

**City of Bellevue, Washington**



**2007  
Comprehensive  
Annual  
Financial  
Report**

**For the Fiscal Year Ended December 31, 2007**

# **Introductory Section**

**City of Bellevue, Washington**

## **Comprehensive Annual Financial Report**

**For the Fiscal Year Ended December 31, 2007**



**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, 2006

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.



President

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, 2006.

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, 2007

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Post Office Box 90012 • Bellevue, Washington • 98009 9012

June 30, 2007

**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, 2007 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.

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

### **DISCRETE COMPONENT UNIT**

The City is financially accountable for the Bellevue Convention Center Authority (BCCA) which is reported as a discrete component unit of the City. The BCCA accounts for revenues and expenses associated with the development, construction, and operation of Meydenbauer Center. Meydenbauer Center is located in downtown



Bellevue and contains a 48,000 square foot convention center and trade show facility, a 410 seat theater, and 434 car parking garage.

## **ECONOMIC CONDITION AND OUTLOOK**

The City of Bellevue 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 118,100 residents and is expected to grow at an average annual rate of 1.0% through 2020, excluding any annexations.

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

The regional economy grew at a strong pace during 2007. Employment grew at 3.2%, which was more than two times the national growth rate. For 2008, regional economists expect the local economy to continue to grow but not at the same pace as 2007. Office vacancy rates remained low in Bellevue's Central Business District (6% at the end of 2007) and lease rates continue to increase. The Downtown office vacancy rate is expected to remain low as much of the newly constructed office space has been pre-leased.

Economists are projecting continued growth in personal income and taxable retail sales. This combined with expected employment growth, should continue to bolster retail sales and B&O tax collections for Bellevue in 2008.

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

## **MAJOR INITIATIVES**

### 2007 Significant Accomplishments

- The City Manager's office launched several initiatives to further the City's vision, including the One City initiative, focused on performance excellence. Through this initiative they submitted the City's first Washington State Quality Award application.
- The Planning and Community Development Department received the CSDC 2007 Innovation Award for the AMANDA/Fire RMS migration project. This project allowed the City to leverage existing technology by tracking the Fire Department's annual safety inspections through the existing permit tracking system.
- The Fire Department's coordination with other County agencies resulted in the successful passage of the King County Medic 1 Levy.
- Public safety agencies throughout the region agreed to form a regional emergency communications center called NORCOM, which will be housed in Bellevue's City Hall, and will provide emergency dispatch services to over 650,000 residents and cover over 1,200 square miles.

- The Parks Department converted Robinswood Park's two soccer fields from natural grass to synthetic turf allowing year-round sports programming and general recreational use and added a new warm-up area, a pedestrian walking path encircling the fields and a plaza area for tournaments and events.
- In 2007, the Utilities Department implemented "MyUtilityBill", offering customers the option to securely view utility account status and history, receive electronic bills, and pay bills online using credit or debit cards. The Department continued to provide excellent response to winter storms, including recovery from the December 2006 wind storm that left 90% of Bellevue homes and business without power.
- The Transportation Department objectives were advanced by the completion of approximately 80% of the NE 10<sup>th</sup> Street Extension Stage I project and continued coordination and State support of Stage 2. The Department continued supporting regional efforts in developing design concepts for the SR 520 Bridge replacement and supplemental environmental work; the I-90 two-way transit/HOV project; and improvements and mitigation measures along the I-405 corridor. The Department also continued participation with regional partners in the development of Light Rail Best Practices, as well as designs for East Link light rail and Bel-Red RapidRide bus transit projects. In November 2007, the Department earned accreditation from the APWA.

#### 2008 Initiatives

- The Transportation Department will complete the update to the City's Ped/Bike Plan; begin work on the first phase of the Bellevue Mobility Initiative; complete work on transportation system needs, including High Capacity Transit (HCT) integration and implementation of the Bel-Red Corridor Plan; develop conceptual design and identify a first phase for improvements to West Lake Sammamish Parkway; and support the continued development of other significant regional projects such as the I-405/SR 520 Braid project, the SR 520 Bridge Replacement project, and the I-90 two-way transit/HOV project.
- The Utilities Department will initiate the 2008 Comprehensive Wastewater Plan Update, perform condition assessment activities on the submerged wastewater pipeline in Lake Washington to determine how best to rehabilitate or replace the lakeline, and continue implementation of the Utility Capital Investment Program Plan for Water, Sewer, and Storm Drainage projects.
- The Utilities, Parks, Transportation, and Civic Services Departments are joining forces to upgrade several individual maintenance management information systems to a single web-enabled system offering the opportunity for improved functionality, efficiency, and integration with other enterprise systems.
- Parks will complete several capital projects, including Highland Skate Park, Crossroads Park Water Play area, Ashwood Plaza, and Phase One of the Mercer Slough Environmental Education Center.
- IT infrastructure: Several major projects are planned to protect, increase and expand IT infrastructure. The City's fiber network throughout the Eastside continues to grow with efforts to 'ring the Lake' continuing south into Renton. The network analysis and design for the City's Intelligent Transportation System, which will expand the network into 180+ intersections, is in process. The City's internet bandwidth will be increased, critical components of the core network will be replaced, and the backup data center will be expanded. Because of Payment Card Industry compliance requirements, a major effort will be completed to segment the network to better manage and monitor servers that process credit card transactions. We will also continue upgrading and replacing enterprise systems, such as voicemail and email
- Continued implementation of NORCOM.

## **FINANCIAL MANAGEMENT AND CONTROLS**

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

### **Budgetary Controls**

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

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

### **Cash Management**

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

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

## **OTHER INFORMATION**

### **Independent Audit**

State law requires an annual audit of all City financial records and transactions by the State Auditor, an independent elected State official. The 2007 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 2006. 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, 2006. The City has earned this prestigious award for 27 out of 31 CAFR submissions. This was the 25<sup>th</sup> consecutive annual award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized

comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

#### **ACKNOWLEDGMENTS**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jan Hawn", with a horizontal line extending to the right.

Jan Hawn  
Finance Director

**CITY OFFICIALS**

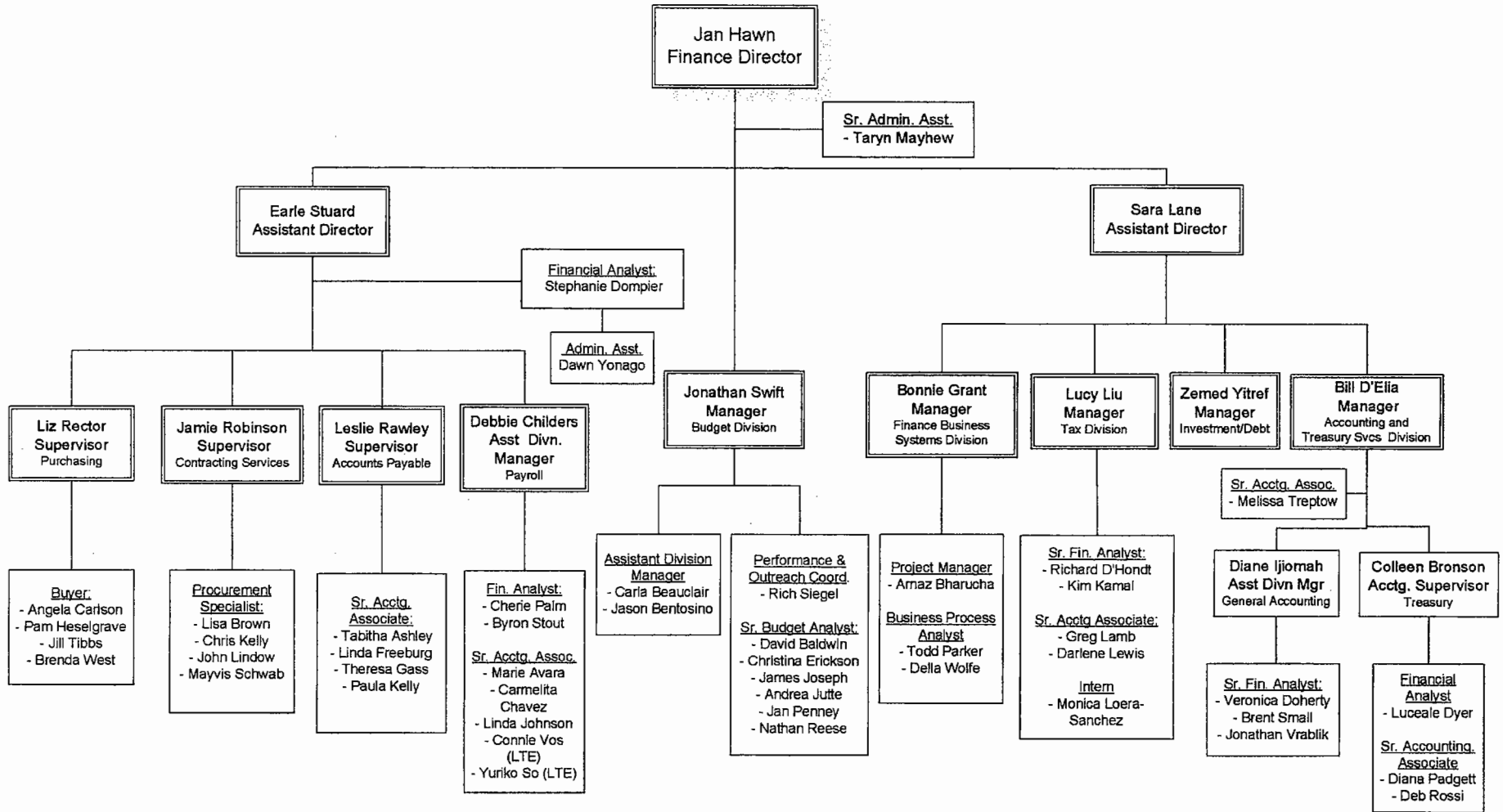
**ELECTED CITY COUNCIL**

Mayor..... Grant Degginger  
Deputy Mayor..... John Chelminiak  
Council..... Claudia Balducci  
Don Davidson  
Conrad Lee  
Connie Marshall  
Phil Noble

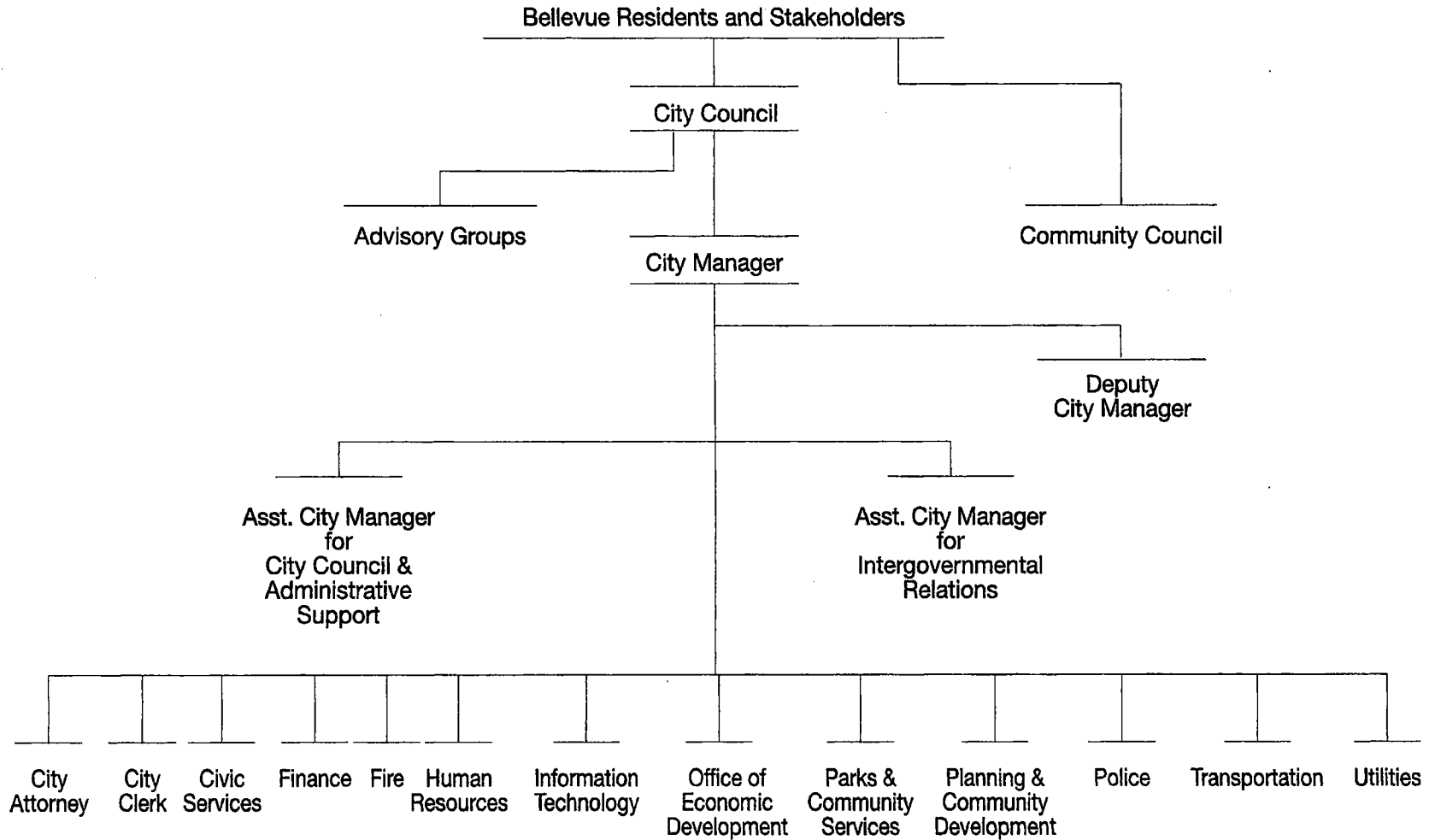
**APPOINTED ADMINISTRATIVE STAFF**

City Manager ..... Steven Sarkozy  
Deputy City Manager..... Brad Miyake  
Director of Intergovernmental Relations ..... Diane Carlson  
Assistant City Manager for City Council and ..... Myrna Basich  
Administrative Support/City Clerk  
City Attorney ..... Lori Riordan  
Finance Director..... Jan Hawn  
Fire Chief..... Mario Treviño  
Human Resources Director ..... Yvonne Tate  
Chief Information Officer, Information Technology ..... Toni Cramer  
Parks & Community Services Director..... Patrick Foran  
Planning & Community Development Director ..... Matthew Terry  
Police Chief..... Jim Montgomery (Retired 5/2/07)  
Police Chief..... Linda Pillo (Acting 5/1/07 – current)  
Transportation Director..... Goran Sparrman  
Utilities Director ..... Denny Vidmar

# CITY OF BELLEVUE FINANCE DEPARTMENT



# CITY OF BELLEVUE HIERARCHICAL ORGANIZATION CHART







# **Financial Section**



**Washington State Auditor**  
**Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 30, 2008

The Honorable Mayor and City Council  
City of Bellevue  
Bellevue, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bellevue, King County, Washington, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bellevue, King County, Washington, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, LEOFF I Medical Reserve Fund, and Development Services Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9, during the year ended December 31, 2007, the City has implemented the Governmental Accounting Standards Board's Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

The management's discussion and analysis on pages BF-1 through BF-13, infrastructure modified approach information on page BF-108 and pension trust fund information on pages BF-106 through BF-107 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 Schedule on pages GF-1 through TA-3 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, 2007. 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 held a balance of \$26.8 million in line of credit borrowing to meet the needs of short term cash flow needs in the General CIP fund. Repayment of \$25.6 million of the line of credit occurred in 2007.
- Several major land and property acquisitions for parks open space and parks facilities took place during 2007, accounting for \$16.2 million of the total increase in capital assets. Transportation street and sidewalk improvements attributed another \$14.7 million in infrastructure assets.
- Sales tax increased by \$7.8 million and Excise taxes by \$14.3 million as a result of significant developer activity in the downtown Bellevue area.

### 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, 2007 and December 31, 2006 are summarized and analyzed in the following table.

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
	(in thousands)					
Current and other assets	\$ 167,703	\$ 171,898	\$ 95,384	\$ 82,542	\$ 263,087	\$ 254,440
Capital assets, net of accumulated depreciation	1,671,593	1,638,702	220,305	210,722	1,891,898	1,849,424
Total assets	1,839,296	1,810,600	315,689	293,264	2,154,985	2,103,864
Long-term liabilities	148,864	176,389	8,325	9,520	157,189	185,909
Other liabilities	20,353	16,281	4,467	3,336	24,820	19,617
Total liabilities	169,217	192,670	12,792	12,856	182,009	205,526
Net Assets:						
Invested in capital assets, net of related debt	1,539,131	1,477,820	213,099	202,227	1,752,229	1,680,047
Restricted	13,601	4,193	52,272	45,917	65,873	50,110
Unrestricted	117,364	135,917	37,526	32,264	154,890	168,181
Total net assets	\$1,670,096	\$1,617,930	\$302,897	\$280,408	\$1,972,992	\$1,898,338

**Governmental activities.** Total net assets for the City increased by \$74.6 million, \$52 million or 70% of this increase was the result of governmental activity. Of total net assets, \$4.4 million is restricted for debt service and is accounted for in capital assets net of related debt. Unrestricted net assets of \$117.3 million are available to meet ongoing obligations to citizens and creditors. Factors contributing to the changes in net assets include:

- Governmental capital assets up \$32.9 million. Several major land and property acquisitions for Parks open space and parks facilities took place during 2007, accounting for \$16.2 million of the total increase. An increase in infrastructure for street and sidewalk improvements at NE 24<sup>th</sup>, 150<sup>th</sup> Ave SE and 145<sup>th</sup> Place SE accounted for another \$14.7 million.
- Long term liabilities went down \$27.5 million, of which \$25.6 million due to the pay off of line of credit borrowing for our General Capital Improvement Program.
- The increase in Invested in Capital Assets of \$61.3 million is largely attributable to the Parks property acquisitions and repayment of the line of credit.
- Unrestricted net assets decreased \$18.6 due to an increase in the restriction for construction and the change in net assets for the current year.

**Business-type activities.** Business-type activities of the City's utilities and marina increased the City of Bellevue's net assets by \$22.5 million in 2007, accounting for 30% of the total growth in the government's net assets. Of total net assets, \$50.7 million is restricted for utility capital projects. Contributing factors of the \$22.5 million increase were:

- Business type current assets increased by \$12.8 million, the result of an effort to build reserves to cover planned future replacement of aging infrastructure.
- An net increase of \$9.5 million in capital assets, was the result of completed developer extension projects.

**Changes in net assets**

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	(in thousands)					
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 39,596	\$ 37,380	\$ 81,028	\$ 78,557	\$ 120,624	\$ 115,937
Operating grants & contributions	6,760	4,734	105	-	6,865	4,734
Capital grants & contributions	22,280	21,324	6,541	4,307	28,820	25,631
General revenues:						
Property taxes	28,981	27,637	-	-	28,981	27,637
Sales taxes	56,776	48,946	-	-	56,776	48,946
Other taxes	84,583	74,916	-	-	84,583	74,916
Investment interest	7,128	5,188	3,795	2,578	10,923	7,766
Miscellaneous	1,735	2,232	1,613	1,593	3,348	3,825
<b>Total revenues</b>	<b>247,839</b>	<b>222,357</b>	<b>93,082</b>	<b>87,035</b>	<b>340,921</b>	<b>309,392</b>
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Expenses:</b>						
General government	24,712	21,435	-	-	24,712	21,435
Public safety	73,617	68,439	-	-	73,617	68,439
Physical environment	2,200	1,606	-	-	2,200	1,606
Transportation	26,449	27,851	-	-	26,449	27,851
Economic environment	20,737	17,540	-	-	20,737	17,540
Health and human services	5,943	5,387	-	-	5,943	5,387
Culture and recreation	34,166	29,156	-	-	34,166	29,156
Unallocated interest on long-term debt	7,796	7,734	-	-	7,796	7,734
Water	-	-	29,206	26,604	29,206	26,604
Sewer	-	-	31,817	27,868	31,817	27,868
Storm Drainage	-	-	9,179	8,717	9,179	8,717
Marina	-	-	443	314	443	314
<b>Total Expenses</b>	<b>195,621</b>	<b>179,148</b>	<b>70,646</b>	<b>63,503</b>	<b>266,266</b>	<b>242,651</b>
Increase in net assets before transfers and special items	52,218	43,207	22,437	23,531	74,655	66,738
Transfers	(51)	(170)	51	170	-	-
<b>Increase in net assets</b>	<b>52,167</b>	<b>43,037</b>	<b>22,488</b>	<b>23,701</b>	<b>74,655</b>	<b>66,738</b>
Net assets - beginning	1,617,930	1,574,892	280,408	256,708	1,898,338	1,831,600
<b>Net assets - ending</b>	<b>\$ 1,670,097</b>	<b>\$ 1,617,929</b>	<b>\$ 302,896</b>	<b>\$ 280,409</b>	<b>\$ 1,972,993</b>	<b>\$ 1,898,338</b>



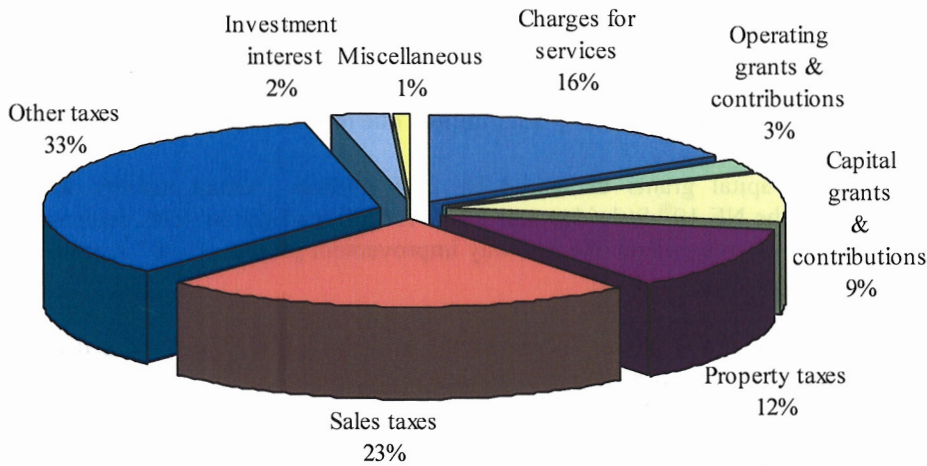
**Governmental activities** contributed \$52.1 million of the total increase in net assets, while business activities increased by \$22.4 million, for a net increase in net assets of \$74.6 million in 2007. Key elements of this change are:

- General Government operating grants and contributions increased by \$2 million. The City received \$1.6 million from the Federal Emergency Management Agency (FEMA) to offset expenses related to the December 2006 Windstorm, which felled hundreds of trees and left portions of the City without power for five to ten days.
- Capital grants and contributions decreased by \$3.2 million. Capital grants and contributions in 2006 were higher than usual due to the receipt of a \$5.2 million construction settlement for the New City Hall Project and the receipt of \$2 million for transportation street overlay grants. This was offset by \$5.5 million in grants and contributions received in 2007 for the Environmental Education Center scheduled for completion in 2008.
- Labor costs accounted for the majority of the \$5.2 million increase in Public Safety expenses and charges for services increased by \$3.5 million due to revenue timing differences.
- Transportation capital grants decreased by \$3.8 million. Grant activity for 2007 the construction of the NE 10<sup>th</sup> St bridge and 150<sup>th</sup> Ave SE roadway projects decreased by \$2.5 million; and the City completed the roadway improvement project at 148<sup>th</sup> Ave SE which had significant grant funding in 2006.
- Economic environment expenses increased by \$3.2 million due to increased development activity resulting in a rise in review and inspection costs.
- Economic environment charges for services decreased \$2.1 million because much of the current development activity was initiated in 2006. Reserves are presently being used to cover the increased review and inspection costs.
- Culture and recreation expenses increased by \$5 million. The South Bellevue Community Center became operational in 2007 and attributes \$2.3 million in depreciation expense to the increase. Management fee restructuring for the Municipal Golf Course accounted for another \$1.1 million.
- Culture and recreation charges for services increased by \$1.5 million as a result of an increase in rates. The \$9 million increase in culture and recreation capital grants and contributions is attributed to awards of \$5.5 million for the development of the Environmental Education Center. The City was awarded \$1.4 million in grants related to property acquisitions.
- Assessed property values continue to rise in the Bellevue area, and a 2% tax rate increase lead to an increase in Property Tax revenues of \$1.3 million in 2007.
- Retail sales and use tax increased \$7.8 million, predominantly caused by developer real estate activity in downtown Bellevue.
- Utility taxes decreased by \$4.3 million and Business and occupations tax decreased \$1 million, a result of a significant audit settlement in the prior year.

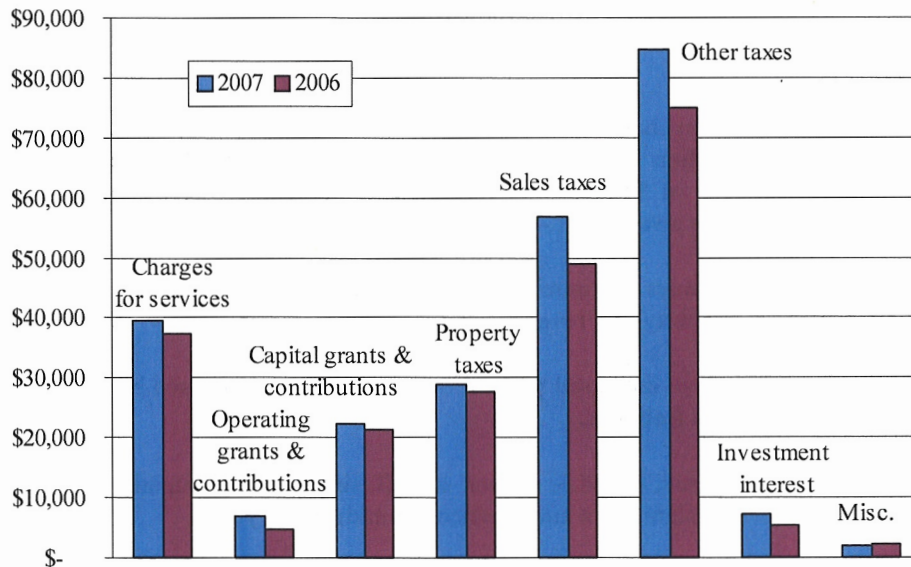
- Real estate excise taxes increased \$14.3 million as a result of significant developer acquisitions in the downtown area.
- The increase in net assets before transfers and special items increased by \$8.8 million as a result of higher than anticipated accrued tax revenues and a deliberate effort to reduce expenditures on a budgetary basis.

The following charts illustrate the major revenue sources as percentages of total revenues for governmental funds and in comparison from 2006 to 2007.

**Governmental Activities - Revenues**

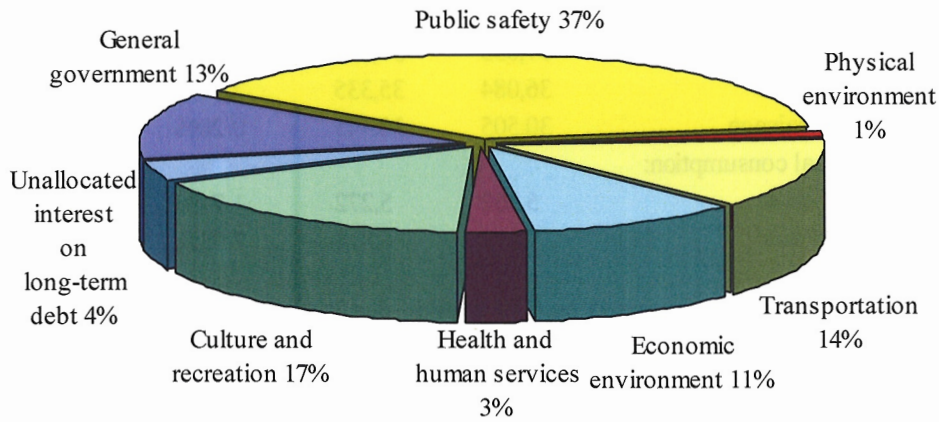


**Governmental Activities - Revenues Comparison**

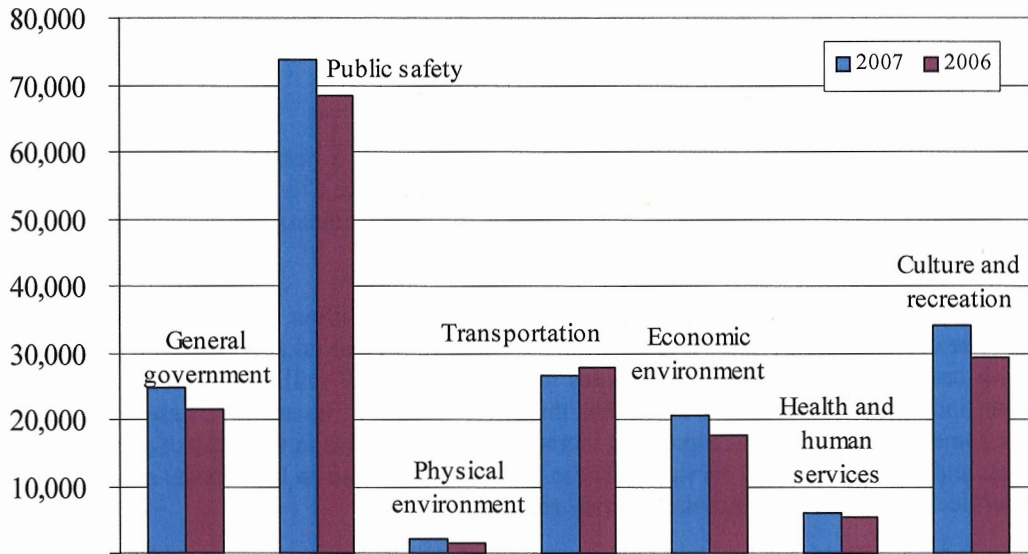


Expenses for governmental activities are shown in the following charts by function, both as a percentage of total expenses and as compared to 2006.

**Governmental Activities - Expenses**



**Governmental Activities - Expenses Comparison**



**Business-type activities** of the City’s utilities and marina increased the City of Bellevue’s net assets by \$22.5 million in 2007, accounting for 30% of the total growth in the government’s net assets. The increase in net assets in 2007 was lower than the increase in net assets in 2006 by \$1.2 million. Key elements of this change are:

- Charges for services increased \$2.5 million and is related to a combination of rate changes and consumption increases. The chart below provides the customer and consumption information available from our Utilities department and the percentage changed from the prior year.

	<u>2007</u>	<u>2006</u>	<u>Percent increase/ decrease</u>
Number of customers:			
Water	37,055	37,058	-0.01%
Sewer	36,084	35,335	2.12%
Drainage	30,505	30,445	0.20%
Annual consumption:			
Sewer	5,362	5,272	1.71%
Water	7,293	6,814	7.03%

- Investment interest earnings increased by \$2.6 million due to higher reserve amounts, thus earning higher interest on investments during the year and generally higher interest rates in 2007.
- Water Utility expenses increased \$2.5 million, of which \$1.1 million was due to an increase in Cascade Water Alliance Association dues.
- Metro sewer treatment costs increased by \$2.1 million, accounting for a significant portion of the overall increase of \$3.5 million in the Sewer Utility.

## 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 2007, fund balance for the General Fund rose \$5.7 million to \$25.6 million. A tax revenue increase of \$6.4 million made up part of this increase as well as an apportionment from King County which caused intergovernmental revenues to increase by \$2.9 million. Another \$2 million came from an increase in service fees for higher than average permit issuances. These increases in revenues are somewhat offset by corresponding increases in expenditures in the areas of public safety, transportation and health & human services. These increases were due to labor costs related to fire and police services, street maintenance and overlay activity.

The LEOFF1 Medical Reserve Fund has an ending fund balance of \$16.5 million reserved to meet future medical claims obligations of LEOFF1 retirees.

The Operating Grants and Donations Fund has an ending fund balance of \$2.6 million, which is an increase of \$.6 million from the prior year. The City set aside an additional \$.6 million for special reserves.

The Housing Fund has an ending fund balance of \$4.6 million. In 2006 the City received a large payoff of a housing note receivable. 2007 represents normal activity for the fund.

The Development Services Fund became a major fund in 2007 as a result of unusually high development in the City and has an ending fund balance of \$9.3 million, which will be used to cover the costs of permit review and inspections over the life of the major construction projects currently underway.

The I&D Regular Levy fund also became a major fund in 2007 due to the annual debt service on the New City Hall bonds. The 2004 New City Hall Bond Fund has been reclassified to a non-major fund. The fund was used for the unspent proceeds and transferred to the General CIP fund as construction progressed.

The General Capital Investment Program Fund has an ending fund balance of \$10.8 million, reflecting a net decrease of \$14.9 million from 2007. The following significant activity contributed to this decrease:

- Taxes and special assessment revenue increased \$19.6 million
- In 2006 we were awarded a one time settlement of \$5.1 million related to cost overruns for New City Hall.
- General government capital outlay costs were lower in 2007 attributable to final construction costs of \$13.7 million for the completion of New City Hall in 2006.
- Transportation capital outlay decreased by \$4.8 million because of fewer costs in 2007 for the 150<sup>th</sup> Ave SE and NE 24<sup>th</sup> street projects.
- Transfers to and from other funds netted to an overall decrease of \$10.5 million related to the completion of New City Hall and final transfers from the 2004 City Hall Bond Fund in 2006.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The City of Bellevue's investment in capital assets for the end of 2007, was \$1.89 billion, net of depreciation, which is an increase of \$42.5 million from the previous year. The following table shows the increases by category for governmental activities, business activities, and the City as a whole.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
	(in thousands)					
Land	\$ 695,899	\$ 681,542	\$ 20,705	\$ 20,705	\$ 716,604	\$ 702,247
Buildings	168,145	169,351	6,261	7,030	174,406	176,381
Improvements other than buildings	19,937	20,515	7	7	19,944	20,522
Machinery and equipment	21,051	21,522	1,887	2,209	22,938	23,731
Infrastructure	688,973	674,250	172,797	170,243	861,770	844,493
Intangible assets	11,858	1,850	117	103	11,975	1,953
Construction in progress	65,728	69,669	18,533	10,427	84,261	80,096
<b>Total</b>	<b>\$ 1,671,592</b>	<b>\$ 1,638,700</b>	<b>\$ 220,307</b>	<b>\$ 210,723</b>	<b>\$ 1,891,899</b>	<b>\$ 1,849,423</b>

**Governmental Activities.** Capital assets from governmental activities increased \$32.9 million. Of this increase, Land attributed \$14.3 million in acquisitions for Parks open space and facilities. Infrastructure increased by \$14.7 million, of this total, transportation street and sidewalk projects contributed \$5.8 million.

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 2007 remained constant at a rating of 83. The percent above satisfactory increased 6%. Residential roadways show an average condition rating of 83, an increase of 3 points over 2006. Of the total residential lane miles, 99% were rated above satisfactory.

**Business-type Activities.** Business-type capital activities assets increased by \$9.6 million attributable to increases in construction in progress of \$1.3 million and infrastructure of \$7 million offset by depreciation in other areas. The City is cycling through, over many years, the replacement of its infrastructure to stabilize costs over the long run.

For more detailed information about the City's capital assets please refer to the notes to the financial statements.

**DEBT OUTSTANDING**

At year-end, the City had \$139.2 million in debt outstanding compared to \$169.3 million last year. Of the \$30.1 million decrease, \$28.8 million is a result of governmental activities and \$1.3 million is accounted for in business type activities.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
	(in thousands)					
General obligation bonds	\$ 128,405	\$ 130,960	\$ 3,850	\$ 3,950	\$ 132,255	\$ 134,910
Special assessment debt	2,116	2,641	-	-	2,116	2,641
Revenue bonds	-	-	2,813	3,846	2,813	3,846
Line of credit	500	26,118	-	-	500	26,118
Installment and public works	1,637	1,161	542	698	2,179	1,859
Total	\$ 132,658	\$ 160,881	\$ 7,205	\$ 8,494	\$ 139,862	\$ 169,375

**Governmental Activities.** The City's held a balance of \$26.8 million in Line of credit borrowing to meet the needs of short term cash flow needs in the General CIP fund. Repayment of \$25.6 million of the line of credit was made in 2007. Of the debt outstanding at December 31, 2007, \$3.4 million is due within one year. The City entered into a \$713 thousand public works trust fund loan agreement with the Department of Community, Trade and Economic Development. Scheduled principal payments accounted for the remaining change in long term debt.

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

Washington State statutes limit the amount of debt a governmental entity may issue to 7.5 percent of its total assessed valuation, subject to a 60 percent majority vote of qualified electors. Of the 7.5 percent limit, 2.5 percent is for general purposes, 2.5 percent for open space/park facilities, and 2.5 percent for utilities. Non-voted general purpose indebtedness is limited to 1.5 percent of assessed valuation and the combination of voted and non-voted general purpose indebtedness cannot exceed 2.5 percent of assessed valuation.

The City's assessed valuation for 2007 was \$31.4 billion and the total amount of debt the City may issue is \$2.2 billion. Remaining debt capacity is as follows:

General debt	\$ 634,573
Open space/Parks facilities	785,140
Utilities	784,896
Total	<u>\$ 2,204,608</u>

Additional information on the City of Bellevue's long-term debt can be found in Note 14 and in the Statistical Section of this report.

**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 \$0.1 million between the original General Fund budget for fiscal year 2007 and the final General Fund budget is explained as follows:

- \$16K net increase to reflect the receipt of intergovernmental revenues from grants and interlocal agreements.
- \$92K net increase to the General Fund as part of the adoption of a supplemental CIP in 2007.

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that total revenues came in \$8.3 million above budget at year end, primarily due to greater than anticipated business-related audit collections and utility tax collections. Expenditures were \$1.9 million under budget, due primarily to funds set aside for contingency which were not required.

## **BOND RATINGS**

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

## **ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES**

Key factors that affect the economic climate in Bellevue are being considered when preparing the City's 2009-2010 biennial budget. The outlook for the nation, state, and region will be weighed in relation to its expected impact on Bellevue. The character of the City, including its current and future business activity and its attraction as a place to live, were evaluated. The current financial position and the ability of the City to thrive under its adopted fiscal policies were also given due consideration. Based on the budget analysis, Bellevue's future is promising amid some impending challenges.

The regional economy grew at a strong pace during 2007. Employment grew at 3.2%, which was more than two times the national growth rate. The unemployment rate increased slightly in December to 3.7% but remained lower than December 2006. The services, construction and manufacturing industries led employment growth. For 2008, regional economists expect the local economy to continue to grow but not at the same pace as 2007.

Local housing sales have dropped off considerably over the last year and average home prices increased slightly. Year-over-year home sales dropped 28%. Economists are predicting housing will moderate economic growth in 2008.

Office vacancy rates remained low in Bellevue's Central Business District and lease rates continue to increase. The fourth quarter office vacancy rate, as reported by C.B. Richard Ellis, was at 6.0%. The Downtown office vacancy rate is expected to remain low as much of the newly constructed office space has been pre-leased.



Economists are projecting continued growth in personal income and taxable retail sales. This combined with expected employment growth, should continue to bolster retail sales and B&O tax collections for Bellevue in 2008.

The utility rates for the City of Bellevue were increased for the 2007-2008 budget cycle. For 2007, the following increases were included in the budget: water, 5.0%, wastewater (sewer) 9.5%, and storm & surface water, 5.5%. These increases were largely due to increases in wholesale rates from Cascade Water Alliance and METRO/King County Sewer. Additional reasoning includes, increasing State pension, technology, insurance, and fuel costs; inflationary increases in salaries, maintenance and operations costs; and additional capital needs.

The City of Bellevue's Capital Investment Program (CIP) recognizes a strong stakeholder desire to address the City's rapid commercial and residential growth and the accompanying impact on an already strained transportation system. Community forums, Council hearings and citizen surveys all identified transportation issues as a high priority for the City of Bellevue. As a result, 39% of the CIP plan for the period 2007-2013 is devoted to transportation.

In 2007, the City Council adopted a \$14 million allocation for the Supplemental CIP, which represents a backlog of high priority capital projects including neighborhood sidewalk improvements, downtown investments, critical right-of way acquisitions, and funding for preliminary design of West Lake Sammamish Parkway. To finance the Supplemental CIP the City issued limited tax general obligation bonds which will be repaid from two 2% property tax increases approved by the City Council.

Overall the 2007-2013 CIP includes funding for the following enhancements: 1) \$6.5 million to fund phased design and implementation of improvements for West Lake Sammamish Parkway; 2) \$8.3 million to build the Mercer Slough Environmental Education Center, a place for interpretation, education, and research of wetland ecology and the environment; 3) \$4.5 million investment in the cultural arts, funding in coordination with proposals from the Bellevue Arts Museum (BAM), Performing Arts Center Eastside (PACE), and Kids Quest; and 4) \$2.1 million to create gateways at key locations and implement "urban boulevard" landscaping and corridor treatments as part of the Urban Boulevards/Great Streets program. Additionally, the Utilities CIP includes projects added to increase system capacity and rehabilitate aging infrastructure.

#### **REQUEST FOR INFORMATION**

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



## **BASIC FINANCIAL STATEMENTS**

**Statement of Net Assets**  
**As of December 31, 2007**  
(in thousands)

Page 1 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bellevue Convention Center Authority
Assets:				
Cash & equity in pooled investments	\$ 118,684	\$ 29,605	\$ 148,289	\$ 2,754
Receivables (net of allowances for uncollectables):				
Taxes	24,534	-	24,534	-
Accounts	810	12,113	12,923	754
Assessments	3,432	92	3,524	-
Interest	179	128	307	-
Other	7,016	23	7,039	789
Internal balances	(244)	244	-	-
Inventory	379	534	913	362
Other current assets	1	-	1	166
Restricted assets:				
For debt service	966	1,535	2,501	1,990
For customer deposits	-	169	169	-
For capital projects	-	50,737	50,737	588
Deferred charges and other assets:				
Deferred charges	-	47	47	583
Noncurrent receivables	11,946	157	12,103	-
Capital assets:				
Land	695,900	20,705	716,605	-
Depreciable capital assets (net)	220,992	8,271	229,263	33,637
Depreciable infrastructure (net)	53,064	172,797	225,861	-
Nondepreciable infrastructure	635,910	-	635,910	-
Construction in progress	65,727	18,532	84,259	2,919
<b>Total assets</b>	<b>1,839,296</b>	<b>315,689</b>	<b>2,154,985</b>	<b>44,542</b>

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

**Statement of Net Assets**  
**As of December 31, 2007**  
(in thousands)

Page 2 of 2

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Bellevue</u> <u>Convention</u> <u>Center</u> <u>Authority</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Authority</u>
Liabilities:				
Current liabilities:				
Accounts payable	5,456	3,591	9,047	162
Retainage payable	225	-	225	-
Accrued interest payable	9	6	15	1,789
Accrued payroll	4,805	554	5,359	150
Other accrued liabilities	1,421	107	1,528	192
Deposits payable	566	169	735	-
Unearned revenue	7,251	-	7,251	710
Current payable from restricted assets:				
Accrued bond interest payable	620	40	660	35,292
Noncurrent liabilities:				
Due within one year	9,779	1,699	11,478	960
Due in more than one year	139,068	6,626	145,694	19,350
Total liabilities	<u>169,200</u>	<u>12,792</u>	<u>181,992</u>	<u>58,605</u>
Net assets:				
Invested in capital asset net of related debt	1,539,131	213,099	1,752,229	16,327
Restricted for:				
Debt service	2,777	1,535	4,312	2,555
Capital projects	10,824	50,737	61,561	281
Unrestricted	117,364	37,526	154,890	(33,226)
Total net assets	<u>\$ 1,670,096</u>	<u>\$ 302,897</u>	<u>\$ 1,972,993</u>	<u>\$ (14,063)</u>

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

**Statement of Activities**  
**For the Twelve Months Ending December 31, 2007**  
 (in thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>
Primary government:				
Government activities:				
General government	\$ 24,712	\$ 1,333	\$ 2,357	\$ 1,379
Public safety	73,617	15,682	1,005	109
Physical environment	2,200	1,041	304	-
Transportation	26,449	1,993	1,373	10,294
Economic environment	20,737	12,597	89	-
Health and human services	5,943	24	1,445	-
Culture and recreation	34,166	6,927	187	10,498
Interest on long-term debt	7,796	-	-	-
<b>Total governmental activities</b>	<b>195,621</b>	<b>39,596</b>	<b>6,760</b>	<b>22,280</b>
Business-type activities:				
Water utility	29,206	31,844	105	2,600
Sewer utility	31,817	35,493	-	2,488
Storm drainage utility	9,179	13,194	-	1,453
Marina	443	498	-	-
<b>Total business-type activities</b>	<b>70,646</b>	<b>81,028</b>	<b>105</b>	<b>6,541</b>
<b>Total primary government</b>	<b>\$ 266,267</b>	<b>\$ 120,624</b>	<b>\$ 6,865</b>	<b>\$ 28,820</b>
Component unit:				
Bellevue Convention Center Authority	13,967	12,935	-	565
<b>Total component unit</b>	<b>\$ 13,967</b>	<b>\$ 12,935</b>	<b>\$ -</b>	<b>\$ 565</b>
General revenues:				
		Property tax		
		Retail sales and use tax		
		Utility tax		
		Business and occupation tax		
		Excise taxes		
		Hotel/Motel tax		
		Other taxes		
		Payments from Component Unit/City		
		Grants & contributions - unrestricted		
		Unrestricted investment interest		
		Gain (Loss) in change of Fair Value		
		Miscellaneous		
		Gain on sale of capital assets		
		Transfers		
		Total general revenues and transfers		
		Change in net assets		
		Net assets at beginning of year		
		Net assets at end of year		

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

**Statement of Activities**  
**For the Twelve Months Ending December 31, 2007**  
(in thousands)

Page 2 of 2

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Bellevue Convention Center Authority</b>
\$ (19,643)	\$ -	\$ (19,643)	\$ -
(56,820)	-	(56,820)	-
(855)	-	(855)	-
(12,790)	-	(12,790)	-
(8,051)	-	(8,051)	-
(4,474)	-	(4,474)	-
(16,554)	-	(16,554)	-
(7,796)	-	(7,796)	-
<u>(126,985)</u>	<u>-</u>	<u>(126,985)</u>	<u>-</u>
-	5,342	5,342	-
-	6,164	6,164	-
-	5,467	5,467	-
-	55	55	-
<u>-</u>	<u>17,028</u>	<u>17,028</u>	<u>-</u>
<u>\$ (126,985)</u>	<u>\$ 17,028</u>	<u>\$ (109,957)</u>	<u>\$ -</u>
-	-	-	(467)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (467)</u>
28,981	-	28,981	-
56,776	-	56,776	-
20,069	-	20,069	-
30,387	-	30,387	-
27,254	-	27,254	-
6,647	-	6,647	-
225	-	225	-
9	-	9	-
1,419	-	1,419	-
7,128	3,795	10,923	198
38	20	58	-
125	1,593	1,718	-
144	-	144	-
(51)	51	-	-
<u>179,151</u>	<u>5,460</u>	<u>184,611</u>	<u>198</u>
52,166	22,487	74,654	(269)
1,617,930	280,410	1,898,340	(13,795)
<u>\$ 1,670,096</u>	<u>\$ 302,897</u>	<u>\$ 1,972,994</u>	<u>\$ (14,064)</u>

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

**Balance Sheet**  
**Governmental Funds**  
**As of December 31, 2007**  
(in thousands)

Page 1 of 3

	<u>General Fund</u>	<u>LEOFF I Reserve</u>	<u>Development Services</u>
<b>Assets:</b>			
Current assets:			
Cash & equity in pooled investments	\$ 15,857	\$ 16,517	\$ 14,350
Receivables (net of allowances):			
Taxes	16,001	-	-
Accounts	90	-	-
Current assessments	-	-	-
Assessments	-	-	-
Interest & assessment interest/penalties	39	21	23
Due from other funds	468	-	1
Due from other governments	180	-	-
Prepays	1	-	-
Notes/contracts receivable - noncurrent portion	-	-	-
Housing rehabilitation loans receivable	-	-	-
<b>Total assets</b>	<u>32,636</u>	<u>16,538</u>	<u>14,374</u>
<b>Liabilities:</b>			
Accounts payable	1,151	9	186
Retainage payable	225	-	-
Due to other funds	623	-	3
Due to Component Unit	-	-	-
Due to other governments	286	-	-
Accrued payroll	3,761	-	481
Accrued taxes	20	-	-
Deposits payable	101	-	308
Other current liabilities	6	-	-
Deferred revenues	862	-	4,052
<b>Total liabilities</b>	<u>7,035</u>	<u>9</u>	<u>5,030</u>
<b>Fund balance:</b>			
Reserved for:			
Debt Service	-	-	-
Unreserved, reported in:			
General Fund	25,603	-	-
Special Revenue	-	16,529	9,345
Capital Projects	-	-	-
<b>Total fund balance</b>	<u>25,603</u>	<u>16,529</u>	<u>9,345</u>
<b>Total liabilities and fund balance</b>	<u>\$ 32,638</u>	<u>\$ 16,538</u>	<u>\$ 14,375</u>

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



**Balance Sheet**  
**Governmental Funds**  
**As of December 31, 2007**  
(in thousands)

Page 2 of 3

	<u>Operating Grants &amp; Donations</u>	<u>Housing</u>	<u>I &amp; D Redemption- Regular</u>
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ 2,714	\$ 4,593	\$ 120
Receivables (net of allowances):			
Taxes	5	17	99
Accounts	-	-	-
Current assessments	-	-	-
Assessments	-	-	-
Interest & assessment interest/penalties	-	7	-
Due from other funds	6	-	-
Due from other governments	881	-	-
Prepays	-	-	-
Notes/contracts receivable - noncurrent portion	780	7,702	-
Housing rehabilitation loans receivable	2,419	-	-
Total assets	<u>6,805</u>	<u>12,319</u>	<u>219</u>
Liabilities:			
Accounts payable	209	1	-
Retainage payable	-	-	-
Due to other funds	32	-	1
Due to Component Unit	-	-	-
Due to other governments	97	-	-
Accrued payroll	8	27	-
Accrued taxes	-	-	-
Deposits payable	26	-	-
Other current liabilities	-	-	-
Deferred revenues	3,822	7,702	-
Total liabilities	<u>4,194</u>	<u>7,730</u>	<u>1</u>
Fund balance:			
Reserved for:			
Debt Service	-	-	218
Unreserved, reported in:			
General Fund	-	-	-
Special Revenue	2,612	4,589	-
Capital Projects	-	-	-
Total fund balance	<u>2,612</u>	<u>4,589</u>	<u>218</u>
Total liabilities and fund balance	<u>\$ 6,806</u>	<u>\$ 12,319</u>	<u>\$ 219</u>

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

**Balance Sheet**  
**Governmental Funds**  
**As of December 31, 2007**  
(in thousands)

Page 3 of 3

	<u>LID</u>		<u>Other</u>	<u>Total</u>
	<u>Control</u>	<u>General CIP</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
Assets:				
Current assets:				
Cash & equity in pooled investments	\$ 541	\$ 4,177	\$ 17,363	\$ 76,232
Receivables (net of allowances):				
Taxes	-	7,370	393	23,885
Accounts	-	406	216	712
Current assessments	3,428	-	-	3,428
Assessments				
Interest & assessment interest/penalties	4	10	16	120
Due from other funds	-	17	93	585
Due from other governments	-	5,948	-	7,009
Prepays	-	-	-	1
Notes/contracts receivable - noncurrent portion	-	-	84	8,566
Housing rehabilitation loans receivable	-	-	-	2,419
Total assets	<u>3,973</u>	<u>17,928</u>	<u>18,165</u>	<u>122,957</u>
Liabilities:				
Accounts payable	1	2,826	221	4,604
Retainage payable	-	-	-	225
Due to other funds	-	2	253	914
Due to Component Unit	-	-	756	756
Due to other governments	-	170	34	587
Accrued payroll	-	26	91	4,394
Accrued taxes	-	-	-	20
Deposits payable	-	-	78	513
Other current liabilities	-	-	-	6
Deferred revenues	3,412	4,053	289	24,192
Total liabilities	<u>3,413</u>	<u>7,076</u>	<u>1,722</u>	<u>36,210</u>
Fund balance:				
Reserved for:				
Debt Service	561	-	1,998	2,777
Unreserved, reported in:				
General Fund	-	-	-	25,603
Special Revenue	-	-	14,461	47,536
Capital Projects	-	10,851	(17)	10,834
Total fund balance	<u>561</u>	<u>10,851</u>	<u>16,442</u>	<u>86,750</u>
Total liabilities and fund balance	<u>\$ 3,974</u>	<u>\$ 17,927</u>	<u>\$ 18,164</u>	<u>\$ 122,960</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, 2007**  
(in thousands)

Total governmental fund balances	\$	86,750
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.		1,650,064
These assets consist of:		
Land	695,903	
Non-depreciable infrastructure	635,909	
Construction in progress	65,728	
Buildings	191,480	
Improvements other than buildings	39,538	
Machinery and equipment - general government	14,807	
Intangible assets	12,696	
Depreciable infrastructure	110,073	
Less: accumulated depreciation	(116,070)	
Net pension obligation paid in over required		960
Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		(125,368)
These long-term liabilities consist of:		
Bonds payable	(128,905)	
Special assessment bonds payable	(2,116)	
Notes payable	(1,024)	
Accrued bond interest payable	(600)	
Accrued special assessment interest payable	(20)	
Compensated absences	(9,668)	
Deferred tax and assessment revenue	4,083	
Deferred grant and contract revenue	13,507	
OPEB Obligation payable	(616)	
Other accrued interest payable	(9)	
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.		57,690
Net assets of governmental activities	\$	1,670,096

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Twelve Months Ending December 31, 2007**  
(in thousands)

Page 1 of 3

	<u>General Fund</u>	<u>LEOFF I Reserve</u>	<u>Development Services</u>
Revenues:			
Taxes and special assessments	\$ 111,216	\$ -	\$ -
Licenses and permits	322	-	4,876
Intergovernmental	17,293	135	-
Service charges and fees	12,959	-	7,516
Fines and forfeitures	493	-	39
Interest and assessment interest/penalties	1,273	826	662
Net change in fair value of investments	6	5	4
Rent	1,241	-	-
Judgments and settlements	-	-	-
Premiums/contributions	45	-	-
Other	18	-	25
<b>Total revenues</b>	<u>144,866</u>	<u>966</u>	<u>13,122</u>
Expenditures:			
Current:			
General government	17,244	-	-
Public safety	68,339	1,436	-
Physical environment	133	-	-
Transportation	21,417	-	-
Economic environment	885	-	18,463
Health and human services	4,471	-	327
Culture and recreation	21,612	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay:			
General government	-	-	-
Public safety	12	-	-
Transportation	22	-	-
Economic environment	-	-	6
Culture and recreation	8	-	-
<b>Total expenditures</b>	<u>134,143</u>	<u>1,436</u>	<u>18,796</u>
Excess (deficiency) of revenues over (under) expenditures	10,723	(470)	(5,674)
Other financing sources (uses):			
Transfers in	3,722	142	6,319
Transfers out	(8,751)	-	(792)
Sale of capital assets	-	-	-
Long-term debt issued	-	-	-
<b>Total other financing sources and uses</b>	<u>(5,029)</u>	<u>142</u>	<u>5,527</u>
Net change in fund balance	5,694	(328)	(147)
Fund balance at beginning of year	19,907	16,858	9,493
<b>Fund balance at end of year</b>	<u>\$ 25,601</u>	<u>\$ 16,530</u>	<u>\$ 9,346</u>

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

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

**For the Twelve Months Ending December 31, 2007**

(in thousands)

Page 2 of 3

	<b>Operating Grants &amp; Donations</b>	<b>Housing</b>	<b>I &amp; D Redemption - Regular</b>
Revenues:			
Taxes and special assessments	\$ 1,787	\$ 100	\$ 546
Licenses and permits	-	-	-
Intergovernmental	2,323	268	-
Service charges and fees	10	-	-
Fines and forfeitures	-	-	-
Interest and assessment interest/penalties	-	233	24
Net change in fair value of investments	-	1	-
Rent	-	-	-
Judgments and settlements	901	-	-
Premiums/contributions	261	-	-
Other	159	(12)	-
<b>Total revenues</b>	<b>5,441</b>	<b>590</b>	<b>570</b>
Expenditures:			
Current:			
General government	1,191	-	-
Public safety	708	-	-
Physical environment	595	-	-
Transportation	-	-	-
Economic environment	71	-	-
Health and human services	1,036	523	-
Culture and recreation	243	-	-
Debt service:			
Principal	-	-	26,805
Interest and fiscal charges	-	-	7,543
Capital outlay:			
General government	-	-	-
Public safety	116	-	-
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	-	-	-
<b>Total expenditures</b>	<b>3,960</b>	<b>523</b>	<b>34,348</b>
Excess (deficiency) of revenues over (under) expenditures	1,481	67	(33,778)
Other financing sources (uses):			
Transfers in	12	312	33,910
Transfers out	(819)	-	(32)
Sale of capital assets	-	-	-
Long-term debt issued	-	-	-
<b>Total other financing sources and uses</b>	<b>(807)</b>	<b>312</b>	<b>33,878</b>
Net change in fund balance	674	379	100
Fund balance at beginning of year	1,938	4,211	118
<b>Fund balance at end of year</b>	<b>\$ 2,612</b>	<b>\$ 4,590</b>	<b>\$ 218</b>

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

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

**For the Twelve Months Ending December 31, 2007**

(in thousands)

Page 3 of 3

	<u>LID Control</u>	<u>General CIP</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes and special assessments	\$ 537	\$ 53,331	\$ 9,596	\$ 177,113
Licenses and permits	-	-	-	5,198
Intergovernmental	-	14,927	-	34,946
Service charges and fees	-	1,226	4,390	26,101
Fines and forfeitures	-	-	-	532
Interest and assessment interest/penalties	304	1,123	690	5,135
Net change in fair value of investments	-	6	3	25
Rent	-	66	1,795	3,102
Judgments and settlements	-	530	-	1,431
Premiums/contributions	-	1,349	-	1,655
Other	-	37	68	295
<b>Total revenues</b>	<u>841</u>	<u>72,594</u>	<u>16,542</u>	<u>255,532</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	1,007	5,968	25,410
Public safety	-	559	-	71,042
Physical environment	-	48	1,422	2,198
Transportation	13	7,530	213	29,173
Economic environment	-	578	466	20,463
Health and human services	-	-	-	6,357
Culture and recreation	-	4,004	5,065	30,924
<b>Debt service:</b>				
Principal	526	889	1,340	29,560
Interest and fiscal charges	174	36	102	7,855
<b>Capital outlay:</b>				
General government	-	2,517	250	2,767
Public safety	-	1,321	-	1,449
Transportation	-	15,052	-	15,074
Economic environment	-	-	-	6
Culture and recreation	-	26,360	-	26,368
<b>Total expenditures</b>	<u>713</u>	<u>59,901</u>	<u>14,826</u>	<u>268,646</u>
Excess (deficiency) of revenues over (under) expenditures	128	12,693	1,716	(13,114)
<b>Other financing sources (uses):</b>				
Transfers in	-	575	1,445	46,437
Transfers out	(338)	(28,847)	(5,632)	(45,211)
Sale of capital assets	-	13	-	13
Long-term debt issued	-	713	-	713
<b>Total other financing sources and uses</b>	<u>(338)</u>	<u>(27,546)</u>	<u>(4,187)</u>	<u>1,952</u>
<b>Net change in fund balance</b>	<u>(210)</u>	<u>(14,853)</u>	<u>(2,471)</u>	<u>(11,162)</u>
Fund balance at beginning of year	770	25,704	18,911	97,910
<b>Fund balance at end of year</b>	<u>\$ 560</u>	<u>\$ 10,851</u>	<u>\$ 16,440</u>	<u>\$ 86,748</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, 2007**  
(in thousands)

Net change in fund balances - total governmental funds	\$(11,162)
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.	
	32,661
This is comprised of:	
Capital outlays	45,664
Current year depreciation	(13,003)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	731
This is comprised of:	
Donated land for parks	521
Deferred tax and assessment revenues	(4,641)
Deferred grants and contracts revenues	4,851
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 repayments exceeded proceeds.	
	28,811
This amount is comprised of:	
Proceeds from issuance of long term debt	(713)
Long-term debt repayments	29,524
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
	(1,687)
This amount is comprised of:	
Amortization of net OPEB obligation	(616)
Accrued interest expense	54
Accrued compensating absence expense	(1,125)
Capital assets contributed from governmental funds to internal service funds are treated as a non-operating revenue in the internal service funds and do not provide current financial resources in governmental funds.	
	(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>2,912</u>
Change in net assets of governmental activities	<u>\$ 52,166</u>

**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the fiscal year ended December 31, 2007**  
(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	\$ 104,867	\$ 104,867	\$ 110,844	\$ (5,978)
Licenses and permits	314	314	325	(11)
Intergovernmental	17,222	17,238	17,264	(26)
Service charges and fees	13,040	13,133	12,967	165
Fines and forfeitures	176	176	434	(257)
Interest and assessment interest	686	686	1,319	(633)
Rent	989	989	1,145	(155)
Premiums/contributions	-	-	45	(45)
Other	68	68	320	(252)
Total revenues	<u>137,363</u>	<u>137,471</u>	<u>144,663</u>	<u>(7,186)</u>
Expenditures				
Current:				
General government	21,065	19,908	17,284	2,625
Public safety	67,392	68,203	68,334	(131)
Physical environment	100	100	126	(26)
Transportation	20,759	21,056	21,383	(328)
Economic environment	811	811	862	(51)
Health and human services	4,702	4,702	4,354	348
Culture and recreation	21,361	21,500	21,647	(147)
Capital outlay:				
Public safety	-	-	9	(9)
Transportation	10	28	44	(16)
Culture and recreation	61	61	8	52
Total expenditures	<u>136,261</u>	<u>136,369</u>	<u>134,051</u>	<u>2,319</u>
Excess (deficiency) of revenues over (under) expenditures	1,102	1,102	10,612	(9,504)
Other financing sources(uses)				
Transfers in	3,136	3,136	3,722	(586)
Transfers out	(8,606)	(8,606)	(8,751)	146
Sale of capital assets	-	-	3	(3)
Total other financing sources(uses)	<u>(5,470)</u>	<u>(5,470)</u>	<u>(5,026)</u>	<u>(443)</u>
Net change in fund balance	(4,368)	(4,368)	5,586	(9,947)
Fund balance beginning of year	4,976	4,976	5,744	(768)
Fund balance end of year	<u>\$ 608</u>	<u>\$ 608</u>	<u>\$ 11,330</u>	<u>\$ (10,716)</u>

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



**LEOFF I Medical Reserve**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the fiscal year ended December 31, 2007**  
(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	\$ 60	\$ 60	\$ 135	\$ (75)
Interest and assessment interest	793	793	890	(97)
Total revenues	<u>852</u>	<u>852</u>	<u>1,024</u>	<u>(172)</u>
Expenditures				
Current:				
Public safety	1,993	1,993	1,427	566
Total expenditures	<u>1,993</u>	<u>1,993</u>	<u>1,427</u>	<u>566</u>
Excess (deficiency) of revenues over (under) expenditures	(1,140)	(1,140)	(402)	(738)
Other financing sources(uses)				
Transfers in	217	217	142	75
Total other financing sources(uses)	<u>217</u>	<u>217</u>	<u>142</u>	<u>75</u>
Net change in fund balance	(924)	(924)	(261)	(663)
Fund balance beginning of year	16,577	16,577	16,736	(159)
Fund balance end of year	<u>\$ 15,654</u>	<u>\$ 15,654</u>	<u>\$ 16,476</u>	<u>\$ (822)</u>

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

**Development Services Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the fiscal year ended December 31, 2007**  
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
<b>Revenues/operating revenues:</b>				
Licenses and permits	\$ 6,934	\$ 6,934	\$ 8,216	\$ (1,282)
Service charges and fees	8,710	8,710	7,520	1,190
Fines and forfeitures	50	50	39	11
Interest and assessment interest	310	310	688	(378)
Other	-	-	25	(25)
<b>Total revenues</b>	<u>16,004</u>	<u>16,004</u>	<u>16,488</u>	<u>(484)</u>
<b>Expenditures</b>				
<b>Current:</b>				
Economic environment	18,275	18,275	18,596	(321)
Health and human services	315	315	326	(11)
<b>Capital outlay:</b>				
Economic environment	-	-	7	(7)
<b>Total expenditures</b>	<u>18,590</u>	<u>18,590</u>	<u>18,929</u>	<u>(339)</u>
Excess (deficiency) of revenues over (under) expenditures	(2,586)	(2,586)	(2,441)	(145)
<b>Other financing sources(uses)</b>				
Transfers in	6,307	6,307	6,319	(12)
Transfers out	(607)	(607)	(807)	200
<b>Total other financing sources(uses)</b>	<u>5,700</u>	<u>5,700</u>	<u>5,512</u>	<u>188</u>
Net change in fund balance	3,114	3,114	3,071	43
Fund balance beginning of year	8,450	8,450	10,482	(2,032)
<b>Fund balance end of year</b>	<u>\$ 11,564</u>	<u>\$ 11,564</u>	<u>\$ 13,554</u>	<u>\$ (1,989)</u>

**Statement of Fund Net Assets**  
**Proprietary Funds**  
**As of December 31, 2007**  
(in thousands)

Page 1 of 4

	<u>Storm &amp; Surface Water Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ 5,720	\$ 15,739	\$ 7,713
Receivables (net of allowances):			
Accounts	1,490	4,691	5,857
Deferred assessments	-	-	92
Interest	27	48	51
Other	-	-	-
Notes/contracts receivable - current portion	-	4	20
Due from other funds	450	34	26
Inventory	66	366	103
Restricted cash & equity in pooled investments:			
For revenue bonds	1,143	142	-
For construction	11,452	15,843	23,442
For customer deposits	64	98	7
Noncurrent assets:			
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent portion	-	22	135
Other deferred charges	34	13	-
Capital Assets:			
Property, plant and equipment (net)	57,507	90,644	61,095
Total assets	<u>77,953</u>	<u>127,644</u>	<u>98,541</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, 2007**  
(in thousands)

	<u>Marina</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ 433	\$ 29,605	\$ 43,420
Receivables (net of allowances):			
Accounts	75	12,113	98
Deferred assessments	-	92	-
Interest	1	127	61
Other	-	-	6
Notes/contracts receivable - current portion	-	24	-
Due from other funds	-	510	98
Inventory	-	535	379
Restricted cash & equity in pooled investments:			
For revenue bonds	250	1,535	-
For construction	-	50,737	-
For customer deposits	-	169	-
Noncurrent assets:			
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent portion	-	157	-
Other deferred charges	-	47	-
Capital Assets:			
Property, plant and equipment (net)	<u>11,058</u>	<u>220,304</u>	<u>21,527</u>
Total assets	<u>11,817</u>	<u>315,955</u>	<u>65,589</u>

**Statement of Fund Net Assets**  
**Proprietary Funds**  
**As of December 31, 2007**  
(in thousands)

Page 3 of 4

	<b>Storm &amp; Surface Water Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	420	2,469	675
Estimated claims	-	-	-
Due to other funds	56	91	118
Due to other governments	5	55	25
Accrued interest payable	5	1	-
Accrued payroll	153	228	174
Accrued compensated absences	106	134	96
Notes/contracts payable - current portion	104	30	-
Revenue bonds payable - current portion	704	276	-
Noncurrent liabilities:			
Accrued bond interest payable	18	7	-
Customer deposits	64	98	7
Accrued compensated absences	248	312	223
Estimated claims	-	-	-
Bonds payable (net)	1,315	516	-
Notes/contracts payable - noncurrent portion	235	177	-
<b>Total liabilities</b>	<b>3,433</b>	<b>4,394</b>	<b>1,318</b>
<b>Net assets:</b>			
Invested in capital assets net of related debt	55,149	89,645	61,095
Restricted for:			
Debt service	1,143	142	-
Capital projects	11,452	15,843	23,442
Unrestricted (deficit)	6,776	17,620	12,686
<b>Total net assets</b>	<b>\$ 74,520</b>	<b>\$ 123,250</b>	<b>\$ 97,223</b>

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

**Statement of Fund Net Assets**  
**Proprietary Funds**  
**As of December 31, 2007**  
(in thousands)

Page 4 of 4

	<u>Marina</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Funds</u>
Liabilities:			
Current liabilities:			
Accounts payable	27	3,591	853
Estimated claims	-	-	3,126
Due to other funds	1	266	12
Due to other governments	22	107	51
Accrued interest payable	-	6	-
Accrued payroll	-	555	412
Accrued compensated absences	-	336	291
Notes/contracts payable - current portion	-	134	-
Revenue bonds payable - current portion	250	1,230	-
Noncurrent liabilities:			
Accrued bond interest payable	14	39	-
Customer deposits	-	169	52
Accrued compensated absences	-	783	677
Estimated claims	-	-	2,423
Bonds payable (net)	3,600	5,431	-
Notes/contracts payable - noncurrent portion	-	412	-
Total liabilities	<u>3,914</u>	<u>13,059</u>	<u>7,897</u>
Net assets:			
Invested in capital assets net of related debt	7,208	213,097	-
Restricted for:			
Debt service	250	1,535	-
Capital projects	-	50,737	-
Unrestricted (deficit)	445	37,527	57,692
Total net assets	<u>\$ 7,903</u>	<u>\$ 302,896</u>	<u>\$ 57,692</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, 2007**

(in thousands)

Page 1 of 2

	<u>Storm &amp; Surface Water Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Operating revenues:			
Service charges and fees	\$ 12,684	\$ 28,770	\$ 35,461
Rent	-	-	-
Insurance recovery	-	-	-
Premiums/contributions	-	-	-
Other	510	3,073	32
Total operating revenues	<u>13,194</u>	<u>31,843</u>	<u>35,493</u>
Operating expenses:			
Administrative and general	3,462	9,612	4,479
Maintenance and operations	3,956	16,517	24,932
Depreciation	1,575	3,007	2,406
Insurance costs	-	-	-
Benefits and claims payments	-	-	-
Total operating expenses	<u>8,993</u>	<u>29,136</u>	<u>31,817</u>
Operating income	4,201	2,707	3,676
Nonoperating revenues (expenses):			
Interest income	864	1,483	1,408
Net change in fair value of investments	5	8	8
Interest expense	(186)	(71)	-
Rental income	15	346	392
Gain on disposal of capital assets	-	-	-
Other nonoperating revenues	50	760	159
Total nonoperating revenue (expenses)	<u>748</u>	<u>2,526</u>	<u>1,967</u>
Income before contributions and transfers	4,949	5,233	5,643
Special items, contributions and transfers:			
Transfers in	72	-	-
Transfers out	(6)	(7)	(7)
Capital contributed from external sources	1,430	2,600	2,488
Total special items, contributions and transfers	<u>1,496</u>	<u>2,593</u>	<u>2,481</u>
Change in net assets	6,445	7,826	8,124
Net assets beginning of year	68,075	115,424	89,099
Net assets end of year	<u>\$ 74,520</u>	<u>\$ 123,250</u>	<u>\$ 97,223</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, 2007**  
(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	\$ -	\$ 76,915	\$ 24,915
Rent	498	498	-
Insurance recovery	-	-	1,852
Premiums/contributions	-	-	16,794
Other	-	3,615	206
Total operating revenues	<u>498</u>	<u>81,028</u>	<u>43,767</u>
Operating expenses:			
Administrative and general	20	17,573	8,639
Maintenance and operations	204	45,609	18,211
Depreciation	45	7,033	3,573
Insurance costs	-	-	2,287
Benefits and claims payments	-	-	9,155
Total operating expenses	<u>269</u>	<u>70,215</u>	<u>41,865</u>
Operating income	229	10,813	1,902
Nonoperating revenues (expenses):			
Interest income	41	3,796	1,999
Net change in fair value of investments	-	21	12
Interest expense	(175)	(432)	-
Rental income	-	753	30
Gain on disposal of capital assets	-	-	130
Other nonoperating revenues	-	969	8
Total nonoperating revenue (expenses)	<u>(134)</u>	<u>5,107</u>	<u>2,179</u>
Income before contributions and transfers	95	15,920	4,081
Special items, contributions and transfers:			
Transfers in	-	72	1,317
Transfers out	-	(20)	(2,494)
Capital contributed from external sources	-	6,518	8
Total special items, contributions and transfers	<u>-</u>	<u>6,570</u>	<u>(1,169)</u>
Change in net assets	95	22,490	2,912
Net assets beginning of year	7,808	280,406	54,778
Net assets end of year	<u>\$ 7,903</u>	<u>\$ 302,896</u>	<u>\$ 57,690</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, 2007**  
(in thousands)

Page 1 of 4

	<b>Business Type Activities -</b>		
	<b>Enterprise Funds</b>		
	<b>Storm &amp; Surface Water Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
Cash flows from operating activities:			
Cash received from customers and users	\$ 13,435	\$ 31,658	\$ 34,942
Contributions received - employer/employees	-	-	-
Cash received from insurance proceeds	-	-	-
Cash payments to suppliers for goods and services	(2,961)	(20,568)	(25,251)
Cash payments to employees for services	(4,216)	(5,106)	(3,813)
Cash payments to claimants	-	-	-
Cash received from contracts/rent	-	-	-
Cash payments for insurance	-	-	-
Other receipts	-	1,106	551
Net cash provided (used) by operating activities	<u>6,258</u>	<u>7,090</u>	<u>6,429</u>
Cash flows from noncapital financing activities:			
Cash received from contracts	-	5	24
Transfers in	72	-	-
Transfers out	(6)	(7)	(7)
Net cash provided (used) by noncapital financing activities	<u>66</u>	<u>(2)</u>	<u>17</u>
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets	(4,084)	(8,217)	(4,314)
Principal paid on revenue bonds and other debt	(937)	(348)	-
Interest paid on revenue bonds and other debt	(113)	(41)	-
Proceeds from sale of assets	-	-	-
Cash contributions in aid of construction	1,430	2,968	2,488
Contributed capital in aid of capital acquisitions	-	-	-
Net cash provided (used) by capital financing activities	<u>(3,705)</u>	<u>(5,639)</u>	<u>(1,826)</u>
Cash flows from investing activities:			
Interest on investments	913	1,570	1,470
Net cash provided (used) by investing activities	<u>913</u>	<u>1,570</u>	<u>1,470</u>
Net increase (decrease) in cash balance	3,532	3,019	6,090
Cash balance at beginning of year	14,847	28,803	25,072
Cash balance at end of year	<u>\$ 18,379</u>	<u>\$ 31,822</u>	<u>\$ 31,162</u>
Cash balance at end of year consist of:			
Unrestricted	5,720	15,739	7,713
Restricted	12,659	16,083	23,449
Total cash balance	<u>\$ 18,379</u>	<u>\$ 31,822</u>	<u>\$ 31,162</u>

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended December 31, 2007**  
(in thousands)

Page 2 of 4

	<b>Business Type Activities - Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>
	<b>Marina</b>	<b>Total</b>	
Cash flows from operating activities:			
Cash received from customers and users	\$ 488	\$ 80,523	\$ 24,951
Contributions received - employer/employee	-	-	16,795
Cash received from insurance proceeds	-	-	1,851
Cash payments to suppliers for goods and services	(214)	(48,994)	(15,604)
Cash payments to employees for services	-	(13,135)	(10,938)
Cash payments to claimants	-	-	(9,635)
Cash received from contracts/rent	-	-	30
Cash payments for insurance	-	-	(2,287)
Other receipts	-	1,657	117
Net cash provided (used) by operating activities	<u>274</u>	<u>20,051</u>	<u>5,280</u>
Cash flows from noncapital financing activities:			
Cash received from contracts	-	29	-
Transfers in	-	72	1,217
Transfers out	-	(20)	(2,494)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>81</u>	<u>(1,277)</u>
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets	-	(16,615)	(3,667)
Principal paid on revenue bonds and other debt	(100)	(1,386)	-
Interest paid on revenue bonds and other debt	(175)	(329)	-
Proceeds from sale of assets	-	-	167
Cash contributions in aid of construction	-	6,886	-
Contributed capital in aid of capital acquisitions	-	-	108
Net cash provided (used) by capital financing activities	<u>(275)</u>	<u>(11,445)</u>	<u>(3,392)</u>
Cash flows from investing activities:			
Interest on investments	43	3,996	2,146
Net cash provided (used) by investing activities	<u>43</u>	<u>3,996</u>	<u>2,146</u>
Net increase (decrease) in cash balance	42	12,683	2,756
Cash balance at beginning of year	641	69,363	40,662
Cash balance at end of year	<u>\$ 683</u>	<u>\$ 82,046</u>	<u>\$ 43,419</u>
Cash balance at end of year consist of:			
Unrestricted	433	29,605	43,419
Restricted	250	52,441	-
Total cash balance	<u>\$ 683</u>	<u>\$ 82,046</u>	<u>\$ 43,419</u>

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended December 31, 2007**  
(in thousands)

Page 3 of 4

	<b>Business Type Activities - Enterprise Funds</b>		
	<b>Storm &amp; Surface Water Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 4,201	\$ 2,707	\$ 3,676
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,575	3,007	2,406
Other receipts	65	1,106	551
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	290	(431)	(446)
(Increase) decrease in due from other funds	(49)	249	(9)
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventory	(65)	(164)	(97)
Increase (decrease) in accounts payable	237	607	429
Increase (decrease) in wages & benefits payable	(44)	(13)	(18)
Increase (decrease) in compensated absences	13	49	32
Increase (decrease) in due to other funds	(16)	68	(75)
Increase (decrease) in due to other governments	(11)	(91)	(21)
Increase (decrease) in customer deposits	62	(4)	1
Increase (decrease) in estimated claims payable	-	-	-
Total adjustments	<u>2,057</u>	<u>4,383</u>	<u>2,753</u>
Net cash provided (used) by operating activities	<u>\$ 6,258</u>	<u>\$ 7,090</u>	<u>\$ 6,429</u>

On December 31, 2007, the City recognized a gain as a result of the change in fair value of US Government Securities with a maturity of more than one year. The gain recognized by Storm and Surface Water of \$5, Sewer of \$8, and Water Utilities of \$8 is reflected on the financial statements as Net Change in Fair Value of Investments.

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended December 31, 2007**  
(in thousands)

Page 4 of 4

	<u>Business Type Activities - Enterprise Funds</u>		<u>Governmental Activities - Internal Service Funds</u>
	<u>Marina</u>	<u>Total</u>	
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 229	\$ 10,813	\$ 1,902
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	45	7,033	3,574
Other receipts	-	1,722	40
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(10)	(597)	(98)
(Increase) decrease in due from other funds	-	191	37
(Increase) decrease in due from other governments	-	-	113
(Increase) decrease in inventory	-	(326)	32
Increase (decrease) in accounts payable	12	1,285	91
Increase (decrease) in wages & benefits payable	-	(75)	26
Increase (decrease) in compensated absences	-	94	176
Increase (decrease) in due to other funds	-	(23)	-
Increase (decrease) in due to other governments	(2)	(125)	(46)
Increase (decrease) in customer deposits	-	59	52
Increase (decrease) in estimated claims payable	-	-	(621)
Total adjustments	<u>45</u>	<u>9,238</u>	<u>3,377</u>
Net cash provided (used) by operating activities	<u>\$ 274</u>	<u>\$ 20,051</u>	<u>\$ 5,280</u>

**Statement of Fiduciary Net Assets**  
**Trust and Agency Funds**  
**As of December 31, 2007**  
**(in thousands)**

	<b>Firemen's Pension</b>	<b>Agency Funds</b>
<b>Assets:</b>		
Cash & equity in pooled investments	\$ 6,585	\$ 2,945
Interest	11	6
Due from other governments	-	44
Property, plant, and equipment (net)	-	197
<b>Total assets</b>	<b>6,596</b>	<b>3,192</b>
<b>Liabilities:</b>		
Accounts payable	19	36
Due to other governments	-	2,911
Deposits payable	-	245
<b>Total liabilities</b>	<b>19</b>	<b>3,192</b>
<b>Net Assets:</b>		
Held in trust for pension benefits and other purposes	6,577	-
<b>Total net assets</b>	<b>\$ 6,577</b>	<b>\$ -</b>

**Statement of Changes in Fiduciary Net Assets**  
**Firemen's Pension Fund**  
**For the fiscal year ended December 31, 2007**  
(in thousands)

Additions	
Investment income:	
Interest	\$ 322
Net change in fair value	2
Other contributions:	
Intergovernmental	159
Total additions	<u>482</u>
Deductions:	
Benefit payments	277
Total deductions	<u>277</u>
Change in net assets	205
Net assets beginning of year	6,372
Net assets end of year	<u>\$ 6,578</u>



## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**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 within during the current period or soon enough thereafter to pay current liabilities. For the City of Bellevue, this period is considered to be the first 60 days after the end of the fiscal period. Property taxes, sales taxes, utility taxes, franchise taxes, and interest are associated with the current fiscal period are considered susceptible to accrual and have been recognized as revenues of the current period. Expenditures are recognized when a liability is incurred, as under accrual accounting, with the exception of principal and interest on long-term debt and compensated absences, which are recorded when paid.

#### **Major Governmental Funds:**

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

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

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

The Operating Grants and Donations 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 Interest and Debt Redemption – Regular Levy Fund accounts for debt service on City Council-approved general obligation bonds. Primary revenue sources for the fund consist of general property tax and local sales tax.

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

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

**Major Proprietary Funds:**

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

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

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

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

**Internal Service and Fiduciary Funds:**

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

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

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

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

The proprietary fund statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the funds' principal ongoing operations. The principal operating revenues of the City's utilities funds, marina fund, and internal service funds are charges to customers for sales and service,

rentals, vehicle replacement, and insurance. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds and internal service funds include operating and maintenance costs, administrative expenses, taxes and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted as they are needed.

The City complies with all applicable GASB pronouncements. The City also complies with all applicable pronouncements of the Financial Accounting Standards Board (FASB), opinions of the Accounting Principles Board (APB), and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

#### **NEW ACCOUNTING STANDARDS**

In September 2006, the GASB issued Statement of Governmental Accounting Standards No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*," effective for periods beginning after December 15, 2006. This Statement establishes criteria that governments will use to ascertain whether the proceeds from exchanging an interest in future cash flows should be regarded as a sale or as a collateralized borrowing resulting in a liability. The City does not pledge its receivables, and therefore has determined that this standard will not effect its financial position or results of operations.

#### **BUDGETS AND BASIS OF BUDGETING**

In accordance with the Revised Code of Washington (RCW) 35A.34, the City budgets for all operating funds. 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. A reconciliation of cash-basis revenues and expenditures to arrive at final GAAP-basis values is provided in Note 3.

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 5, 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 15 represent outstanding billings to other funds for services provided in the current year. These amounts are typically paid within 30 days following year-end. Amounts due from other governments represent outstanding balances due from granting agencies for cost-reimbursement grants and billings to other jurisdictions for intergovernmental services provided in the current year.

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

*Interfund Loans Receivable*

The Finance Director may authorize loans between funds for periods not exceeding three months. Longer term loans must be specifically authorized by Council resolution. Interfund loan activity for 2008 is presented in Note 13. 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, software and other improvements with an original cost of \$5,000 or more each; vehicles with an original cost of \$2,500 or more; electronic communication equipment with an original cost of \$1,500 or more and an estimated useful life of more than one year; and all transportation and utilities infrastructure, regardless of their initial cost.

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

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

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

All project costs are included in construction in progress in the government-wide statement of net assets. At project completion, capital costs are reclassified to property, plant and equipment while non-capital costs are charged to operating expense. Inherent in this policy is the immaterial overstatement of construction in progress. 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)
<b>Equipment Rental Fund</b>	
Transportation Equipment	4 - 10
Communications Equipment	5 - 8
Traffic Control Equipment	10
Heavy-Duty Work Equipment	5 - 20
Shop/Miscellaneous Equipment	8 - 15
<b>Waterworks Utility</b>	
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
<b>Bellevue Convention Center Authority</b>	
Building Shell	50
Building Mechanical Systems and Roof	25
Office Furniture and Equipment	7
Communications Equipment	7
<b>General Fixed Assets</b>	
Structures and Building	39
Other Improvements	20
Equipment	7 - 15
Depreciated Infrastructure	20

Additional information on capital assets is provided in Note 7.

#### Capitalization of Interest Costs

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

**Compensated Absences**

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

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

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

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

**Long-term Debt**

Liabilities for long-term debt are recorded in the government-wide statement of net assets and in the proprietary funds balance sheet. The liabilities include bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges. Long-term debt outstanding at year-end is presented in Note 14.

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, 2007, total net assets for the Bellevue Convention Center Authority, a component unit of the City, reflects a unrestricted net assets deficit balance of \$33.2 million and a total net assets deficit of \$14.1 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 2007, 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 \$608,084, LEOFF I Medical Reserve Fund was \$15.7 million, and the Development Services Fund was \$11.6 million. The Development Services Fund had excess budgetary expenditures over appropriations of \$338,908.

Original budgets and supplementary appropriation adjustments adopted during the year are presented in Note 4.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. BUDGET TO GAAP RECONCILIATION

The City's budget is prepared primarily on the cash basis of accounting; therefore, the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – for the General Fund, LEOFF 1 Reserve, and Development Services funds report revenues when received and expenditures when paid, instead of revenue and expenditure amounts as defined under the modified accrual basis of accounting. The following schedule reconciles revenues and expenditures on the budgetary basis to revenues and expenditures on the modified accrual basis as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

	<u>General Fund</u>	<u>LEOFF 1 Reserve</u>	<u>Development Services</u>
	(in thousands)		
Revenues on the Budgetary Basis	\$ 144,657	\$ 1,020	\$ 16,484
Increase (Decrease) due to accruals	209	(54)	(3,362)
Revenues on the GAAP Basis	144,866	966	13,122
Expenditures on the Budgetary Basis	134,051	1,427	18,929
Increase (Decrease) due to accruals	92	9	(133)
Expenditures on the GAAP Basis	134,143	1,436	18,796
Other Financing Sources (Uses)			
On the Budgetary Basis	(5,026)	142	5,512
Increase (Decrease) due to accruals	(3)	-	15
Other Sources (Uses) on the GAAP Basis	(5,029)	142	5,527
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
On the Budgetary Basis	5,579	(265)	3,068
Increase (Decrease) due to accruals	115	(63)	(3,215)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses On the GAAP Basis	5,694	(328)	(147)
Beginning Fund Balance on the Budgetary Basis	5,744	16,736	10,482
Increase (Decrease) due to accruals	14,163	122	(989)
Beginning Fund Balance on the GAAP Basis	19,907	16,858	9,493
Ending Fund Balance on the Budgetary Basis	11,324	16,471	13,550
Increase (Decrease) due to accruals	14,277	59	(4,204)
Ending Fund Balance on the GAAP Basis	<u>\$ 25,601</u>	<u>\$ 16,530</u>	<u>\$ 9,346</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 4. SUPPLEMENTAL APPROPRIATIONS

## OPERATING BUDGET FUNDS:

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

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

	<b>2007 Original Budget</b>	<b>Supplemental Appropriations</b>	<b>2007 Final Budget</b>
		(in thousands)	
General Fund	\$ 145,475	\$ 108	\$ 145,583
LEOFF I Reserve	17,646	-	17,646
Development Services Fund	30,761	-	30,761
Total	<u>\$ 193,882</u>	<u>\$ 108</u>	<u>\$ 193,990</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 5. 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, 2007 are as follows:

	(in thousands)
Cash on hand and in bank	\$ 4,308
Equity in Pooled Investments	<u>197,388</u>
Total Cash and Equity in Pooled Investments	<u>\$ 201,696</u>

In addition, the City holds in trust for fiduciary funds \$9.4 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, 2007, the City had a bank balance of \$2.7 million (carrying amount of \$4.1 million), and an investment carrying amount of \$39.9. The City's bank balance is insured by the FDIC up to \$100,000 and by the Washington Public Deposit Protection Commission (WPDPC) for amounts over \$100,000. Under State statute, members of WPDPC, a multiple-financial institution collateral pool, may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss.

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

**Investments:**

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

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

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



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

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

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

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

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

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

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

Investment Type	Fair Value	Remaining Maturity in Months				Credit Rating
		3 Months or Less	3 to 12 Months	1 to 2 Years	2 to 3 Years	
U.S. Agency Bonds	\$ 100,044	\$ 12,970	\$ 20,908	\$ 23,023	\$ 43,143	AAA
U.S. Agency Discount Notes	39,920	39,920	-	-	-	Unrated
State of Washington Local Governmental Investment Pool (LGIP)	66,955	66,955	-	-	-	Unrated
<b>Total</b>	<b>\$ 206,919</b>	<b>\$ 119,845</b>	<b>\$ 20,908</b>	<b>\$ 23,023</b>	<b>\$ 43,143</b>	

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

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

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

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy limits the amount that may be invested in any one issuer. As of December 31, 2007 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 Bank (FHLB)	Fixed Rate Agency	\$ 27,026
Federal National Mortgage Association (FNMA)	Fixed Rate Agency	26,506
Federal Home Loan Mortgage Corporation (FHLMC)	Fixed Rate Agency	25,051
Federal Farm Credit Bank (FFCB)	Fixed Rate Agency	21,461
Venture Bank - Public Funds Investor Account (PFIA)	Money Market	19,960
Cascade Bank - Public Funds Investors Account (PFIA)	Money Market	19,960

*Custodial Credit Risk:* Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City's investment policy require that all investments be held by the City's third party safekeeping agent in the City's name. As of December 31, 2007 all of the \$100 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, 2007 are as follows:

	(in thousands)
Cash on hand and in bank	\$ 2,040
Equity in Pooled Investments	<u>3,293</u>
Total Cash and Equity in Pooled Investments	<u>\$ 5,333</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. 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 \$3.17 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 2007.

The City of Bellevue assessed a property tax increase of \$0.5 million for the year 2007. The City has "banked" the remaining levy capacity for potential future use. As of December 31, 2007 the City has \$8.9 million in unused levy capacity.

The City's regular property tax levy rate for 2007 was \$1.04 per \$1,000 of assessed property value, which yielded a total regular levy of \$27,638,181. The voted tax levy rate of \$.05 per \$1,000, which supports debt service on voter-approved bond issues, yielded an excess levy amount of \$1,393,782. 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, 2007 on the governmental funds balance sheet are presented on the following schedules.

Of the property taxes receivable amount, \$408,030 is delinquent and the amount of delinquent special assessments receivable is \$6,861.

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

**RECEIVABLES**

(in thousands)

	General	LEOFF I Medical	Develop Services	Operating Grants & Donations	Housing	I&D Regular Levy	LID Control	Capital Projects	Storm Utility	Water Utility	Sewer Utility	Marina	Non-Major and Other Funds	Total
<b>Taxes:</b>														
Excise Business & Occupation	\$ 7,038	\$ -	\$ -	\$ -	\$ 17	\$ 99		\$ 3,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,284
Miscellaneous Property	6,216	-	-	-	-	-		2,238	-	-	-	-	387	8,841
Utility Customers	2,560	-	-	5	-	-		237	-	-	-	-	-	2,802
Special Assessments:	492	-	-	-	-	-		1,875	-	-	-	-	6	2,373
Assessments	-	-	-	-	-	-		-	1,490	4,691	5,857	-	-	12,038
Interest/penalties	-	-	-	-	-	-	3,428	-	-	-	-	-	-	3,428
Interest	39	21	23	-	7	-	1	10	27	48	51	1	16	244
Other:														
Miscellaneous Due from other governments	90	-	-	-	-	-	-	406	-	-	-	75	216	787
Less:	180	-	-	881	-	-	-	5,948	-	-	-	-	-	7,009
Allowance for uncollectibles	(304)	-	-	-	-	-	-	(110)	-	-	-	-	-	(414)
<b>Total receivables</b>	<b>\$16,311</b>	<b>\$ 21</b>	<b>\$ 23</b>	<b>\$ 886</b>	<b>\$ 24</b>	<b>\$ 99</b>	<b>\$3,432</b>	<b>\$13,734</b>	<b>\$1,517</b>	<b>\$4,739</b>	<b>\$ 5,908</b>	<b>\$ 76</b>	<b>\$ 625</b>	<b>\$ 47,395</b>

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

**DEFERRED REVENUE**

(in thousands)

	General	Development Services	Operating Grants & Donations	ARCH Housing	I&D Regular Levy	LID Control	Capital Projects	Non-Major and Other Funds	Total
Taxes:									
Business & occupation	\$ 568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 568
Property	294	-	-	-	-	-	-	-	294
Special assessments	-	-	-	-	-	3,412	-	-	3,412
Affordable housing contracts	-	-	855	7,702	-	-	-	-	8,557
Housing rehabilitation loans	-	-	2,419	-	-	-	-	-	2,419
Permit/review fees	-	4,052	-	-	-	-	-	-	4,052
Other	-	-	548	-	-	-	4,053	289	4,890
<b>Total deferred revenue</b>	<b>\$ 862</b>	<b>\$ 4,052</b>	<b>\$ 3,822</b>	<b>\$ 7,702</b>	<b>\$ -</b>	<b>\$ 3,412</b>	<b>\$ 4,053</b>	<b>\$ 289</b>	<b>\$ 24,192</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 7. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the primary government for the year ended December 31, 2007 was as follows (in thousands):

Governmental activities:	Beginning Balance	2007 Increases	2007 Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 681,542	\$ 14,357	\$ -	\$ 695,899
Construction in Progress	69,669	45,137	(49,078)	65,728
Infrastructure	628,748	7,161	-	635,909
Total capital assets, not being depreciated:	<u>1,379,959</u>	<u>66,655</u>	<u>(49,078)</u>	<u>1,397,536</u>
Capital assets, being depreciated:				
Building	188,429	3,731	-	192,160
Improvements other than buildings	37,307	2,525	-	39,832
Intangible Assets	2,711	10,008	-	12,719
Machinery and Equipment	58,761	3,875	(1,038)	61,598
Infrastructure	102,055	11,788	-	113,843
Total capital assets being depreciated:	<u>389,263</u>	<u>31,927</u>	<u>(1,038)</u>	<u>420,152</u>
Less accumulated depreciation for:				
Buildings	(19,077)	(4,937)	-	(24,014)
Improvements other than buildings	(16,792)	(3,103)	-	(19,895)
Machinery and Equipment	(37,239)	(4,310)	1,002	(40,547)
Intangible Assets	(861)	-	-	(861)
Infrastructure	(56,553)	(4,226)	-	(60,779)
Total accumulated depreciation:	<u>(130,523)</u>	<u>(16,576)</u>	<u>1,002</u>	<u>(146,097)</u>
Total capital assets, being depreciated, net:	<u>258,741</u>	<u>15,351</u>	<u>(36)</u>	<u>274,056</u>
Governmental activities capital assets, net:	<u>\$1,638,700</u>	<u>\$ 82,006</u>	<u>\$ (49,114)</u>	<u>\$1,671,592</u>

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

## Governmental activities:

General government	\$ 3,302
Public safety	694
Economic environment	63
Health and human services	90
Culture and recreation	4,066
Transportation	4,786

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

3,574

Total depreciation expense - governmental activities

\$ 16,575

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

<b>Business-type activities:</b>	<u>Beginning Balance</u>	<u>2007 Increases</u>	<u>2007 Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 20,705	\$ -	\$ -	\$ 20,705
Construction in Progress	10,427	16,514	(8,408)	18,533
Total capital assets, not being depreciated:	<u>31,132</u>	<u>16,514</u>	<u>(8,408)</u>	<u>39,238</u>
Capital assets, being depreciated:				
Building	29,668	554	-	30,222
Improvements other than buildings	9	-	-	9
Machinery and Equipment	6,711	75	-	6,786
Infrastructure	249,594	7,854	-	257,448
Intangible Assets	349	26	-	375
Total capital assets being depreciated:	<u>286,331</u>	<u>8,509</u>	<u>-</u>	<u>294,840</u>
Less accumulated depreciation for:				
Buildings	(22,638)	(1,323)	-	(23,961)
Improvements other than buildings	(2)	-	-	(2)
Machinery and Equipment	(4,502)	(397)	-	(4,899)
Infrastructure	(79,351)	(5,300)	-	(84,651)
Intangible Assets	(246)	(12)	-	(258)
Total accumulated depreciation:	<u>(106,739)</u>	<u>(7,032)</u>	<u>-</u>	<u>(113,771)</u>
Total capital assets, being depreciated, net:	<u>179,592</u>	<u>1,477</u>	<u>-</u>	<u>181,069</u>
Business activities capital assets, net:	<u>\$ 210,724</u>	<u>\$ 17,991</u>	<u>\$ (8,408)</u>	<u>\$ 220,307</u>

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

**Business-type activities:**

Marina	\$ 45
Water	3,007
Storm and surface water	1,575
Sewer	<u>2,406</u>

Total depreciation expense - business-type activities \$ 7,033



**DISCRETELY PRESENTED COMPONENT UNIT:****BELLEVUE CONVENTION CENTER AUTHORITY**  
(in thousands):

	Beginning Balance	2007 Increases	2007 Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in Progress	\$ 2,919			\$ 2,919
Total capital assets, not being depreciated:	<u>2,919</u>	<u>-</u>	<u>-</u>	<u>2,919</u>
Capital assets, being depreciated:				
Building	47,688	850		48,538
Machinery and Equipment	3,888	419	(215)	4,092
Total capital assets being depreciated:	<u>51,576</u>	<u>1,269</u>	<u>(215)</u>	<u>52,630</u>
Less accumulated depreciation for:				
Buildings and Equipment	(17,783)	(1,425)	214	(18,994)
Total accumulated depreciation:	<u>(17,783)</u>	<u>(1,425)</u>	<u>214</u>	<u>(18,994)</u>
Total capital assets, being depreciated, net:	<u>33,793</u>	<u>(156)</u>	<u>(1)</u>	<u>33,636</u>
Component unit activities capital assets, net:	<u>\$ 36,712</u>	<u>\$ (156)</u>	<u>\$ (1)</u>	<u>\$ 36,555</u>

**NOTES TO THE FINANCIAL STATEMENTS****8. 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, 2007. Please refer to this report for detailed pension information for the Public Employees Retirement System, the Public Safety Employees Retirement System, and the Law Enforcement Officers and Fire Fighters Retirement System. A copy of this report may be obtained from the State of Washington, Office of Financial Management, P.O. Box 43123, Olympia, WA 98504-3123.

**PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

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

PERS consists of three plans. Participants who joined the system by September 30, 1977 are Plan 1 members. Those joining the system after that date are enrolled in Plan 2. Existing Plan 2 members were given the option to transfer their membership to Plan 3 by May 31, 2003. Employees hired after May 31, 2003 have the option of choosing either PERS Plan 2 or PERS Plan 3. Retirement benefits are financed by employee and employer contributions and investment earnings. Retirement benefits in both plans are vested after completion of five 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>
2007	\$ 199,962	\$ 3,080,063	\$ 459,822
2006	120,443	1,456,596	232,927
2005	77,247	855,192	139,420
2004	61,410	608,151	97,944
2003	73,042	585,812	58,060
2002	83,981	657,382	453

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

	<u>Rate Effective</u> <u>7/1/2006</u>	<u>Rate Effective</u> <u>7/1/2007</u>	<u>Rate Effective</u> <u>9/1/2007</u>
PERS I Employer	3.69%	6.12%	6.13%
PERS I Employee	6.00%	6.00%	6.00%
PERS II Employer	3.69%	6.12%	6.13%
PERS II Employee	3.50%	4.15%	4.15%
PERS III Employer	3.69%	6.12%	6.13%

The employer rates above include an administrative expense fee of .18%, and .16% respectively for 2007.

#### **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**

2007	\$	45,000
2006		8,889

Effective beginning in the year 2006 the contribution rates for PSERS were impacted as noted in the table below:

	<u>Rate Effective</u> <u>7/1/2006</u>	<u>Rate Effective</u> <u>7/1/2007</u>	<u>Rate Effective</u> <u>9/1/2007</u>
PSERS Employer	6.76%	8.54%	8.55%
PSERS Employee	6.57%	6.57%	6.57%

The employer rates above include an administrative expense fee of .18%, and .16% respectively for 2007.

**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**

2007	\$	3,568	\$	1,532,159
2006		4,229		1,278,503
2005		4,616		992,604
2004		5,282		811,500
2003		6,275		733,281
2002		6,629		662,208

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

	<b>Rate Effective</b> <b>9/1/2006</b>	<b>Rate Effective</b> <b>7/1/2007</b>	<b>Rate Effective</b> <b>9/1/2007</b>
LEOFF I Employer	0.18%	0.18%	0.16%
LEOFF I Employee	0.00%	0.00%	0.00%
LEOFF II Employer	5.35%	5.35%	5.35%
LEOFF II Employee	8.60%	8.60%	8.64%

The employer rates above include an administrative expense fee of .18%, and .16% respectively for 2007.

#### **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. Accordingly, the schedule of funding progress is under the required supplemental information section of this report. All other disclosure information is included in this note.

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

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

Membership of the Firemen's Pension Plan consisted of the following at January 1, 2008:

Retirees and beneficiaries receiving benefits, prior to March 1, 1970	-
Retirees after March 1, 1970 currently receiving full retirement benefits through the Law Enforcement Officers and Fire Fighters (LEOFF) Retirement Plan and also receiving an adjustment from the Firemen's Pension Plan	34
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	1
Active plan members	<u>1</u>
Total	<u>36</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>2005</u>	<u>2006</u>	<u>2007</u>
Annual Normal Cost - Beginning of Year	\$ 2,139	\$ 1,198	\$ 1,198
Amortization of Unfunded Actuarial Liability (UAL)			
- Beginning of Year	(16,478)	(43,366)	(43,366)
Investment Return to End of Year	<u>(789)</u>	<u>(2,108)</u>	<u>(2,108)</u>
ARC at End of Year, not less than zero	-	-	-
Investment Return on Net Pension Obligation (NPO)	(31,466)	(34,562)	(41,061)
Adjustment to ARC	<u>42,119</u>	<u>52,069</u>	<u>61,001</u>
Annual Pension Cost (APC)	10,653	17,507	19,940
Employer Contributions	<u>129,780</u>	<u>147,488</u>	<u>159,000</u>
Change in NPO	<u>(119,127)</u>	<u>(129,981)</u>	<u>(139,060)</u>
NPO at Beginning of Year	<u>(572,106)</u>	<u>(691,233)</u>	<u>(821,214)</u>
NPO at End of Year	<u>\$ (691,233)</u>	<u>\$ (821,214)</u>	<u>\$ (960,274)</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)
12/31/05	\$ 10,653	1218.2%	\$ (691,233)
12/31/06	17,507	842.5%	(821,214)
12/31/07	19,940	797.4%	(960,274)

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 <sup>(1)</sup>  
 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

	01/01/05	01/01/06	01/01/07
Actuarial Economic assumptions:			
Investment rate of return (through internal investment pool)	5.50%	5.00%	5.00%
Projected salary increases <sup>(2)</sup>	4.50%	4.50%	4.50%
Consumer Price Index	3.50%	3.50%	3.50%
Projected annual growth in fire insurance premium tax revenues	3.50%	3.50%	3.50%
Noneconomic assumptions:			
Mortality rates based on:			
Group Annuity Mortality Tables	X	X	X
Turnover rates per year	0.30%	0.30%	0.30%

<sup>(1)</sup> 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.

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

**MUNICIPAL EMPLOYEES' BENEFIT TRUST**

*Plan Description.* The Municipal Employees' Benefit Trust (MEBT) is multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System when City employees, by majority vote, approved the City's withdrawal from that system effective September 30, 1972, pursuant to USCA, Section 418(g). The plan is administered by the Municipal Employees' Benefit Trust Committee, a five-member committee appointed by the Bellevue City Manager. MEBT includes seven participating cities and 4,562 participants (Bellevue has 1,710 participants). Long-term disability coverage and a death benefit are provided for all employees. The plan's investments are held under a trust agreement with Security Trust Company.

*Eligibility.* All regular employees of the City of Bellevue are eligible to participate as of their

hire date in MEBT. Participation in MEBT is voluntary. Hourly employees participate as of their hire date in MEBT II. Participation in MEBT II is mandatory.

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

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.

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

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

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

Employees may contribute up to federal deferred limits, annual addition limits, and any other tax rules that may apply. Actual contributions to the plan for 2007 were:

Participants	\$7,783,980
City	\$6,204,793

#### **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, 2007, there were 90 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 2007 were:

Participants	\$132,243
Authority	\$107,270

## NOTES TO THE FINANCIAL STATEMENTS

## 9. 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 2007 were as follows:

Bellevue Health Plan - claims, administrative costs, stop loss coverage and incurred reserves	\$ 978,499
Group Health - medical insurance premiums	164,952
Medicare Part B insurance premiums	<u>31,955</u>
Total Costs	<u>\$ 1,175,406</u>

In the past, these costs were provided solely on a pay-as-you-go-basis by the City's Health Benefits Fund. On January 1, 1996, however, the City established the LEOFF I Medical Reserve Fund. The City has reserved a \$16.5 million balance in the LEOFF I Medical Reserve fund as of December 31, 2007. 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 31 active plan participants and 119 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 per-person claim cost experience rates:	A. Retirees under 65	\$	811
	B. Retirees over 65	\$	489
Actuarial cost method	Entry Age Normal Method		
Amortization method	30 year open		
Asset valuation method	N/A		
Investment Rate	5%		

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 \$30.1 million with plan assets of 0% held in trust. These estimates were prepared by Aon Consulting, Inc. on January 1, 2007. The medical inflation rate for retirees under age 65 decreases from 10.5% for 2007 to an ultimate trend of 5.00% which is first reached in 2018.

The annual OPEB costs and Net OPEB obligation for 2007 we as follows:

Annual Required Contribution	\$	2,051,705
Interest on Net OPEB Obligation		-
Annual OPEB Cost		<u>2,051,705</u>
Contributions Made		<u>1,435,906</u>
Increase in Net OPEB Obligation		615,799
Net OPEB Obligation - Beginning of year		-
Net OPEB Obligation - End of year	\$	<u>615,799</u>

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

	Annual OPEB Cost	Employer Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2007	\$ 2,051,705	\$ 1,435,906	69.99%	\$ 615,799

## NOTES TO THE FINANCIAL STATEMENTS

## 10. COMPENSATED ABSENCES

The City's liability for accrued compensated absences is recorded in the schedule below. The governmental activities category includes a liability of \$971 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	\$ 10,639
Enterprise activities	<u>1,119</u>
Total compensated absences	<u>\$ 11,758</u>

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## NOTES TO THE FINANCIAL STATEMENTS

## 11. 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, 2007, the City had available cash and equity in pooled investments in the self-insurance funds of \$14.3 million to provide against risk of catastrophic losses. The claims liability of \$5.5 million reported in the self-insurance funds as of December 31, 2007, 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, 2006 to December 31, 2007:

	(in thousands)			
	Workers' Compensation	Unemployment Compensation	General Self-Insurance	Health Benefits
December 31, 2006:				
Unpaid claims, beginning of fiscal year	\$ 1,177	\$ 29	\$ 3,352	\$ 1,457
Incurred claims (including IBNRs)	743	122	1,503	7,809
Claim payments	(1,010)	(128)	(709)	(8,175)
Unpaid claims, December 31, 2006	<u>\$ 910</u>	<u>\$ 23</u>	<u>\$ 4,146</u>	<u>\$ 1,091</u>
December 31, 2007:				
Unpaid claims, beginning of fiscal year	\$ 910	\$ 23	\$ 4,146	\$ 1,091
Incurred claims (including IBNRs)	1,162	109	(482)	9,337
Claim payments	(760)	(109)	(724)	(9,154)
Unpaid claims, December 31, 2007	<u>\$ 1,312</u>	<u>\$ 23</u>	<u>\$ 2,940</u>	<u>\$ 1,274</u>
Due within one year	837	23	1,002	1,264
Due in more than one year	475	-	1,938	10

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

<u>Policy Type</u>	<u>Deductible</u>	<u>Coverage Limits</u>	<u>Description</u>
Excess Workers' Comp Employer's Liability - Police & Fire only	\$ 400,000	\$ 1,000,000	Protects the City from unanticipated levels of workers' compensation claims.
Excess Workers' Comp Employer's Liability - All except Police & Fire	350,000	1,000,000	Protects the City from unanticipated levels of workers' compensation claims.
Boiler & Machinery	10,000	50,000,000	Protects the City from loss due to damage to buildings and contents from boilers and machinery.
Real & Personal Property	100,000	343,000,000	<sup>(A)</sup> Protects the City from loss by fire and other extended coverages.
Inland Marine Earthquake & Flood	100,000	35,000,000	<sup>(A)</sup> Protects the City from loss by fire and other extended coverages.
Medical Stop Loss	200,000	1,000,000	<sup>(B)</sup> Stop-loss coverage protects the City from excessive individual claims.
Excess Liability Coverage	2,000,000	15,000,000	<sup>(A)</sup> Protects the City from excessive individual losses.
Fiduciary Liability	10,000	5,000,000	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.

<sup>(A)</sup> per occurrence

<sup>(B)</sup> per individual

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

#### DISCRETELY PRESENTED COMPONENT UNIT

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

## NOTES TO THE FINANCIAL STATEMENTS

## 12. LEASES AND OTHER CONTRACTUAL COMMITMENTS

## OPERATING LEASES:

Burlington Northern and Santa Fe Railway Company

The City has an on-going lease agreement with Burlington Northern and Santa Fe Railway Company (BNSF) for storage/fire lane access at the Bellevue Service Center (BSC). The City leases a portion of the BNSF property for the BSC parking lot area and for railroad crossing access from the BSC to the lower parking lot. The annual lease payments are \$23,603, payable in May of each year. Either party to the lease may cancel the lease at will on a 30-day advance notice.

Terranomics Crossroads Associates

Effective September 25, 2000, the City entered into a five-year non-cancelable lease agreement with Terranomics Crossroads Associates to provide a Community Police substation in the Crossroads area. The lease expired on September 30, 2005 and was extended for an additional three year period. Total lease payments for 2007 totaled \$29,764.

Future minimum lease payments are summarized as follows:

2008	\$	20,936
Total	\$	<u>20,936</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 2007 were \$27,622.

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

2008	\$	22,546
2009		22,939
2010		23,328
2011		11,858
Total	\$	<u>80,671</u>

Effective January 1, 2005, the City entered into a another five-year lease agreement with Delta Business Park for a storage facility for use by the Police Department. The lease is cancelable by providing the landlord with 90-day prior written notice. Total lease payments for 2007 were \$12,267.

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

2008	\$	11,354
2009		11,753
Total	\$	<u>23,107</u>

#### Sound Transit

Effective June 13, 2006 the City entered into a five-year non-cancelable lease agreement with Sound Transit to provide a Community Police substation at the Bellevue Transit Center. Total annual lease payments are \$50,000, payable in December of each year. Total lease payments for 2007 were \$44,178.

#### **CONSTRUCTION/OTHER CONTRACTUAL COMMITMENTS:**

The City's other outstanding contractual commitments by fund type as of December 31, 2007, are summarized below:

	(in thousands)
Governmental activities	\$ 35,088
Enterprise activities	<u>4,588</u>
Total contractual commitments	<u>\$ 39,676</u>



## NOTES TO THE FINANCIAL STATEMENTS

**13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The following provides the total interfund transfers for 2007 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.

<b>Due to/from other funds:</b>	<b>Receivable</b>	<b>Payable</b>
	(in thousands)	(in thousands)
Governmental funds:		
General Fund	\$ 468	\$ 623
Operating Grants & Donations	6	32
Nonmajor governmental funds	93	254
Development Services Fund	1	3
I&D Regular Levy	-	1
General Capital Investment Program	17	2
Proprietary funds:		
Storm Drainage Utility	450	56
Water Utility	34	91
Sewer Utility	26	118
Marina	-	1
Internal Service Funds	98	12
Total due other funds	<u>\$ 1,193</u>	<u>\$ 1,193</u>
<b>Due to/from primary government and component unit:</b>		
Hotel/Motel Tax	\$ -	\$ 756
Bellevue Convention Center Authority	756	-
Total due City/Component Unit	<u>\$ 756</u>	<u>\$ 756</u>
<b>Interfund Transfers</b>	<b>In</b>	<b>Out</b>
	(in thousands)	(in thousands)
Governmental funds:		
General Fund	\$ 3,722	\$ 8,752
LEOFF 1 Reserve	142	-
Development Services Fund	6,319	793
Operating Grants & Donations	12	819
ARCH Housing	312	-
I&D Regular Levy	33,910	32
LID Control	-	338
General Capital Investment Program	575	28,847
Nonmajor governmental funds	1,445	5,631
Proprietary funds:		
Storm Drainage Utility	72	6
Water Utility	-	7
Sewer Utility	-	7
Internal Service Funds	1,217	2,494
Total Transfers	<u>\$ 47,726</u>	<u>\$ 47,726</u>

Interfund loans for the year ended December 31, 2007, were as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Receivable:				
General CIP - short term portion	\$ 55	\$ -	\$ (55)	\$ -
General CIP - long term portion	611	-	(611)	-
Total receivable	<u>\$ 666</u>	<u>\$ -</u>	<u>\$ (666)</u>	<u>\$ -</u>
Payable:				
Park Fees - short term portion	\$ 55	\$ -	\$ (55)	\$ -
Park Fees - long term portion	611	-	(611)	-
Total payable	<u>\$ 666</u>	<u>\$ -</u>	<u>\$ (666)</u>	<u>\$ -</u>

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

The following describes the significant amounts during 2007:

- Transfer \$26.3 million from the Debt Service Fund to the General CIP Fund to reduce the Line of Credit.

**NOTES TO THE FINANCIAL STATEMENTS****14. 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.

The following schedules detail the long term debt activity and balances of the City:

**LONG TERM DEBT - GOVERNMENTAL ACTIVITIES**

**For The Year Ended December 31, 2007**

(in thousands)

Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2007	Debt Issued in 2007	Debt Redemption in 2007	Debt Outstanding 12/31/2007
<b>GENERAL OBLIGATION BONDS-COUNCILMANIC</b>									
1995 Limited G.O.	5.15-5.80%	Hotel/Motel Tax	12/27/95	12/01/25	\$ 5,140	\$ 4,701	\$ -	\$ 412	\$ 4,289
2002 Limited G.O.	4.65-5.125%	Hotel/Motel Tax	06/01/02	12/01/32	10,450	10,250	-	210	10,040
2003 Limited G.O. Refunding, Series B	2.00-4.50%	General CIP	10/29/03	07/01/14	4,635	3,475	-	385	3,090
2004 Limited G.O. (City Building)	5.00-5.50%	General CIP	07/01/04	12/01/43	102,710	102,710	-	-	102,710
Add: Unamortized bond premium						986		27	960
2006 Limited G.O.	3.80-4.25%	General CIP	11/01/06	12/01/26	6,060	6,060	-	180	5,880
Add: Unamortized bond premium						23		1	22
<b>GENERAL OBLIGATION BONDS - VOTER APPROVED</b>									
2003 Unlimited G.O. Refunding, Series A	3.00-4.00%	Special Levy	10/29/03	01/01/08	8,550	2,755	-	1,340	1,415
<b>CONDITIONAL SALES CONTRACTS</b>									
Bellevue School District	4.30%	General CIP	06/01/04	06/01/10	2,800	1,039	-	792	247
<b>OTHER LONG TERM DEBT</b>									
Bank of America Line of Credit <sup>(1)</sup>	3.16%	General CIP	11/21/03	11/21/08	13,818	26,118		25,618	500
Department of Community, Trade & Economic Development:									
Public Works Trust Fund Loan	1.00%	General CIP	07/01/88	07/01/08	1,000	122	-	61	61
Public Works Trust Fund Loan #06-962	0.50%	General CIP	02/01/07	02/01/28	750	-	713	-	713
<b>TOTAL</b>					<b>\$ 155,913</b>	<b>\$ 158,239</b>	<b>\$ 713</b>	<b>\$ 29,026</b>	<b>\$ 129,926</b>

(1) The total authorized amount of the line of credit (LOC) is \$35 million, of which \$.5 million was drawn as of 12/31/2007. The weighted average interest rate (based on 65% of LIBOR plus 1.31%) on the \$.5 million LOC balance as of 12/31/07 was 4.79%.

**SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT**  
**For The Year Ended December 31, 2007**  
(in thousands)

Local Improvement District	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2007	Debt Issued in 2007	Debt Redemption in 2007	Debt Outstanding 12/31/2007
NE 4th Street	7.40-7.50%	LID Control	03/26/01	05/01/23	\$ 120	\$ 71	\$ -	\$ 5	\$ 66
NE 10th St/Bellevue Way to 112th Ave NE	5.10-6.75%	LID Control	05/15/95	12/01/16	7,830	2,070	-	440	1,630
NE 10th St/Bellevue Way to 112th Ave NE	4.00-6.00%	LID Control	12/01/96	12/01/18	775	210	-	45	165
NE 8th St & 156th Ave NE	6.50-6.65%	LID Control	06/01/94	07/01/16	563	290	-	35	255
<b>TOTAL</b>					<b>\$ 9,288</b>	<b>\$ 2,641</b>	<b>\$ -</b>	<b>\$ 525</b>	<b>\$ 2,116</b>

**LONG TERM DEBT - BUSINESS-TYPE ACTIVITIES**

For The Year Ended December 31, 2007

(in thousands)

Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2007	Debt Issued in 2007	Debt Redemption in 2007	Debt Outstanding 12/31/2007
<b>GENERAL OBLIGATION BONDS-COUNCILMANIC</b>									
1998 Limited G.O.	4.00-4.70%	Marina	12/01/98	12/01/18	\$ 4,310	\$ 3,950	\$ -	\$ 100	\$ 3,850
<b>REVENUE BONDS</b>									
2004 Waterworks Utility Refunding	2.00-3.63%	Water Utility & Storm Utility	08/01/04	10/01/10	6,825	4,215	-	1,130	3,085
Add:		Unamortized bond premium				70		18	52
Deduct:		Unamortized loss on advance refunding				(439)		(115)	(324)
<b>OTHER LONG TERM DEBT</b>									
Department of Community, Trade & Economic Development:									
Public Works Trust Fund Loan #87-006	1.00%	Storm Utility	07/01/87	07/01/07	401	21	-	22	-
Public Works Trust Fund Loan #89-012	3.00%	Storm Utility	02/07/89	02/07/09	273	44	-	15	29
Public Works Trust Fund Loan #90-013	(1) 3.00%	Storm Utility	07/17/90	07/17/10	1,123	250	-	63	188
Public Works Trust Fund Loan #91-011	3.00%	Storm Utility	08/06/91	08/06/11	377	100	-	20	80
Public Works Trust Fund Loan #93-005	(2) 2.00%	Storm Utility	07/01/93	07/01/13	126	49	-	7	42
Public Works Trust Fund Loan #94-002	(3) 1.00%	Water Utility	06/23/94	07/01/14	560	236	-	30	207
<b>TOTAL</b>					<b>\$ 13,995</b>	<b>\$ 8,497</b>	<b>\$ -</b>	<b>\$ 1,289</b>	<b>\$ 7,208</b>

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

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

**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 2007	Amortized In Prior Years	Unamortized At December 31, 2007
\$716	\$115	\$277	\$324

At December 31, 2007, 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	
2008	\$ 2,874	\$ 6,739	\$ 980	\$ 106	\$ 495	\$ 138	\$ 842	\$ 4	\$ 134	\$ 11	\$ 12,323
2009	1,464	6,696	1,025	74	527	106	34	3	134	8	10,071
2010	2,713	6,675	1,080	38	560	72	34	3	119	5	11,300
2011	2,813	6,590	-	-	392	35	34	3	56	2	9,925
2012	2,878	6,497	-	-	52	9	34	3	37	1	9,511
2013-2017	14,647	30,861	-	-	90	9	170	12	66	1	45,855
2018-2022	14,527	27,968	-	-	-	-	170	8	-	-	42,672
2023-2027	16,707	23,361	-	-	-	-	170	3	-	-	40,240
2028-2032	18,990	17,138	-	-	-	-	34	-	-	-	36,162
2033-2037	20,605	12,117	-	-	-	-	-	-	-	-	32,722
2038-2042	26,795	5,924	-	-	-	-	-	-	-	-	32,719
2043	6,260	321	-	-	-	-	-	-	-	-	6,581
<b>Total</b>	<b>\$ 131,273</b>	<b>\$ 150,886</b>	<b>\$ 3,085</b>	<b>\$ 218</b>	<b>\$ 2,116</b>	<b>\$ 369</b>	<b>\$ 1,521</b>	<b>\$ 40</b>	<b>\$ 545</b>	<b>\$ 28</b>	<b>\$ 290,080</b>

**LONG TERM DEBT - DISCRETELY PRESENTED COMPONENT UNIT**  
**BELLEVUE CONVENTION CENTER AUTHORITY**  
**For The Year Ended December 31, 2007**  
(in thousands)

Description	Interest Rate	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2007	Debt Issued in 2007	Debt Redemption in 2007	Debt Outstanding 12/31/2007
1991 Series B	5.9-7.20%	08/01/91	12/01/19	\$ 21,120	\$ 8,588	\$ -	\$ 618	\$ 7,970
1994 Refunding	5.60-6.60%	11/05/93	12/05/25	13,749	12,375	-	163	12,212
Total Revenue Bonds				<u>\$ 34,869</u>	<u>\$ 20,963</u>	<u>\$ -</u>	<u>\$ 781</u>	<u>\$ 20,182</u>
Add:								
Unamortized gain on advance refunding								47
TOTAL								<u>\$ 20,229</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.



## CHANGES IN LONG-TERM DEBT

(in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 129,951	\$ -	\$ (2,527)	\$ 127,424	\$ 2,624
Add: for issuance premium	1,009	-	(28)	981	-
Special assessment debt	2,641	-	(525)	2,116	495
Compensated absences	9,337	4,103	(2,801)	10,639	3,192
Estimated claims payable	6,171	10,126	(10,747)	5,550	3,126
Line of credit	26,118	-	(25,618)	500	-
Other post employment benefits	-	616	-	616	-
Other long-term debt	1,161	713	(853)	1,021	342
<b>Total</b>	<b>\$ 176,388</b>	<b>\$ 15,558</b>	<b>\$ (43,099)</b>	<b>\$ 148,847</b>	<b>\$ 9,779</b>
<b>Business Activities:</b>					
General obligation bonds	\$ 3,950	-	\$ (100)	\$ 3,850	\$ 250
Revenue bonds	4,215	-	(1,130)	3,085	980
Less deferred amounts:					
for issuance premiums	70	-	(18)	52	-
for refunding	(439)	-	115	(324)	-
Compensated absences	1,025	402	(308)	1,119	336
Other long-term debt	698	-	(156)	542	134
<b>Total</b>	<b>\$ 9,519</b>	<b>\$ 402</b>	<b>\$ (1,597)</b>	<b>\$ 8,324</b>	<b>\$ 1,699</b>
<b>Bellevue Convention Center Authority:</b>					
Revenue bonds	\$ 20,963	\$ -	\$ (781)	\$ 20,182	\$ 928
Add deferred amounts:					
for refunding	53	-	(6)	47	-
Compensated absences	79	38	(35)	82	33
<b>Total</b>	<b>\$ 21,095</b>	<b>\$ 38</b>	<b>\$ (822)</b>	<b>\$ 20,311</b>	<b>\$ 960</b>

(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****15. RELATED PARTY TRANSACTIONS**

The City acts as a conduit for hotel/motel taxes which are collected by the City and transmitted to the Bellevue Convention Center Authority for debt service (a component unit of the City). These taxes totaled \$5.1 million in 2007.

**NOTES TO THE FINANCIAL STATEMENTS**

**16. CONTINGENCIES AND LITIGATION**

As of December 31, 2007 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

### 17. 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, 2007, the weighted vote was as follows:

Bellevue	51.98%
Redmond	18.01%
Kirkland	17.85%
Mercer Island	6.53%
Issaquah	5.63%
Total	100.00%

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

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

Year	Service Fees
2003	\$ 291,868
2004	301,200
2005	301,871
2006	304,072
2007	308,765

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 \$739,288 as of December 31, 2007 are, upon dissolution, to be apportioned among the Principals, the City's share in 2007 of \$384,282 is deemed immaterial and thus is not reflected in the financial statements. Compiled financial statements for EPSCA can be obtained from EPSCA, c/o Alan Komenski, 16100 NE 8th Street, Bellevue, WA 98008.

#### **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 as follows:

<u>Year</u>	<u>Budget</u>	<u>Bellevue's Share</u>	<u>Percentage</u>
2003	\$ 44,858	\$ 15,232	33.96%
2004	64,658	20,851	32.25%
2005	65,615	21,357	32.55%
2006	67,615	21,357	31.59%
2007	65,615	21,357	32.55%

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

#### **ARCH - Housing Coalition:**

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

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

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

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

<u>Year</u>	<u>Budget</u>	<u>Bellevue's Share</u>	<u>Percentage</u>
2003	\$ 365,411	\$ 103,789	28.40%
2004	378,024	106,108	28.07%
2005	398,508	111,371	27.95%
2006	417,984	116,618	27.90%
2007	441,043	123,019	27.89%

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

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

**Water Storage & Pumping Facility:**

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

The City's share of the land, reservoir, and pumping facility is reported on the enterprise financial statements as property, plant, and equipment and has a net book value of \$1,584,187 (cost: \$2,635,041, net of accumulated depreciation of \$1,050,854) as of December 31, 2007. Total 2007 operating costs for the reservoir and pumping facility, excluding depreciation of \$65,876, were \$41,141, of which the City of Redmond reimbursed \$18,102.

**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 2007 were:

<b>Maintenance</b>	<b>Student Assistants</b>	<b>Facilities</b>
\$ 5,000	\$ 34,041	\$ -

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 2007 were \$1,374,053 of which \$700,767 was the City of Bellevue's share. Total expenditures for 2007 were \$468,692 of which \$239,033 was the City of Bellevue's share. The total increase in revenue for 2007 was \$955,616 of which \$487,364 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 2007 membership dues totaling \$1,139,258, of which Bellevue's share was \$434,521. Bellevue also paid the Alliance \$2,974,334 in 2007 for Regional Capital Facilities Charges for new residential hookups to the water distribution system.

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

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



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

### **Washington City and County Pipeline Safety Consortium**

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

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

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

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

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

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

### **E-Gov Alliance**

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

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

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

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 2007 were \$549,015. Revenues consist of annual membership fees from the member jurisdictions of the E-Gov Alliance and are as follows.

Seattle(enterprise)	\$	25,000	30.7%
City of Burien		18,000	22.1%
Snohomish County (Paine Field)		7,500	9.2%
Snohomish County Planning & Dev.		7,500	9.2%
City of Redmond		4,700	5.8%
City of Everett		4,500	5.5%
Snohomish County EDC		4,000	4.9%
City of Gig Harbor		2,250	2.8%
City of Mountlake Terrace		2,000	2.5%
City of Mukilteo		2,000	2.5%
City of Tukwila		1,500	1.8%
Shoreline Fire Department		1,500	1.8%
City of Snohomish		1,000	1.2%
Total	\$	81,450	100%

**NOTES TO THE FINANCIAL STATEMENTS**

**18. SUBSEQUENT EVENTS**

1. The City issued \$14.2 million in Limited Tax General Obligation bonds in January 2008 to cover a portion of Capital Improvement Program costs, including street and sidewalk improvements.
2. In December 2007 the region experienced significant flooding. The City suffered damage estimated at \$825,000, of which the majority of repairs and recovery is expected to take place in 2008. Damage included, but is not limited to, parks facilities and street culvert erosion, flooding at a couple of pump stations, and roof leakage.



## **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, 2003	\$ 5,934	\$ 6,309	\$ 375	\$ 94	\$ 152	246.62%
January 1, 2004	5,921	5,693	(229)	104	156	(146.53)%
January 1, 2005	5,974	5,693	(281)	105	76	(370.83)%
January 1, 2006	6,084	5,508	(576)	110	78	(742.38)%
January 1, 2007	6,332	5,508	(824)	115	82	(1002.18)%
January 1, 2008	6,603	5,900	(703)	112	85	(823.70)%

Other Post Employment Benefits (OPEB)  
(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, 2007	\$ -	\$ 30,100	\$ 30,100	\$ -	\$ 2,336	(1288.62)%

**Schedule of Contributions from the Employer and Other Contributing Entities**  
**Firemen's Pension Fund**  
(in thousands)

<b>Year Ended 12/31</b>	<b>Fire Insurance Premium Taxes</b>	<b>Interest Earned on Net Fund Balance</b>	<b>Annual Required Contribution*</b>	<b>Percentage Contributed</b>
2002	\$ 92,883	\$ 117,805	\$ 34,205	3.00%
2003	108,751	114,301	34,205	3.00%
2004	127,118	102,687	-	N/A
2005	129,780	193,446	-	N/A
2006	147,488	268,200	-	N/A
2007	159,000	321,735	-	N/A

**Schedule of Modified Approach for Reporting Infrastructure Assets  
For the Fiscal Year Ended December 31, 2007**  
(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 expectable 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>2007</u>	<u>2006</u>	<u>2005</u>
Arterial:			
Percent above satisfactory	94%	88%	88%
Overall performance rating:	83	83	82
Residential:			
Percent above satisfactory	99%	96%	96%
Overall performance rating:	83	80	80

**COMPARISON OF NEEDED-TO-ACTUAL EXPENDITURES**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Arterial:					
Needed:	\$ 3,616	\$ 3,346	\$ 4,279	\$ 1,582	\$ 1,468
Actual:	\$ 3,317	\$ 1,876	\$ 3,599	\$ 1,397	\$ 1,536
Residential:					
Needed:	\$ 1,853	\$ 2,289	\$ -	\$ 2,519	\$ 2,526
Actual:	\$ 1,759	\$ 1,471	\$ -	\$ 2,223	\$ 2,643

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



# **Nonmajor Governmental Funds**



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

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

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

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

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

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

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

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

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

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

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

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

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

**Balance Sheet**  
**Nonmajor Governmental Funds**  
**As of December 31, 2007**  
(in thousands)

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	<u>Special Revenue</u>			
	<u>Park M &amp; O Reserve</u>	<u>Solid Waste Recycling</u>	<u>Rainy Day Reserve</u>	<u>Land Purchase Revolving</u>
<b>Assets:</b>				
Current assets:				
Cash & equity in pooled investments	\$ 2,703	\$ 1,000	\$ 4,372	\$ 2,549
Receivables (net of allowances):				
Taxes	-	-	-	-
Accounts	-	-	-	87
Interest	4	1	-	3
Due from other funds	-	-	-	-
Notes/contracts receivable - noncurrent portion	-	-	-	-
<b>Total assets</b>	<u>2,707</u>	<u>1,001</u>	<u>4,372</u>	<u>2,639</u>
<b>Liabilities:</b>				
Accounts payable	-	83	-	26
Due to other funds	-	72	-	4
Due to Component Unit	-	-	-	-
Due to other governments	-	-	-	16
Accrued payroll	-	10	-	-
Deposits payable	-	-	-	3
Deferred revenues	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>165</u>	<u>-</u>	<u>49</u>
<b>Fund balance:</b>				
Reserved for:				
Debt Service	-	-	-	-
Unreserved, reported in:				
Special Revenue	2,706	837	4,372	2,590
Capital Projects	-	-	-	-
<b>Total fund balance</b>	<u>2,706</u>	<u>837</u>	<u>4,372</u>	<u>2,590</u>
<b>Total liabilities and fund balance</b>	<u>\$ 2,706</u>	<u>\$ 1,002</u>	<u>\$ 4,372</u>	<u>\$ 2,639</u>

**Balance Sheet**  
**Nonmajor Governmental Funds**  
**As of December 31, 2007**  
(in thousands)

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	<u>Special Revenue</u>			
	<u>Cable/ Franchise</u>	<u>Hotel/Motel Tax</u>	<u>Park Fees</u>	<u>Total</u>
<b>Assets:</b>				
Current assets:				
Cash & equity in pooled investments	\$ 59	\$ 3,700	\$ 1,074	\$ 15,457
Receivables (net of allowances):				
Taxes	387	-	-	387
Accounts	-	-	129	216
Interest	2	3	1	14
Due from other funds	-	-	93	93
Notes/contracts receivable - noncurrent portion	-	-	-	-
Total assets	<u>448</u>	<u>3,703</u>	<u>1,297</u>	<u>16,167</u>
<b>Liabilities:</b>				
Accounts payable	1	-	111	221
Due to other funds	-	-	159	235
Due to Component Unit	-	756	-	756
Due to other governments	-	-	18	34
Accrued payroll	10	-	72	92
Deposits payable	25	-	50	78
Deferred revenues	-	-	289	289
Total liabilities	<u>36</u>	<u>756</u>	<u>699</u>	<u>1,705</u>
<b>Fund balance:</b>				
Reserved for:				
Debt Service	-	-	-	-
Unreserved, reported in:				
Special Revenue	412	2,946	598	14,461
Capital Projects	-	-	-	-
Total fund balance	<u>412</u>	<u>2,946</u>	<u>598</u>	<u>14,461</u>
Total liabilities and fund balance	<u>\$ 448</u>	<u>\$ 3,702</u>	<u>\$ 1,297</u>	<u>\$ 16,166</u>

**Balance Sheet**  
**Nonmajor Governmental Funds**  
**As of December 31, 2007**  
(in thousands)

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	<b>Debt Service</b>		
	<b>I &amp; D Redemption- Special</b>	<b>LID Guaranty</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash & equity in pooled investments	\$ 1,481	\$ 425	\$ 1,906
Receivables (net of allowances):			
Taxes	6	-	6
Accounts	-	-	-
Interest	2	-	2
Due from other funds	-	-	-
Notes/contracts receivable - noncurrent portion	-	84	84
<b>Total assets</b>	<b>1,489</b>	<b>509</b>	<b>1,998</b>
<b>Liabilities:</b>			
Accounts payable	-	-	-
Due to other funds	-	1	1
Due to Component Unit	-	-	-
Due to other governments	-	-	-
Accrued payroll	-	-	-
Deposits payable	-	-	-
Deferred revenues	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Fund balance:</b>			
Reserved for:			
Debt Service	1,490	508	1,998
Unreserved, reported in:			
Special Revenue	-	-	-
Capital Projects	-	-	-
<b>Total fund balance</b>	<b>1,490</b>	<b>508</b>	<b>1,998</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,490</b>	<b>\$ 509</b>	<b>\$ 1,999</b>

**Balance Sheet**  
**Nonmajor Governmental Funds**  
**As of December 31, 2007**  
(in thousands)

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	<u>Capital Projects</u>		<b>Total Nonmajor Governmental Funds</b>
	<b>2004 City Hall Bond Fund</b>	<b>Total</b>	
<b>Assets:</b>			
Current assets:			
Cash & equity in pooled investments	\$ -	\$ -	\$ 17,363
Receivables (net of allowances):			
Taxes	-	-	393
Accounts	-	-	216
Interest	-	-	16
Due from other funds	-	-	93
Notes/contracts receivable - noncurrent portion	-	-	84
<b>Total assets</b>	<u>-</u>	<u>-</u>	<u>18,165</u>
<b>Liabilities:</b>			
Accounts payable	-	-	221
Due to other funds	17	17	253
Due to Component Unit	-	-	756
Due to other governments	-	-	34
Accrued payroll	-	-	92
Deposits payable	-	-	78
Deferred revenues	-	-	289
<b>Total liabilities</b>	<u>17</u>	<u>17</u>	<u>1,723</u>
<b>Fund balance:</b>			
Reserved for:			
Debt Service	-	-	1,998
Unreserved, reported in:			
Special Revenue	-	-	14,461
Capital Projects	(17)	(17)	(17)
<b>Total fund balance</b>	<u>(17)</u>	<u>(17)</u>	<u>16,442</u>
<b>Total liabilities and fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,165</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Twelve Months Ending December 31, 2007**  
(in thousands)

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	<u>Special Revenue</u>			
	<u>Park M &amp; O Reserve</u>	<u>Solid Waste Recycling</u>	<u>Rainy Day Reserve</u>	<u>Land Purchase Revolving</u>
Revenues:				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ 23
Service charges and fees	-	1,041	-	-
Interest and assessment interest/penalties	133	61	-	168
Net change in fair value of investments	1	-	-	1
Rent	-	-	-	296
Other	-	-	-	55
Total revenues	<u>134</u>	<u>1,102</u>	<u>-</u>	<u>543</u>
Expenditures:				
Current:				
General government	-	-	-	286
Physical environment	-	1,422	-	-
Transportation	-	-	-	19
Economic environment	-	-	-	-
Culture and recreation	-	-	-	86
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>1,422</u>	<u>-</u>	<u>391</u>
Excess (deficiency) of revenues over (under) expenditures	134	(320)	-	152
Other financing sources (uses):				
Transfers in	-	240	-	-
Transfers out	(104)	-	-	(1,175)
Total other financing sources and uses	<u>(104)</u>	<u>240</u>	<u>-</u>	<u>(1,175)</u>
Net change in fund balance	30	(80)	-	(1,023)
Fund balance at beginning of year	2,676	916	4,372	3,615
Fund balance at end of year	<u>\$ 2,706</u>	<u>\$ 836</u>	<u>\$ 4,372</u>	<u>\$ 2,592</u>



**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Twelve Months Ending December 31, 2007**  
(in thousands)

Page 2 of 4

	<u>Special Revenue</u>			
	<u>Cable/ Franchise</u>	<u>Hotel/Motel Tax</u>	<u>Park Fees</u>	<u>Total</u>
Revenues:				
Taxes and special assessments	\$ 1,528	\$ 6,647	\$ -	\$ 8,198
Service charges and fees	-	-	3,349	4,390
Interest and assessment interest/penalties	46	181	43	632
Net change in fair value of investments	-	1	-	3
Rent	-	-	1,499	1,795
Other	11	-	2	68
Total revenues	<u>1,585</u>	<u>6,829</u>	<u>4,893</u>	<u>15,086</u>
Expenditures:				
Current:				
General government	-	5,681	-	5,967
Physical environment	-	-	-	1,422
Transportation	194	-	-	213
Economic environment	466	-	-	466
Culture and recreation	-	-	4,979	5,065
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay:				
General government	-	250	-	250
Total expenditures	<u>660</u>	<u>5,931</u>	<u>4,979</u>	<u>13,383</u>
Excess (deficiency) of revenues over (under) expenditures	925	898	(86)	1,703
Other financing sources (uses):				
Transfers in	-	-	867	1,107
Transfers out	(1,198)	(1,463)	(17)	(3,957)
Total other financing sources and uses	<u>(1,198)</u>	<u>(1,463)</u>	<u>850</u>	<u>(2,850)</u>
Net change in fund balance	(273)	(565)	764	(1,147)
Fund balance at beginning of year	685	3,511	(168)	15,607
Fund balance at end of year	<u>\$ 412</u>	<u>\$ 2,946</u>	<u>\$ 596</u>	<u>\$ 14,460</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Twelve Months Ending December 31, 2007**  
(in thousands)

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	<u>Debt Service</u>		
	<u>I &amp; D Redemption - Special</u>	<u>LID Guaranty</u>	<u>Total</u>
Revenues:			
Taxes and special assessments	\$ 1,392	\$ 6	\$ 1,398
Service charges and fees	-	-	-
Interest and assessment interest/penalties	35	22	57
Net change in fair value of investments	-	-	-
Rent	-	-	-
Other	-	-	-
Total revenues	<u>1,427</u>	<u>28</u>	<u>1,455</u>
Expenditures:			
Current:			
General government	-	-	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	1,340	-	1,340
Interest and fiscal charges	90	-	90
Capital outlay:			
General government	-	-	-
Total expenditures	<u>1,430</u>	<u>-</u>	<u>1,430</u>
Excess (deficiency) of revenues over (under) expenditures	(3)	28	25
Other financing sources (uses):			
Transfers in	-	338	338
Transfers out	-	(1,655)	(1,655)
Total other financing sources and uses	<u>-</u>	<u>(1,317)</u>	<u>(1,317)</u>
Net change in fund balance	(3)	(1,289)	(1,292)
Fund balance at beginning of year	1,493	1,797	3,290
Fund balance at end of year	<u>\$ 1,490</u>	<u>\$ 508</u>	<u>\$ 1,998</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Twelve Months Ending December 31, 2007**  
(in thousands)

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	<u>Capital Projects</u>		<b>Total Nonmajor Governmental Funds</b>
	<b>2004 City Hall Bond Fund</b>	<b>Total</b>	
<b>Revenues:</b>			
Taxes and special assessments	\$ -	\$ -	\$ 9,596
Service charges and fees	-	-	4,390
Interest and assessment interest/penalties	1	1	690
Net change in fair value of investments	-	-	3
Rent	-	-	1,795
Other	-	-	68
<b>Total revenues</b>	<u>1</u>	<u>1</u>	<u>16,542</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	-	-	5,967
Physical environment	-	-	1,422
Transportation	-	-	213
Economic environment	-	-	466
Culture and recreation	-	-	5,065
<b>Debt service:</b>			
Principal	-	-	1,340
Interest and fiscal charges	12	12	102
<b>Capital outlay:</b>			
General government	-	-	250
<b>Total expenditures</b>	<u>12</u>	<u>12</u>	<u>14,825</u>
Excess (deficiency) of revenues over (under) expenditures	(11)	(11)	1,717
<b>Other financing sources (uses):</b>			
Transfers in	-	-	1,445
Transfers out	(20)	(20)	(5,632)
<b>Total other financing sources and uses</b>	<u>(20)</u>	<u>(20)</u>	<u>(4,187)</u>
<b>Net change in fund balance</b>	(31)	(31)	(2,470)
<b>Fund balance at beginning of year</b>	14	14	18,911
<b>Fund balance at end of year</b>	<u>\$ (17)</u>	<u>\$ (17)</u>	<u>\$ 16,441</u>

**Parks M&O Reserve**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the fiscal year ended December 31, 2007**  
(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	\$ 104	\$ 104	\$ 143	\$ (39)
Total revenues	<u>104</u>	<u>104</u>	<u>143</u>	<u>(39)</u>
 Excess (deficiency) of revenues over (under) expenditures	 104	 104	 143	 (39)
Other financing sources(uses)				
Transfers out	(104)	(104)	(104)	-
Total other financing sources(uses)	<u>(104)</u>	<u>(104)</u>	<u>(104)</u>	<u>-</u>
 Net change in fund balance	 -	 -	 39	 (39)
 Fund balance beginning of year	 2,653	 2,653	 2,659	 (7)
Fund balance end of year	<u>\$ 2,653</u>	<u>\$ 2,653</u>	<u>\$ 2,698</u>	<u>\$ (46)</u>

**Solid Waste Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the fiscal year ended December 31, 2007**  
(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	\$ 1,037	\$ 1,037	\$ 1,113	\$ (76)
Interest and assessment interest	24	24	65	(41)
Total revenues	<u>1,061</u>	<u>1,061</u>	<u>1,178</u>	<u>(117)</u>
Expenditures				
Current:				
Physical environment	<u>1,444</u>	<u>1,462</u>	<u>1,367</u>	<u>94</u>
Total expenditures	<u>1,444</u>	<u>1,462</u>	<u>1,367</u>	<u>94</u>
Excess (deficiency) of revenues over (under) expenditures	(384)	(401)	(190)	(211)
Other financing sources(uses)				
Transfers in	<u>218</u>	<u>218</u>	<u>240</u>	<u>(22)</u>
Total other financing sources(uses)	<u>218</u>	<u>218</u>	<u>240</u>	<u>(22)</u>
Net change in fund balance	(166)	(183)	50	(233)
Fund balance beginning of year	<u>737</u>	<u>737</u>	<u>969</u>	<u>(232)</u>
Fund balance end of year	<u>\$ 571</u>	<u>\$ 554</u>	<u>\$ 1,019</u>	<u>\$ (465)</u>

**Rainy Day Reserve**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the fiscal year ended December 31, 2007**  
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Fund balance beginning of year	4,372	4,372	4,372	-
Fund balance end of year	<u>\$ 4,372</u>	<u>\$ 4,372</u>	<u>\$ 4,372</u>	<u>\$ -</u>

**Land Purchase Revolving**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the fiscal year ended December 31, 2007**  
(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	\$ -	\$ -	\$ 23	\$ (23)
Interest and assessment interest	53	53	183	(130)
Rent	259	259	257	2
Other	-	-	55	(55)
Total revenues	<u>312</u>	<u>312</u>	<u>518</u>	<u>(206)</u>
Expenditures				
Current:				
General government	225	225	406	(181)
Transportation	1	1	17	(16)
Culture and recreation	62	62	77	(15)
Capital outlay:				
General government	-	-	13	(13)
Transportation	1	1	2	(1)
Total expenditures	<u>289</u>	<u>289</u>	<u>515</u>	<u>(226)</u>
Excess (deficiency) of revenues over (under) expenditures	23	23	3	20
Other financing sources(uses)				
Transfers out	(1,175)	(1,175)	(1,175)	-
Sale of capital assets	125	125	-	125
Total other financing sources(uses)	<u>(1,050)</u>	<u>(1,050)</u>	<u>(1,175)</u>	<u>125</u>
Net change in fund balance	(1,027)	(1,027)	(1,172)	145
Fund balance beginning of year	3,582	3,582	3,676	(94)
Fund balance end of year	<u>\$ 2,555</u>	<u>\$ 2,555</u>	<u>\$ 2,505</u>	<u>\$ 51</u>

**Franchise Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the fiscal year ended December 31, 2007**  
(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	\$ 1,410	\$ 1,758	\$ 1,853	\$ (95)
Licenses and permits	5	5	-	5
Interest and assessment interest	8	8	44	(37)
Net change in fair value of in	-	-	-	-
Other	-	-	11	(11)
Total revenues	<u>1,423</u>	<u>1,771</u>	<u>1,908</u>	<u>(137)</u>
Expenditures				
Current:				
Transportation	227	227	193	33
Economic environment	449	449	465	(16)
Capital outlay:				
Economic environment	-	-	5	(5)
Total expenditures	<u>676</u>	<u>676</u>	<u>664</u>	<u>12</u>
Excess (deficiency) of revenues over (under) expenditures	747	1,095	1,244	(149)
Other financing sources(uses)				
Transfers out	(850)	(1,198)	(1,198)	-
Total other financing sources(uses)	<u>(850)</u>	<u>(1,198)</u>	<u>(1,198)</u>	<u>-</u>
Net change in fund balance	(103)	(103)	46	(149)
Fund balance beginning of year	103	103	(25)	128
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ (21)</u>



**Hotel/Motel Taxes**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the fiscal year ended December 31, 2007**  
(in Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Taxes and special assessments	\$ 6,329	\$ 6,329	\$ 6,647	\$ (318)
Interest and assessment interest	175	175	209	(34)
Total revenues	<u>6,504</u>	<u>6,504</u>	<u>6,857</u>	<u>(352)</u>
Expenditures				
Current:				
General government	-	-	6,833	(6,833)
Total expenditures	<u>-</u>	<u>-</u>	<u>6,833</u>	<u>(6,833)</u>
Excess (deficiency) of revenues over (under) expenditures	6,504	6,504	23	6,481
Other financing sources(uses)				
Transfers out	<u>(1,463)</u>	<u>(1,463)</u>	<u>(1,463)</u>	<u>-</u>
Total other financing sources(uses)	<u>(1,463)</u>	<u>(1,463)</u>	<u>(1,463)</u>	<u>-</u>
Net change in fund balance	5,042	5,042	(1,440)	6,481
Fund balance beginning of year	<u>3,507</u>	<u>3,507</u>	<u>5,137</u>	<u>(1,630)</u>
Fund balance end of year	<u>\$ 8,549</u>	<u>\$ 8,549</u>	<u>\$ 3,698</u>	<u>\$ 4,851</u>

**Parks Enterprise Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the fiscal year ended December 31, 2007**  
(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	\$ -	\$ -	\$ -	\$ -
Service charges and fees	\$ 2,670	\$ 2,670	\$ 3,365	\$ (695)
Interest and assessment interest	23	23	45	(22)
Rent	2,126	2,126	1,556	570
Other	13	13	2	11
Total revenues	<u>4,832</u>	<u>4,832</u>	<u>4,968</u>	<u>(136)</u>
Expenditures				
Current:				
Culture and recreation	<u>4,733</u>	<u>4,739</u>	<u>4,926</u>	<u>(186)</u>
Total expenditures	<u>4,733</u>	<u>4,739</u>	<u>4,926</u>	<u>(186)</u>
Excess (deficiency) of revenues over (under) expenditures	99	93	42	50
Other financing sources(uses)				
Transfers in	201	201	201	-
Transfers out	<u>(200)</u>	<u>(200)</u>	<u>(17)</u>	<u>(183)</u>
Total other financing sources(uses)	<u>1</u>	<u>1</u>	<u>184</u>	<u>(183)</u>
Net change in fund balance	100	94	227	(133)
Fund balance beginning of year	454	454	524	(70)
Fund balance end of year	<u>\$ 554</u>	<u>\$ 548</u>	<u>\$ 751</u>	<u>\$ (203)</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, 2007**  
(in thousands)

Page 1 of 2

	<u>Equipment Rental</u>	<u>Workers' Compensation</u>	<u>Unemployment Compensation</u>	<u>General Self- Insurance</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash & equity in pooled investments	\$ 22,294	\$ 1,433	\$ 234	\$ 5,870
Receivables (net of allowances):				
Accounts	-	-	-	-
Assessments				
Interest	31	2	-	8
Other	6	-	-	-
Due from other funds	98	-	-	-
Inventory	379	-	-	-
<b>Capital assets:</b>				
Property, plant and equipment (net)	17,688	-	-	-
<b>Total assets</b>	<u>40,496</u>	<u>1,435</u>	<u>234</u>	<u>5,878</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	197	44	-	41
Estimated claims	-	837	23	1,002
Due to other funds	-	-	-	-
Due to other governments	2	20	23	-
Accrued payroll	83	-	-	22
Accrued compensated absences	48	-	-	15
<b>Noncurrent liabilities:</b>				
Customer deposits	-	-	-	-
Accrued compensated absences	110	-	-	35
Estimated claims	-	475	-	1,938
<b>Total liabilities</b>	<u>440</u>	<u>1,376</u>	<u>46</u>	<u>3,053</u>
<b>Net assets:</b>				
Unrestricted (deficit)	40,056	59	188	2,825
<b>Total net assets</b>	<u>\$ 40,056</u>	<u>\$ 59</u>	<u>\$ 188</u>	<u>\$ 2,825</u>

**Combining Statement of Net Assets**  
**Internal Service Funds**  
**As of December 31, 2007**  
(in thousands)

Page 2 of 2

	<u>Health Benefits</u>	<u>Information Technology</u>	<u>Facility Services</u>	<u>Total</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash & equity in pooled investments	\$ 6,674	\$ 5,937	\$ 978	\$ 43,420
Receivables (net of allowances):				
Accounts	-	98	-	98
Assessments				
Interest	10	9	1	61
Other	-	-	-	6
Due from other funds	-	-	-	98
Inventory	-	-	-	379
Capital assets:				
Property, plant and equipment (net)	-	2,091	1,748	21,526
<b>Total assets</b>	<u>6,684</u>	<u>8,135</u>	<u>2,727</u>	<u>65,588</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	199	185	187	853
Estimated claims	1,264	-	-	3,126
Due to other funds	-	-	12	12
Due to other governments	-	6	-	51
Accrued payroll	-	243	64	412
Accrued compensated absences	-	173	55	291
<b>Noncurrent liabilities:</b>				
Customer deposits	-	52	-	52
Accrued compensated absences	-	404	128	677
Estimated claims	10	-	-	2,423
<b>Total liabilities</b>	<u>1,473</u>	<u>1,063</u>	<u>446</u>	<u>7,897</u>
<b>Net assets:</b>				
Unrestricted (deficit)	5,211	7,072	2,281	57,691
<b>Total net assets</b>	<u>\$ 5,211</u>	<u>\$ 7,072</u>	<u>\$ 2,281</u>	<u>\$ 57,691</u>

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**

**For the Twelve Months Ending December 31, 2007**

(in thousands)

Page 1 of 2

	<b>Equipment Rental</b>	<b>Workers' Compensation</b>	<b>Unemployment Compensation</b>	<b>General Self- Insurance</b>
Operating revenues:				
Service charges and fees	\$ 8,370	\$ -	\$ -	\$ -
Insurance recovery	-	-	-	115
Premiums/contributions	-	1,270	136	2,183
Other	183	-	-	-
Total operating revenues	<u>8,553</u>	<u>1,270</u>	<u>136</u>	<u>2,298</u>
Operating expenses:				
Administrative and general	903	205	-	1,375
Maintenance and operations	4,329	663	109	842
Depreciation	2,749	-	-	-
Insurance costs	-	-	-	-
Benefits and claims payments	-	402	-	(1,206)
Total operating expenses	<u>7,981</u>	<u>1,270</u>	<u>109</u>	<u>1,011</u>
Operating income	572	-	27	1,287
Nonoperating revenues (expenses):				
Interest income	1,019	64	14	277
Net change in fair value of investments	6	-	-	2
Rental income	-	-	-	-
Gain on disposal of capital assets	130	-	-	-
Other nonoperating revenues	-	-	-	-
Total nonoperating revenue (expenses)	<u>1,155</u>	<u>64</u>	<u>14</u>	<u>279</u>
Income before contributions and transfers	1,727	64	41	1,566
Contributions and transfers:				
Transfers in	158	175	-	155
Transfers out	(634)	(149)	(181)	(8)
Capital contributed from external sources	108	-	-	-
Total contributions and transfers	<u>(368)</u>	<u>26</u>	<u>(181)</u>	<u>147</u>
Change in net assets	1,359	90	(140)	1,713
Net assets beginning of year	38,695	(31)	328	1,111
Net assets end of year	<u>\$ 40,054</u>	<u>\$ 59</u>	<u>\$ 188</u>	<u>\$ 2,824</u>



**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**

**For the Twelve Months Ending December 31, 2007**

(in thousands)

Page 2 of 2

	<b>Health Benefits</b>	<b>Information Technology</b>	<b>Facility Services</b>	<b>Total</b>
Operating revenues:				
Service charges and fees	\$ -	\$ 10,925	\$ 5,620	\$ 24,915
Insurance recovery	1,737	-	-	1,852
Premiums/contributions	13,205	-	-	16,794
Other	21	2	-	206
Total operating revenues	<u>14,963</u>	<u>10,927</u>	<u>5,620</u>	<u>43,767</u>
Operating expenses:				
Administrative and general	1,789	2,023	2,344	8,639
Maintenance and operations	-	9,002	3,266	18,211
Depreciation	-	741	83	3,573
Insurance costs	2,287	-	-	2,287
Benefits and claims payments	9,959	-	-	9,155
Total operating expenses	<u>14,035</u>	<u>11,766</u>	<u>5,693</u>	<u>41,865</u>
Operating income	928	(839)	(73)	1,902
Nonoperating revenues (expenses):				
Interest income	303	249	73	1,999
Net change in fair value of investments	2	1	1	12
Rental income	-	-	30	30
Gain on disposal of capital assets	-	-	-	130
Other nonoperating revenues	-	8	-	8
Total nonoperating revenue (expenses)	<u>305</u>	<u>258</u>	<u>104</u>	<u>2,179</u>
Income before contributions and transfers	1,233	(581)	31	4,081
Contributions and transfers:				
Transfers in	-	663	66	1,217
Transfers out	(10)	(12)	(1,500)	(2,494)
Capital contributed from external sources	-	-	-	108
Total contributions and transfers	<u>(10)</u>	<u>651</u>	<u>(1,434)</u>	<u>(1,169)</u>
Change in net assets	1,223	70	(1,403)	2,912
Net assets beginning of year	3,989	7,001	3,685	54,778
Net assets end of year	<u>\$ 5,212</u>	<u>\$ 7,071</u>	<u>\$ 2,282</u>	<u>\$ 57,690</u>

**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the fiscal year ended December 31, 2007**  
(in thousands)

Page 1 of 4

	<u>Equipment Rental</u>	<u>Worker's Compensation</u>	<u>Unemployment Compensation</u>	<u>General Self-Insurance</u>
<b>Cash flows from operating activities:</b>				
Cash received from customers and users	\$ 8,406	\$ -	\$ -	\$ -
Contributions received - employer/employees	-	1,270	136	2,183
Cash received from insurance proceeds	-	-	-	115
Cash payments to suppliers for goods and services	(3,245)	(242)	-	(1,737)
Cash payments to employees for services	(1,902)	(645)	(109)	(478)
Cash payments to claimants	-	-	-	-
Cash received from contracts/rent	-	-	-	-
Cash payments for insurance	-	-	-	-
Other receipts	185	-	-	-
Net cash provided (used) by operating activities	<u>3,445</u>	<u>383</u>	<u>27</u>	<u>82</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	158	175	-	155
Transfers out	(634)	(149)	(181)	(8)
Net cash provided (used) by noncapital financing activities:	<u>(476)</u>	<u>26</u>	<u>(181)</u>	<u>147</u>
<b>Cash flows from capital &amp; related financing activities:</b>				
Acquisition and construction of capital assets	(3,470)	-	-	-
Proceeds from sale of assets	167	-	-	-
Contributed capital in aid of capital acquisitions financing activities	108	-	-	-
	<u>(3,195)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	1,098	66	15	299
Net cash provided (used) by investing activities	<u>1,098</u>	<u>66</u>	<u>15</u>	<u>299</u>
Net increase (decrease) in cash balance	872	476	(139)	528
Cash balance at beginning of year	21,422	957	373	5,342
Cash balance at end of year	<u>\$ 22,293</u>	<u>\$ 1,433</u>	<u>\$ 234</u>	<u>\$ 5,870</u>

**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the fiscal year ended December 31, 2007**  
(in thousands)

Page 2 of 4

	<b>Health Benefits</b>	<b>Information Technology</b>	<b>Facilities Services</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers and users	\$ -	\$ 10,925	\$ 5,620	\$ 24,951
Contributions received - employer/employees	13,205	-	-	16,795
Cash received from insurance proceeds	1,737	-	-	1,851
Cash payments to suppliers for goods and services	(1,783)	(4,699)	(3,899)	(15,604)
Cash payments to employees for services	(6)	(6,101)	(1,697)	(10,938)
Cash payments to claimants	(9,635)	-	-	(9,635)
Cash received from contracts/rent	-	-	30	30
Cash payments for insurance	(2,287)	-	-	(2,287)
Other receipts	21	(89)	-	117
Net cash provided (used) by operating activities	<u>1,251</u>	<u>36</u>	<u>55</u>	<u>5,280</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	-	663	66	1,217
Transfers out	(10)	(12)	(1,500)	(2,494)
Net cash provided (used) by noncapital financing activities:	<u>(10)</u>	<u>651</u>	<u>(1,434)</u>	<u>(1,277)</u>
<b>Cash flows from capital &amp; related financing activities:</b>				
Acquisition and construction of capital assets	-	(197)	-	(3,667)
Proceeds from sale of assets	-	-	-	167
Contributed capital in aid of capital acquisitions	-	-	-	108
financing activities	<u>-</u>	<u>(197)</u>	<u>-</u>	<u>(3,392)</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	317	266	85	2,146
Net cash provided (used) by investing activities	<u>317</u>	<u>266</u>	<u>85</u>	<u>2,146</u>
Net increase (decrease) in cash balance	1,559	757	(1,294)	2,757
Cash balance at beginning of year	5,115	5,181	2,272	40,662
Cash balance at end of year	<u>\$ 6,674</u>	<u>\$ 5,937</u>	<u>\$ 978</u>	<u>\$ 43,420</u>

**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the fiscal year ended December 31, 2007**  
(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)	\$ 572	\$ -	\$ 27	\$ 1,287
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	2,749	-	-	-
Other receipts	2	-	-	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	-	-
(Increase) decrease in due from other funds	37	-	-	-
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in inventory	32	-	-	-
Increase (decrease) in accounts payable	36	(1)	-	(1)
Increase (decrease) in wages & benefits payable	(7)	-	-	-
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in due to other governments	-	(18)	-	-
Increase (decrease) in compensated absences	24	-	-	2
Increase (decrease) in customer deposits	-	-	-	-
Increase (decrease) in estimated claims payable	-	402	-	(1,206)
Total adjustments	<u>2,872</u>	<u>383</u>	<u>-</u>	<u>(1,205)</u>
Net cash provided (used) by operating activities	<u>\$ 3,444</u>	<u>\$ 383</u>	<u>\$ 27</u>	<u>\$ 82</u>

During 2007, the City's other funds contributed equipment costing \$108 thousand to the Equipment Rental Fund. King County contributed equipment costing \$8 thousand to the Equipment Rental Fund.

On December 31, 2007, the city recognized a gain as a result of the change in fair value of US Government Securities with a maturity of more than one year. The gain recognized by the Internal Service Funds of \$12 is reflected on the financial statements as Net Change in Fair Value of Investments.

**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the fiscal year ended December 31, 2007**  
(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)	\$ 928	\$ (839)	\$ (73)	1,902
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	741	84	3,574
Other receipts	-	8	30	40
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	(98)	-	(98)
(Increase) decrease in due from other funds	-	-	-	37
(Increase) decrease in due from other governments	-	106	7	113
(Increase) decrease in inventory	-	-	-	32
Increase (decrease) in accounts payable	140	(70)	(12)	91
Increase (decrease) in wages & benefits payable	-	34	-	26
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in due to other governments	-	(28)	-	(47)
Increase (decrease) in compensated absences	-	132	19	176
Increase (decrease) in customer deposits	-	52	-	52
Increase (decrease) in estimated claims payable	183	-	-	(621)
Total adjustments	<u>323</u>	<u>875</u>	<u>128</u>	<u>3,376</u>
Net cash provided (used) by operating activities	<u>\$ 1,251</u>	<u>\$ 36</u>	<u>\$ 55</u>	<u>\$ 5,279</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:**

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

**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**  
**As of December 31, 2007**  
(in thousands)

Page 1 of 2

	<b>E-Government Alliance</b>	<b>Eastside NARC Task Force</b>	<b>Hazardous Materials</b>	<b>Pipeline Safety Consortium</b>
<b>Assets:</b>				
Cash & equity in pooled investments	\$ 230	\$ 1,834	\$ 335	\$ 5
Receivables (net of allowances):				
Interest	1	4	1	-
Due from other governments	39	-	5	-
Property, plant and equipment (net)	27	133	37	-
<b>Total assets</b>	<u>296</u>	<u>1,971</u>	<u>378</u>	<u>5</u>
<b>Liabilities:</b>				
Accounts payable	1	12	7	-
Due to other governments	295	1,733	371	5
Deposits payable	-	225	-	-
<b>Total liabilities</b>	<u>296</u>	<u>1,971</u>	<u>378</u>	<u>5</u>
<b>Total net assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**  
**As of December 31, 2007**  
(in thousands)

Page 2 of 2

	<b>ARCH Housing Coalition</b>	<b>Payroll Clearing</b>	<b>Claims Clearing</b>	<b>Total</b>
<b>Assets:</b>				
Cash & equity in pooled investments	\$ 323	\$ 218	\$ -	\$ 2,945
Receivables (net of allowances):				
Interest	1	-	-	6
Due from other governments	-	-	-	44
Property, plant and equipment (net)	-	-	-	197
<b>Total assets</b>	<u>324</u>	<u>218</u>	<u>-</u>	<u>3,192</u>
<b>Liabilities:</b>				
Accounts payable	3	13	-	36
Due to other governments	322	185	-	2,911
Deposits payable	-	20	-	245
<b>Total liabilities</b>	<u>324</u>	<u>218</u>	<u>-</u>	<u>3,192</u>
<b>Total net assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**All Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the fiscal year ended December 31, 2007**  
(in thousands)

Page 1 of 3

	<u>Balance</u> <u>1/1/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2007</u>
<b>E-Government Alliance</b>				
Assets:				
Cash & equity in pooled investments	\$ 300	\$ 502	\$ 572	\$ 230
Interest	2	2	3	1
Due from other governments	410	546	918	39
Property, plant and equipment (net)	28	-	2	26
<b>Total Assets</b>	<b>\$ 740</b>	<b>\$ 1,050</b>	<b>\$ 1,494</b>	<b>\$ 296</b>
Liabilities:				
Accounts payable	\$ 15	\$ 1	\$ 15	\$ 1
Due to other governments	725	83	513	295
<b>Total liabilities</b>	<b>\$ 740</b>	<b>\$ 84</b>	<b>\$ 528</b>	<b>\$ 296</b>
<b>Eastside NARC Task Force</b>				
Assets:				
Cash & equity in pooled investments	\$ 989	\$ 4,377	\$ 3,532	\$ 1,834
Interest	4	7	7	4
Due from other governments	1	-	1	-
Property, plant and equipment (net)	16	123	6	133
<b>Total Assets</b>	<b>\$ 1,010</b>	<b>\$ 4,508</b>	<b>\$ 3,546</b>	<b>\$ 1,971</b>
Liabilities:				
Accounts payable	\$ 7	\$ 12	\$ 7	\$ 12
Due to other governments	573	1,343	183	1,733
Deposits payable	430	1,071	1,275	225
<b>Total liabilities</b>	<b>\$ 1,010</b>	<b>\$ 2,426</b>	<b>\$ 1,465</b>	<b>\$ 1,971</b>
<b>Hazardous Materials</b>				
Assets:				
Cash & equity in pooled investments	\$ 273	\$ 863	\$ 801	\$ 335
Interest	2	1	2	1
Due from other governments	-	25	19	5
Property, plant and equipment (net)	43	-	6	37
<b>Total Assets</b>	<b>\$ 317</b>	<b>\$ 889</b>	<b>\$ 828</b>	<b>\$ 378</b>
Liabilities:				
Accounts payable	\$ 5	\$ 7	\$ 5	\$ 7
Due to other governments	313	83	25	371
<b>Total liabilities</b>	<b>\$ 317</b>	<b>\$ 91</b>	<b>\$ 30</b>	<b>\$ 378</b>

**All Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the fiscal year ended December 31, 2007**

(in thousands)

Page 2 of 3

	<u>Balance</u> <u>1/1/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2007</u>
<b>Pipeline Safety Consortium</b>				
Assets:				
Cash & equity in pooled investments	\$ 5	\$ -	\$ -	\$ 5
Interest	-	-	-	-
Due from other governments	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 5</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5</u></b>
Liabilities:				
Due to other governments	\$ 5	\$ -	\$ -	\$ 5
<b>Total liabilities</b>	<b><u>\$ 5</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5</u></b>
<b>ARCH Housing Coalition</b>				
Assets:				
Cash & equity in pooled investments	\$ 239	\$ 2,891	\$ 2,807	\$ 323
Interest	2	2	3	1
Property, plant and equipment (net)	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 241</u></b>	<b><u>\$ 2,892</u></b>	<b><u>\$ 2,810</u></b>	<b><u>\$ 324</u></b>
Liabilities:				
Accounts payable	\$ 2	\$ 2	\$ 2	\$ 2
Due to other governments	239	267	182	324
<b>Total liabilities</b>	<b><u>\$ 241</u></b>	<b><u>\$ 267</u></b>	<b><u>\$ 182</u></b>	<b><u>\$ 324</u></b>
<b>Payroll Clearing</b>				
Assets:				
Cash & equity in pooled investments	\$ 316	\$ 98,214	\$ 98,312	\$ 218
<b>Total Assets</b>	<b><u>\$ 316</u></b>	<b><u>\$ 98,214</u></b>	<b><u>\$ 98,312</u></b>	<b><u>\$ 218</u></b>
Liabilities:				
Warrants payable	\$ 672	\$ 61,308	\$ 61,980	\$ -
Accounts payable	(563)	42,383	41,807	14
Due to other governments	187	119	121	185
Deposits payable	20	-	-	20
<b>Total liabilities</b>	<b><u>\$ 316</u></b>	<b><u>\$ 103,810</u></b>	<b><u>\$ 103,908</u></b>	<b><u>\$ 218</u></b>

**All Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the fiscal year ended December 31, 2007**  
(in thousands)

Page 3 of 3

	<u>Balance 1/1/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2007</u>
<b>Claims Clearing</b>				
Assets:				
Cash & equity in pooled investments	\$ 7,721	\$ 207,516	\$ 215,238	\$ -
Total Assets	<u>\$ 7,721</u>	<u>\$ 207,516</u>	<u>\$ 215,238</u>	<u>\$ -</u>
Liabilities:				
Warrants payable	7,734	\$ 153,498	\$ 161,232	\$ -
Accounts payable	(13)	210,686	210,673	-
Total liabilities	<u>\$ 7,721</u>	<u>\$ 364,184</u>	<u>\$ 371,905</u>	<u>\$ -</u>
<b>Total Agency Funds</b>				
Assets:				
Cash & equity in pooled investments	\$ 9,843	\$ 314,363	\$ 321,262	\$ 2,945
Interest	10	12	14	6
Due from other governments	411	571	938	44
Property, plant and equipment (net)	87	123	13	197
Total Assets	<u>\$ 10,350</u>	<u>\$ 315,069</u>	<u>\$ 322,227</u>	<u>\$ 3,192</u>
Liabilities:				
Warrants payable	\$ 8,406	\$ 214,806	\$ 223,212	\$ -
Accounts payable	(548)	253,092	252,508	36
Due to other governments	2,042	1,895	1,025	2,911
Deposits payable	450	1,071	1,275	245
Total liabilities	<u>\$ 10,350</u>	<u>\$ 470,863</u>	<u>\$ 478,019</u>	<u>\$ 3,192</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 <sup>(A)</sup>

Last Five Fiscal Years <sup>(B)</sup>

(dollars in thousands)

Year	Governmental activities				Business-type activities				Primary Government			
	Invested in capital assets, net of related debt	Restricted	Unrestricted	Total	Invested in capital assets, net of related debt	Restricted	Unrestricted	Total	Invested in capital assets, net of related debt	Restricted	Unrestricted	Total
2003	\$449,949	\$35,385	\$106,827	\$592,161	\$190,971	\$17,578	\$23,183	\$231,732	\$640,920	\$52,963	\$130,010	\$823,893
2004 <sup>(C)</sup>	1,331,493	87,154	111,635	1,530,282	196,128	20,865	27,482	244,475	1,527,621	108,019	139,117	1,774,757
2005	1,454,592	12,959	107,341	1,574,892	199,195	28,251	29,262	256,708	1,653,787	41,210	136,603	1,831,600
2006	1,477,820	4,193	135,917	1,617,930	202,227	45,917	32,264	280,408	1,680,047	50,110	168,181	1,898,338
2007	1,539,131	13,601	117,310	1,670,042	213,099	52,272	37,526	302,897	1,752,229	65,873	154,836	1,972,939

<sup>(A)</sup> All amounts are reported on the accrual basis

<sup>(B)</sup> Amounts presented from year of implementation of GASB-34 (2002) forward

<sup>(C)</sup> In 2004, the City began reporting historical infrastructure assets resulting in an increase to fund balance of 1,008,877.

CHANGES IN NET ASSETS <sup>(A)</sup>

Last Five Fiscal Years <sup>(B)</sup>

(dollars in thousands)

	2003	2004	2005	2006	2007
<b>Expenses</b>					
Governmental activities					
General Government	\$12,157	\$10,808	\$15,900	\$15,471	\$24,712
Judicial	404	509	430	378	-
Public Safety	57,673	59,979	64,269	68,781	73,617
Physical environment	1,454	1,589	1,852	1,564	2,200
Transportation	26,910	27,569	27,480	31,769	26,449
Economic environment	12,027	13,390	14,875	17,207	20,737
Health and human services	2,901	1,907	5,320	4,841	5,943
Culture and recreation	25,459	25,114	27,826	31,395	34,166
Interest on long-term debt	2,399	5,534	7,034	7,734	7,796
Total governmental activities	141,384	146,399	164,986	179,140	195,620
Business-type activities					
Water	\$21,856	\$23,194	\$25,928	\$26,604	\$29,206
Sewer	24,668	26,024	27,925	27,868	31,817
Storm drainage utility	7,730	8,920	8,327	8,717	9,179
Marina	446	310	406	314	443
Total business-type activities	54,700	58,448	62,586	63,503	70,645
Total primary government expenses	\$196,084	\$204,847	\$227,572	\$242,643	\$266,265
<b>Program Revenues</b>					
Governmental activities					
Charges for services					
General Government	\$2,015	\$2,412	\$794	\$968	\$1,333
Public Safety	13,492	12,155	14,118	12,031	15,682
Economic Environment	4,512	6,476	9,912	14,716	12,597
Transportation	2,386	1,745	812	2,937	1,993

Table 2  
Page 2 of 3

	2003	2004	2005	2006	2007
Culture and recreation	4,679	4,681	4,940	5,435	6,927
Other Activities	1,430	1,360	1,351	1,304	1,065
Operating grants and contributions	5,611	2,749	5,100	4,798	6,760
Capital grants and contributions	5,253	13,062	29,266	21,250	22,280
<b>Total governmental activities program revenues</b>	<b>39,378</b>	<b>44,640</b>	<b>66,293</b>	<b>63,439</b>	<b>68,637</b>
<b>Business-type activities</b>					
Charges for services					
Water	\$25,288	\$29,183	\$28,497	\$31,570	\$31,844
Sewer	26,604	26,595	30,085	33,267	35,493
Storm drainage utility	9,981	12,186	10,947	13,270	13,194
Marina	351	447	457	450	498
Operating grants and contributions	-	-	-	-	105
Capital grants and contributions	13,159	3,008	3,649	4,307	6,541
<b>Total business-type activities program revenues</b>	<b>75,383</b>	<b>71,419</b>	<b>73,635</b>	<b>82,864</b>	<b>87,675</b>
<b>Total primary government program revenues</b>	<b>\$114,761</b>	<b>\$116,059</b>	<b>\$141,933</b>	<b>\$146,303</b>	<b>\$156,312</b>
<b>Net (expense)/revenue</b>					
Governmental activities	(\$102,006)	(\$101,759)	(\$98,693)	(\$115,701)	(\$126,985)
Business-type activities:	20,683	12,971	11,049	19,361	17,028
<b>Total primary government net expense</b>	<b>(\$81,323)</b>	<b>(\$88,788)</b>	<b>(\$87,644)</b>	<b>(\$96,340)</b>	<b>(\$109,957)</b>
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental activities</b>					
Taxes					
Property tax	\$27,509	\$27,443	\$27,062	\$27,637	\$28,981
Retail sales and use tax	36,683	40,218	45,300	48,946	56,776
Utility tax	18,108	17,996	19,333	24,324	20,069
Business and occupation tax	19,626	22,798	24,322	31,528	30,387
Excise tax	7,461	10,300	13,620	12,933	27,254
Hotel/Motel Tax	3,848	3,916	4,299	5,839	6,647
Other tax	210	258	261	292	225
Payments from Component Unit/City	16	15	23	16	9
Grants and contributions - unrestricted	1,161	1,301	1,357	1,264	1,419

Table 2  
Page 3 of 3

	2003	2004	2005	2006	2007
Unrestricted investment interest	2,364	4,183	4,147	5,188	7,128
Gain (loss) in change of fair value of investments	(296)	(899)	285	556	38
Miscellaneous	473	443	1,201	328	125
Gain(loss) on sale of capital assets	16,455	160	1,418	57	144
Transfers	557	580	672	(170)	(51)
<b>Total governmental activities</b>	<b>134,175</b>	<b>128,712</b>	<b>143,300</b>	<b>158,738</b>	<b>179,151</b>
<b>Business-type activities</b>					
Unrestricted investment interest	\$746	\$565	\$1,211	\$2,578	\$3,795
Gain (loss) in change of fair value of investments	(99)	(215)	95	282	20
Miscellaneous	(2,301)	-	552	1,278	1,593
Gain on sale of capital assets	31	-	-	33	-
Transfers	(557)	(580)	(672)	170	51
<b>Total business-type activities</b>	<b>(2,180)</b>	<b>(230)</b>	<b>1,186</b>	<b>4,341</b>	<b>5,459</b>
<b>Total primary government</b>	<b>\$131,995</b>	<b>\$128,482</b>	<b>\$146,491</b>	<b>\$163,079</b>	<b>\$184,610</b>
<b>Change in Net Assets</b>					
Governmental activities	\$32,169	\$26,953	\$44,607	\$43,037	\$52,168
Business-type activities	18,503	12,741	12,235	23,702	22,489
<b>Total primary government</b>	<b>\$50,672</b>	<b>\$39,694</b>	<b>\$56,842</b>	<b>\$66,739</b>	<b>\$74,657</b>

(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)

<b>Fiscal Year</b>	<b>Total Taxes</b>	<b>General Property Taxes</b>	<b>General Sales Taxes</b>	<b>Utility Taxes</b>	<b>Business and Occupation Taxes</b>	<b>Excise Taxes</b>	<b>Other Taxes and Assessments (A)</b>	<b>Memo Only Hotel/Motel Tax (B)</b>
2003	\$109,597	\$27,509	\$36,683	\$18,108	\$19,626	\$7,461	\$210	\$3,848
2004	119,013	27,443	40,218	17,996	22,798	10,300	258	3,916
2005	129,898	27,062	45,300	19,333	24,322	13,620	261	4,299
2006	145,660	27,637	48,946	24,324	31,528	12,933	292	5,839
2007	163,692	28,981	56,776	20,069	30,387	27,254	225	6,647

<sup>(A)</sup> Includes miscellaneous tax revenues and special assessments.

<sup>(B)</sup> 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
1998	332	12,862	13,194	7,644	34,028	26,387	68,059
1999	332	13,650	13,982	8,150	39,181	37,203	84,534
2000	402	19,905	20,307	8,174	47,622	35,041	90,837
2001	335	15,181	15,516	6,352	62,228	32,785	101,365
2002	-	11,028	11,028	6,794	62,533	14,743	84,070
2003	-	13,428	13,428	27,887	38,289	26,342	92,518
2004	-	14,596	14,596	86,582	55,241	4,090	145,913
2005	-	17,173	17,173	12,274	52,401	1,549	66,224
2006	-	19,906	19,906	4,193	48,109	25,698	78,000
2007	-	25,603	25,603	2,777	47,536	10,834	61,147

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

**Table 5**  
Page 1 of 2

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (A)**

**Last Ten Fiscal Years**

(dollars in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Taxes and special assessments	\$99,551	\$108,514	\$116,709	\$110,638	\$112,190	\$115,469	\$123,958	\$134,369	\$149,428	\$177,113
Licenses and permits	6,437	6,743	7,303	5,843	4,678	2,969	4,470	4,439	7,140	5,198
Intergovernmental	22,338	20,462	21,788	21,951	22,270	24,689	23,266	28,213	32,439	34,946
Service charges and fees	12,377	22,385	22,057	25,830	12,565	15,501	18,677	19,715	24,819	26,101
Fines and forfeitures	1,561	1,728	1,232	995	709	656	545	329	174	532
Interest and assessment interest/penalties	4,869	5,475	6,444	5,552	3,471	1,515	3,488	3,113	3,500	5,135
Net change in fair value of investments	-	(609)	521	53	207	(206)	(684)	199	350	25
Rent	1,718	1,900	1,744	2,038	1,929	3,192	1,788	2,285	2,283	3,102
Judgements and settlements	40	68	-	-	1	150	18	534	4,766	1,431
Premiums/contributions	2,991	1,271	1,051	1,100	739	739	1,320	1,446	1,643	1,655
Other	605	442	1,813	216	702	586	325	1,202	394	295
<b>Total Revenues</b>	<b>152,487</b>	<b>168,379</b>	<b>180,662</b>	<b>174,216</b>	<b>159,461</b>	<b>165,260</b>	<b>177,171</b>	<b>195,844</b>	<b>226,936</b>	<b>255,533</b>
<b>Expenditures</b>										
General government	14,837	21,334	22,499	24,622	18,899	19,143	22,720	24,211	25,329	25,410
Public safety	41,262	45,700	47,208	51,433	53,512	57,333	58,221	61,294	65,701	71,042
Physical environment	1,840	1,307	1,493	1,535	1,749	1,157	1,068	1,436	1,555	2,198
Transportation	12,264	13,396	14,986	29,255	17,545	25,725	20,385	24,886	29,806	29,173
Economic environment	13,018	16,700	16,641	17,837	12,423	12,854	15,755	15,248	17,263	20,463
Health and human services	103	114	38	93	3,700	3,080	2,286	4,932	4,845	6,357

**Table 5**



Culture and recreation	12,907	13,880	14,785	24,678	20,068	24,992	24,700	24,729	28,319	30,924
Capital outlay	42,929	27,615	42,176	13,642	79,700	41,314	48,580	112,692	42,463	45,664
Debt service										
Principal	5,977	8,656	4,936	4,290	11,744	3,536	33,157	7,463	3,985	29,560
Interest and fiscal charges	2,986	2,753	2,348	2,020	2,153	2,424	5,240	7,136	7,834	7,855
<b>Total expenditures</b>	<b>148,123</b>	<b>151,455</b>	<b>167,110</b>	<b>169,405</b>	<b>221,493</b>	<b>191,558</b>	<b>232,112</b>	<b>284,027</b>	<b>227,100</b>	<b>268,646</b>

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Other financing sources (uses)</b>										
Transfers in	23,737	18,271	13,689	23,064	12,332	15,189	44,309	89,078	34,994	46,437
Transfers out	(23,602)	(18,805)	(14,175)	(21,507)	(15,005)	(11,313)	(42,435)	(88,052)	(34,457)	(45,211)
Operating transfers out to component unit	22	-	-	-	-	-	-	-	-	-
Proceeds from long term debt	4,793	209	84	120	39,550	10,018	107,567	6,700	13,983	713
Refunding bonds issued	-	-	-	-	-	13,185	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	(13,065)	-	-	-	-
Sale of capital assets	604	1,065	509	182	620	24,545	63	3,349	157	13
<b>Total other financing sources (uses)</b>	<b>5,554</b>	<b>740</b>	<b>107</b>	<b>1,859</b>	<b>37,497</b>	<b>38,559</b>	<b>109,504</b>	<b>11,075</b>	<b>14,677</b>	<b>1,952</b>
<b>Residual equity transfers</b>	<b>(807)</b>	<b>(400)</b>	<b>(1,030)</b>	<b>(939)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>9,111</b>	<b>17,264</b>	<b>12,629</b>	<b>5,731</b>	<b>(24,535)</b>	<b>12,261</b>	<b>54,563</b>	<b>(77,108)</b>	<b>14,513</b>	<b>(11,161)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>8.52%</b>	<b>9.21%</b>	<b>5.83%</b>	<b>4.05%</b>	<b>9.80%</b>	<b>3.97%</b>	<b>20.92%</b>	<b>8.52%</b>	<b>6.40%</b>	<b>16.78%</b>

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

Table 6

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE <sup>(A)</sup>**

**Last Ten Fiscal Years**

(dollars in thousands)

<b>Fiscal Year</b>	<b>Total Taxes</b>	<b>General Property Taxes</b>	<b>General Sales Taxes</b>	<b>Utility Taxes</b>	<b>Business and Occupation Taxes</b>	<b>Other Taxes and Assessment <sup>(B)</sup></b>	<b>Memo Only Hotel/Motel Tax <sup>(C)</sup></b>
1998	\$99,360	\$24,270	\$37,822	\$12,825	\$15,572	\$8,871	\$3,984
1999	108,231	24,822	41,000	15,236	17,006	10,167	4,340
2000	116,769	25,674	44,532	16,661	20,392	9,510	4,640
2001	111,387	26,599	40,313	18,135	19,132	7,208	4,226
2002	108,209	27,164	38,874	18,069	17,190	6,912	3,762
2003	111,426	27,481	39,051	17,287	18,750	8,857	3,850
2004	120,041	27,914	40,218	18,364	21,612	11,933	3,916
2005	129,231	27,157	45,300	19,452	23,427	13,895	4,299
2006	142,800	27,672	48,946	21,356	31,606	13,220	5,839
2007	169,923	31,075	56,776	22,912	31,662	27,498	6,647

<sup>(A)</sup> All amounts are reported on the modified - accrual basis

<sup>(B)</sup> Includes miscellaneous tax revenues and special assessments.

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

**Table 7**

**TAXABLE SALES BY CATEGORY**  
**Last Ten Fiscal Years**  
**(dollars in thousands)**

	Year									
	1998	1999	2000	2001	2002	2003	2004	2005 (B)	2006	2007
Contracting	\$458,836	\$612,256	\$729,870	\$528,938	\$452,654	\$419,611	\$525,419	\$729,303	\$860,690	\$1,296,795
Manufacturing	51,089	57,632	64,294	66,712	56,223	47,115	53,312	62,885	64,765	86,303
Transp / Communication / Utilities	133,881	178,412	200,952	202,648	203,069	177,246	167,333	194,851	199,868	214,878
Finance/Insurance/ Real Estate	111,517	119,523	124,102	132,147	147,971	107,422	97,437	160,305	176,983	174,893
Wholesale Trade	397,151	420,219	387,493	330,119	296,915	267,431	307,256	342,940	331,433	394,954
Retail - Building Materials	106,469	121,668	126,049	123,614	121,370	118,540	129,355	125,398	134,002	137,004
Retail - General Merchandise	177,398	172,976	174,533	171,822	157,805	172,575	181,597	196,058	206,931	206,399
Retail - Food	119,163	116,215	119,386	120,665	123,013	97,775	94,982	62,765	71,979	75,024
Retail - Automotive	605,957	646,465	735,329	677,707	695,179	817,745	783,160	861,607	920,511	970,929
Retail - Apparel	280,433	278,547	276,693	259,129	265,228	295,520	322,956	402,790	443,022	483,921
Retail - Furniture & Accessories	443,302	531,180	549,796	419,119	383,703	415,293	437,142	430,400	445,270	442,037
Retail - Restaurants	157,134	172,781	188,691	190,099	212,697	222,758	235,850	251,313	291,529	313,354
Retail - Miscellaneous	312,807	338,546	351,238	342,339	337,706	333,306	345,375	327,865	383,313	392,523
Services - Hotels	103,691	106,820	116,160	101,516	92,230	93,888	93,049	95,563	101,144	122,550
Services - Business	241,796	258,360	256,659	220,840	198,863	200,553	165,596	300,434	321,741	440,246
Services - Other	222,456	243,488	284,368	293,049	295,172	260,714	270,128	204,934	223,293	248,588
All Other Categories	28,192	32,197	38,680	37,030	34,703	37,684	42,157	1,036	1,660	1,320
<b>Total sales</b>	<b>\$3,951,271</b>	<b>\$4,407,286</b>	<b>\$4,724,293</b>	<b>\$4,217,494</b>	<b>\$4,074,500</b>	<b>\$4,085,175</b>	<b>\$4,252,106</b>	<b>\$4,750,445</b>	<b>\$5,178,133</b>	<b>\$6,001,718</b>

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.

**Table 8**  
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**SALES TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS**  
**Last Ten Fiscal Years**

(dollars in thousands)

	Year									
	1998	1999	2000	2001 (A)	2002	2003	2004	2005	2006	2007
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 <sup>(C)</sup>	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
Transit - King County (METRO) <sup>(D)</sup>	0.600%	0.600%	0.600%	0.800%	0.800%	0.800%	0.800%	0.800%	0.800%	0.900%
Criminal Justice tax (0.10% total) <sup>(B)</sup>										
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%
<b>Total Local Rate</b>	<b>1.700%</b>	<b>1.700%</b>	<b>1.700%</b>	<b>1.900%</b>	<b>1.900%</b>	<b>1.900%</b>	<b>1.900%</b>	<b>1.900%</b>	<b>1.900%</b>	<b>2.000%</b>
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%
<b>Total City of Bellevue portion</b>	<b>0.931%</b>	<b>0.931%</b>	<b>0.931%</b>	<b>0.931%</b>	<b>0.931%</b>	<b>0.931%</b>	<b>0.931%</b>	<b>0.931%</b>	<b>0.931%</b>	<b>0.931%</b>
King County portion	0.769%	0.769%	0.769%	0.969%	0.969%	0.969%	0.969%	0.969%	0.969%	1.069%
State of Washington	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
Sound Transit (RTA)	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%
<b>Total Sales tax rate</b>	<b>8.600%</b>	<b>8.600%</b>	<b>8.600%</b>	<b>8.800%</b>	<b>8.800%</b>	<b>8.800%</b>	<b>8.800%</b>	<b>8.800%</b>	<b>8.800%</b>	<b>8.900%</b>

**Table 8**

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- (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 2006, the City's population was **118,100**, and the County's population was **1,861,300**. Bellevue represented 6.345% of the total population of King county and as such would receive .006 percent of this tax.
- (C) Under Bellevue City Code 4.12.025 and RCW 82.14.030, the City may, at the discretion of the city council, impose an additional sales tax up to one half of one percent (0.5%). The City collects the maximum amount allowed of this tax.
- (D) In 2006, voters approved a .10% sales tax increase for the *Transit Now!* Transportation package to benefit the expansion of the county's bus service. The tax is effective beginning in 2007.

**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
1998	\$12,536,824	\$847,575	\$325,149	\$117,174	\$762,820	\$12,855,756	\$2.07
1999	13,821,754	785,771	438,788	101,062	835,717	14,109,534	1.83
2000	16,279,942	904,616	482,035	100,780	954,578	16,611,235	1.71
2001	18,431,872	912,648	420,238	102,479	1,126,643	18,535,636	1.48
2002	19,191,297	1,122,574	437,046	108,794	1,152,622	19,489,501	1.39
2003	19,947,485	957,967	367,378	110,834	1,236,002	19,925,994	1.35
2004	20,794,647	1,082,560	414,532	119,487	1,315,220	20,857,032	1.34
2005	22,643,266	1,034,980	383,509	116,021	1,421,898	22,523,836	1.23
2006	25,197,266	988,691	496,028	123,540	1,628,843	24,929,602	1.16
2007	29,767,156	121,502	596,988	124,953	1,931,094	31,398,247	1.09

\* 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 \$1000 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						
1998	\$1.75	\$0.32	\$2.07	\$3.28	\$1.85	\$3.51	\$0.26	\$0.60	\$11.57
1999	1.59	0.24	1.83	2.99	1.77	3.36	0.24	0.88	11.07
2000	1.50	0.21	1.71	2.72	1.69	3.30	0.22	0.86	10.50
2001	1.34	0.14	1.48	2.32	1.55	3.15	0.19	0.81	9.50
2002	1.26	0.13	1.39	2.14	1.45	2.99	0.19	0.78	8.94
2003	1.22	0.13	1.35	2.23	1.35	2.90	0.26	0.79	8.88
2004	1.21	0.13	1.34	2.16	1.43	2.76	0.25	0.78	8.72
2005	1.16	0.07	1.23	1.89	1.38	2.70	0.25	0.76	8.21
2006	1.10	0.06	1.16	2.09	1.33	2.50	0.23	0.75	8.06
2007	1.04	0.05	1.09	2.09	1.29	2.33	0.23	0.71	7.74

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	2007		1998		
			2007 Assessed Valuation (In Millions)	Percentage of Total Assessed Valuation <sup>(A)</sup>	1998 Assessed Rank	1998 Assessed Valuation (In Millions)	Percentage of Total Assessed Valuation <sup>(A)</sup>
1	Archon Group LP	Property Management	\$407.06	1.30%	(B)	-	0.00%
2	Bellevue Square Managers Inc formerly North Coast Mortgage	Land management	383.98	1.22%	2	196.00	1.44%
3	The Boeing Company	Aerospace	381.69	1.22%	1	343.00	2.51%
4	Bellevue Place	Property management	233.11	0.74%	6	140.00	1.03%
5	Puget Sound Energy	Utility Services	195.64	0.62%	5	146.00	1.07%
6	City Center Bellevue Development formerly Property Tax Department	Property management	187.63	0.60%	(B)	-	0.00%
7	Three Bellevue Center LLC	Property management	134.19	0.43%	(B)	-	0.00%
8	Sterling Realty Org.	Property Management	107.40	0.34%	10	31.00	0.23%
9	Plaza Center Property LLC	Property management	102.38	0.33%	(B)	-	0.00%
10	Essex Property Trust	Property management	98.92	0.32%	(B)	-	0.00%
(B)	Spieker Properties	Property management	(B)	0.00%	3	177.00	1.30%
(B)	EOP Northwest Properties	Property management	(B)	0.00%	4	148.00	1.08%
(B)	Qwest	Telecommunications	(B)	0.00%	7	131.00	0.96%
(B)	Northwest Mutual Life Insurance	Insurance	(B)	0.00%	8	98.00	0.72%
(B)	Safeway Stores, Inc.	Regional food distribution	(B)	0.00%	9	79.00	0.58%
			<b>\$2,232.00</b>	<b>7.11%</b>		<b>\$1,489.00</b>	<b>10.91%</b>

(A) 2007 assessed valuations for 2008 tax collection. Total 2007 assessed valuation, in millions, is \$ 31,396, 1998 assessed valuation, \$ 13,652

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

Source: King County Assessor's office



Table 12

**PROPERTY TAX LEVIES AND COLLECTIONS**

**Last Ten Fiscal Years**

(dollars in thousands)

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Collected within the Fiscal Year of the levy</b>		<b>Collected in subsequent year</b>	<b>Total Collections to date</b>	
		<b>Amount</b>	<b>Percentage</b>		<b>Amount</b>	<b>Taxes</b>
1998	\$25,180	\$24,527	97.41%	\$652	\$25,178	99.99%
1999	24,913	24,445	98.12	468	24,913	100.00
2000	25,691	25,350	98.67	341	25,691	100.00
2001	26,817	26,295	98.05	519	26,814	99.99
2002	27,428	26,798	97.70	445	27,243	99.33
2003	27,815	27,223	97.87	438	27,661	99.45
2004	28,034	27,577	98.37	348	27,925	99.61
2005	27,354	26,885	98.29	290	27,175	99.35
2006	27,733	27,401	98.80	346	27,401	98.80
2007	29,044	28,631	98.58	-	28,631	98.58

Sources/notes:

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

Table 13

**RATIO OF OUSTANDING DEBT BY TYPE**

**Last Ten Fiscal Years**

(Dollars in thousands, except per capita)

Fiscal Year	Governmental Activities						Business Type Activities			Total primary government	Percentage of personal income	Per capita
	General obligation bonds	Special assessments	Conditional sales contracts	Leases	PWTF loans	Line of credit	General obligation bonds	Revenue bonds	PWTF loans			
1998	\$33,925	\$10,305	\$5,615	-	\$610	-	\$4,310	\$16,545	\$1,939	\$73,249	1.81%	\$693
1999	28,280	9,654	4,249	-	549	-	4,295	15,205	1,785	64,017	1.43%	603
2000	25,590	8,140	3,517	82	488	-	4,275	13,770	1,630	57,492	1.18%	523
2001	22,770	7,275	3,216	248	427	-	4,245	12,235	1,477	51,893	1.06%	465
2002	30,995	6,134	1,195	102	366	-	4,205	9,933	1,321	54,251	1.05%	464
2003	28,775	5,197	1,018	21	305	-	4,155	8,751	1,165	49,387	0.95%	424
2004	129,853	4,404	3,319	-	244	13,818	4,095	6,163	1,009	162,905	2.85%	1,398
2005	127,198	3,481	1,793	-	183	18,218	4,025	5,025	853	160,776	2.89%	1,392
2006	130,960	2,641	1,039	-	122	26,118	3,950	3,846	698	169,374	2.74%	1,448
2007	128,406	2,116	247	-	774	500	3,850	2,813	546	139,252	N/A <sup>(C)</sup>	1,179

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

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

<sup>(B)</sup> See Schedule of Demographic and Economic Statistics, Table 18, for personal income and population data.

<sup>(C)</sup> 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)

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less Debt Service Funds</b>	<b>Net Bonded Debt</b>	<b>Percentage of estimated actual taxable value of property(B)</b>	<b>Net Bonded Debt per Capita (A)</b>
1998	\$38,235	\$3,030	\$35,205	0.27%	\$333
1999	32,575	3,097	29,478	0.21	\$278
2000	29,865	3,102	26,763	0.16	\$244
2001	27,015	2,412	24,603	0.13	\$224
2002	35,200	2,699	32,501	0.17	\$278
2003	32,930	2,401	30,529	0.15	\$262
2004	132,895	2,505	130,390	0.63	\$1,119
2005	130,210	1,560	128,650	0.57	\$1,114
2006	133,901	1,610	132,291	0.53	\$1,131
2007	131,274	1,999	129,275	0.41	\$1,095

<sup>(A)</sup> See table 18 for population statistics.

<sup>(B)</sup> See table 9 for property value statistics.

Table 15

## COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2007

(dollars in thousands)

Jurisdiction	Gross General Obligation Debt Outstanding <sup>(A)</sup>	Percentage Applicable to Bellevue <sup>(B)</sup>	Amount Applicable to Bellevue
City of Bellevue	\$131,273	100.00%	\$131,273
School District #405	221,615	76.23%	168,937
King County	1,121,935	9.23%	103,555
Port of Seattle	397,835	9.23%	36,720
School District #403	223,885	2.75%	6,157
School District #414	294,585	1.16%	3,417
School District #411	282,875	11.84%	33,492
Hospital District #2	250,400	0.05%	125
Library District	74,330	15.11%	11,231
Issaquah Library Capital Facility Area	6,095	0.53%	32
Fire District #10	735	1.63%	12
Fire District #34-2	190	0.22%	-
Total other jurisdictions	2,874,480	12.65%	363,679
Total Direct and Overlapping Debt	\$ 3,005,753	16.47%	\$ 494,952

(A) Total general obligation bonds outstanding on December 31, 2007 exclusive of refunded bonds. Source: King County Department of Finance.

(B) Determined by ratio of 2008 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)

<u>Year</u>	<u>Debt Limit</u>	<u>Total net debt applicable to limit</u>	<u>Legal debt margin</u>	<u>Total net debt applicable to the limit as a percentage of debt limit</u>
1998	\$ 1,023,888	\$ 74,697	\$ 949,191	7.30%
1999	1,123,512	65,281	1,058,231	5.81%
2000	1,320,371	60,408	1,259,963	4.58%
2001	1,477,840	56,417	1,421,423	3.82%
2002	1,552,227	60,598	1,491,629	3.90%
2003	1,590,930	120,530	1,470,400	7.58%
2004	1,666,024	192,005	1,474,019	11.52%
2005	1,796,739	184,880	1,611,859	10.29%
2006	1,995,872	186,820	1,809,052	9.36%
2007	2,354,687	164,309	2,190,378	6.98%

**Table 16**  
Page 2 of 2

<b>Description</b>	<b>Councilmanic Debt (Non-Voted)</b>	<b>Voted Debt</b>	<b>General Purpose Indebtedness <sup>(B)</sup></b>	<b>Excess Levy Open Space and Park</b>	<b>Excess Levy Utility Purposes</b>	<b>Total Debt Capacity</b>
Assessed Value (A)	31,395,829	31,395,829	31,395,829	31,395,829	31,395,829	31,395,829
Statutory debt limit percentages:	1.50%	1.00%	2.50%	2.50%	2.50%	7.50%
<b>Debt limit</b>	<b>\$470,937</b>	<b>\$313,958</b>	<b>\$784,896</b>	<b>\$784,896</b>	<b>\$784,896</b>	<b>\$2,354,687</b>
Debt applicable to limit						
Bonds outstanding	129,859	158	130,017	1,257	-	131,274
Bonds authorized but not issued	14,230	-	14,230	-	-	14,230
Capital Lease BCCA -1991	7,969	-	7,969	-	-	7,969
Capital Lease BCCA -1994	12,213	-	12,213	-	-	12,213
Installment Sales Contracts	247	-	247	-	-	247
Less:						
Cash on hand for debt redemption <sup>(C)</sup>	-	121	121	1,483	-	1,604
Delinquent taxes <sup>(D)</sup>	-	2	2	18	-	20
Total Net Debt applicable to limit	164,518	35	164,553	(244)	-	164,309
<b>Remaining Debt Capacity</b>	<b>\$306,419</b>	<b>\$313,923</b>	<b>\$620,343</b>	<b>\$785,140</b>	<b>\$784,896</b>	<b>\$2,190,378</b>

<sup>(A)</sup>This figure represents the City's final assessed valuation for 2007 which will be used to determine the 2008 property tax levy.

<sup>(B)</sup>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.

<sup>(C)</sup>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 3-31-07.

<sup>(D)</sup>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 12/31/05.

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

Table 17

**PLEDGED-REVENUE COVERAGE**

**Last Ten Fiscal Years**  
(dollars in thousands)

Fiscal Year	Utility Revenue Bonds							Special Assessment Bonds				
	Gross Revenue (A)	Expenses (B)	Net Revenue available for debt service	Debt Service Requirements (C)			Coverage (D)	Special Assessment Collections	Debt Service			Coverage
				Principal	Interest	Total			Principal	Interest	Total	
1998	\$54,049	\$41,527	\$12,522	\$3,845	\$5,259	\$9,104	1.38	\$1,138	-	\$892	\$892	1.28
1999	56,359	42,711	13,648	3,442	5,277	8,719	1.57	1,104	125	892	1,017	1.09
2000	62,346	43,467	18,879	3,908	5,472	9,380	2.01	1,121	810	901	1,711	0.66
2001	60,919	46,129	14,790	3,412	5,647	9,059	1.63	796	905	848	1,753	0.45
2002	68,971	49,622	19,349	3,179	6,163	9,342	2.11	1,069	201	48	249	4.29
2003	73,169	54,181	18,988	3,104	5,919	9,023	2.10	973	205	36	241	4.04
2004	75,666	54,038	21,628	3,475	6,048	9,523	2.27	718	727	354	1,081	0.66
2005	81,465	57,256	24,209	3,022	6,257	9,279	2.61	870	706	302	1,008	0.86
2006	96,165	60,748	35,417	3,074	6,475	9,549	3.71	625	720	238	958	0.65
2007	99,495	68,970	30,525	2,721	6,349	9,070	3.37	718	484	170	654	1.10

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

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

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

(D) Net revenue available for debt service divided by total debt service requirements. The coverage factors for the individual enterprises in 2007 are: Water, 27.54 , Storm 9.49, Marina 0.75 and Bellevue Convention Center Authority, 0.21.

## DEMOGRAPHIC STATISTICS

## Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Personal Income	Personal Income	Median Age	Number of Households	Public School Enrollment	Number of Jobs	Unemployment Rate	CPI-U%
1998	105,700	38,241	4,042,074	38	46,000	15,391	121,000 <sup>A</sup>	2.2%	2.9%
1999	106,200	42,218	4,483,552	38	46,441	15,070	125,000	2.3%	3.0%
2000	109,827 <sup>B</sup>	44,429	4,879,504	38	46,990	15,260	131,000	2.6%	3.7%
2001	111,500	43,800	4,883,700	38	51,000	15,264	125,000	3.8%	3.6%
2002	117,000	44,250	5,177,250	38	51,956	15,362	130,000	4.7%	1.9%
2003	116,400	44,821	5,217,164	39	49,027 <sup>D</sup>	15,396	125,000	6.8%	1.6%
2004	116,500	49,118	5,722,247	39	49,119	15,718	125,000	5.4%	1.2%
2005	115,500	48,216	5,568,948	39	48,413	16,215	131,000	4.7%	2.8%
2006	117,000	52,655	6,160,635	39	49,426	16,461	132,000	4.2%	3.7%
2007	118,100	<sup>C</sup>	<sup>C</sup>	<sup>C</sup>	49,963	16,520	138,500	3.9%	3.9%

**Sources:**

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

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

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

<sup>C</sup> Data not available at time of publication

<sup>D</sup> 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

Rank	Employer	Type of Business	2007		1998		
			Employees	Percentage of Total City Employment	Rank <sup>(B)</sup>	Employees	Percentage of Total City Employment
1.	T-Mobile USA	Cellular Telephones	3,200	2.31%			0.00%
2.	Boeing Shared Services Group	Aviation	2,800	2.02%			0.00%
3.	Overlake Hospital Medical Center	Medical Hospital	2,200	1.59%			0.00%
4.	Bellevue School District	Education K-12	2,200	1.59%			0.00%
5.	Expedia Inc.	Online Travel	1,700	1.23%			0.00%
5.	City of Bellevue	Government	1,700	1.23%		1,100	0.93%
6.	Verizon Wireless	Cellular Telephones	1,500	1.08%			0.00%
7.	Microsoft Corp.	Technology	1,400	1.01%			0.00%
8.	Bellevue Community College	Higher Education	1,300	0.94%			0.00%
9.	Safeway	Grocery Distribution	1,200	0.87%			0.00%
9.	Nordstrom	Clothing	1,100	0.79%			0.00%
10.	Puget Sound Energy	Utility Services	1,100	0.79%			0.00%
			21,400	15.45%		1,100	0.93%

Source: Planning and Community Development office

(A) Number of jobs data was provided by City of Bellevue Department of Planning and Community Development  
 Number of jobs for 2007 and 1998 were 138500 and 118000 respectively.

(B) Data for 1998 was primarily unavailable and as a result, no ranking is applied. For those employers where data was available, employee counts were provided.

Table 20

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

**Last Ten Fiscal Years**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government	280	309	313	319	319	321	327	322	327	348.51
Public Safety										
Police										
Officers	166	166	166	174	173	176	174	170	173	175.00
Civilians	93	94	94	102	103	100	97	100	93	92.71
Fire										
Firefighters and officers	173	172	177	178	185	194	198	198	198	207.00
Civilians	18	21	21	20	21	26	21	21	24	27.60
Transportation	148	130	135	136	136	132	130	127	129	129.36
Culture and recreation	129	148	174	177	178	176	173	172	180	163.27
Water	58	59	60	60	60	58	63	63	61	61.56
Sewer	35	35	35	35	36	37	39	38	41	41.00
Storm drainage	44	44	44	45	45	44	44	44	45	45.00
<b>Total</b>	<u>1,143</u>	<u>1,177</u>	<u>1,218</u>	<u>1,245</u>	<u>1,255</u>	<u>1,263</u>	<u>1,265</u>	<u>1,254</u>	<u>1,269.28</u>	<u>1,291.01</u>

Source: City of Bellevue Budget Office

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

**Table 21**  
Page 1 of 3

**OPERATING INDICATORS BY FUNCTION**

**Last Ten Fiscal Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Function:</b>										
Public Safety/Judicial:										
Police:										
Offenses:										
Rape	30	15	17	21	26	28	38	29	42	29
Robbery	62	42	60	59	48	66	75	49	71	61
Homicide	1	-	-	-	-	-	-	2	3	-
Assault	773	787	756	830	758	850	693	420	570	528
Auto Theft	356	440	502	539	545	588	608	567	476	446
Burglary	490	504	470	535	605	518	680	595	591	583
Larceny	3,562	3,579	3,397	3,431	3,348	3,213	3,570	3,503	3,178	3,152
Citations										
Traffic	28,928	29,717	32,399	28,760	28,070	30,314	23,129	24,370	22,088	20,814
Criminal	3,631	3,002	2,661	2,919	2,687	2,863	2,335	2,033	2,383	2,533
Judicial System:										
Handled by District Court	32,559	32,719	35,060	31,679	30,757	33,177	25,464	26,403	24,471	23,347
Fire:										
First Response:										
Buildings	115	184	171	177	175	182	162	135	123	110
Non-Buildings	345	330	325	305	272	533	242	257	300	237
Service	544	543	346	549	460	519	503	418	506	450
False Alarm	1,549	1,069	980	1,863	1,567	1,420	1,476	1,466	1,682	1,446
Other	964	823	818	1,075	1,011	2,629	1,053	892	1,671	1,078
Medic 1 Responses:										
First Aid	11,728	7,212	7,571	12,357	11,668	11,797	12,218	12,381	14,002	13,525
Runs/Week	226	139	146	238	224	227	235	238	269	260

**Table 21**  
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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Function:</b>										
Transportation:										
Area of roadway repaired (sq. ft)	24,508	28,251	21,314	27,087	28,196	4,008	8,295	7,461	10,631	16,330
Miles of streets swept	7,616	6,613	4,992	5,988	5,599	5,214	5,532	4,746	4,685	5,098
Area of sidewalk repaired (sq ft)	10,901	6,744	6,806	8,209	10,708	7,280	10,225	5,821	4,497	5,222
Physical/Economic environment:										
Building permits issued	9,771	10,619	10,639	9,610	10,047	10,404	11,472	12,395	13,673	13,707
Estimated value (In Millions \$)	350	466	330	427	193	190	255	346	761	831
Culture and recreation										
Number of rounds of golf played	87,532	80,001	83,904	83,415	81,444	76,237	73,059	69,625	61,043	75,913
Vists to recreation centers for youth programs <sup>(A)</sup>	431,870	396,904	390,196	550,270	664,404	605,312	N/A	N/A	N/A	N/A
Water utility:										
Water Consumption (in CCF)	6,800	6,844	6,859	6,545	6,581	6,962	7,242	6,814	7,293	6,852
Number of customers:										
Residential	29,459	29,790	30,065	30,237	30,332	30,460	33,912	34,210	34,286	34,440
Multi-Residential	542	545	545	554	558	561	658	657	659	651
Commercial	1,992	2,001	2,014	2,012	2,025	2,029	2,264	2,191	2,110	2,101
Total Number of customers	31,993	32,336	32,624	32,803	32,915	33,050	36,834	37,058	37,055	37,192
Water consumption peak in a day (millions of gallons)	33	28	30	24	27	34	35	31	33	32
Water consumption peak in a month (millions of gallons)	808	687	768	632	741	888	860	811	830	724
Sewer Utility:										
Sewer Consumption (in CCF)	5,332	5,530	5,311	5,253	5,062	5,030	5,256	5,272	5,362	5,401
Number of customers:										
Residential	29,067	29,389	29,726	29,954	30,069	30,242	32,764	32,874	33,710	33,865
Multi-Residential	562	564	566	576	578	582	660	655	653	648
Commercial	1,691	1,698	1,684	1,693	1,693	1,690	1,795	1,806	1,721	1,725
Total Number of customers	31,320	31,651	31,976	32,223	32,340	32,514	35,219	35,335	36,084	36,238

**Table 21**  
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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Function:</b>										
Storm Drainage utility:										
Number of customers:										
Residential	26,256	26,462	26,742	27,753	27,838	27,875	27,903	27,931	28,000	28,064
Multi-Residential	475	476	479	497	498	503	535	530	531	525
Commercial	1,827	1,835	1,831	1,855	1,867	1,864	1,975	1,984	1,974	1,960
Total Number of customers	28,558	28,773	29,052	30,105	30,203	30,242	30,413	30,445	30,505	30,549

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

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

**Table 22**  
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**CAPITAL ASSETS BY FUNCTION**

**Last Ten Fiscal Years**

<b>Function</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Public Safety:</b>										
<b>Police</b>										
Traffic/Patrol units	28	36	48	56	63	70	69	73	76	78
<b>Fire</b>										
Fire Stations	9	9	9	9	9	9	9	9	9	9
Fire apparatus	23	23	25	26	25	29	27	28	28	23
Fire aid units	10	10	13	13	10	10	10	10	12	18
<b>Transportation:</b>										
Paved streets (miles)	366	372	374	384	384	396	389	388	389	390
Sidewalks (miles)	280	285	288	297	303	308	308	319	333	334
Traffic Signals	158	160	161	166	173	173	173	177	179	180
Streetlights owned by City of Bellevue	2,395	2,574	2,574	2,584	2,685	2,734	2,810	2,926	2,982	3,026
Streetlights owned by Puget Sound Energy	4,165	4,170	4,192	4,448	4,504	4,562	4,644	5,148	4,655	4,835
<b>Culture and Recreation/Marina:</b>										
Parks acreage	1,711	1,711	1,711	1,711	2,009	2,104	2,119	2,600	2,612	2,657
Parks	63	63	72	74	76	77	77	77	77	77
Maintained Trails (miles)	40	40	50	54	57	60	64	69	74	97
Playgrounds	35	36	36	36	44	45	45	45	45	45
Tennis Courts/Centers	34	36	36	36	35	39	39	39	39	39
Sports fields	30	32	32	32	32	32	32	32	32	32
Sports courts	20	20	20	20	23	27	27	27	27	27
Swimming beaches/pools	6	7	7	7	7	7	7	7	7	7
Vistor/Interpretive Centers	2	2	2	2	2	2	2	3	3	3
Community Centers/Recreation facilities	4	4	4	4	4	4	4	5	5	5

**Table 22**  
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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Golf Courses	2	2	2	2	2	2	2	2	2	2
Marinas/Boat launches	-	-	2	2	2	2	2	2	2	2
Water:										
Water mains (miles)	583	588	555	560	563	616	617	618	617	617
Vehicles	19	22	27	31	32	42	42	43	43	43
Sewer:										
Sanitary sewers (miles)	482	487	485	486	488	520	520	520	520	521
Vehicles	24	24	27	32	33	36	40	43	35	37
Storm Drainage										
Vehicles	13	13	15	20	22	24	25	26	27	27

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

