,253	78,373	79,818
Physical Environment	1,564	2,200	2,449	1,952	1,801
Transportation	31,769	26,449	29,372	25,853	30,413
Economic Environment	17,207	20,737	22,940	21,785	20,177
Health and Human Services	4,841	5,943	6,834	7,914	7,401
Culture and Recreation	31,395	34,166	37,926	37,818	36,643
Interest on Long-Term Debt	7,734	7,796	7,150	7,294	7,262
Total Governmental Activities	179,140	195,620	216,497	210,630	209,072
Business-Type Activities					
Water	26,604	29,206	27,887	30,074	33,798
Sewer	27,868	31,817	31,734	35,091	34,755
Storm Drainage Utility	8,717	9,179	9,146	9,967	9,668
Marina	314	443	440	353	312
Total Business-Type Activities	63,503	70,645	69,207	75,485	78,533
Total Primary Government Expenses	<u>\$242,643</u>	<u>\$266,265</u>	<u>\$285,704</u>	<u>\$286,115</u>	<u>\$287,605</u>
Program Revenues					
Governmental Activities					
Charges for Services					
General Government	968	1,333	2,068	4,042	3,151
Public Safety	12,031	15,682	16,969	15,501	15,346
Economic Environment	14,716	12,597	16,334	11,830	9,165
Transportation	2,937	1,993	1,345	882	721
Culture and Recreation	5,435	6,927	8,039	7,875	8,078
Other Activities	1,304	1,065	1,430	1,445	1,466
Operating Grants and Contributions	4,798	6,760	6,815	8,796	9,196
Capital Grants and Contributions	21,250	22,280	4,328	7,984	2,550
Total Governmental Activities Program Revenues	61,433	66,630	55,320	56,346	47,663

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

(dollars in thousands)

	2006	2007	2008	2009	2010
Business-Type Activities					
Charges for Services					
Water	31,570	31,844	31,538	33,960	35,645
Sewer	33,267	35,493	36,056	39,545	42,534
Storm Drainage Utility	13,270	13,194	14,442	14,788	16,138
Marina	450	498	489	507	497
Operating Grants and Contributions	-	105	-	-	-
Capital Grants and Contributions	4,307	6,541	6,967	5,002	7,155
Total Business-Type Activities Program Revenues	82,864	87,675	89,492	93,802	101,969
Total Primary Government Program Revenues	<u>\$144,297</u>	<u>\$154,305</u>	<u>\$144,812</u>	<u>\$150,148</u>	<u>\$149,632</u>
Net (Expense)/Revenue					
Governmental Activities	(115,701)	(126,985)	(159,170)	(152,274)	(159,398)
Business-Type Activities:	19,361	17,028	20,285	18,319	23,435
Total Primary Government Net Expense	<u>(\$96,340)</u>	<u>(\$109,957)</u>	<u>(\$138,885)</u>	<u>(\$133,955)</u>	<u>(\$135,963)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Taxes					
Property Tax	\$27,637	\$28,981	\$28,859	\$34,854	\$35,364
Retail Sales and Use Tax	48,946	56,776	53,141	45,119	44,984
Utility Tax	24,324	20,069	24,103	24,012	25,071
Business and Occupation Tax	31,528	30,387	30,051	26,141	25,103
Excise Tax	12,933	27,254	6,594	6,258	10,521
Hotel/Motel Tax	5,839	6,647	6,724	5,332	6,095
Other Tax	292	225	238	175	598
Payments from Component Unit/City	16	9	23	117	133
Grants and Contributions - Unrestricted	1,264	1,419	1,398	1,861	1,553

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

(dollars in thousands)

	2006	2007	2008	2009	2010
Unrestricted Investment Interest	5,188	7,128	5,284	3,252	1,479
Gain (loss) in Change of Fair Value of Investments	556	38	637	(582)	(477)
Miscellaneous	328	125	740	582	(659)
Gain (loss) on Sale of Capital Assets	57	144	1,391	(75)	339
Transfers	(170)	(51)	406	(254)	(527)
Total Governmental Activities	158,738	179,151	159,589	146,792	149,577
Business-Type Activities					
Unrestricted Investment Interest	\$2,578	\$3,795	\$2,991	\$1,874	\$1,254
Gain (loss) in Change of Fair Value of Investments	282	20	197	(373)	(462)
Miscellaneous	1,278	1,593	1,164	811	811
Gain on Sale of Capital Assets	33	-	98	6	-
Transfers	170	51	(406)	254	527
Total Business-Type Activities	4,341	5,459	4,044	2,572	2,129
Total Primary Government	\$163,079	\$184,610	\$163,633	\$149,364	\$151,706
Change in Net Assets					
Governmental Activities	\$43,037	\$420	\$7,314	(\$5,482)	(\$9,822)
Business-Type Activities	23,702	24,329	22,361	20,891	25,565
Total Primary Government	\$66,739	\$24,749	\$29,675	\$15,409	\$15,743

^(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)
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
2009	136,559	34,854	45,119	24,012	26,141	6,258	175	5,332
2010	141,641	35,364	44,984	25,071	25,103	10,521	598	6,095

^(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
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
2009	-	16,149	16,149	2,305	42,645	14,448	59,398
2010	-	19,790	19,790	1,867	39,880	22,175	63,922

^(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)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes and Special Assessments	\$110,638	\$112,190	\$115,469	\$123,958	\$134,369	\$149,428	\$177,113	\$150,084	\$142,698	\$147,820
Licenses and Permits	5,843	4,678	2,969	4,470	4,439	7,140	5,198	8,972	6,411	4,850
Intergovernmental	21,951	22,270	24,689	23,266	28,213	32,439	34,946	31,670	31,469	26,978
Service Charges and Fees	25,830	12,565	15,501	18,677	19,715	24,819	26,101	26,906	25,747	23,973
Fines and Forfeitures	995	709	656	545	329	174	532	489	71	1,238
Interest and Assessment Interest/Penalties	5,552	3,471	1,515	3,488	3,113	3,500	5,135	3,703	2,445	1,014
Net Change in Fair Value of Investments	53	207	(206)	(684)	199	350	25	521	(388)	(308)
Rent	2,038	1,929	3,192	1,788	2,285	2,283	3,102	4,180	4,863	4,607
Judgements and Settlements	-	1	150	18	534	4,766	1,431	25	46	-
Premiums/Contributions	1,100	739	739	1,320	1,446	1,643	1,655	446	2,422	1,075
Other	216	702	586	325	1,202	394	295	796	678	248
Total Revenues	174,216	159,461	165,260	177,171	195,844	226,936	255,533	227,792	216,462	211,497
Expenditures										
General Government	24,622	18,899	19,143	22,720	24,211	25,329	25,410	25,364	25,075	26,074
Public Safety	51,433	53,512	57,333	58,221	61,294	65,701	71,042	78,219	79,817	80,733
Physical Environment	1,535	1,749	1,157	1,068	1,436	1,555	2,198	2,449	1,953	1,793
Transportation	29,255	17,545	25,725	20,385	24,886	29,806	29,173	32,957	28,479	29,793
Economic Environment	17,837	12,423	12,854	15,755	15,248	17,263	20,463	22,718	21,798	20,043
Health and Human Services	93	3,700	3,080	2,286	4,932	4,845	6,357	7,226	7,782	7,533
Culture and Recreation	24,678	20,068	24,992	24,700	24,729	28,319	30,924	35,035	34,489	33,751
Capital Outlay	13,642	79,700	41,314	48,580	112,692	42,463	45,664	39,461	23,035	19,383
Debt Service										
Principal	4,290	11,744	3,536	33,157	7,463	3,985	29,560	4,275	14,187	14,264
Interest and Fiscal Charges	2,020	2,153	2,424	5,240	7,136	7,834	7,855	7,468	7,306	7,386
Total expenditures	169,405	221,493	191,558	232,112	284,027	227,100	268,646	255,172	243,921	240,752

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (A)

Last Ten Fiscal Years

(dollars in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other Financing Sources (Uses)										
Transfers In	23,064	12,332	15,189	44,309	89,078	34,994	46,437	25,545	33,301	23,325
Transfers Out	(21,507)	(15,005)	(11,313)	(42,435)	(88,052)	(34,457)	(45,211)	(24,980)	(29,602)	(11,534)
Operating Transfers Out to Component Unit	-	-	-	-	-	-	-	-	-	-
Proceeds from Long Term Debt	120	39,550	10,018	107,567	6,700	13,983	713	26,248	12,047	24,458
Refunding Bonds Issued	-	-	13,185	-	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	(13,065)	-	-	-	-	-	-	-
Sale of Capital Assets	182	620	24,545	63	3,349	157	13	1,161	-	42
Discount/Premium on Issuance of Long Term Debt	-	-	-	-	-	-	-	-	-	1,131
Total Other Financing Sources (Uses)	1,859	37,497	38,559	109,504	11,075	14,677	1,952	27,974	15,746	37,422
Residual Equity Transfers	(939)	-	-	-	-	-	-	-	-	-
Net Change in Fund Balance	\$6,670	(\$24,535)	\$12,261	\$54,563	(\$77,108)	\$14,513	(\$11,161)	\$594	(\$11,713)	\$8,167
Debt Service as a Percentage of Noncapital Expenditures	4.05%	9.80%	3.97%	20.92%	8.52%	6.40%	16.78%	5.44%	9.73%	9.78%

^(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)
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
2009	137,366	34,738	45,119	24,119	26,340	7,050	5,332
2010	141,723	35,337	44,984	25,076	25,285	11,041	6,095

^(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.

^(D) Special assessments are included beginning in 2009, prior years excluded special assessments

Table 7

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

(dollars in thousands)

	Year									
	2001	2002	2003	2004	2005 (B)	2006	2007	2008	2009	2010
Contracting	\$528,938	\$452,654	\$419,611	\$525,419	\$729,303	\$860,690	\$1,296,795	\$1,255,692	\$872,463	\$603,334
Manufacturing	66,712	56,223	47,115	53,312	62,885	64,765	86,303	84,773	70,537	77,831
Transp / Communication / Utilities	202,648	203,069	177,246	167,333	194,851	199,868	214,878	190,568	201,248	211,877
Finance/Insurance/ Real Estate	132,147	147,971	107,422	97,437	160,305	176,983	174,893	148,801	149,680	130,987
Wholesale Trade	330,119	296,915	267,431	307,256	342,940	331,433	394,954	418,040	360,308	302,105
Retail - Building Materials	123,614	121,370	118,540	129,355	125,398	134,002	137,004	120,234	106,555	101,484
Retail - General Merchandise	171,822	157,805	172,575	181,597	196,058	206,931	206,399	188,755	189,052	196,797
Retail - Food	120,665	123,013	97,775	94,982	62,765	71,979	75,024	77,748	76,879	82,700
Retail - Automotive	677,707	695,179	817,745	783,160	861,607	920,511	970,929	794,053	720,411	756,742
Retail - Apparel	259,129	265,228	295,520	322,956	402,790	443,022	483,921	423,738	384,063	405,998
Retail - Furniture & Accessories	419,119	383,703	415,293	437,142	430,400	445,270	442,037	411,884	381,491	350,641
Retail - Restaurants	190,099	212,697	222,758	235,850	251,313	291,529	313,354	312,514	317,213	347,268
Retail - Miscellaneous	342,339	337,706	333,306	345,375	327,865	383,313	392,523	392,992	368,757	395,200
Services - Hotels	101,516	92,230	93,888	93,049	95,563	101,144	122,550	125,820	116,518	153,772
Services - Business	220,840	198,863	200,553	165,596	300,434	321,741	440,246	435,092	301,306	328,008
Services - Other	293,049	295,172	260,714	270,128	204,934	223,293	248,588	257,424	245,211	246,900
All Other Categories	37,030	34,703	37,684	42,157	1,036	1,660	1,320	1,567	2,064	1,245
Total sales	<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>	<u>\$4,863,756</u>	<u>\$4,692,889</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.

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SALES TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

	Year									
	2001 (A)	2002	2003	2004	2005	2006	2007	2008	2009 (F)	2010
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)	0.800%	0.800%	0.800%	0.800%	0.800%	0.800%	0.900%	0.900%	0.900%	0.900%
King County Mental Health ^(E)	-	-	-	-	-	-	-	0.100%	0.100%	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	1.900%	1.900%	1.900%	1.900%	1.900%	1.900%	2.000%	2.100%	2.100%	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	0.969%	0.969%	0.969%	0.969%	0.969%	0.969%	1.069%	1.169%	1.169%	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%	0.900%	0.900%
Total Sales tax rate	8.800%	8.800%	8.800%	8.800%	8.800%	8.800%	8.900%	9.000%	9.500%	9.500%

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 2010, the City's population was **122,900**, and the County's population was **1,933,400**. Bellevue represented 6.36% 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.
- (F) Effective 4/1/09, Sound Transit increased portion of sales tax by five-tenths of one percent.

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
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
2009	32,224,417	1,209,975	668,110	157,291	2,550,481	34,004,753	0.94
2010	30,291,931	1,220,536	672,827	176,038	2,525,753	32,076,142	1.06

* 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						
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
2009	0.94	0.00	0.94	1.87	1.10	1.96	0.27	0.76	6.90
2010	1.06	0.00	1.06	2.22	1.28	2.22	0.22	0.89	7.89

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	2010		Rank	2001	
			2010 Assessed Valuation (In Millions)	Percentage of Total Assessed Valuation ^(A)		2001 Assessed Valuation (In Millions)	Percentage of Total Assessed Valuation ^(A)
1	W2007 Seattle formerly Archon Group LP	Property management	\$ 393	1.23%	(B)	\$ -	0.00%
2	Bellevue Square Managers Inc formerly North Coast Mortgage	Land management	313	0.98%	3	214	1.09%
3	The Boeing Company	Aerospace	252	0.79%	2	227	1.15%
4	Puget Sound Energy	Utility Services	244	0.76%	5	164	0.83%
5	Bellevue Place	Property management	241	0.75%	6	162	0.82%
6	City Center Bellevue Development	Property management	196	0.61%	(B)	-	0.00%
7	Three Bellevue Center LLC	Property management	128	0.40%	(B)	-	0.00%
8	Essex Property Trust	Property management	115	0.36%	(B)	-	0.00%
9	Sterling Realty Org.	Property Management	113	0.35%	8	138	0.70%
10	BRE Properties	Property management	96	0.30%	(B)	-	0.00%
(B)	Spieker Properties	Real Estate Acquisition	(B)	0.00%	1	352	1.79%
(B)	EOP Northwest Properties	Property management	(B)	0.00%	4	180	0.91%
(B)	Qwest	Telecommunications	(B)	0.00%	7	160	0.81%
(B)	Northwest Mutual Life Insurance	Insurance	(B)	0.00%	9	120	0.61%
(B)	Safeway Stores, Inc.	Regional food distribution	(B)	0.00%	10	80	0.41%
			\$ 2,091	6.52%		\$ 1,796	9.12%

(A) 2010 assessed valuations for 2010 tax collection. Total 2010 assessed valuation, in millions, is \$ 32,079, 2001 assessed valuation, \$ 19,705.

(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

(in thousands)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the levy		Collected in subsequent years	Total Collections to date	
		Amount	Percentage		Amount	Percentage
2001	\$ 26,817	\$ 26,295	98.05%	\$ 522	\$ 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	329	27,214	99.49
2006	27,786	27,401	98.61	383	27,784	99.99
2007	29,044	28,631	98.58	325	28,956	99.70
2008	28,913	28,500	98.57	296	28,796	99.60
2009	35,250	34,664	98.34	373	34,664	98.34
2010	36,063	35,314	97.92	-	35,314	97.92

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 addition to collections.

Table 13

RATIO OF OUSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(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 purchase contracts	Leases	PWTF loans	Line of credit	General obligation bonds	Revenue bonds	PWTF loans			
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	2.31%	1,341
2009	137,792	1,275	-	-	638	12,047	3,350	1,002	279	156,383	2.28%	1,297
2010	147,316	795	1,100	-	638	15,047	3,068	-	159	168,123	N/A ^D	1,368

^(A) Sources: Bellevue Department of Planning and Community Development 2000 Population is based on the year 2010 Census figure released in March 2011.

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

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

^(D) 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)
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
2009	140,201	3,370	136,831	0.40	1,135
2010	148,706	2,172	146,534	0.46	1,192

^(A) See table 18 for population statistics.

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

Table 15

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2010

(dollars in thousands)

Jurisdiction	Gross General Obligation Debt Outstanding ^(A)	Percentage Applicable to Bellevue ^(B)	Amount Applicable to Bellevue
City of Bellevue	\$136,881	100.00%	\$136,881
School District #405	282,635	78.67%	222,349
King County	1,178,358	9.41%	110,883
Port of Seattle	335,500	9.41%	31,571
School District #403	261,635	2.69%	7,038
School District #414	466,035	1.10%	5,126
School District #411	316,350	10.86%	34,356
Hospital District #1	37,255	3.19%	1,188
Hospital District #2	225,280	0.04%	90
Library District	132,155	15.49%	20,471
Issaquah Library Capital Facility Area	4,875	0.75%	37
Total other jurisdictions	3,240,078	13.37%	433,109
Total Direct and Overlapping Debt	\$ 3,376,959	16.88%	\$ 569,990

(A) Total general obligation bonds outstanding on December 31, 2010 exclusive of refunded bonds. Source: King County Department of Finance.

(B) Determined by ratio of 2010 assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

Table 16
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LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(dollars in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$1,477,840	\$1,552,227	\$1,590,930	\$1,666,024	\$1,796,739	\$1,995,872	\$2,354,687	\$2,821,998	\$2,551,417	\$2,405,906
Total net debt applicable to limit	56,417	60,598	120,530	192,005	184,880	186,820	150,079	168,529	187,526	196,897
Legal debt margin	<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>	<u>\$2,363,891</u>	<u>\$2,209,009</u>
Total net debt applicable to the limit as a percentage of debt limit	3.82%	3.90%	7.58%	11.52%	10.29%	9.36%	6.37%	5.97%	7.35%	8.18%

Table 16
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Legal Debt Margin Calculation for fiscal year 2010

<u>Description</u>	Councilmanic Debt (Non-Voted)	Voted Debt	General Purpose Indebtedness ^(B)	Excess Levy Open Space and Park	Excess Levy Utility Purposes	Total Debt Capacity
Assessed Value (A)	32,078,743	32,078,743	32,078,743	32,078,743	32,078,743	32,078,743
Statutory debt limit percentages:	1.50%	1.00%	2.50%	2.50%	2.50%	7.50%
Debt limit	<u>\$481,181</u>	<u>\$320,787</u>	<u>\$801,969</u>	<u>\$801,969</u>	<u>\$801,969</u>	<u>\$2,405,906</u>
Debt applicable to limit						
Bonds outstanding	148,952	-	148,952	-	-	148,952
Capital Lease BCCA -1991	6,013		6,013			6,013
Capital Lease BCCA -1994	11,049		11,049		-	11,049
Installment Purchase Contracts	1,100		1,100			1,100
Line of Credit	30,000		30,000			30,000
Less:						
Cash on hand for debt redemption ^(C)	217	-	217	-	-	217
Delinquent taxes ^(D)	-	-	-	-	-	-
Total Net Debt applicable to limit	196,897	-	196,897	-	-	196,897
Remaining Debt Capacity	<u>\$284,284</u>	<u>\$320,787</u>	<u>\$605,072</u>	<u>\$801,969</u>	<u>\$801,969</u>	<u>\$2,209,009</u>

^(A)This figure represents the City’s final assessed valuation for 2010 which will be used to determine the 2011 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 3-31-11.
^(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 12/31/10.
 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	Revenue Bonds				Special Assessment Bonds							
	Gross Revenue ^(A)	Expenses ^(B)	Net Revenue available for debt service	Debt Service Requirements ^(C)				Debt Service				
				Principal	Interest	Total	Coverage ^(D)	Special Assessment Collections	Principal	Interest	Total	Coverage
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	2.07	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
2009	102,648	69,781	32,867	3,653	7,166	10,819	3.04	645	401	85	486	1.33
2010	108,277	72,700	35,577	1,661	6,796	8,457	4.21	475	403	58	461	1.03

(A) Gross revenues as defined in applicable bond indentures for the Waterworks Utility, Marina, 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 2010 are: Marina .75 and Bellevue Convention Center Authority, .51.

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						
2001	111,500	\$ 43,800	\$ 4,883,700.00	38	51,000	15,264	132,000	4.8%	3.6%
2002	117,000	44,250	5,177,250	38	51,956	15,362	123,000	5.8%	1.9%
2003	116,400	44,821	5,217,164	39	49,027 ^B	15,396	124,000	5.8%	1.6%
2004	116,500	49,118	5,722,247	39	49,119	15,718	123,000	4.9%	1.2%
2005	115,500	48,216	5,568,948	39	48,413	16,215	127,000	4.1%	2.8%
2006	117,000	52,655	6,160,635	39	49,426	16,461	134,000	3.7%	3.7%
2007	118,100	57,710	6,815,551	40	49,963	16,520	141,000	3.4%	3.9%
2008	119,200	58,141	6,930,407	41	50,573	16,937	145,000	4.0%	4.2%
2009	120,600	56,904	6,862,622	38	51,023	17,311	140,000	7.0%	0.6%
2010	122,900	A	A	A	51,727	17,841	140,000	7.0%	0.3%

Sources:

- 1) Population and Number of Households data was provided by the City of Bellevue Planning & 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 the City of Bellevue Planning & Community Development Department and is presented in thousands.
- 4) Median Age and Number of Jobs were provided by the City of Bellevue Planning & Community Development Department.
- 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 Data not available at time of publication.

^B 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	2010			2001		
		Rank	Number of Employees	Percentage of Total City Employment	Rank ^(B)	Number of Employees	Percentage of Total City Employment
Microsoft Corp.	Technology	1	6,457	4.61%			0.00%
T-Mobile USA	Cellular Telephones	2	4,000	2.86%			0.00%
Boeing	Aviation	3	3,200	2.29%			0.00%
Overlake Hospital Medical Center	Medical Hospital	4	2,500	1.79%			0.00%
Expedia Inc.	Online Travel	5	2,100	1.50%			0.00%
Bellevue School District	Education K-12	6	2,080	1.49%			0.00%
Bellevue College	Higher Education	7	1,560	1.11%			0.00%
City of Bellevue	Government	8	1,550	1.11%		1,556	1.18%
Verizon Wireless	Cellular Telephones	9	1,500	1.07%			0.00%
Puget Sound Energy	Utility Services	10	1,090	0.78%			0.00%
			<u>26,037</u>	<u>18.60%</u>		<u>1,556</u>	<u>1.18%</u>

Source: Planning and Community Development Department

Number of jobs for 2010 were 140,000 and 131,655 for 2001.

(A) Number of jobs data was provided by the City of Bellevue Planning & Community Development Department.

(B) Historical data was primarily unavailable and as a result, no ranking was 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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	319	319	321	327	322	327	349	363	403	384
Public Safety										
Police										
Officers	174	173	176	174	170	173	175	182	180	181
Civilians	102	103	100	97	100	93	93	99	97	42
Fire										
Firefighters and Officers	178	185	194	198	198	198	207	209	218	216
Civilians	20	21	26	21	21	24	28	37	30	33
Transportation	136	136	132	130	127	129	129	130	117	117
Culture and Recreation	177	178	176	173	172	180	163	163	163	166
Water	60	60	58	63	63	61	62	63	63	66
Sewer	35	36	37	39	38	41	41	42	42	46
Storm Drainage	45	45	44	44	44	45	45	45	45	48
Total	1,245	1,255	1,263	1,265	1,254	1,269	1,291	1,333	1,358	1,299

Source: City of Bellevue Budget Office

Police Civilian FTEs decreased in 2010 due to the move of dispatch positions to the NORCOM agency.

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OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Function:										
Public Safety/Judicial:										
Police:										
Offenses:										
Rape	21	26	28	38	29	42	29	33	25	10
Robbery	59	48	66	75	49	71	61	71	61	59
Homicide	0	0	0	0	2	3	0	0	2	0
Assault	830	758	850	693	420	570	528	582	545	538
Auto Theft	539	545	588	608	567	476	446	274	179	207
Burglary	535	605	518	680	595	591	583	687	621	657
Larceny	3,431	3,348	3,213	3,570	3,503	3,178	3,152	3,327	3,150	2,905
Citations										
Traffic	28,760	28,070	30,314	23,129	24,370	22,088	20,814	22,664	22,914	20,959
Criminal	2,919	2,687	2,863	2,335	2,033	2,383	2,533	2,653	2,473	2,266
Judicial System:										
Handled by District Court	31,679	30,757	33,177	25,464	26,403	24,471	23,347	25,317	25,387	23,225
Fire:										
First Response:										
Buildings	177	175	182	162	135	123	110	120	120	96
Non-Buildings	305	272	533	242	257	300	237	225	259	184
Service	549	460	519	503	418	506	450	422	462	340
False Alarm	1,863	1,567	1,420	1,476	1,466	1,682	1,446	1,573	1,502	1,438
Other	1,075	1,011	2,629	1,053	892	1,671	1,078	1,039	984	860
Medic 1 Responses:										
First Aid	12,357	11,668	11,797	12,218	12,381	14,002	13,525	13,640	13,794	13,571
Runs/Week	238	224	227	235	238	269	260	262	265	261

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Function:										
Transportation:										
Area of roadway repaired (sq. ft)	27,087	28,196	4,008	8,295	7,461	10,631	16,330	19,305	16,626	13,510
Miles of streets swept	5,988	5,599	5,214	5,532	4,746	4,685	5,098	3,506	2,385	4,410
Area of sidewalk repaired (sq ft)	8,209	10,708	7,280	10,225	5,821	4,497	5,222	10,090	5,299	3,153
Physical/Economic environment:										
Building permits issued	9,610	10,047	10,404	11,472	12,395	13,673	13,707	12,862	10,984	11,506
Estimated value (In Millions \$)	427	193	190	255	346	761	831	629	274	209
Culture and recreation										
Number of rounds of golf played	83,415	81,444	76,237	73,059	69,625	61,043	75,913	79,883	79,610	73,902
Visits to recreation centers for youth programs ^(A)	550,270	664,404	605,312	N/A						
Water utility:										
Water Consumption (in CCF)	6,545	6,581	6,962	7,242	6,814	7,293	6,852	6,612	6,908	6,277
Number of customers:										
Residential	30,237	30,332	30,460	33,912	34,210	34,286	34,440	34,544	34,599	34,667
Multi-Residential	554	558	561	658	657	659	651	648	647	650
Commercial	2,012	2,025	2,029	2,264	2,191	2,110	2,101	2,107	1,855	1,808
Total Number of customers	32,803	32,915	33,050	36,834	37,058	37,055	37,192	37,299	37,101	37,125
Water consumption peak in a day (millions of gallons)	24	27	34	35	31	33	32	29	37	29
Water consumption peak in a month (millions of gallons)	632	741	888	860	811	830	724	776	876	737

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Function:										
Sewer Utility:										
Sewer Consumption (in CCF)	5,253	5,062	5,030	5,256	5,272	5,362	5,401	5,533	5,322	4,603
Number of customers:										
Residential	29,954	30,069	30,242	32,764	32,874	33,710	33,865	33,057	33,195	34,596
Multi-Residential	576	578	582	660	655	653	648	644	641	648
Commercial	1,693	1,693	1,690	1,795	1,806	1,721	1,725	1,737	1,719	1,710
Total Number of customers	32,223	32,340	32,514	35,219	35,335	36,084	36,238	35,438	35,555	36,954
Storm Drainage utility:										
Number of customers:										
Residential	27,753	27,838	27,875	27,903	27,931	28,000	28,064	28,153	28,158	28,196
Multi-Residential	497	498	503	535	530	531	525	524	526	546
Commercial	1,855	1,867	1,864	1,975	1,984	1,974	1,960	1,968	1,949	1,939
Total Number of customers	30,105	30,203	30,242	30,413	30,445	30,505	30,549	30,645	30,633	30,681

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

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

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CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety:										
Police										
Traffic/Patrol units	56	63	70	69	73	76	78	72	72	73
Fire										
Fire Stations	9	9	9	9	9	9	9	9	9	9
Fire apparatus	26	25	29	27	28	28	23	21	22	22
Fire aid units	13	10	10	10	10	12	18	17	18	16
Transportation:										
Paved streets (miles)	384	384	396	389	388	389	390	390	390	390
Sidewalks (miles)	297	303	308	308	319	333	334	336	329	329
Traffic Signals	166	173	173	173	177	179	180	182	182	183
Streetlights owned by City of Bellevue	2,584	2,685	2,734	2,810	2,926	2,982	3,026	3,205	3,232	2,900
Streetlights owned by Puget Sound Energy	4,448	4,504	4,562	4,644	5,148	4,655	4,835	5,064	5,102	5,146
Culture and Recreation/Marina:										
Parks acreage	1,711	2,009	2,104	2,119	2,600	2,612	2,657	2,696	2,696	2,707
Parks	74	76	77	77	77	77	77	77	77	77
Maintained Trails (miles)	54	57	60	64	69	74	97	80	80	80
Playgrounds	36	44	45	45	45	45	45	45	45	45
Tennis Courts/Centers	36	35	39	39	39	39	39	39	39	39
Sports fields	32	32	32	32	32	32	32	32	32	32
Sports courts	20	23	27	27	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	3	3	3	4	4	4
Community Centers/Recreation facilities	4	4	4	4	5	5	5	5	5	5

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Golf Courses	2	2	2	2	2	2	2	2	2	2
Marinas/Boat launches	2	2	2	2	2	2	2	2	2	2
Water:										
Water mains (miles)	560	563	616	617	618	617	617	620	620	616
Vehicles	31	32	42	42	43	43	43	40	41	41
Sewer:										
Sanitary sewers (miles)	486	488	520	520	520	520	521	523	523	525
Vehicles	32	33	36	40	43	35	37	38	41	41
Storm Drainage										
Vehicles	20	22	24	25	26	27	27	26	28	28

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

